

**AFRICAN MEDICAL AND RESEARCH
FOUNDATION
(A Company Limited by Guarantee)**

**ANNUAL
FINANCIAL STATEMENTS**

30 SEPTEMBER 2011

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

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AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)

DIRECTORS, OFFICERS AND ADMINISTRATION
FOR THE YEAR ENDED 30 SEPTEMBER 2011

DIRECTORS

Dr. Pascoal Mocumbi - Chair
Prof M. S Abdullah
Mr. Anthony Durrant
Ms. Marry de Gaay Fortman
Lady Sue Woodford Hollick
Dr. Stephen Joseph
Dr. Noerine Kaleeba
Mrs. Muthoni Kuria
Prof. Souleymane Mboup
Prof. Keith Mc Adam
Prof. Mutuma Mugambi
Ms. Mwikali Muthiani
Mr. Joseph Pegues
Mr. Mario Raffaelli
Prof. Laetitia Rispel

MANAGEMENT

Dr. Teguest Guerma - Director General
Ms. Jenny Panow - Chief Operations Officer
Dr. Peter Ngatia - Theme Director, Capacity Building
Mrs. Nancy Muriuki - Director of Human Resources
Ms. Mette Kjaer - Programme Manager
Dr. Lennie Kyomuhangi - Kenya Country Director
Dr. Festus Ilako - Tanzania Country Director
Mr. Joshua Kyallo - Uganda Country Director
Dr. Joao Soares - Ethiopia Country Director
Ms. Penina Ochola - South Africa Country Director
Dr. Alemyehu Seifu - South Sudan Country Director
Dr. Mor Ngom - Programme Coordinator West Africa

COMPANY SECRETARY

Chunga Associates
Certified Public Secretaries
The Rahimtulla Tower
Upperhill Road
P. O. Box 43963
00100 Nairobi

AUDITORS

Deloitte & Touche
Deloitte Place, Waiyaki Way, Muthangari
P.O. Box 40092
00100 NAIROBI
Kenya

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)

DIRECTORS, OFFICERS AND ADMINISTRATION (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

REGISTERED OFFICE

Wilson Airport
Langata Road
P.O. Box 27691
00506 NAIROBI

LAWYERS

Kaplan & Stratton Advocates
9th Floor, Williamson House
4th Ngong Avenue
P.O. Box 40111
00100 NAIROBI

BANKERS

Barclays Bank PLC, London, UK
Citibank N.A., Nairobi, KENYA
Barclays Bank of Kenya Limited, Nairobi, KENYA
National Bank of Kenya Limited, Nairobi, KENYA
Ecobank, Nairobi KENYA
National Bank of Commerce Limited, Dar-es-Salaam, TANZANIA
Standard Chartered Bank Tanzania Limited, Dar-es-Salaam, TANZANIA
Barclays Bank of Uganda Limited, Kampala, UGANDA
Nedbank, Pretoria, SOUTH AFRICA
Commercial Bank of Ethiopia, Addis Ababa, ETHIOPIA
Stanbic Bank Uganda, Kampala, UGANDA
Ecobank, Dakar, SENEGAL

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

The Directors have the pleasure of submitting their report together with the audited financial statements for the year ended 30 September 2011, which disclose the state of the Foundation's affairs.

1. OBJECTIVES OF THE FOUNDATION

The African Medical and Research Foundation (AMREF) is committed to improving health and health care in Africa. We aim to ensure that every African can enjoy the right to good health by helping to create vibrant networks of informed and empowered communities and health care providers working together in strong health systems.

This mission is to be achieved by developing, testing and promoting the adoption of appropriate models for improving health; contributing to capacity development at all levels and contributing to the development of an enabling environment for health improvement.

AMREF works with communities to implement projects, learns from its activities and uses its knowledge to influence others.

2. PRINCIPAL ACTIVITIES

The principal activities of the Foundation, to achieve the above stated objectives include; improving community health, capacity building through training and outreach, and advocating for changes to improve the health and well-being of poor people in Africa.

3. INCORPORATION

The Foundation is incorporated in Kenya as a company limited by guarantee under the Companies Act and is domiciled in Kenya.

4. RESULTS

The results for the year are set out on page 7.

5. DIRECTORS

The current directors are set out on page 1. The main changes during the year were additions to the Board to include: Mr. Mario Raffaelli, appointed March 2011 and Prof. M S. Abdullah, appointed March 2011. Directors retiring from the Board include: Mr Scott Griffin, retired March 2011 and Dr. Paul Zuckerman, retired Oct 2010.

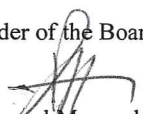
6. AUDITORS

Deloitte & Touche have expressed their willingness to continue in office in accordance with section 159(2) of the Companies Act (Cap 486).

7. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved at a meeting of the Directors held on 2 March 2012.

By Order of the Board


Dr. Pascoal Mocumbi
Chair AMREF Board of Directors

2 March 2012

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

The Kenya Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenya Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

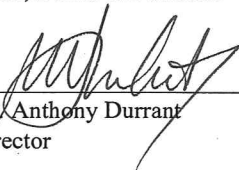
Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the company, as indicated above, were approved by the Board of Directors on 2 March 2012 and are signed on their behalf by:



Dr. Pascoal Mocumbi
Chair, Board of Directors



Mr. Anthony Durrant
Director

2 March 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
AFRICAN MEDICAL AND RESEARCH FOUNDATION (A Company Limited by Guarantee)

Report on the Financial Statements

We have audited the accompanying financial statements of African Medical and Research Foundation, set out on pages 7 to 24 which comprise the statement of financial position as at 30 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the company as at 30 September 2011 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
AFRICAN MEDICAL AND RESEARCH FOUNDATION (A Company Limited by Guarantee)

Report on Other Legal Requirements

As required by the Kenya Companies Act we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)

2 March 2012

Nairobi

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Note	2011 US\$ '000	2010 US\$ '000
INCOME			
Grants - restricted	2	57,304	61,915
Grants - unrestricted	2	2,971	1,996
Other income	3	4,854	3,439
Net Financing income	4	10	180
		<hr/>	<hr/>
TOTAL INCOME		65,139	67,530
EXPENDITURE			
Direct programme activity	5(a)	54,933	57,974
Programme monitoring and support	5(b)	4,210	4,039
Institutional development	5(c)	2,477	2,610
Administration	5 (d)	3,551	3,420
		<hr/>	<hr/>
TOTAL EXPENDITURE		65,171	68,043
		<hr/>	<hr/>
OPERATING DEFICIT FOR THE YEAR	6	(32)	(513)
		<hr/> <hr/>	<hr/> <hr/>

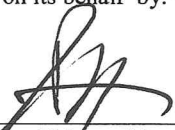
The notes set out on pages 11 to 24 form an integral part of these financial statements.

AFRICAN MEDICAL AND RESEARCH FOUNDATION
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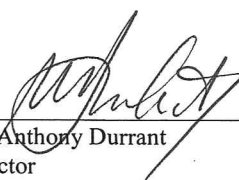
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011

ASSETS	Note	2011 US\$ '000	2010 US\$ '000
NON-CURRENT ASSETS			
Property and equipment	8	5,784	6,147
CURRENT ASSETS			
Inventories	9	592	619
Debtors and prepayments	10	2,553	2,728
Grants receivable	11(a)	18,741	22,986
Investments	12	1,057	1,155
Cash and cash equivalents	13	23,646	13,294
		46,589	40,782
TOTAL ASSETS		52,373	46,929
FUNDS AND LIABILITIES			
FUNDS			
Accumulated reserve		4,925	4,637
Aircraft replacement fund		1,092	872
Aircraft maintenance fund		174	169
Other asset reserve fund		5,784	6,147
TOTAL FUNDS		11,975	11,825
CURRENT LIABILITIES			
Unexpended grants	11(b)	34,225	30,369
Creditors and accruals	14	6,173	4,735
		40,398	35,104
TOTAL FUNDS AND LIABILITIES		52,373	46,929

The financial statements set out on pages 7 to 24 were approved by the Board of Directors on 2 March 2012 and signed on its behalf by: -



Dr. Pascoal Mocumbi
Chair, Board of Directors



Mr. Anthony Durrant
Director

The notes set out on pages 11 to 24 form an integral part of these financial statements

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)

STATEMENT OF CHANGES IN RESERVES AND FUNDS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Accumulated Reserve US\$ '000	Aircraft Replacement Fund US\$ '000	Aircraft Maintenance Fund US\$ '000	Accumulated Assets Reserve US\$ '000	Total US\$ '000
At 1 October 2009	4,785	652	116	6,441	11,994
Loss for the year	(513)	-	-	-	(513)
Provision for aircraft maintenance	(57)	-	57	-	-
Aircraft maintenance funds utilised during the year	-	-	(4)	-	(4)
Depreciation transfer	742	-	-	(742)	-
Aircraft depreciation	(220)	220	-	-	-
Additions to property and equipment	(101)	-	-	449	348
Disposal of property and equipment	1	-	-	(1)	-
At 30 September 2010	4,637	872	169	6,147	11,825
At 1 October 2010	4,637	872	169	6,147	11,825
Loss for the year	(32)	-	-	-	(32)
Provision for aircraft maintenance	(63)	-	63	-	-
Aircraft maintenance funds utilised during the year	-	-	(58)	-	(58)
Depreciation transfer	720	-	-	(720)	-
Aircraft depreciation	(220)	220	-	-	-
Additions to property and equipment	(117)	-	-	357	240
Disposal of property and equipment	-	-	-	-	-
At 30 September 2011	4,925	1,092	174	5,784	11,975

The aircraft replacement fund was created with the aim of investing at least the amount equivalent to the depreciation charged on the caravan aircraft each year to enable the Foundation to replace the aircraft when necessary. This also includes any other funds specifically received for future replacement of aircraft. These amounts are not distributable.

The aircraft maintenance fund was created to cover the estimated cost of the next major overhaul of aircraft on the basis of hours flown. These amounts are not distributable.

The accumulated asset reserve has been created to separate reserves that specifically relate to property and equipment and reflects the Net Book Value of the assets at the Statement of Financial Position date.

The notes set out on pages 11 to 24 form an integral part of these financial statements.

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Note	2011 US\$ '000	2010 US\$ '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(32)	(513)
Adjustments for:			
Loss/(gains) in fair value of investments		98	(57)
Net movement in the funds		182	344
Gain on disposal of property and equipment		(79)	-
Depreciation charge		720	742
Interest income		(108)	(123)
Operating surplus before working capital changes		781	393
Decrease in inventories		27	54
Decrease in debtors and prepayments		175	994
Net movement in grant receivable/unexpended grants		8,101	8,026
Increase/(decrease) in creditors and accruals		1,438	(3,823)
Cash flows from operating activities		10,522	5,644
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(357)	(449)
Proceeds on disposal of property and equipment		79	1
Interest received		108	123
Net cash used in investing activities		(170)	(325)
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,352	5,319
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		13,294	7,975
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	23,646	13,294

The notes set out on pages 11 to 24 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

1. SIGNIFICANT ACCOUNTING POLICIES.

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards. For purposes of Kenya Companies Act, the balance sheet is equivalent to the statement of financial position and the profit and loss account is presented as the statement of comprehensive income.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) Standards and interpretations affecting amounts reported in the current period (and/or prior periods)

Several new and revised standards and interpretations became effective during the year. The directors have evaluated the impact of these new standards and interpretations and none of them had a significant impact on the company's financial statements.

(ii) Standards and interpretations issued but not yet effective

At the date of authorization of these financial statements, several other new and revised standards and interpretations were in issue but not yet effective. The adoption of these standards and interpretations, when effective, is not expected to have a material impact on the financial statements of the company.

(iii) Early adoption

The company did not early adopt any new standards and/or interpretation that are in issue but not yet effective.

(a) Basis of accounting

The company prepares its financial statements under the historic cost basis of accounting. The principal accounting policies adopted are set out below:

b) Income recognition

- i. Restricted and unrestricted grant income is recognised when expenditure is incurred;
- ii. Air Ambulance recoveries are recognized in the year the service is provided;
- iii. Donations in kind are recognised in the financial statements at the amount attributed to by the donor, or in the absence of this, at their estimated present market value.

(c) Foreign currency transactions

Transactions in foreign currencies are converted to US dollars using the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated to US dollars using the exchange rates ruling at the balance sheet date. Resulting exchange gains and losses are recognized in the income and expenditure statement. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Recognition and measurement of financial instruments

Classification

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The financial instruments of the company mainly comprise:

Available for sale financial assets

These are investments in equity securities and government securities.

Originated loans and receivables

These are loans and receivables created by the company for providing money to a debtor. These include debtors, prepayments and grants receivable.

Financial liabilities

The Company has financial liabilities, which consist mainly of trade creditors and unexpended grants.

ii) Recognition

Available for sale financial assets, originated loans and receivables and financial liabilities are recognized on the day they are transferred to the company.

iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition, all non-trading financial liabilities and originated loans and receivables are measured at amortized cost less impairment losses. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Available for sale investments are measured at fair value based on quoted market prices.

iv) Derecognition

A financial asset is derecognized when the company loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognized when it is extinguished.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property and equipment

Assets donated to the company are included in the financial statements at the amount attributed to them by the donor. Property and equipment purchased for donor-funded health programmes are expensed in the year of purchase. All other property and equipment are capitalized.

Depreciation is calculated on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life as follows:

Buildings	2.5 % p.a
Aircraft: Hull	5.0 % p.a
Aircraft: Engine	25.0 % p.a
Motor vehicles, medical, surgical and radio equipment	25.0 % p.a
Furniture, fittings and general equipment	12.5 % p.a
Information technology hardware and software	33.3 % p.a

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method. Provision is made for obsolete and defective stocks.

g) Debtors and prepayments

Debtors and prepayments are stated at nominal value less write-down for any amounts expected to be irrecoverable.

h) Retirement benefit obligations

The company operates a defined contribution retirement benefit scheme for all its local employees. In respect of employees on international contract, the company contributes to individual retirement benefit schemes chosen by the staff concerned.

The company's contributions of 14% of basic pay to the defined contribution scheme and the individual retirement benefit schemes are charged to the income statement in the year to which they relate.

i) Aircraft replacement fund

The aircraft replacement fund was created with the aim of investing at least the amount equivalent to the depreciation charged on the caravan aircraft each year to enable the company to replace the aircraft when necessary. This also includes any other funds specifically received for future replacement of aircraft.

j) Aircraft maintenance fund

The aircraft maintenance fund was created to cover the estimated cost of the next major overhaul of aircraft on the basis of hours flown.

k) Accumulated assets reserve

The accumulated asset reserve has been created to reflect the monies spent on property and equipment and is adjusted through the accumulated reserve to reflect the movements in assets for additions, depreciations and disposals.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

m) Cash and cash equivalents

Cash and cash equivalents comprise bank balances, bank deposits and cash. Bank overdrafts are payable on demand and form an integral part of the cash management and are included as a component of cash and cash equivalents for the purposes of the statement of cash flow, where applicable.

(n) Comparatives

Where necessary comparative figures have been adjusted to conform to change in presentation in the current year.

n) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities within the next financial year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Equipment

Critical estimates are made by the Directors in determining depreciation rates of equipment.

Impairment

At each statement of financial position date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Provisions and contingent liabilities

The company reviews its obligations at each statement of financial position date to determine whether provisions need to be made and if there are any contingent liabilities.

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

2. GRANT FUNDS

	Restricted Funds 2011 US\$ '000	Unrestricted Funds 2011 US\$ '000	Total Funds 2011 US\$ '000	Restricted Funds 2010 US\$ '000	Unrestricted Funds 2010 US\$ '000	Total Funds 2010 US\$ '000
Grants receivable brought forward - (Note 11(a))	(22,986)	-	(22,986)	(22,712)	-	(22,712)
Unexpended grants brought forward - (Note 11(b))	29,985	384	30,369	21,052	1,017	22,069
Restatement of opening grants	1,077	(1,077)	-	561	(561)	-
Adjustments for grants to partners*	299	-	299	-	-	-
Net grant funds brought forward	8,375	(693)	7,682	(1,099)	456	(643)
Grants received during the year	64,367	3,344	67,711	71,388	2,272	73,660
Total grants available for operations	72,742	2,651	75,393	70,289	2,728	73,017
Add: Grants receivable - (Note 11 (a))	17,328	1,413	18,741	22,986	-	22,986
Less: Unexpended grants - (Note 11 (b))	(33,372)	(853)	(34,225)	(29,985)	(384)	(30,369)
Transfer to other accumulated assets reserve	-	(240)	(240)	-	(348)	(348)
Increase/(decrease) in advance to partner balances	606	-	606	(1,375)	-	(1,375)
Net grant income	57,304	2,971	60,275	61,915	1,996	63,911

* This adjustment relates to reclassification of grants in Tanzania.

AFRICAN MEDICAL AND RESEARCH FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	2011 US\$ '000	2010 US\$ '000
3. OTHER INCOME		
Income from air ambulance recoveries	851	780
Students fees	767	657
Medical services	1,983	1,132
Consultancy fees	68	122
Fundraising activities	46	24
Library charges	20	25
Miscellaneous income	1,119	699
	<u>4,854</u>	<u>3,439</u>
4. NET FINANCING INCOME		
(Decrease)/increase in fair value of investments	(98)	57
Interest income	108	123
	<u>10</u>	<u>180</u>
5. EXPENDITURE		
5.(a) Direct Programme Activity		
Personnel costs	23,336	24,160
Financial contributions	7,075	12,342
Transport	15,917	14,181
Project assets	4,747	3,904
Supplies & Services	8,952	7,779
Communications	1,575	1,239
Other Costs	3,365	3,936
Finance Costs	204	502
Less 5 (b), (c) & (d)	(10,238)	(10,069)
	<u>54,933</u>	<u>57,974</u>

5 (b) Programme monitoring and support

Programme monitoring and support expenditure amounting to US\$ 4,210 (2010: US\$ 4,039) includes costs relating to Programme Management, Programme Technical Leaders, Health Policy and Systems Research, Information Technology, Director General, Deputy Director General and country level support costs, except Finance, Administration, Human Resources and Communications and Fundraising expenses.

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

5. EXPENDITURE (Continued)

5 (c) Institutional Development

Institutional development expenditure amounting to US\$ 2,477 (2010: US\$ 2,610) includes costs relating to the Director General, Deputy Director General, Directorates of Communications, Fundraising and Human Resources and all country level costs relating to Communications, Fundraising and Human Resources.

5 (d) Administration

Administration expenditure amounting to US\$ 3,551 (2010: US\$ 3,420) includes costs relating to Corporate Governance, the Director General, Finance, Administration, Risk based Audit and all country level costs relating to Finance & Administration.

6. OPERATING DEFICIT

	2011 US\$ '000	2010 US\$ '000
The operating deficit is arrived at after charging/(crediting)		
Depreciation	720	742
Staff costs	18,379	18,110
Auditors' remuneration	68	68
Gain on disposal of property and equipment	79	-
The following items are included within staff costs: Retirement benefit costs- defined contribution plans	2,075	2,045
	<u>2,075</u>	<u>2,045</u>

7. RELATED PARTY TRANSACTIONS

a) Names and position of key management personnel

The names and position of the personnel in key management positions of AMREF during the year are as disclosed on page 1.

b) Key Management Compensation

	2011 US\$ '000	2010 US\$ '000
Short term employee benefits	2,790	2,804
Termination benefits	523	584
	<u>3,313</u>	<u>3,388</u>

c) Debtors balance due from National offices

	<u>128</u>	<u>141</u>
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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8. PROPERTY AND EQUIPMENT

	Land and buildings US\$ '000	Aircraft US\$ '000	Motor vehicles US\$ '000	Furniture, fittings & general equipment US\$ '000	Total US\$ '000
COST					
At 1 October 2009	4,610	3,605	1,015	3,254	12,484
Additions	36	-	212	201	449
Disposals	-	-	-	(2)	(2)
At 30 September 2010	4,646	3,605	1,227	3,453	12,931
At 1 October 2010	4,646	3,605	1,227	3,453	12,931
Additions	25	11	165	156	357
Disposals	(4)	(7)	(841)	(863)	(1,715)
At 30 September 2011	4,667	3,609	551	2,746	11,573
DEPRECIATION					
At 1 October 2009	1,479	1,006	841	2,717	6,043
Charge for the year	89	220	134	299	742
On disposals	-	-	-	(1)	(1)
At 30 September 2010	1,568	1,226	975	3,015	6,784
At 1 October 2010	1,568	1,226	975	3,015	6,784
Charge for the year	119	220	134	247	720
On disposals	(4)	(7)	(841)	(863)	(1,715)
At 30 September 2011	1,683	1,439	268	2,399	5,789
NET BOOK VALUE					
At 30 September 2011	2,984	2,170	283	347	5,784
At 30 September 2010	3,078	2,379	252	438	6,147

In the opinion of the Directors, there is no major impairment of property and equipment.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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	2011	2010
	US\$ '000	US\$ '000
9. INVENTORIES		
Aviation spare parts	311	303
Printed books and manuals	117	151
Sundry stocks	164	165
	<u>592</u>	<u>619</u>
10. DEBTORS AND PREPAYMENTS		
Trade receivables	2,553	2,419
National offices	128	141
Programme advances	116	466
Staff debtors	-	42
Others	243	95
	<u>3,040</u>	<u>3,163</u>
Provision for bad debts	(487)	(435)
	<u>2,553</u>	<u>2,728</u>
11. GRANTS RECEIVABLE/UNEXPENDED GRANTS		
(a) Grants receivable		
Restricted	17,328	22,986
Unrestricted	1,413	-
	<u>18,741</u>	<u>22,986</u>
At 30 September	<u>18,741</u>	<u>22,986</u>
Grants receivable represent expenditure incurred on projects for which there are commitments from donors for which a donation has not been received by the year-end.		
	2011	2010
	US\$ '000	US\$ '000
(b) Unexpended grants		
Restricted	33,372	29,985
Unrestricted	853	384
	<u>34,225</u>	<u>30,369</u>
At 30 September	<u>34,225</u>	<u>30,369</u>

Unexpended grants represent grants and donations received in advance of expenditure which remain un-utilized as at the balance sheet date.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

12. INVESTMENTS	2011 US\$ '000	2010 US\$ '000
Bank deposits	428	241
Kenya government debt securities	253	332
Commercial paper and corporate bonds	348	271
US government agencies	28	261
Equity	-	50
	<u>1,057</u>	<u>1,155</u>

The weighted average interest rate was 2.46 % (2.8% 2010).

13. CASH AND CASH EQUIVALENTS

Cash in bank and at hand	17,980	9,652
Short term bank deposits	5,666	3,642
	<u>23,646</u>	<u>13,294</u>

The weighted average interest rate on the term deposit was 2.56% (2010 8.07%).

14. CREDITORS AND ACCRUALS	2011 US\$ '000	2010 US\$ '000
Trade creditors	4,609	3,360
Accruals	1,564	1,375
	<u>6,173</u>	<u>4,735</u>

15. CONTINGENT LIABILITY

In the year 2005 a contractor made a claim against AMREF for breach of contract. The amount claimed is US\$ 2.2 million, of which US\$ 1.3 million relates to general damages. The Directors have consulted their legal experts who advise that general damages are not awardable for breach of contract and that the claim is exaggerated.

Although there can be no assurance, the Directors believe, based on the information currently available and legal advice obtained, that the claim can be successfully defended and therefore no provision has been made in the financial statements.

16. TAXATION

No taxation is provided for in these financial statements, as the Foundation is exempt from income taxation in Kenya in recognition of its charitable status under paragraph 10 of First Schedule of the Income Tax Act (Cap. 470).

AFRICAN MEDICAL AND RESEARCH FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

17. OPERATING LEASE		2011	2010
		US\$ 000	US\$ 000
	Operating lease rentals are payable as follows:		
	Tenancy:		
	Less than 1 year	54	125
	Between one and five years	175	365
		229	490
		229	490

18. FINANCIAL RISK MANAGEMENT

AMREF's principal financial instruments comprise receivables/debtors, cash and cash equivalents, investments, unexpended grants and creditors. These instruments arise directly from its operations.

The Foundation's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and equity/price risk), credit risk and liquidity risk. AMREF seeks to minimize the potential adverse effects of these financial risks. Risk management is carried out under policies approved by the Board of Directors.

MARKET RISK

Market risk is the risk that the value of an investment will decrease due to movement in market factors. Value may fluctuate due to changes in interest rates, foreign currency rates and equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable levels.

i) Interest rate risk

Interest rate risk is the risk borne due to changes in interest rates on borrowings and investments. There is no significant short-term exposure to changes in interest rates as cash and cash equivalents are held as cash in hand, on-demand deposits, or in short-term deposits with maturities of three months or less.

	< 1 year	1-3 years	Over	Totals
	US\$'000	US\$'000	3 years	US\$'000
			US\$'000	
Kenyan investments				
Bank deposits	51	-	-	51
Kenya government debt securities	23	186	44	253
US investments bank deposits	-	-	377	377
Commercial papers and corporate bonds	-	-	348	348
US Government agencies	-	-	28	28
	74	186	797	1,057
	74	186	797	1,057

Long term exposure relates to Government bonds held in the United States which are being renegotiated downwards from a 12% rate.

The Foundation does not have interest bearing borrowings and is therefore not significantly exposed to interest rate risk.

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18. FINANCIAL RISK MANAGEMENT (Continued)

ii) Foreign exchange rate risk

Foreign exchange rate risk is a form of risk that arises from the change in price of one currency against another. AMREF's policy with respect to transactions is to record in US Dollars at the rate in effect at the date of the transaction whatever the currency.

Risk arises where there is a significant fluctuation between the currency of the donor contracts signed and the currency of spend. Where there is a significant reduction in purchasing power AMREF limits spending by monitoring budgets in US \$ and reducing activities or if major enough by renegotiating contract ceilings with donors. During the current period there was no significant impairment based on transaction exchange rates.

AMREF's policy with respect to monetary assets and liabilities denominated in other currencies is to translate at the rate of exchange in effect at the balance sheet date. All gains or losses on changes in currency exchange rates are accounted for in the income statement. A translation loss gain of US\$.29 million has been recorded through the income statement and is predominantly caused by holdings in euro and pound sterling.

AMREF does not take speculative positions in foreign exchange contracts or any derivative financial instruments.

ii) Equity risk

AMREF holds no equity investment and therefore is not exposed to securities price risk.

CREDIT RISK

The table below represents the Foundation's maximum exposure to credit risk without taking account of the value of any collateral obtained as at the end of the reporting period.

	Fully performing US \$'000	Past due US \$'000	Impaired US \$'000	Total US \$'000
30 September 2011				
Debtors	3,040	-	(487)	2,553
Grants receivable	18,741	-	-	18,741
Investments	1,057	-	-	1,057
Cash	23,646	-	-	23,646
	<u>46,484</u>	<u>-</u>	<u>(487)</u>	<u>45,997</u>
30 September 2010				
Debtors	3,163	-	(435)	2,728
Grants receivable	22,986	-	-	22,986
Investments	1,155	-	-	1,155
Cash	13,294	-	-	13,294
	<u>40,598</u>	<u>-</u>	<u>(435)</u>	<u>40,163</u>

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18. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk is the loss due to a debtor's nonpayment of a loan or other line of credit. The largest concentrations of credit exposure within the Foundation arises from grants receivable, trade receivables, deposits held with service providers, prepayments, term deposits and cash and cash equivalents held with banks.

Grants receivable consists primarily of institutional donors with which AMREF has signed agreements and is in the process of requesting reimbursement.

The Foundation only places significant amounts of funds with recognized financial institutions with strong credit ratings and does not consider the credit risk exposure to be significant.

Trade receivables consist primarily of amounts invoiced by the Flying Doctor Emergency Services Unit and are current in nature and relate mainly to medical insurers. Where bad debts have been recognized they have been provided for as indicated in Note 10.

LIQUIDITY RISK

	1-12 months US \$'000	>12 months US \$'000	Total US \$'000
30 September 2011			
Creditors	6,173	-	6,173
Unexpended Grants	34,225	-	34,225
	<hr/>	<hr/>	<hr/>
	40,398	-	40,398
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
30 September 2010			
Creditors	4,735	-	4,735
Unexpended Grants	30,369	-	30,369
	<hr/>	<hr/>	<hr/>
	35,104	-	35,104
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Liquidity risk for AMREF consists of the risk that it will encounter difficulties in meeting its liabilities arising mainly from grant advances, creditors and staff.

Liquidity risk is minimized by maintaining sufficient funds as cash in hand, on-demand deposits or short-term deposits with maturities of three months or less to meet short-term liabilities. In addition, investments are all in liquid securities which can easily be sold to meet longer term cash flow needs.

18. FINANCIAL RISK MANAGEMENT (Continued)

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Foundation's processes, personnel, technology and infrastructure and from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management.

The Foundation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Foundation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

19. CURRENCY

The financial statements are presented in United States of America Dollars (US\$).