AMREF HEALTH AFRICA IN KENYA

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

30 SEPTEMBER 2015

AMREF HEALTH AFRICA IN KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015

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AMREF HEALTH AFRICA IN KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

DIRECTORS, OFFICERS AND ADMINISTRATION

AMREF HEALTH AFRICA KENYA BOARD MEMBERS

Prof. Richard Otieno Muga (Chair)
Ms. Eunice Mathu (Vice Chair)
Prof. Peter Wangai Kiama (Secretary)
Ms. Maureen Kuyoh (Vice Secretary)
Mr. Paul Kasimu (Treasurer)
Prof. Joseph Wang'ombe
Dr. Annah Wamae
Prof. Zahida Quereshi

AMREF HEALTH AFRICA IN KENYA MANAGEMENT AS AT 30TH SEPTEMBER 2015

Dr. Meshack Ndirangu	Kenya Country Director
Janepher Rugutt	Senior Finance Manager left on 30 September 2015
Dr. Koki Kinagwi	Chief of Party – AphiaPlus Imarisha
Catherine Wamwangi	Human Resources Manager
Joan Birir	Administration and Procurement Manager
Dr. George Kimathi	Programme Manager - Water and Sanitation
Peter Ofware	Programme Manage Reproductive - Maternal and Child Health
Rose Thuo	Communications Manager
Margaret Mungai	Programme Manager-HIV/AIDS

AMREF HEALTH AFRICA IN KENYA CURRENT MANAGEMENT

Dr. Meshack Ndirangu	Kenya Country Director
Peter Ofware	Ag Deputy Country Director and Programme Manage Reproductive - Maternal and Child Health
Timothy Munyao	Finance Manager, Corporate & Kenya
Dr. Koki Kinagwi	Chief of Party – AphiaPlus Imarisha
Shadrack Kirui	Human Resources Manager, Corporate & Kenya
Joan Birir	Administration and Procurement Manager
Dr. George Kimathi	Programme Manager - Water and Sanitation
Rose Thuo	Ag Communications Manager, Corporate & Kenya
Margaret Mungai	Programme Manager-HIV/AIDS

REGISTERED OFFICE

Wilson Airport
P.O Box 30125- 00100
Nairobi, Kenya

SECRETARY

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

DIRECTORS, OFFICERS AND ADMINISTRATION (Continued)

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place,
Waiyaki Way, Muthangari
P O Box 40092 - 00100
Nairobi, Kenya

LAWYERS

Kaplan & Stratton
Williamson House
4th Ngong Avenue
P.O Box 40111 - 00100
Nairobi, Kenya

BANKERS

Barclays Bank of Kenya Limited
Plaza Branch
P.O Box 48661- 00100
Nairobi, Kenya

National Bank of Kenya Limited
Wilson Airport Branch
P.O Box 30763- 00100
Nairobi, Kenya

Kenya Commercial Bank Limited
Kipande House Branch
P.O Box 30012 - 00100
Nairobi, Kenya

NIC Bank Limited
NIC House Masaba Road
P.O Box 44588 - 00100
Nairobi, Kenya

Standard Chartered Bank Limited
Upper Hill Branch
P.O Box 40310 - 00100
Nairobi, Kenya

AMREF HEALTH AFRICA IN KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015

ORGANISATION INFORMATION

About Amref Health Africa in Kenya

Amref Health Africa in Kenya is a local Non-Governmental Organisation with its offices located on Langata Road next to Wilson Airport, Nairobi, Kenya. It has 47 projects across Kenya's 47 counties. The projects are organized into six thematic areas namely: HIV/AIDS, TB and Malaria (6 projects); Aphia *plus* Imarisha (1 project); Water, Sanitation and Hygiene (16 projects); Reproductive, Maternal, Newborn and Child Health (17 projects); Clinical and Diagnostics (3 projects); and Research, Advocacy and Business Development (4 projects).

Objectives of the Organization

Amref Health Africa in Kenya is committed to improving health and health care in Africa. It aims to ensure that every Kenyan 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 Health Africa in Kenya works with communities to implement projects, learns from its activities and uses its knowledge to influence others.

Principal Activities

The principal activities of the organization is to achieve the above stated objectives which include: making pregnancy safe and expanding reproductive health, reducing morbidity and mortality among children, scaling up HIV, TB and malaria responses, prevention and control of diseases related to water, sanitation and hygiene, increasing access by disadvantaged communities to quality medical, surgical and diagnostic services and developing a strong research and innovation base to contribute to health improvement in Kenya.

Amref Health Africa in Kenya

Amref Health Africa in Kenya is responsible for managing the programmes in Kenya. The office had an average of 427 employees during the financial year under audit. The Country Office was headed by a Country Director supported by a team of senior managers who include the Deputy Country Director, Senior Finance Manager, Administration and Procurement Manager, Human Resource Manager, Communication Manager and Programme Manager.

BY ORDER OF THE BOARD

Prof Richard O. Muga
Board Chair

Dr. Meshack Ndirangu
Kenya Country Director

11 December 2015

AMREF HEALTH AFRICA IN KENYA

STATEMENT OF DIRECTOR'S RESPONSIBILITY FOR THE YEAR ENDED 30 SEPTEMBER 2015

It is the responsibility of the Board of Directors of Amref Health Africa in Kenya to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the organisation at the end of the financial year and of the operating results of the organisation for that year. It also requires the Directors to ensure that the organisation keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the organisation. The Directors are also responsible for safeguarding the assets of the organisation.

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 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. 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 organisation and of the organisation'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 controls.

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

BY ORDER OF THE BOARD

Prof Richard O. Muga
Board Chair

COUNTRY OFFICE MANAGEMENT

Dr. Meshack Ndirangu
Kenya Country Director

11th December 2015

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMREF HEALTH AFRICA IN KENYA

Report on the Financial Statements

We have audited the accompanying financial statements of Amref Health Africa in Kenya, as set out on pages 8 to 26 which comprise the statement of financial position as at 30 September 2015, statement of profit or loss and other comprehensive income, statement of changes in reserves 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 Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 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 organisation 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 organisation's internal control. 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.

Partners: S. O. Onyango F. O. Aloo H. Gadhoke* N. R. Hira* B. W. Irungu I. Karim D. M. Mbogho A. N. Muraya R. Mwaura J. Nyang'aya F Okwiri J. W. Wangai
* British

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Amref Health Africa in Kenya as at 30 September 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*The engagement partner responsible for the audit resulting in this independents auditor's report is **CPA Bernadette Wahogo - P/No 1698.***

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya

16 December **2015**

AMREF HEALTH AFRICA IN KENYA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015		2014	
		US$'000	Ksh'000	US$'000	Ksh'000
INCOME					
Grants – restricted	3	32,198	3,072,572	39,393	3,411,157
Other income		643	61,360	426	36,889
Interest income		104	9,924	97	8,400
Total income		**32,945**	**3,143,856**	**39,916**	**3,456,446**
EXPENDITURE					
Direct programme activities	4	29,674	2,831,713	37,812	3,274,254
Country office costs	5	3,110	296,779	2,243	194,227
Head office costs	6	137	13,074	-	-
Total expenditure		**32,921**	**3,141,566**	**40,055**	**3,468,481**
Surplus/(Deficit) for the year		**24**	**2,290**	**(139)**	**(12,035)**
Other comprehensive income					
Exchange differences on translation from functional currency to presentation currency		-	36,083	-	5,719
Total comprehensive income/(loss) for the year		**24**	**38,373**	**(139)**	**(6,316)**

The notes set out on pages 12 to 26 form an integral part of these financial statements.

AMREF HEALTH AFRICA IN KENYA

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015

	Notes	2015		2014	
		US$'000	Ksh'000	US$'000	Ksh'000
ASSETS					
Non-current assets					
Property and equipment	8	675	71,072	613	54,728
Current assets					
Inventories	9	64	6,738	83	7,410
Debtors and prepayments	10	5,378	566,265	3,950	352,654
Grants receivable	11(a)	2,283	240,383	5,288	472,109
Cash and cash equivalents	12	4,234	445,810	5,185	462,914
Total current assets		11,959	1,259,196	14,506	1,295,087
TOTAL ASSETS		**12,634**	**1,330,268**	**15,119**	**1,349,815**
RESERVES AND LIABILITIES					
RESERVES					
Accumulated reserve		2,304	225,183	2,172	212,586
Accumulated assets reserve		675	71,072	613	54,728
Translation reserve			17,412	-	(18,671)
Total reserves		**2,979**	**313,667**	**2,785**	**248,643**
LIABILITIES					
Current liabilities					
Unexpended grants	11(b)	5,955	627,019	10,053	897,526
Creditors and accruals	13	3,700	389,582	2,281	203,646
Total current liabilities		9,655	1,016,601	12,334	1,101,172
TOTAL RESERVES AND LIABILITIES		**12,634**	**1,330,268**	**15,119**	**1,349,815**

The financial statements set out on pages 8 to 26 were approved by the Board of Directors on 11 December, 2015 and were signed on its behalf by:

Prof Richard O. Muga
Board chair

Dr. Meshack Ndirangu
Kenya Country Director

AMREF HEALTH AFRICA IN KENYA

STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 SEPTEMBER 2015

		Accumulated reserve US$'000	Accumulated assets reserve US$ 000	Total US$ 000
In US$				
At 1 October 2013		2,160	764	2,924
Depreciation transfer		151	(151)	-
Deficit for the year		(139)	-	(139)
At 30 September 2014		**2,172**	**613**	**2,785**
At 1 October 2014		2,172	613	2,785
Additions to property and equipment			170	170
Depreciation transfer		108	(108)	-
Surplus for the year		24	-	24
As at 30 September 2015		**2,304**	**675**	**2,979**
In Ksh				
At 1 October 2013	211,545	(24,390)	66,197	253,352
Depreciation transfer	13,076	-	(13,076)	-
Deficit for the year	(12,035)	-	-	(12,035)
Movement in translation reserve	-	5,719	1,607	7,326
At 30 September 2014	212,586	(18,671)	54,728	248,643
At 1 October 2014	212,586	(18,671)	54,728	248,643
Additions to property and equipment			17,900	17,900
Depreciation transfer	10,307	-	(10,307)	-
Surplus for the year	2,290	-	-	2,290
Movement in translation reserve	-	36,083	8,751	44,834
As at 30 September 2015	**225,183**	**17,412**	**71,072**	**313,667**

The accumulated assets reserve has been created to separate reserves that specifically relate to property and equipment and reflects the net book value of assets as at the balance sheet date.

The translation reserve represents the change in exchange rates at the beginning of the year and at the close of the year on translation from the functional currency (United States Dollars) to the presentation currency (Kenya shillings).

The notes set out on pages 12 to 26 form an integral part of these financial statements.

AMREF HEALTH AFRICA IN KENYA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2015

		2015		2014	
CASH FLOWS FROM OPERATING ACTIVITIES	Notes	US$'000	Ksh'000	US$'000	Ksh'000
Surplus/(deficit) for the year		24	2,290	(139)	(12,035)
Adjustment for :					
Net movement in the funds		170	17,900	-	-
Depreciation on property and equipment	8	108	10,307	151	13,076
Interest income		(104)	(9,924)	(97)	(8,400)
Operating surplus /(deficit) before working capital changes		198	20,573	(85)	(7,359)
Movement in inventories		19	672	2	(45)
Increase in debtors and prepayments		(1,428)	(213,611)	(1,253)	(118,970)
Net movement in grant receivable/unexpended funds		(1,093)	(38,781)	936	93,650
Increase/ (decrease) in creditors and accruals		1,419	185,936	(1,753)	(145,883)
Cash flows used in operating activities		(885)	(45,211)	(2,153)	(178,607)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	8	(170)	(17,900)	-	-
Interest received		104	9,924	97	8,400
Net cash (used in)/ generated from investing activities		(66)	(7,976)	97	8,400
Net decrease in cash and cash equivalents		(951)	(53,187)	(2,056)	(170,207)
Cash and cash equivalent at beginning of the year		5,185	462,914	7,241	627,402
Translation reserve		-	36,083	-	5,719
CASH AND CASH EQUIVALENT AT END OF THE YEAR	12	4,234	445,810	5,185	462,914

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.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

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 organisation'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 organization.

(iii) Early adoption

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

Basis of accounting

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

a) Income recognition

i. Restricted grants (grants received for specific purposes) income is recognised when expenditure is incurred and when grants conditions are fulfilled. Unrestricted grant income (non-specific grants) is recognised when received or when firm commitment have been obtained from the donors.

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

iii. Other income is recognised when received, earned or invoiced depending on the nature.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency transactions

Function and presentation currency

Even though the organisation is domiciled in Kenya whose functional currency is Kenya Shilling, the activities of the organisation are conducted mainly in United States Dollar. The organisational functional currency is the United States Dollar.

For the purpose of presenting these financial statements, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates transactions are undertaken. The assets and liabilities of the organisation are expressed in United States Dollars, the functional currency, and are retranslated in to Kenya Shillings using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

Translation and balances

Assets and liabilities denominated in US Dollars and other foreign currencies are translated into Kenya Shillings at the rate of exchange ruling at the statement of financial position date. Transactions during the year are translated at the rate ruling on the dates of the transactions. All exchange differences are dealt with in the statement of comprehensive income.

c) Recognition and measurement of financial instruments

Financial assets and financial liabilities are recognized when the organization becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in surplus or deficit.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The organization's financial assets are mainly classified as follows:

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting (Continued)

c) Recognition and measurement of financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment of receivables arises when there is a significant financial difficulty of the counter party or when there is a default or delinquency in the interest or principal payments. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

The carrying amount of the financial asset is reduced by the impairment loss indirectly through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the surplus or deficit.

Derecognition of financial assets

The organization derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the organization neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the organization recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities

Other financial liabilities

Other financial liabilities (including trade and other payables) are initially measured at their fair values plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial liability. Financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

1 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial liabilities (Continued)

c) Recognition and measurement of financial instruments (Continued)

Derecognition of financial liabilities

The organization derecognizes financial liabilities when, and only when, the obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the surplus or deficit.

d) Property and equipment

Assets donated to the organization 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 is 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
Furniture, fittings and general equipment	12.5 % p.a
Motor vehicles, medical, surgical and radio equipment	25.0 % p.a
Information technology hardware and software	33.3 % p.a

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

e) Inventories

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

f) Debtors and prepayments

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

g) Grants receivables/unexpended grants

Grants received for specific purposes are treated as unexpended grants and credited to the income and expenditure statement when the activities for which they were provided for have been undertaken. Any unexpended grants are carried forward as liabilities. Excess of expenditure over receipts for specific grants are recognized as revenue and included in the financial statements as accounts receivable from donors.

h) 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, deprecations and disposals.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (Continued)

i) Retirement benefit obligations

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

The organizational 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) 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.

k) 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.

l) Comparatives

Comparative figures have been adjusted to conform to change in presentation in the current year, where necessary.

2 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the organization accounting policies, management is required to make judgments, 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 recognized 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.

2 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment

At each statement of financial position date, the organization 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 organization estimates the recoverable amount of the cash generating unit to which the asset belongs.

Provisions and contingent liabilities

The organization reviews its obligations at each balance sheet date to determine whether provisions need to be made and if there are any contingent liabilities.

3 GRANT FUNDS

	Restricted funds 2015 US$'000	Restricted funds 2015 Ksh'000	Restricted funds 2014 US$'000	Restricted funds 2014 Ksh'000
At 1 October:				
Grants receivable (Note 11(a))	(5,288)	(472,109)	(3,532)	(306,033)
Unexpended grants (Note 11(b))	10,053	897,526	7,361	637,800
Net grant funds brought forward	**4,765**	**425,417**	**3,829**	**331,767**
Grants received during the year	30,932	2,951,761	40,133	3,475,236
Total grants available for operations	**35,697**	**3,377,178**	**43,962**	**3,807,003**
Add: Grants receivable (Note 11(a))	2,283	240,383	5,288	472,109
Less: Unexpended grants (Note 11(b))	(5,955)	(627,019)	(10,053)	(897,526)
Provision for doubtful grants	173	18,216	196	17,499
Translation Reserve	-	63,814	-	12,072
	(3,499)	(304,606)	(4,569)	(395,846)
Net grant income	32,198	3,072,572	39,393	3,411,157

Amref Health Africa in Kenya did not receive any unrestricted funding from its donors in either the 2014/15 or the 2013/14 financial year.

2 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment

At each statement of financial position date, the organization 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 organization estimates the recoverable amount of the cash generating unit to which the asset belongs.

Provisions and contingent liabilities

The organization reviews its obligations at each balance sheet date to determine whether provisions need to be made and if there are any contingent liabilities.

3 GRANT FUNDS

	Restricted funds 2015 US$'000	Restricted funds 2015 Ksh'000	Restricted funds 2014 US$'000	Restricted funds 2014 Ksh'000
At 1 October:				
Grants receivable (Note 11(a))	(5,288)	(472,109)	(3,532)	(306,033)
Unexpended grants (Note 11(b))	10,053	897,526	7,361	637,800
Net grant funds brought forward	**4,765**	**425,417**	**3,829**	**331,767**
Grants received during the year	30,932	2,951,761	40,133	3,475,236
Total grants available for operations	**35,697**	**3,377,178**	**43,962**	**3,807,003**
Add: Grants receivable (Note 11(a))	2,283	240,383	5,288	472,109
Less: Unexpended grants (Note 11(b))	(5,955)	(627,019)	(10,053)	(897,526)
Provision for doubtful grants	173	18,216	196	17,499
Translation Reserve	-	63,814	-	12,072
	(3,499)	(304,606)	(4,569)	(395,846)
Net grant income	32,198	3,072,572	39,393	3,411,157

Amref Health Africa in Kenya did not receive any unrestricted funding from its donors in either the 2014/15 or the 2013/14 financial year.

4 DIRECT PROGRAMME ACTIVITIES

	2015		2014	
	US$'000	Ksh'000	US$'000	Ksh'000
Reproductive Maternal, Newborn & Child Health (RMNCH)	9,082	866,672	12,570	1,088,474
HIV/Aids	15,917	1,518,918	20,132	1,743,290
Clinical & Research, Advocacy & Business Development	531	50,672	1,031	89,277
Water Sanitation& Hygiene (WASH)	4,144	395,451	4,079	353,213
	29,674	2,831,713	37,812	3,274,254

5 OFFICE COSTS

Programme Monitoring and Support 5(a)	1,023	97,622	968	83,821
Institutional Development 5(b)	704	67,181	339	29,355
Administration 5(c)	1,383	131,976	936	81,051
	3,110	296,779	2,243	194,227

(a) Programme monitoring and support expenditure includes costs relating to Programme Management, Programme Technical Leaders, Health Policy and Systems Research, Information Communication Technology and country level support costs, except Finance, Administration, Human Resources and Communications and Fundraising expenses.

(b) Institutional development expenditure includes country level relating to Communications, Fundraising and Human Resources.

(c) Administration expenditure includes country level costs relating to Corporate Governance, the Country Director, Finance, Administration and Risk Based Audit

(d) The total restricted expenses comprising of direct programme costs, office costs and head office costs are as summarised below:

	2015		2014	
	Ksh'000	Ksh'000	US$'000	Ksh'000
Total Expenditure	32,921	3,141,566	40,055	3,468,481
Unrestricted expenditure	(723)	(68,994)	(662)	(57,324)
Restricted Expenditure	32,198	3,072,572	39,393	3,411,157

6 HEAD OFFICE COST

	2015		2014	
	US$'000	Ksh'000	US$'000	Ksh'000
Technical support	137	13,074	-	-
	137	13,074	-	-

Technical support costs include costs for Programme Management,Programme Technical Leaders,Health Policy and Systems Research and Information Communication Technology that are re-charged from Head Office.

7 RELATED PARTY TRANSACTIONS AND BALANCES

The names and position of the personnel in key management positions of Amref Health Africa in Kenya during the year are as disclosed on page 2.

a) Key management compensation	2015		2014	
	US$'000	Ksh '000	US$'000	Ksh '000
Short term employee benefits	475	45,328	253	21,908
b) Due from National offices, HQ and other Country offices of Amref Health Africa				
Due from HQ	1,439	151,516	318	28,391
Balances with other Amref Offices				
Amref Health Africa in Ethiopia	(1)	(105)	(1)	(89)
Amref Health Africa in Uganda	(3)	(316)	-	-
Amref Health Africa in Tanzania	10	1,053	-	-
Amref Flying Doctors (AFD)	569	59,912	-	-
	575	60,544	(1)	(89)
	2,014	212,060	317	28,302

8 a) PROPERTY AND EQUIPMENT (US$)

	Land and Building US$'000	Motor vehicles US$'000	Furniture, Fittings& general equipment US$'000	Total US$'000
Cost				
At 1 October 2013	754	583	449	1,786
Additions	-	-	-	-
At 30 September 2014	754	583	449	1,786
At 1 October 2014	754	583	449	1,786
Additions	-	170	-	170
At September 2015	754	753	449	1,956
Depreciation				
At 1 October 2013	270	361	391	1,022
Charge for the year	16	105	30	151
At 30 September 2014	286	466	421	1,173
At 1 October 2014	286	466	421	1,173
Charge for the year	16	74	18	108
At September 2015	302	540	439	1,281
Net book value				
At 30 September 2015	452	213	10	675
At 30 September 2014	468	117	28	613

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 b) PROPERTY AND EQUIPMENT (KSH)

	Land and Building Ksh'000	Motor vehicles Ksh'000	Furniture, Fittings& general equipment Ksh'000	Total Ksh'000
Cost				
At 1 October 2013	65,331	50,515	38,904	154,750
Translation reserve	1,986	1,535	1,182	4,703
At 30 September 2014	67,317	52,050	40,086	159,453
At 1 October 2014	67,317	52,050	40,086	159,453
Additions	-	17,900	-	17,900
Translation reserve	12,074	9,335	7,191	28,600
At September 2015	79,391	79,285	47,277	205,953
Depreciation				
At 1 October 2014	23,395	31,279	33,879	88,553
Charge for the year	1,385	9,093	2,598	13,076
Translation reserve	754	1,232	1,110	3,096
At 30 September 2014	25,534	41,604	37,587	104,725
At 1 October 2015	25,534	41,604	37,587	104,725
Charge for the year	1,527	7,062	1,718	10,307
Translation reserve	4,738	8,193	6,918	19,849
At September 2015	31,799	56,859	46,223	134,881
Net book value				
At 30 September 2015	47,592	22,426	1,054	71,072
At 30 September 2014	41,783	10,446	2,499	54,728

9 INVENTORIES

	2015		2014	
	US$'000	Ksh'000	US$'000	Ksh'000
Laboratory stores	10	1,053	15	1,339
Medicines	10	1,053	23	2,054
Stationery	42	4,423	56	5,000
Pharmacy	13	1,368		
Provisions for obsolete stock	(11)	(1,159)	(11)	(983)
	64	6,738	83	7,410

10 DEBTORS AND PREPAYMENTS

	2015		2014	
	US$'000	Ksh'000	US$'000	Ksh'000
Programme advances	60	6,318	13	1,161
Inter-country balances	2,014	212,060	317	28,302
Other debtors	854	89,920	572	51,067
Staff accounts	4	421	7	625
Grants to partners	2,880	303,243	3,424	305,693
Provision for bad and doubtful debtors	(434)	(45,697)	(383)	(34,194)
	5,378	566,265	3,950	352,654

11 GRANTS RECEIVABLE/UNEXPENDED GRANTS

(a) Grants receivable

	2015		2014	
	US$'000	Ksh'000	US$'000	Ksh'000
Restricted (net of provisions)	2,283	240,383	5,288	472,109

Grants receivable represent expenditure incurred on projects in which there are commitments from donors where the donation had not been received as at the end of the reporting period.The Grants receivable provision movement is as shown below:

	2015		2014	
	US$'000	Ksh'000	US$'000	Ksh'000
As at 1 October	914	81,601	718	62,212
Additional Provision	173	16,509	196	16,972
Grants Write offs	(327)	(31,205)	-	-
Translation difference	-	13,118	-	2,417
At 30 September	760	80,023	914	81,601

11 GRANTS RECEIVABLE/UNEXPENDED GRANTS (Continued)

(b) Unexpended grants

	2015		2014	
	US$'000	Ksh'000	US$'000	Ksh'000
Restricted	5,955	627,019	10,053	897,526

Unexpended grants comprise grants and donations received in advance but which remain unutilized as at year end.

12 CASH AND CASH EQUIVALENTS

	2015		2014	
	US$'000	Ksh'000	US$'000	Ksh'000
Cash at bank and in hand	4,234	445,810	5,185	462,914

13 CREDITORS AND ACCRUALS

	2015		2014	
	US$'000	Ksh'000	US$'000	Ksh'000
Trade creditors	660	69,493	389	34,730
Payroll creditors	909	95,711	271	24,195
Accruals	2,131	224,378	1,621	144,721
	3,700	389,582	2,281	203,646

14 CONTINGENT LIABILITY

As at 30 September 2015Amref Health Africa in Kenya had pending lawsuits which relate to legal claims by former employees, current tenants, and some construction companies estimated at $ 3,515,372. Judgment in respect of these cases had not been determined as at 30 September 2015. The amounts have not been provided for in these financial statements as it was not possible to accurately quantify the potential liability arising from all of them.

The Directors are of the opinion that any outstanding litigation in this respect will not have a material effect on the financial position or results of the organization.

15 TAXATION

No taxation is provided for in these financial statements, as the organization 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).

16 FINANCIAL RISK MANAGEMENT

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

The organisation'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. It 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.

15 FINANCIAL RISK MANAGEMENT (Continued)

MARKET RISK (Continued)

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. The organization'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 of the original transaction.

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, the organization 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.

The organization limits spending by monitoring budgets in US$ and reducing activities or if major enough by renegotiating contract ceilings with donors.

The organization'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 reporting date. All gains or losses on changes in currency exchange rates are accounted for in the income statement.

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

CREDIT RISK (US$)

	Total receivables US$'000	Past due US$'000	Impairment US$'000	Fully performing US$'000
30 September 2015				
Debtors	5,812	-	(434)	5,378
Grants receivable	3,043	-	(760)	2,283
Cash in bank	4,234	-	-	4,234
Total	13,089	-	(1,194)	11,895
30 September 2014				
Debtors	4,333	-	(383)	3,950
Grants receivable	6,202	-	(914)	5,288
Cash in bank	5,185	-	-	5,185
Total	15,720	-	(1,297)	14,423

16 FINANCIAL RISK MANAGEMENT (Continued)

CREDIT RISK (Continued)

CREDIT RISK (Ksh)

	Total receivables Ksh'000	Past due Ksh'000	Impaired Ksh'000	Fully performing Ksh'000
30 September 2015				
Debtors	611,962	-	(45,697)	566,265
Grants receivable	305,769	-	(65,386)	240,383
Cash in bank	445,810			445,810
Total	1,363,541	-	(111,083)	1,252,458
30 September 2014				
Debtors	386,848	-	(34,194)	352,654
Grants receivable	553,710	-	(81,601)	472,109
Cash in bank	462,914			462,914
Total	1,403,472	-	(115,795)	1,287,677

Credit risk is the loss that would arise due to a debtor's nonpayment of a loan or other line of credit. The largest concentrations of credit exposure arise 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 Health Africa in Kenya has signed agreements and is in the process of requesting reimbursement.

Significant amounts of funds are placed with only recognized financial institutions with strong credit ratings. The Board of Directors does not consider the credit risk exposure to be significant.

Trade receivables consist primarily of amounts invoiced to the Flying Doctor Society of Africa and relates to expenses paid for on their behalf. Where bad debts have been recognized they have been provided for as indicated in Note 9.

LIQUIDITY RISK (US $)

	1-12 months US$'000	>12 months US$'000	Total US$'000
30 September 2015			
Creditors	660	-	660
Unexpended Grants	5,955	-	5,955
Total liabilities	6,615	-	6,615
30 September 2014			
Creditors	389	-	389
Unexpended Grants	10,053	-	10,053
Total liabilities	10,442	-	10,442

16 FINANCIAL RISK MANAGEMENT (Continued)

LIQUIDITY RISK (Continued)

LIQUIDITY RISK (Ksh)

	1-12 months Ksh'000	>12 months Ksh'000	Total Ksh'000
30 September 2015			
Creditors	69,493	-	69,493
Unexpended Grants	627,019	-	627,019
Total liabilities	696,512	-	696,512
30 September 2014			
Creditors	34,730	-	34,730
Unexpended Grants	897,526	-	897,526
Total liabilities	932,256	-	932,256

Liquidity risk for Amref Health Africa consists of the risk that the organization will encounter difficulties in meeting its liabilities arising mainly from creditors.

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.

17 CAPITAL COMMITMENTS

	2015		2014	
	US$'000	Ksh'000	US$'000	Ksh'000
Board approved capital expenditure	124	13,056	-	-

18 CURRENCY

These financial statements are presented in Kenya Shilling (Ksh) and in United States dollars (US$).

AMREF HEALTH AFRICA IN KENYA
ANALYSIS OF EXPENDITURE AND GRANTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015

Appendix I

Analysis of country programme expenses

	2015		2014	
	US$'000	**Ksh'000**	**US$'000**	**Ksh'000**
Staff and professional services costs	11,700	1,116,501	11,997	1,038,856
Financial contributions	1,266	120,811	6,995	605,717
Transport and travel costs	7,064	674,099	8,690	752,493
Project assets costs	385	36,740	465	40,266
Supplies and services	10,452	997,407	10,418	902,126
Communication costs	400	38,171	459	39,746
Office costs	989	94,378	754	65,291
Finance costs/ other ir	528	50,385	277	23,986
Head office costs	137	13,074	-	-
	32,921	3,141,566	40,055	3,468,481

Analysis of grants received 2014/2015 by Source

Source

	2015	
	US$'000	**Ksh'000**
Canada	1,270	121,193
USA	13,562	1,294,187
Netherlands	5,559	530,481
UK	1,616	154,211
European Union	1,305	124,533
Germany	436	41,606
Switzerland	4,697	448,223
Italy	1,650	157,455
Kenya	393	37,503
Sweden	366	34,926
Spain	78	7,443
Total	30,932	2,951,761