



**AMREF HEALTH AFRICA**  
(A Company Limited by Guarantee)

**ANNUAL REPORT AND  
CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2017**

AMREF HEALTH AFRICA  
(A Company Limited by Guarantee)

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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AMREF HEALTH AFRICA  
(A Company Limited by Guarantee)

DIRECTORS, OFFICERS AND ADMINISTRATION  
FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS

Mr. Omari Issa	- Chair
Ms. Mary Ann Mackenzie	- Vice Chair
Mr Mario Raffaelli	- Vice Chair - Retired – March 2017
Mr. Gautam Dalal	- Retired – March 2017
Prof. Richard Muga	
Ms. Kellen Kariuki	
Mr. Tjark de Lange	
Mr. Timothy Wilson	
Mr. Teshome Gebre Kanno	
Ms. Judith Chinkumbi	
Mr. Jacques van Dijken	- Appointed – March 2017
Mr. Tito Alai	- Appointed – March 2017

MANAGEMENT TEAM

Dr. Githinji Gitahi	- Group Chief Executive Officer
Mr. Jonathan Dutton	- Group Chief Finance Officer
Ms. Astrid van Rooij	- Acting Chief Programmes Officer
Dr. Meshack Ndirangu	- Kenya Country Director
Mr. Abenet Berhanu	- Uganda Country Director
Ms. Misrak Makonnen	- Ethiopia Country Director
Dr. Florence Temu	- Tanzania Country Director
Dr. Sylla Thiam	- Regional Director, West Africa
Dr. Joachim Osur	- Director, Field Offices and Regional Programmes
Ms. Desta Lakew	- Director of Partnerships
Mr. Samuel Weru	- ICT Director
Dr. Peter Ngatia	- Interim Vice Chancellor, Amref International University
Dr. Bettina Vadera	- Chief Executive Officer & Medical Director Amref Flying Doctors
Dr. Frasia Karua	- General Manager, Amref Enterprises

COMPANY SECRETARY AND REGISTERED OFFICE

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

AMREF HEALTH AFRICA  
(A Company Limited by Guarantee)

DIRECTORS, OFFICERS AND ADMINISTRATION (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017

LAWYERS

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

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

BANKERS

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



**AMREF HEALTH AFRICA**  
(A Company Limited by Guarantee)

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors have the pleasure of submitting their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of the Group's affairs.

**1. OBJECTIVES OF THE COMPANY**

Amref Health Africa ("the Company") exists to improve health and health care in Africa. The Group 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 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 Corporate Office, 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 and Amref Health Africa Ethiopia together with commercial activities delivered through Amref Flying Doctors Limited together here in referred to as "the Group" all of which are included for the year ended 31 December 2017.

**3. INCORPORATION**

Amref Health Africa is incorporated in Kenya as a company limited by guarantee under the Kenyan Companies Act, 2015 and is domiciled in Kenya.

**4. RESULTS**

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

**5. RESERVES**

The Directors have adopted a reserves policy that anticipates the Organisation holding cash reserves equivalent to 3 months' operating costs.

**6. DIRECTORS**

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

**7. AUDITORS**

Deloitte & Touche, having expressed their willingness, continue in office in accordance provisions of section 719 (2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

**8. DIRECTORS' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**AMREF HEALTH AFRICA**  
(A Company Limited by Guarantee)  
**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)**

**8. FINANCIAL YEAR END**

In the financial year 2016 the Board approved a change of the financial year end from 30 September to 31 December. As a result of this change, the comparative figures relate to a 15 month period ended 31 December 2016.

**9. BUSINESS REVIEW**

The Directors are pleased with the performance of the Organisation during 2017. There has been a return to generating a surplus for the first time since 2012/13 after three financial years of incurring deficits. This has been achieved through the strict delivery of our programmes under the Amref Health Africa Financial Model, which requires, by the end of the Corporate Strategy 2018-22 period, each programme to make sufficient net overhead recoveries to cover the costs of the Corporate Office, based in Nairobi, Kenya. A number of significant services, including monitoring and evaluation, internal audit, legal and compliance, fundraising and business development are based centrally as well as our HR, finance and procurement activities. The core governance functions are also delivered centrally. The Corporate Strategy has set a goal that the Organisation will break even on its NGO activities by the end of this period. In 2017, the margin deficit on NGO excluding enterprise activities had been reduced to 1.5% of direct project expenditure, which the Directors believe is a significant step forwards in achieving this goal. In 2017 the Organisation has also focussed on rebuilding its balance sheet and the Directors are pleased to be able to report that all the reserve funds of the Organisation are now in surplus. The land and building assets have also been revalued for the first time, with a revaluation surplus of \$3.6m recognised for the first time. The net asset base of the Organisation has increased to \$8.7m as a result.

The Organisation has conducted a thorough risk review and considers changes in the risk profile and mitigating actions being undertaken by management at its meetings. It also has an objective to grow its grant activities by 10% per annum across the programmes during the course of the Corporate Strategy 2018-22 with the goal of reaping the economies of scale that would follow from this. In 2017 direct programme activities grew by 19.3% compared to annualized 2016 results. This is a pleasing outcome as it comes at a time when the donor funds are reducing and financial pressure is being felt across the NGO sector. The Audit, Risk and Compliance Committee of the Board reviews the work of the internal audit and compliance functions to ensure the risk profile of the Organisation is given the high priority and focus that it requires. The Board sees financial, funding and political risks as the major ones facing the Organisation.

The Organisation owns Amref Flying Doctors whose activities provide a crucial part of the income of the overall Organisation in securing its financial position during the period of the Corporate Strategy which the programmatic performance improves. In time the surpluses of the social enterprise activities will be used to invest in infrastructure of the Organisation to secure its longer term growth.

**10. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved at the meeting of the Directors held on 18 May 2018.

By Order of the Board



Mr. Omari Issa  
Chair



AMREF HEALTH AFRICA  
(A Company Limited by Guarantee)

STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2017

The Kenyan Companies Act, 2015 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. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and error.

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, 2015. They 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 18 May 2018 and signed on their behalf by:



Mr. Omari Issa  
Chair



Ms. Kellen Kariuki  
Director

## 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 10 to 36, which comprise the statement of consolidated financial position as at 31 December 2017, 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 year then ended, and the notes to the Consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

#### 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 Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated 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 Consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 consolidated 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.



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

## **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, 2015, and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

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

**Report on Other Legal and Regulatory Requirements**

*Report of the Directors*

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

*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

*19 June* 2018

AMREF HEALTH AFRICA  
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017

		12 months ended 31 December 2017 US\$ '000	15 months ended 31 December 2016 US\$ '000
<b>CONTINUING OPERATIONS</b>			
<b>INCOME</b>	Notes		
Grants – Restricted	3	85,148	90,518
Grants – Unrestricted	3	-	206
Other income	4	4,162	2,377
Financing income	5	25	167
Income from commercial activities	6(a)	14,231	17,123
		<hr/>	<hr/>
<b>Total income</b>		103,566	110,391
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Expenditure relating to commercial activities	6(b)	14,035	15,755
Direct programme activities	7(a)	78,750	82,516
Country Office administration costs	7(b)	5,287	7,340
Corporate Office costs	7(c)	5,202	5,351
		<hr/>	<hr/>
<b>Total expenditure</b>		103,274	110,962
		<hr/>	<hr/>
Surplus/ (deficit) for the year		292	(571)
		<hr/>	<hr/>
<b>Other Comprehensive Income</b>			
Revaluation surplus		3,624	-
		<hr/>	<hr/>
<b>Total comprehensive income/ (loss) for the period</b>		<u><u>3,916</u></u>	<u><u>(571)</u></u>

The notes set out on pages 14 to 36 form an integral part of these financial statements.




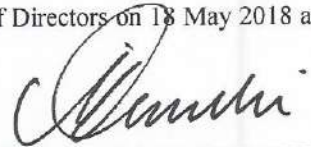
AMREF HEALTH AFRICA  
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017

		As at 31 December 2017 US\$ '000	As at 31 December 2016 US\$ '000
<b>ASSETS</b>	<b>Notes</b>		
<b>Non-current assets</b>			
Property and equipment	10	13,257	6,860
Intangible assets	11	59	51
Total non-current assets		13,316	6,911
<b>Current assets</b>			
Inventories	12	613	487
Debtors and prepayments	13	7,791	10,429
Grants receivable	14(a)	9,094	12,919
Investments	15	10	27
Cash and cash equivalents	16	16,732	21,475
Total current assets		34,240	45,337
<b>TOTAL ASSETS</b>		<b>47,556</b>	<b>52,248</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Accumulated surplus/ (deficit)		865	(4,068)
Aircraft replacement fund		2,057	1,905
Accumulated assets reserve		2,210	6,911
Revaluation reserve		3,624	-
<b>TOTAL FUNDS</b>		<b>8,756</b>	<b>4,748</b>
<b>Current liabilities</b>			
Unexpended grants	14(b)	22,207	33,210
Creditors and accruals	17	13,161	11,782
Borrowings	18	1,122	1,458
Leasehold interests		2,310	-
		38,800	46,450
<b>Non-current liabilities</b>			
Borrowings	18	-	1,050
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>47,556</b>	<b>52,248</b>

The financial statements set out on pages 10 to 36 were approved by the Board of Directors on 18 May 2018 and signed on their behalf by:

  
Mr. Omari Issa  
Chair

  
Ms. Kellen Kariuki  
Director

The notes set out on pages 14 to 36 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 YEAR ENDED 31 DECEMBER 2017

	Accumulated reserve/ (deficit) US\$'000	Aircraft replacement fund US\$'000	Accumulated assets reserve US\$'000	Revaluation reserve US\$'000	Total US\$'000
At 1 October 2015	(4,125)	1,831	7,562	-	5,268
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)	-	-
	<u>(4,068)</u>	<u>1,905</u>	<u>6,911</u>	<u>-</u>	<u>4,748</u>
At 31 December 2016	(4,068)	1,905	6,911	-	4,748
At 1 January 2017	(4,068)	1,905	6,911	-	4,748
Comprehensive income for the year	292	-	-	3,624	3,916
Depreciation transfer	94	152	(154)	-	92
Transfer of reserves relating to own assets	4,547	-	(4,547)	-	-
	<u>865</u>	<u>2,057</u>	<u>2,210</u>	<u>3,624</u>	<u>8,756</u>
At 31 December 2017	865	2,057	2,210	3,624	8,756

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 aircraft when necessary. This includes any other funds specifically received for the future replacement of 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 the period end.

The notes set out on pages 14 to 36 form an integral part of these financial statements.

AMREF HEALTH AFRICA  
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017

		12 months ended 31 December 2017 US\$ '000	15 months ended 31 December 2016 US\$ '000
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus/ (deficit) for the period		292	(571)
Adjustments for:			
Change in fair value of investments & accrued interest		7	(18)
Accrued interest		-	(58)
Net movement in funds		92	50
Gain on disposal of property and equipment		(210)	(315)
Depreciation charge on property and equipment	10	822	897
Amortisation	11	30	23
Interest income	5	(25)	(167)
Interest income from commercial activities	6	(2)	(89)
Operating deficit before working capital changes		1,006	(248)
Decrease in inventories		(126)	(88)
Decrease/(Increase) in debtors and prepayments		2,638	(1,962)
Net movement in grant receivable/unexpended grants		(7,178)	3,885
Increase in creditors and accruals		1,379	407
Net cash used in operating activities		(2,281)	1,994
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	10	(4,812)	(756)
Purchase of intangible assets	11	(38)	(55)
Proceeds on disposal of property and equipment		1,427	857
Interest received		27	256
Proceeds on maturity of investments		10	552
Net cash generated/(used) in investing activities		(3,386)	854
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease obligation	21	3,300	2,508
Lease payment	21	(990)	-
Loan repayment	18	(1,386)	-
Net cash generated in financing activities		924	2,508
NET DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS		(4,743)	5,356
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		21,475	16,119
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16	16,732	21,475

The notes set out on pages 14 to 36 form an integral part of these financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

**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, 2015, 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.

**Adoption of IFRS 16 Leases**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

- (ii) *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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation (Continued)

Subsidiaries (Continued)

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.

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 Corporate Office, 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 and Amref Health Africa Ethiopia together with commercial activities delivered through Amref Flying Doctors Limited together here in referred to as "the Group" all of which are included for the year ended 31 December 2017.

*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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017

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

**(b) Income recognition (Continued)**

- 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.

**(c) 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017

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

c) Recognition and measurement of financial instruments (continued)

*Impairment of financial assets (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) 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.

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.

Land and buildings across the group were revalued as at 31 December 2017 and the Group will revalue this class of assets every 5 years.

(e) 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.

(f) Debtors and prepayments

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

(g) 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.

(h) Retirement benefit obligations

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

The Group'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.

(i) 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017

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

(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.

(l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lessee.

The Group as lessee

Asset and liability are recognised at the lower of the present value of minimum lease payments and the fair value of the asset and liability. Finance lease payments are apportioned between interest expense and reduction in liability.

All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant 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 Group'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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)**

*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 Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

iii) *Provisions and contingent liabilities*

The Group 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. **GRANT FUNDS**

	Total Funds Year ended 31 December 2017 US\$ '000	Funds 15 months ended 31 December 2016 US\$ '000
Grants receivable brought forward- (Note 14(a))	(12,919)	(19,976)
Unexpended grants brought forward- (Note 14(b))	33,210	36,382
	<hr/>	<hr/>
<b>Net grant funds brought forward</b>	<b>20,291</b>	<b>16,406</b>
Grants received during the year	76,799	92,167
	<hr/>	<hr/>
<b>Total grants available for operations</b>	<b>97,090</b>	<b>108,573</b>
Add: Grants receivable – (Note 14(a))	9,094	12,919
Less: Unexpended grants – (Note 14(b))	(22,207)	(33,210)
Receivable grants written off – (Note 14(a))	925	1,708
Provision for doubtful receivables – (Note 14(a))	246	750
	<hr/>	<hr/>
<b>Net grant income</b>	<b>85,148</b>	<b>90,724</b>
	<hr/> <hr/>	<hr/> <hr/>

AMREF HEALTH AFRICA  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December 2017 US\$ '000	15 months ended 31 December 2016 US\$ '000
<b>4. OTHER INCOME</b>		
Students fees	1,849	1,155
Amref Enterprises	1,169	-
Fundraising activities	368	34
Miscellaneous income	776	1,188
	<u>4,162</u>	<u>2,377</u>
<b>5. FINANCING INCOME</b>		
Interest income	<u>25</u>	<u>167</u>

**6. 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 are generated by Amref Flying Doctors Limited on a tax exempt basis and are crucial in helping Amref Health Africa achieve its fundraising targets and meet its financial obligations.

	Year ended 31 December 2017 US\$ '000	15 months ended 31 December 2016 US\$ '000
(a) Income from commercial activities		
Air ambulance income	8,867	11,132
Medical and assistance services	2,299	2,200
Subscription income	2,586	3,264
Grant income	30	32
Interest income	2	89
Training income	44	18
Contract business	239	20
Other income	164	368
	<u>14,231</u>	<u>17,123</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

6. COMMERCIAL ACTIVITIES (Continued)

	Year ended 31 December 2017 US\$ '000	15 months ended 31 December 2016 US\$ '000
(b) Expenditure related to commercial activities		
Direct costs	7,550	8,818
Staff costs	2,766	3,229
Other operating costs	2,590	2,253
Marketing costs	501	993
Depreciation	399	442
Finance costs	200	-
Amortisation of intangible assets	29	20
	<hr/>	<hr/>
	14,035	15,755
	<hr/>	<hr/>

7. EXPENDITURE

(a) Direct programme activity

Personnel costs	21,614	22,801
Travel costs	14,825	21,739
Motor vehicle costs	2,378	1,620
Communication	923	1,278
Rent and utility	1,145	1,406
Professional fees	3,222	2,697
Project cost	34,288	30,810
Finance costs	123	20
Depreciation and provisions	232	145
	<hr/>	<hr/>
	78,750	82,516
	<hr/>	<hr/>

(b) Country Office administration costs

Personnel costs	3,655	4,729
Travel costs	324	269
Motor vehicle costs	198	270
Communication	92	133
Rent and utility	35	40
Professional fees	76	120
Supplies and services	310	464
Finance costs	41	57
Depreciation and provisions	556	1,258
	<hr/>	<hr/>
	5,287	7,340
	<hr/>	<hr/>



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017

7. EXPENDITURE (Continued)

	Year ended 31 December 2017 US\$ '000	15 months ended 31 December 2016 US\$ '000
<b>(c) Corporate Office costs</b>		
Personnel costs	2,988	3,687
Travel costs	428	472
Motor vehicle costs	63	76
Communication	150	262
Rent and utility	495	330
Professional fees	525	220
Supplies and services	187	72
Finance costs	366	232
Depreciation and provisions		
	<u>5,202</u>	<u>5,351</u>
<b>(d) Analysis of total expenditure</b>		
Restricted expenditure	85,148	90,518
Other expenditure	18,126	20,444
	<u>103,274</u>	<u>110,962</u>

8. OPERATING SURPLUS/ (DEFICIT)

The operating surplus/ (deficit) is arrived at after charging:

Depreciation	822	897
Amortisation	30	23
Staff costs	29,316	34,712
Auditors' remuneration	146	138
Gain on disposal of property and equipment	210	315
	<u>2,397</u>	<u>3,680</u>
The following items are included within staff costs:		
Retirement benefit costs - defined contribution plans		

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%.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017

9. 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.

	Year ended 31 December 2017 US\$ '000	15 months ended 31 December 2016 US\$ '000
b) Key management compensation		
Short term employee benefits	2,459	4,045
Termination benefits	-	-
	<u>2,459</u>	<u>4,045</u>
	As at 31 December 2017 US\$ '000	As at 31 December 2016 US\$ '000
c) Net receivable from Amref Health Africa European and North American offices	131	218
	<u>131</u>	<u>218</u>



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

10. PROPERTY AND EQUIPMENT

	Land and buildings US\$ '000	Aircraft US\$ '000	Motor vehicles US\$ '000	Furniture, Fittings & general equipment US\$ '000	Total US\$ '000
<b>COST OR REVALUATION</b>					
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
At 1 January 2017	5,008	4,394	1,738	3,541	14,681
Additions	141	4,423	83	165	4,812
Disposals	-	(2,104)	(153)	(10)	(2,267)
Reclassification	(66)	50	30	105	119
Eliminated on revaluation	(2,549)	-	-	-	(2,549)
Revaluation surplus	3,624	-	-	-	3,624
At 31 December 2017	6,158	6,763	1,698	3,801	18,420
<b>DEPRECIATION</b>					
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
At 1 January 2017	2,369	1,182	1,425	2,845	7,821
Charge for the year	152	152	174	344	822
Eliminated on disposals	-	(887)	(153)	(10)	(1,050)
Reclassification	28	1	27	63	119
Eliminated on revaluation	(2,549)	-	-	-	(2,549)
At 31 December 2017	-	448	1,473	3,242	5,163
<b>NET BOOK VALUE</b>					
At 31 December 2017	6,158	6,315	225	559	13,257
At 31 December 2016	2,639	3,212	313	696	6,860

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

AMREF HEALTH AFRICA  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

**10. PROPERTY AND EQUIPMENT (Continued)**

**a) Net book value for buildings on cost basis**

	2017 US\$' 000	2016 US\$' 000
Net book value on cost		
Buildings	2,534	2,639

**b) Reconciliation of accumulated capital reserve to property and equipment**

	2017 US\$'000	2016 US\$'000
Accumulated capital reserve	2,210	6,911
Add: Property and equipment purchased (Note 10)	4,812	756
Add: Intangible assets purchased (Note 11)	38	55
Add: revaluation surplus (Note 10)	3,624	-
Add: Cost of assets transferred from capital reserve	4,547	-
Less: Disposals (Note 10)	(2,267)	(1,612)
Less: Charge for the year (Note 10)	(822)	(897)
Less: Amortisation (Note 11)	(30)	(23)
Add: Depreciation on disposed assets (Note 10)	1,050	1,070
Add: Movement in accumulated asset reserve fund	-	651
Add: Depreciation on assets purchased from external funding	154	-
Net book value		
Property and equipment as at 1 January/October (Note 10)	6,860	7,543
Intangible assets as at 1 January (note 11)	51	19
Less: Accumulated capital reserve as at 1 January/October	(6,911)	(7,562)
Net book value as at 31 December	13,316	6,911

**c) Change in accounting policy**

The Group changed its accounting policy for buildings from cost to revaluation model as from 31 December 2017.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

10. PROPERTY AND EQUIPMENT (Continued)

d) Fair value measurement of the Group's buildings

The Group's buildings are stated at their revalued amounts, being the fair values at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The buildings were revalued as at 31 December 2017 by independent valuers on a replacement cost basis. The fair value hierarchy prioritises the inputs used to measure fair value into three broad Levels (Levels 1, 2 and 3), moving from quoted prices in active markets in Level 1 to unobservable inputs in Level 3. The levels are as defined below:

- Level 1 inputs – observable, quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs – quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices e.g. interest rates and yield curves.
- Level 3 inputs – unobservable inputs for the asset or liability. These should be based on the best information available. The Group should utilise all reasonably available information, but need not incur excessive cost or effort to do so. However, it should not ignore information that can be obtained without undue cost and effort. As such, the reporting entity's own data should be adjusted if information is reasonably available without undue cost and effort.

Details of the Group's buildings and information about fair value hierarchy as at 31 December 2017 are as follows:

		Level 1	Level 2	Level 3	Total 2017	Total 2016
Buildings	US\$'000	-	6,158	-	6,158	-

	31 December 2017 US\$ '000	31 December 2016 US\$ '000
<b>11. INTANGIBLE ASSETS</b>		
<b>Cost</b>		
As at 1 January 2017/ 1 October 2015	335	280
Additions	38	55
	<u>373</u>	<u>335</u>
<b>Amortisation</b>		
As at 1 January 2017/ 1 October 2015	284	261
Charge for the year	30	23
	<u>314</u>	<u>284</u>
<b>Net Book Value</b>		
As at 31 December	<u>59</u>	<u>51</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017 US\$ '000	31 December 2016 US\$ '000
<b>12. INVENTORIES</b>		
Printed books and manuals	76	97
Sundry stocks	537	390
	<u>613</u>	<u>487</u>
<b>13. DEBTORS AND PREPAYMENTS</b>		
Receivables	4,478	4,065
Amref Health Africa European and North American offices	131	218
Programme advances	170	322
Grants to partners	2,784	5,347
Others	975	1,570
	<u>8,538</u>	<u>11,522</u>
Provision for bad and doubtful debts	(747)	(1,093)
	<u>7,791</u>	<u>10,429</u>
<i>Movement in provisions</i>		
At 1 January 2017/ 1 October 2015	1,093	1,485
Additional provision	288	290
Write offs	(634)	(682)
	<u>747</u>	<u>1,093</u>
<b>14 GRANTS RECEIVABLE/UNEXPENDED GRANTS</b>		
(a) Grants receivable		
Restricted	9,799	14,303
Provision for doubtful grants	(705)	(1,384)
	<u>9,094</u>	<u>12,919</u>
<i>Movement in provisions</i>		
At 1 January 2017/ October 2015	1,384	2,342
Additional provision	246	750
Write offs	(925)	(1,708)
	<u>705</u>	<u>1,384</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

14 GRANTS RECEIVABLE/UNEXPENDED GRANTS (Continued)

	31 December 2017 US\$ '000	31 December 2016 US\$ '000
(a) Unexpended grants Restricted	22,207	33,210

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

	31 December 2017 US\$ '000	31 December 2016 Average Yield %	US\$ '000
15 INVESTMENTS			
Bank deposits	-	7.0	1
Kenya Government debt securities	-	12.5	6
Commercial paper and corporate bonds	-	11.8	10
Unquoted investment – at cost	10		10
	10		27

Movement in investments

	Year ended 31 December 2017 US\$'000	15 months ended 31 December 2016 US\$'000
At 1 January 2017/ 1 October 2015	27	503
Interest earned	-	58
Change in fair value of investment	(7)	18
Disposal	(10)	(552)
	10	27

Ten aviation companies (including Amref Flying Doctors) based at the Wilson Airport in 2010 initiated the Wilson Airport Terminal Company (WATCO) project with the objective of mobilising resources for the development of a terminal building at Wilson Airport as a public private partnership with the government.

The members each paid up USD 10,000 as share capital for use in formally setting up WATCO and conducting a feasibility study. The amount has been carried at cost.



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	31 December 2017 US\$ '000	31 December 2016 US\$ '000
<b>16. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	14,577	18,592
Short term bank deposits	2,873	2,883
Provision on fixed deposit	(718)	-
	<u>16,732</u>	<u>21,475</u>

As at 31 December 2017, Amref Flying Doctors had a balance of US\$ 2,871,503 held at Chase Bank (In Receivership) Kenya Limited. On 7 April 2016, the Central Bank of Kenya placed Chase Bank under receivership due to liquidity difficulties experienced by the bank rendering the account inaccessible.

On 4 January 2018 the Central Bank of Kenya and Kenya Deposit Insurance Corporation announced the receipt and acceptance of a bidding offer from SBM Holdings Kenya Limited (SBM) with respect to certain assets and liabilities. The offer has now been documented in an agreement that 75% of value of deposits will become accessible over a 3 year period and the date the deposits will become available will be announced shortly. The accessibility of the final 25% of the value of deposits depends on the outcome of the collection process being undertaken by the Central Bank of Kenya.

To cushion the Group against any potential non recoverability, a decision to fully provide for 25% of the fixed deposit (US\$ 717, 875) in the current financial year was made.

The weighted average effective interest rate on Kenya Shilling short term deposits at 31 December 2017 was 7% (2017 – 12.25%). The weighted average effective interest rate on USD short term deposits at 31 December 2017 was 4% (2016 – 3.85%).

	31 December 2017 US\$ '000	31 December 2016 US\$ '000
<b>17. CREDITORS AND ACCRUALS</b>		
Trade creditors	8,614	7,575
Accruals and other creditors	4,547	4,207
	<u>13,161</u>	<u>11,782</u>
<b>18. BORROWINGS</b>		
As at 1 January 2017/ 1 October 2015	2,508	-
Loans from Amref Health Africa European and North American Offices	-	2,508
Bank loans	-	-
Less repayments	(1,386)	-
	<u>1,122</u>	<u>2,508</u>

The borrowings are repayable as follows:

Within one year	1,122	1,458
More than one year	-	1,050
	<u>1,122</u>	<u>2,508</u>

AMREF HEALTH AFRICA  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

**18. BORROWINGS (Continued)**

Amref Health Africa received two loans in financial year 2016, 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 was of 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. The Organisation has made repayments as they fall due and is in compliance with the terms of the loan agreements.

**19. CONTINGENT LIABILITIES**

As at 31 December 2017, 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 2017. The amounts above have not been provided for in these financial statements as it was not possible to accurately quantify any potential liability arising from the claims.

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, Amref Flying Doctors went ahead and launched the new product and terminated the agreement it had with FDSA. A new Service Agreement between Amref Flying Doctors and FDSA was drafted and sent to FDSA but has not been accepted to date. The dispute is currently in court. However, full provision for 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.

**20. TAXATION**

No taxation is provided for in these financial statements, as the Company is exempt from income tax 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 17 May 2013. Application has been made to extend the exemption for a further 5 year term.

**21. LEASES**

**i) Lease Liability**

Amref Flying Doctors has leased two aircraft from Aero Medical Solutions for a minimum period of 3 years. The leased aircraft have total amount leased as at 31 December 2017 is USD 3,300,000. The average rate of interest implicit in the lease is 8.42%.

	As at 31 December 2017 US\$'000	As at 31 December 2016 US\$
As At 1 January	-	-
Addition	3,300	-
Repayment	(990)	-
	<u>2,310</u>	<u>-</u>



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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21. LEASES (Continued)

i) Lease Liability (Continued)

	Current year	1 year	2-3 years	Over 3 years	Totals
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>31 December 2017</b>					
Lease interest	200	127	-	-	377

The finance lease obligation is shown below:

	As at 31 December 2017 US\$'000	As at 31 December 2016 US\$'000
Due Within 1 year	2,310	-
	<u>2,310</u>	<u>-</u>

	Minimum Payment		Present Value of Minimum Payment	
	31 December 2017 US\$ 000	31 December 2016 US\$ 000	31 December 2017 US\$ 000	31 December 2016 US\$ 000
Within one year	2,437	-	2,310	-
Not later than one year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,437	-	2,310	-
	<hr/>	<hr/>	<hr/>	<hr/>
Less Future Finance Charge	(127)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Present Value of Minimum Lease Payment	2,310	-	2,310	-

ii) Operating Leases

Operating lease rentals are payable as follows:

Less than 1 year	132	60
Between one and five years	261	304
	<u>393</u>	<u>364</u>



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**22. 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 2017 US\$ '000	31 December 2016 US\$ '000
Cash at bank	14,577	18,592
Bank deposits	2,873	2,883
Investments	-	17
Borrowings	(1,122)	(2,508)
	<u>16,328</u>	<u>18,984</u>

**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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017

22. FINANCIAL RISK MANAGEMENT (Continued)

MARKET RISK (Continued)

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
<b>31 December 2017</b>				
Debtors	8,538	-	(747)	7,791
Grants receivable	9,799	-	(705)	9,094
Investments	-	-	-	-
Bank balances	17,450	-	(718)	16,732
	<u>35,787</u>	<u>-</u>	<u>2,170</u>	<u>33,617</u>
<b>31 December 2016</b>				
Debtors	10,429	-	1,093	11,522
Grants receivable	12,919	-	1,384	14,303
Investments	17	-	-	17
Bank balances	21,475	-	-	21,475
	<u>44,840</u>	<u>-</u>	<u>2,477</u>	<u>47,317</u>

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 Group 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
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**22. FINANCIAL RISK MANAGEMENT (Continued)**

LIQUIDITY RISK

	1-12 months US \$'000	>12 months US \$'000	Total US \$'000
<b>31 December 2017</b>			
Creditors	8,614	-	8,614
Unexpended grants	22,207	-	22,207
	<u>30,821</u>	<u>-</u>	<u>30,821</u>
<b>31 December 2016</b>			
Creditors	7,575	-	7,575
Unexpended grants	33,210	-	33,210
	<u>40,785</u>	<u>-</u>	<u>40,785</u>

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.

**23. SEGMENTAL INFORMATION**

Segmental information is based on two segments as follows:

- NGO activities
- Commercial activities

NGO 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.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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23. SEGMENTAL INFORMATION (Continued)

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

*Segment revenue and results*

	NGO Activities US\$ '000	Commercial Activities US\$ '000	12 months ended 31 December 2017 US\$ '000	15 months ended 31 December 2016 US\$ '000
Income	89,335	14,231	103,566	110,391
Expenditure	(89,239)	(14,035)	(103,274)	(110,962)
	<u>96</u>	<u>196</u>	<u>292</u>	<u>(571)</u>
Operating (deficit)/ surplus				
Segment assets and liabilities				
Assets	<u>31,932</u>	<u>15,624</u>	<u>47,556</u>	<u>52,248</u>
Liabilities	<u>33,546</u>	<u>5,254</u>	<u>38,800</u>	<u>47,500</u>

24. CURRENCY

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