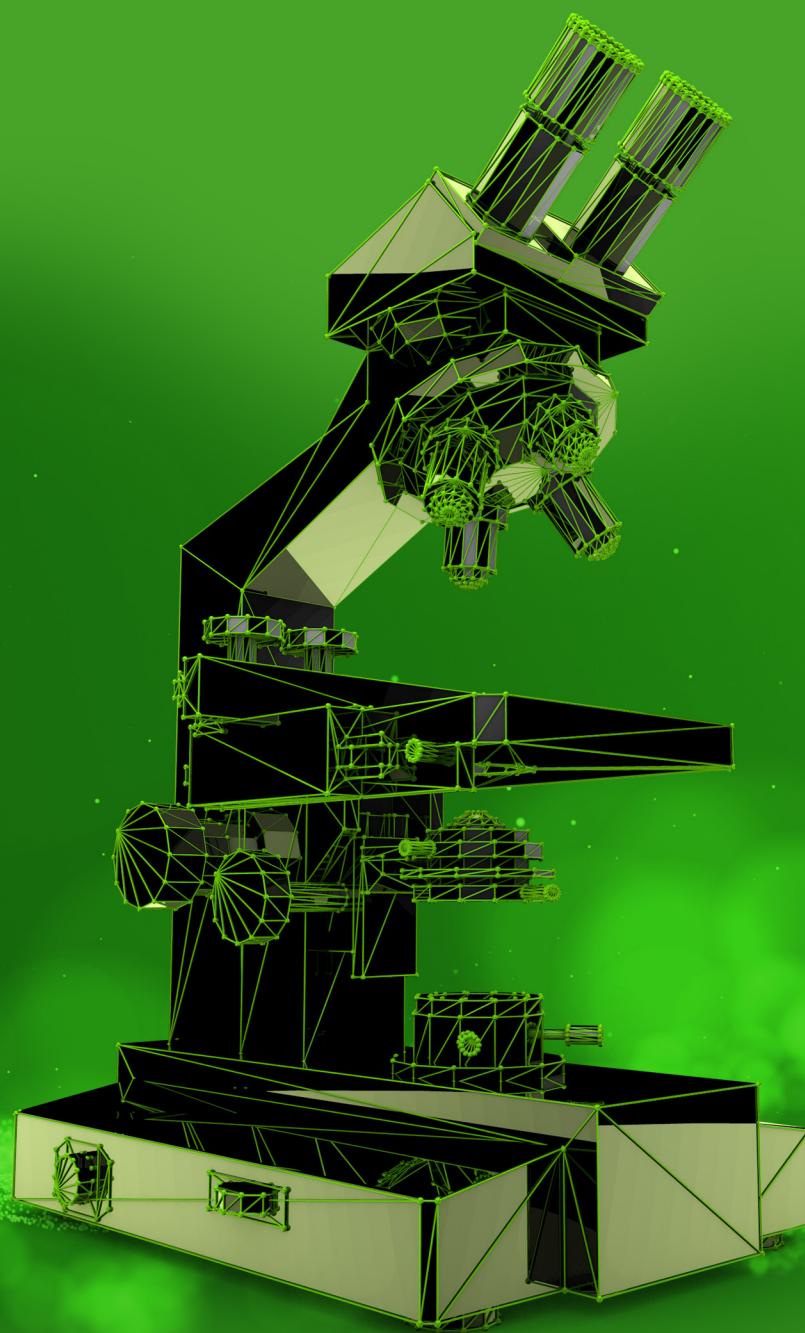
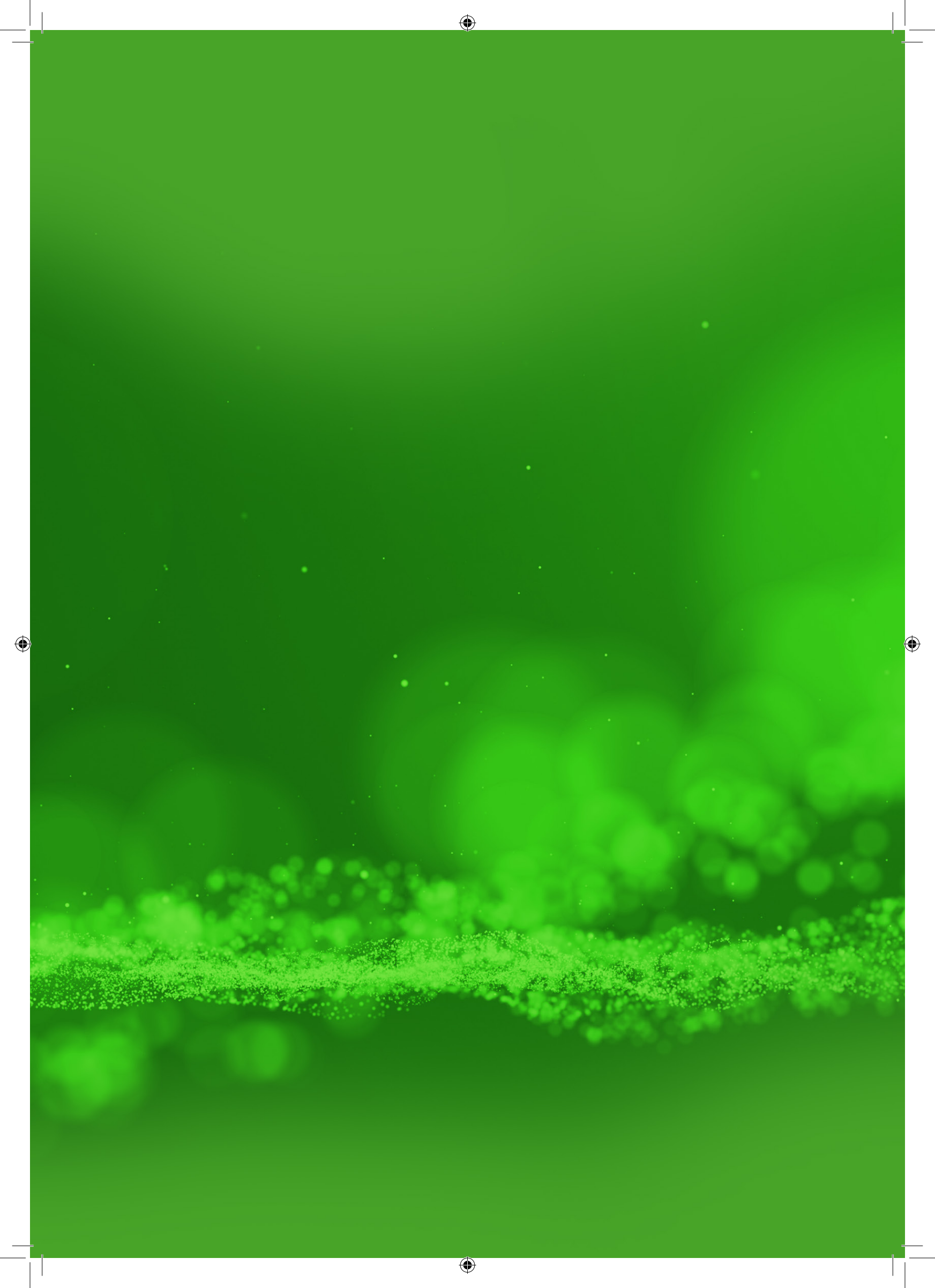




Namibia Institute of Pathology Limited



ANNUAL REPORT  
**2017-2018**





WHERE  
COMMITMENT  
MATTERS AND  
QUALITY PREVAILS





**Namibia Institute of Pathology Limited**

**NIP Head Office**

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# ABOUT US

## Our Story

The Namibia Institute of Pathology Limited (NIP) was established as a public enterprise (PE) on 1 December 2000. NIP provides laboratory services across Namibia to both private and state healthcare facilities.

When operations started, NIP had twenty three laboratories across the country that we took over from the Ministry of Health and Social Services. At the time, these facilities were facing a number of challenges, such as staff shortages, limited and dilapidated infrastructure, outdated technology and limited resources.

Since then, NIP has expanded geographically and increased the type of medical services offered to its clients. At present, we operate forty laboratories across the country, providing real medical solutions to individuals, institutions, doctors and pathology service users. The growth of 73.9% or an increase of seventeen new facilities since 2000 is evidence of strong management – staff synergy, professionalism and company pride, effective strategic planning and positioning since NIP's inception.

With the increase in NIP facilities, there has been substantive job creation, NIP has generated job growth of 55.9% from 2004/2005 to 2013/2014 growing in real numbers from 261 to 407. Our company remains at the forefront in helping to test for serious, life - impacting diseases such as HIV/AIDS, Tuberculosis (TB) and Malaria in order for patients to get the best possible medical attention and care at the earliest possible time. NIP has been committed to assisting

medical facilities with disease monitoring and data collection in recent years.

Our technical services and laboratories have been developed to not only meet the rising demand of our diagnostic and testing services, but also align our services to global standards. NIP's facilities are fitted with the state-of-the-art equipment and our Quality Management System (QMS) is focused on consistently meeting or exceeding customer requirements and enhancing their satisfaction. Our laboratories are operated in accordance with the internationally recognized standard Laboratory Information System.

We are currently making use of a new technology to diagnose TB. The GeneXpert system has revolutionized tuberculosis testing by contributing to the rapid diagnoses of TB and drug resistance.

The test simultaneously detects Mycobacterium Tuberculosis Complex (MTBC) and resistance to Rifampin (RIF) in less than 2 hours. In comparison, standard cultures can take 2 to 6 weeks for MTBC to grow and conventional drug resistance tests can add 3 more weeks. The information provided by the test aids in selecting treatment regimens and reaching infection control decisions quickly. In addition, NIP's management team is committed to high levels of quality and to this end, the Quality Assurance Unit is responsible for developing, maintaining and monitoring the QMS for our laboratories.

## Strategic Outline

### Vision:

To be the medical laboratory service provider of choice.

### Mission:

To provide accessible, affordable and excellent medical laboratory services

### Values:

- |                            |                                                                                                                             |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| <b>Accountability</b>      | : We take full responsibility for our actions.                                                                              |
| <b>Commitment</b>          | : We will respond immediately to the needs of our stakeholders, and will strive to provide excellent services at all times. |
| <b>Team Collaboration:</b> | We exhibit a positive team spirit in working together towards shared goals.                                                 |
| <b>Fairness</b>            | : We are fair and transparent in all that we do.                                                                            |
| <b>Accessible</b>          | : We guarantee accessible and affordable services to our valued customers.                                                  |
| <b>Integrity</b>           | : We maintain ethical standards at all times.                                                                               |
| <b>Respect</b>             | : We treat our stakeholders with utmost respect, including the environment in which we operate.                             |

## II) MEETING OUR STRATEGIC GOALS

NIP is a state-owned enterprise that delivers key healthcare services to all citizens on behalf of the Government of the Republic of Namibia. Our operations are directed by a seven-member Board of Directors appointed by the Minister of Health and Social Services in accordance with the Namibia Institute of Pathology Act (Act No. 15 of 1999) and the Companies Act (Act No. 61 of 1973). NIP's Chief Executive Officer (CEO) provides vision and strategic direction to the institute as well as supervision of daily operational management of the institution. The position is supported by an experienced and knowledgeable team of five executive managers, who assist to ensure that NIP meets its strategic goals.

## III) STRATEGIC PILLARS

NIP's strategic framework is built on six pillars that stand for the key result areas that help to guide the institution. These pillars that are at the heart of our decision-making processes are as follows:

- Quality
- Market growth
- Capacity
- Delivery of service
- Innovation
- Public health



## C. OUR SERVICES

As the pathology service provider of choice and the only pathology service provider with an extensive national footprint, we have a vital role to play in Namibia's healthcare system. With 40 medical laboratories spread across the country serving 80% of the population, we carry out important diagnostic tests every day that can make a real difference to people's lives. We provide pathology services to the state and private sector as mandated by NIP's enabling legislation. Strategic partnerships exist with the South African National Health Laboratory Services (NHLS), Lancet Laboratories and Global Clinical Viral Laboratory to conduct tests that cannot be carried out locally by our laboratories.

### i. Key Areas Covered

- NIP plays a major role in helping to maintain public health in Namibia through our epidemiology, active surveillance and effective outbreak response activities;
- NIP supports the national Anti-Retroviral Treatment (ART) rollout programme through CD4 testing, viral load studies, and HIV treatment monitoring;
- NIP provides quality assurance for the national Voluntary counselling and testing (VCT) sites;
- NIP provides Tuberculosis diagnosis and treatment monitoring;
- NIP screens for cervical cancer.

### ii. Scope of Services

Through our network of medical laboratories and four patient service centres (specimen collection sites), we are able to offer a broad range of clinical laboratory tests that are used by healthcare professionals in the diagnosis, treatment and monitoring of diseases.

In response to client requirements, we have also developed a number of independent units with specialized testing capabilities for oncology, HIV, immuno-histochemistry, human immunodeficiency virus deoxyribonucleic acid (HIV DNA) polymerase chain reaction, and viral load testing. To help them fulfil this important task, the Technical Operations Business Unit is supported by the Quality Assurance sub-division.

## D. WHAT IS PATHOLOGY?

Pathology is a branch of medical expertise that focuses on determining the causes, effects and behaviour of diseases. For this reason, it has a central role to play in all stages of our life – from the unborn child through

to the elderly. Pathology is vital for the detection and treatment of the most medical conditions, including cancer, diabetes, heart disease, infections, allergies, and infertility. By analysing and testing body tissue and fluids, pathology enables us to diagnose and treat people effectively.

The pathology services we provide combines sophisticated technology along with highly-skilled, caring staff committed to giving families, medical staff, clients and Government, the best possible service. Diagnostic pathology services are an essential element of all patients' healthcare requirements and as such, we have an important role to play in improving the medical outcomes for thousands of Namibians and their loved ones every year. Without professional pathology service providers, it simply would not be possible to maintain the high standard of Namibia's healthcare provision that we all benefit from today.

### i. Importance of Pathology Services to Namibia

With its position at the heart of healthcare provided to clients and the community, pathology services underpin both the quality and the cost effectiveness of healthcare in our country.

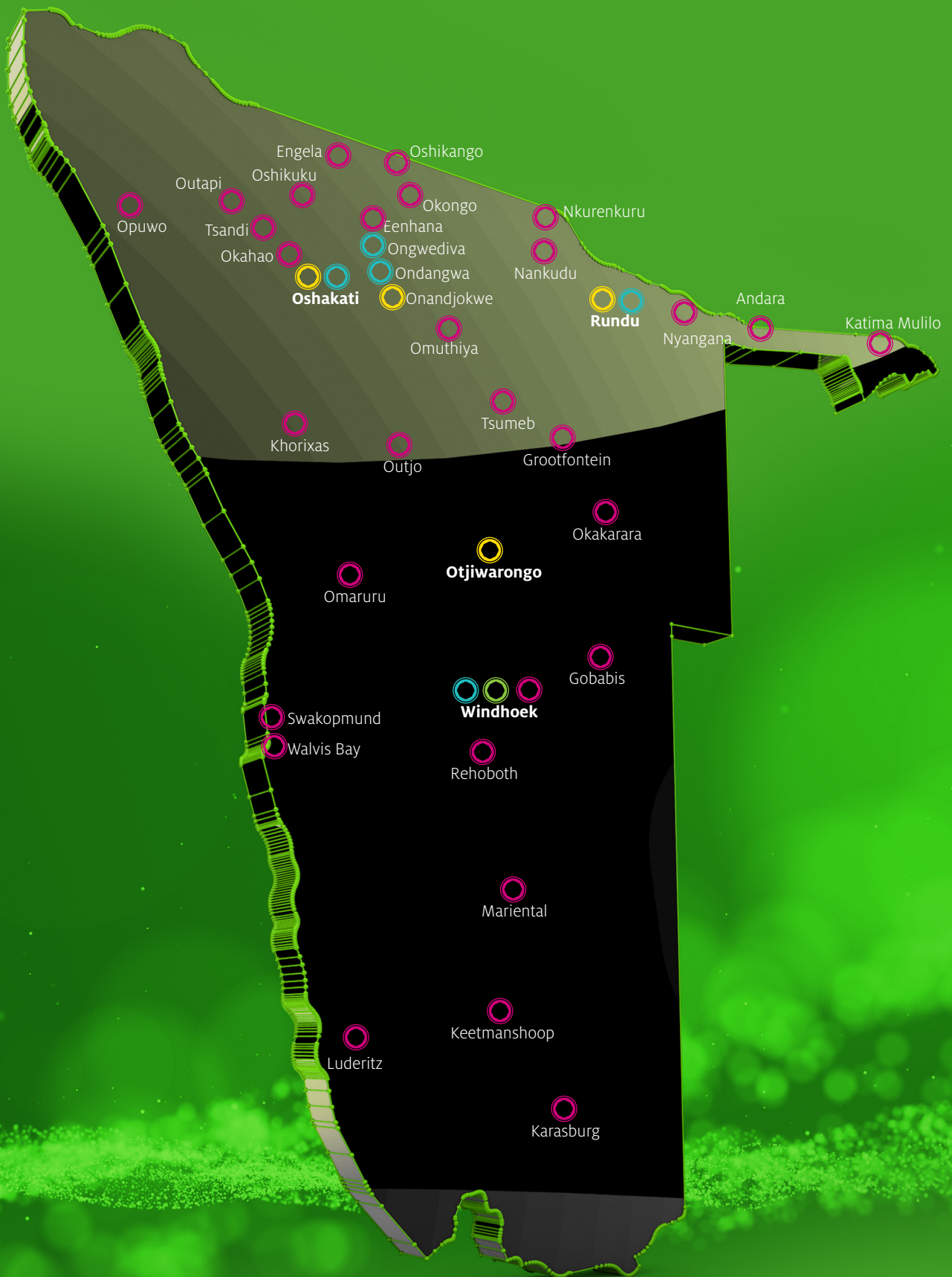
- Pathology is a clinical knowledge service that is fundamental to modern medical practice in caring for health of the population in our country;
- Pathology is used in the diagnosis, treatment and management of an ever-increasing range of clinical conditions;
- Pathology investigations are an integral part of the clinical consultation process. Studies indicate that 70-80% of all healthcare decisions effecting diagnosis or treatment of a condition will involve a pathology investigation;
- Pathology is essential to the prevention, early detection, diagnosis, and treatment of many of the leading causes of disease in Namibia today, including cancer, cardiovascular disease and diabetes.

### ii. Pathology's Place in the World

Studies carried out across the world confirm just how important pathology is in a global context. On average, pathology testing is ordered during one in every five healthcare client visits. Worldwide, about 40% of pathology testing is used for diagnostic purposes, 40% for monitoring and 20% for preventative purposes.



## Branch Network





## F. BOARD OF DIRECTORS

Namibia Institute of Pathology Limited (NIP) is a public enterprise that delivers key healthcare services to all citizens. Our operations are overseen by seven-member Board of Directors who are appointed by the Minister of Health and Social Services. This is in accordance with the Namibia Institute of Pathology Act (Act No. 15 of 1999), and the Companies Act (Act No. 28 of 2004).





## G. EXECUTIVE MANAGEMENT COMMITTEE

The Chief Executive Officer provides strategic leadership to the institute and oversees the day to day operational management of the organisation. He/she is supported by an experienced and knowledgeable team of five executive managers, who help to ensure that NIP meets its strategic goals.



**Valerie Garises**  
Chief Technology Officer



**Jennifer Kauapirura**  
Chief Strategy & Business  
Development Officer



**Augustinus Katiti**  
Chief Executive Officer



**Cleophas Mbahijona**  
Chief Financial Officer



**Harold Kaura**  
Chief Operations Officer



**Monika Pendukeni**  
Chief Human Capital Officer

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## Chairperson's Remarks



**Dr. Diina Shuuluka**  
*Chairperson: NIP Board of Directors*

On behalf of the Board of Directors of Namibia Institute of Pathology Limited (NIP), I am pleased to present the company's Annual Report for the 2017/18 financial year.

Almost 20 years after NIP became a state-owned enterprise (SOE), we finally have our own head office that we can proudly call our own. The NIP HOUSE, as it is known, not only houses the head office employees but also has a fully functional medical laboratory. Despite his busy schedule, His Excellency Dr. Hage Geingob, President of the Republic of Namibia inaugurated NIP Head Office on the 25th of August 2017 and gave an inspiring speech on the strategic importance of NIP in the Namibian healthcare sector. From humble beginnings in the year 2000, NIP has increased its laboratory footprint from 17 to 40 laboratories, making

it the largest diagnostic pathology service provider in Namibia which handles all public health sector pathology testing and provides an extensive array of disease monitoring services. We remain committed to pursuing our mission of providing accessible, affordable and excellent medical laboratory services and exerting a positive impact on the health and well-being of the communities we serve.

Since its inception, NIP has been on a vigorous pursuit for quality improvement and has subscribed to the International Organization for Standardization (ISO) 15189 standard. NIP has a comprehensive Quality Management System in place for all its laboratories, which is designed to assure that quality systems and processes are in place to facilitate accurate and timely test results.

During the financial year under review seven laboratories retained their accreditation and three laboratories obtained accreditation through the South African National Accreditation System (SANAS).

NIP recorded an increase in revenue from N\$635 million in the previous financial year (2016/2017) to N\$836 million during the year under review. The company also managed to achieve 81% increase in net profit from N\$124 million to N\$224 million during the year under review. Despite the aforesaid net profit, cash flow remains one of the major challenges for NIP as we derive a significant proportion of our revenue from the state.

The services rendered by NIP to the broader public are crucial to people who are classified as state patients. However, the prevailing economic conditions also prompt NIP to play a significant role in the private market. To diversify our revenue stream, NIP has developed a private market

penetration strategy aimed at growing the private market share while maintaining our position in the captive public market. The Board of Directors trusts that ongoing engagements with the Ministry of Health and Social Services to pay in full for the services they procured will facilitate payments to address the company's cash flow challenges.

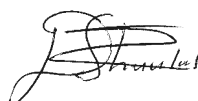
The value of strategic relationships for NIP in the public healthcare sector is very crucial. I am therefore thankful of all the meaningful relationships and unwavering support that NIP has enjoyed during the 2017/18 financial year, in collaboration with the Minister of Health and Social Services, Honourable Dr Bernard Haufiku and the Permanent Secretary Dr Andreas Mwombola of the Ministry of Health and Social Services.

The Board of Directors and Executive Management has also been engaging and strengthening NIP relations with the Ministry of Finance and we appreciate the support. In addition, NIP is very grateful for the good partnership with the Centre for Disease Control and Prevention (CDC) of the United States of America for providing technical and financial support. All these partnerships continue to impact positively on the work of NIP, and its ability to execute its mandate. The NIP Board and Management teams will continue to strengthen these partnerships with the aim of improving the public healthcare system.

In summary, 2017 has seen many challenges but also success. We demonstrated that we have the right strategy, the right culture and the right laboratory footprint to deliver medical laboratory services to our clients as well as to maintain consistent and sustained value for our shareholder. This would not have been achieved without the committed service of the Executive Management team and all

NIP employees who worked very hard and selflessly throughout 2017. And for that we say: thank you. We appreciate the business relationships we have built with all suppliers and service providers. We thank them for their patience for all the payment delays due to cash flow challenges and we look forward to improved working relations in the future.

In conclusion, I would like to thank my fellow Board Members for their expertise and strategic counsel that they have brought to the company, and for serving with great dedication to ensure that we provide a full oversight function over the NIP.



**Dr. Diina Shuuluka**

Chairperson: NIP Board of Directors



## Acting Chief Executive Officer's Remarks



**Mekondjo Nghipandulwa**  
*Acting Chief Executive Officer*

The 2017/18 financial year has been an unsteady and challenging year for Namibia Institute of Pathology Limited (NIP). Despite the financial challenges affecting the country, including NIP, we remain dedicated to and focused on fulfilling our mandate by providing accessible, affordable and quality medical laboratory services throughout the country.

NIP's facilities are equipped with state-of-the-art laboratory equipment and some of our laboratories were subjected to assessments by the South African National Accreditation System (SANAS). I am pleased to say that NIP performed well in this regard. During the year under review seven laboratories maintained their accreditation status, with three more laboratories having obtained accreditation.

The laboratories that maintained accreditation were: Katutura Laboratory, NIP Windhoek Laboratory (formerly SWAMED), Rundu Regional Laboratory, Rundu Private Laboratory, Keetmanshoop Laboratory, Molecular Diagnostic Unit and Core laboratory in Windhoek Central Reference laboratory. In addition, Onandjokwe, Swakopmund and Tuberculosis unit in Windhoek Central Reference Laboratory obtained accreditation.

Furthermore, five laboratories, namely Omuthiya, Engela, Nankudu, Katima Mulilo and Outjo obtained 4-star ratings for the World Health Organization (WHO) Stepwise Laboratory Quality Improvement Process towards Accreditation (SLIPTA) audits as conducted by our Quality Assurance Department.

All these accreditation achievements were made possible by the internationally-recognised Strengthening Laboratory Management Towards Accreditation (SLMTA) programme. This training programme is aimed at quality improvements that teaches laboratory managers how to implement practical management programmes.

Coupled to SLMTA is the Stepwise Laboratory Quality Improvement Process Towards Accreditation (SLIPTA) assessments. SLIPTA assessments are used as an evaluation to ascertain the extent to which quality requirements are complied with. Through the SLIPTA assessment, laboratories are scored and awarded star ratings as a reflection of quality compliance. SLIPTA aims at encouraging, supporting and recognising the implementation of QMS in medical laboratories.

One notable and outstanding role of NIP is its



support to the aims of the Ministry of Health and Social Services in ensuring that most Namibians have access to healthcare and to achieve the Joint United Nations Programme on HIV/AIDS (UNAIDS) 90-90-90 targets. The aims of the 90-90-90 targets are to diagnose 90% of all HIV-positive persons, provide antiretroviral therapy (ART) for 90% of those diagnosed, and to achieve viral suppression for 90% of those treated by 2020.

All the Business Units within the NIP strive towards the attainment of our strategic objectives, as they are interdependent and cannot function independently of one another. Information and Communication Technology (ICT) continues to play a key role as it enables the business processes and communication services through state-of-the-art technology, innovation, leadership and partnerships.

NIP constantly engages stakeholders and partners at all levels to gauge the quality of the services provided. As a result, the institute conducted a customer satisfaction survey with our external clients during the period under review. The survey measured customers' perceptions on certain aspects with regard to our service delivery. Our customer satisfaction survey score was 70%, which is above the targeted 65%. During the 2017/18 financial year the NIP's Technical Operations Business Unit processed 4 385 507 tests. Even though this was a slight decrease from the previous financial year, we recorded positive financial results.

NIP is a vibrant and dynamic organisation which has the potential of becoming a leader in the Namibian pathology industry. We have been through many

challenges, but still managed to exceed expectations with accomplishments. This was made possible through teamwork, support, commitment, dedication and loyalty from the entire NIP Family.

In conclusion, I would like to thank the Board of Directors of NIP for continuously providing the leadership and support towards building a robust and reputable organisation.



**Mekondjo Nghipandulwa**  
Acting Chief Executive Officer









## Finance & Administration

In the midst of challenging economic conditions characterized by increasing interest rates, general price increases and negative fluctuation in the exchange rates, NIP has recorded sound financial results. The information below should be read in conjunction with the audited annual financial statements included in this report.

### 1.1. Financial Performance

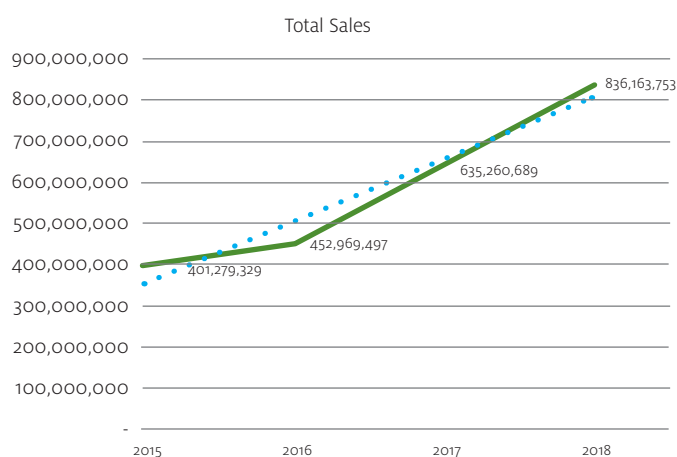
#### 1.1.1. Sales

The table below reflects the revenue over the last four years:

**Table 1**

Description	2015	2016	2017	2018
Total sales	401	452	635	836
	279	969	260	163
	329	794	689	753

**Graph 1: Total revenue generated over four year period.**



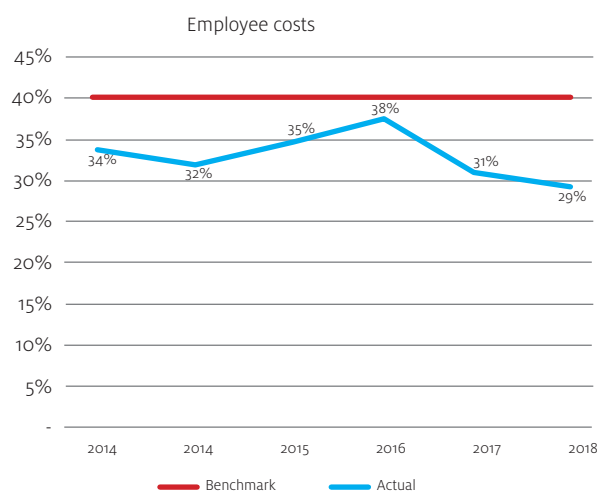
The above graph shows an increase in sales from N\$ 635 million in the previous financial year to N\$ 836 million (a significant increase of 32%) in the financial year under review. This is a result of a combination of factors such as changes in the testing guidelines by the Ministry of Health and Social Services and annual tariff adjustments by the Namibian Association of Medical Aid Funds

(NAMAF). The increase in sales revenue can be attributed to the increase in the number of HIV Viral Load tests which increased from 188 246 to 227 605 (21% increase) in the previous financial year with an amount of N\$ 178 million.

#### 1.1.2. Employee Cost

The employee cost constituted 29% of the total test revenue (total sales) compared to 31% in the previous financial year. This is primarily due to exponential increase recorded in the revenue from the state due to technological changes. Graph 2 is a presentation of the employee cost expressed as a percentage of total sales.

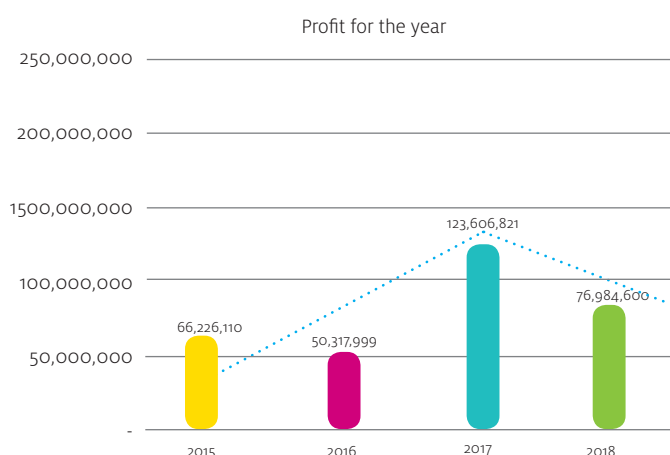
**Graph 2: Employee Costs**



#### 1.1.3. Profit for the year

The company has recorded profit of N\$ 77 million (2017: N\$ 124 million) which represents a decrease of 38% from the previous financial year. Graph 3 is depicting the company's financial performance over the last four financial years:



**Graph 3: Profits for the Year**

This excellent financial performance can be attributed to a combination of effective revenue enhancement and cost containment strategies.

## 1.2. Financial Position

### 1.2.1. Capital Expenditure

NIP's cumulative investment in both moveable and immovable assets over the last four years amounted to more than N\$ 146 million. Capital expenditure are generally necessitated by technological advancements, the replacement of old equipment and motor vehicles as well as the renovation of old state health facilities. Below is a summary of the capital expenditure over the last four years.

**Table 2: Capital Expenditure per Financial Year**

Financial year	Amount (N\$)
2015	16 279 816
2016	43 107 424
2017	86 380 440
2018	27 639 070
Total	173 406 750

### 1.2.2. Cashflow

During the period under review, NIP has experienced severe cash flow challenges due to inconsistent payment for services rendered to the Ministry of Health and Social Services. This unfortunate situation hampered the successful implementation of the NIP Corporate Strategic Plan because many projects and activities planned for the period under review had to be deferred. Despite the inconsistent payments for services rendered, management and the board are confident that the institute will continue as a going concern and the financial statements were thus prepared on a going concern basis.

### 1.2.3. Ratio Analysis

The table below shows the profitability and liquidity ratio for the period under review.

**Table 3: Financial Ratio**

Financial ratio	2018	2017	2016
<b>Profitability ratios</b>			
Gross profit margin	79%	76%	72%
Net profit margin	9.2%	19%	10%
<b>Liquidity ratios</b>			
Current ratio	4.2	5.13	5.02
Acid Test ratio	3.79	4.58	4.21

#### 1.2.4. Profitability Ratios

NIP has recorded a 27% profit margin in the reporting period compared to 19% in the previous financial year. This can primarily be attributed to increase in the use of advanced technologies due to changes in the testing guidelines.

#### 1.2.5. Liquidity Ratios

Both the current ratio and acid test ratios show that the NIP will be able to honour its short-term obligations when they become due.



## Human Capital

Human Capital Business Unit has the primary responsibility for managing, assisting and dealing with all employee related matters. These include functions such as policy administration, recruitment process, benefits administration, employment and labour law, new employee orientation, labour relations, personnel records retention, wage and salary administration and employee assistance program.

The true focus of Human Capital Management is recruiting, motivating, and retaining the best; sustaining a high performing workforce; providing for business continuity through succession planning and talent management.

### 2.1. Workforce Overview

The provision of medical laboratory services requires highly specialised skills especially in the field of pathology and medical technologists. The availability of Pathologists in Namibia is very scarce thus NIP has to fill most of the Pathologist positions from the expatriates. A total of 449 (94%) of the workforce were Namibians and the remaining 29 (6%) positions were occupied by expatriates.

**Table 1: Workforce Profile**

Namibian	Non-Namibian	Total	
Permanent - NIP	432	0	432
Fixed Term - NIP	0	22	22
Fixed Term - PEPFAR	5	3	8
Fixed Term - NAMPHIA	12	4	16
Grand Total	449	29	478

### 2.1.1. Gender Distribution

By the end of the financial year NIP had a total workforce of 478 employees of which males were 177 (37%) and female 301 (63%).

### 2.1.2. Staff Movements

During the period under review, the following transpired in the company.

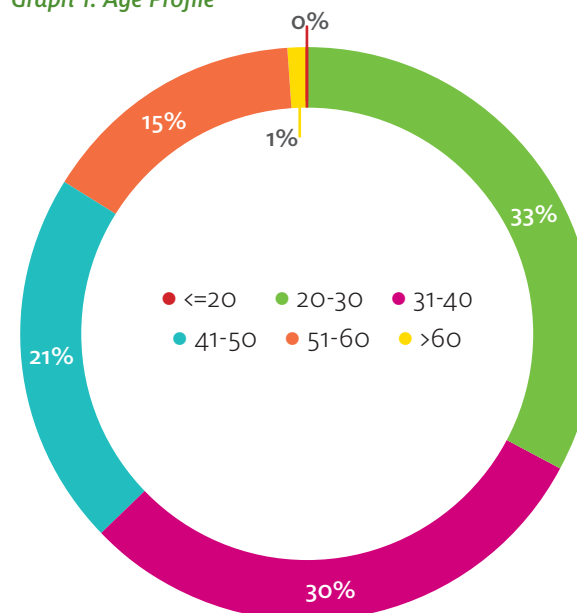
**Table 2: Staff Movements**

New Appointments	59
Internal Promotions	13
Lateral Transfers	1
Terminations	84

### 2.1.3. Age Profile

As at end of the year NIP had a well balanced mix of young and old employees. 63% of the workforce were below the age of 40 years and 37% above 40 years.

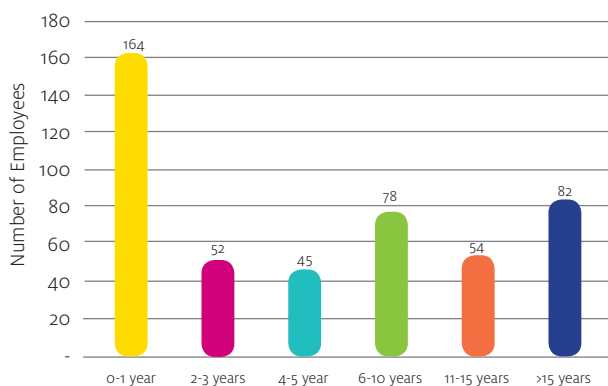
**Graph 1: Age Profile**



### 2.1.4. Staff Tenure

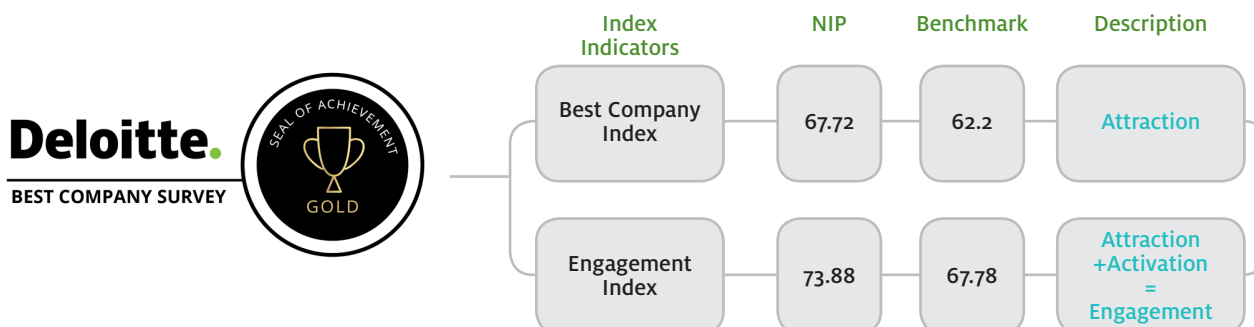
NIP is one of the best companies to work for and this is also demonstrated by the staff tenure as indicated below. A total of 82 (17.2%) employees have served NIP for more than 15 years. It is also notable to mention that 139 (28%) employees served NIP for a period ranging between 6 to 14 years. This picture clearly demonstrates that NIP's efforts on staff retention are well appreciated by its employees.

Graph 3: Staff Tenure



### 2.2. Employee Engagement Survey

During the 2017/18 financial year NIP participated in the Deloitte Best Company To Work For Survey (BCTWF) to determine employee engagement levels and to assess their perception of the organisation's people practices. Below is the snapshot of the results from the survey.



### 2.3. Performance Management

Performance Management aims to achieve strategic and annual business goals through measuring and rewarding the performance of each individual employee. During the year under review, the 5 year strategic plan was reviewed and corporate goals were cascaded to business unit goals and eventually culminated into individual performance goals of the employees. Each and every employee entered into a performance agreement and performance appraisals were conducted biannually.

### 2.4. Training and Development

Building capabilities of any organization is crucial to enhance performance and potential of employees in order to achieve the strategic objectives of the company. To that effect, during the period under review NIP invested N\$ 1,344,384.19 in staff training and development programs. The capacity building program was aimed more at technical training to enable employees to thrive in their technical duties and unleash their potential.

### 2.5. Bursaries and Scholarships

NIP awards bursaries and scholarships to Namibians to undertake Medical Pathology and other medical related fields of study at different Universities in the Southern African Development Community (SADC) region.



NO	Institution	Course Name	Commencement Date	End Date	Status (Course)
1.	Stellenbosch University	Molecular Biology	Feb 2014	Oct 2017 (Mar 2018)	Done
2.	Stellenbosch University	Clinical Pathology	July 2015	Jul 2019	Ongoing
3.	University of Namibia (School of Medicine)	Medicine	Jan 2015	Jan 2018	Ongoing
4.	NHLS	Cyto-Technology	Feb 2016	July 2017	Done
5.	University of Namibia	Medicine	Jan 2016	Jan 2020	Ongoing
6.	University of the Free State	Hema-Pathology	Jul 2016	Jul 2021	Ongoing
7.	University of Pretoria	Clinical Pathology	Sep 2016	Aug 2021	Ongoing
8.	University of Botswana	Cyto-Technology	2016	2019	Ongoing
9.	University of Botswana	Cyto-Technology	2016	2019	Ongoing
10.	University of the Witwatersrand	Anatomical Pathology	2016	2019	Ongoing
11.	Namibia University of Science and Technology (NUST)	Biomedical Science	2017	2019	Ongoing



## Technical Operations

During the year under review, the institute played a significant role in ensuring that most Namibians have access to the necessary healthcare. More especially, access to HIV/AIDS and TB healthcare services, and in particular, the achievement of the adopted UNAIDS and partners 90-90-90 targets. A further aim is to diagnose 90% of all HIV-positive persons, provide antiretroviral therapy (ART) for 90% of those diagnosed, and achieve viral suppression for 90% of those treated by 2020.

NIP participated in the Namibia Population based HIV Impact Assessment Survey as well as the TB Disease Prevalence Survey during the year under review. Living by its mission, the institute provided comprehensive quality pathology services underpinned by a high level of commitment, professionalism and transparency.

In order to provide a more efficient service, the operational areas were increased from four to five operational areas, where operations will be carefully executed and monitored by Area Managers. The North-West Area was divided into two operational areas. The second operations area was named North-Central. Further, the Tsumeb laboratory was moved from the North-East Area to fall under the North-Central, and the Opuwo laboratory was moved from the Central Area to fall under the North-West Area to align their geographical locations appropriately.

During the year under review, seven accredited laboratories maintained their SANAS accreditation status, while three more laboratories obtained SANAS accreditation, which brings the total number of accredited laboratories / departments to ten. In addition, four laboratories obtained 4-Star rating for the World Health Organization (WHO) Stepwise Laboratory Quality Improvement Process towards Accreditation (SLIPTA), audited by the Quality Assurance Department. Overall, 18 laboratories are above 3-Star, 14 laboratories at 3-Star and 4 labs at 4-Star. Despite the challenging financial

situation, NIP did not lose sight of its core mission. Comprehensive pathology service and a continuous quality improvement agenda for patient care and customer service remained at the heart of the Institute.

The organisation continually strove to improve the processes of delivering efficient services to stakeholders, and in particular supporting the activities of the Ministry of Health and Social Services in fighting TB, HIV/AIDS, and a number of disease outbreaks that occurred during the year under review. These achievements raise the reputation of NIP and has moved the organisation much closer to its vision of being the pathology service provider of choice. This is an indication that NIP is steadily being recognised by stakeholders for rendering excellent services.

**Table 9: Summary on Quality and Service**

Total Number of Accredited Laboratories	10
National Level of Customer Satisfaction Survey rating	70%
Quality Indicators score	94%
Laboratories with SLIPTA at 3-Star rating	42% (14)
Laboratories with SLIPTA at 4-Star rating	13% (4)

### 3.1. Quality Assurance

In its quest toward becoming the leader in implementing Total Quality Management in the medical laboratory industry, a number of activities and performance indicators were laid out in the annual business plans of each operations area. These activities include:

1. Monitoring of the Quality Indicators;
2. Meeting requirements for both internal and external assessment and successfully clearing all non-conformances that would be raised by the QA Department, Internal Audits and SANAS audits;
3. Preparing three laboratories that were nominated for SANAS accreditation assessments;

4. Maintaining accreditation status of accredited laboratories;
5. Complying with safety requirements through proper managements of accidents and incidents related to safety.

### 3.1.1. Maintaining Accreditation Status of Accredited Laboratories

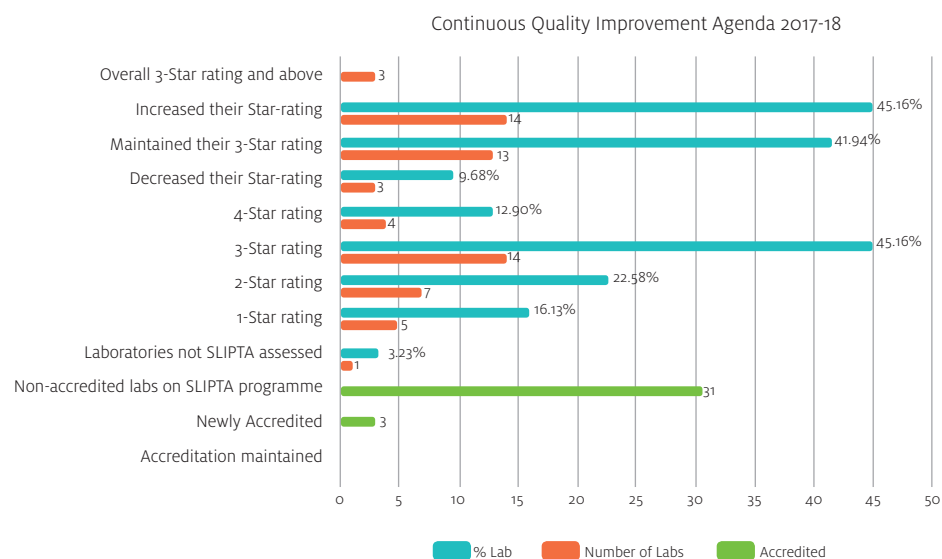
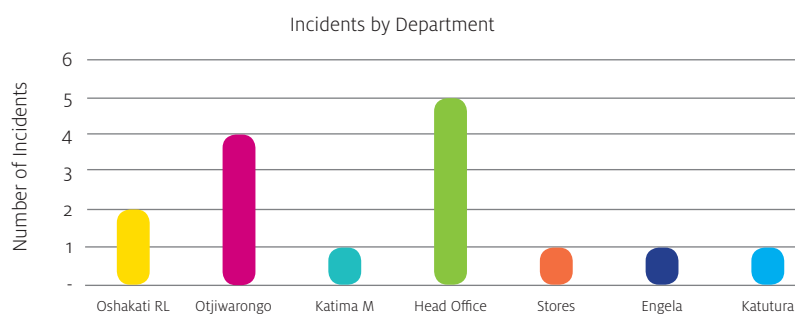
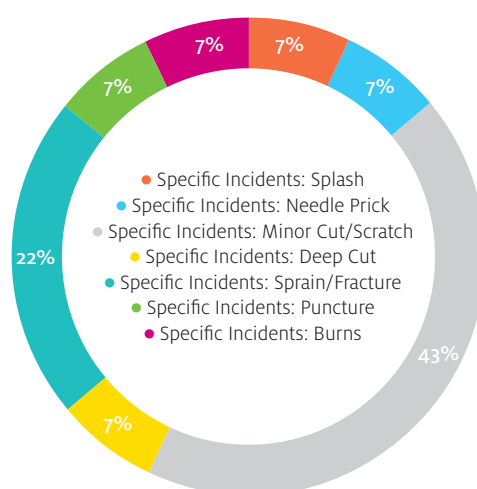
All accredited laboratories maintained their accreditation status. The external accreditations assessments for all accredited laboratories took place during February 2017, and all the assessed laboratories were recommended for continued accreditation. Corrective action reports for the non-conformances

raised were submitted to SANAS by the deadline dates. During the year under review, the seven accredited laboratories / departments maintained their SANAS accreditation status, while three more laboratories obtained SANAS accreditation, which brings the total number of accredited laboratories/ departments to 10. In addition, four laboratories, audited by the NIP Quality Assurance Unit obtained 4-Star rating for the World Health Organization (WHO) Stepwise Laboratory Quality Improvement Process towards Accreditation (SLIPTA). All 18 laboratories were above 3-Star with the SLIPTA assessment status by the end of the year under review.

*Table 10: Successfully meeting requirements for both internal and external*

	Accredited	No. of Labs	% Lab
Accreditation maintained	7		
Newly Accredited	3		
Non-accredited labs on SLIPTA program	31		
Laboratories not SLIPTA assessed		1	3.23
1-Star rating		5	16.13
2-Star rating		7	22.58
3-Star rating		14	45.16
4-Star rating		4	12.90
Decreased their Star rating		3	9.68
Maintained their 3 - Star rating		13	41.94
Increased their Star-rating		14	45.16
Overall 3-Star rating and above		3	9.68



**Figure 4: Continuous Quality Improvement Agenda****Figure 5: Complying with safety requirements through proper managements of accidents and incidents related to safety****Figure 6: Types of Incident**

The objective of maintaining a safe work environment was not entirely met, given the number of accidents and incidents that took place. However, there was compliance in terms of reporting, investigating and taking corrective action so that accidents would not reoccur. A complete safety system is being implemented to continually improve through reviews of incidents and other safety indicators. The NIP safety objective is to ensure all incidents are reported irrespective of the size and nature of the accident.



### 3.5. Capacity

Securing adequate resources to support NIPs Vision is critical and as a result, the Institute ensures it has effective HR programmes in place to achieve its strategic goals. The following activities were thus carried out:

#### SLMTA Training

- Implementation of a quality management system in NIP laboratories leading to accreditation is one of the strategic goals in the 2015 - 2020 organization Corporate Strategy. Laboratory staff were, therefore, empowered through a series of SLMTA trainings to ensure that this goal is achievable. The SLMTA workshops were conducted during the period under review, and all the TIC's were trained. SLIPTA training workshop 1 cohort 4 started in November 2017. Substantial progress was made with rolling out of the SLMTA training to all technical staff in the company resulting in a significant improvement in the continuous quality improvement by staff who attended the SLMTA training.
- The Windhoek Central Reference Laboratory supports the Namibia University of Science and Technology through the provision of the work integrated learning programme for Biomedical students as regulated through the memorandum of agreement between the two institutions.

#### Filling of Vacancies

The majority of the approved vacancies were filled at all laboratories during the year under review. The human resources capacity to manage operations was greatly alleviated.

#### Technology and Infrastructure Development

The introduction of state of the art infrastructure has enabled the Institute to undertake new tests and at the same time contribute to faster response time on patient care by minimizing referrals. Infrastructure that follows laboratory requirements

will also contribute to safe working environment for staff. In terms of infrastructure development, the following activities were undertaken:

- The Omuthiya Laboratory was successfully relocated to its new premises during May 2017.
- The new Eenhana Laboratory was handed over to NIP by the contractor during October 2017. However, several structural shortcomings have been identified and the occupation of the laboratory pending.
- The first phase of the construction of an additional building at the Oshakati main laboratory has been completed with the construction of the ground floor.
- The floor plan of the Tsumeb Laboratory has been completed, but the Ministry of Works is yet to provide the Bill of Quantity.
- The renovation (Phase I) of the Nyangana Laboratory has been completed.
- The wall between the kitchen and old office at the Katima Mulilo Laboratory was demolished to create a conference room.
- The interior and exterior walls of the Rundu Regional Laboratory were painted.
- The renovations at the Nankudu Laboratory were put on hold as a result of financial constraints.
- The NIP Windhoek laboratory was successfully relocated to the new facility at the NIP House
- The new facility at Rehoboth is 90% completed and is expected to be ready by March 2018.
- Validations on the new blood gas analyser for the Katutura laboratory and the Rundu Private Laboratory has been finalized.
- All ancillary equipment were calibrated except thermometers at Keetmanshoop which were delayed due to circumstances out of our control.
- An adequate budget has been proposed for the repair and maintenance of equipment for the next financial year.





### 3.6. Expansion

In order to improve financial position of the company and increase the scope of testing:

- The Windhoek Central Reference Laboratory embarked upon the evaluation of additional auto-immune disease tests with the aim to start offering these tests locally to clinicians and specialists.
- The Oshakati main laboratory successfully tested the HbA1c in an existing instrument in consultation with the instrument vendor Abbot.
- The viral Load testing was introduced at the Onandjokwe and Engela laboratory respectively. Engela last tested in November 2017 due to the faulty air conditioners in the container laboratory. Viral Load testing was also strengthened at Katima Mulilo, Rundu and Outapi laboratories. The introduction of the viral load testing in these areas has improved the financial performance of the areas.
- MTB – RIF and Microbiology MCS was also introduced at Omuthiya Laboratory.
- Statistics was compiled to establish whether TFT, BHCG, PSA, HbA1c can be introduced at Onandjokwe, but the volumes were too few. EID (DBS) volumes were enough to localize.

### 3.7. Other

#### **Namibia Population Based HIV Impact Assessment Survey (NAMPHIA)**

Namibia Population Based HIV Impact assessment Survey (NAMPHIA) was a cross-sectional household -based survey conducted between May and December 2017. NAMPHIA was implemented by the Ministry of Health and Social Services in collaboration, among others, with the Namibia Institute of Pathology Limited. The study aimed to measure the impact of Namibia's national HIV response on incidence and viral suppression. A two-stage cluster survey of 12 585 randomly selected households in Namibia was included reaching approximately 19 068 participants ages 15

-64 years, and 6 797 children, ages 0 to 14 years. NAMPHIA offered home-based HIV counselling and testing with return of results and collected information on risk behaviours and uptake of key HIV prevention, care and treatment services. This was the first time such a survey is conducted in Namibia and results will be used to inform policy for regional and national HIV/AIDS interventions.

#### **TB Disease Prevalence Survey (DPS)**

The Windhoek TB Reference Laboratory as well the Regional and District laboratories supported the DPS through the testing of samples collected during the period under review. Initially there was a long interval time between sputum collection and processing. This delay contributed to a decreased viability of mycobacterium tuberculosis with a direct consequence to the culture positivity rate. There was also backlog that had built up and the laboratory could not process all samples due to limited capacity and some samples had to be referred to NHLS in South Africa.

#### **Hepatitis E Outbreak**

Referral of samples for Hepatitis E investigations were referred to South Africa and results were disseminated to health facilities and the emergency response team at the Ministry of Health and Social Services. The laboratory requested the procurement department to source for Hepatitis E tests kits that will be subjected to local evaluations with the aim to implement the test locally.









## Information Communications Technology (ICT)

The ICT space is an ever-changing technology landscape and calls for constant adaption and improvement. Moreover, the ICT environment becomes an exciting space with no shortage of opportunities or challenges. The reporting period reflects on the achievements and challenges within the ICT service delivery and support throughout the business functions within the NIP.

### 4.1. ICT Initiatives

The ICT Department carried out the following initiatives during the reporting period:

#### 4.1.1. Laboratory Information System (LIS)

The Laboratory Information System (LIS) forms the core ICT system within the NIP and is continuously enhanced to improve end user experience and to support the business processes.

#### 4.1.2. Interfacing

An integral feature of LIS is the capability of sending messages and getting results from analysers that perform tests automatically via interface brokers to create work lists, communicate instructions and conversely convey results to the LIS. The interfacing of analysers and LIS is a key function of specimen management. During the review period, a total of six interfaces were installed in the twelve NIP laboratories country wide.

#### 4.1.3. Integration

- The exchange of patient demographics and results between LIS and other Health Information Systems (HISs) is continuing.
- The NIP established an interface between Meditech and the Laboratory Data Management System (LDMS) to exchange patient demographics, orders and results for the Namibia Population-based HIV Impact Assessment (NAMPHIA) 2017 survey.

- The LIS service provider developed an Application Protocol Integration (API) framework to enable communication and transfer of data between 3rd party software platforms. The Institute introduced the API tool to automate the process of sharing patient results via mobile application and other integrations for sharing patient information.

#### 4.1.4. Budget Monitoring Tool

The budget monitoring tool was successfully implemented in collaboration with the Finance department within the Materials Management and General Ledger modules. The tool aids pro-active budget monitoring.

#### 4.1.5. Hand Held Terminal (HHT)

A total of 29 Hand Held Terminal (HHT) devices were deployed in collaboration with the Finance Business Unit across the northern region laboratories. These devices are fully integrated with the LIS and used for stock management processes.

#### 4.1.6. Mobile Kiosks

The uptake of the viewing of patients' results by doctors and other clinical staff has been steadily increasing. The Institute deployed eight mobile kiosks in clinics and health centres for the online viewing of patient results. Apart from the doctors' portal, there are currently over 50 terminals actively being used for accessing results online.

### 4.2. ICT Infrastructure Improvements

NIP continuously strives to introduce state of the art technologies and to optimize ICT investments. Desktop infrastructure modernisation project was undertaken to revamp underlying infrastructure in view of ICT strategy. This is in line with the objective of simplifying, standardising and rationalising the ICT obsolete hardware and software.



### 4.3. Head Quarters (HQ) Relocation

A modernised data-centre has been established for reliable delivery of fire protection, power, and cooling at the new NIP Head Quarters (HQ). In addition, a new IP-PBX (Private Branch Exchange) system was deployed. IP-PBX system enables phone calls over IP data networks, resulting in cost saving measures. An IP based biometric access control and CCTV system was commissioned to provide safety and security to employees at the HQ.

### 4.4. Cybersecurity

The amended ICT security policy was approved by the Board of Directors and an internal threat assessment conducted in order to meet the challenge of securely managing hundreds of connected devices, securing and managing the “data-in-motion” and “data-at-rest.” NIP has adopted new tactics to tackle the dynamic threat landscape.

Further, a threat detection and response platform has been established and provides the most advanced technology to enable security teams to work more efficiently and effectively. The platform uses behavioural analysis, data science techniques and threat intelligence to detect threats.



## Strategy, Business Development And Stakeholder Management

Strategy, Business Development and Stakeholder Management (SBDSM) Business Unit is, among others, responsible for marketing, client relations, public relations, business development and stakeholder engagement.

### 5.1. Client Relations

The Institute conducted visits in the Khomas region (Windhoek), Erongo region (Swakopmund and Walvis Bay); Otjozondjupa region (Okahandja) and the Omaheke region (Gobabis). The visits were aimed at client needs assessments, disseminate relevant information, promote doctors' portal and determine the extent to which medical doctor's utilize the doctors' portal to access test results.

During the period between 26 February to 2 March 2018, the Client Relations team conducted a regional client visit in the North-Central Area to promote NIP services to the existing and prospective clients by sharing up-to-date information regarding NIP operations such as the online access to test results.

### 5.2. Continuous Professional Development (CPD) Accredited Event

NIP held a CPD Accredited event on 18 October 2017 at NIP HOUSE under the topic: 'Serodiagnosis of Autoimmune Diseases in the Diagnostic laboratory' which was presented by Dr Pieter Meyer, a Senior Lecturer/Medical Scientist from the University of Pretoria.

The presentation was aimed at creating awareness amongst specialists and clinicians as well as to inform participants of NIPs intention to expand auto-immune disease testing. The event was attended by medical staff including, pathologists, clinicians, nurses and health workers. A total of 60 health professionals attended the presentation.

### 5.3. Training of Health Care Workers on Specimen Collection and Sample Management

A total of 45 Health Care Workers (HCW) from various state health facilities in Windhoek and Ondangwa were trained on specimen collection and sample management.

### 5.4. Annual Ongwediva Trade Fair

NIP participated in the Annual Ongwediva Trade Fair that took place from 25 August 2017 to 02 September 2017. The participation was aimed at marketing NIP brand and its services. Promotional material containing NIP's services, mission, vision, quality assurance, and turn-around times were distributed to the general public and learners for the purpose of increasing visibility and brand awareness.

### 5.5. Stakeholders Engagement

On 30 January 2018, the SBDSM team took part in the induction session held by the Ministry of Health and Social Services for the interns and new doctors practicing at the Katutura Intermediate and Windhoek Central Hospitals. The new doctors were informed about NIP's operations, mandate and service offerings. Information about accessing the Doctors' Portal was also shared with the attendants. An induction tour to the Windhoek Central Reference Laboratory (WCRL) was initiated for familiarization with different disciplines in the laboratory setting. A total number of 54 new doctors were registered on Meditech and the Doctors' Portal.

### 5.6. African Decisions Leadership Magazine

African Decisions Leadership Magazine is an annually produced magazine dedicated to providing in-depth insight into the methods and minds of some of these pioneers helping shape the nature of Africa's intercontinental and international trade environment. About 10 000 copies are distributed

via 15 airlines that are servicing the African continent as well as at all major airport lounges. NIP as an innovative leader and its Chief Executive Officer, Mr Augustinus Katiti was featured in the magazine and interviewed on the strategic importance of NIP and its service offerings in the Namibian healthcare sector.

### **5.7. Easter Holiday Road Safety Campaign 2018**

As a responsible corporate citizen, NIP joined the Motor Vehicle Accident Fund (MVA), National Road Safety Council of Namibia and other institutions to promote road safety during the Easter holiday from 29 March to 2 April 2018. NIP printed 12000 A5 road safety flyers to inform road users to remain vigilant and to adhere to rules of the road. The flyers were distributed at the following road blocks and service stations; Rehoboth, Windhoek, Okahandja, Otjiwarongo, Otavi, Tacoma Total Service Station (Windhoek) and Puma Service Station (Windhoek West). The flyers were translated into four local languages and placed in print media. In addition, road safety adverts were aired on five different local radio stations such as: National Radio English, Afrikaans, Oshiwambo, Nama/Damara and Otjiherero.

### **5.8. Brand Awareness Survey 2017/18**

A Brand Awareness Survey 2017/18, covering Khomas, Erongo and North-West areas. The average awareness figure was 68% and there is a need to increase this rating if NIP is to make an impact on the private health market.

### **5.9. NIP HOUSE Inauguration Event**

The Institute's new headquarters were officially inaugurated by His Excellency Dr Hage Geingob, the President of the Republic of Namibia on 25 August 2017. This is quite a significant investment for NIP as it adds value to our balance sheet. It is an achievement the Institute is proud of.

## **5.10. Awards Won**

### **5.10.1. 2017 Africa Public Service Day Award (APSD)**

NIP scooped two awards at the 2017 Africa Public Service Day Awards event held in Kigali, Republic of Rwanda from the 21st to 23rd June 2017. NIP received awards in the categories of "Best Managed, Accountable, Transparent and Accessible Organization" and "Best Innovation in Citizen Centred Service Delivery."

### **5.10.2 Sustainable Development Awards 2017**

Environmental Investment Fund of Namibia (EIF) called for entries for Sustainable Development Awards 2017. NIP entered in the competition under the category of best established company/parastatal. The category targeted mainly established companies and parastatals that demonstrate excellence in environmental protection and social responsibility. NIP obtained 6th place out of 96 entries.

### **5.10.3. National Quality Standards Awards 2017**

NIP scooped 2nd place for the Large Enterprise Company of the Year Award at the 2017 National Quality Awards hosted by the Namibian Standards Institution (NSI) in Windhoek on 23 November 2017. The awards aim to recognize and appreciate industries and enterprises including the service sector and individuals who perform excellently on quality. It also honours those who contribute to quality advancement in all sectors of the Namibian economy, by having measurements and quality systems, procedures and processes that are in line with local, regional and international practices. In addition, the programme recognizes individuals who use quality advancement to support national economic development and growth.





## 5.11. Corporate Social Responsibility

### 5.11.1. Tsumeb //Goa-!Haob National Festival 2017

NIP sponsored road safety advocacy during the Tsumeb //Goa-!Haob national festival that was held from the 25-30 September 2017 to the tune of N\$31,449.00.

### 5.11.2. Special Wheelchair Donation

The Institute donated a special wheelchair worth N\$16,524.00 to a needy child who suffers from hydrocephalus. Hydrocephalus is a condition in which there is an accumulation of cerebrospinal fluid (CSF) within the brain which typically causes increased pressure inside the skull.

### 5.11.3. Namibia Chamber of Commerce and Industry (NCCI)

Recognising the important role played by the Namibia Chamber of Commerce and Industry (NCCI), NIP sponsored N\$ 100 000.00 towards the NCCI Annual Business Fundraising and Gala Dinner on 29 September 2017. The gala dinner is a very important event on the NCCI's calendar as it is aimed at broadening its revenue base and increase Chamber's capacity to promote the interest of big corporates like NIP and the SME sector.

### 5.11.4. Namibia Football Association (NFA)

Following a request for sponsorship by the Namibia Football Association (NFA), the Institute enabled blood testing of 31 members of the Namibia Senior National Football team (Brave Warriors) to the tune of N\$20 000.00. The sponsorship thus contributed to the participation of the Brave Warriors in the 3rd edition of the African Nations Championship Competition which was held in Morocco from the 13th January to 4th February 2018.

## 5.11.5 Private Health Market Penetration Strategy

The business unit has developed a private market penetration strategy, which will be implemented in the new financial year.







# ANNUAL FINANCIAL STATEMENTS

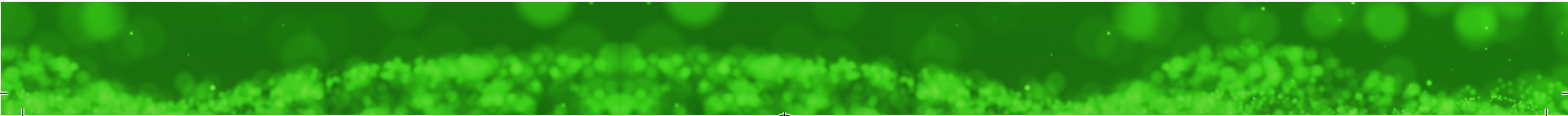
## General Information

<b>Country of incorporation and domicile</b>	Namibia
<b>Nature of business and principal activities</b>	Provision of medical laboratory services
<b>Business address</b>	NIP House C/o Rowan Street and Hosea Kutako Drive Windhoek
<b>Postal address</b>	P O Box 277 Corner of Rowan Street and Hosea Kutako Drive Windhoek
<b>Bankers</b>	Bank Windhoek Limited
<b>Auditors</b>	Ernst & Young Namibia
<b>Secretary</b>	Gibson Imbili
<b>Company registration number</b>	2000/431
<b>Tax reference number</b>	2645170011



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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF NAMIBIA INSTITUTE OF PATHOLOGY LIMITED

### Opinion

We have audited the annual financial statements of Namibia Institute of Pathology Ltd ('the company') set out on pages 6 to 35, which comprise the directors report, statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Namibia Institute of Pathology Ltd as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

### 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 annual financial statements section of our report. We are independent of the company in accordance with the sections 290 of the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Revised July 2016)*, parts 1 and 3 of the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018)* and other independence requirements applicable to performing audits of annual financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. 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 general information on page 1, the index on page 2, the directors' responsibilities and approval on page 5, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after this date. The other information does not include the annual financial statements and our auditor's report thereon. Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 Annual financial statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error. In preparing the annual 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 Annual financial statements

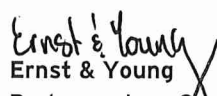
Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 annual 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 annual 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 annual 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 annual financial statements, including the disclosures, and whether the annual 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.

  
**Ernst & Young**  
 Partner - Jaco Coetzee  
 Registered Accountants and Auditors  
 Chartered Accountant (Namibia)  
 Windhoek

01 August 2019

## Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 28 of 2004 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.


The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.


The directors have reviewed the company's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 3 to 4.

The financial statements set out on page 6 to 34, which have been prepared on the going concern basis, were approved by the board on 28 June 2019 and were signed on their behalf by:

### Approval of financial statements

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



## Directors' Report

The directors have pleasure in submitting their report on the financial statements of Namibia Institute of Pathology Limited for the year ended 31 March 2018.

### 1. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 24 of 2004. The accounting policies have been applied consistently compared to the prior year.

The company recorded a net profit after tax for the year ended 31 March 2018 of N\$ 71,537,478. This represented a decrease of 40% from the net profit after tax of the prior year of N\$120,817,513.

Company revenue increased by 32% from N\$635,260,689 in the prior year to N\$836,163,754 for the year ended 31 March 2018.

Company cash flows from operating activities decreased by 165% from N\$75,183,862 in the prior year to N\$(48,593,291) for the year ended 31 March 2018.

### 2. Share capital

Authorised			2018	2017
			Number of shares	Number of shares
Ordinary shares			20,000,000	20,000,000
Issued	2018	2017	2018	2017
	N\$	N\$	Number of shares	Number of shares
Ordinary shares	15,511,307	15,511,307	15,511,307	15,511,307

There have been no changes to the authorised or issued share capital during the year under review.

### 3. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board may pass on the payment of dividends.

The board do not recommend the declaration of a dividend for the year.

### 4. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality
Mrs A Avafia	Other	Non-executive Independent	Namibian
Mr M Kapere	Other	Non-executive Independent	Namibian
Dr P Kapewangolo	Other	Non-executive Independent	Namibian
Mr S van Rhyn	Other	Non-executive Independent	Namibian
Mr F Tjivau	Other	Non-executive Independent	Namibian
Mr F Kwala	Other	Non-executive Independent	Namibian
Dr D Shuuluka (Chairperson)	Chairperson	Non-executive Independent	Namibian

There have been no changes to the directorate for the year under review.



## Directors' Report

### 5. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use.

At 31 March 2018 the company's investment in property, plant and equipment amounted to N\$165,294,201 (2017: N\$ 153,526,310), of which N\$27,639,070 (2017: N\$ 86,380,440) was added in the current year through additions.

### 6. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

### 7. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

### 8. Secretary

The company secretary is Mr Gibson Imbili.

Postal address:

P O Box 277  
Windhoek  
Namibia

Business address:

Nip House  
C/O Rowan Street and Hosea Kutako Avenue  
Windhoek  
Namibia

### 9. Auditors

Ernst and Young will continue to stay in office as auditors of the company in accordance with section 278(2) of the Companies Act of Namibia.

## Statement of Financial Position as at 31 March 2018

Figures in Namibia Dollar

	Note(s)	2018	2017
<b>Assets</b>			
Non-Current Assets			
Property, plant and equipment	3	165,294,201	153,526,310
Other financial assets	4	56,645,515	57,465,878
		<b>221,939,716</b>	<b>210,992,188</b>
Current Assets			
Inventories	7	43,050,241	36,587,380
Trade and other receivables	8	392,159,724	259,393,956
Prepayments	6	840,745	3,653,181
Current tax receivable		19,147,450	-
Cash and cash equivalents	9	212,857	42,177,387
		<b>455,411,017</b>	<b>341,811,904</b>
<b>Total Assets</b>		<b>677,350,733</b>	<b>552,804,092</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	10	15,511,307	15,511,307
Reserves		23,952,322	18,505,200
Retained income		503,253,964	431,716,486
		<b>542,717,593</b>	<b>465,732,993</b>
<b>Liabilities</b>			
Non-Current Liabilities			
Deferred tax	5	25,776,117	19,272,862
Current Liabilities			
Trade and other payables	11	82,168,443	61,783,662
Current tax payable		-	5,954,456
Bank overdraft	9	26,688,580	60,120
		<b>108,857,023</b>	<b>67,798,237</b>
<b>Total Liabilities</b>		<b>134,633,140</b>	<b>87,071,099</b>
<b>Total Equity and Liabilities</b>		<b>677,350,733</b>	<b>552,804,092</b>

## Statement of Profit or Loss and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2018	2017
Revenue	12	836,163,754	635,260,689
Cost of sales	13	(175,947,172)	(155,457,447)
<b>Gross profit</b>		<b>660,216,582</b>	<b>479,803,242</b>
Other income	14	1,131,682	338,462
Other gains (losses)	15	-	39,907
Operating expenses		(558,540,546)	(302,739,189)
<b>Operating profit</b>	<b>16</b>	<b>102,807,718</b>	<b>177,442,422</b>
Investment income	17	1,568,900	2,000,311
Finance costs	18	(1,442,747)	(481,247)
<b>Profit before taxation</b>		<b>102,933,871</b>	<b>178,961,486</b>
Taxation	19	(31,396,393)	(58,143,973)
<b>Profit for the year</b>		<b>71,537,478</b>	<b>120,817,513</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Available-for-sale financial assets gains	4	5,799,179	3,605,914
Income tax relating to available-for-sale financial assets gains	19	(352,057)	(801,892)
<b>Total items that may be reclassified to profit or loss</b>		<b>5,447,122</b>	<b>2,804,022</b>
<b>Other comprehensive income for the year net of taxation</b>		<b>5,447,122</b>	<b>2,804,022</b>
<b>Total comprehensive income for the year</b>		<b>76,984,600</b>	<b>123,621,535</b>



## Statement of Changes in Equity

Figures in Namibia Dollar	Share capital	Available-for-sale reserve	Retained income	Total equity
<b>Balance at 01 April 2016</b>	<b>15,511,307</b>	<b>16,582,659</b>	<b>310,898,973</b>	<b>342,992,939</b>
Profit for the year	-	-	120,817,513	120,817,513
Other comprehensive income	-	2,804,022	-	2,804,022
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,804,022</b>	<b>120,817,513</b>	<b>123,621,535</b>
Reclassified from Other Comprehensive Income	-	(881,481)	-	(881,481)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>-</b>	<b>(881,481)</b>	<b>-</b>	<b>(881,481)</b>
<b>Balance at 01 April 2017</b>	<b>15,511,307</b>	<b>18,505,200</b>	<b>431,716,486</b>	<b>465,732,993</b>
Profit for the year	-	-	71,537,478	71,537,478
Other comprehensive income	-	5,447,122	-	5,447,122
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>5,447,122</b>	<b>71,537,478</b>	<b>76,984,600</b>
<b>Balance at 31 March 2018</b>	<b>15,511,307</b>	<b>23,952,322</b>	<b>503,253,964</b>	<b>542,717,593</b>

Note(s)

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## Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	2018	2017
<b>Cash flows from operating activities</b>			
Profit before taxation		102,933,871	178,961,486
<b>Adjustments for:</b>			
Depreciation and amortisation	16	13,616,918	8,218,330
Gains on disposals, scrappings and settlements of assets and liabilities		-	(39,907)
Investment income	17	(1,568,900)	(2,000,311)
Finance costs	18	1,442,747	481,247
Fair value gains		-	(881,481)
Impairment losses and reversals	3	2,254,262	-
<b>Changes in working capital:</b>			
Inventories - (increase) / decrease		(6,462,861)	4,180,960
Trade and other receivables - (increase)		(132,765,768)	(74,862,830)
Prepayments - decrease / (increase)		2,812,436	(904,613)
Trade and other payables - increase		20,384,781	11,954,222
<b>Cash generated from operations</b>		<b>2,647,486</b>	<b>125,107,102</b>
Interest received		549,071	1,141,613
Finance costs		(1,442,747)	(481,247)
Tax paid	20	(50,347,101)	(50,583,607)
<b>Net cash from operating activities</b>		<b>(48,593,291)</b>	<b>75,183,862</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(27,639,070)	(86,380,440)
Proceeds from disposal of property, plant and equipment	3	-	140,000
Proceeds from disposal of financial assets		7,900,000	32,000,000
Purchase of financial assets		(701,538)	(701,541)
Dividends received		440,919	363,297
<b>Net cash from investing activities</b>		<b>(19,999,699)</b>	<b>(54,578,684)</b>
<b>Total cash and cash equivalents movement for the year</b>		<b>(68,592,990)</b>	<b>20,605,178</b>
Cash and cash equivalents at the beginning of the year		42,117,267	21,512,089
<b>Total cash and cash equivalents at end of the year</b>	9	<b>(26,475,723)</b>	<b>42,117,267</b>

## Accounting Policies

### Corporate information

Namibia Institute of Pathology Limited is a public limited company incorporated and domiciled in Namibia.

The financial statements for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on 28 June 2019.

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### 1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Namibia Dollars, which is the company's functional currency. The level of rounding used in the preparation of the financial statements is to the nearest Namibian dollar.

The annual financial statements were prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the realization of assets and settlement of liabilities will occur in the ordinary course of business. The directors are not aware of any events or conditions which may bring doubt to the company's ability to continue as a going concern.

These accounting policies are consistent with the previous period.

#### 1.2 Significant judgements and sources of estimation uncertainty

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

In the process of applying the company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements.

##### Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Refer to Note 24 for more details on the fair value determination of the financial instruments.

##### Property plant and equipment

The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine the optimum useful life expectation for each of the individual categories of property, plant and equipment. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives and what their condition will be like at that time. Changes in useful lives and/or residual values are accounted for as a change in accounting estimates. Refer to note 1.3 and 3 for more detail.



## Accounting Policies

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Work in Progress is made up of construction projects for new laboratories in Oshakati and Eehnana. All these projects are self-financed by Namibia Institute of Pathology Limited.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50 Years
Furniture and fixtures	Straight line	6 Years
Motor vehicles	Straight line	8 Years
Office equipment	Straight line	6 Years
Computer equipment	Straight line	3 Years
Leasehold improvements	Straight line	5 Years
Laboratory equipment	Straight line	5 Years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

## Accounting Policies

### 1.4 Financial instruments

#### Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

#### Subsequent measurement

Dividend income is recognised in profit or loss as part of other income when the company's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

#### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

## Accounting Policies

### 1.4 Financial instruments (continued)

#### Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### Financial instruments designated as available-for-sale

Available-for-sale financial investments include equity investments. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to profit or loss as an impairment loss.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the company has the intent and ability to hold these assets for the foreseeable future or until maturity.

Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR). Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.



## Accounting Policies

### 1.4 Financial instruments (continued)

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recognised at fair value and subsequently carried at amortised cost.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

#### Held to maturity

Financial assets that the company has the positive intention and ability to hold to maturity are classified as held to maturity.

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### 1.5 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## Accounting Policies

### 1.5 Tax (continued)

#### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position.

#### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

### 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight -line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Any contingent rents are expensed in the period they are incurred.

### 1.7 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

## Accounting Policies

### 1.7 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.8 Impairment of non-financial assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

### 1.9 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by assessing the medical laboratory tests services conducted at the end of the reporting period.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.



## Accounting Policies

### 1.9 Revenue (continued)

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.10 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

### 1.11 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

## Notes to the Financial Statements

Figures in Namibia Dollar

### 2. New Standards and Interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the company nor did it give rise to additional disclosures:

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses.

Amendments to IAS 7 - Disclosure initiative.

#### 2.2 Standards and interpretations not yet effective

The company 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 2018 or later periods. Only those standards and amendments applicable to the entity have been discussed.

##### IFRS 16 Leases

Effective for financial periods beginning on or after 1 January 2019. The lease expense recognition pattern for lessees will generally be accelerated as compared to today. Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), could be impacted. Also, the cash flow statement for lessees could be affected as payments for the principal portion of the lease liability will be presented within financing activities. Lessor accounting will result in little change compared to today's lessor accounting. The Namibia Institute of Pathology will be impacted by IFRS 16 as the entity is primarily a Lessee and will be required to recognise a liability at commencement of the leases as well as an asset representing the right of use. The entity leases medical equipment and property from various lessors. The impact is that the lease expense recognition pattern for NIP will generally be accelerated. Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), could be impacted. The cash flow statement for NIP could be affected as payments for the principal portion of the lease liability will be presented within financing activities.

##### IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

Effective for financial periods beginning on or after 1 January 2019. IFRIC interpretation 23 clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Since NIP is not operating in complex multinational tax environments, the impact of this standard is expected to be immaterial.

##### Prepayment Features with Negative Compensation - Amendments to IFRS 9

Effective for financial periods beginning on or after 1 January 2019. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The impact of this standard is expected to be immaterial.

##### Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

Effective for financial periods beginning on or after 1 January 2019. The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts. Since NIP does not offer defined benefit plans, the impact of this amendment is expected to be immaterial.

##### AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity

## Notes to the Financial Statements

### 2. New Standards and Interpretations (continued)

Effective for financial Periods beginning on or after 1 January 2019. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The expected impact of this clarification will be immaterial as NIP has not paid any dividends since inception.

AIP IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

Effective for financial Periods beginning on or after 1 January 2019. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The expected impact of this clarification will be immaterial as NIP does not have or plan to borrow to fund qualifying assets.



## Notes to the Financial Statements

Figures in Namibia Dollar

### 2. New Standards and Interpretations (continued)

#### Conceptual Framework for Financial Reporting

Effective for financial Periods beginning on or after 1 January 2020. The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

#### IFRS 9 Financial Instruments

Effective for financial Periods beginning on or after 1 January 2018. The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. Ministry of Health and Social services makes up over 90% of NIP's and on an annual basis the credit loss assessment will be conducted. The expected impact will be immaterial.

#### IFRS 15 Revenue from Contracts with Customers

Effective for financial Periods beginning on or after 1 January 2018. IFRS 15 is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance.

The disclosure requirements are also more extensive. As at 31 march 2018 NIP has started to assess the impact of IFRS 15 on the entity. It is not anticipated that IFRS 15 will have a significant impact on revenue recognition.

### 3. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	112,986,851	(4,502,851)	108,484,000	17,359,011	(1,305,355)	16,053,656
Furniture and fixtures	8,485,984	(2,121,244)	6,364,740	2,880,599	(1,095,053)	1,785,546
Motor vehicles	6,942,362	(2,615,527)	4,326,835	6,730,362	(1,726,749)	5,003,613
Office equipment	3,631,846	(2,701,715)	930,131	2,976,081	(2,300,595)	675,486
Computer equipment	21,465,275	(17,366,522)	4,098,753	19,551,872	(13,383,954)	6,167,918
Leasehold improvements	20,173,554	(7,460,007)	12,713,547	14,194,079	(5,177,663)	9,016,416
Laboratory Equipment	25,544,987	(13,911,544)	11,633,443	22,968,640	(9,818,862)	13,149,778
Capital - Work in progress	16,742,752	-	16,742,752	101,673,897	-	101,673,897
<b>Total</b>	<b>215,973,611</b>	<b>(50,679,410)</b>	<b>165,294,201</b>	<b>188,334,541</b>	<b>(34,808,231)</b>	<b>153,526,310</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Buildings	16,053,656	3,708,302	91,919,538	(943,234)	(2,254,262)	108,484,000
Furniture and fixtures	1,785,546	5,605,385	-	(1,026,191)	-	6,364,740
Motor vehicles	5,003,613	212,000	-	(888,778)	-	4,326,835
Office equipment	675,486	655,766	-	(401,121)	-	930,131
Computer equipment	6,167,918	1,913,403	-	(3,982,568)	-	4,098,753
Leasehold improvements	9,016,416	5,979,475	-	(2,282,344)	-	12,713,547
Laboratory Equipment	13,149,778	2,576,346	-	(4,092,682)	-	11,633,443
Capital - Work in progress	101,673,897	6,988,393	(91,919,538)	-	-	16,742,752
<b>Total</b>	<b>153,526,310</b>	<b>27,639,070</b>	<b>-</b>	<b>(13,616,918)</b>	<b>(2,254,262)</b>	<b>165,294,201</b>



## Notes to the Financial Statements

Figures in Namibia Dollar

2018

2017

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	10,058,531	6,242,257	-	(247,132)	16,053,656
Furniture and fixtures	631,655	1,463,123	-	(309,232)	1,785,546
Motor vehicles	1,965,918	3,817,168	(100,093)	(679,380)	5,003,613
Office equipment	(15,629)	239,936	-	451,179	675,486
Computer equipment	6,467,334	3,236,461	-	(3,535,877)	6,167,918
Leasehold improvements	2,199,875	7,836,866	-	(1,020,325)	9,016,416
Laboratory Equipment	5,525,099	10,502,242	-	(2,877,563)	13,149,778
Capital - Work in progress	48,631,510	53,042,387	-	-	101,673,897
	<b>75,464,293</b>	<b>86,380,440</b>	<b>(100,093)</b>	<b>(8,218,330)</b>	<b>153,526,310</b>

#### Impairment

The local property market deteriorated during the current financial year to such an extent that there were indications that the book value at which the buildings owned by Namibia Institute of Pathology were carried could possibly exceed the recoverable amount of the assets. NIP used the services of an independent and qualified property valuers to value all property at fair value. The fair value less cost to sell was used as the recoverable amount for the property. At the date of valuation the carrying amount of the property exceeded the fair value of the property as per the valuers report. This resulted in an impairment of N\$ 2 254 262 ( 2017 - nil).

Land and buildings is measured as a level 3 asset.

The fair value relating to the Land and buildings category of property, plant and equipment was determined using the income capitalisation method and the replacement cost method by independent valuers. In determining the fair market value of the Land and buildings the valuer used the annual net income which can be generated by the property, and capitalised this using the market related rate. The calculation included the following assumptions: Capitalisation rate of 8.5% to 9%

Expenditure rate of 15% to 18%

### 4. Other financial assets

#### Available-for-sale

Unlisted shares	18,028,000	13,329,000
Unit trusts	27,428,095	34,227,917
	<b>45,456,095</b>	<b>47,556,917</b>

#### Held to maturity

Old Mutual Endowment Policy	11,189,420	9,908,961
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#### Total other financial assets

**56,645,515**      **57,465,878**

#### Total financial assets

Available-for-sale	45,456,095	47,556,917
Held to maturity	11,189,420	9,908,961
	<b>56,645,515</b>	<b>57,465,878</b>

## Notes to the Financial Statements

Figures in Namibia Dollar

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### 4. Other financial assets (continued)

#### Reconciliation of financial assets - 2018

	Opening balance	Gains (losses) in profit or loss	Gains (losses) in other compre- hensive income	Purchases	Sales	Total
Unlisted Shares in Ongwediva Medipark (Pty) Ltd	13,329,000	-	4,699,000	-	-	18,028,000
Sanlam unit trust	26,351,024	-	958,799	-	-	27,309,823
Old Mutual unit trust	7,876,892	-	141,380	-	(7,900,000)	118,272
Old Mutual endowment policy	9,908,960	578,922	-	701,538	-	11,189,420
	<b>57,465,876</b>	<b>578,922</b>	<b>5,799,179</b>	<b>701,538</b>	<b>(7,900,000)</b>	<b>56,645,515</b>

#### Reconciliation of financial assets - 2017

	Opening balance	Gains (losses) in profit or loss	Gains (losses) in other compre- hensive income	Purchases	Sales	Total
Unlisted Shares in Ongwediva Medipark (Pty) Ltd	12,229,000	-	1,100,000	-	-	13,329,000
Sanlam unit trust	25,446,243	-	904,781	-	-	26,351,024
Old Mutual unit trust	38,275,759	-	1,601,133	-	(32,000,000)	7,876,892
Old Mutual endowment policy	8,712,021	495,401	-	701,540	-	9,908,962
	<b>84,663,023</b>	<b>495,401</b>	<b>3,605,914</b>	<b>701,540</b>	<b>(32,000,000)</b>	<b>57,465,878</b>

The investment in unlisted shares in Ongwediva Medipark is measured as a level 3 financial asset. Fair value determination of the financial asset is explained under note 24.

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

The investment in unit trusts and endowment policies are measured as a level 2 financial asset. Fair value determination of the financial asset is explained under note 24.

## Notes to the Financial Statements

Figures in Namibia Dollar

### 5. Deferred tax

#### Deferred tax liability

Accelerated capital allowances for tax purposes	(10,400,152)	(5,711,542)
Provision for bad debts	2,257,784	2,486,527
Endowment policy	(3,395,359)	(3,170,867)
Consumable stock	(13,969,351)	(11,707,962)
Prepayment	(269,039)	(1,169,018)

#### Total deferred tax liability

**(25,776,117) (19,272,862)**

Deferred tax liability

(25,776,117) (19,272,862)

#### Reconciliation of deferred tax asset / (liability)

At beginning of year	(19,272,862)	(17,616,756)
Current year timing difference	(8,228,222)	(1,656,106)
Prior year adjustments	1,724,967	-

**(25,776,117) (19,272,862)**

### 6. Prepayments

Prepayments for the year amounted to N\$ 840 745 (2017 - N\$ 3 653 181).

Prepayments are incurred as a result of payment terms with a limited number of inventory suppliers.

### 7. Inventories

Consumables	43,050,241	36,587,380
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There was no write down of inventory to the Net realisable value during the current year.

### 8. Trade and other receivables

Trade receivables	390,501,360	257,640,485
Other receivables	1,658,364	1,753,471

**392,159,724 259,393,956**

#### Trade and other receivables pledged as security

No trade receivables have been pledged as collateral for liabilities or contingent liabilities.

The credit sales terms are 30 days

#### Trade and other receivables impaired

The amount of the provision was N\$ 9,407,436 as of 31 March 2018 (2017: N\$ 10,360,527).

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	10,360,527	5,981,795
Provision (reversed) / utilised during the year	(953,091)	4,378,732

**9,407,436 10,360,527**

## Notes to the Financial Statements

Figures in Namibia Dollar

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8,327	4,671
Short-term deposits	204,530	42,172,716
Bank overdraft	(26,688,580)	(60,120)
	<b>(26,475,723)</b>	<b>42,117,267</b>

### 10. Share capital

#### Authorised

20 000 000 Ordinary shares of N\$ 1 each

20,000,000 20,000,000

#### Issued

15 511 307 Ordinary shares at N\$ 1 each

15,511,307 15,511,307

### 11. Trade and other payables

Trade payables	31,347,450	26,681,480
Accrued leave pay	13,015,614	11,285,066
Accrued bonus	4,023,948	3,558,288
Accruals	31,159,819	16,087,418
Other payables	2,621,612	4,171,410
	<b>82,168,443</b>	<b>61,783,662</b>

Trade payables are normally settled on 30 day terms

Other Payables are mostly made up of retention on construction projects of N\$ 2,073,322 (N\$ 3,883,780 in 2017).

### 12. Revenue

Related party sales - services rendered	795,730,646	600,648,097
Third party sales - services rendered	40,433,108	34,612,592
	<b>836,163,754</b>	<b>635,260,689</b>

### 13. Cost of sales

Rendering of services	175,947,172	155,457,447
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### 14. Other operating income

Administration fees received	347,948	165,957
Other income	43,275	172,505
NTA Levy Refund	740,459	-
	<b>1,131,682</b>	<b>338,462</b>

### 15. Other operating gains (losses)

#### Gains (losses) on disposals, scrappings and settlements

Property, plant and equipment	-	39,907
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## Notes to the Financial Statements

Figures in Namibia Dollar

### 16. Operating profit

Operating profit for the year is stated after charging (crediting) the following, amongst others:

#### Auditor's remuneration - external

Audit fees

2018	2017
363,773	437,000

#### Remuneration, other than to employees

Consulting and professional services

2018	2017
1,660,658	2,000,664

#### Employee costs

Salaries, wages, bonuses and other short term benefits

2018	2017
244,842,010	200,182,371

#### Leases

##### Operating lease charges

Premises

2018	2017
1,069,961	1,266,539

Equipment

2018	2017
15,362,153	14,699,248

2018	2017
<b>16,432,114</b>	<b>15,965,787</b>

The below table indicates the future minimum lease payments under the non-cancellable operating leases.

#### Minimum Lease Payments 2018

Equipment leases

< 12 months	1 to 5 years
522,275	4,193,204

Property leases

< 12 months	1 to 5 years
1,416,132	-

2018	2017
<b>1,938,407</b>	<b>4,193,204</b>

#### Minimum lease payments 2017

Equipment leases

< 12 months	1 to 5 years
5,209,040	6,950,001

Property leases

< 12 months	1 to 5 years
1,220,191	1,486,337

2017	2018
<b>6,429,231</b>	<b>8,436,338</b>

#### Depreciation and amortisation

Depreciation of property, plant and equipment

2018	2017
13,616,918	8,218,330

## Notes to the Financial Statements

Figures in Namibia Dollar

	2018	2017
<b>16. Operating profit (continued)</b>		
<b>Impairment losses</b>		
Property, plant and equipment	2,254,262	-
<b>17. Investment income</b>		
<b>Dividend income</b>		
<b>From investments in financial assets classified as available for sale:</b>		
Unlisted investments - Ongwediva Medipark (Pty) Ltd	440,910	363,297
<b>Interest income</b>		
<b>From investments in financial assets:</b>		
Bank and other cash	17,255	107,100
Other financial assets	531,813	1,034,513
Interest received from Old Mutual Endowment Policy	578,922	495,401
<b>Total interest income</b>	<b>1,127,990</b>	<b>1,637,014</b>
<b>Total investment income</b>	<b>1,568,900</b>	<b>2,000,311</b>
<b>18. Finance costs</b>		
Interest paid	1,442,747	481,247
<b>19. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current</b>		
Local income tax - current period	25,245,195	57,289,759
<b>Deferred</b>		
Originating and reversing temporary differences	6,503,255	1,656,106
	<b>31,748,450</b>	<b>58,945,865</b>
<b>Reconciliation of the tax expense</b>		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	32.00 %	32.00 %
Exempt income	(0.14)%	(0.20)%
Disallowable charges	(1.34)%	0.65 %
	<b>30.52 %</b>	<b>32.45 %</b>
Exempt income is made up of dividends received whereas disallowable charges include items such as donations and legal fees.		
<b>20. Tax paid</b>		
Balance at beginning of the year	(5,954,456)	751,696
Current tax for the year recognised Profit and Loss	(25,245,195)	(57,289,759)
Balance at end of the year	(19,147,450)	5,954,456
	<b>(50,347,101)</b>	<b>(50,583,607)</b>

## Notes to the Financial Statements

Figures in Namibia Dollar

	2018	2017
<b>21. Related parties</b>		
<b>Related party balances</b>		
<b>Loan accounts - Owing (to) by related parties</b>		
Ministry of Health and Social Services - Trade receivables	605,176,102	234,110,891
<b>Purchases from/ (sales) to related parties</b>		
Ministry of Health and Social Services - Sales	(781,873,074)	(588,814,432)
Namibia Post Ltd - Courier Expense	-	3,090,873
<b>Key Management Personnel</b>		
Key Management Personnel	8,852,969	6,735,087
<b>Compensation to directors</b>		
Directors Emoluments	1,151,471	460,433

Key Management personnel are individuals that have the authority and responsibility for planning, directing and controlling the activities of the entity. These are all employees at executive level.

All Remuneration to management are of a short term nature.

The Namibia Institute of Pathology Limited is 100% owned by the Government of Namibia, which is represented by the Ministry of Health and Social Services, whereas Namibia Post Limited is also owned by the Namibian government.



# Notes to the Financial Statements

## Namibia Institute of Pathology Limited

(Registration number 2000/431)

Financial Statements for the year ended 31 March 2018

## Notes to the Financial Statements

Figures in Namibia Dollar

### 22. Categories of financial instruments

#### Categories of financial instruments - 2018

##### Assets

##### Non-Current Assets

Other financial assets

##### Current Assets

Trade and other receivables

Cash and cash equivalents

##### Total Assets

##### Equity and Liabilities

##### Liabilities

##### Current Liabilities

Trade and other payables

Bank overdraft

##### Total Liabilities

##### Total Equity and Liabilities

Note(s)	Available for sale financial asset	Held to maturity financial assets	Financial liabilities at amortised cost	Loans and receivables	Total
4	45,456,095	11,189,420	-	-	56,645,515
8	-	-	-	392,159,724	392,159,724
9	-	-	-	212,857	212,857
	-	-	-	392,372,581	392,372,581
	45,456,095	11,189,420	-	392,372,581	449,018,096
11	-	-	82,168,443	-	82,168,443
9	-	-	26,688,580	-	26,688,580
	-	-	108,857,023	-	108,857,023
	-	-	108,857,023	-	108,857,023
	-	-	108,857,023	-	108,857,023



## Notes to the Financial Statements

### Namibia Institute of Pathology Limited

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Financial Statements for the year ended 31 March 2018

### Notes to the Financial Statements

Figures in Namibia Dollar

#### Categories of financial instruments - 2017

##### Assets

##### Non-Current Assets

Other financial assets

##### Current Assets

Trade and other receivables

Cash and cash equivalents

##### Total Assets

##### Equity and Liabilities

##### Liabilities

##### Current Liabilities

Trade and other payables

Bank overdraft

##### Total Liabilities

##### Total Equity and Liabilities

4	47,556,917	9,908,961	-	-	57,465,878
8	-	-	-	259,393,956	259,393,956
9	-	-	-	42,117,267	42,117,267
	-	-	-	301,511,223	301,511,223
	47,556,917	9,908,961	-	301,511,223	358,977,101
11	-	-	61,783,662	-	61,783,662
9	-	-	60,120	-	60,120
	-	-	61,843,782	-	61,843,782
	-	-	61,843,782	-	61,843,782
	-	-	61,843,782	-	61,843,782

## Notes to the Financial Statements

### 23. Risk management

#### Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk), credit risk and liquidity risk. The entity is not exposed to foreign exchange risk and price risk.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The company's Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the company's Audit Committee.

Market risk is the risk that changes in market prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Board of Directors.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows.

2018	Due within 60 days	Due in 60 to 90 days	Due in 120 to 365 days	Due in 1 to 2 years	Due After 2 years	Total
Trade and Other Payables	33,969,062	-	-	-	-	33,969,062
Accruals	-	31,159,819	-	-	-	31,159,819
	<b>33,969,062</b>	<b>31,159,819</b>	-	-	-	<b>65,128,881</b>
2017	Due within 60 days	Due in 60 to 90 days	Due in 120 to 365 days	Due in 1 to 2 years	Due After 2 years	Total
Trade and Other Payables	30,852,890	-	-	-	-	30,852,890
Accruals	-	16,087,418	-	-	-	16,087,418
	<b>30,852,890</b>	<b>16,087,418</b>	-	-	-	<b>46,940,308</b>

## Notes to the Financial Statements

### 23. Risk management (continued)

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to bank balances in short term deposits with floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of short term deposits affected. With all other variables held constant, the company's profit before tax is affected through the impact on floating rate borrowings, as follows.

In the current year the disclosure of the effect of changes to the interest rates applicable to the entity has been restated as compared to the previous year to show the items that effect equity separately from those that effect profit and loss.

	<b>Increase/decrease in basis points</b>	<b>Effects on Profit before tax</b>	<b>Effects on equity</b>
<b>2018</b>			
Short term deposit	100	2,128	-
	(100)	(2,128)	-
Unit Trusts	100	-	274,280
	(100)	-	(274,280)
Endowment Policy	100	111,894	-
	(100)	(111,894)	-
Bank Overdraft	100	266,885	-
	(100)	(266,885)	-
	-	-	-
<b>2017 (restated)</b>			
Short term deposit	100	421,727	-
	(100)	(421,727)	-
Unit Trusts	100	-	342,279
	(100)	-	(342,279)
Endowment Policy	100	99,089	-
	(100)	(99,089)	-
Bank Overdraft	100	601	-
	(100)	(601)	-
	-	-	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

#### Receivables from customers

It is the policy of the company to provide services on a cash and credit basis. Credit is granted to medical aid scheme members, public institutions and private businesses.

The company ensures that they grant credit only after confirming that the potential debtor's credit status is satisfactory.

## Notes to the Financial Statements

### 23. Risk management (continued)

The company does not require collateral in respect of trade and other receivables

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for company of similar assets in respect of losses that have been incurred but not yet identified. The collective allowance is determined based on historical data of payment statistics for similar asset

Investments

Investments are held in unit trusts (Sanlam and Old Mutual) which are all liquid investments. The company limits its exposure to credit risk by only investing in liquid securities and only with counter parties that have a good credit rating.

Credit risk impairment history

The following tables provide information regarding the ageing of financial assets that are past due but not impaired

2018	Neither past due nor impaired	<3 months	03-06 months	06-12 months	Total
Held to maturity investments	11,189,420	-	-	-	11,189,420
Government debtors	-	155,031,643	134,183,876	95,846,483	385,062,002
Medical aids and other debtors	-	5,082,069	236,526	6,770,277	12,088,872
Other receivables (excluding prepayments) Cash and other short term interest bearing-instruments	1,658,364 212,857	- -	- -	- -	1,658,364 212,857
	<b>13,060,641</b>	<b>160,113,712</b>	<b>134,420,402</b>	<b>102,616,760</b>	<b>410,211,515</b>
2017	Neither past due nor impaired	<3 months	03-06 months	06-12 months	Total
Held to maturity investments	9,908,961	-	-	-	9,908,961
Government debtors	-	131,978,166	57,626,379	62,532,979	252,137,524
Medical aids and other debtors	-	5,164,550	1,807,717	8,552,810	15,525,077
Other receivables (excluding prepayments) Cash and other short term interest bearing-instruments	1,753,471 42,177,387	- -	- -	- -	1,753,471 42,177,387
	<b>53,839,819</b>	<b>137,142,716</b>	<b>59,434,096</b>	<b>71,085,789</b>	<b>321,502,420</b>

Financial assets neither past due nor impaired are mostly with institutions that have a AA rating or higher from a globally recognised rating agency and these institutions are unlikely to default on the normal credit terms.

### 24. Fair value information

#### Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.



## Notes to the Financial Statements

### 24. Fair value information (continued)

2018	Level 1	Level 2	Level 3	Carrying Amount
Ongwediva Medipark (Pty) Ltd	-	-	18,028,000	18,028,000
Sanlam Unit Trust	-	27,309,823	-	27,309,823
Old Mutual Unit Trust	-	118,272	-	118,272
Old Mutual endowment policy	-	11,189,420	-	11,189,420
	-	<b>38,617,515</b>	<b>18,028,000</b>	<b>56,645,515</b>
2017	Level 1	Level 2	Level 3	Carrying Amount
Ongwediva Medipark (Pty) Ltd	-	-	13,329,000	13,329,000
Sanlam Unit Trust	-	26,351,024	-	26,351,024
Old Mutual Unit Trust	-	7,876,893	-	7,876,893
Old Mutual endowment policy	-	9,908,961	-	9,908,961
	-	<b>44,136,878</b>	<b>13,329,000</b>	<b>57,465,878</b>

The fair value adjustment relating to the available for sale investment in Ongwediva Medipark (Pty) Ltd unlisted shares was determined through the present valuing of the expected future cash flows by an independent valuer. In determining the fair value of the investment, assumptions and estimates were made in relation to the future cash flows, fair rate of return as well as the terminal value at the end of a holding period of ten years. The calculation entailed some of the following assumptions:

Fair rate of return - 24.3% (2017 - 24.7%)

Holding period - 10 years (2017 - 10 years)

If the fair rate of return had been 2% lower than the management estimate, the fair value of the investment would have been N\$ 4,761,710 lower.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

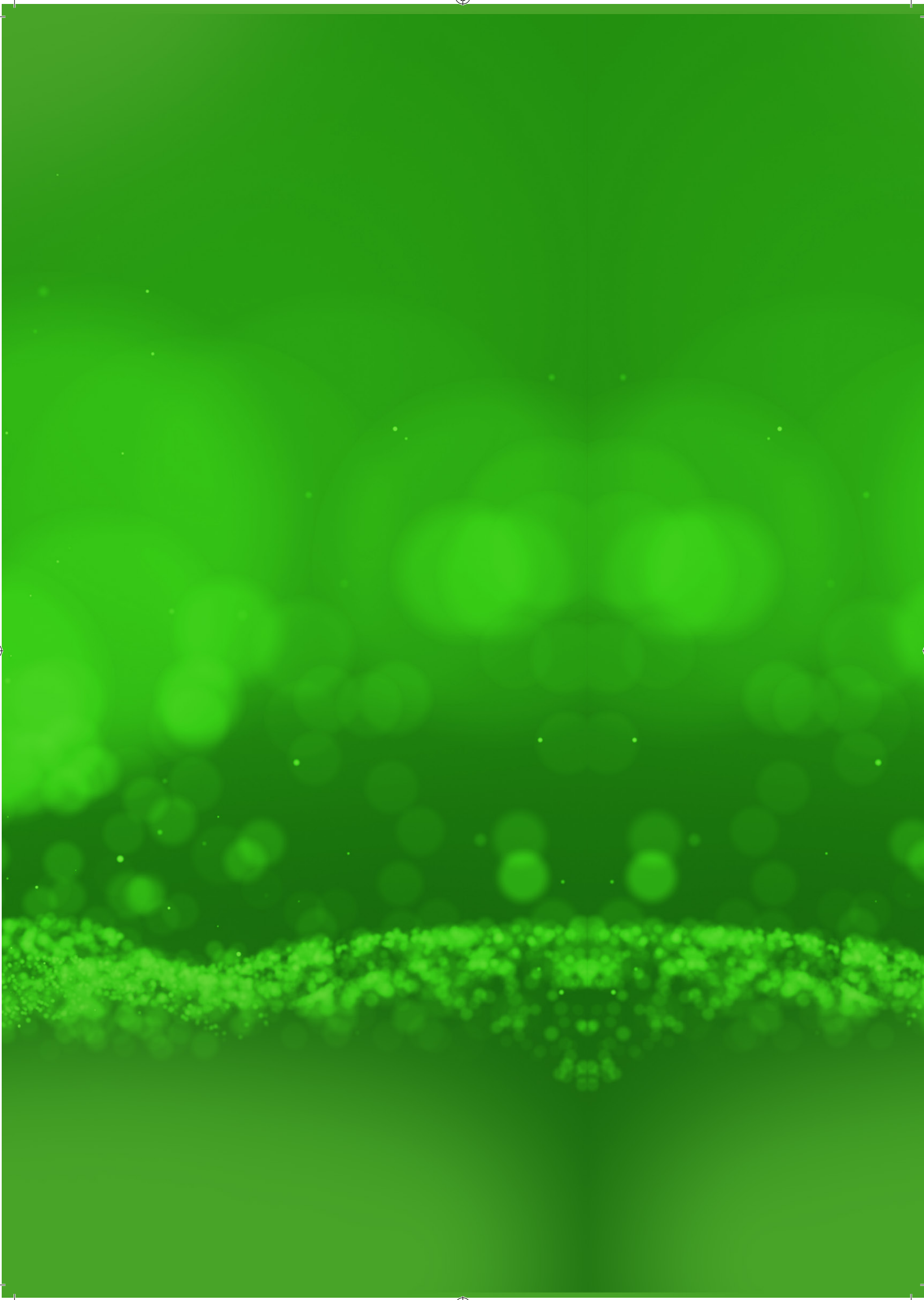
The fair value of financial instruments that are not traded in active markets is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instruments are included in level 3.

No changes have been made to the valuation technique.

### 25. Events after the reporting period

No events were noted after the reporting period.





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