ANNUAL REPORT

2018 / 2019

Where Commitment Matters and Quality Prevails.

Namibia Institute of Pathology Limited

WHERE COMMITMENT MATTERS AND QUALITY PREVAILS

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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 23 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these facilities were facing a number of challenges, such as staff shortages, limited and dilapidated infrastructure, outdated technology and limited resources.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 (40) 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 17 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 diseases 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, modern, safe and efficient equipment and our procedures are in full compliance with the most rigorous of regulations. Our laboratories are operated in accordance with the internationally recognized standard Laboratory Information System.

NIP's latest Innovations has been the establishment of a Molecular Diagnostics Unit at the Windhoek Central Reference Laboratory that allows for comprehensive diagnostics based on the technique of polymerase chain reactions. We are proud to be the only organization in Namibia to provide this much needed service, which is centered on HIV testing for adults and children, including measurement viral load levels as well as diagnoses of Chlamydia and Gonorrhea.

We are currently making use of a new technology to diagnose Tuberculosis. 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, a Quality Assurance Unit has been in place to monitor and control every aspect of our services and to provide accurate, thorough results and ultimate peace of mind to all our valued clients.

Strategic Outline

I) High Level Statements

Vision:

To be the medical laboratory service of choice in Africa

Mission:

To provide accessible, affordable and excellent medical laboratory services

Values:

Accountability: We take full responsibility for our actions

Commitment: We will respond immediately to the needs of our stakeholders, and will strive to provide excellent services at all times

Team Collaboration: We exhibit a positive team spirit in working together towards shared goals

Fairness: We are fair and transparent in all that we do

Accessible: We guarantee accessible and affordable services to our valued customers

Integrity: We maintain ethical standards at all times

Respect: 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). The Chief Executive Officer (CEO) provides vision and strategic direction to the institute as well as supervision of daily operational management of the institution. He is ably supported by an experienced and knowledgeable team of five executive managers, who assist to ensure that NIP meets its strategic goals.

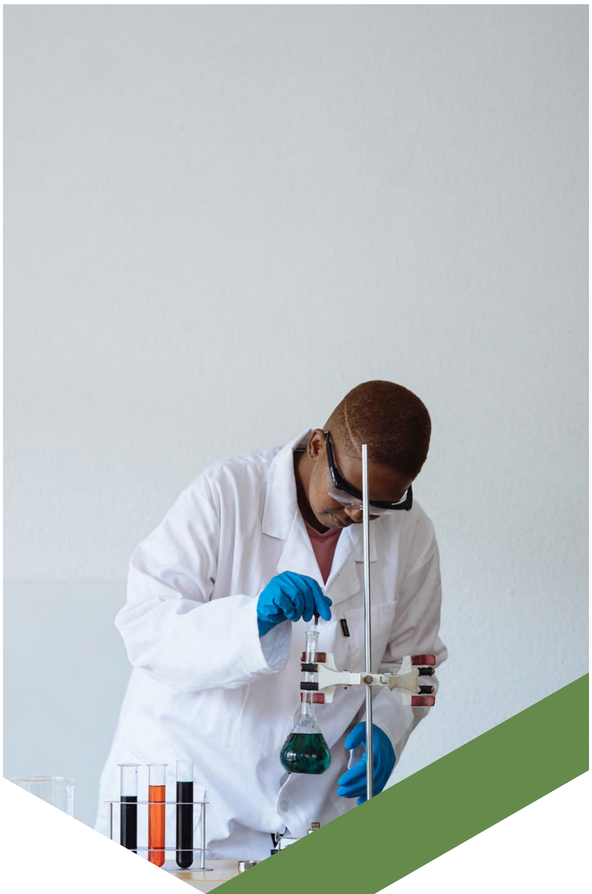
III) Strategic Pillars

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

Our Services

As the laboratory pathology service provider of choice and the only pathology service provider with a national footprint, we have a vital role to play in Namibia's healthcare system. With forty (40) medical laboratories spread across the country serving 80% of the population, we carry out important diagnostic tests everyday that can make a real difference to people's lives. We provide both state as well as private pathology services as mandated by NIP's enabling legislation. Strategic partnerships exist with the 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.
- We support the national Anti-Retroviral Treatment (ART) rollout programme through CD4 count. testing, viral load studies, and HIV treatment monitoring.
- We provide quality assurance for national Voluntary Counselling and Testing (VCT) sites.
- We provide TB diagnosis and treatment monitoring.
- We screen for cervical cancer.
- We provide internships for medical technicians, medical technologist and scientists.

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 immunodefiency virus deoxyribonucleic acid (HIV DNA) polymerase chain reaction, and viral load testing. To help them fulfil this important task, the technical department is supported by the quality assurance department.

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 we provide combines sophisticated technology along with highly-skilled, caring staff committed to giving families, medical staff, clients and Government, the best possible service. Pathology services are an essential element of almost 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 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 and procedural 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

WINDHOEK CENTRAL REFERENCE LABORATORY

WINDHOEK

REGIONAL LABORATORY

OSHAKATI
RUNDU
OTJIWARONGO
ONANDJOKWE

PRIVATE LABORATORY

WINDHOEK
RUNDU
ONDANGWA
OSHAKATI
ONGWEDIVA

LABORATORY

WINDHOEK	KATIMA MULILO
OPUWO	KHORIXAS
OUTAPI	OUTJO
TSANDI	TSUMEB
OKAHAO	GROOTFONTEIN
OSHIKUKU	OMARURU
ENGELA	OKAKARARA
OSHIKANGO	GOBABIS
OKONGO	SWAKOPMUND
EENHANA	WALVIS BAY
OMUTHIYA	REHOBOTH
NANKUDU	MARIENTAL
NKURENKURU	LUDERITZ
NYANGANA	KEETMANSHOOP
ANDARA	KARASBURG

Board of Directors

The Namibia Institute of Pathology (NIP) is a public enterprise that delivers key healthcare services to all citizens. Our operations are overseen by seven-member Board of Directors all of whom 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.)

Bryan Eiseb
Board Chairperson

Ingatutala Frieda Ekandjo
Deputy Board Chairperson

Jennifer Hamukwaya
Board Member

Dr Eino Mvula
Board Member

Dr Taati Ithindi
Board Member

Ben Nangombe
Board Member

Vanessa Tjijenda
Board Member

EXECUTIVE MANAGEMENT TEAM

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

Dr David /Uirab
Acting Chief Executive Officer

Jason Kafidi
Acting Chief Human Capital Officer

Gibson Imbili
Company Secretary

Melvin April
Acting Chief Technology Officer

Johannes Klemens
Acting Chief Strategy & Business Development Officer

Boniface Makumbi
Acting Chief Operations Officer

Chairperson's Remarks

Bryan Eiseb
Board Chairperson

This Annual Report highlights the achievements and challenges experienced during the 2018/19 Financial Year. The Report, in particular, focuses on governance, operational and financial performance of the company.

Recognising that the biggest asset of any nation is the health of its people, the Namibian healthcare system has helped to improve the health and well-being of Namibians and those who seek medical services in the country.

Therefore, in pursuance of affordable and accessible healthcare for all citizens, Namibia Institute of Pathology Limited (NIP) plays an important role in the Namibian healthcare sector by conducting all laboratory-related testing for the Ministry of Health and Social Services (MoHSS), while also competing in the private health care sector. As the largest diagnostic laboratory service provider, the NIP's footprint is well represented across the country. Thus, it is of utmost importance that its services are discharged in an efficient, effective, and quality assured manner for all its customers to benefit from the laboratory services we provide.

The NIP has five strategic thrust areas which are Quality, Service, Capacity, Expansion and Sustainability. The healthcare industry is highly service-oriented, and these thrust areas are aimed at ensuring that NIP provides cutting edge diagnostic services to our customers.

In terms of quality, it is important that the NIP network of laboratories maintains all relevant accreditations and execute their functions uninterrupted in order to achieve our mandate. In doing so we must maintain uncompromised and quality services of the highest standard. The NIP will continue to contribute to ground-breaking research and make new breakthroughs in the pathology of diseases which will be essential in treatment of the patients. To this end, I am happy to inform our stakeholders that NIP is in the process of setting up a dedicated research unit. This unit will drive our research agenda and we look forward to collaborating, not only with the Ministry of Health and Social Services, but also with the National Commission on Research Science and Technology and institutions of higher learning.

Strategic relationships remains very critical for NIP. Therefore, I am particularly pleased that we maintain sound relationships with the Ministries of Health and Social Services (MoHSS), and Public Enterprises (MPE). This positive relationship with the shareholder ensures that NIP, as a Public Enterprise, fulfils the mandate for which it was established.

Development partners and other stakeholders, such as the World Health Organisation (WHO), Centre for Disease Control and Prevention (CDC), and Presidents Emergency Plan For AIDS Relief (PEPFAR) are such partners who have supported NIP over the years in fulfilling its mandate.

The internal stakeholders play a critical role in any business establishment. Despite the challenging times we encountered during the year under review, NIP staff remained resolute in fulfilling our mandate of providing medical laboratory services to all our customers. NIP's staff members represent the best that the NIP can offer and the Board is very proud of our staff members and encourage them to keep on working with pride, dignity and discipline as we serve our country and customers.

This Report shows that the NIP is in good financial health. The nominal revenue figure has come down from N$ 836 163, 754 the year before to N$ 624 019 917. This is as a result of the corrections that were made to the erroneous HIV viral load tariffs that the Namibian Association of Medical Aid Funds (NAMAF) had provided to service providers. However, this 25% drop in the nominal revenue did not affect our profitability as a company. As a matter of fact, our profit was 5% higher than the previous financial year. This is because we were able to put in place stringent measures on our expenditure, knowing that income would decrease significantly. In addition, most financial ratios are better than those of the year before.

The review period witnessed the ballooning of accounts receivable (debt) from our main client. As a result, although the company has remained profitable, the cash flow has remained a challenge.

Unfortunately, 2018/2019 is also the year in which the entire Executive Committee of the company was suspended for various corporate irregularities. As painful as this was, corporate governance demanded that stern action be taken.

The NIP will continue to play a significant role in the Namibian healthcare sector. We will continue to add to our test repertoire, acquire state-of-the-art equipment and to further improve on our service delivery. Certainly, the NIP will cement its rightful place of being the medical laboratory service provider of choice in Namibia and aspire to compete regionally and continentally.

As I conclude, I would like to thank both the Ministry of Health and Social Services and the Ministry of Public Enterprises, for the support that we continue to receive. This commendable level of support will ensure that we jointly build the NIP to become an employer of choice. Furthermore, I wish to thank all our loyal customers for their continued support and loyalty. I pay tribute to my fellow Board members for their invaluable contribution and commitment towards the NIP. Together, we will continue to strive towards building, not only NIP, but also a country that we are proud of.

Bryan Eiseb
Board Chairperson

Acting Chief Executive Officer's Remarks

Dr David /Uirab
Acting Chief Executive Officer

It was an immense honour to have been seconded by the Ministry of Health and Social Services MoHSS to manage the affairs of NIP in the interim until a substantive Chief Executive Officer is appointed. My return to NIP comes 15 years after leaving the institution where I served as founding CEO.

During the formative years, the institution had limited resources and had to make do with what was available. We had the mammoth task of laying a solid foundation for NIP and creating systems and processes to create an institution that would meet the expectation of the shareholder as well as the service users. Steering the institution to greater heights was thus our primary goal.

I am thus humbly proud that NIP has evolved into an agile organisation that provides accessible, affordable, and excellent laboratory services. I am thus grateful to the founding, former and current Board of Directors, management, and staff of the NIP who played a positive role in shaping NIP into the organisation it is today.

The year under review has been a challenging one in our quest to fulfil our mandate and at the same time to minimise unnecessary costs. Although a 25% drop in revenue was recorded, NIP was still able to record sound financial results. Management implemented several cost-saving measures, which resulted in the delay of the implementation of some activities.

NIP encountered frequent service interruptions due to the non-availability of reagents and instrument downtime which resulted in some laboratories not being able to perform tests and meeting the desired turnaround time (TAT). However, the institution was able to refer selected tests in order not to compromise on overall patient management which is dependent on laboratory test results.

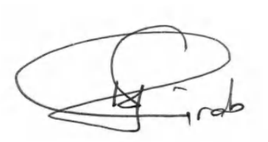
Quality is one of the five strategic thrust areas of NIP, and we endeavour to become the leader in implementing Total Quality Management in the medical laboratory industry. As an organisation we subscribe to ISO 15189: 2012 that specifies requirements for quality and competence in medical laboratories. Nine of our laboratories are internationally accredited, namely, Windhoek Central Reference (Core Laboratory, Molecular Diagnostics Unit and TB), Katutura, NIP Windhoek Private Laboratory, Swakopmund, Onandjokwe, Keetmanshoop and Rundu Regional Laboratory. It is also worth noting the change of accreditation bodies from the South African National Accreditation System (SANAS) to the Southern African Development Community Accreditation Services (SADCAS).

SADCAS gained international recognition through the International Laboratory Accreditation Corporation (ILAC) mutual recognition agreement for medical testing as per ISO 15189 standard in October 2017. Following the SADCAS recognition, it has now become mandatory for all the medical laboratories in Namibia to be accredited solely under this accreditation body. We embraced SADCAS and we are proud to be part of it.

Annual safety audits were also conducted during the financial year under review. A total of 30 laboratories were subjected to safety audits. In all the audited laboratories, an improvement was noted in the compliance to safety requirements and regulations. The average compliance score during the period under review stood at 92% against the set target of 80%, which is a tremendous achievement in relation to compliance with safety requirements and regulations.

We relentlessly continued to engage our stakeholders on matters affecting service delivery. Through such engagements and feedback we were able to gauge our performance in regard to service delivery, and to re-map ways for improving on service delivery in our constantly evolving industry.

NIP continues to work with international development partners to strengthen laboratory capacity and we cannot over-emphasise our immense gratitude for the support received from PEPFAR and WHO. With this type of support the future outlook for NIP looks bright and promising. NIP is certain to cement its rightful place of being the medical laboratory service provider of choice in



Dr David /Uirab
Acting Chief Executive Officer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Finance & Administration

In the midst of challenging economic conditions characterised by increased interest rates, inflation and a depreciating Namibia Dollar, NIP has recorded sound financial results. The information below must be read in conjunction with the audited annual financial statements included in the report.

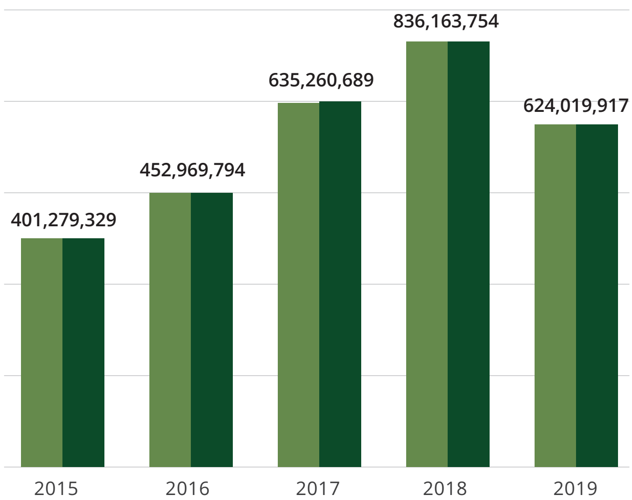
3.1 Financial Performance

3.1.1 Revenue

Table 1

Description	2015	2016	2017	2018	2019
Total Revenue	401,279,329	452,969,794	635,260,689	836,163,754	624,019,917

Graph 1: Total revenue generated over a four-year period:



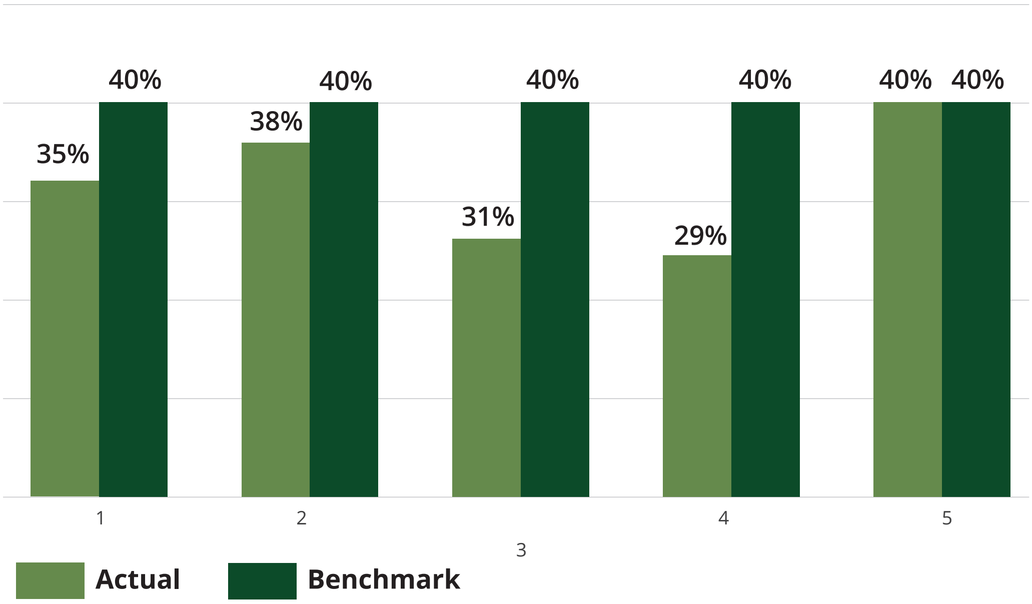
The above graph depicts a 25% drop in total revenue when compared to the previous financial year. The revenue has dropped from N$836 million to N$625 million in the year under review. This is mostly attributable to a tariff error correction as announced by the Namibian Association of Medical Aid Funds (NAMAF). Viral load remains the biggest revenue contributing test to NIP in the period under review.

3.1.2 Employee Cost

Employee cost constituted 40% of the total revenue and is in line with the 40% benchmark set by NIP. This represents a 37% increase when compared to the 29% recorded in the previous financial year. This is primarily as a result of the reduction in revenue as indicated in graph 1.

Graph 2 is a representation of employee cost as a percentage of total sales.

Graph 2: Employee cost



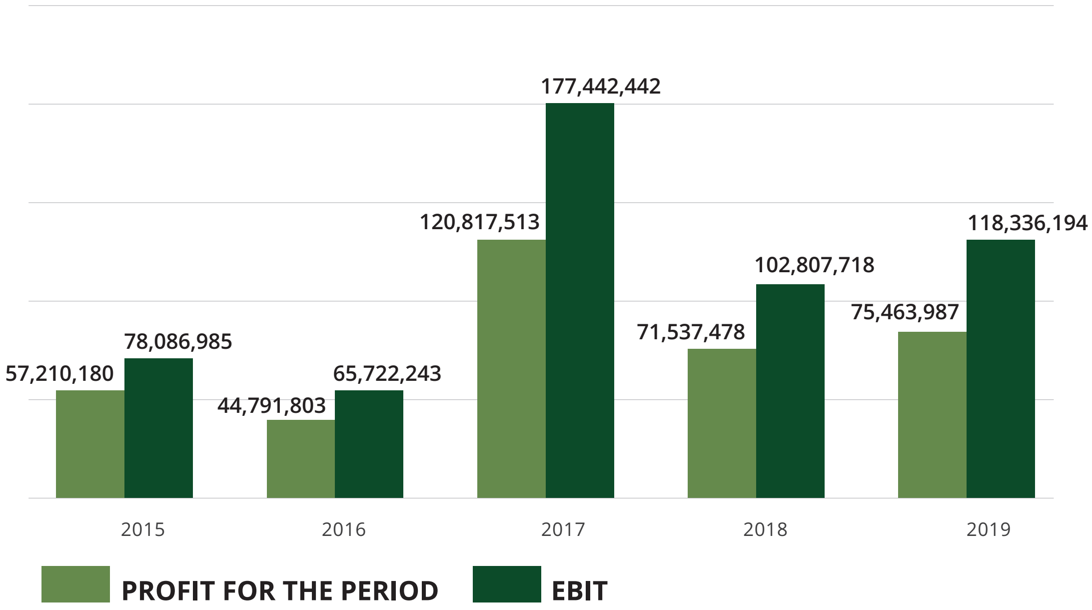
3.1.3 Profitability

NIP has recorded a profit of N$75 million (2018: N$71 million) which represents a 5% increase from the previous financial year. This was mostly driven by tight cost-cutting measures to counter the anticipated significant drop in revenue. As a result thereof other profitability indicators such as Earnings Before Interest and Tax (EBIT) have also improved by 15% when compared to the previous financial year. The latter reflects the true effects of the cost containment and lean operations of NIP for the year under review. Below is a table and graph depicting the EBIT as well as profit from operations:

Table 3: Profitability indicators

Indicator	2015	2016	2017	2018	2019
EBIT	78,086,985	65,722,243	177,442,442	102,807,718	118,336,194
Profit for the period	57,210,180	44,791,803	120,817,513	71,537,478	75,463,987
EBIT as a % of revenue	19%	15%	28%	12%	19%
Profit Margin	14%	10%	19%	9%	12%
Gross profit Margin	72%	72%	76%	79%	73%

Graph 3: Profitability and EBIT



The excellent financial performance can be attributed to the combination of revenue enhancements as cost containment strategies.

3.2 Financial Position

3.2.1 Net Asset Value

NIP's Net asset value (NAV) stands at N$610 million which is a 12% increase from the previous financial year. The total Assets value for the year is N$770 million (2018: 677 million). It should be noted that 63% of the total assets value is made up of Trade Receivable balances.

NIP's cumulative investments in movable and immovable assets over the last five years amounted to more than N$185 million. Capital expenditure (Capex) are generally necessitated by, among others, technological advancement, and the replacement of old equipment, including motor vehicles. The state-of-the-art investment in the head office building that also houses a laboratory makes up a significant portion of the N$185 million investment.
Below is a summary of the capital expenditure over the last five years, as well as a chart (break-down) of the capital expenditure for the period under review.

Table 4: Capital Expenditure per Financial Year

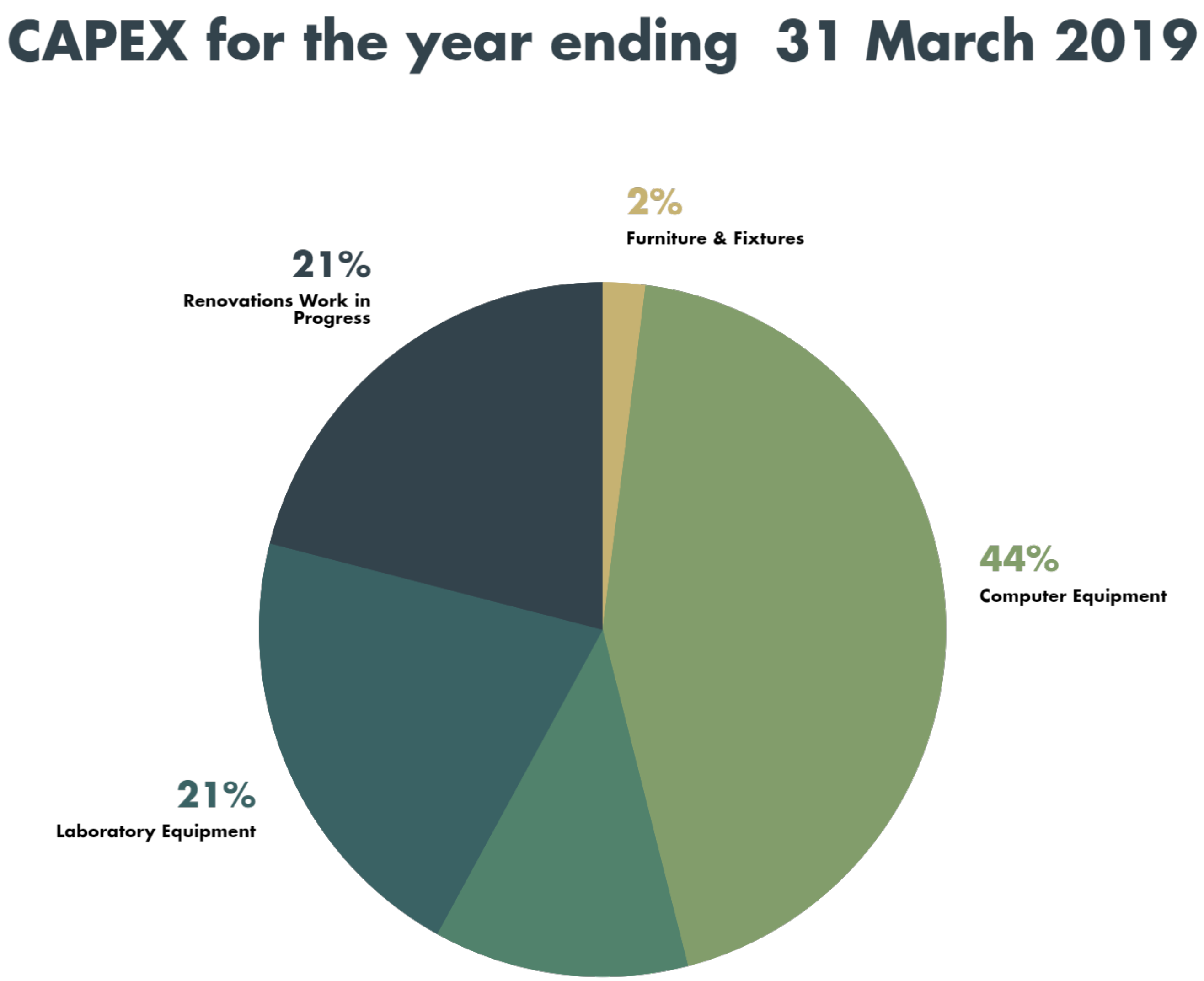
Financial Year	2015	2016	2017	2018	2019	Total
Amount (N$)	16,279,816	43,107,424	86,380,440	27,639,070	12,027,842	185,434,592

Table 5: Ratio Indicators – Balance Sheet

Ratio Description	Ratio Type	2019	2018
Total Debt Ratio	Solvency	21%	20%
Current Ratio	Liquidity	4.4	4.2

Both ratio indicators remain more or less the same when compared to the previous financial year.

Graph 4: Capital Expenditure Composition for the year



3.2.2 Cashflow

Due to inconsistent payments for services rendered by the Ministry of Health and Social Services (MOHSS), NIP is experiencing cash-flow challenges. This unfortunate situation hampered the successful implementation of parts of NIP's corporate strategic plan. Despite the inconsistent payments for services rendered, both Management and the Board are confident that the entity will continue to operate as a going concern, and the financial statements were thus prepared on a going concern basis.

Human Capital

The Human Capital Business Unit collaborates with business units to recruit, develop, support, recognize and retain diverse and talented employees who are key and integral to NIP's success.

4.1 Affirmative Action

NIP has complied with the requirements of the Affirmative Action (Employment) Act, No. 29 of 1998 and has received the Affirmative Action Compliance Certificate from the Employment Equity Commission. The Institute has only three racially advantaged employees (which represents 1% of the workforce) and 22 non-Namibian employees (representing 5% of the workforce).

Chart 1: Racial Profile

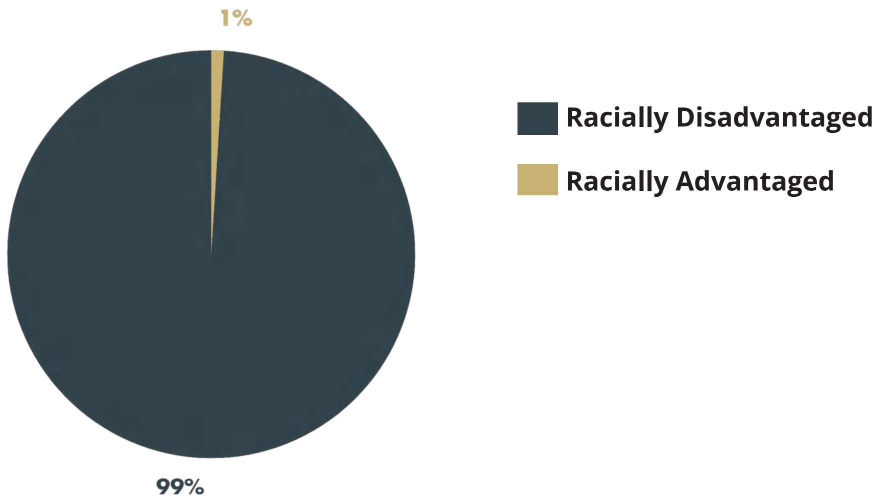
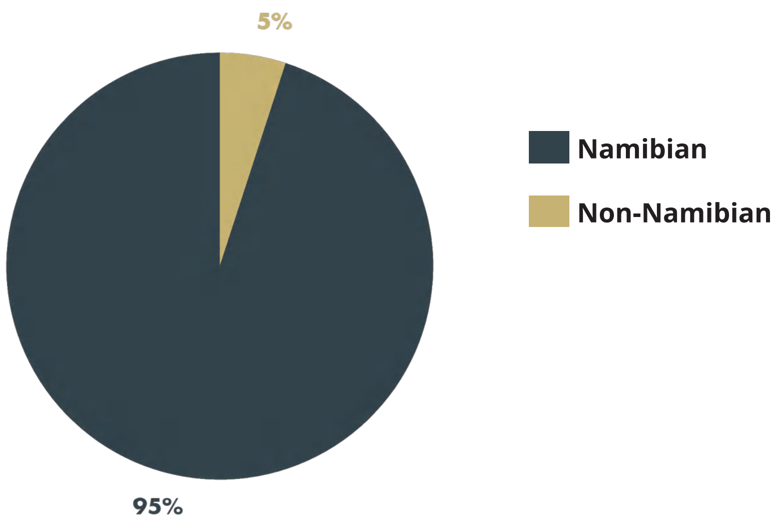


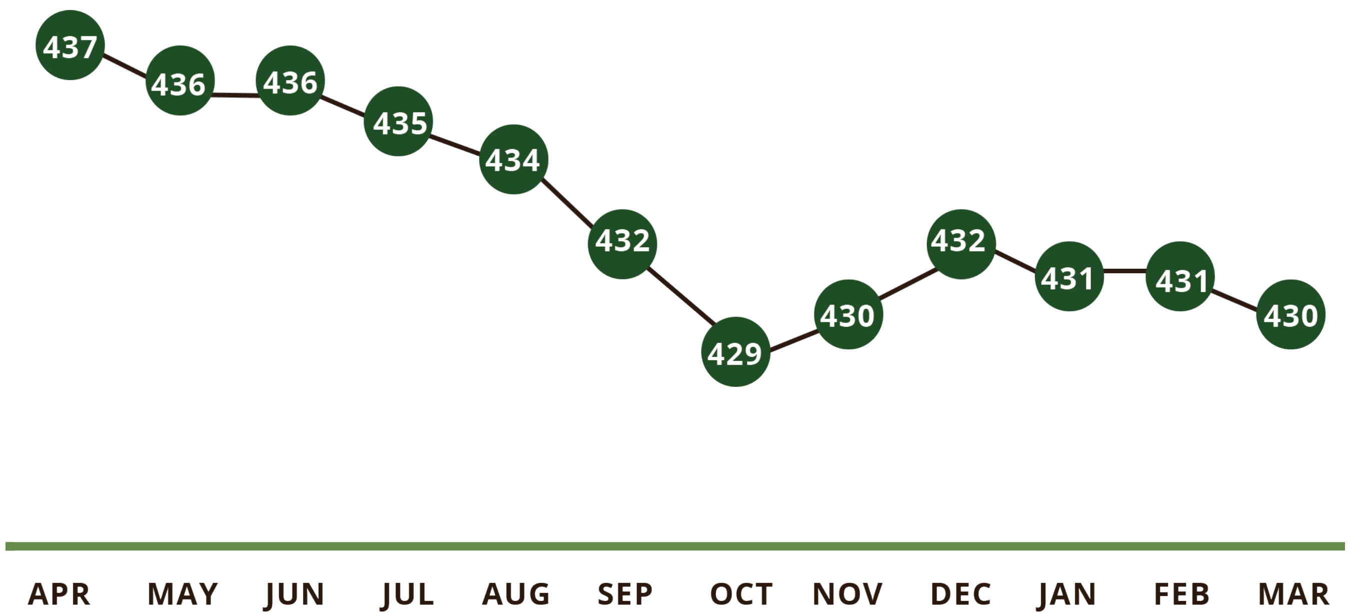
Chart 2: Non-Namibians Profile



4.2 Workforce Overview

As at the end of March 2019, NIP had on average a total workforce of 430 (94%) permanent staff and 29 (6%) fixed-term employees.

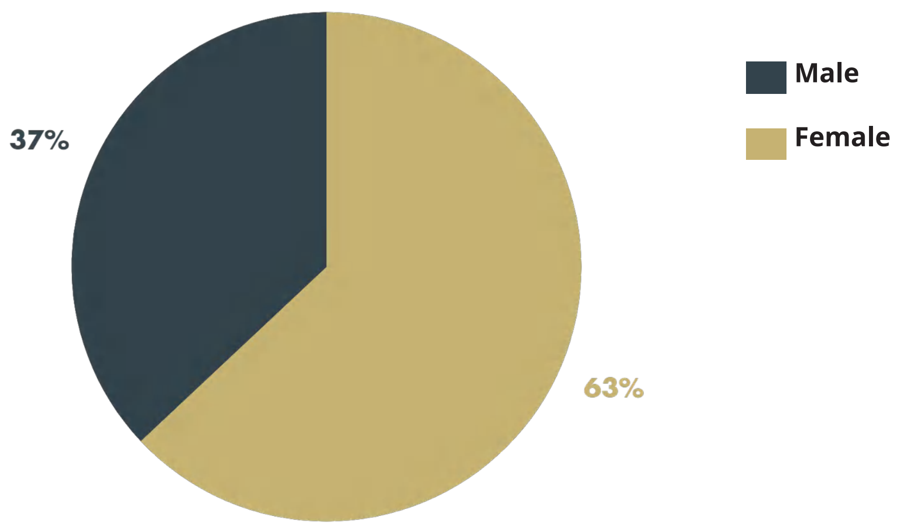
Chart 3: Workforce Growth (Permanent Staff)



4.2.1 Gender Distribution

In terms of gender parity, NIP is female dominated with 63% (289) of the total employees female and 37% (170) male.

Chart 4: Gender Distribution



4.2.2 Staff Movement

The NIP workforce has been declining over the reporting period due to re-alignment of the organizational structure and re-deployment of workforce.

4.3 Employee Relations

A total of fifteen (15) disciplinary cases were attended to during the reporting period, of which absenteeism cases are prevalent. There are continuous efforts to educate and sensitize staff on the institution's disciplinary code and procedures toward ensuring sound employee relations.

NIP maintains healthy and positive relations with its employees and the recognised labour Union, (NAPWU). The relationship between the company and NAPWU is managed through a Recognition Agreement. Issues affecting the employer and employees are negotiated between the parties, as governed by both the Recognition Agreement and the Labour Act.

4.4 Employee Wellness

As a responsible employer, NIP is concerned about the physical, mental and financial wellness of its employees. During the period under review, the following wellness activities were conducted:

- 11 employees were assisted through NIP's Employee Assistance Program
- 3 wellness sessions were conducted
- 293 employees participated in on-site biometric screening
- 4 employees were subjected to medical referrals

4.5 Training and Development

A total of 31 employees received training during the reporting period.

4.6 Bursaries and Scholarships

NIP has awarded a bursary to a student to pursue a four-year Master's degree in Anatomical Pathology at an approximated cost of N$120,000 per annum.

Technical Operations

Technical Operations unit plays a central role in ensuring that all NIP laboratories are operational and conform to relevant regulations and standards including ISO 15189: 2012 and occupational health and safety.

Quality Excellence

Quality excellence was achieved and maintained with significant effort put into readiness for the February 2019 SANAS accreditation assessments both for the existing accredited laboratories and the nominated laboratories. Implementation of the quality management systems requirements during the period under review was well executed, with the status of corrective actions for non-conformances raised from 82% to 100%. This trend continued and the 100% mark was reached by the end of January 2019.

5.1.1 Maintaining Accreditation Status of Accredited Laboratories

Although there was a slow pace in the programme for non-accredited laboratories through the standardised processes of the Stepwise Laboratory Improvement Process Towards Accreditation (SLIPTA), the seven (7) laboratories that were assessed maintained their star rating, except for Nankudu laboratory which dropped by one (1) star.

Compliance to safety inspections conducted were on average reported as 75%, which is below the target of 80%. No incidents of laboratory-acquired infections were reported for the period under review.

5.2 Service – Operational Excellence

The average percentage operational excellence achieved performance for all operational areas is 94%. This includes key quality indicators such as turnaround times (TATs), telephoning of critical and urgent results, monitoring of pending or outstanding specimens and tests, internal quality control, and the external quality assurance programme. This is an achievement of the objective to optimize and improve overall operational excellence.

5.3 Capacity

Mid-year performance reviews were completed during October 2018. In terms of compliance to Corporate Governance Audits, no additional risk areas were identified during the period under review.

There was no comprehensive assessment of the overall increment in test volumes as the electronic system (qlickview) used for this purpose is no longer available to laboratory users.

The Laboratory Instrument Performance Report indicates that there were a number of instruments, particularly the GeneXpert, with extended downtimes. This was mainly due to the financial position that could not keep up with the maintenance schedule.

All capital projects were put on hold due to budgetary constraints and no activity was initiated for renovations.

5.4 Quality Indicators

Objective 1: Become the central Hub for quality improvement

In its quest toward becoming the central hub for quality improvement, a number of activities and performance indicators were laid out in the annual business plans of each operations area. These activities include:

Quality excellence

- Achieve two newly accredited laboratories/departments.
- Maintain the accreditation status of the seven accredited laboratories/ departments.
- Reduce the SLIPTA star rating of non-accredited laboratories with 1-star rating from 12% to 5%.
- Increase the SLIPTA star rating of non-accredited laboratories with 2-star rating from 17% to 45%.
- Increase the SLIPTA star rating of non-accredited laboratories with 3-star rating or more from 44% to 50%.
- Achieve 95% compliance to the nnual Safety Programme.
- Achieve 80% score in annual Safety Audits.
- Reduce cases of laboratory-acquired diseases/infections (proven and documented) to 0%.

Output quality

All the seven (7) internationally accredited laboratories maintained their accreditation status by end of March 2019, with the exception of Windhoek Central Laboratory departments such as the Laboratory Support Services (LSS), Core Laboratory and Molecular Diagnostics Unit (MDU) which has not been assessed during the period under review.

In preparation for the assessment, all non-conformances from the internal and verification audits for the above mentioned laboratories were cleared. In addition to the aforementioned, the Core Laboratory embarked upon a self-audit to assess the continuous effectiveness of corrective actions taken on all the audit findings. Accreditation status for LSS, Core lab and MDU was successfully maintained.

Accreditation Preparation for the Nominated Laboratories

Management has considered the Board's view to focus on maintaining international accreditation as opposed to accrediting new laboratories, considering NIP's financial position. However, funds could be available through the PEPFAR funding, if approved, to fund the initial assessments for the nominated laboratories.

1) Windhoek Central Reference TB Biosafety Level 3 Laboratory

Accreditation preparations for the TB Biosafety Level 3 laboratory continued during the period under review. This included implementation of the technical and management quality requirements that were identified through the CLSI assessment. Clearance status of the findings for the CLSI assessment was at 63% at the time of reporting.

The major challenge remains to be the structural deficiencies, and a request for the assessment of the heating, ventilation and air conditioning (HVAC) system submitted to the Procurement Management Unit (PMU) in 2018 was still pending at the time of reporting. The latter was in relation to a request for an assessment by a biosafety engineer, as such assessment will provide recommendations on the fixing of the system.

2) Windhoek Central Reference Laboratory: Microbiology and Anatomical Pathology Laboratories

The Microbiology and Anatomical Pathology Laboratory continued with implementation of the quality management systems requirements during the period under review.
The status of corrective actions taken for the Microbiology and Anatomical Pathology Laboratory was at 82% at the time of reporting.

Corrective actions for the Microbiology and Anatomical Pathology Laboratory could not be implemented as anticipated as the CMT had to assist with bench work due to backlogs that were experienced over the reporting period.

3) Katima Mulilo Laboratory

The Katima Mulilo Laboratory is ready to be audited externally, and is yet to be audited externally using the Southern African Development Community Accreditation Services (SADCAS) quality management system. However, the laboratory was audited internally and to date 97% of the non-conformances identified was cleared.

Training in Quality Management System and Strengthening Laboratory Management Towards Accreditation (SLMTA) was halted due to financial constraints.

4) Oshakati Main Laboratory

Clearance status of the Oshakati main laboratory remained at 94%. The remaining non-conformances pertain to the calibration of instruments that require a subcontracted company to be appointed by the procurement management unit.

Laboratory Gap Assessment was conducted at Oshakati Main laboratory on 24 to 25 September 2018. 72% of the Internal Audit non-conformances were cleared, while 52 raised non-conformances are due to be cleared in November 2018.

In addition, gap assessments were conducted in laboratories earmarked for external assessment. Clearance status for the gap assessment and internal audit for these laboratories are as follows:

Laboratory	Gap Assessment	Internal Audit
Ongwediva	100% of the NCs cleared	96%
Oshakati Main	79% of the NCs cleared	98%

Oshakati Private Laboratory has been downgraded to a depot and was not audited.

5) Ongwediva Medipark

Clearance status of non-conformances for Ongwediva Medipark to date is at 100% non-conformances cleared. Gap assessment was conducted and 100% of the non-conformances was cleared, while 92% of the Internal Audit non-conformances were cleared.

6) Walvis bay

Clearance of internal audit non-conformances was at 81%, exceeding the 80% target.

7) Otjiwarongo

The Otjiwarongo aboratory remains at 4-star rating and is preparing for accreditation assessment. Internal audits and clearance of non-conformances were done during September. Clearance of non-conformances was 97%, exceeding the 80% target.

Status of Accredited Laboratories

After the accreditation assessments during the period under review, the accreditation status for the following laboratories and departments were maintained:

a. Rundu Regional laboratory
b. Swakopmund laboratory
c. Keetmanshoop
d. Onandjokwe laboratory
e. The Windhoek Central Reference laboratory, TB level 2 laboratory, Laboratory Support Services (LSS), Core laboratory and Molecular Diagnostics Unit were assessed.

Non-accredited laboratories through standardized processes of the Stepwise Laboratory Improvement Process Towards Accreditation (SLIPTA)

All the laboratories that are not internationally accredited are implementing the established World Health Organization's framework for improving the quality of public health laboratories in developing countries to achieve ISO 15189 standards. This framework enables laboratories to develop their quality management systems in order to produce timely, reliable and accurate laboratory results.

Compliance to annual safety programme

Percentage Compliance to Annual Safety Programme

Compliance of safety inspections conducted were on average reported as 75%, which is below the target of 80%, while no incidents of laboratory-acquired infections were reported for the period under review.

Safety Inspections

Safety inspections were conducted for all laboratories during the period under review. The compliance of safety inspections conducted were on average reported as 75%, which is below the target of 80%.

Area	% of Compliance	% Laboratory-acquired Diseases/Infections
WCRL	92	0
North-Central	100	0
North-West	94	0
North-East	100	0
Windhoek and South (Katutura lab)	93	0
Average	76	0

Number of Proven and Documented Cases of Laboratory-Acquired Diseases/ Infections.

No cases of laboratory-acquired diseases/infections were reported for the period under review.

Achievement of Operational Excellence

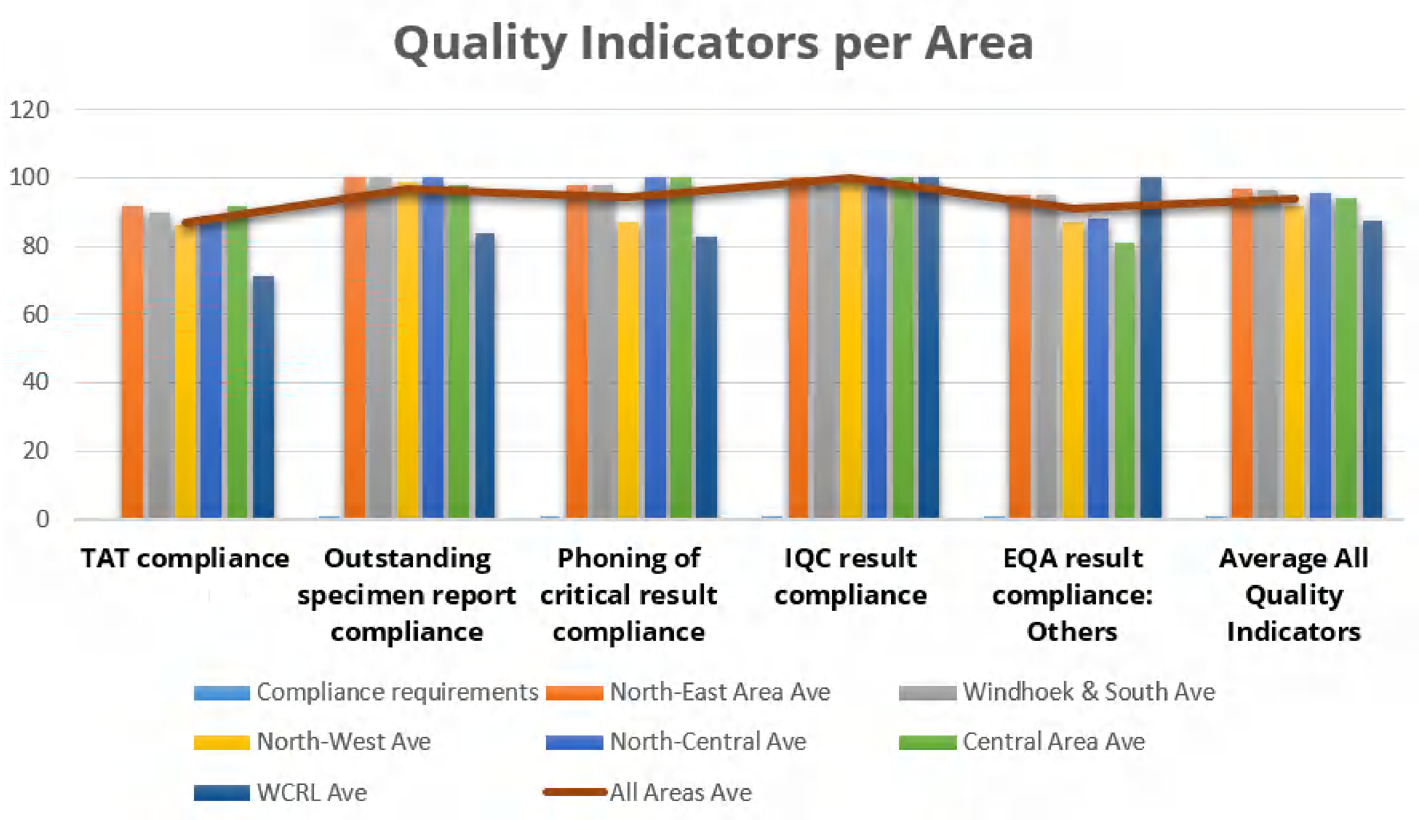
The Area Laboratories and the Windhoek Central Reference laboratory put in significant effort to deliver excellent services to its clients during the period under review. Frequent interruption of services continued to be experienced in all laboratories/departments and this became a limitation to patient management and to achieve the set objectives. Service interruptions were mainly due to stock-outs resulting from creditors' accounts that were put on hold and goods consequently not released by suppliers, as well as inefficiencies in the procurement process.

The clinical pathology departments that were immensely impacted by this were: Viral load, TB laboratory, Microbiology, Core lab and Histology. TB GeneXpert, Culture and LPA testing, Microbiology testing, and Therapeutic drug levels testing.

A weekly to monthly reporting system pertaining to operational challenges continued to be implemented to inform the NIP leadership immediately about the challenges on the ground as well as interim measures taken to avert the situation. Engagements with MoHSS officials as well as HIV and TB programme officials took place to inform all about the impact of the stock-outs in the laboratories. Service delivery was severely affected during this time, which resulted in the rejection of numerous test requests.

5.5 Quality Indicators

		North-East	**Windhoek & South**	**North-West**	**North-Central**	**Central**	**WCRL**	**All Areas**
Quality Indicator	Compliance requirements	Ave	Ave	Ave	Ave	Ave	Ave	**Ave**
TAT compliance	80-85%	92	90	86	89	92	71	**87**
Outstanding specimen report compliance	95%	100	100	99	100	98	84	**97**
Phoning of critical result compliance	100%	98	98	87	100	100	83	**94**
IQC result compliance	100%	100	99	100	100	100	100	**100**
EQA result compliance: Others	80%	95	95	87	88	81	100	**91**
Average/Area	**94%**	**97**	**96**	**92**	**95**	**94**	**88**	**94**



5.5.1 Turn-around Time Profiles for Laboratories.

8) The Area laboratories reviewed the turnaround time profiles for all tests. Revised turnaround time profiles were communicated to clients as well as the Corporate Affairs office with a request that same be distributed to all service users.

9) Quality indicator targets for turn-around times and outstanding specimens for viral load, DNA PCR and TB were not met at the Windhoek Central lab due to mostly reagent stock-outs.

10) Laboratories that failed to meet established targets for telephoning of critical results are Oshakati Regional Reference, Ongwediva, Oshikuku and Tsandi Laboratory. Non-conformances were raised to implement corrective actions and for some laboratories such as Ongwediva improvements were noted. However, for laboratories such as Oshakati regional, corrective actions implemented only brought slight changes and the laboratory still fails to meet the established target for phoning of critical results.

5.5.2 Monitoring of Referral Laboratories

The table below provides an overview of the turnaround times for referral laboratories.

% Tests completed within 120 hours

Month	Global	Pathcare	LANCET
October	100%	100%	100%
November	100%	100%	100%
December	100%	100%	100%

5.5.3 Percentage Completion of Laboratories Identified for Renovations

All capital projects were put on hold due to budgetary constraints, and no activity was initiated for renovations.

An un-serviced plot was identified and procured to build the Otjiwarongo laboratory.

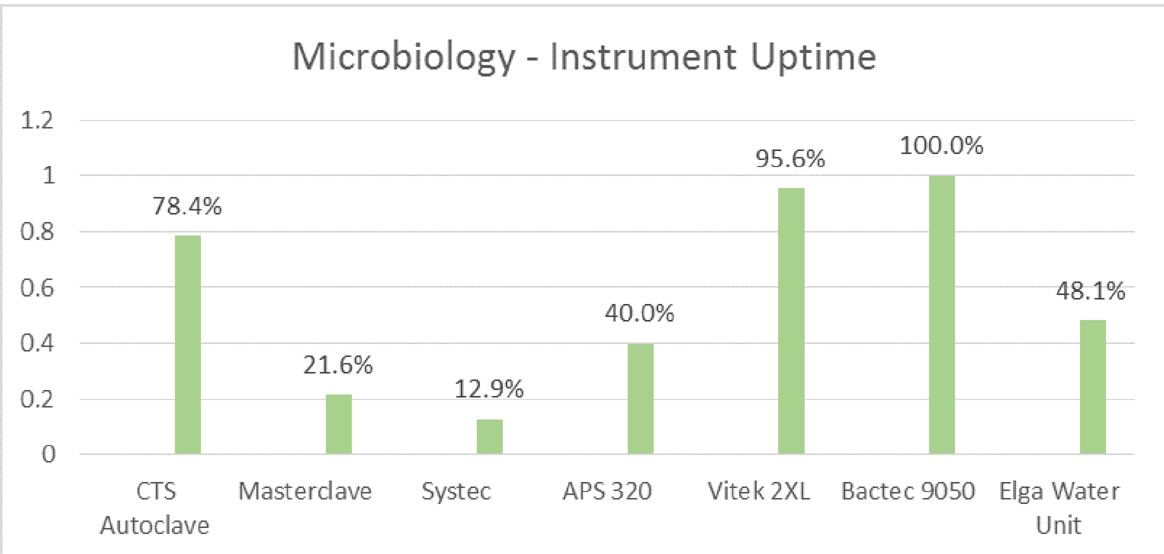
Progress on work done to date at the Oshakati regional reference laboratory is standing at 42%. Delays were experienced due to conflicts between the main contractor and sub-contractors. On recommendation of the principal agent, Ben Kathindi Architects, the project is currently on hold and will resume once pending issues are addressed.

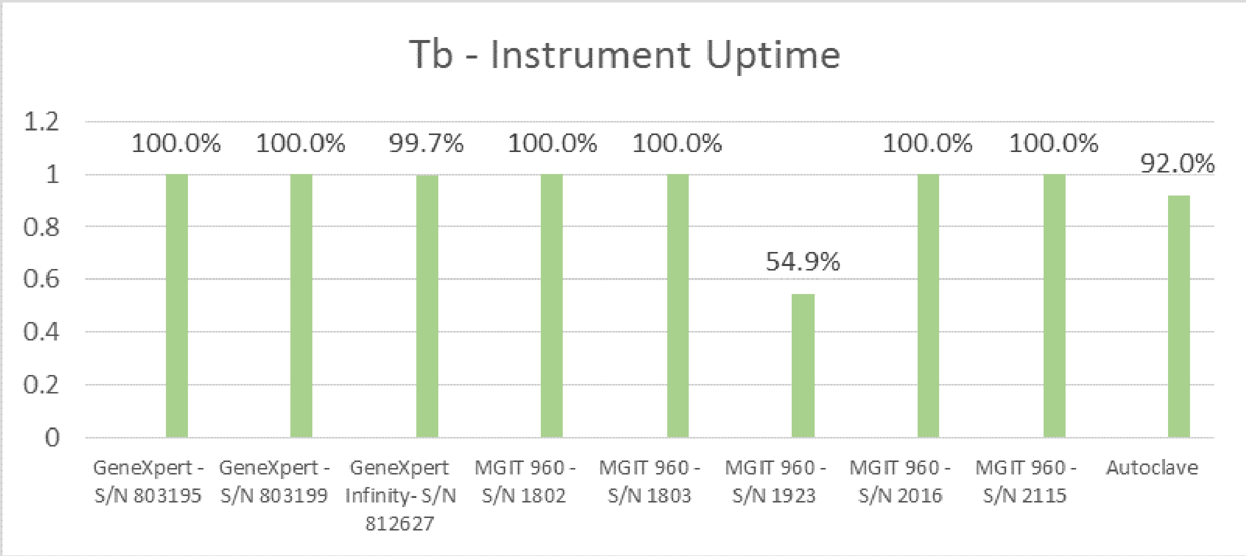
5.6 Resources to support NIP's Vision

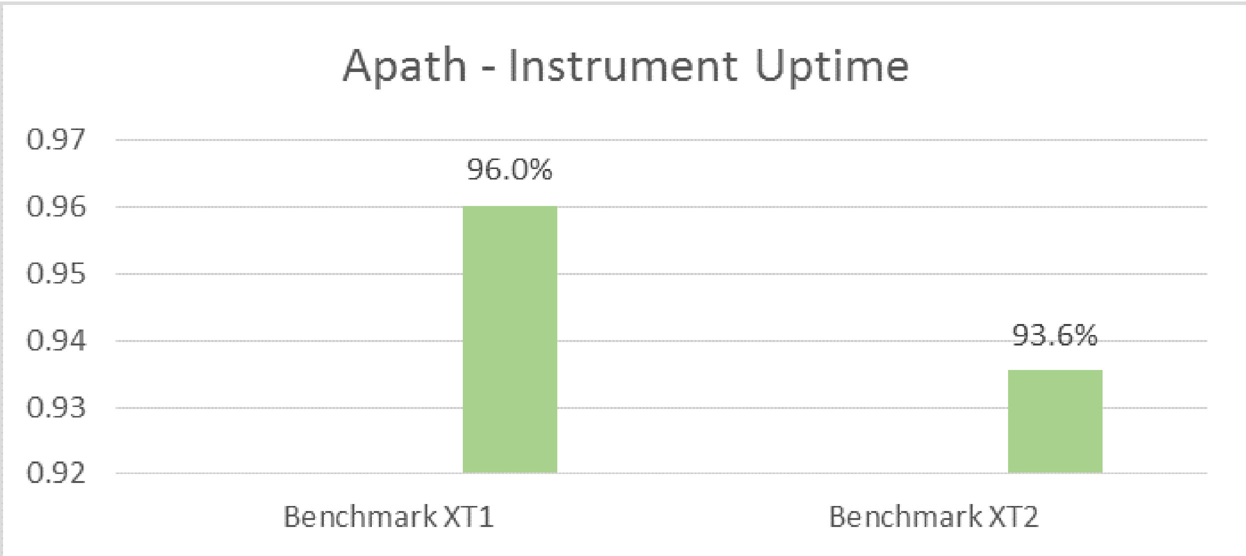
5.6.1 Instrument performance

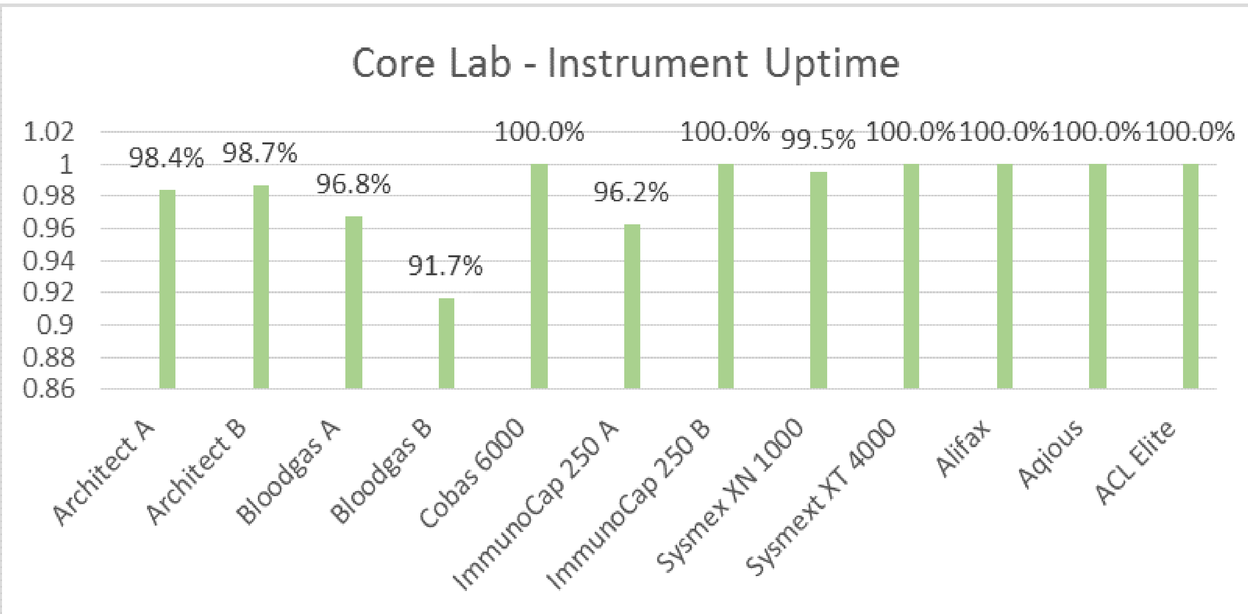
Laboratory instrument uptime at Windhoek Central Reference Laboratory

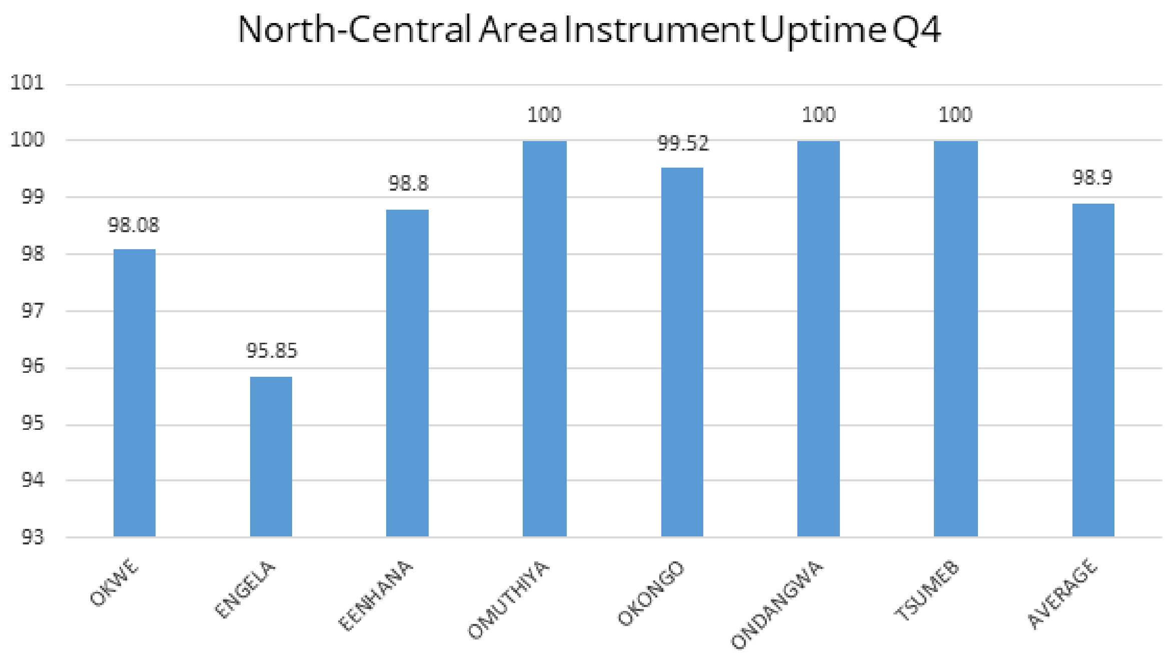
% Uptime per instrument against scheduled operating time Quarter to Quarter



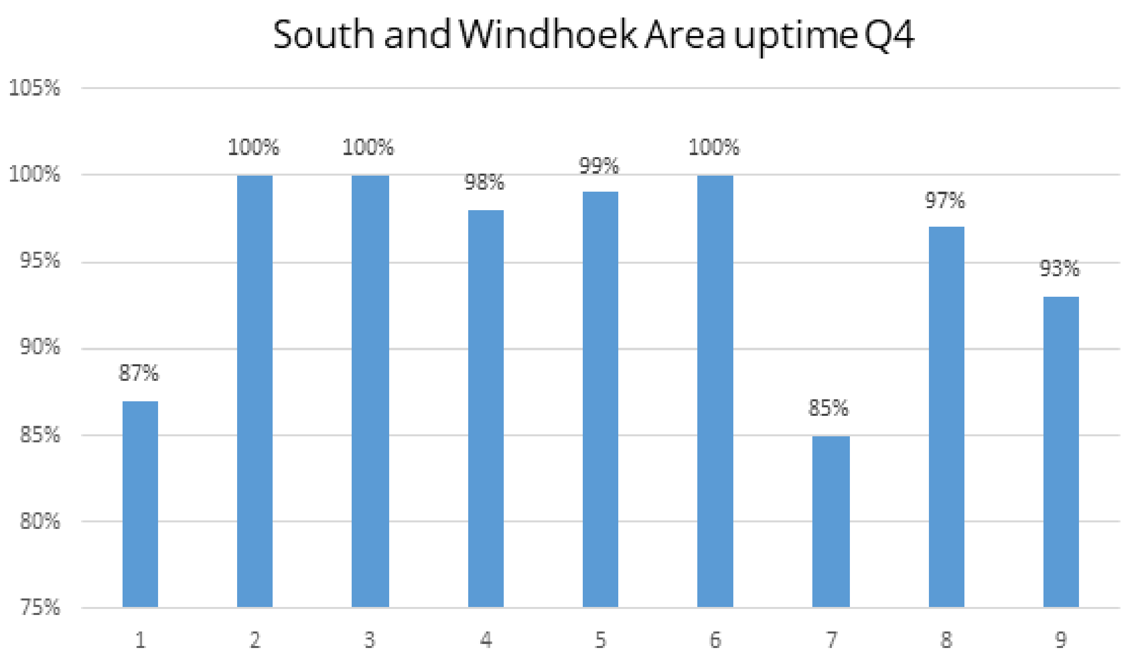

Tb - Instrument Uptime
1.2
1
0.8
0.6
0.4
0.2
0
100.0%
100.0%
99.7%
100.0%
100.0%
54.9%
100.0%
100.0%
92.0%
GeneXpert - S/N 803195
GeneXpert - S/N 803199
GeneXpert Infinity- S/N 812627
MGIT 960 - S/N 1802
MGIT 960 - S/N 1803
MGIT 960 - S/N 1923
MGIT 960 - S/N 2016
MGIT 960 - S/N 2115
Autoclave


Apath - Instrument Uptime
0.97
0.96
0.95
0.94
0.93
0.92
96.0%
93.6%
Benchmark XT1
Benchmark XT2


Core Lab - Instrument Uptime
1.02
1
0.98
0.96
0.94
0.92
0.9
0.88
0.86
98.4%
98.7%
96.8%
91.7%
100.0%
96.2%
100.0%
99.5%
100.0%
100.0%
100.0%
100.0%
Architect A
Architect B
Bloodgas A
Bloodgas B
Cobas 6000
ImmunoCap 250 A
ImmunoCap 250 B
Sysmex XN 1000
Sysmext XT 4000
Alifax
Aqious
ACL Elite



- 98.9% instrument uptime was achieved.
- The CAPCTM at Engela was finally repaired on 29 January 2019 after being down since December 2017. The instrument is now operational.
- The GeneXpert Modules for Eenhana and Engela are still not replaced.



5.6.2 Comment:

- No major instrument downtimes due to breakdowns were experienced during the period under review.

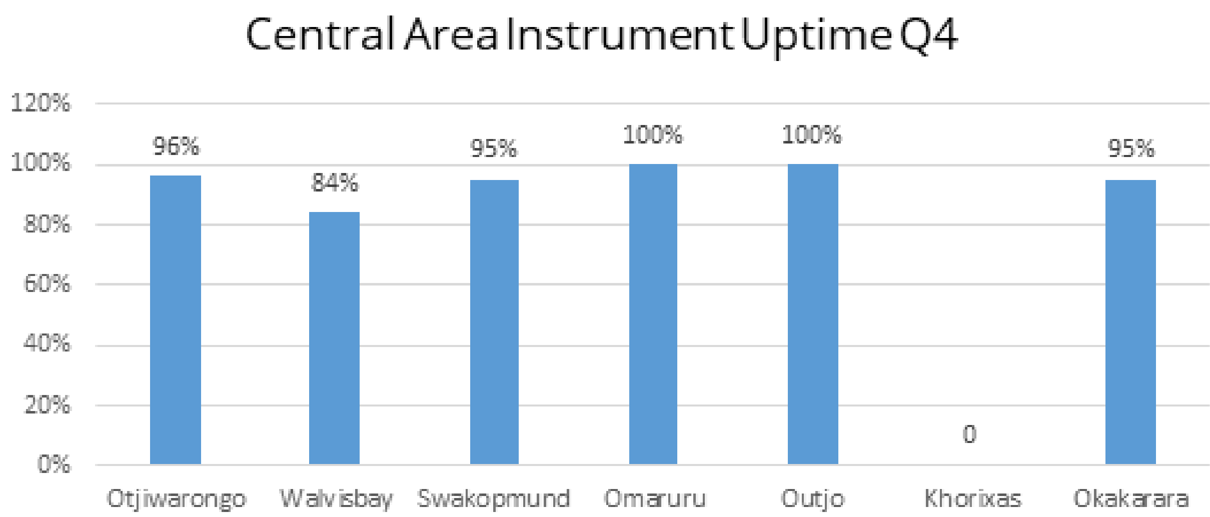
- NIP Windhoek laboratory experienced intermittent downtimes on its Architect Ci-1000 but the issue has since been resolved.

- Rehoboth had a PC board failure on its Cobas C311 and the instrument was down for three weeks. The issue has since been resolved.

- Gobabis and Karasburg experienced failures in some modules of their GeneXperts but some modules were still functioning.

- Karasburg is having a GeneXpert UPS failure and the issue is not yet resolved. IT department is working on a solution.

KPI: % of laboratory equipment uptime (Target 85%) Score for Quarter 4 = 93%



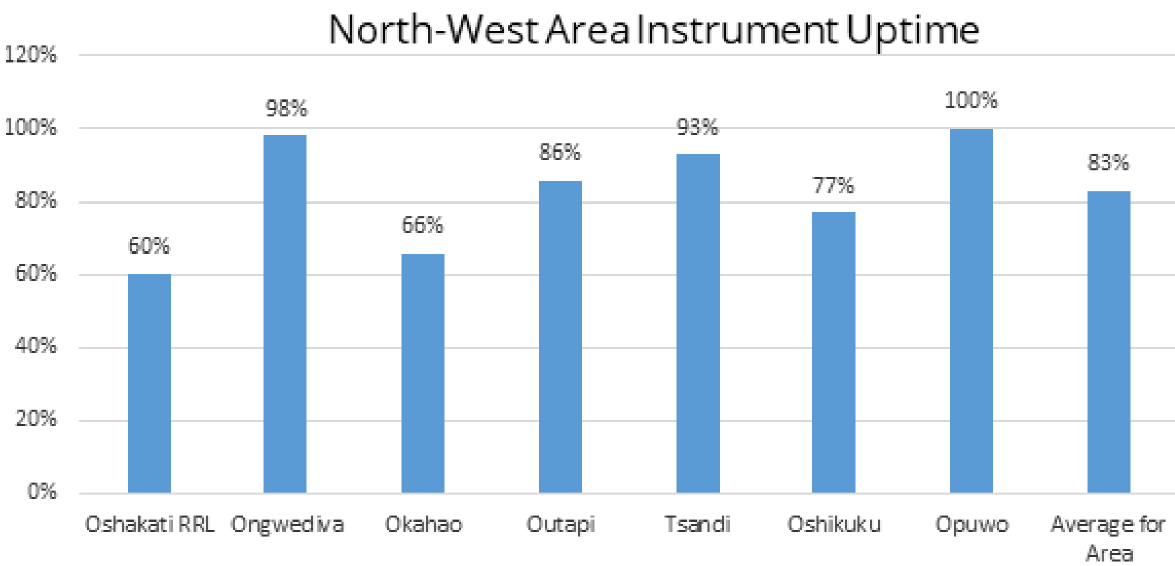
- Otjiwarongo: The reagents for the haematology analyser were out of stock. Specimens were referred to Outjo.

- Walvis Bay: The reagents for the GeneXpert is out of stock.

- Swakopmund: The water filter for the Architect Ci-1000 is broken.

- Okakarara: The UPS for the GeneXpert is out of order.

- Khorixas: Staff member on sick leave



5.7 Quality Assurance

5.7.1 Quality Excellence

Quality is one of the five strategic thrusts identified and documented in the NIP Strategic Plan. In relation to quality, NIP's strategic goal is: To become the leader in implementing Total Quality Management in the medical laboratory industry.

The two objectives associated with this goal are:

- To become a central hub for quality improvement
- To achieve and sustain a healthy and safe working environment

In line with the above-stated strategic goal and objectives, annual operational quality planning was done for the 2018-2019 financial year in order to ensure that work efforts are directed towards achieving the objectives. Presented in the table below are some of the key performance targets.

Key Performance Indicator	2018-2019 Performance Target
Number of laboratories accredited internationally to **ISO 15189**	9
Percentage of laboratories with at least **SLIPTA** 3-star rating	50%
Number of cases of laboratory-acquired diseases through reported incidents	0
Number of cases of laboratory-acquired diseases through reported incidents	80%
Mean percentage score in annual safety audits	0

5.8 International Accreditation of laboratories to ISO 15189

5.8.1 Achievement and maintenance of accreditation

By the end of the 2018-2019 operational year, nine (9) laboratories were internationally accredited to ISO 15189. These are:

a) Windhoek Central Reference Core Laboratory
b) Windhoek Central Reference Molecular Diagnostic Unit
c) Windhoek Central Reference TB Biological Safety Level 2
d) Katutura
e) NIP Windhoek
f) Swakopmund
g) Onandjokwe
h) Keetmanshoop
i) Rundu Regional

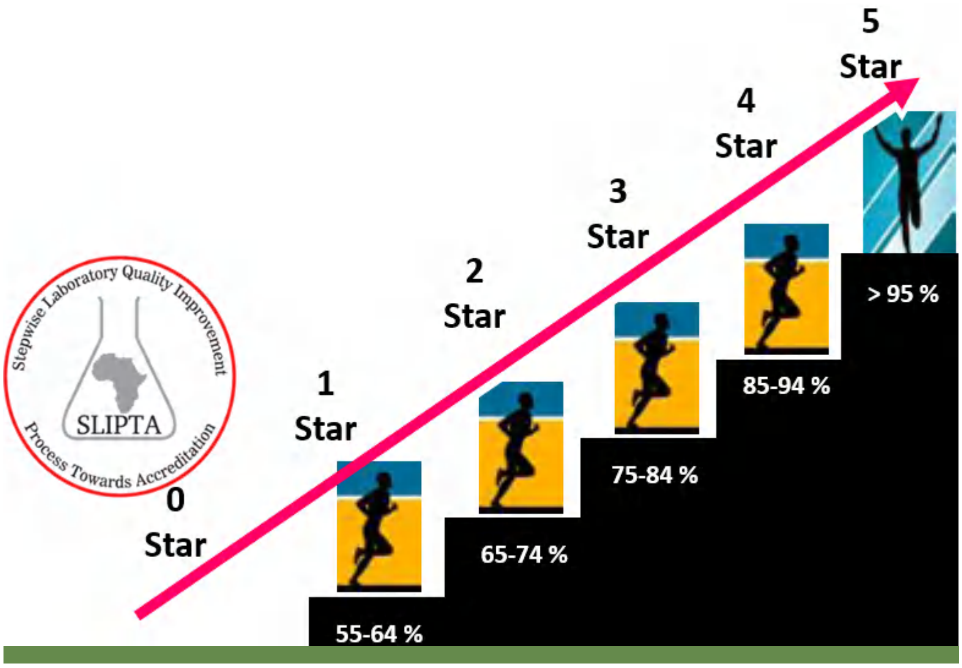
During the same period, the accreditation of the Rundu Private laboratory was placed on voluntary suspension. This decision was necessary in order for the laboratory to be relocated to a new facility after the rental contract for the then occupied facility was terminated following a short notice period. Change-over of accreditation body from SANAS to SADCAS.

The Southern Africa Development Community (SADC) established the Southern Africa Development Community Accreditation Services (SADCAS) to provide accreditation services to all SADC Member States without their own national accreditation bodies, such as Namibia. SADCAS gained international recognition through the International Laboratory Accreditation Corporation (ILAC) Mutual Recognition Arrangement for Medical Testing as per ISO 15189 Standard in October 2017. Prior to the achievement of the international recognition by SADCAS, NIP had opted to use the South African National Accreditation System (SANAS) as the accreditation body. However, following SADCAS recognition, it has now become mandatory for all medical laboratories in Namibia to be accredited solely under SADCAS.

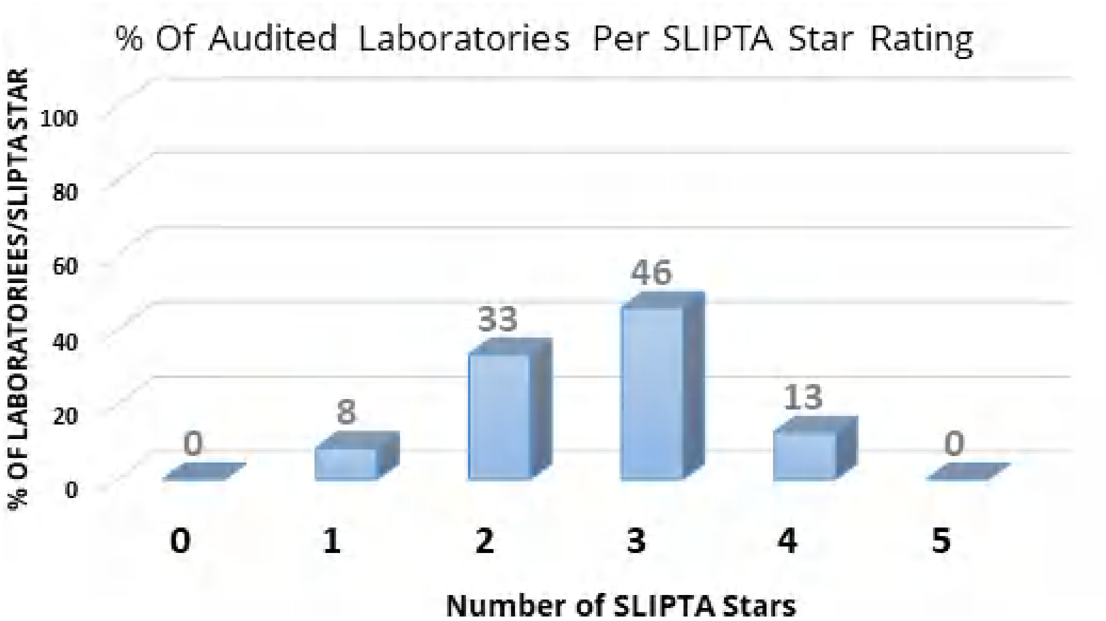
In order to comply with this mandatory requirement, the process of migrating all laboratories that were accredited under SANAS was initiated in August 2018. By the end of March 2019, two (2) laboratories, namely Katutura and NIP Windhoek, already underwent accreditation assessment by SADCAS. It is anticipated that migration of all laboratories from SANAS to SADCAS will be completed by 2022.

5.9 SLIPTA Internal Quality Audit outcomes

During the period under review, Internal Quality Audits were conducted in the laboratories not yet internationally accredited, using the WHO-AFRO SLIPTA checklist. The SLIPTA checklist was developed by the World Health Organization African region as a quality improvement tool to be used for auditing medical laboratories. When using the WHO-AFRO SLIPTA checklist for auditing laboratories, compliance to quality standards is quantitated as a percentage score and then rated using stars as shown below.



The outcome of the SLIPTA quality audits conducted in 24 laboratories during the period under review are as shown in the table below.



58.33% of the laboratories audited using the WHO-AFRO SLIPTA checklist achieved at least 3 stars.

5.10 Compliance to occupational health and safety programme

5.10.1 Occupational Health and Safety

NIP implements a comprehensive Occupational Health and Safety programme throughout its laboratories and work facilities which includes: training of staff on safety, medical surveillance for Tuberculosis (TB), Hepatitis B vaccination, conducting of safety inspection, and management of safety-related incidents. Integral to the Occupational Health and Safety programme are annual safety audits that are conducted to evaluate the effectiveness of the programme.

5.10.2 Annual Safety Audits

During the 2018-2019 operational period, a total of 30 laboratory facilities were subjected to safety audits. In all the audited laboratories an improvement was noted in the compliance to safety requirements and regulations, as compared to the 2017-2018 period. The average compliance score in the 2018-2019 period stood at 92.8% against a target of 80%.

Due to financial challenges ten (10) laboratories namely Eenhana, NIP Windhoek, Katima Mulilo, Nankudu, Nkurenkuru, Nyangana, Andara, Oshakati Private, Oshakati Regional and Ongwediva could not be subjected to safety audits as planned.

5.10.3 Safety Incidents

A total of eight (8) occupational incidents were reported during the year under review. This implies a decrease by 46.66% from the 15 recorded in the 2017-2018 period. None of the incidents reported in the 2018-2019 year resulted in permanent disabling injury, occupational disease or fatality.


WF10X
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Information Communications Technology (ICT)

The ICT Business Unit strives to enable NIP's business processes and communication services through state-of-the-art technology, innovation, leadership and partnerships. With an ever-changing technology landscape in the ICT space, constant adaption and improvement is needed.

6.1 ICT Initiatives

The ICT Business unit carried out the following initiatives during the reporting period to support the organisation and improve customer satisfaction within and outside the organisation:

6.1.1 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.

6.1.2 Interfacing

Interfaced systems allow effective utilisation of instruments to improve sample analysis. By efficiently handling a heavy volume of data, machine interfacing adds quality to every task performed. It auto-fetches test values and auto-fills results in laboratory management software, eliminating the possibility of manual errors throughout report generation processes thus enabling the system to produce error-free reports.

Offering high accuracy, system integration with interfaced instruments help in building customer reliability and provides a seamless laboratory experience to all beneficiaries.

During the review period, a total of five interfaces were installed in nine (9) NIP laboratories countrywide.

6.1.3 Business Intelligence Reporting

Continuous improvements are made on the Qlik Business Intelligence tool for informed decisions on strategic issues by providing crucial information on current and historical performance of the company. The ICT department is currently upgrading the QlikView model to a Qlik Sense model with improved self-service visualisations.

6.1.4 Drone Project

In collaboration with Johns Hopkins University, NIP, has been working on the drone project. The project is an innovative research project using drones to provide timely and consistent medical support that include diagnostic, treatment and immunisation services to the Zambezi region which is landlocked during the rainy seasons.

During the period under review the procurement of the drone operation container was concluded. Together with the John Hopkins team, NIP completed five rounds of technical testing of Delta Quad Pro with the manufacturer, Vertical Technologies. Subsequently, NIP acquired the aircraft. The team concluded that the Delta Quad Pro aircraft, purchased and tested for potential use in the NIP drone network, did not meet the technical or communications requirements for performing the flight missions in the Zambezi region.

In light of the testing results, the Johns Hopkins team is building an aircraft that can perform flight missions, using communication software from Latitude Engineering. The team decided to build the aircraft due to financial limitations.

It is critically important to be aware of weather changes before each flight. For this reason, NIP has installed weather stations at its five clinics of operation namely Kanono Clinic, Impalila Clinic, Itomba Clinic, Mbalasinte Clinic and Schuckmansburg Clinic. The weather data is uploaded to the Cloud and updated automatically every five minutes.

6.2 ICT Infrastructure Improvements

NIP continuously strives to introduce state-of-the-art technologies to optimise ICT investments. For the period under review NIP has, in line with its ICT strategy, procured the new hyper-converged infrastructure for the production and data recovery at data centres.

6.3 Cybersecurity

In its quest to improve on Cybersecurity risk management, ICT is continuously enhancing the threat detection and response platform to provide visibility to threats at all end-points. The tool assists with detailed root-cause analysis, detection, prevention, and response to attacks. It also allows to search for threat activities at the end-points and provides state-of-the-art server and desktop infrastructure.

Strategy, Business Development and Stakeholder Engagement

The Strategy, Business Development and Stakeholder Engagement Business Unit is, among others, responsible for marketing, client relations, public relations, business development and stakeholder engagement.

7.1 Stakeholder Engagements

7.1.1 Stakeholder Engagements with Katutura State Hospital and Windhoek Central Hospital

On 18 May 2018 the Strategy, Business Development and Stakeholder Engagement Unit facilitated a meeting between the NIP Windhoek Central Reference Laboratory, Katutura Laboratory, Katutura State Hospital (KSH) and Windhoek Central Hospital (WCH) management. The meeting served as a platform to discuss issues pertaining to NIP service delivery.

7.1.2 GIPF Stakeholder Engagement Networking Event

The Client Relations team attended the GIPF Stakeholder Engagement networking event which was held on 22 May 2018 at the Hilton Hotel. The intention of the event was to establish communication channels to GIPF members on pension benefit-related matters.

7.1.3 Stakeholder Engagements with Windhoek Central Hospital (Intensive Care Unit, Urology Department and Prem Unit)

Client Relations team held regular meetings with critical units of Windhoek Central and Katutura Intermediate Hospitals on 31 July 2018 and 14 August 2018, respectively. These meetings were attended by the entire Medical team of the unit/department/ward, which include Consultants, Senior Medical Officers, Medical Officers and Interns. NIP was represented by the Area Manager, Senior Manager for Specialised Services, Pathologists and CMTs. These platforms give doctors and laboratory staff opportunity to discuss and resolve issues that affect service delivery.

7.2 Client Relations

7.2.1 Client Visits

Client visits were conducted in the North West Area from 2 to 6 July 2018. The purpose of the visits was to assess the clients' needs and inform them about NIP's new developments. Doctors who were not using NIP services were also targeted to ascertain their views regarding NIP. Opuwo and Oshikuku towns were not covered in these visits due to time constraints and resource limitation.

In total, 27 doctors were visited of which 15 were private and 12 were state. 14 doctors were registered on the doctors' portal.

ascertain their views regarding NIP. Opuwo and Oshikuku towns were not covered in these visits due to time constraints and resource limitation.

Below is the classification of the clients that were visited:

Private Doctors	
Ongwediva	1
Ongwediva Medipark	8
Oshakati	3
Outapi	3
Total	**15**

State Doctors	
Oshakati Hospital	7
Okahao Hospital	2
Tsandi Hospital	2
Outapi Hospital	1
Total	**12**

Client visits were also conducted in the North-East Area from 13 to 17 August 2018. The hospitals visited were Katima Mulilo, Andara, Nyangana, Rundu, Nankudu, Nkurenkuru, Tsumeb and Grootfontein.

7.2.2 Training of Service Users

The Client Relations team in collaboration with the Training Coordinator conducted training on specimen management at Katutura Intermediate Hospital on 17 April 2018. The training was attended by 22 participants.

The same training was conducted at Windhoek Central Hospital on 17 May 2018 for 20 participants.

7.2.3 Training of Nurses

The Client Relations team, together with the Training department conducted training of nurses on specimen collection and handling at Katutura Intermediate Hospital on 27 March 2019. This training was attended by 45 nurses from various departments.

7.3 External Sponsorships/Donations

7.3.1 Dundee Precious Metals

Dundee Precious Metals Tsumeb donated a Thermo Scientific iCAP Q ICP-MS analyser on 15 June 2019, valued at N$3 million, to NIP. The analyser will be used to test for heavy metals that are monitored by occupational health testing in mines. This will also allow NIP to pursue private market share in the mining industry.

7.3.2 Sponsorship of Third Antenatal Counselling and Awareness for the Pregnant Family

NIP sponsored N$76,440 towards the Third Antenatal Counselling and Awareness for the pregnant family held on 2 June 2018 at Eenhana. The sponsorship comprised 500 bottle tubes with purple caps for FBC tests, manpower to help draw blood, and transport.

7.3.3 Nurse of the Year Award 2018

NIP sponsored N$50,000 towards the Nurse of the Year Award 2018 during the celebrations of National Nurses Week. The event was held on 11 May 2018 at National Theatre of Namibia.

7.3.4 Public Enterprises Chief Executive Officers Forum Annual General Meeting and SOE Sports Fun day

NIP attended the Public Enterprises Chief Executive Officer's forum Annual General Meeting that took place in Swakopmund on 7th June 2018 and was represented by the Chief Strategy and Business Development Officer. NIP staff members also took part in the Annual State-Owned Enterprises Sports Fun Day from 8 to 9 June 2018 in Walvis Bay.

7.3.5 NAMPHIA

The Namibia Population-Based HIV Survey (NAMPHIA) donated equipment and supplies, valued at USD 233,436.04 (approximately N$3.1 million) to NIP on 11 July 2018. The donated items consisted of laptops, file cabinets, laboratory refrigerators and freezers.

7.3.6 World Health Organization (WHO) Donation

The World Health Organization (WHO) donated laboratory testing supplies valued at N$ 173 665 to NIP on 5 December 2018. The reagents and testing supplies were for the Hepatitis E outbreak and influenza survey.

7.3.7 Japan International Cooperation Agency (JICA)

An official closing ceremony for Public Private Partnership between the Japan International Cooperation Agency (JICA), SYSMEX and NIP was held on 29 November 2018. The PPP was entered into on 22 August 2016 with the aim to disseminate Japanese technology for laboratory quality management system. The Japanese Ambassador to

Namibia and the PS of MoHSS were present at the event. Three haematology analyzers were donated to NIP. The Analyzsers are currently being used in Windhoek Central reference laboratory, Rundu laboratory and Oshakati laboratory.

7.4 Customer Satisfaction Survey 2018

The 2018 Customer Satisfaction Survey (CSS) rating stood at 76%. Although NIP did not meet the target of 80% as set out in the NIP Quality Service Manual, the overall result was an improvement from 2017 which was 70%. The respective CMTs have been tasked to come up with action plans to address specific shortcomings highlighted for their laboratories.

Namibia and the PS of MoHSS were present at the event. Three haematology analyzers were donated to NIP. The Analyzsers are currently being used in Windhoek Central reference laboratory, Rundu laboratory and Oshakati laboratory.

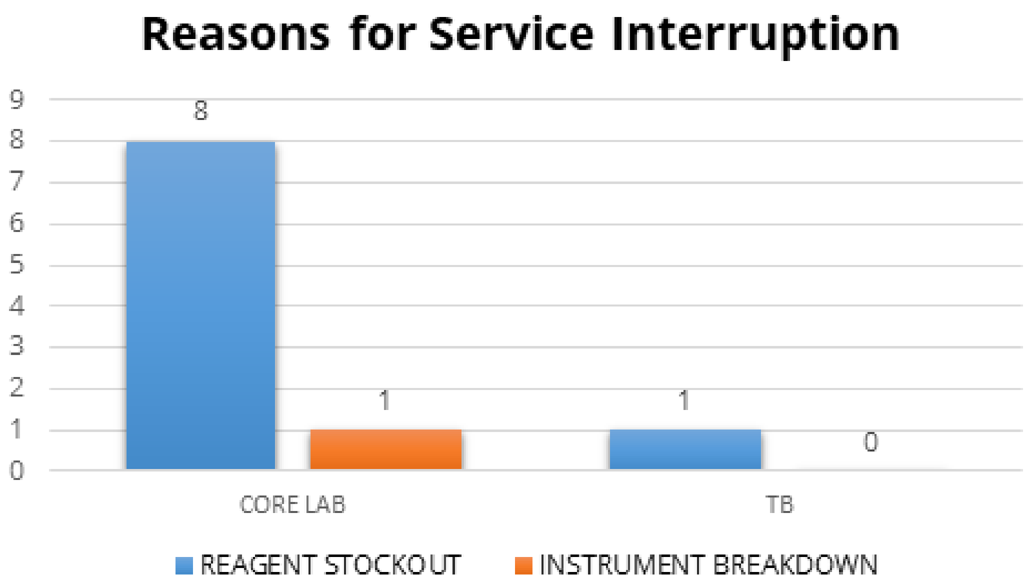


Figure 1: Reasons for service interruptions

7.4.1 Service Interruption Notices Windhoek

During the reporting period, a total of 37 service interruption notices from Windhoek Central Reference Laboratory and Katutura Laboratory were sent out by the unit to doctors making use of our services. To date only 21 (56.7%) of the services that were interrupted have recommenced.

Service Interruptions

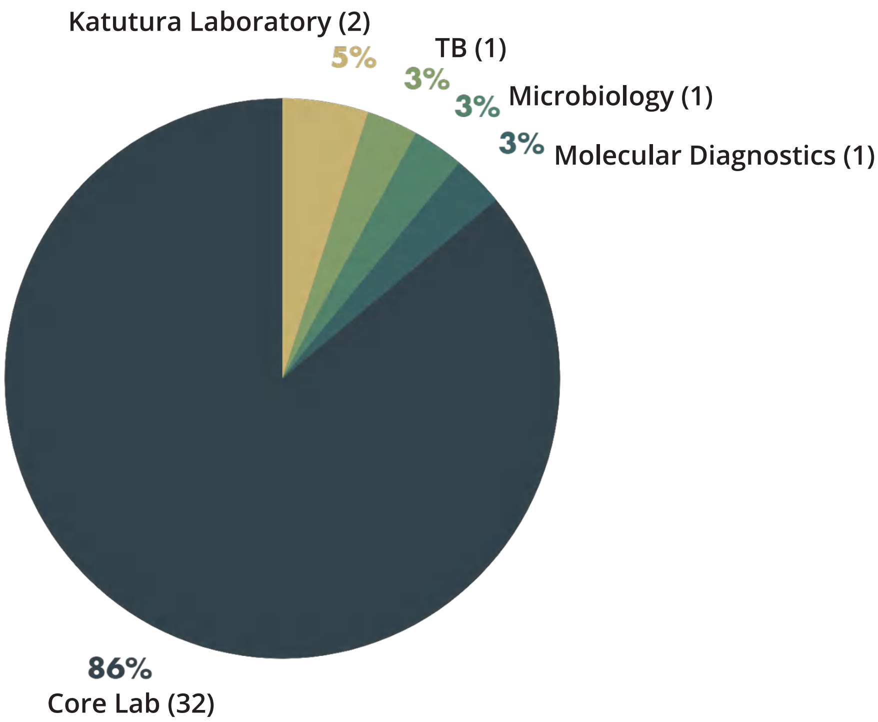


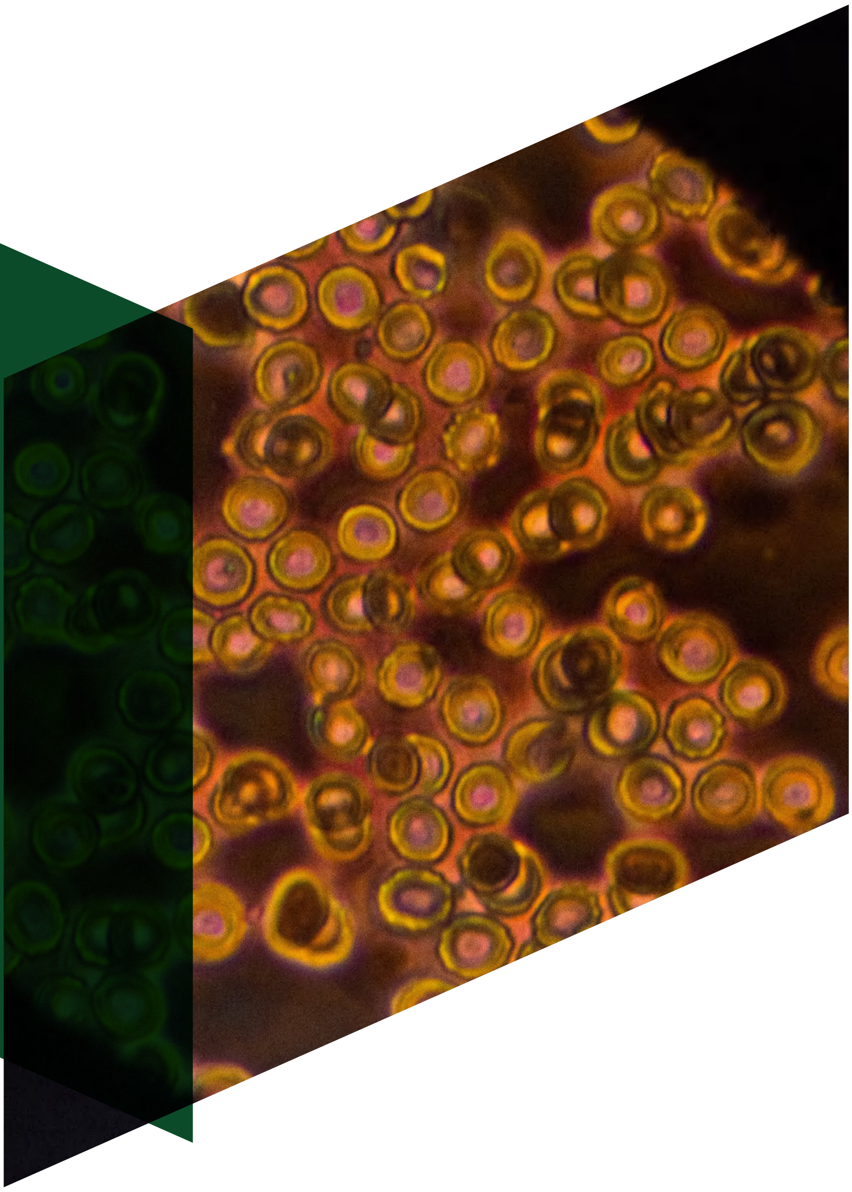
Figure 2: Service Interruptions

The majority (32 out of 37) of the service interruptions were recorded from core laboratory as indicated in figure 1. The data indicates that after each 1.5 days (weekends excluded) a service interruption is sent to doctors making use of our services. Some private doctors have indicated that they no longer read the emails from NIP as they already know that it is bad news (service interruption). They have also indicated that due to the numerous service interruptions they no longer see the purpose of sending their samples to NIP.

7.5 Memorandum of Understanding with Tuberculosis Consortium

On 31 January 2019, NIP entered into a memorandum of understanding (MOU) with the Tuberculosis Consortium. The TB consortium is made up of Namibia University of Science and Technology (NUST), MoHSS, NIP, N/a'ankusê Foundation and Stellenbosch University. The consortium will drive TB research and training to build capacity for Namibia to be at the forefront of TB management and health innovation on the African continent.

Financial Statements



Namibia Institute of Pathology Limited
(Registration number 2000/431)
Financial statements
for the year ended 31 March 2019

Namibia Institute of Pathology Limited

(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

General Information

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

Content

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Building a better working world

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

Opinion

We have audited the financial statements of Namibia Institute of Pathology Limited (the 'company') set out on pages 6 to 43, which comprise the directors' report, the statement of financial position as at 31 March 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Namibia Institute of Pathology Limited as at 31 March 2019, 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 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 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 directors' responsibilities and approval on page 5, which was obtained prior to the date of this report, and the "Namibia Institute of Pathology Annual Report for the year ended 31 March 2019", which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

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

Windhoek

18 September 2020

Namibia Institute of Pathology Limited

(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 24 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 judgments 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 2020 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- 43, which have been prepared on the going concern basis, were approved by the board on 18 August 2020 and were signed on their behalf by:

Approval of financial statements

Director

Director

Namibia Institute of Pathology Limited

(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Namibia Institute of Pathology Limited (NIP) for the year ended 31 March 2019.

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 with the exception of IFRS 9 and IFRS 15

During the year NIP applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are in note 1.12.

The company recorded a net profit after tax for the year ended 31 March 2019 of N$75,463,987. This represented an increase of 5% from the net profit after tax of the prior year of N$71,537,478.

Company revenue decreased by 25% from N$836,163,754 in the prior year to N$624,019,917 for the year ended 31 March 2019.

Company cash flows from operating activities increased by 211% from a cash outflow of N$48,593,291 in the prior year to a cash inflow of N$66,916,323 for the year ended 31 March 2019.

2. Share capital

	2019	2018
Authorised	Number of shares	
Ordinary shares at N$ 1 (2018: N$ 1) each	20,000,000	20,000,000

	2019	2018	2019	2018
Issued	N$	N$	Number of shares	
Ordinary shares at N$ 1 (2018: N$ 1) each	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:

Namibia Institute of Pathology Limited

(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

Directors' Report

Directors	Office	Designation	Nationality	Changes
Mrs A Avafia	Other	Non-executive Independent	Namibian	Resigned 06 December 2019
Mr M Kapere	Other	Non-executive Independent	Namibian	Resigned 06 December 2019
Dr P Kapewangolo	Other	Non-executive Independent	Namibian	Resigned 06 December 2019
Mr S van Rhyn	Other	Non-executive Independent	Namibian	Resigned 06 December 2019
Mr F Tjivau	Other	Non-executive Independent	Namibian	Resigned 06 December 2019
Mr F Kwala	Other	Non-executive Independent	Namibian	Resigned 06 December 2019
Dr D Shuuluka	Chairperson	Non-executive Independent	Namibian	Resigned 06 December 2019
Mr B Eiseb	Chairperson	Non-executive Independent	Namibian	Appointed 07 December 2019
Ms J Hamukwaya	Other	Non-executive Independent	Namibian	Appointed 07 December 2019
Dr T Ithindi	Other	Non-executive Independent	Namibian	Appointed 07 December 2019
Dr E Mvula	Other	Non-executive Independent	Namibian	Appointed 07 December 2019
Ms V Tjijenda	Other	Non-executive Independent	Namibian	Appointed 07 December 2019
Mr B Nangombe	Other	Non-executive Independent	Namibian	Appointed 07 December 2019
Ms I Ekandjo	Other	Non-executive Independent	Namibian	Appointed 07 December 2019

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 2019 the company's investment in property, plant and equipment amounted to N$162,644,220 (2018: N$ 165,294,201), of which N$12,027,842 (2018: N$ 27,639,071) was added in the current year through additions.

6. Events after the reporting period

Refer to note 24 for the detailed disclosure on events after reporting date.

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

Namibia Institute of Pathology Limited

(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

Directors' Report

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.

Namibia Institute of Pathology Limited

(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

Figures in Namibia Dollar	Note(s)	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	3	162,644,220	165,294,201
Other financial assets	4	22,039,057	56,645,515
		184,683,277	**221,939,716**
Current Assets			
Inventories	7	42,044,491	43,050,241
Trade and other receivables	8	488,208,394	392,159,724
Prepayments	6	318,520	840,745
Current tax receivable		-	19,147,450
Cash and cash equivalents	9	55,538,567	212,857
		586,109,972	**455,411,017**
Total Assets		**770,793,249**	**677,350,733**
Equity and Liabilities			
Equity			
Share capital	10	15,511,307	15,511,307
Reserves		15,905,304	23,952,322
Retained income		578,717,951	503,253,964
		610,134,562	**542,717,593**
Liabilities			
Non-Current Liabilities			
Deferred tax	5	26,507,054	25,776,117
Current Liabilities			
Trade and other payables	11	114,830,361	82,168,443
Current tax payable		19,321,272	-
Bank overdraft	9	-	26,688,580
		134,151,633	**108,857,023**
Total Liabilities		**160,658,687**	**134,633,140**
Total Equity and Liabilities		**770,793,249**	**677,350,733**

Namibia Institute of Pathology Limited

(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

Statement of Profit or Loss and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2019	2018
Revenue from contracts with customers	12	624,019,917	836,163,754
Cost of sales	13	(168,872,188)	(175,947,172)
Gross profit		**455,147,729**	**660,216,582**
Other income	14	3,764,247	1,131,682
Operating expenses		(340,575,782)	(558,540,546)
Operating profit	15	**118,336,194**	**102,807,718**
Interest income from an effective interest rate	16	601,636	1,568,900
Finance costs	17	(4,274,184)	(1,442,747)
Profit before taxation		**114,663,646**	**102,933,871**
Taxation	18	(39,199,659)	(31,396,393)
Profit for the year		**75,463,987**	**71,537,478**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Gains on equity instrument designated at fair value through OCI	4	(8,047,018)	-
Available for sale financial asset loss		-	5,799,179
Income tax relating to gains on equity instrument available for sale		-	(352,057)
Total items that may be reclassified to profit or loss		**(8,047,018)**	**5,447,122**
Other comprehensive income for the year net of taxation		**(8,047,018)**	**5,447,122**
Total comprehensive income for the year		**67,416,969**	**76,984,600**

Namibia Institute of Pathology Limited

(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

Statement of Changes in Equity

Figures in Namibia Dollar	Share capital	Available for sale reserve	Fair value reserve of financial assets at FVOCI	Total reserves	Retained income	Total equity
Balance at 01 April 2017	**15,511,307**	**18,505,200**	**-**	**18,505,200**	**431,716,486**	**465,732,993**
Profit for the year	-	-	-	-	71,537,478	71,537,478
Other comprehensive income	-	5,447,122	-	5,447,122	-	5,447,122
Total comprehensive income for the year	**-**	**5,447,122**	**-**	**5,447,122**	**71,537,478**	**76,984,600**
Balance at 01 April 2018	**15,511,307**	**23,952,322**	**-**	**23,952,322**	**503,253,964**	**542,717,593**
Profit for the year	-	-	-	-	75,463,987	75,463,987
Other comprehensive income	-	-	(8,047,018)	(8,047,018)	-	(8,047,018)
Total comprehensive income for the year	**-**	**-**	**(8,047,018)**	**(8,047,018)**	**75,463,987**	**67,416,969**
Transfer between reserves	-	(23,952,322)	23,952,322	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(23,952,322)**	**23,952,322**	**-**	**-**	**-**
Balance at 31 March 2019	**15,511,307**	**-**	**15,905,304**	**15,905,304**	**578,717,951**	**610,134,562**
Note(s)	10					

Namibia Institute of Pathology Limited

(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	2019	2018
Cash flows from operating activities			
Profit before taxation		114,663,646	102,933,871
Adjustments for:			
Depreciation and amortisation	15	14,677,823	13,616,918
Investment income	16	(601,636)	(1,568,900)
Finance costs	17	4,274,184	1,442,747
Impairment losses and reversals	3	-	2,254,262
Changes in working capital:			
Inventories - decrease / (increase)		1,005,750	(6,462,861)
Trade and other receivables - (increase)		(96,048,670)	(132,765,768)
Prepayments - decrease		522,225	2,812,436
Trade and other payables - increase		32,661,918	20,384,781
Cash generated from operations		**71,155,240**	**2,647,486**
Interest received		35,267	549,071
Finance costs		(4,274,184)	(1,442,747)
Tax paid	19	-	(50,347,101)
Net cash from operating activities		**66,916,323**	**(48,593,291)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(12,027,842)	(27,639,070)
Proceeds from disposal of financial assets		27,768,886	7,900,000
Purchase of financial assets		(643,077)	(701,538)
Dividends received		-	440,919
Net cash from investing activities		**15,097,967**	**(19,999,699)**
Total cash and cash equivalents movement for the year		**82,014,290**	**(68,592,990)**
Cash and cash equivalents at the beginning of the year		(26,475,723)	42,117,267
Total cash and cash equivalents at end of the year	9	**55,538,567**	**(26,475,723)**

Namibia Institute of Pathology Limited

(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

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 2019 were authorised for issue in accordance with a resolution of the directors on 18 August 2020.

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 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 except for the implementation of IFRS 9 and IFRS 15.

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 judgments, 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 judgments, 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 judgments 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 23 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.

Namibia Institute of Pathology Limited
(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Expected credit losses

The adoption of IFRS 9 has resulted in the entity adopting a forward looking expected credit losses approach. Management has assessed the exposure for all debt instruments not held at fair value through profit and loss. The ECL recorded is based on the entire debt due as at 31 March 2019. Refer to accounting policy 1.4 under the trade receivables heading for more details.

Default is defined when the expected contractual cash flows have not been fully paid to the entity on or before the agreed time. The entity has used a provision matrix in determining the expected credit losses using the simplified approach based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors (such as inflation) and the economic environment.

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.

Namibia Institute of Pathology Limited
(Registration number 2000/431)
Financial Statements for the year ended 31 March 2019

Accounting Policies

1.3 Property, plant and equipment (continued)

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.

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. Trade date accounting is used at initial recognition.

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

<u>Financial assets designated at fair value through OCI (equity instruments)</u>

Upon initial recognition, the entity can elect to irrevocably classify its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity.The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets are never recycled to profit and loss. Dividends are recognised as other income in the statement of profit and loss when the right of payment has been established, except when the entity benefits from such proceeds as recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to an impairment assessment.

NIP elected to classify irrevocably its non-listed equity investments previously denoted as available for sale financial assets at fair value through OCI.

<u>Financial assets which are debt instruments</u>:

Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows). This includes the Trade and other receivable as well as cash and cash equivalents; or

Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments). These instruments includes investments in unit trusts; or

Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income) Such as the previously held to maturity investments in the form of the Old mutual endowment policy.

Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch). NIP does not hold designated financial assets at fair value through profit and loss.

<u>Financial liabilities:</u>

Amortised cost such as trade payables; or

Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or

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1.4 Financial instruments (continued)

Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Subsequent measurement - applying to 2018

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.

Held-to-maturity investments 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.

Subsequent measurement - applying to 2019

After initial recognition, an entity shall measure a financial asset at:

a) Amortised cost;

b) Fair value through other comprehensive income; or

c) Fair value through profit and loss.

An entity shall apply impairment requirements to financial assets that are measured at amortised cost and financial assets measured at fair value through OCI

After initial recognition an entity shall measure its financial liabilities at :

a) Amortised cost; or
b) Fair value through profit and loss.

Financial assets at amortised cost are most relevant to the entity and it measures the financial assets at amortised cost if both the below conditions are met:

1. The financial assets is held within a business model with a objective to hold financial assets in order to collect contractual cashflows, and

2. The contractual terms to the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest amounts outstanding.

Financial Assets at amortised cost are subsequently measured using the effective interest rate(EIR) method and are subject to impairment. Gains and losses are recognised in profit and loss when the asset is derecognised, modified or impaired

Derecognition

<u>Financial assets</u>

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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1.4 Financial instruments (continued)

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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.

Impairment of financial assets - applying to 2018

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.

Impairment of financial assets - applying to 2019

For trade receivables, the entity applies a simplified approach in calculating ECLs. Therefore, the entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors (such as inflation) and the economic environment.

The additional forward looking information that was used in the determination of expected credit losses was a inflationary rate of 5%, which is the average rate by which all tariffs are expected to increased.

Impairment for all of the other financial assets other than those measured at fair value through profit and loss is measured using the general approach. These other financial assets are only made up of financial assets held at fair value through other comprehensive income.

Accounting Policies

1.4 Financial instruments (continued)

The entity measures the expected credit losses of financial instruments in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial instruments designated as available-for-sale - applying to 2018

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.

Trade and other receivables - applying to 2018

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 receivables - applying to 2019

Classification

Trade and other receivables are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

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Accounting Policies

1.4 Financial instruments (continued)

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in finance income.

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.

- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.

- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amounts

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate. The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised and presented separately on the face of the statement of comprehensive income with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account.

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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Accounting Policies

1.4 Financial instruments (continued)

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the company compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

Below is the provision matrix used to determine the ECL:

	Balance as at 31 March 2019 in N$	Loss ratio percentage %	Expected credit losses in N$
State debt	483,992,968	-	-
Medical Aid - PSEMAS	2,624,839	8	212,371
Medical Aid - Other	715,307	11	77,807
Private Debtors	5,684,642	99	5,645,398
Outsourced Debt	3,780,324	92	3,471,860
	496,798,080	**2**	**9,407,436**

Trade and other payables

Classification

Trade and other payables (note 11), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability. If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs. Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 11 for details of risk exposure and management thereof.

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.

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Accounting Policies

1.4 Financial instruments (continued)

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 (Applying to 2018)

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.

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.

Accounting Policies

1.5 Tax (continued)

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 and other costs incurred in bringing the inventories to their present location and condition.

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.

Accounting Policies

1.8 Impairment of non-financial assets (continued)

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 from contracts with customers

Applicable to 2018

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.

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.

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.

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

Applicable to 2019

In its adoption of IFRS 15 Revenue from Contracts with Customers, the company has used the modified retrospective approach, with adjustments made to balances at the date of initial application. The accounting policies related to revenue recognition and applied is included after this note. It represents the basis for accounting for revenue in the comparative period disclosed in the financial statements. As per IFRS 15 the revenue is recognised at a point in time. Refer to note below in accounting policies - **Revenue recognition** - *Accounting policy applicable in the comparative period (under IAS 18).*

The accounting policy applicable under IFRS 15 follows below:

Performance obligations and timing of revenue recognition

Pathological tests

The company generates its revenue by performing pathological tests for patients, government and private, in the company's laboratories. The tests are sample-based and are repetitive in nature, generally consisting of many relatively small transactions with short turn-around times ruled by short term contracts (turnaround time counted in days or weeks). The contracts are straightforward and do not include multiple performance obligations. These are distinct performance obligations.

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Accounting Policies

1.9 Revenue from contracts with customers (continued)

The company does not incur material costs to obtain contracts with customers, does not operate a customer loyalty program and does not provide a right to return in the course of its business.

The normal credit term is 30 days upon delivery.

The company acts as principal in this revenue arrangement as it typically controls the result of the service before transferring to the customer.

Determining the transaction price

The company's revenue is derived from contracts which have a recommended price per test, as set by the Namibian Association of Medical Aid Funds (NAMAF).

Historical experience enables the company to estimate reliably the value of discount to be granted or incentive to be paid and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognized revenue when goods are returned. In its estimation, the company considers the expected value of discounts or rebates that would be applicable to the transaction.

Allocating amounts to performance obligations

The company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

For most contracts, there is a quoted per test price for each test performed. Therefore, there is no judgement involved in allocating the contract price to each test performed in such contracts.

Where a patient requires more than one test, the company is able to determine the split of the total contract price between each test by reference to each test's standalone selling prices, as all tests are capable of being, and are, sold separately.

Practical expedients applied

The company's contracts with customers are short term in nature (less than 12 months). Using the practical expedient in IFRS 15, the company does not adjust the promised amount of the consideration for the effects of a significant financing component if it expects at contract inception that the period between the transfer of the promised goods to the customer and when the customer pays for the goods will be one year or less. Furthermore, the company has elected to apply the optional practical expedient for costs incurred to obtain a contract and expenses any incremental costs related to a contract when they are incurred as the amortisation period would be less than one year.

1.10 Cost of sales

When inventories are used up, 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.

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Accounting Policies

1.11 Borrowing costs (continued)

- 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.

1.12 Change in accounting policies and disclosure

During the year NIP applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. NIP has adopted this standard using the modified retrospective approach.

Impact on statement of profit and other comprehensive income - none
Impact on diluted earning per share - none
Impact on Statement of financial position and opening retained earnings - none

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. At initial application the carrying amounts for the financial instruments are the same under both IAS 39 as well as IFRS 9.

<u>Impact on Classification and measurement</u>

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The classification and measurement requirements of IFRS 9 did not have a significant impact on NIP. NIP continues to measure:

- *Trade receivables* and *Other non-current financial assets* previously classified as *Loans and receivables* are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as *Debt instruments at amortised cost*.
- Quoted debt instruments previously classified as *Available-for-sale (AFS) financial assets* are now classified and measured as *Debt instruments at fair value through OCI*.
- Equity investments in non-listed companies previously classified as *AFS financial assets* are now classified and measured as *Equity instruments designated at fair value through OCI*.
- Listed equity investments previously classified as *Available for Sale financial assets are now* classified and measured as *Financial assets at fair value through profit or loss*.

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Accounting Policies

1.12 Change in accounting policies and disclosure (continued)

Impact on Impairment

The adoption of IFRS 9 has fundamentally changed NIP's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires NIP to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, NIP did not recognised any additional additional impairment on the entity's Trade receivables balance. Hence this did not impact the statement of financial position, statement of comprehensive income or statement of changes in equity.

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Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

IFRS 9 -Financial Instruments

The company has applied IFRS 9 Financial Instruments in the current financial year using the modified retrospective approach. The modified retrospective application of the change in accounting policy has resulted in the following change in category title in which the annual financial assets were classified in the prior year, as follows:

- “Loans and receivables” financial assets have been reclassified to the “Financial assets at amortised cost” category;

- "Held to maturity" financial assets have been reclassified to "Financial assets at fair value through other comprehensive income" category;

- "Available-for-sale" financial assets have been reclassified to the "Financial assets at fair value through other comprehensive income" category; and

In addition to the above “Provision for doubtful debts” has been renamed to “Expected credit losses” to be in line with IFRS 9.

Please refer to note 1.4 and note 4 for the classification and disclosure of the entity’s financial instruments.

IFRS 15 - Revenue from contracts with customers

The company has applied IFRS 15 Revenue from Contracts with Customers in the current financial year using a modified retrospective approach. IAS 1 requires an entity restate its financial statements when it applies an accounting policy change retrospectively and the change has a material effect on the financial statements. The effect of applying the accounting policy change retrospectively is not material and thus the comparative amounts in the current year financial statements have not been restated. Additional disclosures due to the application of IFRS 15 were included for both the current and prior financial year.

Please refer to note 1.9 and note 12 for the disclosure of revenue from contracts with customers.

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 2019 or later periods. Only those standards and amendments applicable to the entity have been discussed.

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.

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Notes to the Financial Statements

2. New standards and interpretations (continued)

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

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.

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.

Definition of Material - Amendments to IAS 1 and IAS 8

Effective for financial Periods beginning on or after 1 January 2020. IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The expected impact will be immaterial.

IFRS 16 Lease

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019.

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2. New standards and interpretations (continued)

Transition to IFRS 16

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company plans to adopt IFRS 16 using the modified retrospective approach to each prior reporting period presented. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company currently does not have any lease arrangements in which it is a lessor, but under IFRS 16 lessor accounting will result in little change compared to lessor accounting under IAS 17.

Impact

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. Management is currently assessing the impact of IFRS 16 on an ongoing basis.

IFRIC 23 Uncertainty over Income Tax Treatments issued

Effective for financial periods beginning on or after 1 January 2019, the interpretation clarifies applications of recognition and measurement requirements in IAS 12, where there is uncertainty over income tax treatments. The interpretation specifically addresses whether an entity should consider uncertain treatments separately; the assumptions an entity makes about the tax treatments by tax authorities; how and entity determines taxable profit (tax loss),unused tax losses, unused tax credits, and tax rates, and; how and entity considers changes in facts and circumstances. The expected impact will be immaterial.

3. Property, plant and equipment

	2019			2018		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Buildings	112,986,851	(6,446,754)	106,540,097	112,986,851	(4,502,851)	108,484,000
Furniture and fixtures	8,671,872	(3,436,094)	5,235,778	8,485,984	(2,121,244)	6,364,740
Motor vehicles	6,806,443	(3,298,796)	3,507,647	6,942,362	(2,615,527)	4,326,835
Office equipment	3,631,846	(3,009,824)	622,022	3,631,846	(2,701,715)	930,131
Computer equipment	26,789,055	(20,330,418)	6,458,637	21,465,275	(17,366,522)	4,098,753
Leasehold improvements	21,583,794	(10,765,136)	10,818,658	20,173,554	(7,460,007)	12,713,547
Laboratory Equipment	28,134,742	(17,934,292)	10,200,450	25,544,987	(13,911,544)	11,633,443
Capital - Work in progress	19,260,931	-	19,260,931	16,742,752	-	16,742,752
Total	**227,865,534**	**(65,221,314)**	**162,644,220**	**215,973,611**	**(50,679,410)**	**165,294,201**

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Buildings	108,484,000	-	(1,943,903)	106,540,097
Furniture and fixtures	6,364,740	185,889	(1,314,851)	5,235,778
Motor vehicles	4,326,835	-	(819,188)	3,507,647
Office equipment	930,131	-	(308,109)	622,022
Computer equipment	4,098,753	5,323,780	(2,963,896)	6,458,637
Leasehold improvements	12,713,547	1,410,239	(3,305,128)	10,818,658
Laboratory Equipment	11,633,443	2,589,755	(4,022,748)	10,200,450
Capital - Work in progress	16,742,752	2,518,179	-	19,260,931
	165,294,201	**12,027,842**	**(14,677,823)**	**162,644,220**

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	2,576,347	-	(4,092,682)	-	11,633,443
Capital - Work in progress	101,673,897	6,988,393	(91,919,538)	-	-	16,742,752
	153,526,310	**27,639,071**	**-**	**(13,616,918)**	**(2,254,262)**	**165,294,201**

Impairment (relating to 2018)

The local property market deteriorated during the 2018 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 in 2018. After and annual assessment, management is confident that the current value of the Property approximates the fair market value of such property as at 31 March 2019.

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%

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4. Other financial assets		
Available for Sale - 2018		
Unlisted shares	-	18,028,000
Unit trusts	-	27,428,095
	-	**45,456,095**
Held to maturity - 2018		
Old Mutual Endowment Policy	-	11,189,420
Financial assets at fair value through OCI - 2019		
Unlisted shares	8,900,520	-
Unit trusts	739,671	-
	9,640,191	**-**
Financial assets at fair value through profit and loss 2019		
Old Mutual Endowment Policy	12,398,866	-
Total other financial assets	**22,039,057**	**56,645,515**
Non-current assets		
Available for Sale - 2018	-	45,456,095
Held to maturity - 2018	-	11,189,420
Financial assets at fair value through OCI - 2019	9,640,191	-
Financial assets at fair value through profit and loss - 2019	12,398,866	-
	22,039,057	**56,645,515**

Reconciliation of financial assets - 2019

	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	18,028,000	-	(9,127,480)	-	-	8,900,520
Sanlam unit trust	27,309,823	-	1,071,612	-	(27,768,886)	612,549
Old Mutual unit trust	118,272	-	8,850	-	-	127,122
Old Mutual endowment policy	11,189,420	566,368	-	643,078	-	12,398,866
	56,645,515	**566,368**	**(8,047,018)**	**643,078**	**(27,768,886)**	**22,039,057**

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Figures in Namibia Dollar	2019	2018

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
	57,465,876	**578,922**	**5,799,179**	**701,538**	**(7,900,000)**	**56,645,515**

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 23.

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 23.

5. Deferred tax

Deferred tax liability

	2019	2018
Accelerated capital allowances for tax purposes	(11,422,276)	(10,400,152)
Provision for bad debts	2,257,785	2,257,784
Endowment policy	(3,786,399)	(3,395,359)
Consumable stock	(13,454,237)	(13,969,351)
Prepayment	(101,927)	(269,039)
Total deferred tax liability	**(26,507,054)**	**(25,776,117)**
Deferred tax liability	(26,507,054)	(25,776,117)

Reconciliation of deferred tax asset / (liability)

	2019	2018
At beginning of year	(25,776,117)	(19,272,862)
Current year timing difference	(1,161,932)	(8,228,222)
Prior year adjustment	430,995	1,724,967
	(26,507,054)	**(25,776,117)**

6. Prepayments

Prepayments for the year amounted to N$ 318 520 (2018 - N$ 840 745).

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

7. Inventories

	2019	2018
Consumables	42,044,491	43,050,241

There was no write down of inventory to the Net realisable value during the current year.

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8. Trade and other receivables

Trade receivables	497,086,263	399,908,796
Expected credit loss allowance	(9,407,436)	(9,407,436)
Other receivables	529,567	1,658,364
	488,208,394	**392,159,724**

Other receivables relate to sundry receivables and staff loans receivables

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 2019 (2018: N$ 9,407,436).

Reconciliation of provision for impairment of trade and other receivables	**2019**	**2018**
Opening balance	9,407,436	10,360,527
Provision (reversed) / utilised during the year	-	(953,091)
	9,407,436	**9,407,436**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,170	8,327
Bank balances	55,531,617	-
Short-term deposits	5,780	204,530
Bank overdraft	-	(26,688,580)
	55,538,567	**(26,475,723)**

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	49,801,180	31,347,444
Accrued leave pay	12,969,004	13,015,614
Accrued bonus	4,491,713	4,023,948
Accruals	44,708,576	31,159,819
Other payables	2,859,888	2,621,612
	114,830,361	**82,168,437**

Trade payables are normally settled on 30 day terms.

Other payables are mostly made up of retention on construction projects of N$ 2,065,714 (N$ 2,073,322 in 2018).

Accruals are made up of items purchased and delivered but not invoiced to NIP as at year end.

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12. Revenue

State revenue - services rendered	589,140,839	795,730,646
Third party sales - services rendered	34,879,078	40,433,108
	624,019,917	**836,163,754**

13. Cost of sales

Rendering of services	168,872,188	175,947,172

14. Other operating income

Administration fees received	219,078	347,948
Other income	47,311	43,275
NTA Levy Refund	893,749	740,459
Donations received	2,604,109	-
	3,764,247	**1,131,682**

Assets to the value of N$ 2,604,109 were donated to NIP. This is mainly made up of lab equipment and has been disclosed under note 3 as additions to PPE.

15. Operating profit

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

Auditor's remuneration - external		
Audit fees	445,391	363,773
Consulting and professional services	5,597,183	1,660,658
Employee costs		
Salaries, wages, bonuses and other short term benefits	248,691,217	244,842,010
Leases		
Operating lease charges		
Premises	1,055,259	1,069,961
Equipment	10,563,105	15,362,153
	11,618,364	**16,432,114**

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

Minimum Lease Payments 2019	**< 12 months**	**1 to 5 years**
Equipment leases	7,837,837	8,017,385
Property leases	743,444	65,100
	8,581,281	**8,082,485**

Minimum lease payments 2018	**< 12 months**	**1 to 5 years**
Equipment leases	522,275	4,193,204
Property leases	1,416,132	-
	1,938,407	**4,193,204**

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Figures in Namibia Dollar	2019	2018
15. Operating profit (continued)		
Depreciation and amortisation		
Depreciation of property, plant and equipment	14,677,823	13,616,918
Impairment losses		
Property, plant and equipment	-	2,254,262
16. Investment income		
Dividend income		
From investments in financial assets classified as available for sale:		
Unlisted investments - Ongwediva Medipark (Pty) Ltd	-	440,910
Interest income		
From investments in financial assets classified as FVOCI / Available for sale:		
Bank and other cash	34,017	17,255
Other financial assets	1,250	531,813
Interest received from Old Mutual Endowment Policy	566,369	578,922
Total interest income	**601,636**	**1,127,990**
Total investment income	**601,636**	**1,568,900**

All interest income listed above results from an effective interest rate.

17. Finance costs

	2019	2018
Interest paid	4,274,184	1,442,747

Interest paid is mainly made up on interest on the current overdraft facility that is charged at the prevailing prime rate as well as interest on the late payment of indirect taxes charged at 20%.

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18. Taxation

Major components of the tax expense

Current		
Local income tax - current period	38,468,722	25,245,195
Deferred		
Originating and reversing temporary differences	1,161,932	8,228,222
Prior Year Adjustment	(430,995)	(1,724,967)
	730,937	**6,503,255**
	39,199,659	**31,748,450**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	32.00 %	32.00 %
Exempt income	(2.31)%	(0.14)%
Disallowable charges	4.49 %	(1.34)%
	34.18 %	**30.52 %**

Exempt income is made up of dividends received whereas disallowable charges include items such as donations and legal fees.

19. Tax paid

Balance at beginning of the year	19,147,450	(5,954,456)
Current tax for the year recognised profit and loss	(38,468,722)	(25,245,195)
Balance at end of the year	19,321,272	(19,147,450)
	-	**(50,347,101)**

20. Related parties

Related party balances

Loan accounts - Owing (to) by related parties		
Ministry of Health and Social Services - Trade receivables	480,938,709	380,997,292
Purchases from / (sales) to related parties		
Ministry of Health and Social Services - Sales	(589,140,839)	(781,873,074)
Key Management Personnel		
Key Management Personnel	6,369,338	8,852,969
Compensation to directors and other key management		
Directors Emoluments	1,074,787	1,151,471

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.

Notes to the Financial Statements

Figures in Namibia Dollar

21. Categories of financial instruments

	Note(s)	Financial assets at fair value through profit (loss)	Available for sale financial assets	Held to maturity financial assets	Financial assets at fair value through other comprehensive income	Financial liabilities at amortised cost	Financial assets at amortised cost	Loans and receivables	Total
Categories of financial instruments - 2019									
Assets									
Non-Current Assets									
Other financial assets	4	12,398,866	-	-	9,640,191	-	-	-	22,039,057
Current Assets									
Trade and other receivables	8	-	-	-	-	-	488,208,394	-	488,208,394
Cash and cash equivalents	9	-	-	-	-	-	55,538,567	-	55,538,567
		-	**-**	**-**	**-**	**-**	**543,746,961**	**-**	**543,746,961**
Total Assets		**12,398,866**	**-**	**-**	**9,640,191**	**-**	**543,746,961**	**-**	**565,786,018**
Equity and Liabilities									
Liabilities									
Current Liabilities									
Trade and other payables	11	-	-	-	-	114,830,362	-	-	114,830,362
Total Liabilities		**-**	**-**	**-**	**-**	**114,830,362**	**-**	**-**	**114,830,362**
Total Equity and Liabilities		**-**	**-**	**-**	**-**	**114,830,362**	**-**	**-**	**114,830,362**

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Categories of financial instruments - 2018

	Note(s)	Financial assets at fair value through profit (loss)	Available for sale financial assets	Held to maturity financial assets	Financial assets at fair value through other comprehensive income	Financial liabilities at amortised cost	Financial assets at amortised cost	Loans and receivables	Total
Assets									
Non-Current Assets									
Other financial assets	4	-	45,456,095	11,189,420	-	-	-	-	56,645,515
Current Assets									
Trade and other receivables	8	-	-	-	-	-	-	392,159,724	392,159,724
Cash and cash equivalents	9	-	-	-	-	-	-	212,857	212,857
		-	**-**	**-**	**-**	**-**	**-**	**392,372,581**	**392,372,581**
Total Assets		**-**	**45,456,095**	**11,189,420**	**-**	**-**	**-**	**392,372,581**	**449,018,096**
Equity and Liabilities									
Liabilities									
Current Liabilities									
Trade and other payables	11	-	-	-	-	82,168,443	-	-	82,168,443
Bank overdraft	9	-	-	-	-	26,688,580	-	-	26,688,580
		-	**-**	**-**	**-**	**108,857,023**	**-**	**-**	**108,857,023**
Total Liabilities		**-**	**-**	**-**	**-**	**108,857,023**	**-**	**-**	**108,857,023**
Total Equity and Liabilities		**-**	**-**	**-**	**-**	**108,857,023**	**-**	**-**	**108,857,023**

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22. 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.

2019 (N$)	**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	52,661,530	-	-	-	-	52,661,530
Accruals	17,460,717	44,708,576	-	-	-	62,169,293
	70,122,247	**44,708,576**	**-**	**-**	**-**	**114,830,823**

2018 (N$)	**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	17,039,562	31,159,819	-	-	-	48,199,381
	51,008,624	**31,159,819**	**-**	**-**	**-**	**82,168,443**

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22. 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.

2019	**Increase or decrease in basis points**	**Effects on Profit before tax N$**	**Effects on equity N$**
Short term deposit	100	69	-
	(100)	(69)	-
Unit Trusts	100	-	7,397
	(100)	-	(7,397)
Endowment Policy	100	123,988	-
	(100)	(123,988)	-
Bank	100	427,947	-
	(100)	(427,947)	-

2018	**Increase or decrease in basis points**	**Effects on Profit before tax N$**	**Effects on equity N$**
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)	-

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.

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

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22. Risk management (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. NIP does not hold collateral as security. NIP evaluates the concentration of risk with respect to trade receivables and contract assets as high, with over 90% of the trade receivables balance relating to the Ministry of Health and Social Services.

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

2019	**Past due but not impaired**	**<3 months**	**03 - 06 months**	**06-12 months**	**Total**
Held to maturity investments	12,398,866	-	-	-	12,398,866
Government debtors	-	139,368,770	123,848,483	220,775,715	483,992,968
Medical aids and other debtors	-	2,710,696	503,176	5,810,964	9,024,836
Other receivables (excluding prepayments)	1,658,364	-	-	-	1,658,364
Cash and other short term interest bearing-instruments	55,538,567	-	-	-	55,538,567
	69,595,797	**142,079,466**	**124,351,659**	**226,586,679**	**562,613,601**

2018	**Past due but not 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)	1,658,364	-	-	-	1,658,364
Cash and other short term interest bearing-instruments	212,857	-	-	-	212,857
	13,060,641	**160,113,712**	**134,420,402**	**102,616,760**	**410,211,515**

At each reporting date the entity assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment NIP uses the change in risk of default over the expected life of the financial instrument. NIP may also use any forward looking information that is available in the assessment of the whether the credit risk has increased significantly or not since initial recognition.

As at year end the entity is not exposed to foreign exchange risk or price risk.

Government debtors refers to the total amount due to NIP from all government ministries, regional and local authorities as well as government agencies.

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22. Risk management (continued)

Set out below is the information about the credit risk exposure on NIP's trade receivables using a provision matrix:

	Balance as at 31 March 2019	Expected Credit Loss ratio (percentage)	Expected credit losses
State debt	483,992,968	-	-
Medical Aid - PSEMAS	2,624,839	8	212,371
Medical Aid - Other	715,307	11	77,807
Private Debtors	5,684,642	99	5,645,398
Outsourced Debt	3,780,324	92	3,471,860
	496,798,080	**-**	**9,407,436**

NIP management elected to leave the credit loss amount to the prior period provision amount of N$ 9,407,436.

NIP management has not applied an ECL ratio to state debt as they asses that the full debt will be repaid by the state. There has been no write offs done for the state due to their inability to pay and as a result NIP expect that the state will honour its obligations as done in the past.

23. 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.

2019	**Level1**	**Level 2**	**Level 3**	**Carrying Amount**
Ongwediva Medipark (Pty) Ltd	-	-	8,900,520	8,900,520
Sanlam Unit Trust	-	612,549	-	612,549
Old Mutual Unit Trust	-	127,122	-	127,122
Old Mutual endowment policy	-	12,398,866	-	12,398,866
	-	**13,138,537**	**8,900,520**	**22,039,057**

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
	-	**38,617,515**	**18,028,000**	**56,645,515**

The fair value adjustment relating to the investment in Ongwediva Medipark (Pty) Ltd unlisted shares was determined using the discounted cash flow method 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:

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23. Fair value information (continued)

Fair rate of return - 24.3% (2018 - 24.3%)

Holding period – 10 years (2018 - 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 level 2 assets carried at fair value and not traded on a open market are determined by obtaining quoted prices of the instruments from the holding financial institutions.

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.

24. Events after the reporting period

The coronavirus outbreak occurred close to the end of 2019. In late 2019, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, more cases have been diagnosed, also in other countries. Measures were taken and policies imposed by China and other countries. On 11 March 2020, the WHO announced that the coronavirus outbreak can be characterised as a pandemic.

The President of the Republic of Namibia, Dr. Hage G. Geingob declared a State of Emergency on 17 March 2020 in the wake of the global COVID-19 pandemic, which was followed by a lockdown of the Khomas and Erongo regions on the 27th of March 2020 up to the 17th of April 2020 and a closure of the borders to all international travellers and non-essential goods and services. On the 14th of April 2020 the President extended the lockdown to the 4th of May 2020.

On Thursday, April 30, 2020, the President announced that the country will begin to gradually reopen from Tuesday, May 5, 2020, entering the second stage of lockdown measures introduced amid the coronavirus disease (COVID-19) pandemic. In this stage, domestic travel between regions and within cities and towns will be allowed and several businesses will be allowed to reopen.

At the date of sign off, management has concluded that the COVID-19 Pandemic is a subsequent event, but the event is a non-adjusting event that does have a material impact estimated at 30% reduction in future returns of the financial assets (investments) within the financial statements . The Pandemic is also expected to improve the revenue and the collection of trade receivables arrears from the shareholder so that NIP is financially ready to perform its testing obligations related to the coronavirus testing.

In the wake to the coronavirus pandemic and the effect thereof on the financial markets, the directors are considering that it would be best to divest in all financial instruments excluding the investment in Ongwediva MediPark.

At the date of sign off, management also believes the company's ability to continue as a going concern has not been effected by COVID-19.

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