Giving life a hand

AMREF Financial Report 2008

www.amref.org

AMREF Better Health for Africa

CONTENTS

DIRECTORS, OFFICERS AND ADMINISTRATION FOR THE YEAR ENDED 30 SEPTEMBER 2008

DIRECTORS

Dr Pascoal Mocumbi	-	**Chair, appointed February 2008**
Mr Anthony Durrant		
Mr Scott Griffin		
Dr Thomas van der Heijden	-	**Resigned February 2008**
Lady Sue Woodford Hollick	-	**Joined October 2008**
Dr Stephen Joseph		
Dr Ulrich Laukamm-Josten		
Dr Noerine Kaleeba	-	**Joined October 2007**
Mr Iain Knapman		
Mrs Muthoni Kuria	-	**Joined October 2008**
Prof Adetokunbo O Lucas		
Prof Souleymane Mboup		
Dr Fatma Hafidh Mrisho	-	**Resigned December 2008**
Prof Mutuma Mugambi	-	**Joined February 2008**
Ms Mwikali Muthiani		
Mr Marc Odendall	-	**Resigned February 2008**
Prof Laetitia Rispel		
Dr Nizar Verjee		
Prof Miriam Were	-	**Chair, up to February 2008**
Dr Paul Zuckerman		

MANAGEMENT

Dr Michael Smalley	-	**Director General**
Dr Florence Musiime	-	**Deputy Director General**
Ms Jenny Panow	-	**Chief Operations Officer**
Dr Peter Ngatia	-	**Director of Capacity Building**
Dr Daraus Bukenya	-	**Director of Community Partnerships (Resigned March 2009)**
Dr Thomas Kibua	-	**Director of Health Policy & Research (Joined April 2008)**
Mr Stephen Andrews	-	**Director of International Fundraising (Joined January 2008)**
Dr John Nduba	-	**Director of Reproductive and Child Health**
Mrs Nancy Muriuki	-	**Director of Human Resources (Appointed June 2008)**
Ms Mette Kjaer	-	**Kenya Country Director**
Ms Blanche Pitt	-	**Tanzania Country Director (Appointed February 2008)**
Mr Joshua Kyallo	-	**Uganda Country Director**
Mr Joas Soares	-	**Ethiopia Country Director (Joined April 2008)**
Ms Carol GuguLethu Lembethe	-	**South Africa Country Director (Resigned January 2009)**

SECRETARY

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

AUDITORS

Ernst & Young
Kenya-Re Towers, Upperhill
Off Ragati Road
P.O. Box 44286
00100 NAIROBI

REGISTERED OFFICE

Wilson Airport
Langata Road
PO 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
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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 2008

The Directors have the pleasure of submitting their report together with the audited financial statements for the year ended 30 September 2008 which disclose the state of the company'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 heath 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 company 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 Directors who served since 1 October 2007 are set out on page 2.

6. AUDITORS

The auditors, Ernst and Young have indicated 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 6th March 2009.

By Order of the Board
Dr Pascoal Mocumbi
Chair AMREF Board of Directors

6th March 2009

STATEMENT OF DIRECTORS RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

The Company's Directors are responsible for the preparation and fair presentation of the financial statements, comprising of the balance sheet as at 30 September 2008, the income statement, statement of changes in reserves and funds and cash flow statement for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

The Directors responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are responsible in the circumstances.

The Directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the company, as indicated above, were approved by the Board of Directors on 6th March 2009 and are signed on their behalf by:

Dr Pascoal Mocumbi
Chair, Board of Directors
6th March 2009

Mr Anthony Durrant
Director

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS

We have audited the accompanying financial statements of African Medical and Research Foundation, as set out on pages 7 to 24 which comprise the income and expenditure statement, balance sheet of the company as at 30 September 2008, and cash flow statement 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 and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an independent opinion on the 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 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 depended on our professional 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 control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, 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 financial statements give a true and fair view of the state of the financial position of the company as at 30 September 2008 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan 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 balance sheet and income and expenditure statement are in agreement with the books of account.

Nairobi **2009**

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	2008 US$ '000	2007 US$ '000
INCOME			
Grants - restricted	2	62,098	51,66
Grants - unrestricted	2	3,169	794
Other income	3	3,711	3,530
Net Financing income	4	681	575
TOTAL INCOME		**69,659**	**56,561**
EXPENDITURE			
Direct programme activity		60,038	48,626
Programme monitoring and support	5(a)	2,748	2,334
Institutional development	5(b)	3,112	2,482
Administration	5 (c)	3,606	2,148
TOTAL EXPENDITURE		**69,504**	**55,590**
OPERATING SURPLUS FOR THE YEAR		155	971

The notes set out on pages 12 to 24 form an integral part of these financial statements.

BALANCE SHEET AS AT 30 SEPTEMBER 2008

	Note	2008 US$ '000	2007 US$ '000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	8	7,020	7,422
CURRENT ASSETS			
Inventories	9	703	612
Debtors and prepayments	10	3,523	2,598
Grants receivable	11(a)	22,921	16,304
Investments	12	1,035	1,001
Cash and cash equivalents	13	14,122	15,040
		42,304	35,555
TOTAL ASSETS		**49,324**	**42,977**
FUNDS AND LIABILITIES			
FUNDS (Page 10)			
Capital reserve		7,020	7,422
Accumulated reserve		5,115	4,561
Aircraft replacement reserve		467	250
Aircraft maintenance reserve		112	131
TOTAL FUNDS		**12,714**	**12,364**
CURRENT LIABILITIES	**Note**	**2008**	**2007**
Unexpended grants	11(b)	29,078	25,826
Creditors and accruals	14	7,532	4,787
		36,610	30,613
TOTAL FUNDS AND LIABILITIES		**49,324**	**42,977**

The financial statements set out on pages 7 to 24 were approved by the Board of Directors on 6th March 2009 and signed on its behalf by: -

Dr Pascoal Mocumbi	**Mr Anthony Durrant**
Chair, Board of Directors	**Director**

The notes set out on pages 12 to 24 form an integral part of these financial statements

STATEMENT OF CHANGES IN RESERVES AND FUNDS FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Capital Reserve US$ '000	Accumulated Reserve US$ '000	Aircraft Replacement Fund US$ '000	Aircraft Maintenance Fund US$ '000	Health Learning Material Fund US$ '000	Total US$ '000
30 September 2007						
At 1 October 2006	6,162	3,358	1,064	242	77	10,903
Surplus for the year	-	971	-	-	-	971
Transfer of Health Learning Materials Fund	-	77	-	-	(77)	-
Depreciation transfer	(882)	882	-	-	-	-
Maintenance provision of sold aircraft	-	174	-	(174)	-	-
Appropriations	-	(313)	250	63	-	-
Additions to property and equipment	2,533	(979)	(1,064)	-	-	490
Disposal of property and equipment	(391)	391	-	-	-	-
At 30 September 2007	7,422	4,561	250	131	-	12,364
30 September 2008						
At 1 October 2007	7,422	4,561	250	131	-	12,364
Surplus for the year	-	155	-	-	-	155
Depreciation transfer	(834)	834	-	-	-	-
Utilised During the year	-	-	-	(62)	-	(62)
Appropriations	-	(260)	217	43	-	-
Additions to property and equipment	432	(175)	-	-	-	257
At 30 September 2008	7,020	5,115	467	112	-	12,714

The notes set out on pages 12 to 24 form an integral part of these financial statements

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	US$ '000	US$' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		155	971
Adjustments for:			
Capital reserve		195	490
Gain on disposal of property and equipment		(11)	(745)
Depreciation charge		834	882
Interest income		(647)	(523)
Operating surplus before working capital changes		526	1,075
(Increase) in inventories		(91)	(97)
(Increase) in debtors and prepayments		(925)	(1,122)
Net movement in grant receivable/unexpended		(3,365)	(9,962)
(Increase) in fair value of investments		(34)	(52)
Increase in creditors and accruals		2,745	1,119
Cash flows from operating activities		(1,144)	(9,039)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(432)	(2,533)
Proceeds on disposal of property and equipment		11	1,136
Interest received		647	523
Net cash used in investing activities		226	(874)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(918)	(9,913)
CASH AND CASH EQUIVALENTS AT 1 OCTOBER 2007 AND 2006		15,040	24,953
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**13**	14,122	15,040

The notes set out on pages 12 to 24 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

1. SIGNIFICANT ACCOUNTING POLICIES.

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRSs).

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

a) Adoption of new and revised International Financial Reporting Standards (IFRS)

In 2007, new and revised accounting standards and interpretations became effective for the first time and have been adopted by the company where relevant to its operations. This only resulted in changes in presentation and disclosure as follows:

IFRS 7 Financial instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where necessary. These new disclosures are shown in note 18.

Standards, amendments and interpretations that have been issued and are not yet effective for the company's operations

The following amendments to standards and interpretations will be mandatory for the accounting periods beginning on or after 1 January 2009, but which the company has not early adopted, and is reviewing their relevance to its operations

- IFRS 2, Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective 1 January 2009)
- IFRS 3, Business Combinations (effective from 1 July 2009)
- IFRS 8, Operating Segments (effective from 1 January 2009)
- IAS 1, Presentation of Financial Statements amendment (effective from 1 January 2009)
- IAS 23 (revised) Borrowing Costs (effective 1 January 2009)
- IAS 27, Consolidated and Separate Financial Statements (effective 1 July 2009)
- IAS 32, Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)

The Directors anticipate that the adoption of these standards will have no material effect on the financial statements of the company.

b) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from the estimates.

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

c) Income recognition

i) Grant income is recognised when expenditure is incurred;

ii) Trust fund income is recognised on a receipts basis;

iii) Air Ambulance recoveries are recognized in the year the service is provided;

iV) Donations in kind are recognised in the financial statements at the amount attributed to the by the donor, or in the absence of this, at their estimated present market value.

d) 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.

e) Recognition and measurement of financial instruments

Ii) 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 re 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.

f) Property and equipment

Assets donated to the Foundation 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: Engine	25.0 % p.a
Aircraft: Hull	5.0 % 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

g) 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.

h) Debtors and prepayments

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

i) 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.

j) Capital reserve

The capital reserve has been created to reflect the amounts donated for and monies spent on property and equipment. The reserve is adjusted through the general reserve to reflect movements in property and equipment for acquisition, depreciation and disposals such that the capital reserve is equivalent to the net book amount of the property and equipment it represents.

k) 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.

l) Aircraft maintenance reserve

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

m) Health learning materials fund

The health learning materials (HLM) Fund is a deposit of proceeds in Kenya Shillings from the sale of certain printing equipment, the income of which has been set aside for production of health learning materials.

n) 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.

o) Impairment

The carrying value of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated and an impairment loss recognized in the income and expenditure account if the carrying amount exceeds its recoverable amount.

p) 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.

2. GRANT FUNDS

	Restricted Funds 2008 US$ '000	Unrestricted Funds 2008 US$ '000	Total Funds 2008 US$ '000	Total Funds 2007 US$ '000
Grants receivable (Note 11 (a))	(16,150)	(154)	(16,304)	(8,753)
Unexpended grants	22,855	2,971	25,826	28,237
Restatement of opening grants	990	(990)	-	-
Net grant funds brought forward	7,695	1,827	9,522	19,484
Grants received during the year	62,349	2,744	65,093	42,244
Total grants available for operations	**70,044**	**4,571**	**74,615**	**61,728**
Less:				
- Grants receivable (Note 11 (a))	22,695	226	22,921	16,304
- Unexpended grants (Note 11 (b))	(27,680)	(1,398)	(29,078)	(25,826)
- Advance to partners	(2,917)	-	(2,917)	740
Transfer to capital reserves	(44)	(230)	(274)	(490)
Net grant income	**62,098**	**3,169**	**65,267**	**52,456**

3. OTHER INCOME

	2008 US$ '000	**2007** US$ '000
Income from air ambulance recoveries	1,884	1,727
Miscellaneous income	1,827	1,803
	3,711	**3,530**

4. NET FINANCING INCOME

	2008 US$ '000	2007 US$ '000
Increase in fair value of investments	34	52
Interest income	647	523
	681	**575**

5. EXPENDITURE

(a) Programme monitoring and support expenditure includes costs relating to the Directorate of Programme Development, Information Technology, Director General, Deputy Director General and country level support costs, except Finance, Administration, Human Resources department costs and Communications and Fundraising expenses.

(b) Institutional development expenditure includes costs relating to the Director General, Deputy Director General, Directorate of Communications and Fundraising and Human Resources and all country level costs relating to Human Resources and Communication and Fundraising.

(c) Administration expenditure 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 SURPLUS

	2008 US$ '000	2007 US$ '000
The operating surplus is arrived at after charging/(crediting)		
Depreciation	834	882
Staff costs	16,264	12,585
Auditors' remuneration	36	32
Gain on disposal of property and equipment	11	745
The following items are included within staff costs:		
Termination benefits	-	60
Retirement benefit costs- defined contribution plans	1,847	1,412

The number of employees engaged at year end were 908 (2007-803).

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

	2008 US$ '000	2007 US$ '000
Short term employee benefits	2,581	1,607
Termination benefits	551	504
	3,132	2,111

8. PROPERTY AND EQUIPMENT

a) 30 September 2008

	Land and buildings US$ '000	Aircraft US$ '000	Motor vehicles US$ '000	Furniture, fittings& general equipment US$ '000	Tota US$ '000
COST OR VALUATION					
At 1 October 2007	4,561	3,605	916	2,942	12,024
Additions	47	-	127	258	432
Disposals	-	-	(21)	-	(21)
At 30 September 2008	4,608	3,605	1,022	3,200	12,435
DEPRECIATION					
At 1 October 2007	1,264	604	600	2,134	4,602
Charge for the year	131	217	164	322	834
On disposals	-	-	(21)	-	(21)
At 30 September 2008	1,395	821	743	2,456	5,415
NET BOOK VALUE					
At 30 September 2008	3,213	2,784	279	744	7,020

	Land and buildings US$ '000	Aircraft US$ '000	Motor vehicles US$ '000	Furniture, fittings& general equipment US$ '000	Tota US$ '000
b) 30 September 2007					
COST OR VALUATION					
At 1 October 2006	4,501	2,999	801	2,591	10,892
Additions	60	1,973	141	359	2,533
Disposals	-	(1,367)	(26)	(8)	(1,401)
At 30 September 2007	4,561	3,605	916	2,942	12,024
DEPRECIATION					
At 1 October 2006	1,138	1,338	466	1,788	4,730
Charge for the year	126	250	158	348	882
On disposals	-	(984)	(24)	(2)	(1,010)
At 30 September 2007	1,264	604	600	2,134	4,602
NET BOOK VALUE					
At 30 September 2007	3,297	3,001	316	808	7,422

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

9. INVENTORIES

	2008 US$ '000	2007 US$ '000
Aviation spare parts	315	271
Printed books and manuals	183	182
Sundry stocks	205	159
	703	612

10. DEBTORS AND PREPAYMENTS

	2008 US$ '000	2007 US$ '000
Trade receivables	2,662	1,821
National offices	17	44
Programme advances	562	447
Staff debtors	149	50
Others	438	442
Provision for bad debts	(305)	(206)
	3,523	2,598

11. GRANTS RECEIVABLE/UNEXPENDED

	2008 US$ '000	2007 US$ '000
(a) Grants receivable		
Restricted	22,695	16,150
Unrestricted	226	154
At 30 September	22,921	16,304

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.

	2008 US$ 000	2007 US$ 000
(b) Unexpended grants		
Restricted	27,680	22,855
Unrestricted	1,398	2,971
At 30 September	29,078	25,826

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

12. INVESTMENTS

	2008 US$ '000	2007 US$ '000
Bank deposits	282	289
Kenya government debt securities	295	228
Commercial paper and corporate bonds	293	274
US government agencies	40	60
Equity	125	150
	1,035	1,001

13. CASH AND CASH EQUIVALENTS

	2008 US$ '000	2007 US$ '000
Cash in bank and at hand	6,985	4,432
Short term bank deposits	7,137	10,608
	14,122	**15,040**

The weighted average interest rate on the term deposit was 4.07% (2007- 4.2%).

14. CREDITORS AND ACCRUALS

	2008 US$ 000	2007 US$ 000
Trade creditors	5,300	2,149
Accruals	2,232	2,638
	7,532	**4,787**

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).

17. OPERATING LEASE

	2008 US$ 000	2007 US$ 000
Operating lease rentals are payable as follows:		
Tenancy:		
Less than 1 year	46	2
Between one and five years	82	207
	128	**209**

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 Foudation'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 US$	1-3 years US$	Over 3 years US$	Totals US$
Kenyan Investments Bank Deposits	35,360			35,360
Kenya Government Debt securities	44,850	75,750	174,280	294,880
US Investments Bank deposits	246,700			246,700
Commercial papers and corporate bonds	292,800			292,800
US Government Agencies	40,500			40,500
Equity	125,000			125,000
TOTAL	**785,210**	**75,750**	**174,280**	**1,035,240**

Long term exposure relates to Government bonds held in the US 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.

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 of $ .58 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 is exposed to securities price risk because of investments measured at fair value through profit or loss.

The Directors are aware of the potential risks arising from the global credit crisis and are closely monitoring the investments to ensure that the risk is minimised. In the short term, the intention is to shift any investments from equity and have them placed in institutions that are considered to be less risky.

The Directors are of the opinion that, these investments are not material and are not significantly impaired. Value of equity holdings amounts to $ .125 million

CREDIT RISK

Credit risk is the loss due to a debtor's non payment of a loan or other line of credit. The largest concentrations of credit exposure within the company 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 company 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

Liquidity risk for AMREF consists of the risk that it will encounter difficulties in meeting its liabilities arising mainly from 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.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company'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 company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company'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$).

AMREF Headquarters
P0 Box 27691-00506 Nairobi, **Kenya**
Tel + 254 20 6993000
Fax + 254 20 609518
Email: info@amref.org

Website: www.amref.org