

FINANCIAL REPORT 16/17

SOUTH AFRICA RWANDA MOZAMBIQUE ZAMBIA

JEMBI HEALTH SYSTEMS NPC

Annual financial statements for the year ended
28 February 2017

Audited

Prepared under the supervision of
J Smith (CIMA), (Adv Dip MA).

These financial statements have been audited in compliance with the applicable requirements of the Companies Act no. 71 of 2008.

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 28 February 2017

<i>Contents</i>	<i>Page</i>
Directors' responsibility statement	2
Chief executive's report	3 - 4
Directors' report	5 - 6
Independent auditor's report	7 - 9
Statement of financial position	10
Statement of comprehensive income	11
Statement of changes in funds	12
Statement of cash flows	13
Notes to the financial statements	14 - 25
<i>Supplementary information not covered by the audit opinion:</i>	
Detailed revenue and income schedule	26 - 27

JEMBI HEALTH SYSTEMS NPC

Directors' responsibility statement

for the year ended 28 February 2017

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 28 February 2017 and the statements of comprehensive income, changes in funds 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 chief executive's report 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 financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the 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 14 August 2017 and signed on their behalf by:



C Seebregts
Authorised Director



D Moodley
Authorised Director

JEMBI HEALTH SYSTEMS NPC

Chief Executive's report

for the year ended 28 February 2017

It is a great pleasure for me to be able to report the continued growth and accomplishments of Jembi in delivering on its mission and vision in the 2016 to 2017 financial year. This was another notable year for Jembi adding a significant number of new projects and programs to its established activities in Africa. This was paralleled by a projected increase in annual income to approximately ZAR 60 million over the period and an increase in the number of staff to around 100 personnel in four Africa countries, South Africa, Mozambique, Rwanda and Zambia. During this period, Jembi also opened a new company and office in Zambia and established a number of new collaborations, continuing to extend its network of local and international organisations.

The increase in staff and strategic alignment resulted in Jembi having to move its headquarters at the end of 2016. The three offices in Westlake Business Park had become too small for the increase in staff in the Cape Town headquarters. Jembi now has new offices in Tokai with more than double the combined space of the previous office space as well as having all staff in one location and a fully refurbished open plan office space and optimal working environment.

Jembi's Corporate Services Division continued to provide strong financial, legal, human resources and administrative support to the entire organization, across all four countries. Under the capable leadership of its Director, Mrs. Jonnea Smith, Jembi received another unqualified audit report on its annual financial statements as well as clean audits on its US Government donor funding reports. This is testimony to the high standard of financial compliance and financial management in this division. The division also managed the move to Jembi's new offices, including the execution of contracts, refurbishing of the offices and the final move itself. This significant undertaking was executed perfectly, resulting in Jembi being able to move into its new offices on time at the end of November 2016, as planned, and in time for the end of year Board meeting and office function. The division also managed all activities related to the opening of Jembi's new company in Zambia and appointment of staff, in accordance with Zambian law and procedures during this period.

A new Technology Division was introduced within Jembi during 2016. The division includes more than thirty software developers, analysts and product owners who were previously attached to individual programs and are now included within one division under a Technology Director, Mr. Pierre Dane. The Division uses modern software engineering methods to develop high quality software and health information systems, consistent with international standards and is a major asset for Jembi in executing its vision and supporting the Programs function. The Technology Division is a core asset for Jembi and is expected to continue its growth trajectory in coming years.

Jembi's Programs Division also experienced continued growth over this period. Jembi received two new funding awards in South Africa during this period. Jembi is a sub-contractor to the University of Cape Town UCT) on the African Health Information exchange (AHIE) project, funded by the Bill and Melinda Gates Foundation, over three years. The partnership with UCT has also extended to international technical assistance in the area of HIV case-based surveillance, an international initiative to strengthen the use of data for controlling the global HIV epidemic. Jembi is also a subcontractor to the Health Information Systems Program – South Africa (HISP-SA) on a new health information systems project, over five years. In this project, Jembi continues its support for the highly-successful MomConnect project with the South African National Department of Health, among others.

These new initiatives also complement Jembi's other main programs managed in South Africa, including the Blood Safety Strengthening Program and the Open Health Information Exchange program. These are two highly-successful projects within Jembi and complement a number of other programs and projects, managed by the South Africa programs team.

JEMBI HEALTH SYSTEMS NPC

Chief Executive's report (continued)

for the year ended 28 February 2017

The new Jembi Zambia office was opened to support a new subcontract with CDC and BroadReach Healthcare in the re-engineering of the national electronic medical record application.

Through its local MOASIS office, Jembi continued to execute its two prime awards from CDC and USAID in Mozambique, supporting national systems for monitoring and evaluation. Jembi-MOASIS also negotiated MoUs with several entities in Mozambique, including Ministry of Health and its long-term partner, the national University of Eduardo Mondlane, in Maputo. Program Director, Dr Alessandro Campione opened up an exciting new collaboration with the Istituto Zooprofilattico Sperimentale dell'Abruzzo e del Molise Giuseppe Caporale (IZSAM) in Italy in the area of One Health and the eVet initiative, locally in Mozambique. In Rwanda, Jembi has continued to support its prime award with CDC working on several national health information systems projects as well as subcontracts with Management Sciences for Health. In addition, it has been working with the Rwanda Biomedical Centre in the development of HIV case-based surveillance for the country.

I am proud of Jembi's achievements over this period and believe that the organization will continue this trend in future years despite challenges in international funding for development projects.



Prof Chris Seebregts
Chief Executive Officer

JEMBI HEALTH SYSTEMS NPC

Directors' report

for the year ended 28 February 2017

The directors have pleasure in presenting their report for the year ended 28 February 2017.

General review of operations

During the period from 2016 to 2017, Jembi Health Systems experienced a significant spike in growth which was not forecast at the end of the last financial year. This was primarily linked to many pipeline opportunities coming to fruition. As a result, Jembi is now entering another growth stage, with the organisation annual income rising from R3 million in 2010 to R60 million at the end of 2017, and expenditure figures closely aligning to income over the same periods. The income comparison from end of year 2016 to end of year 2017 increased by 61%. Jembi's income in this financial year was derived largely from United State government federal grants, representing 87% of the total income and split between the Centres for Disease Control (75%) and USAID (12%) both through Prime awards and Sub agreements. The remaining 13% of annual income was derived from smaller contract projects with South Africa based donor and clients as well as the International Community

An important development in this financial year was the opening of Jembi's newest office in Zambia. In addition to its head office in South Africa, Jembi now has three country offices in Mozambique, Rwanda and Zambia. Jembi's projects and activities programs are grouped into the following four programs – South Africa, Blood Safety Strengthening, Mozambique and Regional. Jembi's Regional Program includes projects and activities in Rwanda, Zambia and a new Program as a sub awardee under the USAID-funded Regional Action Through Data (RAD) program.

At the end of February 2017, Jembi staff numbers had increased to 82 staff, with South Africa experiencing the highest increase at 65%. This has increased, again, in the new financial year with staff numbers already increasing to more than 100, matching another year of growth bringing many exciting changes and opportunities to Jembi, globally.

Expenditure figures including capital procurement increased to R60 million over the year with the largest percentage of expenditure being linked to staff costs of R39 Million (65% of total expenditure). Staff continue to excel in the delivery of projects, developing highly specialised information systems and providing implementation support. The staff core at Jembi has now expanded to include a new Product team including analysts, creative designers and product managers. This team is proving to be a valuable resource leveraged by clients and the Program, and Technology divisions, and further improving the high level Programs being managed through Jembi.

At the end of the financial year Jembi was able to add funds to its retained earnings after having spent funds against reserves in the previous year. This allowed Jembi to utilise retained earnings/reserves in the present year to further its vision of "A world in which health systems and information advance global health".

had

JEMBI HEALTH SYSTEMS NPC

Directors' report (continued)

for the year ended 28 February 2017

Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that has a material impact on the annual financial statements.

Directors

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

S Reid
D Moodley
A Gray
CJ Seebregts – Ex-officio
D Morkel
N Gasa

Resigned as of 15 May 2016

G Loots

Auditors

KPMG Inc. will continue in office in accordance with Section 90 of the Companies Act of South Africa.



KPMG Inc
MSC House
1 Mediterranean Street, Foreshore, 8001
PO Box 4609, Cape Town, 8000, South Africa

Telephone +27 (0)21 408 7000
Fax +27 (0)21 408 7100
Docex 102 Cape Town
Internet kpmg.co.za

Independent Auditor's Report

To the Members of Jembi Health Systems NPC

Opinion

We have audited the financial statements of Jembi Health Systems NPC set out on pages 10 to 25, which comprise the statements of financial position as at 28 February 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jembi Health Systems NPC as at 28 February 2017, 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.

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 Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. 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 Directors' Report as required by the Companies Act of South Africa, the Directors' Responsibility Statement, the Chief executive's report and the supplementary information. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba, M Oddy, CAT Smit

Other Directors: ZA Beseti, LP Fourie, N Fubu, AH Jaffer (Chairman of the Board), ME Magondo, F Mall, GM Pickering, JN Pierce

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

In connection with our audit of the 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 the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company'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 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 and / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

KPMG Inc.
Registered Auditor



Per: H du Plessis
Chartered Accountant (SA)
Registered Auditor
Director

Date: 14 August 2017

JEMBI HEALTH SYSTEMS NPC

Statement of financial position

at 28 February 2017

	<i>Note</i>	2017 R	2016 R
Assets			
Non-current assets			
Equipment	8	2 044 919	990 879
Current assets			
Cash and cash equivalents	9	2 587 525	2 745 210
Trade and other receivables	10	13 208 589	5 815 375
Accrued income	11	810 273	2 823 993
Total assets		18 651 306	12 375 457
Funds and liabilities			
Funds			
Accumulated funds			
General reserves		10 761 792	8 981 423
Current liabilities			
Trade and other payables	12	1 238 345	1 065 605
Deferred income	11	6 651 169	2 328 429
Total funds and liabilities		18 651 306	12 375 457

12

JEMBI HEALTH SYSTEMS NPC

Statement of comprehensive income

for the year ended 28 February 2017

	<i>Note</i>	2017 R	2016 R
Donor income	3	59 362 045	35 247 681
Other income	4	843 588	2 048 766
Operating income		60 205 633	37 296 447
Operating expenses		(58 585 355)	(36 876 155)
Operating surplus	5	1 620 278	420 292
Finance income	6	160 091	187 289
Surplus before taxation		1 780 369	607 581
Surplus for the year		1 780 369	607 581
Total comprehensive income for the year		1 780 369	607 581

JEMBI HEALTH SYSTEMS NPC

Statement of changes in funds

for the year ended 28 February 2017

	General reserves R	Total R
Balance at 1 March 2015	8 373 843	8 373 843
Total comprehensive income for the year	607 581	607 581
Balance at 28 February 2016	<u>8 981 423</u>	<u>8 981 423</u>
Balance at 1 March 2016	8 981 423	8 981 423
Total comprehensive income for the year	1 780 369	1 780 369
Balance at 28 February 2017	<u>10 761 792</u>	<u>10 761 792</u>



JEMBI HEALTH SYSTEMS NPC

Statement of cash flows

for the year ended 28 February 2017

	<i>Note</i>	2017 R	2016 R
Cash flows from operating activities			
Cash generated by operations	15.1	1 286 953	(791 032)
Finance income	6	160 091	187 289
Net cash inflow/(outflow) from operating activities		1 447 044	(603 743)
Cash flows from investing activities			
Acquisition of equipment	8	(1 604 729)	(750 957)
Disposal of equipment	8	-	2 762
Net cash outflow from investing activities		(1 604 729)	(748 195)
Net decrease in cash and cash equivalents		(157 685)	(1 351 937)
Cash and cash equivalents at beginning of year		2 745 210	4 097 148
Cash and cash equivalents at end of year		2 587 525	2 745 210

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements

for the year ended 28 February 2017

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized entities ("IFRS for SMEs") and the requirements of 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 discuss and review 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 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 month end spot rate in which the date of the transaction falls. The date of the transaction 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.

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 28 February 2017

1. Significant accounting policies (continued)

1.4 Financial instruments

Non-derivative financial instruments are initially recognised at fair value plus directly attributable transaction costs. 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 subsequently 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.

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 28 February 2017

1. Significant accounting policies (continued)

1.5 Equipment

Recognition and measurement

Items of 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 equipment, are also included in cost.

If significant parts of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains or losses on the disposal of 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 equipment is capitalised only if 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 years 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.

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 28 February 2017

1. Significant accounting policies (continued)

1.6 Leases

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.

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 28 February 2017

1. Significant 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, the reversal is recognised in profit or loss.

1.8 General reserves

The balance of accumulated funds is transferred to general reserves.

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.

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 28 February 2017

1. Significant accounting policies (continued)

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.

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.

Revenue relating to contracts entered into on reimbursive terms are recognised when the expense is incurred. Accrued income is recognised for revenue not yet received.

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 Income taxes

Jembi Health Systems NPC is a Public Benefit Organisation and is exempt from income tax in terms of section 10(1)(cN) of the Income Tax Act.

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 28 February 2017

2. Standards and interpretations not yet effective

Jembi Health Systems NPC has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2017 or later periods:

	Effective date: Years beginning on or after
IAS 7 Disclosure Amendments	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019

The company is currently in the process of performing a more detailed assessment of the impact of these standards on the company and will provide more information in the year ended 28 February 2018.



JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 28 February 2017

	2017 R	2016 R
3. Donor income		
Grant and contract income	59 362 045	35 183 487
Contract management fee and indirect income	-	64 194
	<u>59 362 045</u>	<u>35 247 681</u>
4. Other income		
Project income	843 588	2 048 766
	<u>843 588</u>	<u>2 048 766</u>
5. Operating surplus		
is arrived at after taking into account:		
Depreciation	550 689	352 322
Realised foreign exchange loss/(gain)	287 096	(708 338)
Salaries	25 424 975	15 715 943
Audit fees	344 832	147 470
Operating lease rentals - premises	<u>2 051 152</u>	<u>1 790 926</u>
6. Finance income		
Interest received - financial institutions	<u>160 091</u>	<u>187 289</u>

7. Taxation

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.

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 28 February 2017

8. Equipment	Computer equipment R	Software R	Equipment and furniture R	Server R	Networking hardware R	Total R
2017						
Cost						
Opening balance	1 088 476	96 111	703 472	151 745	257 408	2 297 212
Additions	773 927	59 994	718 413	-	52 395	1 604 729
Disposals	-	-	-	-	-	-
Closing balance	1 862 403	156 105	1 421 885	151 745	309 803	3 901 941
Accumulated depreciation						
Opening balance	(655 270)	(96 111)	(287 073)	(97 341)	(170 538)	(1 306 333)
Depreciation	(325 550)	(8 695)	(149 307)	(16 008)	(51 129)	(550 689)
Closing balance	(980 820)	(104 806)	(436 380)	(113 349)	(221 667)	(1 857 022)
Net book value	881 583	51 299	985 505	38 396	88 136	2 044 919
2016						
Cost						
Opening balance	739 589	96 111	457 816	97 184	158 316	1 549 016
Additions	348 887	-	248 418	54 561	99 092	750 958
Disposals	-	-	(2 762)	-	-	(2 762)
Closing balance	1 088 476	96 111	703 472	151 745	257 408	2 297 212
Accumulated depreciation						
Opening balance	(481 402)	(92 676)	(193 296)	(74 989)	(111 647)	(954 010)
Depreciation	(173 868)	(3 435)	(93 777)	(22 352)	(58 891)	(352 323)
Closing balance	(655 270)	(96 111)	(287 073)	(97 341)	(170 538)	(1 306 333)
Net book value	433 206	-	416 399	54 404	86 870	990 879

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 28 February 2017

	2017 R	2016 R
9. Cash and cash equivalents		
Cash on hand	866	1 349
Bank balances	<u>2 586 659</u>	<u>2 743 861</u>
	<u>2 587 525</u>	<u>2 745 210</u>
10. Trade and other receivables		
Employee receivables	155 493	61 988
Trade receivables	11 572 135	4 577 367
Prepayments	146 688	122 839
Deposits	432 238	99 188
VAT receivable	207 216	159 383
Rwanda withholding tax receivable	546 379	546 378
Country offices receivables - Rwanda and Mozambique	148 440	248 232
	<u>13 208 589</u>	<u>5 815 375</u>
11. Accrued income/(deferred income)		
<i>Accrued income</i>	810 273	2 823 993
- Centers for Disease Control and Prevention	-	2 158 281
- USAID Mozambique	544 965	533 048
- Kheth'Impilo	265 308	132 664
<i>Deferred income</i>	(6 651 169)	(2 328 429)
- UCT: Bill and Melinda Gates Foundation	(5 539 458)	-
- RWHIT: Rwanda Tender	-	(1 162 336)
- Vital Wave	-	(423 552)
- Centers for Disease Control and Prevention (Blood Safety Program)	(762 416)	(142 470)
- University of Rwanda	(117 031)	(89 088)
- Praekelt Foundation	-	(275 964)
- Mothers 2 Mother	-	(235 019)
- Centers for Disease Control and Prevention (Mozambique Program)	(111 842)	-
- Centers for Disease Control and Prevention (Rwanda Program)	(120 422)	-

td

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 28 February 2017

	2017 R	2016 R
12. Trade and other payables		
Accruals	272 586	309 713
Thirteenth cheque - RSA	326 918	197 741
Other payables	242 022	6 758
Mozambique redundancy	396 819	551 393
	<u>1 238 345</u>	<u>1 065 605</u>

13. Directors' emoluments

Non-executive directors fees

	49 500	54 000
N Gasa	-	-
A Gray	13 500	13 500
G Loots*	-	-
D Moodley	9 000	13 500
D Morkel	13 500	13 500
S Reid	13 500	13 500

* Resigned as of 15 May 2016

Executive director remuneration

CJ Seebregts	2 197 012	1 870 691
	<u>2 246 512</u>	<u>1 924 691</u>

14. Related parties

The directors of Jembi Health System NPC are listed in the directors' report.

Other than directors' emoluments disclosed in note 11, no material related party transactions occurred during the year and no other related parties were noted.

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 28 February 2017

	2017 R	2016 R
15. Note to the statement of cash flows		
15.1 Cash generated by operations		
Surplus before taxation	1 780 369	607 581
Adjusted for:		
- Depreciation	550 689	352 323
- Finance income	(160 091)	(187 289)
Working capital changes		
Increase in trade and other receivables	(7 393 214)	(1 834 186)
Increase in trade and other payables	172 740	700 385
Decrease/(increase) in accrued income	2 013 720	(1 702 736)
Increase in deferred income	4 322 740	1 272 892
	<u>1 286 953</u>	<u>(791 032)</u>
16. Operating leases commitments		
Minimum lease payments due		
- within one year	2 227 020	1 744 800
- in second to fifth year inclusive	11 920 898	9 339 648
- later than five years	-	-
	<u>14 147 918</u>	<u>11 084 448</u>

17. Events after reporting date

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that has a material impact on the annual financial statements.

18. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

JEMBI HEALTH SYSTEMS NPC

Detailed revenue and income schedule

for the year ended 28 February 2017

	2017 R	2016 R
Donor income		
<i>Grant and Contract Income</i>		
Kheth'Impilo (HIV Treatment and Care KHET1)	1 610 858	887 729
SA Society of Anaesthesiologists (SASA)(ANSA1)	159 371	58 792
IntraHealth International Inc (MHERO)	389 161	47 242
Praekelt Foundation (PRAE1)	275 964	43 753
Mothers2Mothers (M2M01)	542 279	117 638
University of Cape Town (UCT01-SPV)	930 370	302 980
University of Cape Town (UCT02-TIER)	-	35 092
University of Cape Town (UCT03-REDCAP)	-	210 443
Management Sciences for Health (MSH01)	2 096 337	1 468 619
Cardno Emerging Markets USA Ltd (HIPPP)	-	376 631
Centers for Disease Control and Prevention (EMRS1)	1 913 840	443 910
Centers for Disease Control and Prevention (UOL01)	1 183 514	246 738
Cardno Emerging Markets USA Ltd (OHIE1)	3 175 922	2 538 836
Centers for Disease Control and Prevention (BSSP1)	16 513 267	5 026 898
Centers for Disease Control and Prevention (CDC01)	-	5 797 840
Centers for Disease Control and Prevention (CDC02)	17 100 288	11 509 970
The AIHA Twinning Center (TWI01)	-	(40 879)
University of Zimbabwe (HITRAC)	-	40 632
Rwanda Health Insurance Tracker	1 162 336	236 255
USAID Mozambique	4 340 769	3 872 429
Safe Blood for Africa	-	25 701
UCT – Bill and Melinda Gates Foundation	756 510	-
Health Information System Program South Africa Khuphukani	-	135 968
Health Information System Program South Africa (MHI01)	1 219 173	1 800 270
Health Information System Program South Africa (MHI02)	93 877	-
Broadreach Health Care: Zambia (BRHC1)	2 105 071	-
Broadreach Health Care: RAD (BRHC2)	941 355	-
Health Enabled (HEAO1)	139 289	-
PLAN/VITAL CRVS (CRVS2)	297 131	-
Medscheme (MED01)	2 415 363	-
Sub total	59 362 045	35 183 487
<i>Unrestricted income including Indirect and Contract Management fees</i>		
Cardno Emerging Markets USA Ltd (HIPPP)	-	18 831
The AIHA Twinning Center (TWI01)	-	45 363
Sub total	-	64 194
Total donor income	59 362 045	35 247 681

JEMBI HEALTH SYSTEMS NPC

Detailed revenue and income schedule (continued)

for the year ended 28 February 2017

	2017 R	2016 R
Other income	843 588	2 048 766
Sports Science Institute of South Africa (SSISA)	-	30 000
Health Enterprise Architecture Laboratory (HEAL1)	-	11 401
HISP/SANAC (SANAC)	127 000	-
Medecins Sans Frontiers (MSF02)	-	226 448
African Development Bank (CRVS1)	-	590 479
Tides Canada Initiatives (TCIS1)	-	-
Vital Wave (VITAL)	682 564	907 248
JEMBI (JEM01)	21 390	55 190
Other	12 634	228 000
Total income	60 205 633	37 296 447