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Integrated Diagnostics Holdings PLC

16 August 2018

Integrated Diagnostics Holdings Plc

Half-Year Results

Thursday, 16 August 2018

Integrated Diagnostics Holdings Plc results for the six-month period ended 30 June 2018

(London) Integrated Diagnostics Holdings ("IDH," "the Group," or "the Company"), IDHC on the London Stock Exchange, a leading consumer healthcare company with operations in Egypt, Jordan, Sudan and Nigeria, announced today its results for the six-month period ended 30 June 2018.

Results

	1H2018	1H2017	cha
Revenues	866	685	
Cost of Sales	447	367	
Gross Profit	419	318	
<i>Gross Profit Margin</i>	48%	46%	1
Operating Profit	295	224	
EBITDA	329	255	
<i>EBITDA Margin</i>	38%	37%	1
Net Profit	214	160	
<i>Net Profit Margin</i>	25%	23%	2

1 EBITDA is calculated as operating profit plus depreciation and amortization.

IDH Chief Executive Officer Dr. Hend El-Sherbini said:

"IDH has reported another strong set of financial results backed by real, organic growth across our growing four-country footprint. Particularly notable is the solid growth and strong contribution from our high-margin walk-in segment, driven by a sharp focus on marketing. IDH operated 405 branches at the end of this reporting period, and I am very pleased to be able to report that we are on plan with the integration of our new Nigerian operation into our platform. Also during the first half of 2018, we won accreditation from the College of American Pathologists (CAP) for our state-of-the-art Mega Lab in Egypt, our largest market. Going forward, we are on track to deliver consolidated revenue growth of more than 20% and an EBITDA margin of c. 40% from our established businesses in Egypt, Jordan and Sudan - all whilst integrating our operation in Nigeria which is going through a value-building phase.

Financial & Operational Highlights

- Revenues** increased 26% to EGP 866 million in 1H2018 from EGP 685 million in the same period last year, driven primarily by improved pricing as the Group capitalised on the inflationary environment it operates within and successfully targeted a larger number of higher-margin walk-in patients. The Group's strong revenue performance came despite the holy month of Ramadan - a traditional slow period for consumer healthcare companies - falling during the reporting period.
- Cost of sales** recorded EGP 447 million in 1H2018, up 22% y-o-y, increasing at a slower rate than revenue growth thanks to management's focus on cost-control initiatives. Consequently, **raw materials costs** as a percentage of sales declined to 19% in 1H2018 compared to 22% in the same period last year.
- Gross profit** increased at a rate faster than revenues, closing at EGP 419 million in 1H2018 or 32% higher than the same period the previous year. Gross profit improved thanks to a higher contribution from higher-margin walk-in patients, a favourable test mix and management's success in controlling costs amidst an inflationary environment and upward pressure on raw material prices. Gross profit margin rose two percentage points to 48% versus 46% recorded in 1H2017.

- Operating profit** rose 31% in 1H2018 to EGP 295 million compared to EGP 224 million in 1H2017. This comes despite an increase in SG&A expenses driven by higher salary and wage costs as well as increased marketing spend to drive volume growth.
- EBITDA** grew 29% to EGP 329 million in 1H2018 compared to EGP 255 million in the same period last year. The Group's EBITDA margin improved to 38% compared to 37% in 1H2017. Notably, the Group's financial results now include its new Nigerian operation, which is still in the value-building phase and contributed a negative EBITDA of EGP 7 million. Excluding the Nigerian operation, EBITDA growth would have been 32% in 1H2018 with an EBITDA margin of 40%, consistent with previously stated guidance.
- Net interest income** was EGP 22 million in 1H2018, up a strong 83% over the 1H2017 figure of EGP 12 million thanks to IDH's effective cash management and ability to capitalise on favourable interest rates, particularly during the first quarter of the year.
- Net foreign exchange loss** of EGP 12 million in 1H2018 was up 47% compared to EGP 8 million in 1H2017, owing primarily to devaluation of the Sudanese pound as well as FX transactions related to dividend distributions.
- Net profit** increased 34% to EGP 214 million in 1H2018 versus EGP 160 million in 1H2017, buoyed by strong revenue and gross profit growth as well as higher interest income.
- Total tests** performed stood at 12.6 million in 1H2018, up 5% year-on-year, while **total patients** served increased 10% to 3.2 million on the back of continued successful marketing campaigns targeting walk-in patients.
- IDH's key metrics of **average revenue per test** climbed 21% in 1H2018 while **average revenue per patient** rose 15% during the same period. These increases underscore the Group's ability to pass-on inflationary pressures thanks to patient loyalty and the strength of its brands.
- **Management affirms its guidance** for the full year 2018. IDH continues to target combined revenue growth of over 20% and an EBITDA margin of c. 40% at from its established businesses in Egypt, Jordan and Sudan and excluding Nigeria.

Outlook

IDH's forward-looking strategy rests on leveraging its established business model to achieve four key strategic goals, namely: (1) continue to expand customer reach; (2) increase the number of tests per patient; (3) expand into new geographic markets through selective, value-accretive acquisitions; and (4) introduce new medical services by leveraging the Group's network and reputable brand position.

About Integrated Diagnostics Holdings (IDH)

IDH is a leading consumer healthcare company in the Middle East and Africa with operations in Egypt, Jordan, Sudan and Nigeria. The Group's core brands include Al Borg and Al Mokhtabar in Egypt, as well as Biolab (Jordan), Ultralab and Al Mokhtabar Sudan (both in Sudan) and Echo-Scan (Nigeria). A long track record for quality and safety has earned the Company a trusted reputation, as well as internationally recognised accreditations for its portfolio of over 1,400 diagnostics tests. From its base of 405 branches as of 30 June 2018, IDH will continue to add laboratories through a Hub, Spoke and Spike business model that provides a scalable platform for efficient expansion. Beyond organic growth, the Group's expansion plans include acquisitions in new Middle Eastern and African markets where its model is well-suited to capitalise on similar healthcare and consumer trends and capture a significant share of fragmented markets. IDH has been a Jersey-registered entity with a Standard Listing on the Main Market of the London Stock Exchange (ticker: IDHC) since May 2015.

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Shareholder Information

LSE: IDHC.L

Bloomberg: IDHC:LN

Listed: May 2015

Shares Outstanding: 150 million

Contact

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Investor Relations Director

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Forward-Looking Statements

These Interim Results have been prepared solely to provide additional information to shareholders to assess the group's performance in relation to its operations and growth potential. These Interim Results should not be relied upon by any other party or for any other reason. This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "aims", "anticipates", "assumes", "believes", "could", "estimates", "expects", "forecasts", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding business and management, future growth or profitability and general economic and regulatory conditions and other matters affecting the Group.

Forward-looking statements reflect the current views of the Group's management ("Management") on future events, which are based on the assumptions of the Management and involve known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause the Group's actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements.

The Group's business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to differ materially from those expressed or implied by the forward-looking statements contained in this communication. The information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Group does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.

Chief Executive Officer's Report

I'm very pleased to report yet another strong set of financial results. Throughout the first half of 2018, our strong operational performance allowed us to deliver 26% growth in our top-line thanks to a combination of better pricing and mix as well as sustained growth in volumes.

The performance of our walk-in segment is particularly notable: A sharp focus on consumer marketing of our superior value proposition delivered strong revenue growth in this high-margin segment. Our walk-in patient numbers rose 24% in 1H2018, well-above the Group's average growth of 10% in total patient volumes. Walk-in patients paid for 13% more tests, leading to a 35% increase in revenues from that segment. While walk-ins account for a smaller share of our total revenues than contract patients, the combination of higher volumes and better pricing saw it contribute the lion's share of total growth at 52% for the period.

Our 26% growth in total revenues was largely organic, coming in 2 percentage points higher than the same period of 2017, at which time we benefitted from foreign currency translations of our results in Jordan and Sudan, which contributed favourably to our top-line. What's more, 1H2018 saw the devaluation of the Sudanese pound which brought a negative impact on our top line, underscoring the substantial growth of the business.

Across our geographies, IDH operated 405 branches as at 1H2018, up nearly 6% compared to the 383 branches at the close of 2017. Over the past six months, we launched 11 new branches in Egypt, 1 in Jordan and expanded our reach to Nigeria with the acquisition of Echo-Scan and its 10 operating branches. Against that background, I'm pleased to report that the integration of our new Nigerian operation is well underway and operating according to our business plan. We are revamping existing branches, expanding the operation's national reach, hiring new talent, and working to ensure our newest operation is fully compliant with IDH's high quality standards.

Also, during the first half of this year, our Mega Lab in Egypt was awarded the College of American Pathologists (CAP) accreditation, widely considered the leader in laboratory quality assurance globally. Consequently we are the only CAP-accredited facility in Egypt, our largest market.

While we continue to strengthen our position in the pathology market across our geographies, we are also expanding into the high-value, adjacent radiology segment. In August 2018, we announced the launch of our radiology business in Egypt, Al Borg Scan, which will leverage the strong relationship between our brands and our millions of customers, and will capitalise on favourable market dynamics. More than 75% of customers surveyed by a third-party research provider indicate a preference for consolidated service offerings that feature both pathology and radiology - and there is significant existing demand for us to capture.

As we deliver operational and top-line growth, we have also been successful in expanding profitability margins, thanks again to increasing contribution from the high-margin walk-in segment as well as improved test mix and a sharp eye on cost-control initiatives to help offset inflationary pressure, particularly on our raw material prices. The results speak for themselves, with gross profit margin expanding two percentage points to 48% and EBITDA margin increasing from 37% to 38% in 1H2018. This comes despite downward pressure from our operations in Sudan following the devaluation of the Sudanese pound and includes a negative contribution to EBITDA from Nigeria as the operation is still in the value-building phase. Excluding our Nigerian operation, EBITDA margin for the period would have recorded 40% in 1H2018.

We are pleased to reaffirm our full-year 2018 guidance for revenue growth of over 20% and an EBITDA margin of c. 40% at our established businesses in Egypt, Sudan and Jordan. This performance will be bolstered by the strength of our brand names, which have become synonymous with quality and safety. We see a continued improvement in both volume and pricing heading into the second half of the year and believe we are ideally positioned to leverage our supplier relationships and asset-light business model to drive operational efficiency and maximize value for our shareholders.

Dr. Hend El Sherbini, Chief Executive Officer

Operational & Financial Review

IDH delivered a strong operational and financial performance in 1H2018, recording a 26% year-on-year increase in revenues on the back of both better pricing (supported by increased contribution from the walk-in segment) as well as higher patient and test volumes. With consumer spending eroded by high inflation, management successfully rolled out tactical marketing campaigns, particularly in Egypt, allowing the Group to pass-on price increases while simultaneously drive volume growth across contract and walk-in clients. The success of this drive in a challenging operating environment underscores the strong market position of our portfolio of brands.

It is also worth noting that robust revenue growth came despite the holy month of Ramadan falling in the second quarter: The month sees substantial changes in consumer behaviour in most of the countries in which the Company operates. Moreover, the Group saw a lower top-line contribution from operations in Sudan, where the devaluation of the Sudanese pound saw local-currency revenue gains lost to currency translation in IDH's consolidated financials.

Top-line growth for the period reflects positively as we move down the income statement thanks to management's ability to rein in costs despite operating in a high-inflation environment. IDH delivered a 32% y-o-y increase in gross profit for 1H2018 and a 29% y-o-y growth in EBITDA for the same period, with both metrics showing margin expansion over 1H2017. Meanwhile, prudent cash management saw the company record net interest income of EGP 22 million, further bolstering IDH's bottom line. Net profit for the six-month period recorded a solid 34% y-o-y increase to EGP 214 million.

IDH continued to expand its geographic footprint in 1H2018, adding 22 new branches during the six-month period to reach a total 405 branches, up c. 6% compared to year-end 2017. Branch additions included 10 in Nigeria through acquisition, IDH's newest market, 11 in Egypt and one new branch in Jordan. The Group's expansion drive is supported by its state-of-the-art Mega Lab which allows IDH to deploy its Hub, Spoke and Spike business model in Egypt to roll out capital-efficient "C" labs more rapidly. In February 2018, the Mega Lab was awarded accreditation from the College of American Pathologists (CAP), widely considered the leader in laboratory quality assurance globally.

Branches by Country

	30 June 2018	31 December 2017	Change
Egypt	351	340	3.2%
Jordan	19	18	5.6%

Sudan	25	25	-
Nigeria	10	-	NA
Total Branches	405	383	5.7%

Our Customers

IDH serves two principal types of clients: contract (corporate) and walk-in (individuals). Within each of these categories, the Group also offers a house call service, and within the contract segment, a lab-to-lab service.

Contract Clients

IDH's contract clients, who in 1H2018 represented 58% of total revenues, include institutions such as unions, private insurance companies and corporations who enter into one-year renewable contracts at agreed rates per-test and on a per-client basis. During 1H2018, the Company served 2.3 million patients under these contracts and performed a total of 9.5 million tests, with no single contract client accounting for more than 1.5% of revenues.

Walk-in Clients

The Group derived 42% of its revenues in 1H2018 from walk-in clients. The segment regained its growth momentum where total walk-in clients numbered 0.9 million in 1H2018, up a strong 24% y-o-y, and received 3.1 million tests.

The ratio of contract to walk-in patients during 1H2018 was 71:29 compared with 74:26 in 1H2017, reflecting IDH's sustained marketing effort to target walk-in patients. That said, we expect the ratio to remain skewed in favour of contract patients; this is in step with the general market-wide shift in patient mix in recent years and is a natural outgrowth of market dynamics in Egypt, as companies are extending additional benefits to their staffs. The trend has been encouraged by continued high inflation, which is eroding consumer spending power and thus putting incremental pressure on corporations to provide either health insurance or corporate plans.

Key Performance Indicators

	1H2018			1H2017			% change		
	Walk-In	Contract	Total	Walk-In	Contract	Total	Walk-In	Contract	Total
Revenue (EGP '000)	359,832	506,021	865,853	265,788	419,345	685,133	35%	21%	26%
<i>% of Revenue</i>	42%	58%	100%	39%	61%	100%			
Patients ('000)	932	2,292	3,225	755	2,183	2,938	24%	5%	10%
<i>% of Patients</i>	29%	71%	100%	26%	74%	100%			
Revenue per Patient (EGP)	386	221	269	352	192	233	10%	15%	15%
Tests ('000)	3,083	9,502	12,585	2,731	9,287	12,018	13%	2%	5%
<i>% of Tests</i>	24%	76%	100%	23%	77%	100%			
Revenue per Test (EGP)	117	53	69	97	45	57	20%	18%	21%

Test per Patient 3.3 4.1 3.9 | 3.6 4.3 4.1 -9% -3% -5%

Revenue Analysis: Contribution by Patient Segment

Consolidated revenues increased 26% y-o-y in 1H2018 to EGP 866 million, driven by both the corporate and walk-in segments. Total patients served rose 10% and total tests performed grew 5% during our reporting period. Selective price increases and better sales mix also made important contributions to revenue growth. This is clearly reflected in IDH's two key revenue metrics of average revenue per patient (up 15% in 1H2018) and average revenue per test (up 21%).

Revenues from contract clients grew 21% to EGP 506 million in 1H2018, supported by an overall trend toward corporate health insurance coverage, especially in IDH's home market of Egypt. Better pricing mix saw the contract segment record a 15% increase in average revenue per contract patient and an 18% increase in average revenue per contract test; surpassing volume growth of 5% in number of contract patients and a 2% increase in associated tests.

Meanwhile, the walk-in segment recorded strong gains in 1H2018 with revenues growing 35% y-o-y to EGP 360 million. Segment growth was driven by both improved pricing and a continued turnaround in walk-in patient trends. In Egypt, inflationary pressure is gradually easing (coming off a high base) and consumers are increasingly adapting to new price levels following the late 2016 devaluation of the Egyptian pound. Additionally, IDH's successful efforts to target walk-in patients with tactical marketing campaigns - including attractive features such as discounts on chronic disease tests and partnerships with banks for affordable payment programs - helped drive patient and test volumes in the segment, which increased 24% and 13%, respectively, in 1H2018. In parallel, the company was also able to extract higher value from the segment, with average revenue per walk-in patient recording a 10% increase and average revenue per walk-in test increasing 20% in 1H2018. Whilst the segment contributes the smaller share to total revenues (1H2018: 42%), the dual effect of strong volume growth and better pricing saw walk-in patients contribute 52% to total revenue growth for the period.

Revenue Analysis: Contribution by Geography

On a geographic basis, Egypt contributed 83% of total revenues in 1H2018 (1H2017: 82%), followed by Jordan at 13% (1H2017: 15%) and Sudan and Nigeria each contributing 2% to total revenues (Sudan 1H2017: 3%).

Revenues by Country

<i>(EGP million)</i>	1H2018	1H2017	% change
Egypt	715	560	28%
Jordan	114	102	12%
Sudan	19	23	(16%)
Nigeria	17	-	NA
Total	866	685	26%

In IDH's home market of Egypt, revenues recorded the fastest growth at 28% y-o-y to EGP 715 million in 1H2018. This saw it contribute the lion's share to the Group's total revenue growth at 86% in absolute terms. Patient volumes were up 8% in Egypt, whilst tests performed rose 4%. On a segment basis, patient volumes were strong in both the contract business (+5%) and walk-in patients (+18%). Test volumes also increased across both segments in 1H2018, with total contract tests rising 1% and walk-in tests increasing 19%.

To drive both the acquisition of new patients and expanded test volumes, the Group offered payment plans and packages for selected tests; launched tactical advertising campaigns to raise awareness of chronic diseases; and implemented a new customer relationship management (CRM) program that reached out to patients with marketing messages via SMS.

Revenues from Jordan recorded EGP 114 million in 1H2018, up 12% compared to the same period last year and contributing c.7% to IDH's total revenue growth in absolute terms. IDH's Jordan-based subsidiary Biolab delivered a strong operational performance, with 19% increase in number of patients served and 15% gain in number of tests performed.

In Sudan, revenues rose 44% in SDG terms, but were negatively impacted by the devaluation of the Sudanese pound during the period when translated into EGP for the Group's consolidated financial statements. The average SDG:EGP exchange rate was 0.65 in 1H2018 versus 1.12 in 1H2017, with the result being a 17% decline in Sudan revenues in EGP terms to EGP 19 million. Had the SDG:EGP exchange rate remained stable at 1.12, revenues consolidated from Sudan would have grown 29% y-o-y

Nigeria, IDH's newest market, contributed revenues of EGP 17 million in 1H2018 with key metrics surpassing budgets despite the operation still being the value-building phase. The country's contribution to total consolidated growth stood at 2% during the period.

Cost of Sales

Cost of sales stood at EGP 447 million in 1H2018, up 22% y-o-y, increasing at a slower rate than revenue growth thanks to management's focus on cost-control initiatives. The Group consequently delivered a c. two percentage-point expansion in gross profit margin to 48% in 1H2018 versus 46% in 1H2017. Gross profit for the period recorded EGP 419 million or 32% higher than 1H2017.

Raw material costs, the largest contributor to COGS at 37%, grew 12% y-o-y to EGP 167 million in 1H2018, including the cost of tests sent abroad. However, raw materials costs as a percentage of sales declined to 19% in 1H2018 compared to 22% in the same period last year.

Salaries and wages, the second-largest component of COGS at 34%, recorded a sharp 32% y-o-y increase in 1H2018 to EGP 150 million, driven by both annual merit raises and higher incentive compensation. Still, management maintained salaries and wages at c.17% of revenues during the period.

Other expenses, which include branch utilities and rent, recorded a 29% y-o-y increase to EGP 97 million in 1H2018. Growth in the expense item was driven by a hike in utilities prices in Egypt implemented in July 2017, with a second round of increases passed in July 2018.

EBITDA

EBITDA grew 29% y-o-y in 1H2018 to EGP 329 million versus EGP 255 in the same period last year. The associated EBITDA margin expanded c.70 bps to 38.0% compared to 37.3% in 1H2017 on the back of higher revenues and a tight rein on raw materials, salaries and marketing costs. SG&A expenses as a percentage of revenues were effectively unchanged at c.14%.

Egypt contributed 96% of consolidated EBITDA in 1H2018, up from 90% in the same period last year supported by the local operation's own momentum as well as a stable contribution from Jordan and a decline in Sudan. Lower raw material costs as well as favourable operating leverage saw EBITDA margin in Egypt expand to 44% in 1H2018 compared to 41% in the same period last year. On the other hand, the devaluation of the Sudanese pound led to Sudan's EBITDA margin declining to 2.5% (1H2017: 31%) on account of substantially higher salaries paid in US\$ to Egyptian expatriates. IDH has thus outlined a plan to replace the majority of expatriate employees in Sudan with local hires. EBITDA from Group's Jordanian operation contributed 6% to consolidated EBITDA and delivered a stable EBITDA margin of 17%.

The Group's new Nigerian operation, which is still in the value-building phase, contributed a negative EBITDA of EGP 6.7 million in 1H2018. Excluding the Nigerian operation, EBITDA growth would have been 32% in 1H2018 with an EBITDA margin of 40%.

Interest Income / Expense

IDH recorded interest income of EGP 29 million in 1H2018, up from EGP 18 million in the same period last year. Higher interest rates along with prudent cash management saw the Group maximise return on its accumulated time deposits and treasury bills balances.

Interest expense, which is primarily related to the Company's finance lease contracts, increased by approximately EGP 0.4 million to reach EGP 6.6 million in 1H2018. The increase was driven by a supplier's US\$-denominated finance lease contract.

Foreign Exchange

IDH recorded a net foreign exchange loss of EGP 12 million in 1H2018, up 47% compared to EGP 8 million in 1H2017, owing primarily to devaluation of the Sudanese pound as well as FX transactions related to dividend distributions.

Taxation

In 1H2018, IDH recorded a tax expense of EGP 86 million compared to EGP 51 million in 1H2017, with an effective tax rate of 28% versus 23% a year ago. There is no tax payable for IDH's two companies at the holding level. All tax is paid on profits generated by operating companies in Egypt, Jordan and Sudan.

The Group's dividend policy is to distribute any excess cash after taking into consideration all business cash requirements and potential acquisition considerations. As a result, a deferred tax liability is recognised for the 5% tax on dividends for the future expected distribution payable by Egyptian entities under Egyptian tax legislation. Deferred tax expense in 1H2018 was EGP 4.1

million versus an expense of EGP 15 million in the same period a year earlier.

Net Profit

Net profit recorded EGP 214 million in 1H2018, up 34% compared to EGP 160 million in 1H2017. Net profit margin expanded two percentage points to 25% for the period compared to 23% in 1H2017. Bottom-line improvement came as the company translated top-line gains into higher profitability and was also supported by increased interest income.

Balance Sheet

On the Assets side of the balance sheet, net property, plant and equipment (PPE) rose to EGP 540 million at 30 June 2018 from EGP 474 million at 31 December 2017, primarily due to the consolidation of Echo-Scan's fixed assets amounting to EGP 43.3 million. Other investments included CAPEX outlays for the Group's new corporate headquarters, slated for completion in 2018, as well as branch network expansion and renovations.

Accounts receivable stood at EGP 152 million at the end of 1H2018 compared with EGP 140 million at year-end 2017. IDH continued to benefit from its collection strategy with accounts receivables days-on-hand (DOH) decreasing to 113 days at 30 June 2018 from 123 days at 31 December 2017.

The Group's "days inventory outstanding" increased slightly increased to 86 days as at 30 June 2018 from 83 days at 31 December 2017.

On the liabilities side, accounts payable stood at EGP 118 million versus EGP 126 million at year end 2017. The Group's days payable outstanding (DPO) increased to 139 days at 30 June 2018 from 129 days at 31 December 2017.

Principal Risks and Uncertainties

As in any corporation, IDH has exposure to risks and uncertainties that may adversely affect its performance. The Board and senior management agree that the principal risks and uncertainties facing the Group include political and economic risks in Egypt, the Middle East and Nigeria, foreign currency exchange rate variability and associated risks, changes in regulation and regulatory actions, damage to the Group's reputation, failure to maintain the Group's high quality standards and accreditations, failure to maintain good relationships with health care professionals and end-users, pricing pressures and business interruption of the Group's testing facilities, among others.

Going Concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the directors continue to adopt the going concern basis in preparing the condensed

financial statements. The Group's Financial Statements for the half year ended 30 June 2018 are available on the Group's website at www.idhcorp.com.

Statement of Directors' Responsibilities

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- The interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For and on behalf of the Board of Directors:

Dr. Hend El Sherbini
Executive Director

15 August 2018

Independent Review Report to Integrated Diagnostics Holdings plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises condensed consolidated interim statement of financial position, condensed consolidated interim income statements, condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity, condensed consolidated interim statement of cash flows, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

David Neale

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

15 August 2018

INTEGRATED DIAGNOSTICS HOLDINGS plc - "IDH"
AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED
30 JUNE 2018

Condensed Consolidated Interim Statement of Financial Position as of

	Note	30 June 2018 EGP'000 (Unaudited)	31 December 2017 EGP'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	539,873	473,786
Intangible assets and goodwill	5	1,672,483	1,658,252
Total non-current assets		2,212,356	2,132,038
Current assets			
Inventories		80,200	69,935

Trade and other receivables	6	257,620	202,255
Restricted cash	9	11,739	13,226
Other investment	7	125,273	9,149
Cash and cash equivalents	8	226,643	685,211
Total current assets		701,475	979,776
Total assets		2,913,831	3,111,814
Equity			
Share Capital		1,072,500	1,072,500
Share premium reserve		1,027,706	1,027,706
Capital reserve		(314,310)	(314,310)
Legal reserve		35,195	33,383
Put option reserve		(88,677)	(93,256)
Translation reserve		206,280	203,709
Retained earnings		106,074	315,856
Equity attributed to the owners of the Company		2,044,768	2,245,588
Non-controlling interest		135,483	68,502
Total equity		2,180,251	2,314,090
Non-current liabilities			
Deferred tax liabilities	15-C	152,700	158,712
Provisions		15,404	14,699
Loans and borrowings	11	50,518	38,425
Long-term financial obligations	12	83,910	100,478
Total non-current liabilities		302,532	312,314
Current liabilities			
Trade and other payables	10	315,267	333,432
Loans and borrowings	11	16,603	14,575
Current tax liabilities		99,178	137,403
Total current liabilities		431,048	485,410
Total liabilities		733,580	797,724
Total equity and liabilities		2,913,831	3,111,814

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors and signed on their behalf on 15 Aug 2018 by:

Dr. Hend El Sherbini
Chief Executive Officer

James Nolan
Chairman of the audit committee

The accompanying notes on pages 19 - 30 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Income Statement for the Six Months Ended

	Note	30 June 2018 EGP'000 (Unaudited)
Revenue		865,853
Cost of sales		(446,660)
Gross profit		419,193
Marketing and advertising expenses		(41,442)
Administrative expenses		(78,372)
Other expenses		(5,995)
Operating profit		293,384
Finance income	14	28,819
Finance cost	14	(18,168)
Net finance income	14	10,651
Profit before tax		304,035
Income tax expense		(89,675)
Profit for the period		214,360
Profit attributed to:		
Owners of the Company		216,462
Non-controlling interest		(2,102)
		214,360
Earnings per share (expressed in EGP):		
Basic and diluted earnings per share	20	1.44

The accompanying notes on pages 19 - 30 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Profit and Loss and Other Comprehensive Income for the Six Months Ended

	30 June 2018	30 June 2017
	EGP'000	EGP'000
	(Unaudited)	(Unaudited)
Net profit	214,360	160,000
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	12,618	(15,499)
Other comprehensive income for the period net of tax	12,618	(15,499)
Total comprehensive income for the period	226,978	144,501
Attributed to:		
Owners of the company	4,673	(14,453)
Non-controlling interests	7,945	(1,046)
	12,618	(15,499)

The accompanying notes on pages 19 - 30 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows for the Six Months Ended

	Note	30 June 2018	30 June 2017
		EGP'000	EGP'000
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Profit for the period before tax		304,035	226,048
Adjustments			
Depreciation	4	31,485	28,865
Amortisation	5	3,053	2,235
Loss on disposal of Property, plant and equipment		(194)	76

Impairment in trade and other receivables	6,658	4,143
Provisions made	73	1,679
Reversal of impairment in trade and other receivables	(699)	(1,694)
Provisions reversed	(429)	(580)
Interest expense	4,949	7,608
Interest income	(28,819)	(18,121)
Unrealised foreign currency exchange loss	11,539	7,827
Net cash from operating activities before changes in working capital	331,651	258,086
Provision used	(184)	-
Change in inventory	(8,912)	(25,749)
Change in trade and other receivables	(71,579)	(15,982)
Change in trade and other payables	38,659	20,027
Cash generated from operating activities before income tax payment	289,635	236,382
Income tax paid during period	(129,425)	(106,771)
Net cash from operating activities	160,210	129,611
Cash flows from investing activities		
Interest received	41,006	17,723
Change in restricted Cash	1,487	-
Change in other investment	(116,124)	(24,750)
Acquisition of Property, plant and equipment	(106,190)	(103,228)
Proceeds from sale of Property, plant and equipment	786	102
Net cash flows used in investing activities	(179,035)	(110,153)
Cash flows from financing activities		
Proceeds from borrowings	21,926	53,000
Repayments of borrowings	(7,806)	
Interest paid	(4,675)	(5,224)
Dividends paid	(427,968)	(376,744)
Financial lease	(18,555)	(8,030)
Net cash flows used in financing activities	(437,078)	(336,998)
Net decrease in cash and cash equivalent	(455,903)	(317,540)
Cash and cash equivalent at the beginning of the period	685,211	683,721
Effect of exchange rate fluctuations on cash held	(2,665)	(16,164)
Cash and cash equivalent at the end of the period	226,643	350,017

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The accompanying notes on pages 19 - 30 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity for the Six Months Ended

Attributable to owners of the Company

(All amounts in Egyptian Pounds "EGP'000")	Note	Share capital	Share premium	Capital reserve	Legal reserve* reserve*	Put option reserve	Translation reserve	Retained earnings
At 1 January 2018		1,072,500	1,027,706	(314,310)	33,383	(93,256)	203,709	315,850
Profit for the period								216,400
Other comprehensive income for the period							2,571	
Total comprehensive income		-	-	-	-	-	2,571	216,400
Transactions with owners of the Company								
Contributions and distributions								
Dividends								(423,560)
Legal reserve formed during the period					1,812			(1,812)
Movement in put option liability						4,579		
Non-controlling interests resulting from consolidating subsidiaries during the year								
Total contributions and distributions		-	-	-	1,812	4,579	-	(425,372)
Total transactions with owners of the Company		-	-	-	1,812	4,579	-	(425,372)
Adjustment								(87,000)
Balance at 30 June 2018 (Unaudited)		1,072,500	1,027,706	(314,310)	35,195	(88,677)	206,280	106,078
At 1 January 2017		1,072,500	1,027,706	(314,310)	30,251	(102,082)	207,720	315,500
Profit for the period		-	-	-	-	-	-	155,300
Other comprehensive income for the period		-	-	-	-	-	(9,797)	
Total comprehensive income		-	-	-	-	-	(9,797)	155,300
Transactions with owners of the Company								
Contributions and distributions								
Dividends		-	-	-	-	-	-	(371,800)

Movement in put option liability	-	-	-	-	14,620	-	
Total contributions and distributions	-	-	-	-	14,620	-	(371,872)
Total transactions with owners of the Company	-	-	-	-	14,620	-	(371,872)
Balance at 30 June 2017 (Unaudited)	1,072,500	1,027,706	(314,310)	30,251	(87,462)	197,923	98,923

The accompanying notes on pages 19 - 30 form an integral part of these condensed consolidated interim financial statements.

* Under Egyptian Law each subsidiary must set aside at least 5% of its annual net profit into a legal reserve until such time that this represents 50% of each subsidiary's distributable to the owners of the Company.

Notes to the Condensed Consolidated Interim Financial Statements - For the Six Months Ended 30 June 2018

(In the notes all amounts are shown in Egyptian Pounds "EGP'000" unless otherwise stated)

1. Reporting entity

Integrated Diagnostics Holdings plc "IDH" or "the Company" is a Company which was incorporated in Jersey on 4 December 2015 and established according to the provisions of the Companies (Jersey) Law 1991 under Registered No. 117257. These condensed consolidated interim financial statements as at and for the six months ended 30 June 2018 comprise the Company and its subsidiaries (together referred as the 'Group').

The Group's main activity is concentrated in the field of medical diagnostics.

The Group's financial year starts on 1 January and ends on 31 December each year.

These condensed consolidated interim financial statements were approved for issue by the Directors of the Company on 15 August 2018.

2. Basis of preparation

A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' (as adopted by the EU).

They do not include all the information required for a complete set of IFRS financial statements as adopted by European Union ("IFRS-EU"), and should be read in conjunction with the financial statements published as at and for the year ended 31 December 2017 which is available at www.idhcorp.com

B. Going concern

These condensed consolidated interim financial statements have been prepared on the going concern basis. At 30 June 2018, the Group had net assets amounting to EGP 2,180,251K.

The Group is profitable and cash generative and the Directors have considered the Group's cash forecasts for a period of 12 months from the signing of the balance sheet. The Directors have a reasonable expectation that the Group has adequate resources to meet its liabilities as they fall due for at least 12 months from the date of approval of these condensed consolidated interim financial statements. Thus, they continue to adopt the going concern basis in preparing the financial information.

C. Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except where adopted IFRS mandates that fair value accounting is required.

D. Functional and presentation currency

These condensed consolidated interim financial statements and financial information are presented in Egyptian Pounds (EGP'000). The functional currency of the majority of the Group's entities is the Egyptian Pound (EGP) and is the currency of the primary economic environment in which the Group operates.

The Group also operates in Jordan, Sudan and Nigeria and the functional currencies of those foreign operations are the local currencies of those respective territories, however due to the size of these operations there is no significant impact on the functional currency of the Group, which is the Egyptian Pound (EGP).

E. Use of estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

Actual results may differ from these estimates.

There are no material changes in management judgments, estimates and assumptions during the six months' period ended 30 June 2018 from those applied in the audited consolidated financial statements published as at and for the year ended 31 December 2017.

3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with those applied in the audited consolidated financial statements published as at and for the year ended 31 December 2017.

These audited consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.

Changes in significant accounting policies

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, replacing IAS 18 Revenue. The Group has adopted IFRS 15 with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 18.

The Group considers the current basis of revenue recognition to remain appropriate as the only performance obligation, being completion of a test, reflects the current policy. Therefore the Group considers that the initial application IFRS 15 has no significant change or impact on the Group's accounting policies applied on its consolidated financial statements.

B. IFRS 9 Financial Instruments

The Group do not consider the adoption of IFRS 9 to have a significant effect on the classification and measurement of financial assets and financial liabilities or hedge accounting. The Group have, however, assessed the impact that the initial application of IFRS 9 will have in relation to the impairment of financial assets.

The financial impact of this assessment is the recognition of an additional impairment charge (net of tax) of EGP 2.8m in the period for the expected credit loss of trade receivables in excess of the Group's existing provisioning policy. The Group do not deem the impact of transition as at 1 January 2018 to be significant therefore have not retrospectively adjusted opening equity balances.

4. Property, plant and equipment

	Land & Buildings	Medical, electric & information system equipment	Leasehold improvements	Fixtures, fittings & vehicles	Building & Leasehold Assets in the course of construction	Total
Cost						
At 1 January 2018	211,774	237,608	147,351	45,050	43,130	684,913
Additions*	32,407	25,128	15,603	3,006	20,114	96,258
Disposals	-	(3,563)	(566)	(247)	(604)	(4,980)
Translation differences	1,401	1,238	(151)	968	591	4,047
Transfers	-	-	4,804	-	(4,804)	-
At 30 June 2018 (unaudited)	<u>245,582</u>	<u>260,411</u>	<u>167,041</u>	<u>48,777</u>	<u>58,427</u>	<u>780,238</u>
Depreciation						
At 1 January 2018	25,022	105,996	61,606	18,503	-	211,127
Charge for the period	1,452	17,618	10,309	2,106	-	31,485
On disposals	-	(3,180)	(464)	(141)	-	(3,785)
Translation differences	74	766	(344)	1,042	-	1,538
At 30 June 2018 (unaudited)	<u>26,548</u>	<u>121,200</u>	<u>71,107</u>	<u>21,510</u>	<u>-</u>	<u>240,365</u>
Net book value						
At 30 June 2018 (unaudited)	<u>219,034</u>	<u>139,211</u>	<u>95,934</u>	<u>27,267</u>	<u>58,427</u>	<u>539,873</u>
At 31 December 2017	<u>186,752</u>	<u>131,612</u>	<u>85,745</u>	<u>26,547</u>	<u>43,130</u>	<u>473,786</u>

*Additions include EGP 11.6m related to the Group's new Headquarter improvement. Included in this amount are capitalised borrowing costs related to the improvement of the building of EGP 2.9m. Calculated using capitalisation rate of 18.75% (note 11).

Leased equipment

The Group leases medical and electric equipment under finance lease arrangements. This equipment is supplied to service the Group's new state-of-the-art Mega Lab. The equipment secures lease obligations, see note 12 for further details. At 30 June 2018, the net carrying amount of leased equipment was EGP 41m (31 Dec 2017: EGP 47m).

5. Intangible assets and goodwill

Intangible assets represent goodwill acquired through business combinations and brand names.

	Goodwill	Brand Name	Software	Total
	EGP'000	EGP'000	EGP'000	EGP'000
Cost				
Balance at 1 January 2018	1,260,453	387,287	44,569	1,692,309
Additions	-	-	8,012	8,012
Effect of movements in exchange rates	(2,297)	(224)	25	(2,496)

Acquisition through business combination (note 17)	11,773	-	-	11,773
Balance at 30 June 2018 (unaudited)	1,269,929	387,063	52,601	1,709,598
Amortisation and impairment				
Balance at 1 January 2018	1,849	-	32,208	34,057
Amortisation	-	-	3,053	3,053
Effect of movements in exchange rates	-	-	5	5
Balance at 30 June 2018 (unaudited)	1,849	-	35,266	37,115
Carrying amount				
Balance at 1 January 2018	1,258,604	387,287	12,361	1,658,252
Balance at 30 June 2018 (unaudited)	1,268,080	387,063	17,335	1,672,483

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. No indicators of impairment have been identified during the six months ended 30 June 2018.

6. Trade and other receivables

	30-June-18	31-Dec-17
	EGP'000	EGP'000
	(unaudited)	
Trade receivables	152,395	139,885
Prepaid expenses	38,417	27,353
Receivables due from related parties	6,018	6,441
Other receivables	55,400	11,000
Accrued revenue	5,390	17,576
	257,620	202,255

7. Other investment

	30-June-18	31-Dec-17
	EGP'000	EGP'000
	(unaudited)	
Fixed term deposits	70,000	9,149
Treasury bill	55,273	-
	125,273	9,149

The maturity date of the fixed term deposit between 9-12 months and the average effective interest rate on the deposit is 14.92%. The maturity date of the treasury bills is between 3-6 months and have settled average interest rate of 17.5%. Fixed term deposits and treasury bills are classified as held to maturity.

8. Cash and cash equivalents

	30-June-18	31-Dec-17
	EGP'000	EGP'000
	(unaudited)	
Short-term deposits*	85,962	545,237
Cash at banks and on hand	140,681	139,974
Cash and cash equivalents	226,643	685,211

*The maturity date of these time deposits is less than or equal to 3 months.

9. Restricted cash

	30-June-18	31-Dec-17
	EGP'000	EGP'000
	(unaudited)	
Restricted cash	11,739	13,226
	11,739	13,226

The restricted cash balance relate to the "Molecular Diagnostic Center" and is not available for use by the Group because the entity was put in voluntary liquidation in May 2016 and control has been transferred to the liquidator. The process of liquidation is expected to end during current the year 2018, and once completed the total cash remaining is expected to be returned to IDH.

10. Trade and other payables

	30-June-18	31-Dec-17
	EGP'000	EGP'000
	(unaudited)	
Trade payable	118,232	126,140
Accrued expenses	58,064	73,821
Other payables	31,136	15,215
Put option liability	88,677	93,256
Accrued interest	2,884	7,763
Finance lease liabilities	16,274	17,237
	315,267	333,4322

The accounting policy for put options after initial recognition is to recognise all changes in the carrying value of the put liability within equity. Through the historic acquisitions of Makhbariyoun Al Arab the Group entered into separate put option arrangements to purchase the remaining equity interests from the vendors at a subsequent date. At acquisition a put option liability has been recognised for the net present value for the exercise price of the option.

The options are exercisable in whole from the fifth anniversary of completion of the original purchase agreement, which fell due in June 2017. The vendor has not exercised this right at 30 June 2018.

11. Loan and borrowings

In April 2017 AL-Mokhtabar for medical lab, one of the group's subsidiaries, was granted a medium term loan (MTL) amounting to EGP 110m from Commercial International Bank "CIB Egypt" to finance the purchase of the new administrative building for the group. As at 30 June 2018 the group had utilized EGP 75m (2017: EGP 53m) and repaid an installment of EGP 7.8m, leaving the MTL balance at EGP 67.1m at the end of the period. The loan contains the following financial covenants which if breached will mean the loan is repayable on demand:

- 1- The financial leverage shall not exceed the following percentages

Year	2017	2018	2019	2020	2021	2022
%	2.33	1.71	1.32	1.04	0.85	0.73

"Financial leverage": total liabilities divided by net equity

- 2- The debt service ratios (DSR) shall not be less than 1.

"Debt service ratios": cash operating profit after tax plus Depreciation for the financial year less annual maintenance on machinery and equipment divided by total distributions plus accrued interest and loan instalments.

- 3- The current ratios shall not be less than 1.

"Current ratios": Current assets divided current liabilities.

- 4- The capital expansions in AL Mokhtabar company shall not exceed EGP 20m per year, other than year 2017 which includes in addition the value of the building financed by EGP 110m loan facility. This condition is valid throughout the term of the loan.

The agreement includes other non-financial covenants which relate to the impact of material events on the Company and the consequential ability to repay the loan.

The terms and conditions of outstanding loans are as follows:

	currency	Nominal interest rate	Maturity	30-June-18	30-June-17
CIB - BANK	EGP	CBE corridor rate+1%	Apr-22	67,121	53,000
				67,121	53,000
<u>Amount held as:</u>					
Current liability				16,603	14,575
Non- current liability				50,518	38,425
				67,121	53,000

12. Long term financial obligation

	30-June-18	30-Dec-17
	EGP'000	EGP'000
	(unaudited)	
Finance lease liabilities (see note 12)	82,684	98,690
Finance lease liability - other	1,226	1,788
	83,910	100,478

Finance lease

The long-term financial obligations represent the finance lease liabilities due over 1 year for agreements entered into by the Group.

The total finance lease liabilities are payable as follows:

	Minimum lease payments	Interest	Principal
	30-June-18	30-June-18	30-June-18
	EGP'000	EGP'000	EGP'000
	(unaudited)	(unaudited)	(unaudited)
Less than one year	36,536	21,888	14,648
Between one and five years	104,525	21,841	82,684
	141,061	43,729	97,332

	Minimum lease payments	Interest	Principal
	31-Dec-17	31-Dec-17	31-Dec-17
	EGP'000	EGP'000	EGP'000
Less than one year	35,549	19,512	16,037
Between one and five years	126,938	28,248	98,690
	162,487	47,760	114,727

13. Related party transactions

The significant transactions with related parties, their nature volumes and balance during the period 30 June 2018 are as follows:

Related Party	Nature of transaction	Nature of relationship	30-June-18	
			Transaction amount of the year EGP'000	Amount due from EGP'000
International Fertility (IVF)*	Refund of expenses	Affiliate*	(204)	5,796
Integrated Treatment for Kidney Diseases (S.A.E)	Rental income Medical Test analysis	Entity owned by Company's CEO	52	222
			59	
Total				6,018

* International Fertility (IVF) is a company whose shareholders include Dr. Moamena Kamel (founder of IDH subsidiary Al-Mokhtabar Labs).

14. Net finance income

	30-June-18	30-June-17
	EGP'000	EGP'000
Finance income	(unaudited)	(unaudited)
Interest income on bank and time deposits	28,819	18,121
Total finance income	28,819	18,121
Finance cost		
Bank charges	(1,680)	(881)
Interest expense	(4,949)	(7,608)
Net foreign exchange loss	(11,539)	(7,827)
Total finance cost	(18,169)	(16,316)
Net finance income	10,651	1,805

15. Tax

A) Tax expense

Tax expense is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period. There were no significant changes in Group's effective tax rate

for the six months ended 30 June 2017 to 30 June 2018.

B) Income tax

Amounts recognised in profit or loss as follow:

	30-June-18	30-
	EGP'000	
Current tax:		
Current period	(85,580)	(51,000)
Deferred tax:		
Deferred tax arising on undistributed reserves in subsidiaries	(11,021)	(10,000)
Relating to origination and reversal of temporary differences	6,926	(4,900)
Total Deferred tax expense	(4,095)	(15,000)
Tax expense recognised in profit or loss	(89,675)	(66,000)

C) Deferred tax liabilities

Deferred tax relates to the following:

	30-June-18		31-Dec-17	
	Assets	Liabilities	Assets	Liabilities
	EGP'000	EGP'000	EGP'000	EGP'000
Property, plant and equipment	-	(10,928)	-	(17,159)
Intangible assets	-	(112,692)	-	(106,651)
Undistributed reserves from group subsidiaries	-	(32,215)	-	(37,532)
Provisions and finance lease liabilities	3,135	-	2,630	-
Deferred tax assets (liabilities) before set-off	3,135	(155,835)	2,630	(161,342)
Net deferred tax assets (liabilities)	-	(152,700)	-	(158,712)

16. Financial Instruments

The Group has reviewed the financial assets and liabilities held at 30 June 2018 and 31 December 2017. It has been deemed that the carrying amounts for all financial instruments are a reasonable approximation of fair value. All financial instruments are deemed Level 2.

17. Acquisition of subsidiaries

On 15 January 2018, Dynasty Group Holdings Limited ("Dynasty") acquired 73.59% of Eagle Eye Company ("Eagle Eye"), a holding company which holds 99.99% of Echo-Scan Services Limited ("Echo-Scan"), through a capital increase amounting to 80 MEGP. An additional 67,216 shares were issued, bringing to the total number of shares to 73,071. Dynasty acquired 53,773 shares, entitling them to a beneficial ownership of 73.59% and obtaining control of Eagle-Eye.

IDH Cayman owns 51% of Dynasty. The remaining 49% is owned by Man Health (Cayman) LLP.

Dynasty have partnered with the International Finance Corporation ("IFC"), a member of the World Bank Group, to invest in Echo-Scan, a leading medical diagnostics business based in Nigeria. Dynasty and the IFC will invest USD 20 million and USD 5 million respectively to expand Echo-Scan's nationwide service offering, footprint, and quality standards. Over the coming year, Echo-Scan will refurbish and upgrade existing locations as well as significantly augment its number of branches.

In the period from acquisition to 30 June 2018, Eagle-Eye and its subsidiary contributed revenue of EGP 17m and loss of EGP 10.1m to the Group's results. Due to the scale of Nigerian operations, management do not estimate there to be a significant impact on consolidated revenue and consolidated profit for the period if the acquisition had occurred on 1 January 2018.

Consideration is deemed provisional at the interim reporting date subject to finalisation of the accounting for the business combination at the end of the measurement period.

Acquisition-related costs

The Group incurred acquisition-related cost of EGP 4m relating to external legal fees and due diligence costs. These costs have been included in 'administrative expenses' in the condensed consolidated statement of profit and loss.

Identifiable assets acquired and liabilities assumed

The following table summarises the provisionally recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Book value	Provisional movement	Provisional value
	EGP'000	EGP'000	EGP'000
Tangible fixed assets	18,368	27,773	46,141
Trade and other receivable	2,240	-	2,240
Cash and cash equivalent	100,038	-	100,038
Trade and other payable	(49,049)	-	(49,049)
Deferred tax	-	(6,249)	(6,249)
Net assets acquired	71,597	21,524	93,121

Fair values measured on a provisional basis

The purchase price allocation exercise as at 30 June 2018 is incomplete, however indicative fair values have been set out above with a provisional goodwill amount arising from the acquisition below. The fair value of Eagle-Eye's tangible assets has been measured provisionally, pending completion of an independent valuation. The accounting is provisional pending further identification of intangibles, such as brand name, customer list and suppliers list. Additionally, as part of the transaction, a put option was issued to the non-controlling party to put their shares to the company. The put trigger period commences on the earlier of the 7th anniversary of the IFC first subscription or 31st December 2024 and will be based on the fair market value at that time. The value of this put option is not considered to be significant and has not yet been included in the provisional calculation of goodwill. There is also a long term incentive plan in place with one of the shareholders of 'Eagle Eye Echo Scan' which is not significant and has not yet been

included in the provisional calculation. The exercise to identify and include these items will be concluded in 2H2018 and figures will be included within the 2018 Annual Report.

Provisional goodwill

Provisional goodwill arising from the acquisition by Dynasty Group Holdings Limited has been provisionally recognised as follows:

	30-June-18
	EGP'000
Consideration transferred	79,519
Non-controlling interest	25,375
Provisional fair value of identifiable net assets	(93,121)
Provisional goodwill	11,773

18. Contingent liabilities

There are no contingent liabilities relating to the group's transactions and commitment with banks.

19. Dividends

The following dividends were declared and paid by the company for the period.

	30-June-18	30-June-17
	EGP'000	EGP'000
	(unaudited)	(unaudited)
US\$ 0.16 per qualifying ordinary share (2017: US\$ 0.14)	423,560	371,874
	423,560	371,874

20. Earnings per share

	30-June-18	30-June-17
	EGP'000	EGP'000
	(unaudited)	(unaudited)
Profit attributed to owners of the parent	216,462	155,344

Weighted average number of ordinary shares in issue	150,000	150,000
Basic and diluted earnings per share	1.44	1.04

The Company has no potential diluted shares as of the 30 June 2018 and 30 June 2017 therefore the earning per diluted share are equivalent to basic earnings per share.

21. Segment reporting

The group is viewed as a single operating segment, as the Group's Chief Operating Decision Maker (CODM) reviews the internal management reports and KPIs of the group as whole and not at a further aggregated level.

The group operates in three geographic areas, Egypt, Sudan, Jordan and Nigeria. Each area offers similar services and the KPIs of each are viewed to be the same and they are not viewed as individual operating segments. The revenue split between the three regions is set out below.

For the six-month period ended	Revenue by geographic location				Total EGP'000
	(unaudited)				
	Egypt region EGP'000	Sudan region EGP'000	Jordan region EGP'000	Nigeria region EGP'000	
30-June-18	714,983	19,309	114,492	17,069	865,853
30-June-17	560,047	23,265	101,821	-	685,133

The operating segment profit measure reported to the CODM is EBITDA, as follows:

	30 -Jun-2018	30 -Jun-2017
	EGP'000	EGP'000
	(unaudited)	(unaudited)
Profit from operations	293,384	224,243
Property, plant and equipment depreciation	31,484	28,865
Amortisation	3,053	2,235
EBITDA	327,921	255,343
Non recurring provision	1,245	-
Normalized EBITDA	329,166	255,343

The operating segment assets and liabilities measure reported to the CODM is in accordance with IFRS as shown in the Group's Consolidated Statement of Financial Position.

22. Subsequent events

DH Board approved the new Radiology project in AL- Borg company with a total investment cost amounting to MEGP 186.4, which will be financed with a debt to equity ratio of 70/30.

On 17th of July 2018, The Medium Term Loan agreement was signed with Ahly united bank with a total amount of MEGP 130.5. The loan has a tenor of 8 years with 3.5year grace period on principal. The withdrawal period is extended over a period of 3 years.

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