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# **JEMBI HEALTH SYSTEMS NPC**

**Annual financial statements**

**for the year ended 29 February 2012**

**Audited**

These financial statements have been prepared under the supervision of J Smith CIMA, Adv Dip MA.  
Prepared by:

# **JEMBI HEALTH SYSTEMS NPC**

*Registration no: 2009/018985/08*

*NPO no: 054-906NPO*

*PBO no: 930034124*

*VAT no: 4480259243*

## **Annual financial statements**

*for the year ended 29 February 2012*

<i>Contents</i>	<i>Page</i>
Directors' responsibility for the annual financial statements	2
Executive director's report	3 - 5
Directors' report	6
Independent auditor's report	7 - 8
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in funds	11
Statement of cash flows	12
Notes to the financial statements	13 - 22
Supplementary information not covered by the audit opinion:	
Detailed revenue and income schedule	23

# **JEMBI HEALTH SYSTEMS NPC**

## **Directors' responsibility statement**

*for the year ended 29 February 2012*

The directors are responsible for the preparation and fair presentation of the annual financial statements of Jembi Health Systems NPC, ("Jembi Health Systems") comprising the statement of financial position at 29 February 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the executive director's and directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

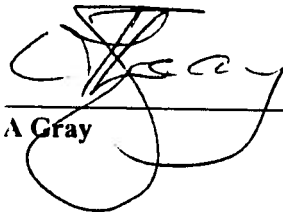
The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

### **Approval of annual financial statements**

The annual financial statements of Jembi Health Systems NPC, as identified in the first paragraph, were approved by the board of directors on 17 August 2012 and signed on their behalf by



C Seebregts



A Gray

# JEMBI HEALTH SYSTEMS NPC

## **Executive director's report**

*for the year ended 29 February 2012*

Jembi has continued the progress of previous years with steady growth in the 2011-2012 financial year, in all key areas of its core business and support areas. Jembi's annual income in the year ending 29 February 2012 increased from R15.6 million to R17.4 million (12% growth), in this period. Jembi's total staff complement increased from 31 in 2011 to 41 in 2012 (32% growth). Jembi achieved significant successes in its key programs in Mozambique and Rwanda as well as steady development of the programs in South Africa and Zimbabwe. The technical development and corporate services team continue to provide excellent support functions to the organization and its programs. Significant organizational development has occurred strengthening Jembi's current operation and improving future prospects.

Jembi South Africa increased its core staff from 14 to 19 comprising 17 staff in Cape Town and 2 staff in Durban. The Mozambique and Rwanda country offices have increased their staff complement to 14 and 8, respectively, and there are still three Jembi associates in the Zimbabwe project office. Jembi has generally reduced its use of part-time staff as well as local and international consultants in favour of internal capacity building. Jembi also increased the number of senior management roles and responsibilities, spreading the leadership function across the four members of the Jembi senior management team. Additional responsibilities are also being delegated to senior Jembi technical staff to improve their participation in management functions. The senior management team continues to review the growth and alignment of Jembi and its staff in order to match core competencies more closely with program and project needs and align employment contracts with specific deliverables and revenue streams.

Jembi embarked on significant organizational development and strengthening during this period, funded by grants from the IDRC, Twinning's Centre and Rockefeller Foundation. This resulted in further development of Jembi's strategic plan and the development of a performance management system ensuring that all staff members are evaluated regularly.

Jonnea Smith was appointed Director of Corporate Services at the start of 2012 and, under her leadership, the Corporate Services team has grown to a total of ten staff, including four at the head office in Cape Town, three in the Mozambique country office, two in the Rwanda country office and one in the Zimbabwe program office. The team provides a complete package of corporate services, including financial and contract management, administrative services and grant administration. The team also oversees the financial systems, contracts and grants reporting. During this period, the team introduced a new staff policy manual and internal procedures ensuring continued good governance of the organization. Jembi received a favourable report from its auditors, KPMG, at the end of 2011.

Jembi continued to attract donor income during this period, albeit slower than in the previous year. A new contract was awarded with Greenfield Management Solutions to complete a study of eHealth regulatory aspects for the European Space Agency. A grant proposal was also submitted to complete a similar study on interoperability. Jembi's two project grants from the Rockefeller Foundation and the Canadian International Development Research Centre (IDRC) ended in the first quarter of 2012. The Open Architectures, Standards and Information Systems (OASIS II) grant and the Open Architectures grant from the Rockefeller Foundation have both been extremely formative projects for Jembi, supporting development of the core organizational infrastructure and the expertise and techniques in architectural design that are fundamental skills within Jembi. Jembi continues to receive organizational development funding from both funders and will apply for project funding from the IDRC under the new SEARCH mechanism in the next few months.

Under the leadership of newly-appointed Jembi Programs Director, Dr Alessandro Campione, and new Program Manager, Rhonwyn Cornell and Senior Health Information System Specialist, Dr Roberta

# JEMBI HEALTH SYSTEMS NPC

## Executive director's report (continued)

for the year ended 29 February 2012

Pastore, Jembi continued to excel in Program implementation. The single largest source of Jembi's income is still the Health Informatics Public Private Partnership (HI-PPP) funded by the United States Emergency Plan for AIDS Relief (PEPFAR) through the Office of the US Global AIDS Coordinator (OGAC). HI-PPP funds the enterprise architecture and health information exchange projects in Rwanda as well as smaller projects in Mozambique and Zimbabwe. The Jembi program teams in South Africa and

Rwanda continue to support the Rwanda Health Enterprise Architecture (RHEA) project and the development of a health information exchange in the Rwamagana district of Rwanda and are expected to deliver the platform for the national health information system by the end of 2012. The Jembi Rwanda office was officially opened at a function in Kigali during April 2012 and will support the on-going activities in Rwanda.

Jembi, again, received generous funding for its program in Mozambique in terms of its cooperative agreement with the United States Centers for Disease Control and Prevention (CDC). This funding supports the MOASIS (Mozambique Open Architectures, Standards and Information Systems) team and, importantly, has served as a platform to attract supplementary funding for MOASIS from CDC implementing partners in Mozambique and from the World Health Organization and newly re-formed Health Metrics Network. CDC, again, increased the value of the award to Jembi, despite a general reduction in funding as a result of the global economic slowdown. Jembi has applied for two further grants for work in Mozambique, including an implementation science research grant from the CDC and an operational grant from the United States Agency for Internal Development (USAID). MOASIS and the Mozambique program continue to exceed expectations, illustrating Jembi's fundamental value as an 'honest broker' for government. The work of the MOASIS-Jembi team has been recognized internationally by the CDC and World Health Organization. Jembi received its official NGO recognition in Mozambique in June 2012 marking another exciting chapter in the development of Jembi.

The Zimbabwe program is much smaller than the other two country programs but Jembi has a project with the University of Zimbabwe Health Informatics Training and Research Centre (HITRAC) that includes the development of EA infrastructure for the Ministry of Health in Zimbabwe.

Under the leadership of Jembi Associate Director of Programs, Carl Fourie, and new appointees, Hannes Venter and Kari Schoonbee, the Jembi developer team continued to contribute to the development of software and systems for Jembi. The development of an Open Athlete Monitoring System (OpenAMS) with the High Performance Centre and Sports Science Institute of South Africa is in final testing for release in July 2012. A number of other development projects were undertaken with local NGOs. Jembi continues to collaborate with the Health Enterprise Architecture Laboratory (HEAL) and the Centre for Artificial Intelligence Research in the School of Mathematics, Statistics and Computer Science at the University of KwaZulu-Natal. Two Jembi technical development staff embarked on Masters degrees through the HEAL project at UKZN, resulting in two scientific papers during this period<sup>1,2</sup>. The work was

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<sup>1</sup> D. Moodley, A Pillay, CJ Seebregts. (2011). Position Paper: Researching and Developing Open Architectures for National Health Information Systems in Developing African Countries. In *International Symposium on Foundations of Health Information Engineering and Systems*.

<sup>2</sup> R. Crichton, D. Moodley, A Pillay and CJ Seebregts (2012) An Interoperability Architecture for the Health Information Exchange in Rwanda. In *International Symposium on Foundations of Health Information Engineering and Systems*.

# JEMBI HEALTH SYSTEMS NPC

## **Executive director's report (continued)**

*for the year ended 29 February 2012*

also highlighted in a UKZN internal magazine. Jembi is presently developing a closer link between core Jembi South Africa developer staff and the M-OASIS developer group in Mozambique.

Several new projects began during this financial year. The most notable strategic activity has been to increase Jembi's profile and work in South Africa. Much of the work has been in association with the South African Medical Research Council with who Jembi is still in the process of finalizing a Collaboration Agreement. Jembi collaborated with the MRC on a funding proposal to the CDC for implementation science project in Mozambique and a proposal to develop an MRC Treatment and Resistance Research Group that will continue with the work already developed at MRC by Prof Seebregts. Jembi is also represented on the National ICT4H Stakeholder Forum, convened by the Deputy Minister of Health and chairs the interoperability and standards working group. The Forum is viewed as a key activity to strengthen ICTs as part of the implementation of national health insurance and universal health coverage.

In summary, Jembi has completed the development of its core management, administrative and program infrastructure and is competently managing large donor-funded health information projects. Areas of improvement for the next period include (i) finalization of the complete strategic plan with definition of lead and lag indicators, coupled with a set of core Jembi competencies, job descriptions and fully-elaborated performance management systems; (ii) implementation of an internal eHealth training program for Jembi technical development staff coupled with knowledge management systems to capture valuable field experience, and; (iii) a more systematic approach to resource mobilization to ensure long term financial viability and sustainability of Jembi.

Sincerely



**Dr Christopher Seebregts**  
**Executive Director**

# JEMBI HEALTH SYSTEMS NPC

## **Directors' report**

*for the year ended 29 February 2012*

The directors have pleasure in presenting their report for the year ended 29 February 2012.

### **General review of operations**

The organisation has seen substantial growth from the year ending 28 February 2011 to the year ending 29 February 2012. This includes obtaining further office space in Cape Town, registering a company limited by guarantee in Rwanda and setting up a Jembi Rwanda office, increasing staff numbers in South Africa, Rwanda and Mozambique, diversifying funding through various grants, contracts and COAG's and improving internal controls by implementing robust internal policies and procedures. Jembi successfully obtained its first Core support grant from the Rockefeller Foundation and two organisational development grants from the International Development Research Centre and the HIV/AIDS Twinning Centre during the year ending 29/02/2012. The year ahead promises further growth and Jembi Health Systems NPC is gearing up to be ready to facilitate this growth.

### **Directors**

The directors in office during the year and at the date of this report are:

A Bunn

S Dove

A Gray

D Moodley

S Reid

CJ Seebregts

J Smith (Appointed 1 March 2012)

A Campione (Appointed 1 March 2012)

### **Secretary**

A secretary as not been appointed.





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## Independent auditor's report

To the members of Jembi Health Systems NPC

### Report on the financial statements

We have audited the annual financial statements of Jembi Health Systems NPC, which comprise the statement of financial position at 29 February 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 22.

#### *Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized entities, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

7

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Policy Board:  
Chief Executive: RM Kgosana

Executive Directors: TH Bashall\*, DC Duffield, A Hari, TH Hoole, FB Leith, JS McIntosh, AM Mokgabudi, D van Heerden

Other Directors: LP Fourie, T Fubu, A Jaffer, E Magondo, CM Read, Y Suleman (Chairman of the Board), A Thunstrom, JM Vice

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection. \* British citizen





*Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Jembi Health Systems NPC at 29 February 2012 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized entities, and the requirements of the Companies Act of South Africa.

*Other matters*

The supplementary information set out on page 23 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

*Other Reports Required by the Companies Act*

As part of our audit of the financial statements for the year ended 29 February 2012 we have read the Directors' Report as well as the Executive Director's report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the directors. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion thereon.

**KPMG Inc.**

Per BR Heuvel  
Chartered Accountant (SA)  
Registered Auditor  
Director

11 September 2012

# JEMBI HEALTH SYSTEMS NPC

## Statement of comprehensive income

for the year ended 29 February 2012

	<i>Note</i>	<b>2012</b> <b>R</b>	<b>2011</b> <b>R</b>
<b>Donor income</b>	2	<b>16 267 082</b>	14 474 067
Other income	3	<b>1 191 740</b>	1 128 310
		<b>17 458 822</b>	15 602 377
<b>Operating expenses</b>		<b>(15 588 925)</b>	(15 048 569)
<b>Operating surplus</b>	4	<b>1 869 897</b>	553 808
Finance income	5	<b>110 601</b>	48 633
Finance expense	6	-	(225)
<b>Surplus before taxation</b>		<b>1 980 498</b>	602 216
Taxation	7	-	-
<b>Total comprehensive income for the year</b>		<b>1 980 498</b>	602 216

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# JEMBI HEALTH SYSTEMS NPC

## Statement of financial position

at 29 February 2012

	<i>Note</i>	2012 R	2011 R
<b>Assets</b>			
<b>Non-current asset</b>			
Plant and equipment	8	459 614	314 334
<b>Current assets</b>			
Cash and cash equivalents		5 111 611	3 813 874
Trade and other receivables	9	1 722 686	1 032 318
<b>Total assets</b>		<b>7 293 911</b>	<b>5 160 526</b>
<b>Funds and liabilities</b>			
<b>Funds</b>			
<b>Accumulated funds</b>			
General reserves		3 861 444	1 880 946
		3 861 444	1 880 946
<b>Current liabilities</b>			
Trade and other payables	11	2 240 884	1 699 040
Deferred income	10	1 191 583	1 580 540
<b>Total funds and liabilities</b>		<b>7 293 911</b>	<b>5 160 526</b>

2

# JEMBI HEALTH SYSTEMS NPC

## Statement of changes in funds

for the year ended 29 February 2012

	<i>Note</i>	<b>General reserves R</b>	<b>Total R</b>
Balance at 1 March 2010		1 278 730	1 278 730
Total comprehensive income for the year		602 216	602 216
Balance at 28 February 2011		<u>1 880 946</u>	<u>1 880 946</u>
<b>Balance at 1 March 2011</b>		<b>1 880 946</b>	<b>1 880 946</b>
Total comprehensive income for the year		<b>1 980 498</b>	<b>1 980 498</b>
<b>Balance at 29 February 2012</b>		<b><u>3 861 444</u></b>	<b><u>3 861 444</u></b>

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# JEMBI HEALTH SYSTEMS NPC

## Statement of cash flows

for the year ended 29 February 2012

	<i>Note</i>	<b>2012 R</b>	<b>2011 R</b>
<b>Cash flows from operating activities</b>			
Cash generated/(utilised in) by operations	<i>14</i>	<b>1 476 194</b>	<b>(2 384 738)</b>
Finance income		<b>110 601</b>	<b>48 633</b>
Finance expense		<b>-</b>	<b>(225)</b>
<b>Net cash inflow/(outflow) from operating activities</b>		<b><u>1 586 795</u></b>	<b><u>(2 336 330)</u></b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		<b>(289 058)</b>	<b>(244 760)</b>
<b>Net cash outflow from investing activities</b>		<b><u>(289 058)</u></b>	<b><u>(244 760)</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>1 297 737</b>	<b>(2 581 090)</b>
Cash and cash equivalents at beginning of year		<b><u>3 813 874</u></b>	<b><u>6 394 964</u></b>
<b>Cash and cash equivalents at end of year</b>		<b><u>5 111 611</u></b>	<b><u>3 813 874</u></b>

2

# JEMBI HEALTH SYSTEMS NPC

## Notes to the annual financial statements

for the year ended 29 February 2012

### 1. Accounting policies

Jembi Health Systems NPC is a company domiciled in South Africa.

#### 1.1 Basis of preparation

The financial statements for the company are prepared in accordance with International Financial Reporting Standards for Small and Medium-sized entities ("IFRS for SMEs") and the Companies Act of South Africa.

The financial statements are presented in South African Rands ("Rands"), which is the entity's functional currency. They are prepared on the basis that the company is a going concern, using the historical cost basis of measurement unless otherwise stated.

#### 1.2 Use of estimates and judgements

The preparation of financial statements in accordance with IFRS for SMEs requires management to make estimates, judgements and assumptions that affect the accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Management discusses and reviews on an ongoing basis the development, selection and disclosure of critical accounting policies and estimates and the application of these policies and estimates. No judgements were made by management in the application of IFRS for SMEs that have a significant effect on the financial statements. Estimates made by management which have a significant risk of material adjustment in the next year are the residual values and useful lives of plant and equipment.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### 1.3 Foreign currency

##### *Foreign currency transactions*

Foreign currency transactions are recognised by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. The date of transactions is the date on which the transaction first qualifies for recognition in accordance with IFRS for SMEs.

Foreign exchange differences arising on translation are recognised in profit or loss.

2

# JEMBI HEALTH SYSTEMS NPC

## Notes to the annual financial statements (continued)

for the year ended 29 February 2012

### 1. Accounting policies (continued)

#### 1.4 Financial instruments

Non-derivative financial instruments are initially recognised at fair value plus directly attributable transaction costs except for financial instruments that are classified as being carried at fair value through profit and loss. Subsequent to initial recognition, these instruments are classified according to their nature and are measured at amortised cost.

The company has the following non-derivative financial instruments and the subsequent measurement of each financial instrument is explained in more detail below.

##### *Trade and other receivables*

Trade and other receivables are categorised as receivables. These financial assets originate by the company providing goods, services or money directly to a debtor and are subsequent to initial measurement measured at amortised cost using the effective interest method less any accumulated impairment losses.

##### *Cash and cash equivalents*

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the company unless otherwise stated and cash held for petty cash usage.

Cash and cash equivalents are categorised as receivables and subsequent to initial recognition measured at amortised cost.

##### *Trade and other payables*

Subsequent to initial recognition, trade and other payables are measured at amortised cost.

#### ***Derecognition***

##### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

##### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

#### ***Offset***

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2



# JEMBI HEALTH SYSTEMS NPC

## Notes to the annual financial statements (continued)

for the year ended 29 February 2012

### 1. Accounting policies (continued)

#### 1.5 Plant and equipment

##### *Recognition and measurement*

Items of plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Upon initial recognition leased assets are recognised at fair value. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Installation and other costs, which comprise materials and direct labour costs necessarily incurred in order to acquire plant and equipment, are also included in cost.

When parts of plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Borrowing costs are expensed as incurred.

Gains or losses on the disposal of plant and equipment, comprising the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss.

##### *Subsequent costs*

Subsequent expenditure relating to an item of plant and equipment is capitalised when it is probable that future economic benefits embodied with the item will flow to the company and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

##### *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the assets in order to reduce the cost of the asset to its residual value. Residual value is the amount that an entity could receive for the asset at the reporting date if the asset were already of the age and the condition that it will be in when the entity expects to dispose of it. Residual value does not include expected future inflation.

The estimated useful lives for the current and comparative periods are as follows:

Computer Equipment = 3 years (Depreciation 33.3% per annum straight line method)

Software = 3 years (Depreciation 33.3% per annum straight line method)

Server = 5 years (Depreciation 20% per annum straight line method)

Equipment and Furniture = 6.25 years (Depreciation 16% per annum straight line method)

Networking Hardware = 3 years (Depreciation 33.3% per annum straight line method)

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

2

# JEMBI HEALTH SYSTEMS NPC

## Notes to the annual financial statements (continued)

for the year ended 29 February 2012

### 1. Accounting policies (continued)

#### 1.6 Leases

##### *Finance leases*

Finance leases are leases whereby substantially all the risks and rewards of ownership are passed on to the lessee. Assets acquired in terms of finance leases are capitalised and depreciated over the shorter of the useful life of the asset or the lease period, with a corresponding liability in the statement of financial position. The asset and liability is initially recognised at the lower of the fair value and the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Related finance costs are charged to income using the effective interest method over the period of the lease.

##### *Operating leases*

Leases of assets under which substantially all of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Minimum lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Contingent rental escalations, such as those relating to turnover, are expensed in the year in which the escalation is determined.

#### 1.7 Impairment of assets

##### *Non-financial assets*

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such an indication exists, the asset's recoverable amount is estimated.

Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in profit or loss.

The recoverable amount of the cash-generating unit is assessed with reference to the future cash flows of the cash-generating unit. Where impairment is identified for a cash-generating unit, the impairment is applied first to the goodwill allocated to the cash-generating unit (if any) and then to other assets on a pro rata basis comprising the cash-generating unit provided that each identifiable asset is not reduced to below its recoverable amount.

##### *Recoverable amount*

The recoverable amount of an asset is the greater of its fair value less cost to sell and its value in use. Recoverable amounts are estimated for individual assets or, if an asset does not generate largely independent cash flows, for a cash-generating unit. A cash-generating unit is the smallest collection of assets capable of generating cash flows independent of other assets or cash-generating units.

The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2

# JEMBI HEALTH SYSTEMS NPC

## Notes to the annual financial statements (continued)

for the year ended 29 February 2012

### 1. Accounting policies (continued)

#### 1.7 Impairment of assets (continued)

##### *Reversal of impairment losses*

Impairment losses recognised in prior years are assessed at each reporting date for any indicators that the losses have decreased or no longer exist. Reversal of impairment losses recognised in prior years are recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased, either as a result of an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the affected asset is not increased to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years. The reversal is recorded as income in profit and loss.

##### *Financial assets*

At each reporting date, an assessment is made as to whether objective evidence exists that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

#### 1.8 General reserves

The balance of accumulated funds is transferred to the general reserve.

#### 1.9 Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is determined by discounting the expected future cash flows expected to be required to settle the obligation at a pre-tax rate that reflects the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### 1.10 Employee benefits

##### *Short-term employee benefits*

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service.

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# JEMBI HEALTH SYSTEMS NPC

## Notes to the annual financial statements (continued)

for the year ended 29 February 2012

### 1. Accounting policies (continued)

#### 1.10 Employee Benefits (continued)

Accruals for employee entitlements to wages, salaries, bonuses, annual and sick leave represent the amount which the company has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

#### 1.11 Donor and other income (Revenue)

Donor income comprises grant and contract income from Institutional Funders and USG Governmental funding, contract management fees and indirect income. Donor income is recognised when the entity becomes unconditionally entitled to the funds either by invoicing the donor or according to payment schedules agreed with donors. Other (Project) income is recognised in accordance with the underlying project agreements when the company is unconditionally entitled to the contributions received. Contributions received that are not recognised as donor or project income are carried in deferred income until such time as the company is entitled to such contributions.

#### 1.12 Finance income

Finance income comprises interest income of funds invested. Interest income, is recognised in profit or loss on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is probable that such income will accrue to the company.

#### 1.13 Finance expense

Finance expense comprise interest payable on borrowings calculated using the effective interest rate method and unwinding of the discount on provisions.

The company has elected not to capitalise borrowing costs on qualifying assets.

The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method.

#### 1.14 Income taxes

Jembi Health Systems NPC is a Public Benefit Organisation and is exempt from paying Income Tax.

2

# JEMBI HEALTH SYSTEMS NPC

## Notes to the annual financial statements

for the year ended 29 February 2012 (continued)

	2012 R	2011 R
<b>2. Donor income</b>		
Grants and contract income	14 737 288	13 411 118
Contract management fee and indirect income	1 529 794	1 062 949
	<u>16 267 082</u>	<u>14 474 067</u>
<b>3. Other income</b>		
Project income	1 191 740	1 128 310
	<u>1 191 740</u>	<u>1 128 310</u>
<b>4. Operating surplus</b>		
is arrived at after taking into account:		
Depreciation	143 778	64 472
Realised foreign exchange (profit)/loss	(404 695)	304 470
Salaries	5 181 730	3 211 146
Audit fees	106 188	35 742
Operating lease rentals - premises	624 836	214 051
	<u>624 836</u>	<u>214 051</u>
<b>5. Finance income</b>		
Interest received - financial institutions	110 601	48 633
	<u>110 601</u>	<u>48 633</u>
<b>6. Finance expense</b>		
Interest paid	-	(225)
	<u>-</u>	<u>(225)</u>
<b>7. Taxation</b>		

No taxation has been provided as the company is a Public Benefit Organisation and is thus exempt from income tax in terms of the Section 10(1)(cN) of the Income Tax Act.

2

# JEMBI HEALTH SYSTEMS NPC

## Notes to the annual financial statements

for the year ended 29 February 2012 (continued)

### 8. Plant and equipment

2012	Computer equipment R	Software R	Equipment and furniture R	Server R	Networking hardware R	Total R
<b>Cost</b>						
Opening balance	143 531	60 703	141 687	38 807	5 840	390 568
Additions	139 930	16 299	88 960	43 869	-	289 058
<b>Closing balance</b>	<b>283 461</b>	<b>77 002</b>	<b>230 647</b>	<b>82 676</b>	<b>5 840</b>	<b>679 626</b>
<b>Accumulated depreciation</b>						
Opening balance	38 463	11 001	13 597	12 288	885	76 234
Depreciation	74 725	22 975	29 809	14 342	1 927	143 778
<b>Closing balance</b>	<b>113 188</b>	<b>33 976</b>	<b>43 406</b>	<b>26 630</b>	<b>2 812</b>	<b>220 012</b>
<b>Net book value</b>	<b>170 273</b>	<b>43 026</b>	<b>187 241</b>	<b>56 046</b>	<b>3 028</b>	<b>459 614</b>

2011	Computer equipment R	Software R	Equipment and furniture R	Server R	Networking hardware R	Total R
<b>Cost</b>						
Opening balance	71 067	9 589	26 345	38 807	-	145 808
Additions	102 440	51 114	115 342	-	5 840	274 736
Disposals	(29 976)	-	-	-	-	(29 976)
<b>Closing balance</b>	<b>143 531</b>	<b>60 703</b>	<b>141 687</b>	<b>38 807</b>	<b>5 840</b>	<b>390 568</b>
<b>Accumulated depreciation</b>						
Opening balance	7 879	720	1 109	4 527	-	14 235
Depreciation	33 057	10 281	12 488	7 761	885	64 472
Disposals	(2 473)	-	-	-	-	(2 473)
<b>Closing balance</b>	<b>38 463</b>	<b>11 001</b>	<b>13 597</b>	<b>12 288</b>	<b>885</b>	<b>76 234</b>
<b>Net book value</b>	<b>105 068</b>	<b>49 702</b>	<b>128 090</b>	<b>26 519</b>	<b>4 955</b>	<b>314 334</b>

2

# JEMBI HEALTH SYSTEMS NPC

## Notes to the annual financial statements for the year ended 29 February 2012 (continued)

	2012 R	2011 R
<b>9. Trade and other receivables</b>		
Employee receivables	25 968	13 600
Trade receivables	1 324 453	915 439
Prepayments	40 815	24 650
Deposits	36 113	28 900
VAT receivable	9 690	49 729
Sub-grantee receivables	285 647	-
	<u>1 722 686</u>	<u>1 032 318</u>
<b>10. Deferred income/ (accrued income)</b>		
<i>Donor income</i>	1 360 212	1 375 282
-IDRC2	474 743	-
-Rockefeller	314 850	1 375 282
-Center for Disease Control	(91 657)	-
-WHO Move IT/HMN	417 474	-
-IDRC3	402 272	-
-Vanderbilt University/University California San Francisco	(334 433)	-
-The AIHA Twinning Center	176 963	-
	(168 629)	205 258
<i>Other income - projects</i>	(168 629)	205 258
-Sports Science Institute of South Africa	(168 629)	205 258
	<u>1 191 583</u>	<u>1 580 540</u>
<b>11. Trade and other payables</b>		
Accruals	190 306	248 786
Medical Research Council of South Africa	2 050 578	1 450 254
	<u>2 240 884</u>	<u>1 699 040</u>
<b>12. Directors' emoluments</b>		
Non-executive directors fees	63 000	22 500
Executive director remuneration	1 275 260	539 980
	<u>1 338 260</u>	<u>562 480</u>

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# JEMBI HEALTH SYSTEMS NPC

## Notes to the annual financial statements (continued)

for the year ended 29 February 2012

### 13. Related parties

The directors of Jembi Health System (Incorporated under Section 21) are listed in the directors' report.

Other than directors' emoluments disclosed in note 12, no material related party transactions occurred.

	2012 R	2011 R
<b>14. Note to the statement of cash flows</b>		
<b>14.1 Cash generated by/(utilised in) operations</b>		
Surplus before taxation	1 980 498	602 216
Adjusted for:		
- Depreciation	143 778	61 999
- Finance expense	-	225
- Finance income	(110 601)	(48 633)
Working capital changes		
Increase in trade and other receivables	(690 368)	(1 032 318)
Increase/(decrease) in trade and other payables and deferred income	152 887	(1 968 227)
	<u>1 476 194</u>	<u>(2 384 738)</u>

2

# JEMBI HEALTH SYSTEMS NPC

## Detailed revenue and income schedule

for the year ended 29 February 2012

	2012 Rand	2011 Rand
<b>Donor income</b>		
<i>Grants and Contract Income</i>		
International Development Research Centre (IDRC2)	2 569 183	7 018 116
The Rockefeller Foundation (RF001)	1 060 432	1 777 269
Cardno Emerging Markets USA Ltd (HIPPP)	6 874 766	3 565 733
Center for Disease Control and Prevention (CDC01)	2 986 560	1 050 000
World Health Organisation: HMN Move IT (HMN01)	232 610	-
The International Development Research Centre (IDRC3)	84 485	-
The AIHA Twinning Center (TWI01)	446 200	-
Vanderbilt University/UCSF (VAN01)	483 052	-
<b>Sub Total</b>	<u>14 737 288</u>	<u>13 411 118</u>
<i>Unrestricted income including Indirect and Contract Management fees</i>		
International Development Research Centre (IDRC2)	333 994	912 355
Cardno Emerging Markets USA Ltd (HIPPP)	296 374	148 278
World Health Organisation (WHOO1)	-	2 316
The AIHA Twinning Center (TWI01)	89 240	-
The Rockefeller Foundation (RF002)	810 186	-
<b>Sub Total</b>	<u>1 529 794</u>	<u>1 062 949</u>
<b>Total donor income</b>	<u>16 267 082</u>	<u>14 474 067</u>
<b>Other income</b>		
University of Pretoria (UP001)	-	261 001
ecGroup Inc (ECGO1)	-	340 825
VitalCare t/a JCMG	-	97 590
Partners in Health (PIH 01)	-	155 450
Sports Science Institute of South Africa (SSISA)	758 554	188 409
World Health Organisation (WH001)	206 283	85 035
Health Enterprise Architecture Laboratory (HEAL1)	184 477	-
Medecins Sans Frontiers (MSF01)	42 426	-
<b>Total other income</b>	<u>1 191 740</u>	<u>1 128 310</u>
<b>Total income</b>	<u>17 458 822</u>	<u>15 602 377</u>