ANNUAL REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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DIRECTORS

Dr. Charles Okeahalam	-	Chair
Ms. Mary Ann MacKenzie	-	Vice Chair
Ms. Kellen Kariuki		
Mr. Tjark de Lange		
Mr. Timothy Wilson		
Mr. Teshome Gebre Kanno		
Ms. Judith Chinkumbi		
Mr. Jacques van Dijken		
Mr. Tito Alai	-	*Up to 23 March 2021*
Ms. Eunice Mathu		
Mr. Liam Fisher Jones		

SENIOR LEADERSHIP TEAM

Dr. Githinji Gitahi	-	Group Chief Executive Officer
Mr. Jonathan Dutton	-	Group Chief Finance Officer
Ms. Mette Kjaer	-	Group Programmes Director
Ms. Angela Muchiru	-	Group Human Resources Director
Mr. Samuel Weru	-	Group ICT Director
Ms. Desta Lakew	-	Group Director Partnerships and External Affairs
Ms. Lolem Ngong	-	Chief of Staff – *Effective 16 March 2020*
Dr. Meshack Ndirangu	-	Kenya Country Director
Mr. Abenet Berhanu	-	Uganda Country Director – *Up to 20 August 2020*
Ms. Misrak Makonnen	-	Ethiopia Country Director
Dr. Florence Temu	-	Tanzania Country Director
Dr. Joachim Osur	-	Technical Director - *Up to 11 May 2021*
Dr. George Kimathi	-	Director, Institute of Capacity Development
Ms. Elizabeth Ntonjira	-	Global Communications Director
Mr. Stephen Gitau	-	Chief Executive Officer, Amref Flying Doctors
Prof. Joachim Osur	-	Vice Chancellor Amref International University - *Effective 12 May 2021*
Prof. Marion Mutugi	-	Vice Chancellor Amref International University - *Up to 11 May 2021*
Ms. Caroline Mbindyo	-	CEO, Amref Health Innovations Limited *(formerly Amref Enterprises Limited)*
Mr. Ramses Man	-	Global Director, Fundraising - *Effective 1 February 2021*
Ms. Linda Hummel	-	Global Director, Fundraising - *Up to 1 November 2020*

REGISTERED OFFICE

Langata Road
P. O. Box 27691 – 00506
Nairobi, Kenya

COMPANY SECRETARY

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

AUDITOR

Ernst & Young LLP
Certified Public Accountants
Kenya-Re Towers, Upper Hill
P. O. Box 44286 – 00100
Nairobi, Kenya

LAWYERS

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

Gitonga Kamiti, Kairaria & Co.
City House
2nd Floor Wabera Street
P. O. Box 7601 – 00100
Nairobi, Kenya

MMC Africa Law
Spring Valley Crescent
Off Peponi Road, Westlands
P. O. Box 75362 – 00200
Nairobi, Kenya

Mohammed Muigai LLP
MM Chambers
4th Floor, K-Rep Centre
Wood Avenue, Off Lenana Road
Nairobi, Kenya

BANKERS

Absa Bank Kenya, Nairobi, Kenya
Equity Bank, Nairobi, Kenya
National Bank of Kenya, Nairobi, Kenya
Standard Chartered Bank Kenya, Nairobi, Kenya
KCB Bank, Nairobi, Kenya
SBM Bank, Nairobi, Kenya
Family Bank, Nairobi, Kenya
National Bank of Commerce, Dar-es-Salaam, Tanzania
Standard Chartered Bank Tanzania, Dar-es-Salaam, Tanzania
Absa Bank Uganda, Kampala, Uganda
Stanbic Bank Uganda, Kampala, Uganda
Nedbank, Pretoria, South Africa
Commercial Bank of Ethiopia, Addis Ababa, Ethiopia
Ecobank Senegal, Dakar, Senegal
KCB Bank South Sudan, Juba, South Sudan
Standard Chartered Bank Malawi, Lilongwe, Malawi
Absa Bank Mozambique, Maputo, Mozambique
Standard Chartered Bank Zambia, Lusaka, Zambia

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2020, which show the state of the Group's affairs.

1. INCORPORATION

Amref Health Africa ("the Company") is domiciled in Kenya where it is incorporated as a company limited by guarantee under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 1.

2. OBJECTIVES OF THE COMPANY

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 by supporting health care providers to work 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. The Company works with communities to implement projects, learns from its activities and uses its knowledge to influence others.

3. 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 our not for profit activities delivered through Amref Health Africa Headquarters, Amref Health Africa in Ethiopia, Amref Health Africa in Kenya, Amref Health Africa in Malawi, Amref Health Africa in Mozambique, Amref Health Africa in South Africa, Amref Health Africa in South Sudan, Amref Health Africa in Tanzania, Amref Health Africa in Uganda, Amref Health Africa in West Africa, and Amref Health Africa in Zambia, together with social enterprise activities delivered through Amref Flying Doctors Limited, Amref International University and the Global Fundraising Development Office together herein referred to as "the Group" all of which are included for the year ended 31 December 2020. The Company in 2018 registered a new social enterprise entity in Kenya, Amref Enterprises Limited, but this company has yet to begin trading. It has been renamed Amref Health Innovations Limited during the course of the year. The activities that will, in time, be transferred to Amref Health Innovations Limited are currently being delivered by the Company. The work of the Global Fundraising Development Office is to coordinate and support fundraising activities in the Amref Health Africa offices in the Global North and is delivered through a Netherlands-based foundation.

4. BUSINESS REVIEW

The year under review was dominated by the CoVid-19 pandemic which was first acknowledged to have affected the African continent from March 2020. Initially it appeared that the pandemic would cause a significant reduction in our level of activities and that our social enterprises would find it difficult to generate surpluses. Whilst the latter proved to be a correct assumption for the year as a whole, the NGO was able to re-build its activities through work designed specifically to address the impact of the pandemic on the communities that we seek to serve. By the end of the year the NGO had recovered its activity levels such that its expenditure very nearly reached the levels seen in the previous year, which had seen the highest activity levels ever delivered by the Organisation. Quick decisions were taken to cut costs within the Organisation, including a general pay cut across all staff other than those on the lowest grades.

4. BUSINESS REVIEW (continued)

Overall, the NGO has therefore delivered a surplus for the first time in many years, greatly assisted by the cost reductions made and the support of external parties at this challenging time. The social enterprises have incurred deficits, as was originally anticipated. For the first time these financial statements record the net position of the fundraising office set up in the Netherlands to coordinate and support the Amref Health Africa fundraising offices in Europe and North America. Set up as a foundation and controlled by the Company, the Global Fundraising Development Office has played an important role in investments made in our fundraising activities in the Global North. The overall surplus for the year ended 31 December 2020 was $827,000 which was a hugely encouraging result considering the impact of the pandemic across the continent. This financial performance has helped the process of re-building the equity base of the Group which is a key objective set by the Board. The liquidity position of the Group has also improved significantly with all borrowings being repaid on schedule during the year.

The social enterprises have all seen significant improvements in their financial performances in the early months of the new year and signed grant agreements and other contracts suggest that the NGO should have another record year in 2021 in terms of its activity levels. The mid-term review of the Corporate Strategy 2018-22 was delayed due to the pandemic and this will now be completed in 2021. The growth objectives set for the NGO in the Corporate Strategy are in sight of being achieved, reflecting improved relationships with our major institutional donors as well as with a number of corporates and foundations.

The Group has conducted a thorough risk review assessment in line with risk management framework and considers changes in the risk profile and mitigating actions being undertaken by management at its meetings. The Audit, Risk and Compliance Committee of the Board reviews the work of the Group risk, audit and compliance functions to ensure the risk profile of the Group is given the high priority and focus that it requires. The Board sees financial, funding and pandemic risks as the major ones facing the Group.

5. RESULTS

The Group’s results for the year are set out on page 10.

6. RESERVES

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

7. STATEMENT AS TO DISCLOSURE TO THE GROUP’S AUDITORS

With respect to each Director at the time this report was approved:

a) there is, so far as the person is aware, no relevant audit information of which the Group's auditors are unaware; and,

b) the person has taken all the steps that the person ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

8. DIRECTORS

The names of the Directors who held office during the year and to the date of this report are set out on page 1.

9. AUDITOR

The Group's auditor, Ernst & Young LLP, have expressed their willingness to continue in office in accordance with the requirements of the Kenyan Companies Act, 2015.

10. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved at the meeting of the Board of Directors held on 15 June 2021.

By Order of the Board

Dr. Charles Okeahalam
Chair
23 June 2021

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of its profit or loss for that year and of the financial position of the Group as at the end of the financial year. It also requires the Directors to ensure that the Group keeps proper accounting records that: (a) show and explain the transactions of the Group; (b) disclose, with reasonable accuracy, the financial position of the Group; and (c) enable the Directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by 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 15 June 2021 and signed on 23 June 2021 on its behalf by:

Dr. Charles Okeahalam	**Ms. Kellen Kariuki**
Chair	Director

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Ernst & Young LLP
Certified Public Accountants
Kenya Re Towers
Upper Hill
Off Ragati Road
P.O. Box 44286 - 00100
Nairobi GPO, Kenya

Tel: +254 20 2886000
Email: info@ke.ey.com
www.ey.com
LLP/2015/52

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF AMREF HEALTH AFRICA

Opinion

We have audited the consolidated financial statements of Amref Health Africa and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in reserves and funds and consolidated statement of cash flows, for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies set out on pages 10 to 48.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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. The other information comprises the Company Information, Report of the Directors and Statement of Directors' Responsibilities as required by the Kenyan Companies Act, 2015. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or 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, 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 Management and Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as management determines is 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, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting processes.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's 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 ISAs 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 scepticism 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 management;

- Conclude on the appropriateness of the management 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 auditor's 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 auditor's 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 entities 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 solely responsible for our audit opinion.

We communicate with the Directors 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 AUDITOR'S REPORT (continued)

Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion, the information given in the report of the Directors on pages 3 to 5 is consistent with the consolidated financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Nancy Muhoya Practising Certificate No. 2158.

Nancy

For and on behalf of Ernst & Young LLP
Certified Public Accountants
Nairobi, Kenya

28 June 2021

	Notes	2020 NGO activities	2020 Social enterprise activities	2020 Fundraising Foundation activities	2020 Total	2019 Total
		US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
INCOME						
Grant funds – Restricted	4(a)	106,300	246	-	106,546	109,121
Grant funds – Unrestricted	4(b)	2,096	-	-	2,096	1,683
Other income	5	3,180	-	17	3,197	2,598
Finance income	6	179	36	-	215	187
Social enterprise income	7(a)	-	17,858	-	17,858	15,010
Fundraising Foundation income		-	-	1,974	1,974	-
Total income		**111,755**	**18,140**	**1,991**	**131,886**	**128,599**
EXPENDITURE						
Social enterprise expenditure	7(b)	-	19,073	-	19,073	16,336
Direct programme activities	8(a)	97,356	-	-	97,356	102,040
Country office administration costs	8(b)	6,447	-	-	6,447	7,754
Corporate office costs	8(c)	6,707	-	-	6,707	7,127
Fundraising Foundation expenditure	9	-	-	1,476	1,476	-
Total expenditure		**110,510**	**19,073**	**1,476**	**131,059**	**133,257**
Surplus / (Deficit) for the year		1,245	(933)	515	827	(4,658)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income / (loss) for the year		**1,245**	**(933)**	**515**	**827**	**(4,658)**

	Notes	2020 US$ '000	2019 US$ '000
ASSETS			
Non-current assets			
Property, equipment and right-of-use assets	11	19,645	21,516
Intangible assets	12	47	62
Asset held for sale	13	2,006	-
Fixed term deposits	14	-	360
Total non-current assets		**21,698**	**21,938**
Current assets			
Inventories	15	790	634
Debtors and prepayments	16	14,376	10,743
Grants receivable	17 (a)	8,489	8,996
Fixed term deposits	14	550	360
Cash and bank balances	18	23,913	13,572
Total current assets		**48,118**	**34,305**
TOTAL ASSETS		**69,816**	**56,243**
FUNDS AND LIABILITIES			
Reserves and funds			
Accumulated reserve		732	420
Fundraising Foundation reserve		515	-
Translation reserve		45	-
Revaluation reserve		3,624	3,624
Total reserves and funds		**4,916**	**4,044**
Non-current liabilities			
Borrowings	20	-	1,861
Lease liability	21	307	5,646
Total non-current liabilities		**307**	**7,507**
Current liabilities			
Unexpended grants	17 (b)	39,805	24,418
Creditors and accruals	19	17,255	17,764
Borrowings	20	1,960	1,810
Lease liability	21	5,573	700
Total current liabilities		**64,593**	**44,692**
TOTAL FUNDS AND LIABILITIES		**69,816**	**56,243**

The financial statements were approved by the Board of Directors on 15 June 2021 and signed on 23 June 2021 on its behalf by:

Dr. Charles Okeahalam
Chair

Ms. Kellen Kariuki
Director

	Accumulated reserve	Accumulated assets reserve	Fundraising Foundation reserve	Translation reserve	Revaluation reserve	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
At 1 January 2019	2,928	2,150	-	-	3,624	8,702
Total comprehensive loss	(4,658)	-	-	-	-	(4,658)
Transfer of accumulated asset reserve to accumulated reserve	2,150	(2,150)	-	-	-	-
At 31 December 2019	**420**	**-**	**-**	**-**	**3,624**	**4,044**
At 1 January 2020	420	-	-	-	3,624	4,044
Total comprehensive surplus	827	-	-	-	-	827
Transfer of fundraising foundation reserve	(515)	-	515	-	-	-
Movement in translation reserve	-	-	-	45	-	45
At 31 December 2020	**732**	**-**	**515**	**45**	**3,624**	**4,916**

The accumulated reserve is mainly made up from accumulated surpluses from the past.

The accumulated assets reserve was created to separate reserves that specifically relate to non-current assets, purchased/constructed using institutional and donated funds, from the accumulated reserves. This approach was ended in 2019 and the balance transferred to the accumulated reserve.

The Fundraising Foundation reserve has been created in the year to hold the net fund balance retained in the Global Fundraising Development Office, which has been set up in the Netherlands to coordinate and support Northern Office fundraising initiatives to build the capacity of the Organisation's European and North American offices. The balance held in the Global Fundraising Development Office will be utilised in subsequent periods for further investment activities.

The translation reserve has arisen from the translation of Euro denominated transactions made and balances held in the Global Fundraising Development Office.

The revaluation reserve resulted from an increase in the carrying amount of buildings that arose on revaluation of those buildings. There are no restrictions on the distribution of the balance.

	Notes	2020	2019
		US$ '000	US$ '000
Operating activities			
Surplus / (Deficit) for the year		827	(4,658)
Adjustments for:			
Depreciation and amortisation on property, equipment & right-of-use assets	11	1,378	1,724
Loss on disposal of property and equipment	11	-	6
Amortisation of intangible assets	12	41	16
Provision for doubtful debts	16	35	369
Provision for grants	17 (a)	595	1,093
Effect of foreign currency transactions		45	-
Financing costs		546	430
Financing income	6	(215)	(187)
Working capital adjustments:			
Increase in inventories		(156)	(129)
(Increase) / Decrease in debtors and prepayments		(3,668)	4,553
(Increase) / Decrease in grants receivable		(88)	1,663
Increase / (Decrease) in unexpended grants		15,387	(2,565)
Decrease in creditors and accruals		(509)	(2,816)
Net cash flows from / (used in) operating activities		**14,218**	**(501)**
Investing activities			
Purchase of property, equipment and right-of-use assets	11	(1,347)	(4,084)
Costs relating to available for sale asset		(166)	-
Purchase of intangible assets	12	(26)	(42)
Additional investment in fixed deposits	14	(204)	-
Proceeds from maturities of fixed deposits	14	374	412
Interest received	6	215	187
Net cash flows used in investing activities		**(1,154)**	**(3,527)**
Financing activities			
Proceeds from borrowings	20	-	2,247
Repayment of borrowings	20	(1,711)	(635)
Lease obligation taken on	21	36	2,066
Lease payments made	21	(502)	(776)
Interest paid		(546)	(430)
Net cash flows (used in) / from financing activities		**(2,723)**	**2,472**
Net increase / (decrease) in cash and cash equivalents		10,341	(1,556)
Cash and cash equivalents at 1 January		13,572	15,128
Cash and cash equivalents at 31 December	18	**23,913**	**13,572**

1. GENERAL INFORMATION

Amref Health Africa is a Non-Governmental Organisation incorporated in Kenya under the Companies Act, 2015 as a company limited by guarantee and domiciled in Kenya. The Group is principally engaged in activities aimed at 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 as detailed in Note 26.

Amref Health Africa consolidated financial statements incorporate the financial statements of our not for profit activities delivered through Amref Health Africa Headquarters, Amref Health Africa in Ethiopia, Amref Health Africa in Kenya, Amref Health Africa in Malawi, Amref Health Africa in Mozambique, Amref Health Africa in South Africa, Amref Health Africa in South Sudan, Amref Health Africa in Tanzania, Amref Health Africa in Uganda, Amref Health Africa in West Africa, and Amref Health Africa in Zambia, together with social enterprise activities delivered through Amref Flying Doctors Limited, Amref International University and the Global Fundraising Development Office together herein referred to as “the Group” all of which are included for the year ended 31 December 2020. The Company in 2018 registered a new social enterprise entity in Kenya, Amref Enterprises Limited, but this company has yet to begin trading. It has been renamed Amref Health Innovations Limited during the course of the year. The activities that will, in time, be transferred to Amref Health Innovations Limited are currently being delivered by the Company. The work of the Global Fundraising Development Office is to coordinate and support fundraising activities in the Amref Health Africa offices in the Global North and is delivered through a Netherlands-based foundation.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for buildings carried under the revaluation model. The consolidated financial statements are presented in United States Dollars and all values are rounded to the nearest thousand (US$‘000’), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

b) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the Kenyan Companies Act, 2015.

For the Kenyan Companies Act, 2015 reporting purposes, in these financial statements the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Group. Although such estimates and assumptions are based on the management’s best knowledge of the information available, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions thereto are recognised in the period of revision and future periods, where applicable, refer to Note 3.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Current versus non-current classification (continued)

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period.
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period.
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

e) New and amended standards and interpretations adopted by the Group

The Group applied for the first-time certain standards and amendments, which were effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

The following amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Group.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018
- Amendments to IFRS 16 Covid-19 Related Rent Concessions

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) New and amended standards and interpretations adopted by the Group (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Effective for annual reporting periods beginning on or after 1 January 2022:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first- time adopter
- IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

Effective for annual reporting periods beginning on or after 1 January 2023

- IFRS 17 Insurance Contracts
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

None of the standards and interpretations listed above are expected to have a significant impact on the Group’s financial statements when they become effective.

f) Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Business combination (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

g) Income recognition

i. Restricted grant funds (grants received for specific purposes) from contracts with donors relating to expense items are recognised when expenditure is incurred and grant conditions outlined in various grant agreements are fulfilled. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

   When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

ii. Unrestricted grant income (non-specific grants) is recognised when received or when firm commitment has been obtained from the donors. The income is adjusted for funds not committed by the Group in a specific financial year which are deferred to future years;

iii. Air ambulance recoveries are recognised in the period the service is provided;

iv. Other income from commercial activities including medical and assistance services, subscription income, interest income and training income are recognised when earned;

v. 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;

vi. Other income is recognised when received, earned or invoiced depending on its nature; and,

vii. Interest income is recognised when earned. It is recorded using the effective interest rate method. The effective interest rate amortisation is included in finance income in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Group has no financial instruments measured at fair value through OCI or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of related party borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts owed to related parties and borrowings from related parties.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

Subsequent measurement of financial assets

For purposes of subsequent measurement, all the Group's financial assets are classified as financial assets at amortised cost (debt instruments). The Group's financial assets in the statement of financial position are trade and other receivables, cash and bank balances and fixed term deposits.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For all the Group's financial assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

Derecognition of financial instruments

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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category applies to interest bearing loans and borrowings. Refer to Note 20 for more information.

Other financial liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Fair values

The fair value of the financial assets and liabilities approximate the carrying amounts shown in the statement of financial position due to short-term nature.

i) Property and equipment

All property and equipment are initially recognised at cost. Such cost includes the purchase price, directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating, the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria is met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if recognition criteria is satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Assets donated to the Group are included in the financial statements at the amount attributed to them by the donor. Property and equipment purchased for donor-funded health programmes are expensed in the year of purchase. All other property and equipment is capitalised and stated at cost less depreciation and any accumulated impairment losses, if any.

The Group changed its accounting policy for buildings from cost to revaluation model as from 31 December 2017. Buildings across the Group will be revalued every 5 years. The 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. Revaluations are performed on an open market basis based on a professional valuer's report.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Property and equipment (continued)

The levels are as defined below:

a) **Level 1 inputs** – observable, quoted prices for identical assets or liabilities in active markets.
b) **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.
c) **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.

Any revaluation increase arising on the revaluation of such property is recognised in other comprehensive income and accumulated in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

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	25-40 years
Aircraft	5.0 % p.a.
Motor vehicles, medical, surgical and radio equipment	25.0% p.a.
Furniture, fittings and general equipment	12.5% p.a.
Information technology hardware and software	33.3% p.a.

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.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The Group does not have any intangible assets with indefinite useful lives.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss i.e. the difference between the sales proceeds and the carrying amount of the asset, arising upon derecognition of the asset is included in the profit or loss.

l) 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.

m) Debtors and prepayments

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Grants receivable and unexpended grants

Grants received for specific purposes are treated as unexpended grants and credited to the profit or loss when the activities for which they were provided for have been undertaken. The unexpended grants are measured at the value at which the funding is received from the donor. Any unexpended grants at the end of the reporting period 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 grants receivable from donors.

o) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such indication exists, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss, except for property and equipment previously revalued with the revaluation taken to OCI. For such property and equipment, the impairment is recognised in OCI up to the amount of any previous revaluation.

An asset's recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market conditions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

p) Retirement benefit obligations

The Group operates a defined contribution retirement benefit scheme for all its local employees. In respect of international staff i.e. non-residents, the Group contributes to individual retirement benefit schemes chosen by the staff concerned.

The Group contributes 14% of employee basic pay (resident and non-resident) to the defined contribution scheme and the amounts are charged to profit or loss in the year to which they relate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Foreign currency transactions

Transactions in foreign currencies are converted to US dollars using the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated to US dollars using the exchange rates ruling at the reporting date. Resulting exchange gains and losses are recognised in the statement of profit or 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.

r) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and bank balances, with a maturity of 90 days or less from the date of acquisition. 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.

s) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i). Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Leases (continued)

ii). Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii). Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. 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.

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). Useful lives of property and equipment

The Group reviews the estimated useful lives, depreciation method and residual values of property and equipment at the end of each reporting period. In reviewing the useful lives of property, plant and equipment, the Group considers the remaining period over which an asset is expected to be available for use. Further details are provided in Note 2(i) and 11.

ii). Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For all the Group's financial assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments remain uncollected past the timelines set in each of the component entity's policy. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Further details are provided in Note 14 and 16.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

iii). Allowance for obsolete inventories

Management reviews the inventories on an annual basis to assess the likelihood of obsolescence. In determining whether an inventory item is obsolete, management make judgment as to whether the inventory item can be used within the Group or is in saleable condition. Allowance for obsolete inventories in the current year has been disclosed in Note 15.

iv). Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible 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. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Further details are provided in Note 2(i), 2(k), 11 and 12.

v). Impairment of right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Further details are provided in Note 2(s) and 11.

vi). Asset held for sale

For an asset to be classified as held-for-sale it needs to meet the following criteria:

- Management commits to a plan to sell the asset (e.g., identifying the asset, setting an expected date of completion, etc.)
- The asset is available for sale in its present condition
- Management has initiated an active program to locate a buyer (e.g. marketing or initiating discussions with third parties)
- The sale is probable and is expected to close within 1 year
- The selling price is reasonable in relation to the asset’s current fair value
- It is unlikely there will be any changes in or withdrawal of the plan to sell the asset

4. GRANT FUNDS

(a) Grant funds - Restricted

	NGO activities	Social enterprise activities	2020 Total	2019 Total
	US$ '000	US$ '000	US$ '000	US$ '000
Grants receivable brought forward (Note 17(a))	(8,981)	(15)	(8,996)	(11,752)
Unexpended grants brought forward (Note 17(b))	24,003	415	24,418	26,983
Net grant funds brought forward	**15,022**	**400**	**15,422**	**15,231**
Grants received during the year	120,130	229	120,359	107,685
Total grants available for operations	**135,152**	**629**	**135,781**	**122,916**
Add: Grants receivable (Note 17(a))	8,474	15	8,489	8,996
Less: Unexpended grants (Note 17(b))	(39,407)	(398)	(39,805)	(24,418)
Receivable grants written off (Note 17(a))	1,486	-	1,486	534
Provision for doubtful receivables (Note 17(a))	595	-	595	1,093
Grant income recognised for the year	**106,300**	**246**	**106,546**	**109,121**

(b) Grant funds - Unrestricted

	2020	2019
	US$ '000	US$ '000
Balance brought forward	603	192
Grant funds received	3,547	1,538
Unidentified receipts	197	556
Less: deferred income	(2,251)	(603)
Net unrestricted grant income	**2,096**	**1,683**

Unidentified receipts relate to grant funds received in previous periods that had remained unutilised.

5. OTHER INCOME

	NGO activities	Fundraising Foundation activities	2020 Total	2019 Total
	US$ '000	US$ '000	US$ '000	US$ '000
Enterprise activities	693	-	693	54
Fundraising activities	73	-	73	1,172
Miscellaneous income	2,414	17	2,431	1,372
Total	**3,180**	**17**	**3,197**	**2,598**

6. FINANCE INCOME

	NGO activities US$ '000	Social enterprise activities US$ '000	2020 Total US$ '000	2019 Total US$ '000
Interest income	179	36	215	187

7. SOCIAL ENTERPRISES

The social enterprises are wholly owned by the Company and are Amref Flying Doctors Limited and Amref International University. Amref Flying Doctors specialises in air ambulance services. Its aim is to achieve profitable business growth while providing efficient and effective aero-medical patient transport locally, regionally and internationally to a wide clientele. Surpluses are generated by Amref Flying Doctors Limited on a tax-exempt basis and are important in helping Amref Health Africa achieve its fundraising targets and meet its financial obligations.

The Amref International University is an accredited institution of higher learning focused on training in health sciences. With partnerships with other universities in Africa and Europe, the University focusses primarily on health sciences with a commitment to progressively develop innovative programmes catering for the present and future needs of African populations.

Amref Enterprises Limited was registered in 2018 to facilitate the development of further social enterprises within the Group. It was renamed Amref Health Innovations Limited during the course of the year. It has not yet started trading and the activities earmarked to be delivered through Amref Health Innovations Limited remain within the Company for the time being.

		2020 US$ '000	2019 US$ '000
(a)	**Income from social enterprises**		
	Air ambulance income	11,619	7,579
	Medical and assistance services	1,474	2,871
	Subscription income	1,375	1,822
	Contract business	2,404	2,255
	Training income	778	32
	Other income	208	451
	Sub-total	**17,858**	**15,010**
	Grant income (note 4 (a))	246	629
	Interest income (note 6)	36	26
	Total	**18,140**	**15,665**
(b)	**Expenditure related to social enterprises**		
	Direct costs	8,810	7,645
	Personnel costs	5,855	5,571
	Other operating costs	2,352	1,167
	Depreciation	984	973
	Marketing costs	241	491
	Finance costs	611	459
	Amortisation of intangible assets	20	30
	Corporate recharge from Headquarters	200	-
	Total	**19,073**	**16,336**

8. EXPENDITURE

(a) Direct programme activities

	2020 US$ '000	2019 US$ '000
Personnel costs	27,373	28,938
Travel costs	16,655	16,294
Motor vehicle costs	2,419	2,282
Communication costs	1,445	993
Rent and utility costs	1,324	1,455
Professional fees	3,258	2,577
Sub-award costs	22,530	24,420
Project costs	22,011	24,910
Other direct programme costs	341	171
Total	**97,356**	**102,040**

(b) Country Office administration costs

Personnel costs	3,538	3,558
Travel costs	117	449
Motor vehicle costs	176	74
Communication costs	155	157
Rent and utility costs	223	247
Professional fees	521	342
Supplies and services	299	340
Other administrative costs	66	537
Depreciation and provisions	1,352	2,050
Total	**6,447**	**7,754**

(c) Corporate Office costs

Personnel costs	4,564	4,816
Travel costs	175	746
Motor vehicle costs	12	38
Communication costs	235	251
Professional fees	730	607
Supplies and services	662	418
Finance costs	86	230
Depreciation and provisions	243	21
Total	**6,707**	**7,127**

(d) Analysis of total expenditure

Restricted expenditure (note 4 (a))	106,546	109,121
Other expenditure	24,513	24,136
Total	**131,059**	**133,257**

9. FUNDRAISING FOUNDATION EXPENDITURE

	2020	2019
	US$ '000	US$ '000
General costs	400	-
Investment costs	997	-
Formats	79	-
Total	**1,476**	**-**

10. SURPLUS /(DEFICIT) FOR THE YEAR

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

Depreciation	1,378	1,424
Amortisation	41	40
Personnel costs (notes 7 & 8)	41,330	42,883
Auditors' remuneration	198	169

The following items are included within personnel costs:

Retirement benefit costs - defined contribution plans	4,210	3,313

Personnel 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% of salary cost.

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Land and buildings[d]	Aircraft	Motor vehicles	Furniture, fittings & general equipment	Work in progress[a & c]	Right-of-use assets	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Cost							
At 1 January 2019	6,302	6,763	1,844	4,312	5,834	-	25,055
Adjustment on initial application of IFRS 16	-	-	-	-	-	267	267
At 1 January 2019 (restated)	**6,302**	**6,763**	**1,844**	**4,312**	**5,834**	**267**	**25,322**
Additions	85	607	343	64	355	2,630	4,084
Transfer from WIP[a]	67	-	-	241	(5,747)	5,439	-
Disposals	-	-	(180)	(21)	-	-	(201)
Adjustment[a]	8	-	13	-	(282)	-	(261)
At 31 December 2019	**6,462**	**7,370**	**2,020**	**4,596**	**160**	**8,336**	**28,944**
At 1 January 2020	6,462	7,370	2,020	4,596	160	8,336	28,944
Additions	112	-	86	300	849	-	1,347
Transfer to assets held for sale[b]	-	(2,340)	-	-	(99)	-	(2,439)
Disposals	-	-	(89)	-	-	-	(89)
Adjustments	-	-	30	-	-	(15)	15
At 31 December 2020	**6,574**	**5,030**	**2,047**	**4,896**	**910**	**8,321**	**27,778**
Depreciation							
At 1 January 2019	194	786	1,640	3,540	-	-	6,160
Charge for the year	198	385	156	314	-	371	1,424
Disposals	-	-	(174)	(21)	-	-	(195)
Adjustment	-	-	13	26	-	-	39
At 31 December 2019	**392**	**1,171**	**1,635**	**3,859**	**-**	**371**	**7,428**

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

	Land and buildings[d]	Aircraft	Motor vehicles	Furniture, fittings & general equipment	Work in progress[a & c]	Right-of-use assets	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
At 1 January 2020	392	1,171	1,635	3,859	-	371	7,428
Charge for the year	204	281	133	266	-	494	1,378
Less: transfer of accumulated depreciation of assets held for sale	-	(599)	-	-	-	-	(599)
Disposal	-	-	(89)	-	-	-	(89)
Adjustment	-	-	30	-	-	(15)	15
At 31 December 2020	**596**	**853**	**1,709**	**4,125**	**-**	**850**	**8,133**
Net book value							
At 31 December 2019	6,070	6,199	385	737	160	7,965	21,516
At 31 December 2020	5,978	4,177	338	771	910	7,471	19,645

a) The work in progress adjustment of US$ 282,000 and movement of US$ 5,680,000 relate to pre-purchase costs of the two Citation jet aircraft where part of the cost was a lease payment paid in advance before the commencement of utilisation of the assets. The purchase process began in 2018 and capitalisation occurred in 2019. The adjustment also includes Amref International University site works improvement costs amounting to US$ 67,000 that were completed in the year. Work in progress is not depreciated until the assets are completed and brought into use.

The capital work in progress balance at the end of 2019 relates to building modification costs and aircraft medical equipment which has been capitalised during the year.

b) In March 2020, the Board of Directors made a decision to sell one of the Group's aircraft - registration number 5Y FDE. This aircraft was still being held for sale as at 31 December 2020.

c) The capital work in progress balance at the end of the year relates to building modification costs and aircraft engine overhaul costs which will be capitalised in 2021.

d) Included in land and buildings are Amref Flying Doctors buildings with a net book value of $397,000 which have been built on leasehold land. Amref Flying Doctors holds a lease on land allotted by the Government of Kenya on 1 October 1997 for a period of 25 years. The allotment period is coming to an end in 2022 and management have started the process of renewing the allotment.

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

e) If buildings were measured using the cost model, the carrying amounts would be as follows:

	2020	2019
	US$ '000	US$ '000
Cost	5,499	5,387
Less: Accumulated depreciation	(2,814)	(2,679)
Charge for the year	(137)	(135)
Net carrying amount	**2,548**	**2,573**

f) 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 Sec & M Co. Limited.

Sec & M Co. Limited valuations and appraisals are carried in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards, and are Uniform Standards of Professional Appraisal Practice (USPAP) compliant. The valuer used the cost approach which is a common approach for specialised public service assets. This approach is normally used when there is no evidence of comparable assets or no identified income stream generated by the asset.

The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence.

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:

a. **Level 1 inputs** – observable, quoted prices for identical assets or liabilities in active markets.

b. **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.

c. **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.

The valuer conducted physical inventory and inspection of the assets, investigated the market condition, interviewed personnel and examined documents. Further, during the inspection, they observed the various assets, deferred maintenance, physical wear and tear, operating dysfunctions, lack of utility or any conditions distinguishing the appraised assets from assets of like kind in new conditions.

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2020 are as follows:

	Level 1	Level 2	Level 3	2020 Total	2019 Total – Level 3
	US$'000	US$'000	US$'000	US$'000	US$'000
Buildings	-	-	5,978	5,978	6,070

There are no restrictions on title and property and equipment is not pledged as security for Group liabilities.

12. INTANGIBLE ASSETS

	2020 Software	Work in progress[b]	Total	2019
	US$ '000	US$ '000	US$ '000	US$ '000
Cost				
At 1 January	440	6	446	382
Additions	26	-	26	42
Transfer from work in progress	6	(6)	-	-
Adjustment[a]	-	-	-	22
At 31 December	**472**	**-**	**472**	**446**
Amortisation				
At 1 January	384	-	384	346
Charge for the year	41	-	41	40
Adjustment[a]	-	-	-	(2)
At 31 December	**425**	**-**	**425**	**384**
Net book value				
At 31 December	47	-	47	62

a) The adjustment relates to the transfer of software to intangible assets that was previously classified as furniture, fittings and general equipment.

b) Work in progress relates to on-going customer relationship management system implementation and the pre-costs for the financial system change over from Sun Systems to Microsoft Dynamics Navision that was implemented during the year.

13. ASSETS HELD FOR SALE

	2020	2019
	US$ '000	US$ '000
Transfer of 5Y-FDE from fixed assets to assets held for sale	2,340	-
Related costs to make the asset suitable for sale	265	-
Accumulated depreciation on the asset as at 31 March 2020	(599)	-
Net carrying amount	**2,006**	**-**

In March 2020, the Board of Directors made a decision to sell one of the Group's aircraft - registration number 5Y FDE. This aircraft was still being held for sale as at 31 December 2020. The costs incurred to make the aircraft fit for sale was made up of US$ 166,000 for engine overhaul and other related costs of US$ 99,000.

14. FIXED TERM DEPOSITS

	2020 US$ '000	2019 US$ '000
Chase Bank (Kenya) Limited (In receivership) (Kenya Shilling deposits)	384	384
Chase Bank (Kenya) Limited (In receivership) (USD deposits)	332	332
SBM Bank (Kenya) Limited (USD deposits)	167	334
SBM Bank (Kenya) Limited (Kenya Shilling deposits)	179	386
Family Bank Limited (Kenya Shilling deposits)	204	-
	1,266	**1,436**
Impairment provision on fixed deposits	(716)	(716)
Net fixed deposit balance	**550**	**720**
Analysis of the movement in fixed term deposits:		
At 1 January	720	1,132
Additional fixed deposit during the year	204	-
Received during the year	(374)	(412)
At 31 December	**550**	**720**
Due within 12 months	550	360
Due after 12 months	-	360
Total	**550**	**720**

On 7 April 2016, the Central Bank of Kenya placed Chase Bank Kenya Limited under receivership due to liquidity difficulties experienced by the bank rendering the accounts held by Amref Flying Doctors inaccessible. On 4 January 2018 the Central Bank of Kenya and Kenya Deposit Insurance Corporation announced the receipt and acceptance of an offer from SBM Holdings Kenya Limited with respect to certain assets and liabilities of Chase Bank Kenya. The offer was documented in an agreement that 75% of the value of deposits was guaranteed and would become accessible to depositors through a scheduled payment plan. Of the guaranteed 75%, 37.5% was accessible immediately and the balance in three equal tranches over a 3-year period. The dates that the balance of the guaranteed 37.5% of the deposits would become accessible were in August 2019, August 2020 and August 2021. The August 2019 and 2020 tranches became accessible as scheduled.

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 deposits held by Amref Flying Doctors in 2017 was made.

15. INVENTORIES

	2020 US$ '000	2019 US$ '000
Aircraft spares	357	321
Provision for obsolete stocks	(82)	(180)
	275	141
Printed books and manuals	40	46
Sundry stocks	475	447
Total	**790**	**634**

16. DEBTORS AND PREPAYMENTS

	2020 US$ '000	2019 US$ '000
Trade and student debtors	4,504	5,213
Amref Health Africa European and North American offices	720	654
Programme advances	511	624
Grants to partners	4,252	3,231
Other receivables	6,111	2,716
Provision for bad and doubtful debts	(1,722)	(1,695)
Total	**14,376**	**10,743**
The movement in provisions is as follows:		
At 1 January	1,695	1,350
Increase in provisions	35	369
Write offs	(8)	(24)
	1,722	**1,695**

17. GRANTS RECEIVABLE AND UNEXPENDED GRANTS

(a) Grants receivable

Grants receivable represent expenditure incurred on projects in which there are commitments from donors where the grant had not been received as at the end of the financial year.

	2020 US$ '000	2019 US$ '000
Restricted	9,104	10,502
Provision for doubtful grants	(615)	(1,506)
Total	**8,489**	**8,996**
The movement in provisions is as follows:		
At 1 January	1,506	947
Increase in provisions	595	1,093
Write offs	(1,486)	(534)
	615	**1,506**

(b) Unexpended grants

Unexpended grants represent grants and donations received in advance of expenditure which remain unutilised as at the end of the financial year.

	2020 US$ '000	2019 US$ '000
Restricted	39,805	24,418

18. CASH AND BANK BALANCES

	2020 US$ '000	2019 US$ '000
Cash in hand	113	113
Cash at bank	23,800	13,459
Total	**23,913**	**13,572**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, cash at bank and short-term deposits with a maturity period of less than three months.

19. CREDITORS AND ACCRUALS

	2020 US$ '000	2019 US$ '000
Trade creditors	11,236	11,876
Grants to partners	230	92
Deferred revenue	1,237	2,020
Amref Health Africa European and North American offices	487	358
Other creditors	4,065	3,418
Total	**17,255**	**17,764**

20. BORROWINGS

At 1 January	3,671	2,059
Loans received from Amref Health Africa European and North American offices	-	2,247
Repayments made	(1,711)	(635)
At 31 December	**1,960**	**3,671**

The borrowings are repayable as follows:

Within one year	1,960	1,810
More than one year	-	1,861
Total	**1,960**	**3,671**

Amref Health Africa received two loans in 2018, one from Amref Health Africa in Italy of US$ 1.4 million with interest payable at an effective interest rate of 3.17% per annum repayable monthly in 36 instalments from October 2018. The other loan was from Amref Health Africa in USA and was of US$ 750,000 at an interest rate of 5% and is repayable monthly in 36 instalments from January 2019.

Amref Health Africa in 2019 received an additional loan from Amref Health Africa in the Netherlands of US$ 2,247,000 interest free and repayable monthly in 20 instalments from April 2020.

The Group is making repayments as they fall due and is compliant with the terms of the loan agreements.

There is no collateral pledged on the borrowings from Amref Health Africa in Italy, Amref Health Africa in USA and Amref Health Africa in the Netherlands.

21. LEASE LIABILITY

	2020 US$ '000	2019 US$ '000
Within one year	5,573	700
In the second to third year	307	5,646
Total	**5,880**	**6,346**
At 1 January	6,346	4,789
Adjustment on initial application of IFRS 16	-	267
	6,346	**5,056**
Additions	-	1,996
Accretion of interest	31	21
Adjustments	5	49
Repayment	(502)	(776)
At 31 December	**5,880**	**6,346**

Amref Flying Doctors leased two aircraft, a Citation Excel and a Citation Bravo, in 2018 from Aero Medical Solutions Limited ('AMSOL') for a minimum period of five years. An additional lease was signed in 2019 for an engine overhaul of the Citation Excel. Amref Flying Doctors has arranged to repay the lease fully in 2021 before maturity to take advantage of lower interest rates on US dollar denominated loans. The repayment of the AMSOL leases for a total sum of $4.3m took place on 15 January 2021. As a result, theses lease liabilities were all classified as current liabilities in the Group balance sheet as at 31 December 2020. A loan facility totalling $4.3m was signed with Absa Bank Kenya Limited and drawn down on 15 January 2021 of which $0.9m is repayable in 2021 and $3.4m thereafter.

The lease liability also includes lease contracts for premises the various subsidiaries operate in.

22. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management personnel compensation

The names and job titles of the personnel in key management positions of Amref Health Africa during the year are as disclosed on page 1.

	2020 US$ '000	2019 US$ '000
Short term employee benefits	3,569	3,655
Defined contribution plan	449	404
Total	**4,018**	**4,059**

(b) Amref Health Africa European and North American offices

Receivable balance (Note 16)	720	654
Payable balance (Note 19)	487	358
Loans repayable (Note 20)	1,960	3,671

Amref Health Africa European and North American offices are fundraising offices that generate resources for the implementation of project activities in Africa. They work with the African country programmes in proposal development and when successful, receive funds from the donors and remit the funds to Amref Health Africa.

The receivable balances indicated are amounts paid by Amref Health Africa on behalf of these offices and in respect of payments made by these offices on behalf of Amref Health Africa that had not been reimbursed as at 31 December 2020. There are no securities held against these balances and no expected credit losses relating to the balances.

(c) Directors' expenses

	2020 US$ '000	2019 US$ '000
Directors' expenses	44	155

These are costs relating to Board meetings held within the year, sitting allowances paid to the Directors and other expenses relating to Board of Directors activities, including programme field visits. The inability to meet in person due to the impact of the COVID-19 pandemic explains the reduction in costs in the year.

23. CONTINGENT LIABILITIES

As at 31 December 2020, the Group had a pending lawsuit relating to a legal claim estimated at US$ 55,602 (2019: Nil) by a former member of staff who is claiming unlawful termination of contract. The amount is based on the claim by the plaintiff and judgment in respect of the case had not been determined as at 31 December 2020. The Directors believe that the claim will not be successful and consequently no provision has been made in these financial statements in relation to this outstanding lawsuit.

24. TAXATION

Amref Health Africa exists to provide solutions to challenges in medical access and public health. These range from research, facility construction and upgrade, public education, as well as health workers' capacity building. The Company operates in Kenya under a Host Country Agreement (HCA) that was signed with the Government of Kenya on 6 November 1987. This HCA grants the Company certain privileges, among them exemption from income tax on its activities.

25. FINANCIAL RISK MANAGEMENT

Amref Health Africa's principal financial instruments comprise receivables/debtors, bank balances, fixed deposits, lease obligations, borrowings 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 minimise 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 that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return or increasing the cost of finance to the Group. All the Group's interest bearing financial instruments are measured at amortised cost and have a fixed interest rate hence there is no interest rate risk.

ii). Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities i.e. when revenue or expense is denominated in a currency other than US Dollars.

This risk arises where there is a significant fluctuation between the currency of the signed donor contracts and the currency the funds are utilised. 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.

The Group's policy is to record Group transactions in US Dollars at the rate in effect in the month of the transaction. Monetary assets and liabilities denominated in other currencies are translated at the rate of exchange in effect at the reporting date. All gains or losses on changes in currency exchange rates are accounted for in the statement of profit or loss and other comprehensive income. Amref Health Africa does not take speculative positions in foreign exchange contracts or any derivative financial instruments.

25. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

ii). Foreign currency risk (continued)

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Kenya Shilling, Ethiopian Birr, Uganda Shilling, Tanzania Shilling, British Pound and the Euro. The following table demonstrates the sensitivity to a reasonably possible change in the Kenya Shilling (KES), Euro and British Pound (GBP) exchange rate, with all other variables held constant, of the Group's surplus. The Group's exposure to foreign currency changes for all other currencies is not material.

Currency	Increase/decrease in exchange rate	Effect on surplus/(deficit) pre-tax/equity 2020 US$ '000	Effect on surplus/(deficit) pre-tax/equity 2019 US$ '000
KES	5%	194	121
	-5%	(194)	(121)
GBP	5%	161	6
	-5%	(161)	(6)
EUR	5%	174	51
	-5%	(174)	(51)

CREDIT RISK

Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit. The largest concentrations of credit exposure within the Group arise from trade receivables, term deposits and balances held with banks. This risk is managed in the following ways:

(i) minimising advances to suppliers; and
(ii) thorough due diligence processes for bank selection and regular tenders for suppliers.

The table below sets out 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.

	Total US $'000	Impaired US $'000	Fully performing US $'000
31 December 2020			
Debtors	5,224	(1,722)	3,502
Fixed term deposits	1,266	(716)	550
Cash and bank balances	23,800	-	23,800
Total	**30,290**	**(2,438)**	**27,852**
31 December 2019			
Debtors	5,867	(1,695)	4,172
Fixed term deposits	1,436	(716)	720
Cash and bank balances	13,459	-	13,459
Total	**20,762**	**(2,411)**	**18,351**

Trade receivables consist primarily of amounts invoiced by the Group and are current in nature and relate mainly to trade customers. Where bad debts have been recognised they have been provided for as indicated in note 16. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

25. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

Trade and student receivables – 2020	Gross amount	Expected credit loss	Expected credit loss rate
	US $'000	US $'000	US $'000
Amref Flying Doctors			
Current	1,253	31	2%
1-30 Days	219	4	2%
31-60 Days	434	2	1%
61-90 Days	24	1	5%
91-120 Days	67	6	9%
121-150 Days	82	3	4%
151-365 Days	111	6	5%
Above 365	56	56	100%
Sub-total	**2,246**	**109**	
Amref International University			
Current	15	-	0%
1-30 Days	1	-	0%
31-60 Days	2	-	0%
61-90 Days	96	29	30%
91-120 Days	4	2	37%
121-180 Days	22	7	34%
181-365 Days	99	56	56%
Above 365 Days	381	381	100%
Sub-total	**620**	**475**	
NGO			
Current	7	-	0%
1-180 Days	316	-	0%
Above 180 Days	1,315	1,138	87%
Sub-total	**1,638**	**1,138**	
Total	**4,504**	**1,722**	

25. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Trade and student receivables – 2019	Gross amount US $'000	Expected credit loss US $'000	Expected credit loss rate US $'000
Amref Flying Doctors			
Current	1,239	-	0%
1-30 Days	534	26	5%
31-60 Days	72	2	3%
61-90 Days	292	5	2%
91-120 Days	30	1	3%
121-150 Days	228	3	1%
151-365 Days	79	9	11%
Above 365	40	40	100%
Sub-total	**2,514**	**86**	
Amref International University			
Current	116	7	9%
1-30 Days	21	4	18%
31-60 Days	55	11	19%
61-90 Days	10	3	25%
121-180 Days	3	1	40%
181-365 Days	176	45	25%
Above 365 Days	375	375	100%
Sub-total	**756**	**446**	
NGO			
Current	468	-	0%
1-180 Days	312	-	0%
Above 180 Days	1,163	1,163	100%
Sub-total	**1,943**	**1,163**	
Total	**5,213**	**1,695**	

25. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances and the availability of funding from committed donors. Liquidity risk is minimised by maintaining sufficient funds as cash in hand and on-demand deposits to meet short-term liabilities. The current assets and liabilities for the Group can be liquidated within 12 months.

	1-12 months	>12months	Total
31 December 2020	**US $'000**	**US$'000**	**US $'000**
		-	
Debtors	3,502	-	3,502
Fixed term deposits	564	-	564
Cash and bank balances (Note 18)	23,913	-	23,913
	27,979	**-**	**27,979**
Creditors	11,723	-	11,723
Lease obligations	6,184	423	6,607
Borrowings	1,974	-	1,974
	19,881	**423**	**20,304**
Net asset / (liability) position	**8,098**	**(423)**	**7,675**
31 December 2019			
Debtors	4,172	-	4,172
Fixed term deposits	396	374	770
Cash and bank balances (Note 18)	13,572	-	13,572
	18,140	**374**	**18,514**
Creditors	12,234	-	12,234
Lease obligations	1,585	6,606	8,191
Borrowings	1,848	1,872	3,720
	15,667	**8,478**	**25,125**
Net asset / (liability) position	**2,473**	**(8,104)**	**(5,631)**

26. CLASSIFICATION OF GROUP ACTIVITIES

The activities of the Group are classified into three broad categories: NGO activities, social enterprise activities and Fundraising Foundation activities.

NGO activities relate to the Group's 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 social enterprise activities are implemented by Amref Flying Doctors Limited and the Amref International University. Amref Flying Doctors Limited specialises in air ambulance services. Its aim is to achieve profitable business growth while providing efficient and effective aero-medical patient transport locally, regionally and internationally to a wide clientele. Surpluses generated by Amref Flying Doctors are important in helping Amref Health Africa achieve its fundraising targets. The Amref International University is an accredited institution of higher learning focused on training in health sciences. With partnerships with other universities in Africa and Europe, the University is committed to progressively develop innovative programmes catering for the present and future needs of African populations.

Information regarding the Group's categories of activities is presented below:

	NGO activities	Social enterprise activities	Fundraising Foundation activities	2020	2019
	US$ '000	**US$ '000**		**US$ '000**	**US$ '000**
Revenue and results					
Income	111,755	18,140	1,991	131,886	128,599
Expenditure	(110,510)	(19,073)	(1,476)	(131,059)	(133,257)
Operating surplus/(deficit)	**1,245**	**(933)**	**515**	**827**	**(4,658)**
Assets and liabilities					
Assets	46,086	23,067	663	69,816	56,243
Liabilities	51,341	13,456	103	64,900	52,199

27. EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting period which have not been reported in these financial statements.

The pandemic has continued to have a significant impact on the continent into 2021. Despite this, activity levels in the NGO are expected to reach record levels in 2021 and all the social enterprises are showing significant improvements in their financial performances compared with 2020. The Directors do not take the risks of the impact that the pandemic could have on the Group lightly and continue to closely monitor the impact of COVID-19 on all its operations.

28. CURRENCY

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

29. COMPARATIVES

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