Deloitte.

AMREF HEALTH AFRICA
(A Company Limited by Guarantee)

FINANCIAL STATEMENTS

FOR THE 15 MONTHS ENDED
31 DECEMBER 2016

AMREF HEALTH AFRICA
(A Company Limited by Guarantee)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2016

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AMREF HEALTH AFRICA
(A Company Limited by Guarantee)

DIRECTORS, OFFICERS AND ADMINISTRATION
FOR THE 15 MONTHS ENDED 31 DECEMBER 2016

DIRECTORS

Mr. Omari Issa	-	Chair
Mr Mario Raffaelli	-	Vice Chair - Retired – March 2017
Mr. Gautam Dalal	-	Retired – March 2017
Mrs. Irene Odera Kitinya	-	Resigned – November 2016
Prof. Richard Otieno Muga		
Ms. Mary Ann Mackenzie		
Ms. Kellen Eileen Kariuki		
Dr. Eve Hawa Sinare	-	Retired – December 2015
Mr. Tjark de Lange		
Mr. Timothy Wilson	-	Appointed – October 2015
Mr. Teshome Gebre Kanno	-	Appointed – March 2016
Ms. Judith Chinkumbi	-	Appointed – November 2016
Mr. Jacques Van Dijken	-	Appointed – March 2017
Mr. Tito Alai	-	Appointed – March 2017

MANAGEMENT TEAM

Dr. Githinji Gitahi	-	Group CEO
Dr. Peter Ngatia	-	Director of Capacity Building
Dr. Meshack Ndirangu	-	Kenya Country Director
Mr. Abenet Berhanu	-	Uganda Country Director
Ms. Misrak Makonnen	-	Ethiopia Country Director – Appointed – April 2016
Dr. Joachim Osur	-	Director, Regional Projects and Field Offices
Dr. Bettina Vadera	-	Chief Executive Officer & Medical Director Amref Flying Doctors
Dr. Florence Temu	-	Tanzania Country Director
Mr. Jonathan Dutton	-	Group CFO
Dr. Sylla Thiam	-	Regional Director, West Africa
Ms. Desta Lakew	-	Head of Fundraising
Dr. Nzomo Mwita	-	Director M&E
Mr. Samuel Weru	-	ICT Director
Ms. Betty Muriuki	-	Acting Communications Director
Dr. Frasia Karua	-	Interim General Manager, Amref Enterprises – Appointed – January 2017

COMPANY SECRETARY

Amuhaya Diana Barasa
Amref Health Africa Headquarters
Langata Road
P. O. Box 27691 - 00506
Nairobi, Kenya

AUDITORS

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

DIRECTORS, OFFICERS AND ADMINISTRATION (continued)
FOR THE 15 MONTHS ENDED 31 DECEMBER 2016

REGISTERED OFFICE

Amref Health Africa Headquarters
Langata Road
P.O. Box 27691 - 00506
Nairobi

LAWYERS

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

L.W. Wang'ombe & Company Advocates
4th Floor, 5th Avenue Office Suite
5th Ngong Avenue
P.O. Box 2605-00200
NAIROBI

BANKERS

Citibank N.A., Nairobi, Kenya
Barclays Bank of Kenya, Nairobi, Kenya
National Bank of Kenya, Nairobi, Kenya
Ecobank, Nairobi, Kenya
National Bank of Commerce, Dar-es-Salaam, Tanzania
Standard Chartered Bank Tanzania, Dar-es-Salaam, Tanzania
Standard Chartered Bank Kenya, Nairobi, Kenya
Barclays Bank of Uganda, Kampala, Uganda
Nedbank, Pretoria, South Africa
Commercial Bank of Ethiopia, Addis Ababa, Ethiopia
Stanbic Bank Uganda, Kampala, Uganda
Ecobank, Dakar, Senegal
Chase Bank, Nairobi, Kenya
I&M Bank, Nairobi, Kenya
KCB South Sudan, South Sudan
Equity Bank, Nairobi, Kenya

AMREF HEALTH AFRICA
(A Company Limited by Guarantee)

REPORT OF THE DIRECTORS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2016

The Directors have the pleasure of submitting their report together with the audited financial statements for the 15 months ended 31 December 2016, which disclose the state of the Company's affairs.

1. OBJECTIVES OF THE COMPANY

Amref Health Africa ("the Company") exists to improve health and health care in Africa. The organization aims 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 Health Africa works with communities to implement projects, learns from its activities and uses its knowledge to influence others.

2. PRINCIPAL ACTIVITIES

The principal activities of Amref Health Africa are to achieve the above stated objectives which 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.

Amref Health Africa consolidated financial statements incorporate the financial statements of Amref Health Africa Headquarters, Amref Health Africa in Kenya, Amref Health Africa South Sudan, Amref Health Africa West Africa, Amref Health Africa Tanzania, Amref Health Africa Southern Africa, Amref Health Africa Uganda, Amref Health Africa Ethiopia and Amref Flying Doctors Limited ("the Group") all of which are included for the full period from 1 October 2015 to 31 December 2016.

3. INCORPORATION

Amref Health Africa is incorporated in Kenya as a company limited by guarantee under the Kenyan Companies Act and is domiciled in Kenya.

4. RESULTS

The results for the financial period are set out in this document.

5. DIRECTORS

The names of the Directors who have served during the period under review are set out on page 2.

6. AUDITORS

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

7. FINANCIAL YEAR END

During the period under review the Board approved the change of the financial year end from 30 September to 31 December. These financial statements therefore cover a period of 15 months to cater for the change. Comparative figures relate to the year ended 30 September 2015.

8. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved at the meeting of the Directors held on 12 June 2017.

By Order of the Board

Mr. Omari Issa
Chair

AMREF HEALTH AFRICA
(A Company Limited by Guarantee)

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE 15 MONTHS ENDED 31 DECEMBER 2016

The Kenyan Companies Act requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the operating results of the Group for that period. It also requires the Directors to ensure that the Group keeps proper accounting records that are sufficient to show and explain the transactions of the Group and which disclose, with reasonable accuracy at any time, the financial position of the Group. They are also responsible for safeguarding the assets of the Group.

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 the 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 preparation and presentation of these 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 Group and of its operating results.

The Directors also accept responsibility for:

i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
ii) selecting suitable accounting policies and applying them consistently; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Group's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 12 June 2017 and signed on its behalf by:

Mr. Omari Issa	Ms. Kellen Eileen Kariuki
Chair	Director

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
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Kenya

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMREF HEALTH AFRICA (A Company Limited by Guarantee)

Report on the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Amref Health Africa set out on pages 9 to 32, which comprise the statement of consolidated financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the statement of cash flows for the 15 month period then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group as at 31 December 2016 and of its financial performance and cash flows for the 15 month period then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information, which comprises the information included in the report of the Directors. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise, appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated 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 the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act 2015, 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 Group, so far as appears from our examination of those books of account; and

iii) The Group's statement of financial position (balance sheet) and statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditors' report ***is CPA Bernadette Wahogo – P/No. 1698.***

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya

26 July 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 15 MONTHS ENDED 31 DECEMBER 2016

CONTINUING OPERATIONS	Notes	15 months ended 31 December 2016 US$ '000	12 months ended 30 September 2015 US$ '000
INCOME			
Grants – Restricted	4	90,518	69,145
Grants – Unrestricted	4	206	-
Other income	5	2,377	2,571
Financing income	6	167	148
Income from commercial activities	7(a)	17,123	14,706
Total income		110,391	86,570
EXPENDITURE			
Expenditure relating to commercial activities	7(b)	15,755	13,460
Direct programme activity	8(a)	82,516	63,830
Programme monitoring and support	8(b)	4,644	5,299
Institutional development	8(c)	1,951	2,160
Administration	8(d)	6,096	6,896
Total expenditure		110,962	91,645
DEFICIT FOR THE PERIOD		(571)	(5,075)

The notes set out on pages 13 to 32 form an integral part of these financial statements.

AMREF HEALTH AFRICA
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

ASSETS	Notes	As at 31 December 2016 US$ '000	As at 30 September 2015 US$ '000
Non-current assets			
Property and equipment	11	6,860	7,543
Intangible assets	12	51	19
		6,911	7,562
Current assets			
Inventories	13	380	310
Debtors and prepayments	14	10,429	8,467
Grants receivable	15(a)	12,919	19,976
Investments	16	27	503
Cash and cash equivalents	17	21,475	16,119
		45,230	45,375
Assets classified as held for sale	18	107	89
TOTAL ASSETS		52,248	53,026
FUNDS AND LIABILITIES			
Funds			
Accumulated deficit		(4,068)	(4,125)
Aircraft replacement fund		1,905	1,831
Aircraft maintenance fund		193	194
Accumulated assets reserve		6,911	7,562
TOTAL FUNDS		4,941	5,462
Current liabilities			
Unexpended grants	15(b)	33,210	36,382
Creditors and accruals	19	11,589	11,182
Borrowings	20	1,458	-
		46,257	47,564
Non-current liabilities			
Borrowings	20	1,050	-
TOTAL FUNDS AND LIABILITIES		52,248	53,026

The financial statements set out on pages 9 to 32 were approved by the Board of Directors on 12 June 2017 and signed on its behalf by:

Mr. Omari Issa
Chair

Ms. Kellen Eileen Kariuki
Director

The notes set out on pages 13 to 32 form an integral part of these financial statements.

AMREF HEALTH AFRICA
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES AND FUNDS

FOR THE 15 MONTHS ENDED 31 DECEMBER 2016

	Accumulated reserve/ (deficit) US$'000	Aircraft replacement fund US$'000	Aircraft maintenance fund US$'000	Accumulated assets reserve US$'000	Total US$'000
At 1 October 2014	1,070	1,577	124	7,766	10,537
Deficit for the year	(5,075)	-	-	-	(5,075)
Aircraft maintenance funds added during the year	(70)	-	70	-	-
Depreciation and amortisation transfer	867	-	-	(867)	-
Eliminated on disposal	(42)	-	-	42	-
Aircraft depreciation/maintenance transfer	(254)	254	-	-	-
Additions to property and equipment and intangible assets	(694)	-	-	694	-
Disposal of property plant and equipment	73	-	-	(73)	-
At 30 September 2015	(4,125)	1,831	194	7,562	5,462
At 1 October 2015	(4,125)	1,831	194	7,562	5,462
Deficit for the period	(571)	-	-	-	(571)
Aircraft maintenance funds utilised during the period	1	-	(1)	-	-
Depreciation and amortisation transfer	920	-	-	(920)	-
Eliminated on disposal	(1,070)	-	-	1,070	-
Aircraft depreciation/maintenance transfer	(74)	74	-	-	-
Additions to property and equipment and intangible assets	(761)	-	-	811	50
Disposal of property plant and equipment	1,612	-	-	(1,612)	-
At 31 December 2016	(4,068)	1,905	193	6,911	4,941

The Aircraft Replacement Fund was created with the aim of investing at least the amount equivalent to the depreciation charged on the aircraft each year to enable Amref Flying Doctors Limited to replace the aircraft when necessary. This includes any other funds specifically received for the future replacement of the aircraft. The amounts are not distributable.

The Aircraft Maintenance Fund was created to cover the estimated cost of the next major overhaul of the aircraft on the basis of hours flown. The amounts are not distributable.

The Accumulated Assets Reserve was created to separate reserves that specifically relate to property and equipment and reflects the net book value of the non-current assets as at period end.

The notes set out on pages 13 to 32 form an integral part of these financial statements.

AMREF HEALTH AFRICA
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2016

	Notes	15 months ended 31 December 2016 US$ '000	12 months ended 30 September 2015 US$ '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the period		(571)	(5,075)
Adjustments for:			
Change in fair value of short term investments		(18)	84
Accrued interest		(58)	(19)
Net movement in funds		50	-
Gain on disposal of property and equipment		(315)	(18)
Depreciation charge on property and equipment	11	897	844
Amortisation	12	23	23
Interest income	6	(167)	(148)
Interest income from commercial activities	7	(89)	(220)
Operating deficit before working capital changes		(248)	(4,529)
(Increase)/Decrease in assets held for sale		(18)	85
(Increase)/Decrease in inventories		(70)	47
Increase in debtors and prepayments		(1,962)	(4,148)
Net movement in grant receivable/unexpended grants		3,885	2,886
Increase in creditors and accruals		407	1,437
Net cash used in operating activities		2,546	(4,222)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	11	(756)	(686)
Purchase of intangible assets		(55)	(8)
Proceeds from disposal of property and equipment		857	49
Interest received		256	368
Proceeds on disposal of investments		552	-
Net cash generated/(used) in investing activities		854	(277)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans borrowed	20	2,508	-
Loan repaid		-	(586)
Net cash generated/(used) in financing activities		2,508	(586)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,356	(5,085)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		16,119	21,204
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	17	21,475	16,119

The notes set out on pages 13 to 32 form an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

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

Several new and revised standards and interpretations became effective during the period. The Directors have evaluated the impact of these new standards and interpretations and are of the opinion that none of them had a significant impact on the Group's financial statements.

(ii) Standards and interpretations issued but not yet effective

At the date of authorization of these Group 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 Group.

(iii) Early adoption

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

(a) Basis of preparation

The Group prepares its financial statements under the historic cost convention as modified by financial instruments that are measured at fair value. The principal accounting policies adopted are set out below.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation (Continued)

Subsidiaries (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiaries acquired in the case of a bargain purchase, the difference is recognised directly through profit or loss.

Inter-company transactions, balances and recognised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Amref Health Africa consolidated financial statements incorporate the financial statements of Amref Health Africa Headquarters, Amref Health Africa in Kenya, Amref Health Africa South Sudan, Amref Health Africa West Africa, Amref Health Africa Tanzania, Amref Health Africa Southern Africa, Amref Health Africa Uganda, Amref Health Africa Ethiopia and Amref Flying Doctors Limited ("the Group") all of which are included for the full period from 1 October 2015 to 31 December 2016..

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Loss of control of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Income recognition

i. Restricted grant income (grants received for specific purposes) is recognised when expenditure is incurred and when grant conditions are fulfilled. Unrestricted grant income (non-specific grants) is recognised when received or when firm commitment has been obtained from the donors;
ii. Air Ambulance recoveries are recognized in the period the service is provided;
iii. Other income from commercial activities including Medical and assistance services, Subscription income, interest income and ,training income are recognised when earned.
iv. Donations in kind are recognised in the financial statements at the amount attributed to the donation by the donor, or in the absence of this, at their estimated fair market value; and
v. Other income is recognised when received, earned or invoiced depending on its nature.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency transactions

Transactions in foreign currencies are converted to US dollars using the exchange rates 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 statement of profit and loss and other comprehensive income. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rates ruling at the date of the transaction.

(d) Recognition and measurement of financial instruments

Financial assets and financial liabilities are recognised when the Group 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 recognised immediately in profit or loss.

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' 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 purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular 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 Group's financial assets are mainly classified as follows:

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, other receivables and grants receivable.) are measured at amortised cost using the effective interest method, less any impairment.

Financial assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included under other income. The Group classifies Government Securities, bank deposits, commercial paper and corporate bonds under financial assets at FVTPL.

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 a counter party is in significant financial difficulty or when there is a default or delinquency in the interest or principal payments. The allowance recognised 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Recognition and measurement of financial instruments (continued)

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 recognised in profit or loss.

Derecognition of financial assets

The Group derecognises 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as other financial costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Other financial liabilities

Other financial liabilities (including trade and other payables, unexpended grants) 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 amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised 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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(e) Property and equipment

Assets donated to the Group are included in the consolidated 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.

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

e) Property and equipment (Continued)

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

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

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 and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(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) Grants receivable/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 allowable expenditure over receipts for specific grants are recognised as revenue and included in the financial statements as accounts receivable from donors.

(i) Retirement benefit obligations

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

The Organization's contributions of 14% of basic pay to the defined contribution scheme and the individual retirement benefit schemes are charged to profit or loss in the year to which they relate.

(j) 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 aircraft each year to enable Amref Flying Doctors Limited to replace the aircraft when necessary. This also includes any other funds specifically received for future replacement of aircraft.

(k) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Operating leases

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

(m) Cash and cash equivalents

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

(n) Comparatives

Where necessary, comparative figures have been adjusted to conform to a change in presentation in the current period.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Organization'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 have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period:

i) Equipment

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

ii) Impairment

At each statement of financial position date, the Group 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.

iii) Provisions and contingent liabilities

The Organization 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.

3 GOING CONCERN

In the 15 months ended 31 December 2016 the Group had a deficit of US$ 572,000 (2015 – deficit of US$ 5,075,000) from operations. The Group had positive cash flows from operations of US$ 2,548,000 (2015: negative cash flows from operation of US$ 4,222,000). As at 31 December 2016, the Group had an accumulated deficit of US$ 4,068,000 (2015: US$ 4,125,000) and current liabilities exceeded current assets by US$ 1,027,000 (2015: US$2,189,000). The Board is committed to improving the Group's results and is projecting a substantial improvement in the year 2017.

The Group has set a surplus budget for 2017and performance to date indicates it is ahead of target. Significant new grant agreements have been signed since the budget was approved worth a further $13.5million in 2017. The Group continues to seek to optimise the generation and utilization of its cash resources, having had loans advanced from Amref Health Africa in the Netherlands and Amref Health Africa USA.

On this basis, the Board considers it appropriate to prepare the financial statements on a going concern basis.

4. GRANT FUNDS

	Restricted Funds 15months ended 31 December 2016 US$ '000	Unrestricted Funds 15months ended 31 December 2016 US$ '000	Total Funds 15months ended 31 December 2016 US$ '000	Total Funds 12months ended 30 September 2015 US$ '000
Grants receivable brought forward- (Note 15(a))	(19,976)	-	(19,976)	(25,380)
Unexpended grants brought forward- (Note 15(b))	36,382	-	36,382	38,900
Net grant funds brought forward	**16,406**	-	**16,406**	**13,520**
Grants received during the year	91,945	206	92,167	66,084
Total grants available for operations	**108,351**	**206**	**108,573**	**79,604**
Add: Grants receivable – (Note 15(a))	12,919	-	12,919	19,976
Less: Unexpended grants – (Note 15(b))	(33,210)	-	(33,210)	(36,382)
Unrestricted items reclassified to other income	-	-	-	(1,197)
Receivable grants written off – (Note 15(a))	1,708	-	1,708	5,555
Provision for doubtful receivables – (Note 15(a))	750	-	750	1,589
Net grant income	90,518	206	90,724	69,145

	15 months ended 31 December 2016 US$ '000	12 months ended 30 September 2015 US$ '000
5. OTHER INCOME		
Students fees	1,155	1,184
Fundraising activities	34	15
Library charges	13	11
Miscellaneous income	1,175	1,361
	2,377	2,571
6. FINANCING INCOME		
Interest income	167	148

7. COMMERCIAL ACTIVITIES

The commercial activities are implemented by Amref Flying Doctors Limited which specialises in air ambulance services. It is aiming to achieve profitable business growth while providing efficient and effective aero-medical patient transport locally, regionally and internationally to a wide clientele. Profits generated by Amref Flying Doctors Limited are crucial in helping Amref Health Africa achieve its fundraising targets and meet its financial obligations.

	15 months ended 31 December 2016 US$ '000	12 months ended 30 September 2015 US$ '000
(a) Income from commercial activities		
Air ambulance income	11,132	9,974
Medical and assistance services	2,200	2,146
Subscription income	3,264	2,268
Grant income	32	17
Interest income	89	220
Training income	18	20
Contract business	20	-
Other income	368	61
	17,123	14,706

7. COMMERCIAL ACTIVITIES (Continued)

	15 months ended 31 December 2016 US$ '000	12 months ended 30 September 2015 US$ '000
(b) Expenditure related to commercial activities		
Direct costs	8,818	8,049
Staff costs	3,229	2,172
Other operating costs	2,253	2,041
Marketing costs	993	627
Depreciation	442	544
Interest expenditure	-	9
Amortization of intangible assets	20	18
	15,755	13,460

8. EXPENDITURE

(a) Direct programme activity

Personnel costs	29,350	23,491
Financial contributions to partners	4,439	3,669
Project workshops, training, facilitation and travel	23,704	15,903
Project assets	1,218	2,510
Supplies and services	18,208	12,810
Communication	1,442	1,115
Finance costs	147	612
Other costs	4,008	3,720
	82,516	63,830

(b) Programme monitoring and support

Personnel costs	1,677	1,947
Financial contributions to partners	254	305
Travel and accommodation costs	1,354	1,321
Project assets	-	205
Supplies and services	1,040	1,063
Communication	82	93
Finance costs	8	51
Other costs	229	314
	4,644	5,299

8. EXPENDITURE (Continued)

	15 months ended 31 December 2016 US$ '000	12 months ended 30 September 2015 US$ '000
(c) Institutional development		
Personnel costs	704	795
Financial contributions to partners	107	124
Travel and accommodation costs	569	538
Project assets	-	85
Supplies and services	437	433
Communication	35	38
Finance costs	4	21
Other costs	95	126
	1,951	2,160
(d) Administration		
Personnel costs	2,201	2,534
Financial contributions to partners	333	396
Transport and accommodation cost	1,777	1,719
Project assets	-	267
Supplies and services	1,365	1,383
Communication	108	120
Finance costs	11	66
Other costs	301	411
	6,096	6,896
(e) Analysis of total expenditure		
Restricted expenditure	90,518	69,145
Other expenditure	20,444	22,500
	110,962	91,645

	15 months ended 31 December 2016 US$ '000	12 months ended 30 September 2015 US$ '000
9. OPERATING DEFICIT		
The operating deficit is arrived at after charging:		
Depreciation	920	867
Staff costs	34,712	27,457
Auditors' remuneration	138	79
Gain on disposal of property and equipment	315	18
The following items are included within staff costs:		
Retirement benefit costs - defined contribution plans	3,680	3,011

Staff costs comprise salaries, pension benefits at 14% of salary cost, medical benefits at 8%, allocations to the training fund at 2% and security allocations at 1%.

10. RELATED PARTY TRANSACTIONS

a) The names and job titles of the personnel in key management positions of Amref Health Africa during the period are as disclosed on page 2.

	15 months ended 31 December 2016 US$ '000	12 months ended 30 September 2015 US$ '000
b) Key management compensation		
Short term employee benefits	4,045	2,565
Termination benefits	-	45
	4,045	2,610
c) Amref Health Africa European and North American offices	218	199

11. PROPERTY AND EQUIPMENT

	Land and buildings US$ '000	Aircraft US$ '000	Motor vehicles US$ '000	Furniture, Fittings & general equipment US$ '000	Total US$ '000
COST OR REVALUATION					
At 1 October 2014	4,799	5,949	1,402	2,928	15,078
Additions	44	-	410	232	686
Disposals	-	-		(73)	(73)
Write off	-	-	(74)	(80)	(154)
At 30 September 2015	4,843	5,949	1,738	3,007	15,537
At 1 October 2015	4,843	5,949	1,738	3,007	15,537
Additions	165	-	-	591	756
Disposals	-	(1,555)	-	(57)	(1,612)
At 31 December 2016	5,008	4,394	1,738	3,541	14,681
DEPRECIATION					
At 1 October 2014	2,067	1,924	1,015	2,340	7,346
Charge for the year	133	254	200	257	844
Eliminated on disposals	-	-	-	(42)	(42)
Eliminated on write off	-	-	(74)	(80)	(154)
At 30 September 2015	2,200	2,178	1,141	2,475	7,994
At 1 October 2015	2,200	2,178	1,141	2,475	7,994
Charge for the year	169	74	284	370	897
Eliminated on disposals	-	(1,070)	-	-	(1,070)
At 31 December 2016	2,369	1,182	1,425	2,845	7,821
NET BOOK VALUE					
At 31 December 2016	2,639	3,212	313	696	6,860
At 30 September 2015	2,643	3,771	597	532	7,543

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

	31 December 2016 US$ '000	30 September 2015 US$ '000
12. INTANGIBLE ASSETS		
Cost		
As at 1 October	280	272
Additions	55	8
	335	280
Amortisation		
As at 1 October	261	238
Charge for the year	23	23
	284	261
Net Book Value		
As at 31 December/30 September	51	19

13 INVENTORIES

Printed books and manuals	97	86
Sundry stocks	283	224
	380	310

14 DEBTORS AND PREPAYMENTS

Receivables	4,065	4,802
Amref Health Africa European and North American offices	218	199
Programme advances	322	698
Grants to partners	5,347	3,520
Others	1,570	734
	11,522	9,953
Provision for bad and doubtful debts	(1,093)	(1,486)
	10,429	8,467

Movement in provisions

At 1 October	1,485	999
Additional provision	290	486
Write offs	(682)	
	1,093	1,485

	31 December 2016 US$ '000	30 September 2015 US$ '000
15 GRANTS RECEIVABLE/UNEXPENDED GRANTS		
(a) Grants receivable		
Restricted	14,303	22,318
Provision for doubtful grants	(1,384)	(2,342)
	12,919	19,976
Movement in provisions		
At 1 October	2,342	6,308
Additional provision	750	1,589
Write offs	(1,708)	(5,555)
	1,384	2,342
(b) Unexpended grants		
Restricted	33,210	36,382

Grants receivable represent expenditure incurred on projects for which there are commitments from donors for which funds had not been received by the end of the reporting period. Unexpended grants represent grants and donations received in advance of expenditure which remain un-utilized as at end of the reporting period.

	31 December 2016		30 September 2015	
	Average Yield %	US$ '000	Average Yield %	US$ '000
16 INVESTMENTS				
Bank deposits	7.0	1	16.8	100
Kenya Government debt securities	12.5	6	12.2	337
Commercial paper and corporate bonds	11.8	10	11.8	56
Unquoted investment – at cost		10		10
		27		503

Movement in investments

	31 December 2016 US$'000	30 September 2015 US$'000
At 1st October	503	568
Interest earned	58	19
Change in fair value of investment	18	(84)
Disposal	(552)	-
	27	503

16 INVESTMENTS (Continued)

The investments have maturity terms of more than 90 days.

The unquoted investment relates to ten aviation companies (including Amref Flying Doctors Limited) based at Wilson Airport that initiated the Wilson Airport Terminal Company (WATCO) project in 2010 with the objective of mobilizing resources for the development of a terminal building at Wilson Airport as a Public Private Partnership with the Government of Kenya. The members each paid up US$ 10,000 as share capital for use in formally setting up WATCO and conducting a feasibility study. The amount has been carried at cost.

17. CASH AND CASH EQUIVALENTS

	31 December 2016 US$ '000	30 September 2015 US$ '000
Cash at bank and in hand	18,592	13,033
Short term bank deposits	2,883	3,086
	21,475	16,119

The weighted average effective interest rate on Kenya Shilling short term deposits at 31 December 2016 was 12.25 % (2015 – 9%). The weighted average effective interest rate on USD short term deposits at 31 December 2016 was 3.85 % (2015 – 3%)

18. ASSETS CLASSIFIED AS HELD FOR SALE

	31 December 2016 US$ '000	30 September 2015 US$ '000
Assets related to aircraft maintenance department	107	89

Amref Flying Doctors Limited discontinued operations of aircraft maintenance and anticipates to dispose all the inventories by 31 December 2018. The spare parts that are being held may be utilized in maintenance of the caravan aircraft the company owns. The assets held for sale amounted to US$ 106,879 (2015: US$ 89,265). There were no liabilities as at the end of the reporting period.

19. CREDITORS AND ACCRUALS

	31 December 2016 US$ '000	30 September 2015 US$ '000
Trade creditors	7,575	7,646
Accruals and other creditors	4,014	3,536
	11,589	11,182

	31 December 2016 US$ '000	30 September 2015 US$ '000
20. BORROWINGS		
Loan from Amref Health Africa National Offices	2,508	-
Bank loans	-	586
Less repayments	-	(586)
	2,508	-

The borrowings are repayable as follows:

Within one year	1,458	-
More than one year	1,050	-
	2,508	-

Amref Health Africa received two loans in the period, one from Amref Health Africa in the Netherlands of US$ 2 million with interest payable at a rate of 0.7% per annum repayable monthly in 20 instalments from January 2017 and the other from Amref Health Africa USA. The loan from Amref Health Africa USA is US$ 500,000 at an interest rate of 1.41% and is repayable in two instalments, half of it in August 2017 and the balance in August 2018. Amref is in compliance with the terms of the loan agreements.

21. CONTINGENT LIABILITIES

As at 31 December 2016, the Group had contingent liabilities relating to legal claims by former employees and a rent dispute estimated at a total of US$ 2 million of which US $ 1.7 million relates to one former member of staff who is claiming unlawful termination of contract. Judgment in respect of these cases had not been determined as at 31 December 2016. The amounts above have not been provided for in these financial statements as it was not possible to accurately quantify the potential liability arising from them.

The launch of the Maisha air evacuation products was met with resistance by the Flying Doctors Society of Africa (FDSA). This is because the society had been offering similar services since the 1970's. At that time, FDSA also served as a fundraising organ for Amref Flying Doctors Limited. When Maisha was launched, the board of FDSA resisted the move terming it as being in bad faith and targeted at being in direct competition with the FDSA's core business. Pursuant to legal advice from Amref Health Africa's lawyers, AFD went ahead and launched the new product and terminated the agreement it had with FDSA. A new Service Agreement between the Company and FDSA was drafted and sent to FDSA but has not been accepted to date. The dispute is currently in court. However, full provision of the amounts owed by FDSA has been made in the financial statements.

Although there can be no assurance, the Directors believe, based on the information currently available and legal advice obtained, that the above claims can be successfully defended.

22. TAXATION

No taxation is provided for in these financial statements, as the Company 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). On this basis the Kenya Revenue Authority granted Amref Health Africa an Income Tax Exemption Certificate for a period of 5 years commencing on 17th May 2013 which therefore expires on 17th May 2018.

	31 December 2016 US$ '000	30 September 2015 US$ '000

23. OPERATING LEASES

Operating lease rentals are payable as follows:

	31 December 2016 US$ '000	30 September 2015 US$ '000
Less than 1 year	60	6
Between one and five years	304	279
	364	285

24. 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 Group'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 Health Africa seeks to minimize the potential adverse effects of these financial risks. Risk management is carried out under policies approved by the 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. The Group has 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.

	31 December 2016 US$ '000	30 September 2015 US$ '000
Cash at bank	18,592	13,033
Bank deposits	2,883	3,086
Investments	17	493
Borrowings	(2,508)	-
	18,984	16,612

24. FINANCIAL RISK MANAGEMENT (Continued)

MARKET RISK (Continued)

ii) Foreign exchange rate risk

Foreign exchange rate risk is a form of risk that arises from the change in price of one currency against another. Amref Health Africa'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 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 Dollars 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 Health Africa'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.

Amref Health Africa does not take speculative positions in foreign exchange contracts or any derivative financial instruments.

iii) Equity risk

Amref Health Africa holds no equity investments and therefore is not exposed to securities price risk.

CREDIT RISK

The table below represents the Group'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 but not impaired US $'000	Impaired US $'000	Total US $'000
31 December 2016				
Debtors	10,429	-	1,093	11,522
Grants receivable	12,919	-	1,384	14,303
Investments	17	-	-	17
Bank balances	21,475	-	-	21,475
	44,840	-	2,477	47,317
30 September 2015				
Debtors	8,467	-	1,485	9,952
Grants receivable	19,976	-	2,342	22,318
Investments	493	-	-	493
Bank balances	16,119	-	-	16,119
	45,055	-	3,827	48,882

24. FINANCIAL RISK MANAGEMENT (Continued)

CREDIT RISK (Continued)

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

Grants receivable consist primarily of amounts due from institutional donors with which Amref Health Africa has signed agreements and is in the process of requesting reimbursement.

The Group 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 Amref Flying Doctors Limited and are current in nature and relate mainly to medical insurers. Bad and doubtful debts have been provided for as indicated in Note 14.

LIQUIDITY RISK

	1-12 months US \$'000	**>12 months US \$'000**	**Total US \$'000**
31 December 2016			
Creditors	7,575	-	7,575
Unexpended grants	33,210	-	33,210
	40,785	-	40,785
30 September 2015			
Creditors	7,646	-	7,646
Unexpended grants	36,382	-	36,382
	44,028	-	44,028

Liquidity risk for Amref Health Africa 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.

25. SEGMENTAL INFORMATION

Segmental information is based on two segments as follows:

- Non - commercial activities
- Commercial activities

Non-commercial activities relate to Amref Health Africa operations for 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.

The commercial activities are implemented by Amref Flying Doctors Limited which specialises in air ambulance services. It is aiming to achieve profitable business growth while providing efficient and effective aero-medical patient transport locally, regionally and internationally to a wide clientele. Profits generated by Amref Flying Doctors Limited are crucial in helping Amref Health Africa achieve its fundraising targets and meet its financial obligations.

Information regarding the Group's reportable segments is presented below.

Segment revenue and results

	Non Commercial Activities US$ '000	Commercial Activities US$ '000	15 months ended 31 December 2016 US$ '000	12 months ended 30 September 2015 US$ '000
Income	93,268	17,123	110,391	86,570
Expenditure	(95,207)	(15,755)	(110,962)	(91,645)
Operating (deficit)/ surplus	(1,939)	1,368	(571)	(5,075)
Segment assets and liabilities				
Assets	38,894	13,354	52,248	53,026
Liabilities	44,261	3,046	47,307	47,624

26. CURRENCY

The financial statements are presented in United States of America Dollars (US$'000), the Group's functional and presentation currency.

27. SUBSEQUENT EVENTS

As at 31 December 2016, Amref Flying Doctors Limited had a balance of US$ 2,924,899 held at Chase Bank Kenya Limited. On 7 April 2016, the Central Bank of Kenya placed Chase Bank under receivership for a period of 12 months due to liquidity difficulties experienced by the Bank rendering the account inaccessible. The receivership period has since been extended for a further 6 months ending on 30 September 2017 during which time the Central Bank of Kenya expects to have disposed of an equity interest in Chase Bank Limited (In Receivership) to a potential investor.

This event has no effect on the financial statements as at 31 December 2016.