



RNS Number : 59210

Integrated Diagnostics Holdings PLC

22 August 2017

*For the purpose of the Transparency Directive the Home Member state of the issuer is the United Kingdom.*

**Integrated Diagnostics Holdings Plc**

**Half Year Results**

Tuesday, 22 August 2017

## Integrated Diagnostics Holdings Plc results for the six-month period ended 30 June 2017

**(London)** Integrated Diagnostics Holdings ("IDH," "the Group," or "the Company"), IDHC on the London Stock Exchange, the largest fully integrated private-sector provider of medical diagnostics services in Egypt, Jordan and Sudan, announced today its results for the six-month period ended 30 June 2017.

**Commenting on the half-year performance and the Company's outlook, IDH Chairman Lord St John of Bletso said:**

"IDH has again delivered strong operating results despite headwinds from Egypt's macroeconomic reform program that have challenged many consumer brands. This underscores the fundamental defensive nature of IDH. This operational performance reflects our commitment to maintaining high quality and service, our well-established and trusted brands, our scalable business model, as well as our continuous expansion of our branch network. Management remains focused on ensuring that IDH maintains its differentiated position from our competitors across its footprint. The Company is also evaluating opportunities to extend our market leadership through the expansion of our family of brands in both adjacent medical fields and in other geographies."

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

"The ongoing operational and financial strength of our Group was demonstrated again with our 1H2017 results. Despite the expected negative effects of the inclusion of the holy month of Ramadan and subsequent holiday, we were able to grow revenue 24% and EBITDA 4%, all while increasing our footprint by 14% period-on-period to end the first half with a network of 369 branches across our geographies. I am proud to say that we have not only been able to execute on our growth strategies amidst ongoing macroeconomic crosscurrents, but that we have done so at a time when consumer brands have suffered significant challenges to both volumes and margins.

"Our 24% revenue growth breaks down as 11.6 percentage points from pricing and mix, 10 percentage points from the impact of translating the results of our non-Egyptian subsidiaries into Egyptian pounds, and 2.4 percentage points from growth in test volumes. Revenue grew in the first five months of 2017 at a pace faster than the inflation-driven rise in costs. That said, revenue in June 2017 was impacted by the seasonal slowdown for Ramadan, which pushed our EBITDA margin for the first half temporarily below the targeted 40%. With the return of sales growth following that period, we continue to target full-year 2017 revenue growth in excess of 20% for the full year and confirm our guidance for EBITDA margins at or above 40% as we move past the seasonal impact of Ramadan."

## Financials at a Glance

	1H2017	1H2016	change
<b>Revenues</b>	685	552	24%
Gross Profit	318	301	6%
Operating Profit	224	224	0%
<b>EBITDA<sup>1</sup></b>	<b>255</b>	<b>244</b>	<b>4%</b>
<i>EBITDA Margin</i>	37%	44%	-7 pts
<b>Net Profit</b>	<b>160</b>	<b>126</b>	<b>27%</b>
<i>Net Profit Margin</i>	23%	23%	0 pts
Earnings per Share (EGP)	1.04	0.82	27%

<sup>1</sup> EBITDA is calculated as operating profit plus depreciation and amortisation.

## Financial & Operational Highlights

- **Revenues** increased 24% period-on-period to EGP 685 million in 1H2017 driven by pricing and mix (11.6 percentage points); the favourable impact of foreign currency translation of results from its Jordanian and Sudanese subsidiaries into Egyptian pounds (10 ppt); and higher test volumes (2.4 ppt).
- **Gross profit** rose 6% to EGP 318 million in 1H2017 versus EGP 300 million a year earlier, with an associated gross profit margin decline of c. 800 basis points (bp) to 46%. While the primary pressure point was higher raw material costs reflecting the negative

impact of the November 2016 Egyptian pound devaluation, the lower margin also reflects the negative effects of the inclusion of Ramadan and the subsequent holiday in the period, as well as Egypt's decreased contribution to gross profit of 88% versus 93% a year ago.<sup>1</sup>

- Operating profit** was unchanged in 1H2017 from the same period a year ago at EGP 224 million, with an associated decrease in the operating margin to 33% from 41% on the same drivers as for gross profit.
- EBITDA** was 4% higher period-on-period in 1H2017 at EGP 255 million. The Group's EBITDA margin was c. 700 bps lower at 37%. This reflects in part a seasonal effect, as lower sales in June due to the full impact of Ramadan and the subsequent holiday (compared to 2016) temporarily slowed down the revenue growth momentum. Cost increases took place in parallel driven by a combination of higher raw material costs and higher rent and utilities expenses associated with branch expansion. The result was a decline in contribution to consolidated EBITDA by the Egyptian operations.<sup>1</sup>
- The **net foreign exchange loss** amounted to EGP 7.8 million in 1H2017 and was largely related to the revaluation of supplier balances. Notably, the 1H2017 loss was substantially lower than the EGP 31.3 million recorded in the same period a year ago.
- **Interest expense** stood at EGP 8.5 million at the end of 1H2017 and was mostly related to finance lease contracts. Interest expense was more than offset by interest income amounting to EGP 18.1 million, mainly generated from time deposits and treasury bills.
- **Net profit** increased 26% to EGP 160 million in 1H2017, with an associated net profit margin of 23%.
- **Total tests** increased 2.4% period-on-period to 12 million, and **total patients** served rose 4% to 2.9 million.
- While the **average number of tests-per-patient** declined slightly to 4.1, **average revenue-per-patient rose** 19% and **average revenue-per-test** rose 21%, indicative of the Group's ability to raise prices despite persistently high inflation in its home market of Egypt as well as the effect of translating revenues outside Egypt into Egyptian pounds.
- **Affirming guidance for the full 2017 year**, IDH continues to target revenue growth in excess of 20%, as well as EBITDA margins at or above 40%. EBITDA margin was under pressure in 1H2017 owing predominantly to a temporary sales slowdown in June 2017 as a result of Ramadan and the subsequent holiday, which accordingly did not offset higher fixed costs as noted above.

<sup>1</sup> Egypt is the highest-margin territory across the Group's footprint.

## 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 the largest fully integrated private-sector medical diagnostics services provider in Egypt, Jordan and Sudan, comprehensively offering pathology and molecular diagnostics, genetics testing and basic radiology. IDH's core brands include Al Borg and Al Mokhtabar in Egypt, as well as Biolab (Jordan), Ultralab and Al Mokhtabar Sudan (both in Sudan). IDH is listed on the London Stock Exchange (ticker: IDHC) and was founded in 2012 by the merger of Al Borg and Al Mokhtabar, the most established diagnostics services brands in Egypt.

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 by expanding the Company's services portfolio; (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. Learn more at [idhcorp.com](http://idhcorp.com).

## Shareholder Information

LSE: IDHC.L

Bloomberg: IDHC:LN

Listed: May 2015

Shares Outstanding: 150 million

## Contact

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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.

## **Chairman's Statement**

I am pleased to report that your Company has again delivered strong operating results despite headwinds from Egypt's macroeconomic reform program that have challenged many consumer brands. This underscores the fundamental defensive nature of IDH.

Investor sentiment has been enhanced with the significant investment inflows into Egypt since the float of the Egyptian pound in November 2016, reflecting confidence in both the currency and political stability in the country.

IDH's operational performance reflects our commitment to maintaining high quality and service, our well-established and trusted brands, our scalable business model, as well as our continuous expansion of our branch network. We have also continued to recruit more senior, experienced management.

Management remains focused on ensuring that IDH maintains its differentiated position from our competitors across its footprint.

With increased consolidation in the healthcare sector, our management and Board are proactively evaluating opportunities to extend our market leadership through the expansion of our family of brands in both adjacent medical fields and in other geographies. We are constantly considering additional value-added services that may be offered to our existing patient base as a driver for further growth.

We shall ensure that any new venture or acquisition will be synergistic with IDH's proven business model.

We remain committed to continuing with our dividend policy, while being focussed on maintaining a strong and resilient balance sheet.

As we expand and grow the business in other emerging markets, we shall seek to constantly enhance our management team, ensuring checks and balances on the business.

Finally, we are in the process of constructing and fitting-out our new corporate headquarters, which will open in 2018. This will allow your Company to centralise our management and support functions.

Your board is committed to ensuring sustainable growth whilst ensuring the highest quality service and standards.

## **Chief Executive Officer's Report**

I'm very pleased to report that the Group was able to deliver results that clearly demonstrate the ongoing operational and financial strength of our company in 1H2017. The stability in our volumes sold and our ability to increase prices reflect both the strength of our brands and the defensive nature of our industry, which has provided us with some insulation from the trend of declining volumes experienced by consumer brands in Egypt, our largest market.

The business is also very well-positioned to weather the impact of recent economic reforms including a temporary 200 bps interest rate hike and increasing costs of fuel, electricity and water. A strong cash management strategy has allowed us to record substantial interest income that far outweighed interest expenses. This strategy and a sharp decline in foreign exchange losses have allowed us to deliver a strong improvement in our bottom line in the first half.

Against this backdrop, it is noteworthy that second-quarter, and thus first-half, results were negatively impacted by the inclusion of the holy month of Ramadan and subsequent holiday in all countries in which the Company operates. That said, we were still able to grow revenues 24% and EBITDA 4% in the period.

The EBITDA margin came under pressure primarily due to higher raw material costs (with some expansion-related expenses also a factor); a large portion of these costs is fixed and their impact was accordingly exaggerated by additional days of Ramadan and the subsequent holiday falling in the second quarter of 2017 compared to last year. We continued to invest in increasing our geographic footprint in 1H2017 with the addition of 45 net new laboratories Group-wide, which translated into 14% period-on-period unit growth to end the period with a network of 369 branches across our geographies.

Our brands are strong, equating to quality and safety in our consumers' minds. We have long-standing solid relationships with our suppliers, being their largest customer in the region. And because we have developed an asset-light business model, our branch expansion has progressed on plan. As we've been weathering this storm caused by uncertain macroeconomics, we've continued to grow patient and test volumes, open new branch laboratories, and drive revenues and EBITDA. All this puts IDH in an even stronger competitive position going forward to capture incremental share of our diagnostics markets as Egypt's economic prospects improve.

Finally, I note that our revenue grew in the first five months of 2017 at a pace faster than the inflation-driven rise in costs. That said, revenue in June 2017 was impacted by the seasonal slowdown for Ramadan, which pushed our EBITDA margin for the first half temporarily below the targeted 40%. With the return of sales growth following that period, we continue to target full-year 2017 revenue growth in excess of 20% for the full year and confirm our guidance for EBITDA margins at or above 40% as we move past the seasonal impact of Ramadan.

I am honoured to lead our company and look forward to reporting our progress to you in the balance of the 2017 year.

**Dr. Hend El Sherbini, Chief Executive Officer**

## **Operational & Financial Review**

IDH delivered a strong operational and financial performance in 1H2017 against the backdrop of continuing macroeconomic challenges in its home market of Egypt, with inflation remaining high following the float of the Egyptian pound in November 2016.

It is noteworthy that second-quarter and first-half results were hurt by the holy month of Ramadan and the subsequent holiday falling predominantly in June. As consumer behaviour shifted from normal patterns to Ramadan schedules in all of the countries in which the Company operates, it was not surprising that patient and test volumes, and consequently revenues and margins, came under significant pressure during the month. Importantly, monthly operating trends had been consistently strong from January through May. Thus, beyond the Ramadan impact that was expected, reported results do not reflect any fundamental changes in the Group's business.

That said - despite both the ongoing difficult economic environment in Egypt and the negative impact Group-wide of the inclusion of Ramadan - IDH was able to report strong results for 1H2017. The Group's top line was driven by a combination of better pricing (42% of total revenue growth); the favourable impact of foreign currency translation of results from its Jordanian and Sudanese subsidiaries into Egyptian pounds (41% of total revenue growth); and higher test volumes (17% of total revenue growth). The decline in margins comes as lower revenues due to the additional days of Ramadan and the subsequent holiday in this year's reporting period compared to last was accompanied by expense pressure from higher raw material costs; the currency translation of Jordanian salaries into Egyptian pounds; higher rent and utility costs related to branch expansion; and higher interest expense.

IDH continued to invest in expanding its geographic footprint during 1H2017, with its total branch network reaching 369 by the end of 1H2017, up 15 branches (or 4%) from the end of 2016. At the end of the period, there were 327 branches in Egypt (+10 from 31 December 2016); 17 branches in Jordan (+3 from 31 December 2016); and 25 branches in Sudan (+2 from 31 December 2016). Importantly, the Group's expansion program is supported by its state-of-the-art Mega Lab with excess capacity that enables IDH to deploy its Hub, Spoke and Spike business model to open capital-efficient "C" labs more rapidly.

<b>Branches by Country</b>			
Egypt	327	317	p10
Jordan	17	14	p 3
Sudan	25	23	p 2
<b>Total Branches</b>	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>Change</b>

Egypt, IDH's home market, contributed 82% of total revenues at EGP 560 million in 1H2017, down from 89% in 1H2016 primarily due to the currency translation impact of the Company's Jordanian business. This currency translation effect also underpinned Jordan's 131% revenue increase to EGP 102 million, representing 15% of total-company revenues in 1H2017 versus 8% in the year-earlier period. Sudan's revenues at EGP 23 million accounted for 3% of total revenues in both 1H2017 and 1H2016.

Egypt's 1H2017 revenues increased 14% period-on-period to EGP 560 million, which included gains of 10% and 16% in the walk-in and contract patient categories, respectively. This revenue growth benefited from price increases of 10% for walk-in patients and 11% for contract patients in the period; notably in May, prices were raised an additional 5% in the Cairo Governorate. While the number of total patients rose 3%, total test volumes approximated a year ago. In terms of patient mix, a 5% advance in contract patients more than offset a 5% decline in the smaller walk-in patient category. Regarding test volumes, a 3% drop in walk-in patient tests basically offset a 1% uptick in contract patient tests. To help stem the decline in walk-in patients, the Group offered more affordable payment methods on selected tests; launched tactical advertising campaigns raising awareness of chronic disease; and implemented new customer relationship management (CRM) programs that reached out to patients with marketing messages via SMS, among other steps.

Revenue from operations in Jordan rose 11% in JOD terms and increased 131% when translated into Egyptian pounds. The subsidiary performed well, achieving strong growth as total patients grew 7.7% and total tests were 9% higher. Sudan's 52% revenue increase (in SDG terms) was underpinned by continued strong growth in both patient and test volumes thanks to the newly signed corporate contracts.

### Revenues by Country

(EGP '000)	1H2017	1H2016	% change
Egypt	560,047	490,552	14%
Jordan	101,821	44,160	131%
Sudan	23,265	17,828	30%
<b>Total</b>	<b>685,133</b>	<b>552,540</b>	<b>24%</b>



## Key Performance Indicators

	1H2017			1H2016			% change		
	Walk-In	Contract	Total	Walk-In	Contract	Total	Walk-In	Contract	Total
Revenue (EGP '000)	265,788	419,345	685,133	217,288	335,252	552,540	22%	25%	24%
% of Revenue	39%	61%	100%	39%	61%	100%			
Patients ('000)	755	2,183	2,938	790	2,034	2,824	-4%	7%	4%
% of Patients	26%	74%	100%	28%	72%	100%			
Revenue per Patient (EGP)	352	192	233	275	165	196	28%	17%	19%
Tests ('000)	2,731	9,287	12,018	2,634	9,103	11,737	4%	2%	2%
% of Tests	23%	77%	100%	22%	78%	100%			
Revenue per Test (EGP)	97	45	57	83	37	47	17%	22%	21%
Test per Patient	3.6	4.3	4.1	3.3	4.5	4.2	9%	-4%	-2%

## 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 1H2017 represented 61% 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 1H2017, the Company served 2.2 million patients under these contracts and performed a total of 9.3 million tests, with no single contract client accounting for more than 1.3% of revenues.

### Walk-in Clients

The Group derived 39% of its revenues in 1H2017 from walk-in clients. Walk-in clients numbered 0.8 million in 1H2017 and received 2.7 million tests. As IDH's markets develop and become increasingly institutionally-oriented, more patients will be having pathology tests performed under corporate agreements. With the best economies of scale in the Egyptian diagnostics industry, this is a trend that plays to the Company's strength.

The ratio of contract to walk-in patients during 1H2017 was 74:26 compared with 72:28 in 1H2016, in sync with the general shift in patient mix in recent years toward an increasing number of patients served on corporate contracts. This reflects the natural 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.

## Revenue Analysis

Consolidated revenues increased 24% period-on-period to EGP 685 million in 1H2017, underpinned by the Company's strong brand equity - synonymous with quality and safety - as well as its highly-focused marketing strategies. While growth in patients and tests was 4% and 2%, respectively, the top line was driven more by selected price increases and geographic breakdown of revenue contributions. This can be seen in the key metrics of average revenue-per-patient, up 19%; and average revenue-per-test, 21% higher.

Revenues from contract clients grew 25% to EGP 419 million in 1H2017, supported by an overall trend toward corporate health insurance coverage, especially in IDH's home market of Egypt. While the number of contract patients was up only 7% and the number of contract tests was just 2% higher, revenue-per-patient increased 17% and revenue-per-test gained 23% on better pricing and mix. The number of contract tests-per-patient actually declined 5%, and given its heavier weighting, more than offset an 8% gain in tests-per-patient in the walk-in category. Thus, total tests-per-patient were 2% lower in the period, further demonstrating IDH's ability to drive revenues in a difficult economic environment through a combination of selected price increases and improved test mix.

Revenues from walk-in clients rose 22% to EGP 266 million in 1H2017, even though patient numbers declined 4% and test volumes gained only 4%. In part, this represents consumer migration toward corporate healthcare agreements, a trend that is expected to continue. Also, the most vulnerable consumers continue to curb their spending in reaction to persistent high inflation associated with the devaluation of the Egyptian pound. That said, the Company was able to achieve a 28% gain in revenue-per-patient; and on 8% more tests-per-patient, an 18% upturn in revenue-per-test in the walk-in category, helped by highly-focused tactical marketing campaigns.

## Cost of Sales

Cost of goods increased 45% in 1H2017 to EGP 367 million. The associated gross margin decline was c. 800 bps to 46% from 54% a year earlier driven by a decline in gross profit contribution from Egypt, which has the Group's highest gross margin, to 88% from 93% a year earlier. The primary pressure point was higher raw material cost, reflecting the negative effect of the November 2016 devaluation of the Egyptian pound. Chemicals and Supplies was the largest component of COGS in 1H2017, representing 38% of total (1H2016: 33%).

Wages and Salaries, the second-largest component of COGS at 31% of total (1H2016: 33%), increased 17%.

- Annual staff salary raises and new hires for new branches opened resulted in a net increase of EGP 21.6 million in 1H2017 versus 1H2016;

- Lower profit share entitlement for Egyptian operations in the period resulted in a decrease of EGP 4.9 million.

Total depreciation was 49% higher period-on-period in 1H2017 at EGP 31 million, as capital expenditures grew to EGP 102 million during the period. Capital expenditures are mainly related to the Group's new headquarters building, new branches, new warehouse and leasehold improvements for existing branches as well as software for Mega Lab.

Other costs increased 55% on the back of the Group's branch expansion program, as rental expenses rose with 14% unit growth to 369 laboratories at the end of 1H2017 compared with 324 a year earlier. Additional pressure points on Other Costs included utilities' expenses, especially electricity.

## **EBITDA**

EBITDA increased 4% to EGP 255 million in 1H2017 versus EGP 245 million a year earlier. The associated EBITDA margin declined c. 700 bp to 37% compared with 44% a year earlier primarily due to temporary slower revenue growth in June 2017 as well as higher raw materials prices (c. 600 bp), while expansion-related rent and utilities expenses (c.100 bp) were also pressure points. SG&A expenses as a percentage of revenues at 14% approximated a year ago, mostly reflecting lower consultancy fees.

The Company's Egyptian operations contributed 90% of consolidated EBITDA in 1H2017 down from 95% in the year-earlier period<sup>2</sup>, mainly as Jordan's contribution rose to 7% from 3% on favourable currency translation. Sudan contributed 3% of consolidated EBITDA, up from 2% a year ago.

<sup>2</sup> Egypt is the highest-margin territory across the group's footprint.

## **Interest Income / Expense**

IDH recorded interest income of EGP 18 million versus EGP 10 million a year ago. Along with proper cash management, higher time deposit rates offered by Egyptian banks this year than last were the main reason.

Interest expense, which is primarily related to the Company's finance lease contracts, increased by approximately EGP 4.9 million (from EGP 3.6 million in 1H2016 to EGP 8.5 million), on the back of a suppliers' US\$-denominated finance lease contract.

## **Foreign Exchange**

In 1H2017, IDH's foreign exchange loss amounted to EGP 7.8 million, largely related to revaluation of supplier balances. The loss this year was substantially below the EGP 31.3 million loss recorded a year ago.

## **Taxation**

Current income tax expenses recorded in 1H2017 were EGP 51 million compared with EGP 63 million in 1H2016, with an effective tax rate of 23% versus 32% a year ago, thanks to the substantial decrease in forex losses recorded by the Egyptian subsidiaries. It is noteworthy that most of the forex losses were not tax deductible items. There are no taxes payable at the holding company level. All tax is paid within the 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 in 1H2017 was EGP 15 million expense versus an expense of EGP 10 million in the same period a year earlier.

## **Net Profit**

Net profit increased 26% period-on-period to EGP 160 million, with an associated net margin of 23%. Net profit growth came thanks to effective cash management generating interest income that offset higher interest expenses incurred due to Central Bank of Egypt policy rate hikes in Egypt, as well as a sharp period-on-period decline in foreign exchange losses due to relative exchange rate stability in Egypt.

## **Balance Sheet**

On the assets side of the balance sheet, accounts receivable stood at EGP 112 million at the end of 1H2017 compared with EGP 107 million at 2016 year end. Notably, IDH adopted a new collections process that successfully reduced days-on-hand (DOH) to 114 days at 30 June 2017 from 133 days at 31 December 2016. In Egypt, accounts receivable DOH days dropped to 108 days from 116 days for the same periods.

Despite the increase in inventory balance from EGP 51.7 million as at 31 December 2016 to EGP 77.5 million at 30 June 2017, inventory days decreased from 85 to 83 days as management decided to decrease safety stock levels due to improved availability of goods in the Egyptian market, especially after banks began providing hard currency to cover imports.

On the liabilities side, accounts payable stood at EGP 166 million versus EGP 126 million at year end 2016. The Group's days payable outstanding (DPO) increased to 188 days at 30 June 2017 from 181 days at 31 December 2016 primarily due to raw material price increases and new credit arrangements with suppliers, especially Siemens and Roche, under which payment terms were extended.

The decline in IDH's USD cash balance to US\$ 8 million at 30 June 2017 from US\$ 29 million at 2016 year end reflects dividend payments made in June amounting to US\$ 21 million. This relative level of US dollars in IDH's cash balance will continue going forward under management's new cash management strategy, which reflects the ready availability of US dollars in the Egyptian banking system and the Central Bank of Egypt's enforcement of a high-interest-rate environment.

## **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 situation in Egypt and the Middle East, foreign currency supply 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 2016 are available on the Group's website at [www.idhcorp.com](http://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

21 August 2017

# 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 2017 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 2017 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

21 August 2017

## Condensed consolidated interim statement of financial position

EGP'000	Note	30 June 2017 (Unaudited)	31 Decem 20 (Audit
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	462,421	391,1

Intangible assets and goodwill	5	1,642,722	1,643,5
Deferred tax assets	15-C	3,698	18,3
Restricted cash	9	13,253	13,2
<b>Total non-current assets</b>		<b>2,122,094</b>	<b>2,066,2</b>
<b>Current assets</b>			
Inventories		77,464	51,7
Trade and other receivables	6	162,305	148,3
Other investment	7	120,326	95,5
Cash and cash equivalents	8	350,017	683,7
<b>Total current assets</b>		<b>710,112</b>	<b>979,3</b>
<b>Total assets</b>		<b>2,832,206</b>	<b>3,045,6</b>
<b>Equity</b>			
Share Capital		1,072,500	1,072,5
Share premium reserve		1,027,706	1,027,7
Capital reserve		(314,310)	(314,3
Legal reserve		30,251	30,2
Put option reserve		(87,462)	(102,0
Translation reserve		197,923	207,7
Retained earnings		98,988	315,5
<b>Equity attributed to the owners of the Company</b>		<b>2,025,596</b>	<b>2,237,3</b>
Non-controlling interest		56,245	62,1
<b>Total equity</b>		<b>2,081,841</b>	<b>2,299,4</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	15-C	132,654	132,6
Provisions		13,301	12,2
Loans and borrowings	11	44,255	
Long-term financial obligations	12	111,199	119,6
<b>Total non-current liabilities</b>		<b>301,409</b>	<b>264,4</b>
<b>Current liabilities</b>			
Trade and other payables	10	366,471	345,7
Loans and borrowings	11	8,745	
Current tax liabilities		73,740	135,9
<b>Total current liabilities</b>		<b>448,956</b>	<b>481,7</b>
<b>Total liabilities</b>		<b>750,365</b>	<b>746,2</b>
<b>Total equity and liabilities</b>		<b>2,832,206</b>	<b>3,045,6</b>

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors and signed on their behalf on 21 Aug 2017 by:

\_\_\_\_\_  
**Dr. Hend El Sherbini**  
**Chief Executive Officer**

\_\_\_\_\_  
**James Nolan**  
**Chairman of the audit committee**



The accompanying notes form an integral part of these condensed consolidated interim financial statements.

## Condensed consolidated interim income statement

EGP'000	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue		685,133	552,540
Cost of sales		<u>(366,867)</u>	<u>(252,453)</u>
<b>Gross profit</b>		<b>318,266</b>	<b>300,087</b>
Marketing and advertising expenses		(29,568)	(27,999)
Administrative expenses		(60,154)	(46,367)
Other expenses		<u>(4,301)</u>	<u>(1,691)</u>
<b>Operating profit</b>		<b>224,243</b>	<b>224,030</b>
Finance income	14	18,121	9,583
Finance cost	14	<u>(16,316)</u>	<u>(35,001)</u>
Net finance income/(cost)	14	<u>1,805</u>	<u>(25,418)</u>
<b>Profit before tax</b>		<b>226,048</b>	<b>198,612</b>
Income tax expense		<u>(66,048)</u>	<u>(72,110)</u>
<b>Profit for the period</b>		<b><u>160,000</u></b>	<b><u>126,502</u></b>
<b>Profit attributed to:</b>			
Owners of the Company		155,344	123,319
Non-controlling interest		<u>4,656</u>	<u>3,183</u>

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	<b>160,000</b>	<b>126,502</b>
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**Earnings per share (expressed in EGP):**

Basic and diluted earnings per share

19	1.04	0.82
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The accompanying notes form an integral part of these condensed consolidated interim financial statements.

## Condensed consolidated interim statement of profit and loss and other comprehensive income

EGP'000	30 June 2017	30 June 2016
	(Unaudited)	(Unaudited)
<b>Net profit</b>	<b>160,000</b>	<b>126,502</b>
<b>Other comprehensive income</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Currency translation differences	(15,499)	26,478
<b>Other comprehensive income for the period net of tax</b>	<b>(15,499)</b>	<b>26,478</b>
<b>Total comprehensive income for the period</b>	<b>144,501</b>	<b>152,980</b>
<b>Attributed to:</b>		
Owners of the company	(14,453)	20,664
Non-controlling interests	(1,046)	5,814
	<b>(15,499)</b>	<b>26,478</b>

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The accompanying notes form an integral part of these condensed consolidated interim financial statements.

## Condensed consolidated interim statement of changes in equity

	Attributable to owners of the Company						
	Share capital	Share premium	Capital reserve	Legal reserve*	Put option reserve	Translation reserve	Retained earnings
EGP'000							
<b>At 1 January 2017</b>	<b>1,072,500</b>	<b>1,027,706</b>	<b>(314,310)</b>	<b>30,251</b>	<b>(102,082)</b>	<b>207,720</b>	<b>315,500</b>
Profit for the period	-	-	-	-	-	-	155,300
Other comprehensive income for the period	-	-	-	-	-	(9,797)	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,797)</b>	<b>155,300</b>
<b>Transactions with owners of the Company</b>							
<i>Contributions and distributions</i>							
Dividends	-	-	-	-	-	-	(371,800)
Movement in put option liability	-	-	-	-	14,620	-	-
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,620</b>	<b>-</b>	<b>(371,800)</b>
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,620</b>	<b>-</b>	<b>(371,800)</b>
<b>Balance at 30 June 2017 (Unaudited)</b>	<b>1,072,500</b>	<b>1,027,706</b>	<b>(314,310)</b>	<b>30,251</b>	<b>(87,462)</b>	<b>197,923</b>	<b>98,900</b>
<b>At 1 January 2016</b>	<b>1,072,500</b>	<b>1,027,706</b>	<b>(314,310)</b>	<b>28,834</b>	<b>(64,069)</b>	<b>1,193</b>	<b>142,700</b>
Profit for the period	-	-	-	-	-	-	123,300
Other comprehensive income for the period	-	-	-	-	-	23,847	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,847</b>	<b>123,300</b>
<b>Transactions with owners of the Company</b>							
<i>Contributions and distributions</i>							
Dividends	-	-	-	-	-	-	(79,400)
Reverse share-based payment	-	-	-	-	-	-	-
Put option during the year	-	-	-	-	(4,407)	-	-
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,407)</b>	<b>-</b>	<b>(79,400)</b>

Total transactions with owners of the Company

	-	-	-	-	(4,407)	-	(79,407)
Balance at 30 June 2016 (Unaudited)	1,072,500	1,027,706	(314,310)	28,834	(68,476)	25,040	186,594

The accompanying notes 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 net profit.

## Consolidated Statement of Cash Flows

EGP'000

Note 30 June 2017 30 June 2016

	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Profit for the period before tax	226,048	198,612
<b>Adjustments</b>		
Depreciation	4 31,100	20,902
Loss on disposal of Property, plant and equipment	76	66
Impairment of goodwill	-	1,849
Impairment in trade and other receivables	4,143	986
Provisions made	1,679	1,173
Reversal of impairment in trade and other receivables	(1,694)	(458)
Provisions reversed	(580)	(1,160)
Interest expense	7,608	3,657
Interest income	(18,121)	(9,583)
Unrealised foreign currency exchange loss / (gain)	7,827	3,709
<b>Net cash from operating activities before changes in working capital</b>	<b>258,086</b>	<b>219,753</b>
Provision used	-	(55)

Change in inventory	(25,749)	(6,622)
Change in trade and other receivables	(15,982)	(2,878)
Change in trade and other payables	20,027	4,832
<b>Cash generated from operating activities before income tax payment</b>	<b>236,382</b>	<b>215,030</b>
Income tax paid during period	(106,771)	(102,983)
<b>Net cash from operating activities</b>	<b>129,611</b>	<b>112,047</b>
<b>Cash flows from investing activities</b>		
Interest received	17,723	9,372
Change in other investment	(24,750)	-
Acquisition of Property, plant and equipment	(103,228)	(21,742)
Proceeds from sale of Property, plant and equipment	102	50
<b>Net cash flows used in investing activities</b>	<b>(110,153)</b>	<b>(12,320)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	53,000	-
Interest paid	(5,224)	(2,695)
Dividends paid	(376,744)	(86,047)
Financial lease	(8,030)	(3,885)
<b>Net cash flows used in financing activities</b>	<b>(336,998)</b>	<b>(92,627)</b>
<b>Net decrease in cash and cash equivalent</b>	<b>(317,540)</b>	<b>7,100</b>
Cash and cash equivalent at the beginning of the period	683,721	387,716
Effect of exchange rate fluctuations on cash held	(16,164)	11,774
<b>Cash and cash equivalent at the end of the period</b>	<b>350,017</b>	<b>406,590</b>

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The accompanying notes form an integral part of these condensed consolidated interim financial statements.

## **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 2017 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 21 August 2017.

## **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 2016 which is available at [www.idhcorp.com](http://www.idhcorp.com)

### **B. Going concern**

These condensed consolidated interim financial statements have been prepared on the going concern basis. At 30 June 2017, the Group had net assets amounting to EGP 2,081,841K.

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.

## **Basis of preparation (continued)**

### **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.

### **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 2017 from those applied in the audited consolidated financial statements published as at and for the year ended 31 December 2016.

## **3. Significant accounting policies**

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 2016.

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

### *New standards and interpretations not yet adopted*

New standards, amendments to standards and interpretations that are not yet effective for the six months ended 30 June 2017 have not been applied in preparing these condensed consolidated interim financial statements.

#### 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
<b>Cost</b>						
At 1 January 2017	173,249	238,778	118,851	40,442	5,082	576,402
Additions*	27,700	24,380	11,098	3,461	36,589	103,228
Disposals		(390)	(483)	(124)		(997)
Translation differences	(62)	(171)	(164)	(91)	(41)	(529)
Transfers			4,656		(4,656)	-
At 30 June 2017 (unaudited)	<b>200,887</b>	<b>262,597</b>	<b>133,958</b>	<b>43,688</b>	<b>36,974</b>	<b>678,104</b>
<b>Depreciation</b>						
At 1 January 2017	22,165	102,732	45,009	15,355	-	185,261
Charge for the period	1,422	19,746	8,308	1,624	-	31,100
On disposals	-	(309)	(321)	(100)	-	(730)
Translation differences	2	23	18	9	-	52
At 30 June 2017 (unaudited)	<b>23,589</b>	<b>122,192</b>	<b>53,014</b>	<b>16,888</b>	<b>-</b>	<b>215,683</b>
<b>Net book value</b>						
At 30 June 2017 (unaudited)	<b>177,298</b>	<b>140,405</b>	<b>80,944</b>	<b>26,800</b>	<b>36,974</b>	<b>462,421</b>
At 31 December 2016	<b>151,084</b>	<b>136,046</b>	<b>73,842</b>	<b>25,087</b>	<b>5,082</b>	<b>391,141</b>

\*Additions include EGP 53m (EGP 27m land, EGP 26m building) related to the Group's new Headquarter purchased in April 2017. The purchase was totally financed through a loan from the Commercial International Bank, see 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 2017, the net carrying amount of leased equipment was EGP 52m (31 Dec 2016: EGP 59m).



## 5. Intangible assets and goodwill

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

	<b>30-Jun-17</b>	<b>31-Dec-16</b>
	<b>EGP'000</b>	<b>EGP'000</b>
	<b>(unaudited)</b>	
Goodwill	1,254,826	1,255,502
Brand names	387,896	388,093
	<b>1,642,722</b>	<b>1,643,595</b>

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 2017.

## 6. Trade and other receivables

	<b>30-Jun-17</b>	<b>31-Dec-16</b>
	<b>EGP'000</b>	<b>EGP'000</b>
	<b>(unaudited)</b>	
Trade receivables	112,498	107,193
Other receivables	17,366	6,214
Prepayments	22,365	27,502
Receivables due from related parties	6,507	4,294
Accrued revenue	3,569	3,172
	<b>162,305</b>	<b>148,375</b>

## 7. Other investment

	<b>30-Jun-17</b>	<b>31-Dec-16</b>
	<b>EGP'000</b>	<b>EGP'000</b>
	<b>(unaudited)</b>	
Fixed term deposits	99,190	90,000
Treasury bill	21,136	5,575
	<b>120,326</b>	<b>95,575</b>

The maturity date of the fixed term deposit between 9-12 months and the average effective interest rate on the deposit is 15%. The maturity date of the treasury bills is between 3-6 months and have settled average interest rate of 20%. Fixed term deposits and treasury bills are classified as held to maturity.

## 8. Cash and cash equivalents

	<b>30-Jun-17</b>	<b>31-Dec-16</b>
	<b>EGP'000</b>	<b>EGP'000</b>
	<b>(unaudited)</b>	
Short-term deposits*	116,572	257,143
Cash at banks and on hand	233,445	426,578
<b>Cash and cash equivalents</b>	<b>350,017</b>	<b>683,721</b>

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

As a provider of medical diagnostic services, IDH's operations in Sudan are not subject to sanctions. However International banks are very cautious in carrying out transactions with any Sudanese business and so while there are no actual restrictions on the payment of dividends and remittance of cash from the Sudanese subsidiary in practice, there is no opportunity to enable payments of dividends from Sudan to Egypt. The amount of undistributed reserves held in Sudanese subsidiaries is not significant to the Group's total capital management and the total reserves that could be distributed from Sudan is EGP 891K and the total cash held in Sudan is EGP 14,862K. No funds will be remitted from until such a time as the sanctions imposed on Sudan are clarified or released.

## 9. Restricted cash

	<b>30-Jun-17</b>	<b>31-Dec-16</b>
	<b>EGP'000</b>	<b>EGP'000</b>
	<b>(unaudited)</b>	
Restricted cash	13,253	13,253
	<b>13,253</b>	<b>13,253</b>

The cash balance related to "Molecular Diagnostic Center" and 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 will take more than one year and once completed the total cash amount is expected to be returned to IDH.

## 10. Trade and other payables

**30-Jun-17** **31-Dec-16**

	EGP'000	EGP'000
		(unaudited)
Trade payable	166,171	126,069
Accrued expenses	56,471	77,646
Other payables	17,813	7,818
Put option liability	87,462	102,082
Accrued interest	2,234	-
Finance lease liabilities	36,320	32,161
	<b>366,471</b>	<b>345,776</b>

Through the historic acquisitions of Makhbaryoun Al Arab the Group entered into a put option arrangement to purchase the remaining equity interests from the vendors at a subsequent date. The options are exercisable in whole from the fifth anniversary of completion of the original purchase agreement falling due in June 2016. A put option liability has been recognised for the net present value for the exercise price of the option. The vendor has not exercised this right at 30 Jun 2017.

## 11. Loan and borrowings

In April 2017 Al Mokhtabar for medical lab, one of IDH subsidiaries, was granted a medium term loan 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 2017 only EGP 53m had been drawn down from the total facility available. 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 from operating activities 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 less 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:**

	<b>currency</b>	<b>Nominal interest rate</b>	<b>Maturity</b>	<b>30-Jun-17</b>	<b>30-Jun-16</b>
CIB - BANK	EGP	CBE corridor rate+1%	Apr-22	53,000	-
				<b>53,000</b>	<b>-</b>
<u>Amount held as:</u>					
Current liability				8,745	-
Non- current liability				44,255	-
				<b>53,000</b>	<b>-</b>

**12. Long term financial obligation**

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:

	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>30-Jun-17</b>	<b>30-Jun-17</b>	<b>30-Jun-17</b>
	<b>EGP'000</b>	<b>EGP'000</b>	<b>EGP'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Less than one year	55,013	18,693	36,320
Between one and five years	145,592	34,393	111,199
More than five years	-	-	-
	<b>200,605</b>	<b>53,086</b>	<b>147,519</b>

	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>31-Dec-16</b>	<b>31-Dec-16</b>	<b>31-Dec-16</b>
	<b>EGP'000</b>	<b>EGP'000</b>	<b>EGP'000</b>
Less than one year	47,834	16,212	31,622
Between one and five years	150,971	38,628	112,343
More than five years	8,438	2,407	6,031
	<b>207,243</b>	<b>57,247</b>	<b>149,996</b>

**13. Related party transactions**

The significant transactions with related parties, their nature volumes and balance during the period 30 June 2017 are as follows:

Related Party	Nature of transaction	Nature of relationship	30-Jun-17	
			Transaction amount of the year EGP'000	Amount due from EGP'000
International Fertility (IVF)*	Expenses paid on behalf	Affiliate*	2,184	5,944
Dr. Hend Elshrbini**	Loan arrangement	CEO**	111,023	-
<b>Total</b>				<b>5,944</b>

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

\*\*On 7 February 2017 Dr. Hend (C.E.O) granted a loan to IDH Cayman amounting to US\$ 6m. On 8 February 2017 the loan was settled by Al Mokhtabar on behalf of IDH Cayman for EGP 111,023k at the prevailing exchange rate of US\$/EGP 18.35. The loan was not interest bearing.

The transactions with related parties are conducted based on terms equivalent to those that prevail in arm's length transactions.

#### 14. Net finance income

	30-Jun-17	30-Jun-16
	EGP'000	EGP'000
<b>Finance income</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income on bank and time deposits	18,121	9,583
<b>Total finance income</b>	<b>18,121</b>	<b>9,583</b>
<b>Finance cost</b>		
Bank charges	(881)	(435)
Interest expense	(7,608)	(3,657)
Net foreign exchange loss	(7,827)	(30,909)
<b>Total finance cost</b>	<b>(16,316)</b>	<b>(35,001)</b>
<b>Net finance income/(cost)</b>	<b>1,805</b>	<b>(25,418)</b>

#### 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 2016 to 30 June 2017.

## B) Income tax

Amounts recognised in profit or loss as follow:

	<b>30-Jun-17</b>	<b>30-Jun-16</b>
	<b>EGP'000</b>	<b>EGP'000</b>
<b>Current tax:</b>		
Current period	(51,005)	(62,533)
<b>Deferred tax:</b>		
Deferred tax arising on undistributed reserves in subsidiaries	(10,069)	(10,651)
Relating to origination and reversal of temporary differences	(4,974)	1,074
Total Deferred tax expense	<b>(15,043)</b>	<b>(9,577)</b>
<b>Tax expense recognised in profit or loss</b>	<b>(66,048)</b>	<b>(72,110)</b>

## C) Deferred tax liabilities

Deferred tax relates to the following:

	<b>30-Jun-17</b>		<b>31-Dec-16</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>EGP'000</b>	<b>EGP'000</b>	<b>EGP'000</b>	<b>EGP'000</b>
Property, plant and equipment	-	(9,020)	-	(9,528)
Intangible assets	-	(104,568)	-	(101,661)
Undistributed reserves from group subsidiaries	-	(27,280)	-	(30,175)
Provisions and finance lease liabilities	11,912	-	27,044	-
<b>Deferred tax assets (liabilities) before set-off</b>	<b>11,912</b>	<b>(140,868)</b>	<b>27,044</b>	<b>(141,364)</b>
<b>Set-off of tax</b>	<b>(8,214)</b>	<b>8,214</b>	<b>(8,737)</b>	<b>8,737</b>
<b>Net deferred tax assets (liabilities)</b>	<b>3,698</b>	<b>(132,654)</b>	<b>18,307</b>	<b>(132,627)</b>

## 16. Financial Instruments

The Group has reviewed the financial assets and liabilities held at 30 June 2017 and 31 December 2016. 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. Contingent liabilities

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

## 18. Dividends

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

	<b>30-Jun-17</b>	<b>30-Jun-16</b>
	<b>EGP'000</b>	<b>EGP'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
US\$ 0.14 per qualifying ordinary share (2016: US\$ 0.06)	371,874	79,470
	<b>371,874</b>	<b>79,470</b>

## 19. Earnings per share

	<b>30-Jun-17</b>	<b>30-Jun-16</b>
	<b>EGP'000</b>	<b>EGP'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit attributed to owners of the parent	155,344	123,319
Weighted average number of ordinary shares in issue	150,000	150,000
<b>Basic and diluted earnings per share</b>	<b>1.04</b>	<b>0.82</b>

The Company has no potential diluted shares as of the 30 June 2017 and 30 June 2016 therefore the earning per diluted share are equivalent to basic earnings per share.

## 20. 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 and Jordan. 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.

### Revenue by geographic location

For the six-month period ended	(unaudited)			Total EGP'000
	Egypt region EGP'000	Sudan region EGP'000	Jordan region EGP'000	
30-Jun-17	560,047	23,265	101,821	685,133
30-Jun-16	490,552	17,828	44,160	552,540

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

	30 -Jun-17 EGP'000 (unaudited)	30-Jun-16 EGP'000 (unaudited)
<b>Operating profit</b>	<b>224,243</b>	<b>224,030</b>
Property, plant and equipment depreciation	31,100	20,902
<b>EBITDA</b>	<b>255,343</b>	<b>244,932</b>

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.

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