

**SUSTAINABLE HEALTHCARE  
FOUNDATION**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**31 DECEMBER 2005  
(IN US\$ EQUIVALENT)**

**GITHONGO & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS OF KENYA  
P O BOX 47089 GPO  
NAIROBI 00100  
PIN NO. P000634570X**

# SUSTAINABLE HEALTHCARE FOUNDATION

## Annual Report and Financial Statements For the year ended 31 December 2005

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CONTENTS	PAGE
Board and Professional Advisors	2
Report of the Board	3
Statement of Board's' Responsibilities	4
Report of the Independent Auditors	5
Income Statement	6
Balance Sheet	7
Statement of Changes in Equity	8
Cash Flow Statement	9
Notes to the Financial Statements	10 – 15

# SUSTAINABLE HEALTHCARE FOUNDATION

## Directors and Professional Advisers

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### MEMBERS OF THE BOARD

Dr. Eva Ombaka	-	Chairperson
Ms. Liza Kimbo	-	Chief Executive Officer
Mr. George Kegoro	-	Secretary
Mr. Lazarus Koech	-	Treasurer

### SECRETARY

George Kegoro  
P O Box 72219  
NAIROBI

### OFFICE

ACK Bishops House  
1<sup>st</sup> Floor Wing A  
1<sup>st</sup> Ngong Avenue  
P O Box 1630 - 00606  
NAIROBI

Tel: 2724757/2724881  
E-mail: info@cfwshops.org

### AUDITORS

Githongo & Company  
Certified Public Accountants of Kenya  
14<sup>th</sup> Floor, Electricity House  
Harambee Avenue  
P O Box 47089  
NAIROBI 00100

### LEGAL ADVISORS

Hamilton Harrison & Mathews Advocates  
ICEA Building  
Kenyatta Avenue  
P O Box 30333  
NAIROBI 00100

### BANKERS

Standard Chartered Bank (Kenya) Limited  
Westlands Branch  
P O Box 76175  
NAIROBI 00508

Co-operative Bank of Kenya Limited  
University Way Branch  
P O Box 60800  
NAIROBI

# **SUSTAINABLE HEALTHCARE FOUNDATION**

## **Report of the Board For the year ended 31 December 2005**

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The Board present their report together with the audited financial statements for the year ended 31 December 2005.

### **REGISTRATION**

Sustainable Healthcare Foundation is a Non Governmental Organisation (NGO) registered under Section 10 of the Non-Governmental Organisations Coordination Act on 17 April 2003.

### **PRINCIPAL ACTIVITY**

The principal activity is assisting in the establishment of franchised health outlets for the sale of essential medicines to rural and marginalised communities. The Foundation is dependent on donations.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Foundation's activities expose it to a variety of financial risks, including liquidity and credit risk. The Foundation's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance.

The Foundation has policies in place which help to manage financial risk.

### **BOARD MEMBERS**

The Board Members who served during the year are shown on page 2.

### **AUDITORS**

Githongo and Company were appointed as auditors during the year and have expressed their willingness to continue in office.

**By Order of the Board**

Secretary 

10<sup>th</sup> July 2006

# SUSTAINABLE HEALTHCARE FOUNDATION

## Statement of the Boards' Responsibilities

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It is the Board's responsibility to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Foundation as at the end of the financial year and of its results for that year. It also requires the Board to ensure that the Foundation keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Foundation. They are also responsible for safeguarding the assets of the Foundation.

The Board accepts responsibility for the preparation of annual financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Non-Governmental Organisations Co-ordination Act. The Board are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Foundation and of its results. The Board further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Director: ..... 

Director: ..... 

10<sup>th</sup> July 2006

**Report of the Independent Auditors  
To the Members of Sustainable Healthcare Foundation**

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We have audited the financial statements set out on pages 6 to 15, for the year ended 31 December 2005, and have obtained all the information and explanations which to the best of our knowledge were necessary for the purposes of our audit. The financial statements of the Foundation are in agreement with the books of account.

**RESPECTIVE RESPONSIBILITIES OF BOARD AND AUDITORS**

As described on page 4, the Board are responsible for the preparation of the financial statements, which give a true and fair view of state of affairs of the Foundation. Our responsibility is to express an independent opinion on these financial statements based on our audit.

**BASIS OF OPINION**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board, as well as an evaluation of the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

**OPINION**

In our opinion proper books of account have been kept by the Foundation and the financial statements give a true and fair view of the state of the Foundation's financial affairs at 31 December 2005 and of the results of its operations and cash flows for the year then ended and comply with International Financial Reporting Standards.

*Githungo and Company*

*10<sup>th</sup> July, 2006*

## SUSTAINABLE HEALTHCARE FOUNDATION

### Income Statement For the year ended 31 December 2005

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	Note	2005 US\$	2004 US\$
<b>INCOME FROM SUPPLY OF DRUGS</b>			
Sales		105,128	51,709
Cost of sales		<u>(89,308)</u>	<u>(44,229)</u>
<b>Surplus from supply of drugs</b>		15,820	7,480
<b>OTHER INCOME</b>			
Donations	2	346,919	331,913
Interest income		2,035	3,731
Sundry income		<u>8,234</u>	<u>4,227</u>
		373,008	347,351
ADMINISTRATION EXPENSES		(439,168)	(223,417)
SELLING EXPENSES		<u>(54,524)</u>	<u>(15,612)</u>
<b>OPERATING (DEFICIT)/SURPLUS</b>	3	(120,684)	108,322
FINANCE COSTS		<u>(2,755)</u>	<u>-</u>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		<u><u>(123,439)</u></u>	<u><u>108,322</u></u>

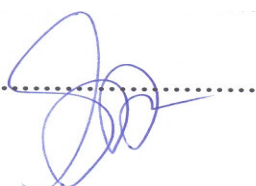
# SUSTAINABLE HEALTHCARE FOUNDATION

## Balance Sheet At as 31 December 2005

	Note	2005 US\$	2004 US\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non current assets</b>			
Equipment	5	<u>79,439</u>	<u>84,550</u>
<b>Current assets</b>			
Inventories	6	20,168	13,375
Due from Local Partners	7	15,697	52,950
Trade and other receivables	8	25,362	19,699
Bank and cash balances		<u>78,277</u>	<u>65,627</u>
		139,504	151,651
<b>Current liabilities</b>			
Trade and other payables	9	36,795	16,238
Due to Directors	10	25,319	25,319
Short term loan		<u>17,421</u>	<u>-</u>
		<u>79,535</u>	<u>41,557</u>
<b>Net current assets</b>		<u>59,969</u>	<u>110,094</u>
<b>Long term liabilities</b>			
Long term loans	10	<u>68,203</u>	<u>-</u>
<b>Total net assets</b>		<u>71,205</u>	<u>194,644</u>
<b>FINANCED BY</b>			
<b>General fund</b>		<u>71,205</u>	<u>194,644</u>

The financial statements on pages 6 to 15 were approved for issue by the Board of Directors ..... 10<sup>th</sup> July ..... on 2006 and were signed on its behalf by:

.....  ..... **Director**

.....  ..... **Director**

## SUSTAINABLE HEALTHCARE FOUNDATION

### Statement of Changes in Equity For the year ended 31 December 2005

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	Note	General Fund US\$
<b>YEAR ENDED 31 DECEMBER 2004</b>		
At 1 January 2004		102,802
Surplus for the year		108,322
Prior year adjustment	11	<u>(16,480)</u>
At 31 December 2004		<u>194,644</u>
<b>YEAR ENDED 31 DECEMBER 2005</b>		
At 1 January 2005		194,644
Deficit for the year		<u>(123,439)</u>
At 31 December 2005		<u>71,205</u>

## SUSTAINABLE HEALTHCARE FOUNDATION

### Cash Flow Statement For the year ended 31 December 2005

	2005 US\$	2004 US\$
<b>Cash generated from operations</b> (Deficit)/surplus for the year	(123,439)	108,322
<b>Adjusted for:</b>		
Depreciation	35,419	17,818
Profit on disposal of motor vehicle	(1,851)	-
Prior year adjustment	-	(16,480)
	<u>(89,871)</u>	<u>109,660</u>
<b>Changes in working capital items</b>		
Increase in stock	(6,793)	(6,703)
Decrease in Local Partner's account	37,253	192
Increase in debtors	(5,663)	(4,156)
Increase/(decrease) in trade creditors	3,130	(6,774)
Increase in other creditors	17,427	4,406
	<u>(44,517)</u>	<u>96,625</u>
<b>Net cash from operating activities</b>		
<b>Cash flow from investing activities</b>		
Sale of motor vehicle	1,851	-
Purchase of fixed assets	(30,308)	(71,655)
	<u>(28,457)</u>	<u>(71,655)</u>
<b>Net cash from investing activities</b>		
<b>Cash flow from financing activities</b>		
Long term loans received	87,108	-
Loans repaid	(1,484)	-
	<u>85,624</u>	<u>-</u>
<b>Net cash from financing activities</b>		
<b>Net increase in cash and cash equivalents</b>	12,650	24,970
Cash and cash equivalent at 1 January	<u>65,627</u>	<u>40,657</u>
<b>Cash and cash equivalent at 31 December</b>	<u>78,277</u>	<u>65,627</u>
<b>Comprising</b>		
Bank and cash balances	<u>78,277</u>	<u>65,627</u>

# SUSTAINABLE HEALTHCARE FOUNDATION

## Notes to the Financial Statements For the year ended 31 December 2005

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### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with and comply with International Financial Reporting Standard. The financial statements are prepared under the historical cost convention.

The principle accounting policies adopted in the preparation of these financial statements are set out below:

**a. Revenue recognition**

Donations are recognised when received.  
Interest income is recognised as it accrues.

**b. Equipment**

Equipment is initially recorded at cost and is stated at historical cost less depreciation.

Depreciation is calculated on straight line basis to write off the cost of each asset or the revalued amounts, over their estimated useful life as follows: -

Furniture, fittings and equipment	-	12.5%
Electronic equipment	-	30%
Motor vehicles and motor cycles	-	25%

Gain and losses on disposal of equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserves relating to that asset are transferred to retained earnings.

A change in IAS 16, effective in the current year requires comparatives for movements in equipment to be disclosed.

**c. Sales**

Sales represents sale of medicine and medical supplies to the local partner's shops.

**d. Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined as the purchase price of goods. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

**e. Cash and cash equivalents**

For the purposes of the cash flow statements cash and cash equivalents comprise cash in hand, deposits held at cost with banks and net.

# SUSTAINABLE HEALTHCARE FOUNDATION

## Notes to the Financial Statements For the year ended 31 December 2005

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### 1. ACCOUNTING POLICIES (Continued)

#### **f. Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

#### **g. Retirement benefits**

The Foundation contributes to the mandatory National Social Security Fund (NSSF) on behalf of its employees at varying rates rising to a maximum of Kshs 200 per employee per month. All retirement benefit cost contributions made by the Foundation is charged to the income statement in the year in which it is incurred.

#### **h. Comparatives**

Where necessary comparatives have been changed to comply with changes in presentation in the current year.

#### **i. Accounting for leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### **j. Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any differences between proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings.

#### **k. Provisions**

Provisions are recognised when the Foundation has present legal or constructive obligations as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle these obligations, and a realizable estimate of the amount of the obligations can be made.

# SUSTAINABLE HEALTHCARE FOUNDATION

## Notes to the Financial Statements For the year ended 31 December 2005

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### 1. ACCOUNTING POLICIES (Continued)

#### **l. Financial risk management**

The financial risk management objectives and policies are as outlined below:

##### ***Credit risk***

The Foundation's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Foundation's management based on prior experience and their assessment of the current economic environment.

##### ***Liquidity Risk***

Liquidity risk is the risk that the Foundation will be unable to meet its liabilities when they fall due. The Foundation manages the maturity structure of assets, liabilities and commitments so that, cash flows are appropriately matched to ensure that all funding obligations are met when they fall due.

#### **m. Financial instruments**

Financial assets and financial liabilities are recognised in the Foundation's balance sheet when the Foundation becomes a party to the contractual provisions of the instrument.

#### **n. Receivables**

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts of recovery have been exhausted.

#### **o. Payables**

Payables are stated at their nominal value.

## SUSTAINABLE HEALTHCARE FOUNDATION

### Notes to the Financial Statements For the year ended 31 December 2005

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	2005 US\$	2004 US\$
<b>2. DONATIONS</b>		
Donations are taken into account when received.		
<b>Donations received during the year were:</b>		
International Development Research Centre (IDRC)	1,752	8,378
World Vision	-	68,500
Sustainable Healthcare Foundation – USA	311,380	207,902
Scott Hillstrom	-	150
Management Science for Health (MSH) USA	-	15,609
Rotary Club of Milimani	33,787	31,374
	<u>346,919</u>	<u>331,913</u>
<b>3. OPERATING (DEFICIT)/SURPLUS</b>		
The following items have been charged in arriving at operating (deficit)/surplus		
Auditor's remuneration	3,305	1,758
Depreciation on equipment	35,419	17,818
Directors remuneration	72,996	-
Staff costs (note 4)	213,241	132,908
	<u>324,961</u>	<u>152,484</u>
<b>4. STAFF COSTS</b>		
Salaries and wages	207,709	125,013
Training expenses	5,532	7,895
	<u>213,241</u>	<u>132,908</u>

## SUSTAINABLE HEALTHCARE FOUNDATION

### Notes to the Financial Statements For the year ended 31 December 2005

<b>5. EQUIPMENT</b>	Furniture, fittings & equipment US\$	Electronic equipment US\$	Motor vehicles & motor cycles US\$	Total US\$
<b>Cost</b>				
1 January 2004	4,084	12,685	44,652	61,421
Additions	4,353	8,312	58,990	71,655
At 1 January 2005	8,437	20,997	103,642	133,076
Additions	771	7,441	22,096	30,308
Disposals	-	-	(12,437)	(12,437)
At 31 December 2005	9,208	28,438	113,301	150,947
<b>Accumulated depreciation</b>				
At 1 January 2004	1,446	9,099	20,163	30,708
Charge for the year	846	3,173	13,799	17,818
At 1 January 2005	2,292	12,272	33,962	48,526
Charge for the year	1,151	5,943	28,325	35,419
Disposals	-	-	(12,437)	(12,437)
At 31 December 2005	3,443	18,215	49,850	71,508
<b>Carrying Amount</b>				
At 31 December 2004	6,145	8,725	69,680	84,550
At 31 December 2005	5,765	10,223	63,451	79,439
			2005 US\$	2004 US\$
<b>6. INVENTORIES</b>				
Drugs and medical supplies			<u>20,168</u>	<u>13,375</u>
<b>7. LOCAL PARTNERS' ACCOUNT</b>			<u>15,697</u>	<u>52,950</u>
These are the balances due from loans given to the owners of the franchised shops.				

## SUSTAINABLE HEALTHCARE FOUNDATION

### Notes to the Financial Statements For the year ended 31 December 2005

	2005 US\$	2004 US\$
<b>8. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	10,025	7,110
Other receivables	<u>15,337</u>	<u>12,589</u>
	<u>25,362</u>	<u>19,699</u>
In the opinion of the directors, the carrying amount of receivables and prepayments approximates to their fair value.		
<b>9. TRADE AND OTHER PAYABLES</b>		
Trade payables	3,130	-
Other payables	<u>33,665</u>	<u>16,238</u>
	<u>36,795</u>	<u>16,238</u>
The average payment period taken for credit purchases was 12 days. In the opinion of directors, the carrying amount of payables and accrual expenses approximates to their fair value.		
<b>10. LOAN ACCOUNT</b>		
Current portion (repayable within 12 months)	17,421	-
Long term portion	<u>68,203</u>	<u>-</u>
	<u>85,624</u>	<u>-</u>
Interest rates during the year	5%	5%
The loan is from Acumen Fund repayable over 5 years attracting an interest of 5% per annum calculated on the ending quarterly balance.		
<b>11. PRIOR YEAR ADJUSTMENT</b>		
The Prior year adjustment in the previous year was to write-off non-recoverable amounts that were held in the accounts.		
<b>10. CAPITAL COMMITMENTS</b>		
Authorised	<u>124,491</u>	<u>-</u>
<b>11. CURRENCY</b>		
These financial statements are presented in Kenya Shillings (Kshs).		

**SUSTAINABLE HEALTHCARE FOUNDATION****APPENDIX I****Detailed Income Statement  
For the year ended 31 December 2005**

	App.	2005 US\$	2004 US\$
<b>INCOME FROM SUPPLY OF DRUGS</b>			
Sales		105,128	51,709
Cost of sales		<u>(89,308)</u>	<u>(44,229)</u>
Surplus from supply of drugs		15,820	7,480
<b>OTHER INCOME</b>			
Donations		346,919	331,913
Interest income		2,035	3,731
Sundry income		<u>8,234</u>	<u>4,227</u>
		373,008	347,351
ADMINISTRATION EXPENSES	II	(439,168)	(223,417)
SELLING EXPENSES		<u>(54,524)</u>	<u>(15,612)</u>
<b>OPERATING (DEFICIT)/SURPLUS</b>		(120,684)	108,322
FINANCE COSTS		<u>(2,755)</u>	<u>-</u>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		<u><u>(123,439)</u></u>	<u><u>108,322</u></u>

# SUSTAINABLE HEALTHCARE FOUNDATION

## APPENDIX II

### Detailed Income Statement For the year ended 31 December 2005

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	2005 US\$	2004 US\$
<b>ADMINISTRATION EXPENSES</b>		
Staff costs	207,709	125,013
Directors' remuneration	72,996	-
Depreciation	35,419	17,818
Vehicle running expenses	31,265	10,994
Telephone and postage	16,216	11,784
Rent	14,908	14,151
Travelling expenses	13,376	24,580
Bad debts	11,048	-
Legal fees	8,288	410
Foreign exchange loss	6,869	2,384
Audit fees	3,834	1,758
General office expenses	3,890	2,703
Printing and stationery	2,883	3,425
Repairs and maintenance	2,868	2,037
Security	2,573	468
Information systems of database	1,705	-
Bank charges	1,157	1,185
Meeting expenses	1,036	1,261
Insurance	854	80
Electricity	274	47
CHW annual convention	-	3,319
	<u>439,168</u>	<u>223,417</u>
<b>SELLING EXPENSES</b>		
Restructuring of local partners loans	24,450	-
Promotional activities	18,915	-
Training expenses	5,532	7,895
New shops expenses	4,633	250
Baseline survey	994	7,467
	<u>54,524</u>	<u>15,612</u>
<b>FINANCE COSTS</b>		
Interest on loan	<u>2,755</u>	<u>-</u>

# **SUSTAINABLE HEALTHCARE FOUNDATION**