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

ANNUAL

FINANCIAL STATEMENTS

30 SEPTEMBER 2010

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

CONTENTS **PAGE**

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)
DIRECTORS, OFFICERS AND ADMINISTRATION
FOR THE YEAR ENDED 30 SEPTEMBER 2010

DIRECTORS

Dr. Pascoal Mocumbi	-	Chair
Ms. Marry de Gaay Fortman	-	Appointed March 2010
Mr. Anthony Durrant		
Mr. Scott Griffin		
Lady Sue Woodford Hollick		-
Dr. Stephen Joseph		
Dr. Ulrich Laukamm- Josten	-	Retired March 2010
Dr. Noerine Kaleeba	-	
Mrs. Muthoni Kuria	-	
Prof. Adetokunbo O Lucas	-	Retired March 2010
Prof. Souleymane Mboup		
Prof. Keith Mc Adam	-	Appointed March 2010
Prof. Mutuma Mugambi		
Ms. Mwikali Muthiani		
Mr. Joseph Pegues		
Prof. Laetitia Rispel		
Dr. Paul Zuckerman		

MANAGEMENT

Dr. Michael Smalley	-	Director General (Retired July 2010)
Dr. Teguest Guerma	-	Joined Director General (Appointed June 2010)
Dr. Florence Musiime	-	Deputy Director General
Ms. Jenny Panow	-	Chief Operations Officer
Dr. Peter Ngatia	-	Theme Director, Capacity Building
Dr. Thomas Kibua	-	Theme Director, Health Policy & Systems Research
Mr. Bob Kioko	-	Ag. Director of Communications
Mr. Steve Andrews	-	Director of International Fundraising
Mrs. Nancy Muriuki	-	Director of Human Resources
Dr. John Nduba	-	Technical Director, Reproductive & Child Health
Dr. Jane Carter	-	Technical Director, Clinical & Diagnostic
Ms. Mette Kjaer	-	Kenya Country Director
Ms. Blanche Pitt	-	Tanzania Country Director
Mr. Joshua Kyallo	-	Uganda Country Director
Dr. Joao Soares	-	Ethiopia Country Director
Ms. Penina Ochola	-	South Africa Country Director
Dr. John Mwesigwa	-	Southern Sudan Country Director

COMPANY SECRETARY

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

AUDITORS

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

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

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

The Directors have the pleasure of submitting their report together with the audited financial statements for the year ended 30 September 2010 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 Directors who served since 1 October 2009 are set out on page 1. New additions include: Ms. Marry de Gaay Fortman, appointed March 2010 and Prof. Keith Mc Adam, appointed March 2010. Directors retiring from the Board include: Prof. Adetokunbo O Lucas, retired March 2010 and Dr. Ulrich Laukamm- Josten, retired March 2010.

6. AUDITORS

In accordance with the Foundation's Policy on rotation of auditors, Deloitte& Touché were appointed and, Ernst and Young retired on conclusion of the AGM for the year ended September 2009. Deloitte & Touché 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 4th March 2011.

By Order of the Board

Dr. Pascoal Mocumbi
Chair AMREF Board of Directors

4th March 2011

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)
STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

The Kenyan 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. The Directors are also responsible for safeguarding the assets of the company.

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.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan 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 its subsidiaries and of the company's 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 and its subsidiaries will not remain going concerns 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 4th March 2011 and are signed on their behalf by:

__________________________.

Dr. Pascoal Mocumbi
Chair, Board of Directors

____

Mr. Anthony Durrant
Director

4th March 2011

REPORT OF THE INDEPENDENT AUDITORS
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, which comprise the company statement of comprehensive income, statement of financial position as at 30 September 2010, statement of changes in reserves and funds 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 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 were 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 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 financial statements give a true and fair view of the financial position of African Medical and Research Foundation as at 30 September 2010, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act

Report on Other Legal and Regulatory 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 statement of financial position (balance sheet) and statement of comprehensive income (income statement) are in agreement with the books of account

Certified Public Accountants (Kenya)

2011

Nairobi

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Note	2010 US$ '000	2009 US$ '000
INCOME			
Grants - restricted	**2**	61,915	67,769
Grants – unrestricted	**2**	1,996	1,979
Other income	**3**	3,439	3,976
Net Financing income	**4**	180	194
TOTAL INCOME		**67,530**	**73,918**
EXPENDITURE			
Direct programme activity	**5(a)**	57,974	63,927
Programme monitoring and support	**5(b)**	4,039	3,728
Institutional development	**5(c)**	2,610	3,500
Administration	**5 (d)**	3,420	3,540
TOTAL EXPENDITURE		**68,043**	**74,695**
OPERATING DEFICIT FOR THE YEAR	**6**	**(513)**	**(777)**

The notes set out on pages 11 to 25 form an integral part of these financial statements.

AFRICAN MEDICAL AND RESEARCH FOUNDATION
(A Company Limited by Guarantee)
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010

		2010	**2009**
ASSETS	**Note**	**US$ '000**	**US$ '000**
NON-CURRENT ASSETS			
Property and equipment	**8**	6,147	6,441
CURRENT ASSETS			
Inventories	**9**	619	673
Debtors and prepayments	**10**	2,728	3,722
Grants receivable	**11(a)**	22,986	22,712
Investments	**12**	1,155	1,098
Cash and cash equivalents	**13**	13,294	7,975
		40,782	36,180
TOTAL ASSETS		**46,929**	**42,621**
FUNDS AND LIABILITIES			
FUNDS (Page 9)			
Accumulated reserve		4,637	4,785
Aircraft replacement fund		872	652
Aircraft maintenance fund		169	116
TOTAL FUNDS		5,678	5,553
Deferred Income	**14**	6,147	6,441
CURRENT LIABILITIES			
Unexpended grants	**11(b)**	30,369	22,069
Creditors and accruals	**15**	4,735	8,558
		35,104	30,627
TOTAL FUNDS AND LIABILITIES		**46,929**	**42,621**

The financial statements set out on pages 7 to 24 were approved by the Board of Directors on 4th March 2011and 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 2010

	Accumulated Reserve US$ '000	Aircraft Replacement Fund US$ '000	Aircraft Maintenance Fund US$ '000	Total US$ '000
30 September 2009				
At 1 October 2008	5,115	467	112	5,694
Restatement of opening balance	61	-	-	61
Surplus for the year	(777)	-	-	(777)
Utilised during the year	-	-	(58)	(58)
Depreciation transfer	667	-	-	667
Appropriations	(247)	185	62	-
-Additions to property and equipment	(40)	-	-	(40)
Disposal of property and equipment	6	-	-	6
At 30 September 2009	**4,785**	**652**	**116**	**5,553**
30 September 2010				
At 1 October 2009	4,785	652	116	5,553
Loss for the year	(513)	-	-	(513)
Utilized during the year	-	-	(4)	(4)
Depreciation transfer	742	-	-	742
Appropriations	(277)	220	57	-
Additions to property and equipment	(101)	-	-	(101)
Disposal of property and equipment	1	-	-	1
At 30 September 2010	**4,637**	**872**	**169**	**5,678**

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 2010

	Note	2010 US$ '000	2009 US$ '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		**(513)**	**(777)**
Adjustments for:			
(Increase) in fair value of investments		(57)	(63)
Deferred income		344	57
Gain on disposal of property and equipment		-	(7)
Depreciation charge		742	667
Interest income		(123)	(132)
Operating surplus/(deficit) before working capital changes		393	(255)
Decrease in inventories		54	30
Decrease/(Increase) in debtors and prepayments		994	(199)
Net movement in grant receivable/unexpended		8,026	(6,800)
(Decrease)/Increase in creditors and accruals		(3,823)	1,026
Cash flows from operating activities		**5,644**	**(6,198)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(449)	(94)
Proceeds on disposal of property and equipment		1	13
Interest received		123	132
Net cash (used)/generated in investing activities		**(325)**	**51**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,319	(6,147)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		7,975	14,122
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**13**	**13,294**	**7,975**

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

1. SIGNIFICANT ACCOUNTING POLICIES.

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) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards. For the Kenyan Companies Act reporting purposes, the Balance Sheet is represented by the Statement of Financial position and the Income and Expenditure Statement is presented by the Statement of Comprehensive Income.

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

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

i) Recognition

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

ii) 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.

iii) 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.

e) 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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

k) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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.

m) 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.

2. GRANT FUNDS

	Restricted Funds 2010 US$ '000	Unrestricted Funds 2010 US$ '000	Total Funds 2010 US$ '000	Total Funds 2009 US$ '000
Grants receivable brought forward	(22,712)	-	(22,712)	(22,921)
Unexpended grants brought forward	21,052	1,017	22,069	29,078
Restatement of opening grants	561	(561)	-	-
Net grant funds brought forward	**(1,099)**	**456**	**(643)**	**6,157**
Grants received during the year	71,388	2,272	73,660	59,392
Total grants available for operations	**70,289**	**2,728**	**73,017**	**65,549**
Add:				
- Grants receivable – (Note 11 (a))	22,986	-	22,986	22,712
Less				
- Unexpended grants – (Note 11 (b))	(29,985)	(384)	(30,369)	(22,069)
- Advance to partners	(1,375)	-	(1,375)	3,610
Transfer to deferred income	-	(348)	(348)	(54)
Net grant income	**61,915**	**1,996**	**63,911**	**69,748**

3. OTHER INCOME

	2010 US$ '000	2009 US$ '000
Income from air ambulance recoveries	780	1,912
Students Fees	657	805
Medical Services	1,132	401
Consultancy Fees	122	349
Fundraising Activities	24	17
Library Charges	25	24
Miscellaneous income	699	468
	3,439	3,976

4. NET FINANCING INCOME

	2010 US$ '000	2009 US$ '000
Increase in fair value of investments	57	62
Interest income	123	132
	180	194

5. EXPENDITURE

		2010	2009
5 (a)	**Direct Programme Activity**	**US$ '000**	**US$ '000**
	Personnel costs	24,160	25,151
	Financial contributions	12,342	12,050
	Transport	14,181	16,328
	Project assets	3,904	6,926
	Supplies & Services	7,779	8,919
	Communications	1,239	1,232
	Other Costs	3,936	3,194
	Finance Costs	502	895
	Less 5 (b), (c) & (d)	(10,069)	(10,768)
		57,974	**63,927**
5 (b)	**Programme monitoring and support**	**4,039**	**3,728**

Programme monitoring and support expenditure includes costs relating to the Directorate of Community Partnering and Health Policy and system Research, Information Technology, Director General, Deputy Director General and country level support costs, except Finance, Administration, Human Resources and Communications and Fundraising expenses.

5 (c)	**Institutional Development**	**2,610**	**3,500**

Institutional development expenditure 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**	**3,420**	**3,540**

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 DEFICIT

The operating deficit is arrived at after charging/(crediting)

Depreciation	742	667
Staff costs	18,110	18,748
Auditors' remuneration	68	42
Gain on disposal of property and equipment	-	6

The following items are included within staff costs:

Retirement benefit costs- defined contribution plans	2,045	2,116

The deficit is funded from the accumulated reserve.

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

	2010 US$ '000	2009 US$ '000
Short term employee benefits	2,804	2,698
Termination benefits	584	551
	3,388	3,249
c) Debtors balance due from National offices	141	85

8. PROPERTY AND EQUIPMENT

	Land and buildings	Aircraft	Motor vehicles	Furniture, fittings& general equipment	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
COST					
At 1 October 2008	4,608	3,605	1,022	3,200	12,435
Additions	2	-	24	68	94
Disposals	-	-	(31)	(14)	(45)
At 30 September 2009	4,610	3,605	1,015	3,254	12,484
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
DEPRECIATION					
At 1 October 2008	1,395	821	743	2,456	5,415
Charge for the year	84	185	129	269	667
On disposals	-	-	(31)	(8)	(39)
At 30 September 2009	1,479	1,006	841	2,717	6,043
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
NET BOOK VALUE					
At 30 September 2010	3,078	2,379	252	438	6,147
At 30 September 2009	3,131	2,599	174	537	6,441

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

9. INVENTORIES

	2010 US$ '000	2009 US$ '000
Aviation spare parts	303	344
Printed books and manuals	151	179
Sundry stocks	165	150
	619	673

10. DEBTORS AND PREPAYMENTS

	2010 US$ '000	2009 US$ '000
Trade receivables	2,419	2,827
National offices	141	85
Programme advances	466	489
Staff debtors	42	64
Others	95	516
Provision for bad debts	(435)	(259)
	2,728	3,722

11. GRANTS RECEIVABLE/UNEXPENDED

	2010 US$ '000	2009 US$ '000
(a) Grants receivable		
Restricted	22,986	22,712
Unrestricted	-	-
At 30 September	22,986	22,712

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.

	2010 US$ '000	2009 US$ '000
(b) Unexpended grants		
Restricted	29,985	21,052
Unrestricted	384	1,017
At 30 September	30,369	22,069

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

12. INVESTMENTS

	2010 US$ '000	2009 US$ '000
Bank deposits	241	185
Kenya government debt securities	332	330
Commercial paper and corporate bonds	271	271
US government agencies	261	262
Equity	50	50
	-	-
	1,155	1,098

The weighted average interest rate was 2.98 % (4.7% 2009).

13. CASH AND CASH EQUIVALENTS

	2010 US$ 0000	2009 US$ 000
Cash in bank and at hand	9,652	6,336
Short term bank deposits	3,642	1,639
	13,294	7,975

The weighted average interest rate on the term deposit was 8.07% (2009 4.2%).

14. DEFERRED INCOME

Deferred income relates to funds utilised in the acquisition of fixed assets. A deferred income account is created in the statement of financial position and transfers are made to the statement of comprehensive income on a systematic basis over the useful lives of the assets.

Grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

	2010 US$ 0000	2009 US$ 000
Balance brought forward	6,441	7,020
Received during the year	449	94
Grants transferred to income	(742)	(667)
Disposal	(1)	(6)
	6,147	6,441

15. CREDITORS AND ACCRUALS

Trade creditors	3,360	6,344
Accruals	1,375	2,214
	4,735	8,558

16. 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

17. 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).

18. OPERATING LEASE

	2010 US$ 000	2009 US$ 000
Operating lease rentals are payable as follows:		
Tenancy:		
Less than 1 year	125	140
Between one and five years	365	175
	490	315

19. 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 US$ '000	1-3 years US$ '000	Over 3 years US$ '000	Totals US$ '000
Kenyan Investments	Bank Deposits	112	-	-	112
	Kenya Government Debt securities	26	210	96	332
US Investments	Bank deposits	-	-	129	129
	Commercial papers and corporate bonds	-	-	271	271
	US Government Agencies	-	-	261	261
	Equity	-	-	50	50
	Total	**138**	**210**	**807**	**1,155**

19. FINANCIAL RISK MANAGEMENT (Continued)

i) Interest rate risk (Continued)

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 $ .36 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.

iii) 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 $ .050 million

19. FINANCIAL RISK MANAGEMENT (Continued)

CREDIT RISK

The table below represents the company'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 2010				
Debtors	3,163	-	(435)	2,728
Grants receivable	22,986	-	-	22,986
Investments	1,155	-	-	1,155
Cash	13,294	-	-	13,294
	40,598	-	(435)	40,163
30 September 2009				
Debtors	3,981	-	(259)	3,722
Grants receivable	22,712	-	-	22,712
Investments	1,098	-	-	1,098
Cash	7,975	-	-	7,975
	35,766	-	(259)	35,507

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 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

	1-12 months US $'000	>12 months US $'000	Total US $'000
30 September 2010			
Creditors	4,735	-	4,735
Unexpended Grants	30,369	-	30,369
Total liabilities	**35,104**	**-**	**35,104**
30 September 2009			
Creditors	8,558	-	8,558
Unexpended Grants	22,069	-	22,069
Total liabilities	**30,627**	**-**	**30,627**

19. FINANCIAL RISK MANAGEMENT (Continued)

LIQUIDITY RISK (Continued)

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.

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.

20. CURRENCY

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