

Jembi Health Systems

Financial Report

2019/20

Head Office | Cape Town

JEMBI HEALTH SYSTEMS
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JEMBI HEALTH SYSTEMS NPC

Annual financial statements for the year ended
29 February 2020

Audited

Prepared under the supervision of
Mrs J Smith (ACMA – Associate Chartered Management Accountant)

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 29 February 2020

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These financial statements have been prepared under the supervision of Mrs J Smith (ACMA – Associate Chartered Management Accountant), and audited in compliance with the applicable requirements of the Companies Act no. 71 of 2008.

JEMBI HEALTH SYSTEMS NPC

Directors' responsibility statement

for the year ended 29 February 2020

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 2020 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 05th August 2020 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 29 February 2020

I am pleased to be able to report on the accomplishments of Jembi in the 2019 to 2020 financial year and the continued implementation of our vision and mission. Jembi experienced a substantial increase in activities during this reporting period, both in Mozambique and South Africa with total income across both countries exceeding R 172 million (75% increase on the previous financial year of R 98 million). We started the year with over 130 staff members and ended the year with 127 staff members, reflecting the natural termination of several large projects in South Africa and Mozambique. Staff are spread almost equally between Jembi's headquarters in South Africa and its main country office in Mozambique.

During this period, Jembi also rationalized its organogram and settled into a structure with two main program areas with projects supported out of South Africa and Mozambique respectively, supported by our Corporate Services division. Working from these two bases, Jembi is also supporting projects in a number of other African countries, including Cameroon, Kenya, Uganda, Malawi, Ethiopia, eSwatini and Lesotho. The Technology and Products teams are presently incorporated within the South Africa program and Jembi continues to maintain core competencies in program management, software and product development and system integration. Some of the core technologies we support include: Health Information Exchange, standards, system integration; Mobile Health and Medical record software.

Jembi's Programs Divisions experienced an exceptional year with a number of existing projects continuing and new projects starting up. Through its local MOASIS office, the Jembi Mozambique program continued its longstanding partnership with the USA Centres for Disease Control and Prevention supporting the national implementation of a medical record system for backend data entry and a pilot point of care system in Mozambique. The collaboration with the Istituto Zooprofilattico Sperimentale dell'Abruzzo e del Molise Giuseppe Caporale (IZSAM) project in Italy in the area of One Health and the eVet initiative also proved particularly timely, considering the outbreak of a novel Coronavirus (COVID-19) towards the end of 2019.

Jembi's South Africa-based Programs also experienced continued growth over this period, particularly for the Regional Program, based out of our new office in Durban. These include the Regional Action through Data project and the HealthConnect project, funded by the Department of Science and Technology, Elma Philanthropies, Johnson and Johnson and Metropolitan Health. This innovative project is delivering an NDOH app store, content management system and several approved health apps for the NDOH. Other innovative programs and projects in the Regional program include the innovative Journey immunization app for cross-border populations and the digital register system (OpenSRP) for perinatal health facilities in Malawi funded by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

Jembi also continued work on a number of other projects in South Africa out of the Cape Town office, including as 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. This work was also adapted to cater for the COVID-19 information requirements in the Western Cape. This office also coordinates the Open Health Information Exchange program as well as several projects with PATH and the Digital Square initiative.

Jembi's Technology group within the South Africa program also continued to provide expert technology services to the programs, including software development, product management, analysis and design using modern agile software engineering methods to develop high quality software and health information systems, consistent with international standards. This core team is a major asset for Jembi in executing its vision and supporting the Programs function.

JEMBI HEALTH SYSTEMS NPC

Chief Executive's report (continued)

for the year ended 29 February 2020

The South African Medical Research Council (SAMRC) - Jembi Collaborating Centre for Digital Health Innovation (CCDHI) was started in 2018 with an idea to explore and coordinate digital health innovation activities in the public and private sectors in South Africa. Jembi has been working within the MRC environment as well as other parastatal entities and developing strategies to support the South African National Department of Health as well as driving forward a new area in data science and governance.

During the financial year, Jembi's Corporate Services Division has continued to provide its usual high level of financial, legal, human resources administrative and ICT support to all Jembi divisions, programs and offices. The team expanded its staff complement in line with the expansion of the Programmes function in all offices. This work was recognized with an unqualified audit for yet another year which is testimony to the high quality of work and operations and financial management in this Jembi division.

I am privileged to have led Jembi over this period and overseen its successful scale-up and achievements. We expect to see the organisation size and turnover stabilize and potentially reduce as several long term projects come to a natural end in 2020. However, I believe that Jembi will continue to deliver on its mission and adapt to the significant increase in global interest in the area of digital health.

Dr Christopher Seebregts

Founder and Chief Executive Officer

JEMBI HEALTH SYSTEMS NPC

Directors' report

for the year ended 29 February 2020

The directors have pleasure in presenting their report for the year ended 29 February 2020.

General review of operations

Jembi Health Systems NPC ("Jembi") experienced a year of substantial growth during the financial year running March 2019 to February 2020 which is explained in further detail in the Operations and CEO report.

Income rose by 75% to ZAR172,2-million at the end of financial year FY20. Expenditure figures were closely aligned to income over the same period rising 75% to ZAR171,1-million. The company reserves saw an increase of ZAR1.97 million. The increase of reserves was linked to an increase in assets held by the company on the balance sheet and an increase in cash reserves linked to contract work.

Income in this financial year was derived largely from United States government federal grants, which represented 80% of the total income and was split between the Centers for Disease Control (66%) and USAID (14%), both through Prime awards and Sub agreements. The remaining 20% of annual income was derived from other donors, most of whom funded the South African and Regional programme. These were a combination of local donors and the international community, with funding coming through philanthropy and foundations.

Jembi programmes are grouped into four programme areas for the year ending FY2020: South Africa; International and Contracting, Mozambique and Regional. The Jembi Regional Programme includes projects and activities in Rwanda, Malawi, Cameroon, South Africa and East Africa as well as innovative contractual projects, as a sub awardee under the USAID-funded Regional Action through Data (RAD) programme as well as sub agreement through Cardno Emerging Market for the work in Cameroon and a Prime agreement through the German Cooperation for work in Malawi. The International and contracting programme is work directly linked to JEMBI core products under OHIE and OHIM projects as well as linked projects funded by Digital Square. Also included in this category is the Multi Country program which includes the Blood Safety Program (BSSP), the Civil Registration and Vital Statistics Program (CRVS) and the new awards through ICAP for the project TRACE and Ethiopia SI. The Mozambique program had an expansion in projects and funding under the Center for Disease control prime award as well as projects under Terres Hommes agreement in country and The Italian cooperation. The Mozambique program also introduced a new project through Cardno Emerging Markets. The South African Program saw another year of expansion with projects under Digital square, The Gates Foundations, ELMA and Johnson/Johnson Philanthropy, CHAI as well as linked to DST/MRC and DST/University of Pretoria. The Expenditure across the Four Programme Areas is broken down as: South Africa 19%; International and Contractual 10%, Mozambique 55%; and Regional 16%.

Expenditure figures excluding capital procurement increased to ZAR171,1-million over the year, with the largest percentage of expenditure linked to staff costs of ZAR77-million (45% of total expenditure).

At the end of February 2020, staff numbers had decreased to 127, with the Mozambique office experiencing an increase of 4%. With the wrap up of two large projects both in Mozambique and the South Africa program at the end of September resulting in the overall decrease of staff numbers by 6% from FY19.

JEMBI HEALTH SYSTEMS NPC

Directors' report (continued)

for the year ended 29 February 2020

Going concern

The company made a surplus of R1 977 139 for the year ended 29 February 2020 (2019: R1 559 288) and as of that date its current assets exceeded its current liabilities by R10 375 085 (2019: R8 483 272) and its total assets exceeded its total liabilities by R13 996 009 (2019: R12 018 870).

Furthermore, in light of COVID-19, the directors have reassessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Based on the assessment performed, the directors note that the impact of the lockdown restrictions to the operations of the company thus far have been minimal. The directors foresee no downturn in funding for the development of health information systems and have confirmed donor contracts which enable the company to continue as a going concern for the foreseeable future.

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

At the date of finalisation of the annual financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements. However, the COVID-19 outbreak is a material subsequent non-adjusting event that requires disclosure in the financial statements.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President declaring a national disaster on 15 March 2020. The President made a further announcement on 23 March that the country will effectively be placed in a lockdown from midnight on 26 March 2020 until 16 April 2020 and was extended to 30 April 2020. From 1 May the country was on level 4 lockdown alert moving to level 3 from June 1st.

The company's income for 2020 to date has not been impacted as grant agreements have not been amended but the new funding cycles starting October 2020 remains to be seen the level of impact COVID may have. The company as a Public Benefit organisation working on Digital Health Systems has not seen a major decline in current projects but has seen a short term decline in expenditure linked to the limitation on travel as well as procurement. The company has also been fortunate to see an increase in work to bid on related to Digital health systems focusing on COVID to support Ministry of Health. Management expects the change in landscape of projects with the limitation on travel and procurement to have a negative impact on the results for the 2020 – 2021 financial year but the company is working to look at a better remote policy of working to still deliver impactful projects to our donors. Management has implemented, and will continue to implement, actions to maximise liquidity and reduce costs to ensure the sustainability of the company.

JEMBI HEALTH SYSTEMS NPC

Directors' report (continued)

for the year ended 29 February 2020

Directors

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

D Moodley

S Reid

A Gray

CJ Seebregts – Ex-officio

D Morkel

Q Williams

Auditors

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



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Independent Auditor's Report

To the members of Jembi Health Systems NPC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Jembi Health Systems NPC (the company) set out on pages 11 to 27, which comprise the statement of financial position as at 29 February 2020, and the statement of comprehensive income, the statement of changes in funds and the statement 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 29 February 2020, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. 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 information included in the document titled "Jembi Health Systems NPC Annual Financial Statements for the year ended 29 February 2020", which includes the Directors' Report as required by the Companies Act of South Africa. 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.

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 the International Financial Reporting Standard 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 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 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 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 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 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.

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.

A handwritten signature in black ink, appearing to read 'Henry du Plessis', written in a cursive style.

Per: Henry du Plessis
Chartered Accountant (SA)
Registered Auditor
Director
05 August 2020

JEMBI HEALTH SYSTEMS NPC

Statement of financial position

at 29 February 2020

	<i>Note</i>	2020 R	2019 R
Assets			
Non-current assets		3 620 924	3 535 598
Equipment	7	3 074 461	2 989 219
Other Receivables	18	546 463	546 379
Current assets		29 950 613	31 851 396
Cash and cash equivalents	8	15 904 337	24 741 292
Trade and other receivables	9	14 046 276	6 105 100
Accrued income	10	-	1 005 004
Total assets		<u>33 571 537</u>	<u>35 386 994</u>
Funds and liabilities			
Funds			
Accumulated funds			
General reserves		13 996 009	12 018 870
Current liabilities		19 575 528	23 368 124
Trade and other payables	11	4 206 783	3 539 974
Deferred income	10	15 368 745	19 828 150
Total funds and liabilities		<u>33 571 537</u>	<u>35 386 994</u>

JEMBI HEALTH SYSTEMS NPC

Statement of comprehensive income

for the year ended 29 February 2020

	<i>Note</i>	2020 R	2019 R
Donor income	<i>2</i>	171 191 005	98 395 500
Other income	<i>3</i>	1 016 984	237 148
Operating income		<u>172 207 989</u>	<u>98 632 648</u>
Operating expenses		<u>171 140 787</u>	<u>(98 050 538)</u>
Operating surplus	<i>4</i>	1 067 202	582 110
Finance income	<i>5</i>	<u>909 937</u>	<u>977 178</u>
Surplus before taxation		<u>1 977 139</u>	<u>1 559 288</u>
Surplus for the year		<u>1 977 139</u>	<u>1 559 288</u>
Total comprehensive Surplus for the year		<u>1 977 139</u>	<u>1 559 288</u>

JEMBI HEALTH SYSTEMS NPC

Statement of changes in funds

for the year ended 29 February 2020

	General reserves R	Total R
Balance at 1 March 2018	10 459 582	10 459 582
Total comprehensive surplus for the year	1 559 288	1 559 288
Balance at 28 February 2019	<u>12 018 870</u>	<u>12 018 870</u>
 Balance at 1 March 2019	 12 018 870	 12 018 870
Total comprehensive surplus for the year	1 977 139	1 977 139
Balance at 29 February 2020	<u>13 996 009</u>	<u>13 996 009</u>

JEMBI HEALTH SYSTEMS NPC

Statement of cash flows

for the year ended 29 February 2020

	<i>Note</i>	2020 R	2019 R
Cash flows from operating activities			
Cash generated by operations	14.1	(8 394 334)	19 814 900
Finance income	5	909 937	977 178
Net cash outflow from operating activities		<u>(7 484 397)</u>	<u>20 792 078</u>
Cash flows from investing activities			
Acquisition of equipment	7	(1 404 151)	(2 065 510)
Disposal of equipment	7	51 593	71 789
Net cash outflow from investing activities		<u>(1 352 558)</u>	<u>(1 993 721)</u>
Net increase/(decrease) in cash and cash equivalents		(8 836 955)	18 798 357
Cash and cash equivalents at beginning of year		24 741 292	5 942 935
Cash and cash equivalents at end of year		<u>15 904 337</u>	<u>24 741 292</u>

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements

for the year ended 29 February 2020

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 2020

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 29 February 2020

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 = 4 years (Depreciation 25% 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 29 February 2020

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 29 February 2020

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 29 February 2020

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 USA 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 29 February 2020

	2020 R	2019 R
2. Donor income		
Grant and contract income	<u>171 191 005</u>	<u>98 395 500</u>
3. Other income		
Project income	<u>1 016 984</u>	<u>237 148</u>
	<u>1 016 984</u>	<u>237 148</u>
4. Operating surplus		
is arrived at after taking into account:		
Depreciation	1 267 316	845 306
Realised foreign exchange (gain)	(776 280)	(792 380)
Salaries	48 664 082	39 977 012
Audit fees	1 191 277	459 918
(Gain)/loss on Disposal of asset	(3 676)	911
Operating lease rentals - premises	<u>3 825 492</u>	<u>2 264 279</u>
5. Finance income		
Interest received – Stanlib	634 478	459 579
Interest received – BMGF funds	248 927	240 881
Interest received – MRC funds	26 532	53 964
Interest received –PATH funds	-	222 754
	<u>909 937</u>	<u>977 178</u>
6. 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 29 February 2020

7. Equipment	Computer equipment R	Software R	Equipment and furniture R	Server R	Networking hardware R	Total R
2020						
Cost						
Opening balance	2 844 277	156 105	2 016 709	217 554	1 256 358	6 491 003
Additions	957 119	-	287 245	66 013	93 774	1 404 151
Disposals	(49 295)	-	(2 298)	-	-	(51 593)
Closing balance	3 752 101	156 105	2 301 656	283 567	1 350 132	7 843 561
Accumulated depreciation						
Opening balance	(1 850 744)	(144 402)	(912 322)	(150 010)	(444 306)	(3 501 784)
Depreciation	(567 775)	(11 703)	(310 712)	(32 457)	(344 669)	(1 267 316)
Closing balance	(2 418 519)	(156 105)	(1 223 034)	(182 467)	(788 975)	(4 769 100)
Net book value	1 333 582	-	1 078 622	101 100	561 157	3 074 461
2019						
Cost						
Opening balance	2 259 355	156 105	1 622 253	151 745	307 824	4 497 282
Additions	646 880	-	404 287	65 809	948 534	2 065 510
Disposals	(61 958)	-	(9 831)	-	-	(71 789)
Closing balance	2 844 277	156 105	2 016 709	217 554	1 256 358	6 491 003
Accumulated depreciation						
Opening balance	(1 476 413)	(124 604)	(655 305)	(127 163)	(272 993)	(2 656 478)
Depreciation	(374 331)	(19 798)	(257 017)	(22 847)	(171 313)	(845 306)
Closing balance	(1 850 744)	(144 402)	(912 322)	(150 010)	(444 306)	(3 501 784)
Net book value	993 533	11 703	1 104 387	67 544	812 052	2 989 219

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 29 February 2020

	2020 R	2019 R
8. Cash and cash equivalents		
Cash on hand (SA and Mozambique)	12 390	44 014
Bank balances (SA, Mozambique and Rwanda)	15 891 947	24 697 278
	15 904 337	24 741 292
9. Trade and other receivables		
Employee receivables	98 079	184 483
Trade receivables	13 176 896	5 003 712
Prepayments	203 428	237 373
Deposits	567 873	560 243
VAT receivable	-	116 578
Country offices receivables – Rwanda, Zambia and Mozambique	-	2 711
	14 046 276	6 105 100
10. Accrued income/(deferred income)		
<i>Accrued income</i>	-	1 005 004
- Centers for Disease Control and Prevention (Mozambique Program)	-	580 055
- DIAL	-	318 151
- BroadReach Health Care – IDEAS	-	41 759
- CHPIP	-	27 504
<i>Deferred income</i>	(15 368 745)	(19 828 150)
- UCT: Bill and Melinda Gates Foundation	(1 118 230)	(7 145 408)
- Centers for Disease Control and Prevention (Mozambique Program)	(526 701)	-
- Praekelt Foundation (JNJ)	(3 322 191)	-
- BroadReach Health Care – IDEAS	-	(41 759)
- IZAM	(72 393)	-
- Blood Safety South Sudan	(529 265)	-
- BroadReach Health Care – RAD	-	(52 314)
- MRC Funding (3 Projects)	(1 081 102)	(192 625)

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 29 February 2020

10. Accrued income/(deferred income) (continued)

	2020 R	2019 R
- Johnson and Johnson	-	(2 265 314)
- PATH Digital square SA	-	(5 601 041)
- Elma Philanthropy	-	(1 529 512)
- Terres Homes	(378 386)	(262 785)
- German Cooperation: IMIS	(426 693)	(1 003 260)
- German Cooperation: Malawi	(7 436 265)	(1 366 681)
- Pierre Fabre Foundation	-	(155 503)
- AHRI	(225 558)	-
- MMI Holdings limited	(251 961)	(211 948)

11. Trade and other payables

	2020 R	2019 R
Accruals	2 299 802	2 301 703
Thirteenth cheque – SA	547 232	555 843
Mozambique redundancy	647 960	682 428
Leave Provision – SA	533 974	-
VAT payable	177 815	-
	4 206 783	3 539 974

12. Directors' emoluments

	2020 R	2019 R
Non-executive directors fees	91 000	56 000
A Gray	21 000	14 000
Q Williams	7 000	7 000
D Moodley	21 000	14 000
D Morkel	21 000	7 000
S Reid	21 000	14 000
Executive director remuneration		
CJ Seebregts	3 117 003	2 877 846
	3 117 003	2 933 846

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 29 February 2020

13. Related parties

The directors of Jembi Health System NPC are listed in the directors' report. Other than directors' emoluments disclosed in note 12, no material related party transactions occurred during the year and no other related parties were noted.

	2020 R	2019 R
14. Note to the statement of cash flows		
14.1 Cash generated by operations		
Surplus before taxation	1 977 139	1 559 288
Adjusted for:		
- Depreciation	1 267 316	845 306
- Finance income	(909 937)	(977 178)
Working capital changes		
(Increase) /Decrease in trade and other receivables	(7 941 260)	(397 653)
Increase in trade and other payables	666 809	2 156 977
Decrease in accrued income	1 005 004	1 178 140
(Decrease)/Increase in deferred income	(4 459 405)	15 450 020
	<u>(8 394 334)</u>	<u>19 814 900</u>

15. Operating leases commitments

Minimum lease payments due

- within one year	4 021 372	1 638 133
- in second to fifth year inclusive	5 697 016	3 009 640
- later than five years	-	
	<u>9 718 388</u>	<u>4 647 773</u>

JEMBI HEALTH SYSTEMS NPC

Notes to the financial statements (continued)

for the year ended 29 February 2020

16. Events after the reporting period

At the date of finalisation of the annual financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements. However, the COVID-19 outbreak is a material subsequent non-adjusting event that requires disclosure in the financial statements.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President declaring a national disaster on 15 March 2020. The President made a further announcement on 23 March that the country will effectively be placed in a lockdown from midnight on 26 March 2020 until 16 April 2020 and was extended to 30 April 2020. From 1 May the country was on level 4 lockdown alert moving to level 3 from June 1st.

The company's income for 2020 to date has not been impacted as grant agreements have not been amended but the new funding cycles starting October 2020 remains to be seen the level of impact COVID may have. JEMBI as a Public Benefit organisation working on Digital Health Systems has not seen a major decline in current projects but has seen a short term decline in expenditure linked to the limitation on travel as well as procurement. JEMBI has also been fortunate to see an increase in work to bid on related to Digital health systems focusing on COVID to support Ministry of Health. Management expects the change in landscape of projects with the limitation on travel and procurement to have a negative impact on the results for the 2020 – 2021 financial year but the company is working to look at a better remote policy of working to still deliver impactful projects to our donors. Management has implemented, and will continue to implement, actions to maximise liquidity and reduce costs to ensure the sustainability of the company.

17. Going concern

The company made a surplus of R1 977 139 for the year ended 29 February 2020 (2019: R1 559 288) and as of that date its current assets exceeded its current liabilities by R10 375 085 (2019: R8 483 272) and its total assets exceeded its total liabilities by R13 996 009 (2019: R12 018 870).

Furthermore, in light of COVID-19, the directors have reassessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Based on the assessment performed, the directors note that the impact of the lockdown restrictions to the operations of the company thus far have been minimal. The directors foresee no downturn in funding for the development of health information systems and have confirmed donor contracts which enable the company to continue as a going concern for the foreseeable future.

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

Notes to the financial statements (continued)

for the year ended 29 February 2020

	2020 R	2019 R
18. Other Receivables	546 463	546 379
Rwanda withholding tax receivable		

This is classified as a long term receivable due to the funds only being claimable at the closure of the Rwanda office registrations in Rwanda. It is confirmed with Rwanda Revenue that the credit will be held and remains an asset of the company which is also disclosed on the Rwanda annual CIT/Audit submissions to Revenue. These funds are held in Rwanda Franc and will be paid back in the same currency if the company dissolves.

JEMBI HEALTH SYSTEMS NPC

Detailed revenue and income schedule

for the year ended 29 February 2020

	2020 R	2019 R
Donor income		
<i>Grant and Contract Income</i>		
SA Society of Anaesthesiologists (SASA)(ANSA1)	102 525	208 331
Praekelt Foundation (PRAE1 and PRAE2)	-	431 376
Management Sciences for Health (MSH01)	145 125	1 025 289
Centers for Disease Control and Prevention (UOL01)	-	171 363
Cardno Emerging Markets USA Ltd (OHIE1, OMRS1 and CMOZ1)	12 487 789	5 100 956
Centers for Disease Control and Prevention (BSSP1)	997 352	3 436 918
Centers for Disease Control and Prevention (CDC02)	92 236 940	40 337 033
USAID Mozambique	-	856 471
UCT – Bill and Melinda Gates Foundation	6 027 178	5 700 689
Health Information System Program South Africa (MHI02)	-	350 066
Broadreach Health Care: Zambia (BRHC1)	41 759	991 752
Broadreach Health Care: RAD (BRHC2)	4 037 703	8 031 561
PLAN/VITAL CRVS (CRVS2)	-	159 963
Medscheme (MED01)	1 492 494	3 076 510
Clinton Health Access Initiative (CHAI1, CHAI2 and CHAI3)	454 957	3 427 754
SA Medical Research Council (DST01, DST02, DST03 and MRC02)	2 054 523	4 636 731
MMI Holdings (MMI01/MMI02)	469 987	575
Regenstrief Institute (RII01)	207 998	805 513
University of Pretoria (CHPIP, CHEBR)	1 070 895	27 504
CRVS Bangladesh (CRVS3)	241 473	269 766
United Nations DIAL (DIAL1)	1 573 396	613 642
Elma Philanthropy (ELMA1)	3 529 512	470 488
German Cooperation (GIZM1 and IMIS1)	4 922 165	234 877
Johnson and Johnson (JNJ01 and JNJ02)	4 240 975	1 531 980
Digital Square PATH through GATES (DHI01, OCRV1 and OHIM1)	2 791 243	849 438

JEMBI HEALTH SYSTEMS NPC

Detailed revenue and income schedule (continued)

for the year ended 29 February 2020

	2020 R	2019 R
Digital Square PATH through USAID	20 696 979	14 669 430
Pierre Fabre Foundation (PFF01)	155 503	129 110
Terres Hommes In country fundraising (TDH01)	882 540	850 414
IZSAM In country fundraising (IZSAM)	99 683	-
Africa Health Research Institute (AHRI1)	24 442	-
Blood Safety South Sudan (BSSS1)	747 029	-
CAPRISA (CAPRI)	294 668	-
Vanderbilt University (CARE1)	877 458	-
Columbia University (TRACE and ICAP2)	7 134 871	-
Mezzanine (MEZ01)	1 151 843	-
Total donor income	171 191 005	98 395 500
Other income	1 016 984	237 148
University of Limpopo (UNLI1)	-	87 275
JHPIE (JHPIE)	-	114 510
JEMBI (JEM01)	977 613	35 363
VITAL	39 371	-
Total income	172 207 989	98 632 648