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Integrated Diagnostics Holdings PLC

21 March 2018

**Integrated Diagnostics Holdings Plc**

**Final Results**

Wednesday, 21 March 2018

## Integrated Diagnostics Holdings Plc Results for the year ended 31 December 2017

**(London)** Integrated Diagnostics Holdings ("IDH" or "the Group"), 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 year ended 31 December 2017.

### Financial & Operational Highlights

- ? **Revenues** increased 29% to EGP 1,514 million in 2017 from EGP 1,171 million in 2016, driven by a combination of better pricing, favourable currency translation and higher volumes.
- ? **Gross profit** gained 16% to EGP 730 million from EGP 628 million in 2016, despite ongoing inflationary pressures on raw material costs following the November 2016 floatation of the Egyptian pound.
- ? **Operating profit** rose 16% to EGP 540 million compared with EGP 466 million in 2016, also constrained by post-devaluation inflationary pressures.
- ? **EBITDA<sup>1</sup>** grew 18% to EGP 602 million from EGP 511 million in 2016, despite higher raw material costs as well as higher rent and utilities expenses.
- ? **Interest income** reached EGP 51 million versus EGP 21 million a year earlier, reflecting highly effective management of excess cash.
- ? **Net foreign exchange loss** amounted to EGP 20 million, substantially lower than EGP 89 million in 2016.
- ? **Net profit** grew 44% year-on-year to EGP 384 million in 2017 versus EGP 267 million in 2016, benefiting from increased interest income and a lower foreign exchange loss.
- ? **Earnings per share** of EGP 2.49 compared with EGP 1.74 in 2016.
- ? **Recommended final dividend** of US\$ 0.16 (sixteen US\$ cents) per share, equivalent to US\$ 24 million in total, compared with US\$ 0.14 (fourteen US\$ cents) per share, equivalent to US\$ 21 million in total in 2016.
- ? **Expansion of branch network** to 383 in 2017 from 354 in 2016 represented 8% annual unit growth.

[1] EBITDA is calculated as operating profit (EGP 540 million) plus depreciation (EGP 62 million) and amortisation (nil).

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

"Your Company managed to deliver strong operational and financial results again in 2017. We remain committed to our growth strategies, aiming to further expand our geographic reach to other countries in Africa and the Middle East. I am especially pleased that in early 2018 we were able to close on a key strategic investment in Nigeria that provides us with an entry point into Africa's largest and most populous country."

**IDH Chief Executive Officer Dr. Hend El-Sherbini added:**

"IDH was able to successfully execute our proven business model under difficult operating conditions again in 2017. Supported by the fundamental strength of our brands and longstanding supplier relationships, we were able to drive patient and test volume growth; generate a 29% increase in revenues; and produce an EBITDA margin of 40%. By doing so, we managed to protect our profit margins and increase our market share last year.

"There is welcome evidence of macroeconomic progress in Egypt, our largest market, as the government continues to implement a bold programme of reforms. We are optimistic that the Egyptian economy will continue to gather strength in the coming year that translates into some easing of the pressure of high inflation that has persisted since the late 2016 devaluation of the Egyptian pound.

"In sync with our strategy to expand through strategic acquisitions as well as organic growth, we are pleased to begin the 2018 year with an investment in Nigeria—a very large, highly-fragmented and underpenetrated market that shares many similarities with Egypt's market in the 1980s and 1990s

"We enter 2018 in a strong financial position and well positioned as a leading consumer healthcare company in the Middle East and Africa. In the coming year, we will continue to focus on expanding our geographies as well as on the process of integrating our new Nigerian operations," El Sherbini concluded.

**Outlook**

IDH's growth strategy rests on leveraging its established business model to achieve four key strategic goals, namely: (1) continue to expand customer reach; (2) increase tests per patient by expanding the Group'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.

**About Integrated Diagnostics Holdings (IDH)**

IDH is the largest fully integrated private-sector medical diagnostics services provider in Egypt, 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) and Echo-Scan (Nigeria) as of January 2018. 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. Learn more at [idhcorp.com](http://idhcorp.com).

## Shareholder Information

LSE: IDHC.L

Bloomberg: IDHC:LN

Listed: May 2015

Shares Outstanding: 150 million

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## Cautionary Statement

These Year-End 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 Year-End 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 prospectus. 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

In 2017, your Company delivered very encouraging operational and financial performance despite the ongoing macroeconomic challenges in our primary market. We also expanded our footprint in Africa in early 2018 with a key strategic investment in Nigeria that will broaden our diagnostic services suite beyond pathology to include radiology.

We have seen more sustainable macroeconomic stability in Egypt. Whilst inflationary pressures persist, the Government has been implementing a robust programme of reforms that has resulted in stronger economic growth and led to increased foreign direct investment with the improvement in general confidence. The Central Bank of Egypt (CBE)'s floatation of the Egyptian pound in November 2016, with the ensuing lifting of capital controls, has freed up the foreign exchange market, thus improving the ease of doing business in the country.

Despite the ongoing inflationary headwinds, IDH maintained both our profit margins and market share. The well-entrenched strength of our brands and supplier relationships enabled our management to successfully execute our business model. We are naturally delighted by the recovery in our stock price. Your management are constantly seeking to consolidate and maintain the profitability of the business with the provision of additional value-added services. With our long-established presence in Egypt, together with our loyal patient base, we have built a considerable base of patient data whilst at all times maintaining strict confidentiality and privacy.

We remain committed to fulfilling our business strategy through expanding our geographical footprint in other countries, both in Africa and in the Middle East. We are delighted by the growth and strength of our subsidiaries in Jordan and Sudan, which have successfully implemented our business model. With the lifting of longstanding US sanctions on Sudan, the outlook for that country has improved markedly.

With Nigeria having by far the largest population in Africa, we are keen to expand our presence in that country. We shall be building on our recent investment in Echo-Scan, a network of radiology and diagnostic laboratories that has provided us with an attractive entry point into the country. With its fragmented and largely unestablished healthcare services market, we see huge potential for future growth to match our successful track record in Egypt. We are proud to be investing in Nigeria alongside Man Capital LLC and the IFC.

We are very cognisant that as we expand the geographical reach of our emerging market platform, we must maintain our high standards of operational excellence and ensure that our balance sheet remains strong and resilient. In 2017, we also focused on strengthening our senior financial management team, and this year we will undertake a comprehensive review of all aspects of our human resources management so as to entrench and ensure sustainable performance at all levels of the organisation.

We are at an advanced stage in building and completing our new corporate headquarters in Cairo, where consolidating our offices will greatly facilitate the daily interaction of our staff.

In conclusion, your Board and management are committed to maintaining strong corporate governance and promoting corporate social responsibility whilst underpinning our business model with the highest standards of accountability and transparency, thus fulfilling the expectations of our shareholders.

**Lord St John of Bletso**

Chairman

## **A Note from Our CEO**

In 2017, IDH again delivered superior operational and financial performance despite ongoing macroeconomic challenges in Egypt, our largest market. We have also expanded our geographic reach with an investment in Nigeria in early 2018, adding a fourth country to our platform.

We close the year as a leading consumer healthcare company in the Middle East and Africa. Our proven business model allowed us to deliver revenue growth of 29% in 2017, reflecting our ability to deliver high-quality medical diagnostic services to more than six million patients as measured by 26 million tests. We now look to sustain that performance thanks to our presence in Egypt and Nigeria - two of Africa's largest and most populous countries - as well as our operations in Jordan and Sudan.

## **STRONG OPERATIONAL AND FINANCIAL PERFORMANCE**

Our revenues were very strong throughout the 2017 year, increasing 29% year-on-year to EGP 1,514 million. Whilst patient and test volumes gained 9% and 7%, respectively, the power of the Group's brands and the favourable impact of our tactical marketing campaigns can be seen most clearly in the recovery in volumes that is under way in our higher-margin walk-in patient category. Walk-in patient revenues grew 29% period-on-period as patient volumes rose 2% compared with a year-earlier decrease of 4%; and test volumes rose 7% versus a 2% year-ago decline.

Understanding that protracted high inflation in Egypt has had the most significant impact on our patients who pay for their own healthcare, we have developed our marketing programs to target them with a strong health awareness message in combination with a compelling value component. This includes offering bundled diagnostic test packages for lifestyle-related diseases and chronic health conditions; an in-house point redemption system; and bank partnerships for more affordable payment plans. Moreover, in recognition of the pressures being felt by all our patients, our price increases have been significantly below the high rates of inflation caused by the November 2016 devaluation of the Egyptian pound. The brand equity we have built over many years has translated into strong loyalty among the millions of patients who came to know and trust us long before facing the current inflationary pressures.

We continued to expand our geographic footprint in 2017, bringing our total network of laboratories to 383 with 8% annual unit growth. We opened 23 new branches in Egypt, four in Jordan and two in Sudan. It is noteworthy that our subsidiaries in both Jordan and Sudan continued their steady growth last year, together contributing 17% of consolidated sales and 9% of consolidated EBITDA last year. In Sudan, the recent lifting of longstanding US sanctions marked an important milestone, signaling an end to the country's economic isolation and paving the way for a brighter economic future.

IDH delivered EBITDA growth of 18% year-on-year to EGP 602 million - despite shouldering additional corporate expense burdens that accompanied the implementation of Egypt's much-needed macroeconomic reforms. Beyond the lingering inflationary impact of the devaluation of the Egyptian pound, the higher costs of rent, transportation and utilities were all pressure points, as was the value-added tax imposed in July 2016 and increased to 14% from 13% in July 2017. The effect of higher interest rates has been double-edged, as higher interest income on the large cash balances we carry on our balance sheet was partially offset by rising interest expenses on our medium-term debt. Our bottom line did benefit from a substantially lower foreign exchange loss this year than last, helping net profit to rise 44% period-on-period to EGP 384 million.

As IDH maintains international-quality accreditations to ensure best-in-class service, we are honoured to have been awarded the certification for our Cairo Mega Lab from the College of American Pathologists (CAP), widely considered the leader in laboratory quality assurance globally. The

international accreditation of our Mega Lab constructs a competitive barrier to entry to our markets and, as importantly, imparts an assurance of quality and safety that engenders strong loyalty among our valued corporate as well as individual customers. IDH operates the only laboratory in Egypt with the distinguished CAP accreditation.

In sum, our Company stayed the course last year, relying on the fundamental strength of our brands and sharply focused on deploying our asset-light model. We have successfully managed to contain our costs whilst at the same time upholding our high-quality standards Company-wide and maintaining our high patient and physician satisfaction levels. By doing so, we were able to both protect our margins and increase our market share in 2017.

In marked contrast to many consumer names in Egypt, IDH has been able to successfully drive volumes and pass on selected price increases post-devaluation. Beyond the insulation provided by the inherently defensive nature of the healthcare industry, I believe it is also very much a testament of our trusted brands. We enter 2018 in a strong financial position with an under-leveraged and highly cash-generative balance sheet that provides us with strategic flexibility.

### **MACROECONOMIC PROGRESS IN OUR LARGEST MARKET**

There is welcome evidence that Egypt, representing 83% of our 2017 revenues, is turning the economic corner. Last year, demonstrable progress was seen regarding the implementation of reforms to stabilise the country's finances as well as promote growth and employment.

With the floatation of the Egyptian pound in November 2016, the foreign exchange market has normalised and the parallel market has been eliminated. After losing more than 50% of its value in 2016, the Egyptian pound closed the 2017 year at 17.67 per US\$ 1.00, down only slightly from \$18.00 at 2016 year end. Among other reforms, the government also began a gradual reduction of energy subsidies with some of the resources reallocated to strengthening the social safety net.

As a consequence of the sharp devaluation of the currency as well as the new energy policy, however, inflation has remained high. In December 2017, headline inflation stood at 21.9% after peaking at 33% in July. To address this extreme inflationary pressure, the Central Bank of Egypt (CBE) has adopted tight monetary policy, with aggressive interest rate hikes in May and July of 2017. The Government of Egypt expects headline inflation to fall to 10-13% by the end of 2018, whilst the consensus forecast among analysts appears to be 13-14% at mid-year.

### **EXPANDING OUR GEOGRAPHIC FOOTPRINT IN AFRICA**

I am also pleased to report that in early 2018 we added Nigeria to our geographic footprint as a "one-stop shop" diagnostics services provider. We have accomplished this by forming a joint venture with Man Capital LLC, the London-based investment arm of the Mansour Group, called Dynasty Holding Group. Dynasty is 51% owned and controlled by IDH, and together with Man Capital we are very pleased to have partnered with the International Finance Corporation to invest in Eagle Eye Echo-Scan Limited. Echo-Scan is a leading medical diagnostics business in Nigeria with all of the licenses it requires to operate and expand on a national scale in Africa's most populous country.

The strategic rationale for making Nigeria the fourth country on our regional platform is compelling. Nigeria's diagnostic services market is very large, highly fragmented and underpenetrated, offering significant opportunities for

growth and economies of scale. As importantly, it shares many similarities with Egypt's market in the 1980s and 1990s in terms of structure, pace of development, and the emerging disease profile of patients.

Dynasty and the IFC have committed to invest significant capital in Echo-Scan over the next four years. Dynasty has acquired a majority stake in Echo-Scan and assumed management control of the company, whilst both Dynasty and the IFC will invest US\$ 25 million to expand Echo-Scan's diagnostics network, service offerings, and quality standards. I am especially pleased that we will be joining forces with Man Capital, an organisation that matches our more than four decades of operating experience in the industry with similarly long experience working on the ground in West Africa.

We will continue to look beyond Egypt to accelerate our long-term growth through strategic acquisitions. Consistent with our aim to make modern medical diagnostics more accessible to the most resource-poor populations, we are eager to begin our work in Nigeria. Diagnostic testing is becoming even more essential to quality healthcare, and we want to play a central role in improving health outcomes in all of our emerging markets. In particular, I believe we have a unique long-term opportunity to replicate our historical growth in Egypt by applying our extensive knowledge and experience to unlock the same potential in Nigeria.

## **PROPOSED DIVIDEND AND DIVIDEND POLICY**

IDH is pleased to propose paying a final dividend of US\$ 0.16 (sixteen US\$ cents) per share, or US\$ 24 million in aggregate, to shareholders in respect of the financial year ended 31 December 2017. This represents an increase of 14% compared to a final dividend of US\$ 0.14 (fourteen US\$ cents), or US\$ 21 million in aggregate the previous financial year.

In view of the strong cash-generative nature of our business and its asset-light strategy, our dividend policy is to return to shareholders the maximum amount of excess cash after taking careful account of the cash needed to support operations, capital expenditure plans, organic expansion opportunities, and potential acquisitions.

## **2018 OUTLOOK**

The fundamentals of our inherently counter-cyclical healthcare industry remain sound. We are well positioned with our strong brands and geographic positioning to capitalise on the structural drivers that support future growth in medical diagnostic services including large, rapidly-growing populations; a high prevalence of lifestyle-related medical conditions; and a growing health consciousness in our emerging markets.

We are looking forward to moving to our new corporate headquarters in 2018, which is located in Smart Village, a corporate office park in the city of Sixth of October, slightly west of Cairo. Our new headquarters will consolidate all of the offices we have been occupying in the city core into one building with sufficient space for the entire organisation, making day-to-day interaction much more efficient.

We are keen to begin the process of integrating our new Nigerian operations, having determined our first priorities. We will implement the policies and procedures that underpin the strong IDH corporate organisation starting with the establishment of an IT infrastructure that fully connects and controls all Echo-Scan branches, as well as a Human Resource structure that taps into the Group's highly-qualified and experienced staff to apply the Group's standards of efficiency to the Nigerian operations.

We look to the coming year with optimism that in our largest market of Egypt, the economy will continue to gather strength characterised by an easing in inflation and some appreciation in the currency. The fundamental strength of our brands and our solid relationships with our suppliers make it possible for us to successfully execute our scalable asset-light business model - even under difficult operating conditions such as those we faced in 2016 and 2017. Accordingly, we guide our valued shareholders to once again expect annual revenue growth of 20% and an EBITDA margin of c. 40%.

I would like to thank our Board, management team and employees for their dedication and commitment, and our shareholders for their continued support. I am honoured to have you with us on this journey as a rapidly-growing consumer healthcare company across the Middle East and Africa.

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

## Operational and Financial Review

IDH delivered strong operational and financial results in the year ended 31 December 2017, despite macroeconomic challenges, in particular high inflation, that continued in the aftermath of the November 2016 floatation of the Egyptian pound. This is noteworthy as it stands in sharp contrast to many consumer names in Egypt. Whilst the healthcare industry is inherently defensive, this performance also reflects the customer loyalty that has been earned by the Company's trusted brands over many years. On a 29% year-on-year revenue increase in 2017, EBITDA gained 18%, constrained somewhat by ongoing pressure from higher raw material costs. Net profits, however, surged by 44% year-on-year, helped by higher interest income and a sharp year-on-year decline in foreign exchange losses given what has been relative stability in exchange rates.

The Group continued to invest in expanding its geographic footprint in 2017, and notably through a transaction that closed in January 2018 entered the Nigerian market. Supported by its state-of-the-art Mega Lab with additional capacity, the Company is able to deploy its Hub, Spoke and Spike business model to open capital efficient "C" labs more rapidly. During 2017, the Group added 29 new labs in total, including 19 new branches for Al Mokhtabar in Egypt; four for Al Borg in Egypt; four for Biolab in Jordan; and two for MK Sudan. Total IDH branches reached 383 as of 31 December 2017 versus 354 at 2016 year end, for 8% total unit expansion.

The results for the year are summarised below:

<b>EGP million</b>	<b>2017</b>	<b>2016</b>	<b>% Change</b>
<b>Revenue</b>	<b>1,514</b>	<b>1,171</b>	<b>29%</b>
Cost of sales	(785)	(543)	45%
<b>Gross profit</b>	<b>730</b>	<b>638</b>	<b>16%</b>
<i>Gross profit margin %</i>	<i>48%</i>	<i>54%</i>	-
<b>Operating expenses</b>	<b>(189)</b>	<b>(162)</b>	<b>17%</b>
Operating profit	540	466	16%
Depreciation	62	45	38%
<b>EBITDA*</b>	<b>602</b>	<b>511</b>	<b>18%</b>
<b>Net profit</b>	<b>384</b>	<b>267</b>	<b>44%</b>



\*EBITDA is calculated as operating profit (EGP 540 million) plus depreciation (EGP 62 million) and amortisation (nil).

## 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 2017 represented 61% of the Group's revenues, include institutions such as unions, syndicates, private and public insurance companies, banks and corporations who enter into one-year renewable contracts at agreed rates per-test and on a per-client basis. During 2017, IDH served 4.7 million patients under these contracts and performed a total of 19.7 million tests, with no single contract client accounting for more than 0.8% of total revenues. Within the contract segment, IDH also provides lab-to-lab services for hospitals and other laboratories not able to process certain tests in house.

## Walk-in Clients

IDH derived 39% of its revenues in 2017 from walk-in clients. Walk-in clients numbered 1.7 million in 2017, representing 26% of total patients served. As IDH's markets develop and become more institutionally oriented, more patients will be performing pathology tests under corporate agreements, a trend that plays to the Group's strength with the best economies of scale in the Egyptian diagnostics industry.

## IDH Revenue by Type and Key Performance Indicators

	2017	2016
<b>Contract Clients</b>		
Revenue (EGP mn)	923	713
Patients ('000)	4,685	4,174
Tests ('000)	19,746	18,540
<b>Walk-in Clients</b>		
Revenue (EGP mn)	591	458
Patients ('000)	1,682	1,642
Tests ('000)	5,918	5,530
<b>Total revenue (EGP mn)</b>	<b>1,514</b>	<b>1,171</b>
<b>Total patients ('000)</b>	<b>6,367</b>	<b>5,816</b>
<b>Total tests ('000)</b>	<b>25,664</b>	<b>24,070</b>
<i>Revenue per patient (EGP)</i>	<i>238</i>	<i>201</i>
<i>Revenue per test (EGP)</i>	<i>59</i>	<i>49</i>

## Breakdown of Contract Revenue

Type	% of total 2017 Revenues	% of total 2016 Revenues
Contracts - Unions	13%	14%
Contracts - Banks	2%	2%
Contracts - Corporate	26%	26%
Contracts - Government Institutions	2%	2%
Contracts - Hospitals	3%	4%
Contracts - Public Insurance	6%	6%
Contracts - Medical Care	9%	7%
<b>Contracts as % of total revenue</b>	<b>61%</b>	<b>61%</b>
<b>Walk-ins as % of total revenue</b>	<b>39%</b>	<b>39%</b>

## Revenue Analysis

Consolidated revenues increased 29% year-on-year to EGP 1,514 million, attributable to price and mix of tests, followed by currency translation and test volumes. The favourable impact of translating the revenues of IDH's Jordanian operations into Egyptian pounds more than offset the negative effect of translating the revenues of its Sudanese operations. In 2017, the Jordanian dinar (JOD) was translated at an average rate of 24.92 (2016: 14.573), the Sudanese pound (SDG) at an average rate of 1.04 (2016: 1.204). Whilst patient and test volumes gained 9% and 7%, respectively, selected price increases and a better mix of test types were also key drivers of top-line growth. This can be seen in the key metrics of average revenue-per-patient, up 18%, and average revenue-per-test, 21% higher.

Revenues from contract clients grew 29% year-on-year in 2017, supported by an overall trend toward corporate health insurance coverage, in particular in Egypt, IDH's largest market. Whilst the number of contract patients was 12% higher and the number of contract tests was up 7%, average revenue-per-patient increased 15% and average revenue-per-test gained 22% on better pricing and mix. IDH signed 311 new corporate contracts with insurers last year versus 456 in 2016.

Revenues from walk-in clients also rose 29% year-on-year, helped by improving patient volumes. The Group served 2% more walk-in patients in 2017 compared with a 4% decline in 2016. Consequently, the Company was able to achieve a 26% increase in revenue-per-patient; and on 4% more tests-per-patient, a 21% gain in revenue per-test in the walk-in category.

In particular, it is the improvement seen in the walk-in patient category that highlights the loyalty consumers have to the Al Borg and Al Mokhtabar brands in Egypt, IDH's largest market. They have come to know and trust these names over the years, and they return to the laboratories they equate with quality and safety. Cognisant of the burden faced by its customers, IDH's price increases have been significantly below the high inflation rates caused by the November 2016 currency devaluation. The Group has also designed its tactical marketing programs with attractive features for them, such as discounts on chronic disease tests as well as partnerships with banks for affordable payment programs.

On a geographic basis, Egypt contributed 83% of total revenues in 2017 followed by Jordan at 14% and Sudan at 3%, in the same proportions as 2016.

### **Cost of Sales**

Cost of sales increased 45% year-on-year to EGP 785 million in 2017 compared with EGP 543 million in 2016 primarily due to raw material cost pressures. Raw materials represented the largest component of cost of sales at 39% of total (2016: 34%) and rose 67%. Whilst IDH was able to negotiate favourable contract terms with its three main suppliers - Roche, Siemens and BM (Sysmex) - the prices of imported medical test kits continued to climb post-devaluation.

Wages and salaries, the second largest component of cost of sales in 2017, accounting for 30% of total (2016: 36%), were favourably leveraged on the strong revenues. The 22% year-on-year increase in these expenses is mainly attributable to the translation into Egyptian pounds of higher salaries for the Group's Jordanian subsidiary and Board of Directors caused by the exchange rate difference between the two reporting periods.

The depreciation expense accounted for in COGS increased 40% to EGP 57 million in 2017 (2016: EGP 41 million). This increase in direct depreciation is primarily attributable to increased kit consumption related to leased equipment.

### **Gross Profit**

Gross profit increased 16% year-on-year to EGP 729 million compared with EGP 628 million in 2016, constrained by higher raw material costs. The associated gross margin decreased c. 600 basis points to 48% from 54% a year earlier. This pressure could also be seen in the decline in gross profit contribution percentage from Egypt, whose gross margin is higher than those of Jordan and Sudan. Egypt's contribution to total gross profit was 89% in 2017 compared with 92% in 2016.

### **Operating Expenses**

Operating expenses gained 17% year-on-year to EGP 189 million in 2017 versus EGP 162 million in 2016. As a percentage of sales, however, operating expenses decreased to 12% from 14% a year ago. The favourable leverage of these largely fixed costs partially mitigated the negative impact of the higher raw material costs.

### **Operating Profit**

Operating profit for 2017 was accordingly EGP 540 million compared with EGP 466 million in 2016.

### **EBITDA<sup>2</sup>**

EBITDA rose 18% year-on-year to EGP 602 million versus EGP 511 in 2016. The associated EBITDA margin came under pressure from higher raw material costs, which was only partially offset by the favourable leverage of fixed costs. The ratio stood at 40% in 2017 compared with 44% in 2016. We consider EBITDA to be an appropriate alternative performance measure, as it is a metric commonly followed by the institutional investment community.

By region, Egypt contributed 91% of total EBITDA down from 94% in 2016, whilst Jordan and Sudan contributed 7% and 2%, respectively, compared with 5% and 1% a year earlier.

<sup>2</sup> EBITDA is calculated as operating profit (EGP 540 million) plus depreciation (EGP 62 million) and amortisation (nil).

### **Foreign Exchange**

In 2017, the Group's net foreign exchange loss amounted to EGP 19.9 million, as an FX loss of EGP 24.5 million was partially offset by an EGP 4.5 million FX gain. This was substantially below the net foreign exchange loss of EGP 89 million in 2016.

The EGP 24.5 million foreign exchange loss was attributable to revalued foreign denominated contracts with major suppliers as well as the revaluation of intercompany balances between IDH and its subsidiaries and with the different functional currencies within the group, including the Egyptian pound, the Sudanese pound, the Jordanian dinar and the US dollar. The EGP 4.5 million FX gain related to finance lease obligations resulting from appreciation of the Egyptian pound.

### **Taxation**

In 2017, IDH recorded tax expense of EGP 174 million, with an effective tax rate of 31% (2016:31%). There is no tax payable in the two IDH holding companies (Jersey and Cayman); thus, costs incurred at the holding company level are not tax deductible. These would include, but are not limited to, KPMG UK fees and IDH administrative fees in London.

All tax is paid within the Group's operating companies. The corporate income tax rates in countries in which IDH operates are as follows: Egypt 22.5%, Jordan 20.0% and Sudan 15.0%.

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 2017 amounted to EGP 56.9 million (loss) compared with EGP 14.1 million (gain) in 2016.

### **Net Profit**

Net profit for the year increased 44% to EGP 384 million versus EGP 267 million recorded in 2016. This growth was spurred by effective cash management generating interest income that offset higher interest expense incurred due to the Central Bank of Egypt's rate hike policy and the adoption of International Accounting Standard (23) that capitalised interest on the Group's Medium-Term Loan for its new corporate headquarters building. The bottom line also benefited from a sharp year-on-year decline in foreign exchange losses, given what has been relative stability in exchange rates.

### **Balance Sheet**

On the Assets side of the balance sheet, property, plant and equipment (PPE) rose to EGP 486 million at 31 December 2017 from EGP 391 million a year earlier primarily due to new investment in the Group's new corporate headquarters, slated for completion in 2018, as well as the opening of 29 new branches region-wide.

In 2015, IDH entered into equipment lease agreements with its major suppliers that became effective in May 2015. The agreement periods range from five to eight years, which is deemed to reflect the useful life of the equipment. The agreements include annual commitment payments to cover the supply of medical diagnostic equipment, test kits and chemicals to be used for testing and ongoing maintenance and support services over the term of the

agreement. If the minimum annual commitment payments are met over the agreement period, ownership of the equipment supplied will legally transfer to IDH. On one side, the leased equipment is recorded in PPE, and the finance lease is recorded as a liability on the other side.

Trade and other receivables rose 36% to EGP 202 million compared with EGP 148 million in 2016. The difference was primarily related to an increase in the accounts receivable balance associated with the gain in contract revenues, together with higher accrued revenues related to time deposit interest.

The total bad debt provision balance amounted to EGP 21.7 million, out of which EGP 5.6 million was established in 2017: EGP 4.7 million for Egypt; EGP 0.4 million for Sudan; and the remaining balance for Jordan.

On the Liabilities side, trade and other payables decreased to EGP 333 million in 2017 from EGP 346 million in 2016 mainly due to the decline in put option liability related to the Jordanian operation given the spot rate as at 31 December 2016 stood at EGP:JOD 25.41 versus EGP:JOD 24.89 as at 31 December 2017.

Inventories at 2017 year end were EGP 70 million, up 36% versus a year earlier largely due to higher raw material prices in 2017 compared with 2016.

IDH managed to deliver strong operational cash flow, with an ending cash balance at 2017 year end of EGP 694 million (excluding restricted cash).

### **Dividend**

Proposed dividends for ordinary shares are subject to the approval of the Annual General Meeting and are not recognised as a liability as at 31 December 2017. The Board of Directors has recommended that a final dividend of US\$ 24 million, or US\$ 0.16 per share, should be paid to shareholders who appear on the register as at 18 May 2018, with an ex-dividend date of 17 May 2018. The payment date for the dividend will be 8 June 2018.

### **Going Concern**

Having made enquiries, 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 consolidated financial statements. Thus, they continue to adopt the going concern basis in preparing the financial information.

## **Principal Risks, Uncertainties and Their Mitigation**

As in any corporation, IDH has exposure to risks and uncertainties that may adversely affect its performance. IDH Chairman Lord St John of Bletso has emphasised that ownership of the risk matrix is sufficiently important to the Group's long-term success that it must be equally shared by the Board and senior management.

While no system can mitigate every risk - and some risks, as at the country level, are largely without potential mitigants - the Group has in place processes, procedures and baseline assumptions that provide mitigation. The Board and senior management agree that the principal risks and uncertainties facing the Group include:

Specific Risk	Mitigation
<p data-bbox="300 188 770 226"><b>Country risk - Political &amp; Security</b></p> <p data-bbox="300 226 845 434">Egypt and the wider MENA region, where the Group operates, have experienced political volatility since 2011 and continue to experience occasional terrorist incidents. There remains a risk of occasional civil disorder.</p> <p data-bbox="300 510 868 790">Nigeria is facing security challenges on several fronts, including re-emerging ethnic tensions and resurgent attacks by Islamist militants in the northeast. Against the backdrop of a sluggish economy and the slow implementation of reforms, mounting discontent could translate into further social unrest.</p>	<p data-bbox="898 226 1449 293">See mitigants for "Country / regional risk - Economic," below.</p> <p data-bbox="898 510 1525 613">Echo-Scan's laboratories are located primarily in Lagos, Abuja and Benin, far from the current unrest occurring in the northeast part of Nigeria.</p> <p data-bbox="898 656 1522 864">Regarding other operating risks, including but not limited to legal and compliance risks, IDH will apply the same rigorous standards to evaluating all aspects of its business processes in Nigeria as it has implemented in all of the emerging markets in which it operates.</p>

## Country / regional risk - Economic

The Group is subject to the economic conditions of Egypt specifically and, to a lesser extent, those of the wider MENA region. Egypt accounted for c. 83% of our revenues in 2017 (2016: 87%).

**High inflation:** According to Reuters, Egypt's annual inflation rates fell in January 2018 to their lowest levels since the November 2016 devaluation of the Egyptian pound. Annual Urban Consumer Price Inflation eased to 17.1% in January 2018 from 21.9% in December 2017, whilst core inflation that strips out volatile items dropped to 14.35% from 19.86% for the same periods. Inflation had reached a record high in July 2017 at c. 35% on the back of energy subsidy cuts, but then subsequently declined gradually as inflationary pressures caused by floating the currency eased.

**Nigeria: Capital controls** could make profit repatriation difficult in the short term.

**Nigeria: Depreciation of the naira** would make imported products and raw materials more expensive and would reduce Nigeria's contribution to consolidated Company revenues. Whilst capital controls have helped the official exchange converge with the black-market rate, the central bank has yet to allow the naira to float freely.

As with country risk, this is largely not subject to mitigation. In both political / security and economic risk, management notes that IDH operates in a defensive industry and that the business continued to grow year-on-year through two revolutions, as well as under extremely difficult operating conditions in 2016.

High inflation is one consequence of Egypt's policy-restructuring cycle. The structural change underway in government spending and general repricing of goods and services represents a reversal of 50 years of comprehensive government support. Whilst it will take time, the reform program is designed to put the country on a more sustainable path to growth and fiscal consolidation.

The Group's contemplated acquisitions outside of Egypt would also mitigate the Egypt-specific country risk over time.

In Nigeria, until currency exchange policy is clarified and there is greater visibility regarding profit repatriation, IDH expects to reinvest early profits into its Nigerian business. Dividend payments are not expected to be repatriated in the first four years of operation.

IDH will capitalise on its regional agreements with suppliers to procure kits at competitive prices.

## Foreign currency and banking regulation risk

**Foreign currency risk:** The Group is exposed to foreign currency risk on the cost side of the business. The majority of supplies it acquires are paid in Egyptian pounds (EGP), but given they are imported, their price will vary with the rate of exchange between the EGP and foreign currencies. In addition, a portion of supplies are priced and paid in foreign currencies.

The CBE moved to a fully floating foreign exchange regime on 3 November 2016, since which time the value of the Egyptian pound against the US dollar has been set by the interbank market. After losing more than 50% of its value in 2016, the Egyptian pound closed 2017 at 17.76 per US\$1 against an opening rate of EGP 18.00.

The Egyptian pound was valued at 17.60 to US\$ 1.00 as of 15 March 2018.

**Banking regulation risk:** A priority list and allocation mechanism imposed by the CBE was in effect throughout 2016 to prioritise essential imports. This mechanism was in place in response to an active parallel market for foreign exchange.

Whilst foreign exchange is increasingly available following the November 2016 float of the Egyptian pound and prices set by the interbank mechanism, IDH faces the risk of variability in the exchange rate as a result of economic and other factors.

IDH's exposure to foreign currency risk takes two primary forms: price and availability. Price risk impacts the cost of supplies (almost all imported, either directly by IDH or by third parties), on which spending was equivalent to c. 20% of revenues in 2017 (2016: 16%). Management believes that it can mitigate the effects of devaluation through a combination of improved pricing and cost efficiencies (see Supplier Risk below for more).

Only 15% of IDH's cost of supplies (c.3% of revenues) are payable in US dollars, minimising the Group's exposure to foreign exchange (FX) scarcity and in part, the volatility of the Egyptian pound.

In 2017, IDH recorded a net foreign exchange loss of EGP 20 million compared with a net foreign exchange loss of EGP 89 million in 2016.

With bank liquidity improving, helped by Egypt's three-year US\$ 12 billion IMF loan agreement and the November 2016 floatation of the Egyptian pound, 2017 saw the CBE remove the strict capital controls that had been imposed following the country's 2011 political uprising. Foreign exchange is now freely available in the market, from banks and exchange companies alike; and the parallel market has been eliminated.

The priority list and allocation mechanism have been relaxed following the Egyptian pound devaluation. Companies now report increasing availability of foreign exchange for imports. The parallel market for foreign exchange is presently dormant.

Caps on deposits of foreign exchange into the banking system, which were in place during 2015 and throughout much of 2016, have been removed.

There are currently no restrictions in Egypt on repatriation of dividends by foreign companies.



**Supplier risk**

In the year to December 2016, the EGP lost 56% of its value against the US\$, creating significant risk of suppliers re-opening negotiations in the face of cost pressure.

In the year to 31 December 2017 the value of the Egyptian pound has remained consistent against the US\$ at 17.67:1.00 (closing rate).

IDH's supplier risk is concentrated amongst three key suppliers - Siemens, Roche and BM (Sysmex)- who provide it with kits representing 47% of the total value of total raw materials in 2017 (2016: 49%).

IDH has strong, longstanding relationships with its suppliers, to whom it is a significant regional client. Due to the volumes of kits the Company purchases, IDH is able to negotiate favourable pricing that in 2016 saw the price it pays for kits rise slower than inflation, which rose to new highs as a result of the devaluation of the EGP. IDH management has agreed with its main suppliers that no price increases will be imposed during 2018.

Total raw materials costs as a percentage of sales were 20% in 2017 compared with 16% in 2016.

**Remittance of dividend regulations and repatriation of profit risk**

The Group's ability to remit dividends abroad may be adversely affected by the imposition of remittance restrictions where, under Egyptian law, companies must obtain government clearance to transfer dividends overseas and are subject to higher taxation on payment of dividends.

As a foreign investor in Egypt, IDH does not have issues with the repatriation of dividends, but is exposed to risk in the form of cost of foreign exchange in the markets in which the Group operates, particularly Egypt.

As a provider of medical diagnostic services, IDH's operations in Sudan are not subject to sanctions. Notably, in October 2017 the US lifted a host of sanctions imposed 20 years ago that included a comprehensive trade embargo, a freeze on government assets and tight restrictions on financial institutions dealing with the country. Management views this as an important milestone signaling the end to the country's economic isolation.

**Legal and regulatory risk to the business**

The Group's business is subject to, and affected by, extensive, stringent and frequently changing laws and regulations, as well as frequently changing enforcement regimes, in each of the countries in which it operates. Moreover, as a significant player in the Egyptian private clinical laboratory market, the Group is subject to antitrust and competition related restrictions, as well as the possibility of investigation by the Egyptian Competition Authority.

The Group's general counsel and the quality assurance team work together to keep IDH abreast of, and in compliance with, both legislative and regulatory changes.

On the antitrust front, the private laboratory segment (of which IDH is a part) accounts for a small proportion of the total market, which consists of small private labs, private chain labs and large governmental and quasi-governmental institutions.

**Quality control risks**

Failure to establish and comply with appropriate quality standards when performing testing and diagnostics services could result in litigation and liability for the Group and could materially and adversely affect its reputation and results of operations. This is particularly key as the Group depends heavily on maintaining good relationships with healthcare professionals who prescribe and recommend the Group's services.

The Group's quality assurance (QA) function ensures compliance with best practices across all medical diagnostic functions. All laboratory staff participate in ongoing professional education with quality assurance emphasised at each juncture.

The head of quality assurance for the Group is a member of the senior management team at the IDH level, which meets weekly to review recent developments, plan strategy and discuss issues of concern to the Group as a whole.

<p><b>Risk from contract clients</b></p> <p>Contract clients including private insurers, unions and corporations, account for c. 61% of the Group's revenue. Should IDH's relationship with these clients deteriorate, for example if the Group was unable to negotiate and retain similar fee arrangements or should these clients be unable to make payments to the Group, IDH's business could be materially and adversely affected.</p>	<p>IDH diligently works to maintain sound relationships with contract clients. All changes to pricing and contracts are arrived at through discussion rather than blanket imposition by IDH. Relations are further enhanced by regular visits to contract clients by the Group's sales staff.</p> <p>IDH's attractiveness to contract clients is enhanced by the extent of its national network.</p> <p>No single client contract currently accounts for more than 0.8% of total revenues or 1.4% of Corporate revenues.</p> <p>Prudent management of contract clients translated into the Group taking provisions of EGP 5.6 million in 2017 for doubtful accounts (2016: EGP 4.3 million). (See note 16 to the accompanying Financial Statements for more information.)</p>
<p><b>Pricing pressure in a competitive, regulated environment</b></p> <p>The Group faces pricing pressure from various third-party payers that could materially and adversely affect its revenue. Pricing may be restrained in cases by recommended or mandatory fees set by government ministries and other authorities.</p> <p>This risk may be more pronounced in the context of headline monthly inflation, which as of December 2017 stood at 21.9%.</p>	<p>This is an external risk for which there exist few mitigants.</p> <p>In the event there is escalation of price competition between market players, the Group sees its wide national footprint as a mitigant; c. 61% of our revenue is generated by servicing contract clients (private insurer, unions and corporations) who prefer IDH's national network to patchworks of local players.</p> <p>IDH has a limited ability to influence changes to mandatory pricing policies imposed by government agencies, as is the case in Jordan, where basic tests that account for the majority of IDH's business in that nation are subject to price controls.</p>

**Carrying value of goodwill and other intangible assets**

A decline in financial performance could lead to an impairment risk over the carrying value of IDH's goodwill and other intangible assets. Goodwill and intangible assets have arisen from historic acquisitions made by the Group and include the brand names used in the business.

IDH carries out an annual impairment test on goodwill and other intangible assets in line with IAS 36.

The results of the annual impairment test show headroom between the recoverable amount (based on value in use) and the carrying value of each of the identified Cash Generating Units and no impairment is deemed to be required

For more detail see note 12 of the Financial Statements.

**Business continuity risks**

**Management concentration risk:** IDH is dependent on the unique skills and experience of a talented management team. The loss of the services of key members of that team could materially and adversely affect the Company's operations and business.

**Business interruption:** IT systems are used extensively in virtually all aspects of the Group's business and across each of its lines of business, including test and exam results reporting, billing, customer service, logistics and management of medical data. Similarly, business interruption at one of the Group's larger laboratory facilities could result in significant losses and reputational damage to the Group's business as a result of external factors such as natural disasters, fire, riots or extended power failures. The Group's operations therefore depend on the continued and uninterrupted performance of its systems.

IDH understands the need to support its future growth plans by strengthening its human capital and engaging in appropriate succession planning. The Company is committed to expanding the senior management team, led by its CEO Dr. Hend El Sherbini, to include the talent needed for a larger footprint. The Group has constituted an Executive Committee led by Dr. El Sherbini and composed of heads of departments. The Executive Committee meets every second week.

The Group has in place a full disaster recovery plan, with procedures and provisions for spares, redundant power systems and the use of mobile data systems as alternatives to landlines, among multiple other factors. IDH tests its disaster recovery plans on a regular basis.

<p><b>Loss of talent</b></p> <p>IDH depends on the skills, knowledge, experience and expertise of its senior managers to run its business and implement its strategies. The Group's senior management has an average of 15 years of industry experience and the majority are medical doctors. Furthermore, IDH is reliant on its ability to recruit and retain laboratory professionals. Loss of senior managers could materially and adversely affect the Group's results of operations and business.</p> <p>In Nigeria, IDH will face a more limited talent pool of healthcare workers due to a weak education system and the tendency for trained professionals to move abroad.</p>	<p>In addition to competitive compensation packages, the Group also ensures it has access to a broad pool of trained laboratory professionals through its own in-house recruitment and training program. We furthermore have in place a program to monitor the performance of graduates of the training program.</p> <p>Egypt is a net exporter of trained healthcare professionals as there is surplus staff in the market. IDH's efforts are accordingly focused on retention of qualified staff as opposed to recruitment of new personnel.</p> <p>In Nigeria, IDH intends to offer a strong value proposition for staff that includes opportunity for both compensation and training. The Group will seek to bring in expatriates to fill key leadership roles whilst local teams are being trained and developed.</p>
<p><b>Loss of certifications and accreditations</b></p> <p>Many of IDH's facilities have received internationally accreditations for high-quality standards. The failure to renew these certifications, including the College of American Pathologists (CAP) accreditation for the Mega Lab or the International Organization for Standards (IOS) for other facilities, would call into question the Group's quality standards and competitive differentiators.</p>	<p>In February 2018, IDH's central Mega Lab in Cairo received CAP certification. The CAP certification will thereafter be subject to renewal every two years. The Company also renewed its ISO certifications in 2017, with the next renewal due in 2018. IDH's ability to keep current its certifications and accreditation are supported by ongoing QA, training and internal audit procedures.</p>

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS as adopted by the EU"), interpretations from the International Financial Reporting Interpretations Committee ("IFRIC") and Companies (Jersey) Law 1991 (as amended). Jersey Law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the assets, liabilities, financial position and profit or loss of the Group for that year.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, comparable, understandable and prudent;
- ensure that the financial statements comply with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and to enable them to ensure that the financial statements comply with Jersey Law. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for the maintenance and integrity of the Group's website on the internet. However, information is accessible in many different countries where legislation governing the preparation and dissemination of financial statements may differ from that applicable in the United Kingdom and Jersey.

The Directors of the Group confirm that to the best of their knowledge that:

- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards; and Interpretations adopted by the International Accounting Standards Board give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The sections of this Report, including the Chairman's Statement, Strategic Report, Financial Review and Principal Risks and Uncertainties, which constitute the management report, include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

**Dr. Hend El Sherbini**

Executive Director  
21 March 2018

# Integrated Diagnostics Holdings plc - "IDH" and its subsidiaries

Annual Report and Consolidated

## Financial Statements

for the year ended 31 December 2017

### Consolidated Statement of Financial Position As at 31 December 2017

	Notes	2017 EGP'000	2016 EGP'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	473,786	380,374
Intangible assets and goodwill	12	1,658,252	1,654,362
Restricted cash	18	-	13,253
Deferred tax assets	9	-	18,307
<b>Total non-current assets</b>		<b>2,132,038</b>	<b>2,066,296</b>
<b>Current assets</b>			
Inventories	15	69,935	51,715
Trade and other receivables	16	202,255	148,375
Restricted cash	18	13,226	-
Other investments	19	9,149	95,575
Cash and cash equivalents	17	685,211	683,721
<b>Total current assets</b>		<b>979,776</b>	<b>979,386</b>
<b>Total assets</b>		<b>3,111,814</b>	<b>3,045,682</b>
<b>Equity</b>			
Share capital	20	1,072,500	1,072,500
Share premium reserve	20	1,027,706	1,027,706
Capital reserves	20	(314,310)	(314,310)
Legal reserve	20	33,383	30,251
Put option reserve	20	(93,256)	(102,082)
Translation reserve	20	203,709	207,720
Retained earnings		315,856	315,518
<b>Equity attributable to the owners of the Company</b>		<b>2,245,588</b>	<b>2,237,303</b>
Non-controlling interests	7	68,502	62,161
<b>Total equity</b>		<b>2,314,090</b>	<b>2,299,464</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	9	158,712	132,627
Other provisions	22	14,699	12,202
Loans and borrowings	24	38,425	-
Long-term financial obligations	26	100,478	119,638
<b>Total non-current liabilities</b>		<b>312,314</b>	<b>264,467</b>
<b>Current liabilities</b>			
Trade and other payables	23	333,432	345,776
Loans and borrowings	24	14,575	-
Current tax liabilities		137,403	135,975
<b>Total current liabilities</b>		<b>485,410</b>	<b>481,751</b>
<b>Total liabilities</b>		<b>797,724</b>	<b>746,218</b>
<b>Total equity and liabilities</b>		<b>3,111,814</b>	<b>3,045,682</b>

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

These consolidated financial statements were approved and authorised for issue by the Board of Directors and signed on their behalf on 21 March 2018 by:

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

**Head of Audit Committee**  
James Nolan

## Consolidated Income Statement For the year ended 31 December 2017

	Notes	2017 EGP'000	2016 EGP'000
Revenue	3	1,514,257	1,170,621
Cost of sales		(784,701)	(542,687)
<b>Gross profit</b>		<b>729,556</b>	<b>627,934</b>
Marketing and advertising expenses		(59,843)	(53,187)
Administrative expenses		(126,517)	(105,390)
Other expenses		(2,825)	(3,165)
<b>Operating profit</b>	8	<b>540,371</b>	<b>466,192</b>
Finance costs		(33,005)	(99,072)
Finance income		51,064	21,418
Net finance cost	8.2	18,059	(77,654)
<b>Profit before tax</b>		<b>558,430</b>	<b>388,538</b>
Income tax expense	9	(174,701)	(121,620)
<b>Profit for the year</b>		<b>383,729</b>	<b>266,918</b>
<b>Profit attributed to:</b>			
Owners of the Company		374,023	260,399
Non-controlling interests	7	9,706	6,519
		<b>383,729</b>	<b>266,918</b>
<b>Earnings per share (expressed in EGP)</b>	10		
Basic and Diluted		2.49	1.74

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

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017

	2017 EGP'000	2015 EGP'000
<b>Net profit</b>	<b>383,729</b>	<b>266,918</b>
<b>Other comprehensive income:</b>		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences on foreign currency subsidiaries	(5,577)	228,130
<b>Other comprehensive income for the year, net of tax</b>	<b>(5,577)</b>	<b>228,130</b>
<b>Total comprehensive income for the year</b>	<b>378,152</b>	<b>495,048</b>



**Attributable to:**

Owners of the Company	370,012	467,664
Non-controlling interests	8,140	27,384
	<u>378,152</u>	<u>495,048</u>

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

## Consolidated Statement of Cash Flows

### for the year ended 31 December 2017

	Note	2017	2016
		EGP'000	EGP'000
<b>Cash flows from operating activities</b>			
Profit for the period before tax		558,430	388,538
<b>Adjustments for:</b>			
Depreciation	11	57,148	40,224
Amortization	12	4,774	4,506
Impairment of Intangible assets		-	1,849
(Loss)/Gain on disposal of Property, plant and equipment		77	60
Impairment in trade and other receivables	8	5,561	4,298
Reversal of impairment in trade and other receivables	16	(1,461)	(2,768)
Provisions made	22	3,536	2,224
Provisions reversed	22	(1,000)	(717)
Interest expense	8.2	10,391	9,271
Interest income	8.2	(51,064)	(21,418)
Loss/(gain) of foreign exchange	8.2	19,940	88,877
<b>Net cash from operating activities before changes in working capital</b>		<u>606,332</u>	<u>514,944</u>
Provision used	22	(39)	(267)
Change in inventory		(18,220)	(17,388)
Change in trade and other receivables		(43,575)	(30,436)
Change in trade and other payables		(29,652)	39,935
<b>Cash generated from operating activities before income tax payment</b>		<u>514,846</u>	<u>506,788</u>
Income tax paid during period		(111,771)	(108,130)
<b>Net cash from operating activities</b>		<u>403,075</u>	<u>398,658</u>
<b>Cash flows from investing activities</b>			
Interest received		36,660	19,753
Acquisition of Property, plant and equipment		(157,349)	(48,539)
Proceeds from sale of property and equipment		343	90
Change in restricted Cash	18	27	(13,253)
Change in other investment	19	86,426	(95,575)
<b>Net cash flows used in investing activities</b>		<u>(33,893)</u>	<u>(137,524)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		53,000	-
Interest paid		(10,096)	(10,263)
Acquisition non-controlling interest		-	(10,450)
Dividends paid		(376,744)	(88,560)
Financial lease		(36,984)	(8,928)
<b>Net cash flows used in financing activities</b>		<u>(370,824)</u>	<u>(118,201)</u>
<b>Net increase in cash and cash equivalents</b>		<u>(1,642)</u>	<u>142,933</u>
Cash and cash equivalent at the beginning of the period		683,721	387,716
Effect of exchange rate fluctuations on cash held		3,132	153,072
<b>Cash and cash equivalent at the end of the period</b>	18	<u>685,211</u>	<u>683,721</u>

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

## Consolidated Statement of Changes in Equity for the year ended 31 December 2017

(All amounts in Egyptian Pounds "EGP'000")	Share Capital	Share premium	Capital reserve	Legal reserve*	Put option reserve	Translation reserve	Retained earnings
<b>As 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>315,518</b>
Profit for the period	-	-	-	-	-	-	374,023
Other comprehensive income for the period	-	-	-	-	-	(4,011)	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,011)</b>	<b>374,023</b>
<b>Transactions with owners of the Company</b>							
<b>Contributions and distributions</b>							
Dividends	-	-	-	-	-	-	(371,875)
Reverse share-based payment	-	-	-	-	-	-	-
Legal reserve formed during the period*	-	-	-	3,132	-	-	(3,132)
Movement in put option liability in the year	-	-	-	-	8,826	-	-
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,132</b>	<b>8,826</b>	<b>-</b>	<b>(375,007)</b>
<b>Change in ownership interests</b>							
Non-controlling interests resulting from acquisition of subsidiary	-	-	-	-	-	-	1,322
<b>At 31 December 2017</b>	<b>1,072,500</b>	<b>1,027,706</b>	<b>(314,310)</b>	<b>33,383</b>	<b>(93,256)</b>	<b>203,709</b>	<b>315,856</b>
<b>As 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>142,712</b>
Profit for the period	-	-	-	-	-	-	260,399
Other comprehensive income for the period	-	-	-	-	-	207,265	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>207,265</b>	<b>260,399</b>
<b>Transactions with owners of the Company</b>							
<b>Contributions and distributions</b>							
Dividends	-	-	-	-	-	-	(79,470)
Equity settled share-based payment	-	-	-	-	-	-	-
Legal reserve formed during the period*	-	-	-	90	-	-	(90)
Movement in put option liability in the year	-	-	-	-	(38,013)	-	-
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90</b>	<b>(38,013)</b>	<b>-</b>	<b>(79,560)</b>
<b>Change in ownership interests</b>							
Non-controlling interests resulting from acquisition of subsidiary	-	-	-	1,327	-	(738)	(8,033)
<b>At 31 December 2016</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>315,518</b>

### 1. Corporate information

The consolidated financial statements of Integrated Diagnostics Holdings plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the directors on 20 March 2018. Integrated

Diagnostics Holdings plc "IDH" or "the company" has been established according to the provisions of the Companies (Jersey) law 1991 under No. 117257.

IDH's purpose is not restricted and the Group has full authority to do any activity as long as it is not banned by the Companies law unless amended from time to time or depending on the Companies (Jersey) law.

The Group's financial year starts on 1 January and ends on 31 December each year. The Group's main activity is concentrated in the field of medical diagnostics.

## **2. Basis of preparation**

### **Statement of compliance**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (adopted IFRS) issued by the International Accounting Standards Board (IASB) and the Jersey Law 1991 an amendment to which means separate company financial statements are not required.

### **Basis of measurement**

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

### **Functional and presentation currency**

Each of the Group's entities is using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group's consolidated financial statements are presented in Egyptian Pounds, being the reporting currency of the main Egyptian trading subsidiaries within the Group and the primary economic environment in which the Group operates. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation; the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

### **Going concern**

These consolidated financial statements have been prepared on the going concern basis. At 31 December 2017, the Group had net assets amounting to EGP 2,314,090. 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 annual financial statements. Thus, they continue to adopt the going concern basis in preparing the financial information.

### **2.1. Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

### **2.1. Basis of consolidation (continued)**

#### **i. Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the

ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### **ii. Change in subsidiary ownership and loss of control**

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Where the group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### **iii. Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### **2.2. Significant accounting policies**

Except for the changes below, the accounting policies set out below have been consistently applied to all the years presented in these consolidated financial statements.

The Group has adopted the following new standard, including any inconsequential amendments to other standards, with a date of initial application of 1 January 2017.

- €€€€ Annual Improvements to IFRSs - 2014-2016 Cycle
- €€€€ Disclosure initiative - amendment to IAS 7
- €€€€ Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS

12

This new standard had a non-material impact on these consolidated financial statements.

#### **a) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the

### **2.2. Significant accounting policies (continued)**

proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss. And

when it is classified as equity it should not be remeasured and accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing which it is done on an annual basis, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### **b) Fair value measurement**

The Group measures financial instruments such as non-derivative financial instruments, available-for-sale financial assets and contingent consideration assumed in a business combination, at fair value at each balance sheet date.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs

### **2.2. Significant accounting policies (continued)**

used in the valuation techniques as follows:

- ∅ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ∅ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ∅ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The fair value less any estimated credit adjustments for financial assets and liabilities with maturity dates less than one year is assumed to approximate their carrying value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contracted cash flows at the current market interest rate that is available to the Group for similar transactions.

### **c) Revenue recognition**

Revenue represents the value of medical diagnostic services rendered in the year, and is stated net of discounts. The Group has two types of customers: Walk-in patients and patients served under contract. For patients under contract, rates are agreed in advance on a per-test, client-by-client basis.

For both types of customers, revenue is recognized on completion of the services rendered. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

### **d) Leases**

#### **i. Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates out payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impractical to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

## **2.2. Significant accounting policies (continued)**

### **ii. Leased assets**

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

### **iii. Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### **e) Income Taxes**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

#### **i. Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## **ii. Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

## **2.2. Significant accounting policies (continued)**

### **f) Foreign currency**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

On consolidation, the assets and liabilities of foreign operations are translated into Egyptian Pounds at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions). The exchange differences arising on translation for consolidation are recognised in other comprehensive income and accumulated in the translation reserve or NCI as the case may be. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### **g) Property, plant and equipment**

All property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred. Land is not depreciated.

Laboratory Equipment held to perform the 'Hub spoke' at the Mega Lab and provided under finance lease arrangements are depreciated under a unit of production method as this most closely reflects the consumption of benefits from the equipment.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual value over their estimated useful lives, as follows:

Buildings	50 years
Medical, electric and information systems equipment	4-10 years
Leasehold improvements	4-5 years
Fixtures, fittings & vehicles	4-16 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

## **2.2. Significant accounting policies (continued)**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other (losses)/gains - net' in the consolidated statement of income.

### **h) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets. The Group amortises intangible assets with finite lives using the straight-line method over the following periods:

IT development and software	4-5 years
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Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

### **Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill is stated at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the



cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. the impairment assessment is done one an annual basis.

## **Brand**

Brand names acquired in a business combination are recognized at fair value at the acquisition date and have an indefinite useful life.

## **2.2. Significant accounting policies (continued)**

### **i) Financial instruments - initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **i. Financial assets**

##### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, AFS financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in three categories:

- Ø Financial assets at fair value through profit or loss
- Ø Loans and receivables
- Ø Available for sale ("AFS") financial assets

The Group did not hold financial assets classified as financial assets at fair value through the profit or loss or AFS financial assets at 31 December 2017 and 31 December 2016.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

##### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- Ø The rights to receive cash flows from the asset have expired
- Or

- Ø The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## 2.2. Significant accounting policies (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

Ø Disclosures for significant estimates and assumptions	Note 2.3
Ø Financial assets	Note 14
Ø Trade receivables	Note 16

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### ii. Financial liabilities

#### Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

All of the Group's financial liabilities are classified as financial liabilities carried at amortised cost using the effective interest method. The Group does not use derivative financial instruments or hedge account for any transactions. Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

The Group's financial liabilities include trade and other payables, finance lease liabilities and loans and borrowings including bank overdrafts.

## 2.2. Significant accounting policies (continued)

### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to

offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### **j) Impairment of non-financial assets**

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

Ø Disclosures for significant assumptions and estimates	Note 2.3
Ø Goodwill and intangible assets with indefinite lives	Note 13

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income ("OCI"). For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

#### **2.2. Significant accounting policies (continued)**

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased.

If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 October and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 October at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGU). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

#### **k) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling and distribution expenses.

#### **l) Cash and short-term deposits**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

## **2.2. Significant accounting policies (continued)**

#### **m) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

#### **n) Pensions and other post-employment benefits**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement in the periods during which services are rendered by employees.

#### **o) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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

The Group has not early adopted any other standard, interpretation or amendments that have been issued but not yet effective for the year ended 31 December 2017.

None of these are expected to have a material effect on these consolidated financial statements of the Group, except for the following which could change the classification and measurements of financial assets.

- IFRS 9 "Financial instruments" (expected effective date of January 2018).
- IFRS 16 'Leases' (effective date of January 2019) introduces an on balance sheet accounting model for operating leases. The Group has significant operating lease commitments through the lease of branches and is anticipated to have a material effect when these arrangements are required to be brought on balance sheet.

## **2.3. Significant accounting judgments, estimates and assumptions (continued)**

### **Estimated impact of the adoption of IFRS 9 and IFRS 15**

#### **IFRS 15**

The Group is required to adopt IFRS 15 Revenue From Contracts With Customers From 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers' sets out the principles for the measurement and recognition of revenue and will replace IAS 18. The standard provides a five step model to determine when an entity should recognise revenue and at what amount, by allocation of the transaction price to separate performance obligations. The Group has two types of customer: walk-in patients and patients served under contract. For patients served under contract, rates are agreed in advance on a per-test, client-by-client basis. For both types of customer, revenue is recognized on completion of the services rendered.

The Group's services are provided a point in time rather than over a period of time and there are stand-alone sales prices per test stipulated in the contracts that exist with selected customers.

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 will have no impact on its consolidated financial statements based on the assessment undertaken to date, however the Group may enter into contracts in the near future that would be accounted for differently under IFRS 15 than the existing standards.

#### **IFRS9**

The Group is required to adopt IFRS 9 Financial Instruments from 1 January 2018.

IFRS 9 'Financial Instruments' sets out the requirements for recognizing, classifying and measuring financial assets and financial liabilities and includes guidance in respect of general hedge accounting. This standard replaces IAS 39 and sets out two key criteria for determining the classification and measurement of financial assets including the entity's business model for managing financial assets and the contractual cash flow characteristics. IFRS 9 also sets out a single impairment model to ensure expected credit losses on financial instruments are always recognized as soon as they are forecast. In relation to hedge accounting, IFRS 9 adopts a principles-based approach for testing hedge effectiveness instead of setting specific numerical thresholds.

The Group has made an initial assessment of the impact that the initial application of IFRS 9 will have on its consolidated financial statement by considering the level of loss experienced

from customers across the portfolio at a macro level. The financial impact of this assessment is an adjustment (net of tax) to the opening balance of the Group's equity at 1 January 2018 of EGP 2.5 m due to the recognition of an impairment charge for the expected credit loss of trade receivables. The final impact of adopting the standard at 1 January 2018 may change because the Group is in the process of undertaking an extensive exercise to assess the credit loss on a customer basis, which has not been finalised. Additionally, the testing and assessment of controls over new IT systems has not been complete. It is not expected that the impact of the final assessment will be materially different.

### **2.3. Significant accounting judgments, estimates and assumptions (continued)**

The total estimated adjustment (net of tax) to the opening balance of the Group's equity at 1 January 2018 is EGP 2.5 m due to the recognition of an impairment charge for the expected credit loss of trade receivables.

The preparation of the Group's consolidated financial statements in conformity with adopted IFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

Ø Capital management	Note 4
Ø Financial instruments risk management and policies	Note 14
Ø Sensitivity analyses disclosures	Notes 14

#### **Judgments**

In preparing these consolidated financial statements, management have made a material judgment, that affect the application of the Group's lease accounting policy and the reported amounts of assets, liabilities, and expenses. Information about judgment, estimate and assumptions relating to finance leases are set out in note 26.

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### **Impairment of intangible assets**

The Group tests annually whether goodwill and other intangibles with indefinite lives have suffered any impairment. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amounts of cash generating units have been determined based on value in use. The value

in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

#### **Impairment of trade and notes receivables**

The requirement for impairment of trade receivables is made through monitoring the debts aging and reviewing customer's credit position and their ability to make payment as they fall due. An impairment is recorded against receivables for the irrecoverable amount estimated by

management. At the year end, the provision for impairment of trade receivables was EGP 21,784K (31 December 2016: EGP 19,154k).

### 3. Segment information

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.

For the year ended	Revenue by geographic location			
	Egypt region EGP'000	Sudan region EGP'000	Jordan region EGP'000	Total EGP'000
31 December 2017	1,250,584	45,687	217,986	1,514,257
31 December 2016	1,024,378	34,103	112,140	1,170,621

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

	2017 EGP'000	2016 EGP'000
<b>Profit from operations</b>	<b>540,371</b>	<b>466,192</b>
Property, plant and equipment depreciation	57,148	40,224
Amortization of Intangible assets	4,774	4,506
<b>EBITDA</b>	<b>602,293</b>	<b>510,922</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.

### 5. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The repatriation of a declared dividend from Egyptian group entities is subject to regulation by Egyptian authorities. The outcome of an Ordinary General Meeting of Shareholders declaring a dividend is first certified by the General Authority for Investment and Free Zones (GAFI).

Approval is subsequently transmitted to Misr for Central Clearing, Depository and Registry (MCDR) to distribute dividends to all shareholders, regardless of their domicile, following notification of shareholders via publication in one national newspapers.

### 4. Capital management (continued)

The Group monitors capital on the basis of the net debt to equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities (being total current liabilities plus long-term financial obligations) less cash and cash equivalents.

As a provider of medical diagnostic services, IDH's operations in Sudan are not subject to sanctions.

	<b>2017</b>	<b>2016</b>
	<b>EGP'000</b>	<b>EGP'000</b>
Total liabilities	624,313	601,389
Less: cash and short-term deposits (Note 17)	(685,211)	(683,721)
<b>Net (cash)/debt</b>	<b>(60,898)</b>	<b>(82,332)</b>
Total Equity	<b>2,314,090</b>	<b>2,299,464</b>
Net debt to equity ratio	<b>-2.6%</b>	<b>-3.6%</b>

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

## 6. Group information

### Information about subsidiaries

The consolidated financial statements of the Group include:

	Principal activities	Country of Incorporation	% equity interest	
			2017	2016
Al Borg Laboratory Company ("Al-Borg")	Medical diagnostics service	Egypt	99.3%	99.3%
Al Mokhtabar Company for Medical Labs ("Al Mokhtabar")	Medical diagnostics service	Egypt	99.9%	99.9%
Molecular Diagnostic Center*	Medical diagnostics service	Egypt	99.9%	99.9%
Medical Genetic Center	Medical diagnostics service	Egypt	55.0%	55.0%
Al Makhbaryoun Al Arab Group (Hashemite Kingdom of Jordan)	Medical diagnostics service	Jordan	60.0%	60.0%
Golden Care for Medical Services	Holding company of SAMA	Egypt	100.0%	100.0%
Integrated Medical Analysis Company (S.A.E)	Medical diagnostics service	Egypt	99.6%	99.6%
SAMA Medical Laboratories Co. ("Ultralab medical laboratory ")	Medical diagnostics service	Sudan	80.0%	80.0%
AL-Mokhtabar Sudanese Egyptian Co.	Medical diagnostics service	Sudan	65.0%	65.0%
Integrated Diagnostics Holdings Limited	Intermediary holding company	Caymans Island	100.0%	100.0%
Dynasty Group Holdings Limited	Intermediary holding company	Caymans Island	51.0%	51.0%

\* "Molecular Diagnostic Center" is no longer treated as a subsidiary with effect from 5 May 2016 following the start of liquidation proceedings as control has been passed to the liquidator [ Abd EL Wahab Kamal] under Egyptian Law.

Full details of the Group historical acquisitions can be found in the prospectus for the initial public offering by the Company dated 6 May 2015 and available at [www.idhcorp.com](http://www.idhcorp.com).

## 7. Business combinations and acquisition of non-controlling interests

No change in business combinations and acquisition of non-controlling interests during the year.



## 8. Non-Controlling interest

Financial information of subsidiaries that have material non-controlling interests is provided below:

### Proportion of equity interest held by non-controlling interests:

	Country of incorporation	2017	2016
Medical Genetic Center	Egypt	45.0%	45.0%
Al Makhbaryoun Al Arab Group (Hashemite Kingdom of Jordan)	Jordan	40.0%	40.0%
SAMA Medical Laboratories Co. " Ultra lab medical laboratory "	Sudan	20.0%	20.0%
Al Borg Laboratory Company	Egypt	0.7%	0.7%

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	Medical Genetic Center EGP'000	SAMA Medical Laboratories Al Makhbaryoun Al Arab Group (Hashemite Kingdom of Jordan) EGP'000	Ultralab " " Laboratory EGP'000	Alborg Laboratory Company EGP'000	Other individually immaterial subsidiaries EGP'000	Intra-Group eliminations EGP'000	Total EGP'000
<b>Summarised statement of profit or loss for 2017:</b>							
Revenue	11,454	218,077	36,959	589,275	323,786	-	1,179,551
Profit	1,311	22,253	1,948	194,660	61,224	-	281,396
Other comprehensive income	-	(4,082)	(2,341)	-	1,528	-	(4,895)
<b>Total comprehensive income</b>	<b>-</b>	<b>(4,082)</b>	<b>(2,341)</b>	<b>-</b>	<b>1,528</b>	<b>-</b>	<b>(4,895)</b>
Profit allocated to non-controlling interest	590	8,901	390	1,378	(1,200)	(353)	9,706
Other comprehensive income allocated to non-controlling interest	-	(1,633)	(468)	-	535	-	(1,566)
<b>Summarised statement of financial position as at 31 December 2017:</b>							
Non-current assets	962	106,439	2,454	145,751	118,934	-	374,540
Current assets	6,844	50,562	18,448	430,089	159,687	-	665,630
Non-current liabilities	42	-	-	6,118	85,427	-	91,587
Current liabilities	4,154	60,639	12,004	132,693	110,905	-	320,395
<b>Net assets</b>	<b>12,002</b>	<b>217,640</b>	<b>32,906</b>	<b>714,651</b>	<b>474,953</b>	<b>-</b>	<b>1,452,152</b>
Net assets attributable to non-controlling interest	5,403	87,056	6,581	5,058	(1,981)	(33,616)	68,502

	Medical Genetic Center EGP'000	AI Makhbaryoun AI Arab Group (Hashemite Kingdom of Jordan) EGP'000	SAMA Medical Laboratories Co. "Ultralab medical laboratory" EGP'000	Alborg Laboratory Company EGP'000	Other individually immaterial subsidiaries EGP'000	Intra-Group eliminations EGP'000	Total EGP'000
<b>Summarised cash flow information for year ended 31 December 2017:</b>							
Operating	625	40,715	437	155,451	41,979	-	239,207
Investing	84	(28,326)	(756)	45,017	(2,199)	-	13,820
Financing	(1,565)	(10,933)	-	(69,410)	(46,577)	-	(128,485)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(856)</b>	<b>1,456</b>	<b>(319)</b>	<b>131,058</b>	<b>(6,797)</b>	<b>-</b>	<b>124,542</b>

<b>Summarised statement of profit or loss for 2016:</b>							
Revenue	11,881	112,266	27,160	482,002	207,452	-	840,761
Profit	1,818	13,850	1,360	199,827	(57,725)	-	159,130
Other comprehensive income	-	52,930	(1,115)	-	393	-	52,208
<b>Total comprehensive income</b>	<b>-</b>	<b>3,016</b>	<b>850</b>	<b>-</b>	<b>(297)</b>	<b>-</b>	<b>3,569</b>
Profit allocated to non-controlling interest	818	5,540	272	1,414	(916)	(610)	6,519
Other comprehensive income allocated to non-controlling interest	-	21,172	(446)	-	139	-	20,865

	Medical Genetic Center EGP'000	AI Makhbaryoun AI Arab Group (Hashemite Kingdom of Jordan) EGP'000	SAMA Medical Laboratories Co. "Ultralab medical laboratory" EGP'000	Alborg Laboratory Company EGP'000	Other individually immaterial subsidiaries EGP'000	Intra-Group eliminations EGP'000	Total EGP'000
<b>Summarised statement of financial position as at 31 December 2016:</b>							
Non-current assets	885	92,168	3,363	136,938	136,316	-	369,670
Current assets	7,761	47,090	20,548	311,085	306,983	-	693,467
Non-current liabilities	9	773	-	-	99,339	-	100,121
Current liabilities	4,518	42,014	14,657	120,345	324,452	-	505,986
<b>Net assets</b>	<b>6,121</b>	<b>40,845</b>	<b>9,009</b>	<b>194,900</b>	<b>122,583</b>	<b>-</b>	<b>373,458</b>
Net assets attributable to non-controlling interest	5,930	72,818	7,714	4,023	(1,327)	(26,997)	62,161

## 7. Non-Controlling interest (continued)

Summarised cash flow information for year ended 31 December

2016:

Operating	2,687	18,034	1,508	189,193	73,254	-	284,676
Investing	(37)	(11,955)	(410)	(55,929)	(8,326)	-	(76,657)
Financing	(3,163)	(6,848)	-	(52,256)	(8,928)	-	(71,195)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(513)</b>	<b>(769)</b>	<b>1,098</b>	<b>81,008</b>	<b>56,000</b>	<b>-</b>	<b>136,824</b>

## 8. Expenses and other income

Included in profit and loss are the following:

	2017 EGP'000	2016 EGP'000
Impairment on trade and other receivables	5,561	4,298
Impairment of goodwill	-	1,849
Charge for increase in provisions	3,536	2,224
Operating lease payments (buildings)	51,478	32,234
Professional and advisory fees	22,945	24,907
Amortisation	4,774	4,506
Depreciation	57,148	40,224
<b>Total</b>	<b>145,442</b>	<b>110,242</b>

### 8.1. Auditor's remuneration

The group paid or accrued the following amounts to its auditor and its associates in respect of the audit of the financial statements and for other services provided to the group

	2017 EGP'000	2016 EGP'000
Fees payable to the Company's auditor for the audit of the Group's annual financial statements	5,459	2,411
The audit of the Company's subsidiaries pursuant to legislation	1,593	1,136
Tax compliance and advisory services	608	571
	<b>7,660</b>	<b>4,118</b>

## 8. Expenses and other income (continued)

### 8.2. Net finance costs

	2017 EGP'000	2016 EGP'000
Finance charges payable under finance leases	(10,391)	(9,271)
Net foreign exchange loss	(19,940)	(88,877)
Bank Charges	(2,674)	(924)
<b>Total finance costs</b>	<b>(33,005)</b>	<b>(99,072)</b>

Interest income	51,064	21,418
<b>Total finance income</b>	<b>51,064</b>	<b>21,418</b>
<b>Net finance (cost)/ income</b>	<b>18,059</b>	<b>(77,654)</b>

### 8.3. Employee numbers and costs

The average number of persons employed by the Group (including directors) during the year and the aggregate payroll costs of these persons, analysed by category, were as follows:

	2017			2016		
	Medical	Administration	Total	Medical	Administration	Total
Average number of employees	4,226	443	4,669	4,307	381	4,688

  

	2017 EGP'000			2016 EGP'000		
	Medical	Administration	Total	Medical	Administration	Total
Wages and salaries	219,493	73,604	293,097	179,626	59,276	238,902
Social security costs	15,537	4,091	19,628	12,086	2,678	14,764
Contributions to defined contribution plan	3,168	479	3,647	3,131	511	3,642
<b>Total</b>	<b>238,198</b>	<b>78,174</b>	<b>316,372</b>	<b>194,843</b>	<b>62,465</b>	<b>257,308</b>

Details of Directors' and Key Management remuneration and share incentives are disclosed in the Remuneration Report and note 27.

## 10. Income tax

### a) Amounts recognised in profit or loss

	2017 EGP'000	2016 EGP'000
<b>Current tax:</b>		
Current year	(117,844)	(135,720)
<b>Deferred tax:</b>		
Effect of reduction in tax rate to 22.5%		
Deferred tax arising on undistributed reserves in subsidiaries	(19,808)	(18,800)
Relating to origination and reversal of temporary differences	(37,049)	32,900
Total Deferred tax income / (expense)	(56,857)	14,100
<b>Tax expense recognised in profit or loss</b>	<b>(174,701)</b>	<b>(121,620)</b>

### b) Reconciliation of effective tax rate

The Company is treated as a tax resident of Jersey for the purpose of Jersey tax laws and is subject to a tax rate of 0%. And the Company tax domicile in the UK. As a holding company for the IDH group, the Board concluded that the UK represents the most effective and efficient jurisdiction from which to manage the Company. The current income tax charge for the Group represents tax charges on profits arising in Egypt, Jordan and Sudan. The significant profits arising within the Group subject to corporate income tax are generated from the Egyptian operations and subject to 22.5% (2016: 22.5%) tax rate. The reconciliation of effective income tax rate has been performed using this rate.

	2017 EGP'000	2016 EGP'000
<b>Profit before tax</b>	<b>558,430</b>	<b>388,538</b>
Profit before tax multiplied by rate of corporation tax in Egypt of 22.5% (2016: 22.5%)	125,647	87,421
Effect of tax rate in Jersey of 0% (2016: 0%)	9,558	(2,210)
Effect of tax rates in Jordan and Sudan of 20% and 15% respectively (2016: 20% and 15%)	(609)	(452)
<b>Tax effect of:</b>		

Change in unrecognized deferred tax assets	703	303
Deferred tax arising on undistributed reserves	19,808	18,876
Reduction in tax rate on deferred tax balances	10,240	8,940
Non-deductible expenses for tax purposes - employee profit share		
Non-deductible expenses for tax purposes - other	9,354	8,742
<b>Tax expense recognised in profit or loss</b>	<b>174,701</b>	<b>121,620</b>

## Deferred tax

Deferred tax relates to the following:

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
	EGP'000	EGP'000	EGP'000	EGP'000
Property, plant and equipment	-	(17,159)	-	(9,528)
Intangible assets	-	(106,651)	-	(101,661)
Undistributed reserves from group subsidiaries*	-	(37,532)	-	(30,175)
Provisions and finance lease liabilities	2,630		27,044	-
<b>Deferred tax assets (liabilities) before set-off</b>	<b>2,630</b>	<b>(161,342)</b>	<b>27,044</b>	<b>(141,364)</b>
<b>Set-off of tax</b>	-	-	(8,737)	8,737
<b>Net deferred tax assets (liabilities)</b>	<b>-</b>	<b>(158,712)</b>	<b>18,307</b>	<b>(132,627)</b>

## 9. Income tax (continued)

All movements in the deferred tax asset/liability in the year have been recognised in the profit or loss account.

Deferred tax liabilities and assets have been calculated based on the enacted tax rate at 31 December 2017 for the country the liabilities and assets has arisen. The enacted tax rate in Egypt is 22.5% (2016: 22.5%), Jordan 20% (2016: 20%) and Sudan 15% (2016: 15%).

### \* Undistributed reserves from group subsidiaries

The Group's dividend policy is to distribute any excess cash after taking into consideration all business cash requirements and potential acquisition considerations. The expectation is to distribute profits held within subsidiaries of the Group in the near foreseeable future. During 2015 the Egyptian Government imposed a tax on dividends at a rate of 5% of dividends distributed from Egyptian entities. As a result a deferred tax liability has been recorded for the future tax expected to be incurred from undistributed reserves held within the Group which will be taxed under the new legislation imposed and were as follows:

	2017	2016
	EGP'000	EGP'000
Al Mokhtabar Company for Medical Labs	13,517	11,378
Alborg Laboratory Company	17,507	11,490
Integrated Medical Analysis Company	2,582	2,192
Molecular Diagnostic Center	317	1,095
Golden Care for Medical Services	-	677
Medical Genetics Center	47	189
Al Makhbaryoun Al Arab Group	3,562	3,154
	<b>37,532</b>	<b>30,175</b>

## Unrecognized deferred tax assets

The following deferred tax assets were not recognized due to the uncertainty that those items will have a future tax benefit:

2017

2016

	EGP'000	EGP'000	
Impairment of trade receivables (Note 16)		21,784	19,154
Impairment of other receivables (Note 16)		8,069	8,068
Provision for legal claims (Note 22)		2,685	2,191
		<b>32,538</b>	<b>29,413</b>
<b>Unrecognized deferred tax asset</b>		<b>7,321</b>	<b>6,618</b>

## 10. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. There are no dilutive effects from ordinary share and no adjustment required to weighted-average numbers of ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computation:

	2017 EGP'000	2016 EGP'000
Profit attributable to ordinary equity holders of the parent for basic earnings	374,023	260,399
Weighted average number of ordinary shares for basic and dilutive EPS	150,000	150,000
<b>Basic and dilutive earnings per share (expressed in EGP)</b>	<b>2.49</b>	<b>1.74</b>

There is no dilutive effect from equity.

## 11. Property, plant and equipment

	Land & Buildings EGP'000	Medical, electric & electronic equipment EGP'000	Leasehold improvements EGP'000	Fixtures, fittings & vehicles EGP'000	Building & Leasehold improvements in construction EGP'000
<b>Cost</b>					
At 1 January 2016	167,612	164,382	76,272	31,949	3,576
Additions	-	18,138	18,050	2,740	4,570
Disposals	(648)	(1,994)	(315)	(342)	-
Exchange differences	6,285	15,937	23,646	6,095	2,248
Transfers	-	4,114	1,198	-	(5,312)
<b>At 31 December 2016</b>	<b>173,249</b>	<b>200,577</b>	<b>118,851</b>	<b>40,442</b>	<b>5,082</b>
Additions*	27,700	41,275	17,788	5,588	50,765
Disposals	-	(2,697)	(888)	(477)	-
Exchange differences	10,825	(1,547)	(1,037)	(503)	(80)
Transfers	-	-	12,637	-	(12637)
<b>At 31 December 2017</b>	<b>211,774</b>	<b>237,608</b>	<b>147,351</b>	<b>45,050</b>	<b>43,130</b>
<b>Depreciation and impairment</b>					
At 1 January 2016	19,331	52,690	31,088	12,463	-
Depreciation charge for the year	2,757	22,045	12,947	2,475	-
Disposals	-	(1,497)	(306)	(248)	-
Exchange differences	77	2,060	1,280	665	-

<b>At 31 December 2016</b>	<b>22,165</b>	<b>75,298</b>	<b>45,009</b>	<b>15,355</b>	<b>-</b>
Depreciation charge for the year	2,857	33,446	17,278	3,567	-
Disposals	-	(2,594)	(663)	(385)	-
Exchange differences	-	(154)	(18)	(34)	-
<b>At 31 December 2017</b>	<b>25,022</b>	<b>105,996</b>	<b>61,606</b>	<b>18,503</b>	<b>-</b>
<b>Net book value</b>					
<b>At 31 December 2017</b>	<b>186,752</b>	<b>131,612</b>	<b>85,745</b>	<b>26,547</b>	<b>43,130</b>
<b>At 31 December 2016</b>	<b>151,084</b>	<b>125,279</b>	<b>73,842</b>	<b>25,087</b>	<b>5,082</b>

### Property, plant and equipment (continued)

\*Additions include EGP 60.8m (EGP 23.7m land, EGP 29.3m building) related to the Group's new Headquarter purchased in April 2017. Included in this amount are capitalised borrowing costs related to the improvement of the building of EGP 7.8m. Calculated using capitalisation rate of 20.75% (note 24).

### 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 26 for further details. At 31 December 2017, the net carrying amount of leased equipment was EGP 47m (Dec 2016: EGP 59m).

## 12. Intangible assets

	<b>Goodwill</b>	<b>Brand Name</b>	<b>Software</b>	<b>Total</b>
	<b>EGP'000</b>	<b>EGP'000</b>	<b>EGP'000</b>	<b>EGP'000</b>
<b>Cost</b>				
<b>At 1 January 2016</b>	<b>1,231,199</b>	<b>375,026</b>	<b>32,371</b>	<b>1,638,596</b>
Additions	-	-	5,039	<b>5,039</b>
Effect of movements in exchange rates	26,153	13,066	791	<b>40,010</b>
<b>At 31 December 2016</b>	<b>1,257,352</b>	<b>388,092</b>	<b>38,201</b>	<b>1,683,645</b>
Additions	4,391	-	6,386	<b>10,777</b>
Effect of movements in exchange rates	(1,290)	(805)	(18)	<b>(2,113)</b>
<b>At 31 December 2017</b>	<b>1,260,453</b>	<b>387,287</b>	<b>44,569</b>	<b>1,692,309</b>
<b>Amortisation and impairment</b>				
At 1 January 2016	-	-	<b>22,713</b>	<b>22,713</b>
Impairment Loss	1,849	-	-	<b>1,849</b>
Amortisation	-	-	4,506	<b>4,506</b>
Effect of movements in exchange rates	-	-	215	<b>215</b>
<b>At 31 December 2016</b>	<b>1,849</b>	<b>-</b>	<b>27,434</b>	<b>29,283</b>
Amortisation	-	-	4,774	<b>4,774</b>
Effect of movements in exchange rates	-	-	-	<b>-</b>

At 31 December 2017	1,849	-	32,208	34,057
Net book value				
At 31 December 2017	1,258,604	387,287	12,361	1,658,252
At 31 December 2016	1,255,503	388,092	10,767	1,654,362

### 13. Goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations and intangible assets with indefinite lives are allocated to the Group's CGUs as follows:

	2017 EGP'000	2016 EGP'000
<b>Medical Genetics Center</b>		
Goodwill	1,755	1,755
	<b>1,755</b>	<b>1,755</b>
<b>Al Makhbaryoun Al Arab Group ("Biolab")</b>		
Goodwill	52,086	47,900
Brand name	22,746	23,200
	<b>74,832</b>	<b>71,100</b>
<b>Golden Care for Medical Services ("Ultralab")</b>		
Goodwill	8,386	9,400
Brand name	1,156	1,400
	<b>9,542</b>	<b>10,800</b>
<b>Alborg Laboratory Company ("Al-Borg")</b>		
Goodwill	497,275	497,200
Brand name	142,066	142,000
	<b>639,341</b>	<b>639,200</b>
<b>Al Mokhtabar Company for Medical Labs ("Al-Mokhtabar")</b>		
Goodwill	699,102	699,100
Brand name	221,319	221,300
	<b>920,421</b>	<b>920,400</b>
<b>Balance at 31 December</b>	<b>1,645,891</b>	<b>1,643,500</b>

The Group performed its annual impairment test in October 2017. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

#### Goodwill and intangible assets with indefinite lives (continued)

##### Key assumptions used in value in use calculations and sensitivity to changes in assumptions

IDH instructed FinCorp Investment Holding (referred to hereafter as "Fincorp") an independent financial advisor, to prepare an independent impairment assessment of the Group's CGUs. The assessment was carried out based on business plans provided by IDH.



These plans have been prepared based on criteria set out below:

	Ultra Lab	Bio Lab	AI-Mokhtabar	AI-Borg
Average annual patient growth rate from 2018 -2022	7%	5%	5%	3%
Average annual price per test growth rate from 2018 -2022	7%	0%	11%	12%
Annual revenue growth rate from 2018 -2022	15%	5%	17%	15%
Average gross margin from 2018 -2022	41%	36%	52%	48%
Terminal value growth rate from 1 January 2023	2%	2%	3.9%	3.9%
Discount rate	25.8%	15.4%	19.58%	19.58%

Fincorp has prepared discounted cash flow projections using the key assumptions above so as to be able to calculate the net present value of the asset in use and determine the recoverable amount. The projected cash flows from 2018- 2022 have been based on detailed forecasts prepared by management for each CGU and a terminal value thereafter. Management have used past experience and historic trends achieved in order to determine the key growth rate and margin assumptions set out above. The terminal value growth rate applied is not considered to exceed the average growth rate for the industry and geographic locations of the CGUs.

This recoverable amount is then compared to the carrying value of the asset as recorded in the books and records of IDH plc. The discount rate is the pre-tax rate taking into account the risks of each CGU.

These risks include country risk, currency risk as well as the beta factor relating to the CGU and how it performs relative to the market.

Based on the sensitivity analysis, A 1% change in the WACC would result in a 5-7% change in the valuation of the CGU.

The conclusions from the impairment review were that there was headroom within the forecasts and therefore no impairment is required.

#### 14. Financial assets and financial liabilities

The fair values of all financial assets and financial liabilities by class shown in the balance sheet are as follows:

	2017 EGP'000	2016 EGP'000
<b>Held-to-maturity</b>		
Short term deposits - treasury bills	685,211	683,721
Cash and cash equivalent	9,149	95,575
Trade and other receivables	174,902	120,873
<b>Total financial assets</b>	<b>869,262</b>	<b>900,169</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	215,176	211,533
Put option liability	93,256	102,082
Finance lease liabilities	117,714	151,799
Loans and borrowings	60,763	-
<b>Total financial liabilities</b>	<b>486,909</b>	<b>465,414</b>
<b>Total financial instruments</b>	<b>382,353</b>	<b>434,755</b>

The fair values of all of the Group's financial instruments are the same as their carrying values. All financial instruments are deemed Level 2.

#### Financial instruments risk management objectives and policies

The Group's principal financial liabilities are trade and other payables, put option liability and finance lease liabilities. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### - **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2017 and 2016. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

#### **Financial assets and financial liabilities (continued)**

The analyses exclude the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations. The following assumptions have been made in calculating the sensitivity analyses:

- ∅ The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2017 and 2016.
- ∅ The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at 31 December 2017 for the effects of the assumed changes of the underlying risk.

#### - **Interest rate risk**

The Group adopts a policy of ensuring that between 50 and 55% of this interest rate risk exposure is at a fixed rate. This is achieved partially by entering into fixed-rate instrument and partly by borrowing at the floating rate.

#### **Exposure to interest rate risk**

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the group is as follow:

	2017 EGP'000	2016 EGP'000
<b>Fixed-rate instruments</b>		
Finance lease liabilities (note 26)	117,714	151,799
<b>Variable-rate instruments</b>	60,763	-
Loan and borrowings (note 24)		

The Group does not account for any fixed-rate financial liabilities at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

## Cash flow sensitivity analysis for variable-rate instruments

A reasonable possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts EGP 779K. This analysis assumes that all other variables, remain constant.

### - Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Sudanese Pound and the Jordanian Dinar. Foreign exchange risk arises from to the Group's operating activities (when revenue or expense is denominated in a foreign currency), recognized assets and liabilities and net investments in foreign operations. However, the management aims to minimize open positions in foreign currencies to the extent that is necessary to conduct its activities.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

At year end, major financial assets / (liabilities) denominated in foreign currencies were as follows (the amounts presented are shown in the foreign currencies):

### Financial assets and financial liabilities (continued)

31-Dec-17								
	Assets			Liabilities			Total liability	Net exposure
	Cash and cash equivalents	Other assets	Total assets	Put option	Finance lease	Trade payables and other liabilities		
US Dollars	11,705	149	<b>11,854</b>	-	(7,062)	(1,660)	(8,722)	<b>3,132</b>
Euros	66	-	<b>66</b>	-	-	(13)	(13)	<b>53</b>
GBP	4	-	<b>4</b>	-	-	(197)	(197)	<b>(193)</b>
JOD	216	1,816	<b>2,032</b>	(3,747)	(334)	(1,228)	(5,309)	<b>(3,277)</b>
SDG	12,826	11,722	<b>24,548</b>			(5,316)	(5,316)	<b>19,232</b>

31-Dec-16								
	Assets			Liabilities			Total liability	Net exposure
	Cash	Other assets	Total assets	Put option	Finance lease	Trade payables and other liabilities		
US Dollars	22,652	203	<b>22,855</b>	-	(7,866)	(2,619)	<b>(10,485)</b>	<b>12,370</b>
Euros	95	-	<b>95</b>	-	-	(68)	<b>(68)</b>	<b>27</b>
GBP	12	-	<b>12</b>	-	-	(211)	<b>(211)</b>	<b>(199)</b>
JOD	157	1,692	<b>1,849</b>	(4,017)	-	(1,147)	<b>(5,164)</b>	<b>(3,315)</b>
SDG	12,652	7,501	<b>20,153</b>	-	-	(4,023)	<b>(4,023)</b>	<b>16,130</b>

The following is the exchange rates applied against EGP:

Average rate for the year ended	
2017	2016

US Dollar	17.68	10.15
Euros	20.05	11.09
GBP	22.84	13.43
JOD	24.92	14.57
SAR	4.71	2.71
SDG	1.04	1.20

**Spot rate at the year ended**

	<b>31-Dec-17</b>	<b>31-Dec-16</b>
US Dollar	17.67	18.00
Euros	21.09	18.87
GBP	23.73	22.04
JOD	24.89	25.41
SAR	4.71	4.80
SDG	0.88	1.28

### **Financial assets and financial liabilities (continued)**

At 31 December 2017, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollar with all other variables held constant, pre-tax profit for the year would have been increased / decreased by EGP 5,5m (2016: EGP 22.3m), mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities. The effect on equity would have been an increase/decrease by EGP 6,7m due to the impact from translation of foreign subsidiaries.

At 31 December 2017, if the Egyptian Pounds had weakened / strengthened by 10% against the Jordanian Dinar with all other variables held constant, pre-tax profit for the year would have been increased / decreased by EGP (8.2m) (2016: EGP (8.4m)), mainly as a result of foreign exchange gains/losses on translation of JOD - denominated financial assets and liabilities. The effect on equity would have been an increase/decrease by EGP 8m due to the impact from translation of foreign subsidiaries.

At 31 December 2017, if the Egyptian Pounds had weakened / strengthened by 10% against the Sudanese Pound with all other variables held constant, pre-tax profit for the year would have been increased / decreased by EGP 1.7m (2016: EGP 1.8m, mainly as a result of foreign exchange gains/losses on translation of SDG -denominated financial assets and liabilities. The effect on equity would have been an increase/decrease by EGP 1.1m due to the impact from translation of foreign subsidiaries.

#### **- Price risk**

The group does not have investments in equity securities or bonds and accordingly is not exposed to price risk related to the change in the fair value of the investments.

#### **- Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, the Group is only dealing with the banks which have a high independent rating and a good reputation.

#### **- Trade receivables**

Each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management manages customer credit risk. Credit quality of a customer is assessed based on an individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and the average general credit terms given to contract customers are 45 days.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Group does not hold collateral as security.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 16.

### Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents disclosed in Note 17.

### - Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of finance leases and loans.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

#### Financial assets and financial liabilities (continued)

Year ended 31 December 2017	1 year or less	1 to 5 years	more than 5 years	Total
Obligations under finance leases	38,275	128,726	-	167,001
Put option liability	93,256	-	-	93,256
Loans and borrowings	14,575	38,425	-	53,000
Trade and other payables	215,176	-	-	215,176
	<b>361,282</b>	<b>167,151</b>	<b>-</b>	<b>528,433</b>
Year ended 31 December 2016	1 year or less	1 to 5 years	more than 5 years	Total
Obligations under finance leases	48,373	152,234	8,438	209,045
Put option liability	102,082	-	-	102,082
Loans and borrowings	-	-	-	-
Trade and other payables	211,533	-	-	211,533
	<b>361,988</b>	<b>152,234</b>	<b>8,438</b>	<b>522,660</b>

Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the group's compliance with internal financial position ratio targets and, if applicable external regulatory or legal requirements - for example, currency restrictions.

The group's management retain cash balances in order to allow repayment of obligations in due dates, without taking into account any unusual effects which it cannot be predicted such

as natural disasters. All suppliers and creditors will be repaid over a period not less 30 days from the date of the invoice or the date of the commitment.

## 15. Inventories

	2017 EGP'000	2016 EGP'000
Chemicals and operating supplies	69,935	51,715
	<b>69,935</b>	<b>51,715</b>

During 2017, EGP 306,641k (2016: EGP 184,087k) was recognised as an expense for inventories carried at net realisable value. This was recognised in cost of sales.

## 16. Trade and other receivables

	2017 EGP'000	2016 EGP'000
Trade receivables	139,885	107,193
Prepaid expenses	27,353	27,502
Receivables due from related parties	6,441	4,294
Other receivables	11,000	6,214
Accrued revenue	17,576	3,172
	<b>202,255</b>	<b>148,375</b>

For terms and conditions relating to related party receivables, refer to Note 27.

As at 31 December 2017, trade and other receivables with an initial carrying value of EGP 29,852k (2016: EGP 27,222k) were impaired and fully provided for. Below shows the movements in the provision for impairment of trade and other receivables:

	2017 EGP'000	2016 EGP'000
<b>At 1 January</b>	27,222	25,098
Charge for the year	5,561	4,298
Utilised	(1,331)	-
Unused amounts reversed	(1,461)	(2,768)
Exchange differences	(139)	594
<b>At 31 December</b>	<b>29,852</b>	<b>27,222</b>

As at 31 December, the ageing analysis of trade receivables is as follows:

	<b>Total</b>				
	<b>Total</b>	<b>&lt; 30 days</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>&gt; 90 days</b>
2017	<b>139,885</b>	99,143	12,111	6,523	22,109
2016	<b>107,193</b>	54,072	8,450	19,477	25,194

## 17. Cash and cash equivalent

	2017 EGP'000	2016 EGP'000
Cash at banks and on hand	139,974	426,578
Short-term deposits (less than 3 months)	545,237	257,143
	<b>685,211</b>	<b>683,721</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates ranging from 15%- 16% per annum.

## 18. Restricted cash

	2017 EGP'000	2016 EGP'000
--	-----------------	-----------------

Restricted cash	13,226	13,253
	<b>13,226</b>	<b>13,253</b>

The cash balance related to "Molecular Diagnostic Center" and not available for use by the Group because the entity deconsolidated starting May 2016 and control has been transferred to the liquidator. The process of liquidation will end next year 2018 and once complete the total cash amount is expected to be returned to IDH.

## 19. Other investments

	2017 EGP'000	2016 EGP'000
Fixed term deposits	9,149	90,000
Treasury bills	-	5,500
	<b>9,149</b>	<b>95,500</b>

The maturity date of the fixed term deposit between 9-12 months and the effective interest rate on the USD deposit is 2.25% (2016: on the EGP14.65%).

Fixed term deposits and treasury bills are classified as held to maturity

## 20. Share capital and reserve

The Company's ordinary share capital is \$150,000,000 equivalent to EGP 1,072,500,000.

All shares are authorised and fully paid and have a pair value of \$1.

	Ordinary shares 31-Dec-17	Ordinary shares 31-Dec-16
In issue at beginning of the year	150,000,000	150,000,000
<b>In issue at the end of the year</b>	<b>150,000,000</b>	<b>150,000,000</b>

### Capital reserve

The capital reserve was created when the Group's previous parent company, Integrated Diagnostics Holdings LLC - IDH (Caymans) arranged its own acquisition by Integrated Diagnostics Holdings PLC, a new legal parent. The balances arising represent the difference between the value of the equity structure of the previous and new parent companies. When the capital position of the parent company is rearranged, the capital reserve is adjusted appropriately such that the equity balances presented in the Group accounts best reflect the underlying structure of the Group's capital base.

### Legal reserves

Legal reserve was formed based on the legal requirements of the Egyptian law governing the Egyptian subsidiaries. According to the Egyptian subsidiaries' article of association 5% (at least) of the annual net profit is set aside to form a legal reserve. The transfer to legal reserve ceases once this reserve reaches 50% of the entity's issued capital. If the reserve falls below the defined level, then the entity is required to resume forming it by setting aside 5% of the annual net profits until it reaches 50% of the issued share capital.

### Put option reserve

Through acquisitions made within the Group, put option arrangements have been entered into to purchase the remaining equity interests in subsidiaries from the vendors at a subsequent date. At acquisition date an initial put option liability is recognised and a corresponding entry recognised within the put option reserve. After initial recognition the accounting policy for put options is to recognise all changes in the carrying value of the liability within put option reserve. When the put option is exercised by the vendors the amount recognised within the reserve will be reversed.

### Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, including gains or losses arising on net investment hedges.

## 21. Distributions made and proposed

	2017 EGP'000	2016 EGP'000
<b>Cash dividends on ordinary shares declared and paid:</b>		
US\$ 0.14 per qualifying ordinary share (2016: US\$ 0.06)	371,875	79,400
	<b>371,875</b>	<b>79,400</b>
<b>After the balance sheet date the following dividends were proposed by the directors (the dividends have not been provided for):</b>		
US\$0.16 per share (2016: \$0.14) per share	424,080	371,800
	<b>424,080</b>	<b>371,800</b>

The proposed 2017 dividend on ordinary shares are subject to approval at the annual general meeting and is not recognised as a liability as at 31 December 2017.

## 22. Provision

	Egyptian Government Training Fund for employees EGP'000	Provision for legal claims EGP'000	Total EGP'000
<b>At 1 January 2017</b>	10,011	2,191	12,202
Provision made during the year	2,003	1,533	3,536
Provision used during the year	-	(39)	(39)
Provision reversed during the year	-	(1,000)	(1,000)
<b>At 31 December 2017</b>	<b>12,014</b>	<b>2,685</b>	<b>14,699</b>
Current	-	-	-
Non- Current	12,014	2,685	14,699
	<b>12,014</b>	<b>2,685</b>	<b>14,699</b>
	7,995	2,967	10,962
Provision made during the year	2,016	208	2,224
Provision used during the year	-	(267)	(267)
Provision reversed during the year	-	(717)	(717)
<b>At 31 December 2016</b>	<b>10,011</b>	<b>2,191</b>	<b>12,202</b>
Current	-	-	-
Non- Current	10,011	2,191	12,202

### Employees training provision

The provision for employees training fund have been provided for in accordance with the Egyptian law and regulations.

### Legal claims provision

The amount comprises the gross provision in respect of legal claims brought against the Group. Management's opinion, after taking appropriate legal advice, is that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2017.

## 23. Trade and other payables

	2017 EGP'000	2016 EGP'000
Trade payables	126,140	126,000
Accrued expenses	73,821	77,600
Other payables	15,215	7,800
Put option liability	93,256	102,000
Accrued interest	7,763	-
Finance lease liabilities	17,237	32,100
	<b>333,432</b>	<b>345,700</b>



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 Makhbaryoun 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 2016. The vendor has not exercised this right at 31 December 2017.

## 24. 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 31 December 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	0.75

"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	31 Dec 17	31 Dec 16
CIB ??? BANK	EGP	CBE corridor rate+1%	Apr-22	53,000	-
				<b>53,000</b>	-
Amount held as:					
Current liability				14,575	-

Non- current liability

38,425

**53,000**

## 25. Long-term financial obligations

	2017 EGP'000	2016 EGP'000
Finance lease liabilities (see note 26)	100,478	119,605
	<b>100,478</b>	<b>119,605</b>

## 26. Commitments and contingencies

### Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2017 EGP'000	2016 EGP'000
Less than one year	50,072	39,805
Between one and five years	178,938	139,466
More than five years	101,343	81,868
	<b>330,353</b>	<b>261,139</b>

The Group lease certain branches for the operation of the business. During the year EGP 51,478K was recognised as an expense in the income statement in respect of operating leases (2016: EGP 32,234K).

### Finance lease

The Group has finance leases for various items of plant and machinery. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	2017 EGP'000	2016 EGP'000
Finance lease liability - laboratory equipment	114,727	74,023
Finance lease liability - other	2,987	461
	<b>117,714</b>	<b>151,799</b>

Finance lease liabilities for the laboratory equipment are payable as follows:

At 31 December 2017	Minimum lease payments	Interest	Principal
	2017 EGP'000	2017 EGP'000	2017 EGP'000
Less than one year	35,549	19,512	16,037
Between one and five years	126,938	28,248	98,690
More than five years	-	-	-
	<b>162,487</b>	<b>47,760</b>	<b>114,727</b>

At 31 December 2016	Minimum lease payments	Interest	Principal
	2016 EGP'000	2016 EGP'000	2016 EGP'000
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>

## 26. Commitments and contingencies (continued)

The Group entered into 2 significant agreements during the prior year ended 31 December 2015 to service the Group's new state-of-the-art Mega Lab. Both agreements have minimum annual commitment payments to cover the supply of medical diagnostic equipment, kits and chemicals to be used for testing and ongoing maintenance and support services over the term of the agreement. The agreement periods are 5 and 8 years which is deemed to reflect the useful life of the equipment. If the minimum annual commitment payments are met over the agreement period ownership of the equipment supplied will legally transfer to the IDH. Management fully expect to be able to fulfil the minimum payments and the basis of treating the proportion of payments relating to the supply of equipment as a finance lease.

Management have performed a fair value exercise in order to allocate payments between the different elements of the arrangements and identify the implicit interest rate of the finance lease. Due to the difficulty in reliably splitting the payments for the supply of medical equipment from the total payments made, the finance asset and liability has been recognised at an amount equal to the fair value of the underlying equipment. This is based on the current cost price of the equipment supplied provided by the suppliers of the agreement. The implicit interest rate of both finance leases has been estimated to be 11.5%. The equipment is being depreciated based on units of production method as this most closely reflects the consumption of the benefits from the equipment.

Both agreements have been judged to be US\$ denominated due to the future minimum lease payments for the use of the equipment and corresponding finance lease liability being directly connected to the US\$.

### Contingent liabilities

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

## 27. Related party disclosures

The significant transactions with related parties, their nature volumes and balance during the period 31 December 2017 and 2016 are as follows:

Related Party	Nature of transaction	Nature of relationship	31-Dec-17	
			Transaction amount of the year EGP'000	Amount due from EGP'000
Life Scan (S.A.E)*	Expenses paid on behalf	Affiliate**	1	278
International Fertility (IVF)**	Expenses paid on behalf	Affiliate***	2,240	6,000
Dr. Hend Elshrbini***	Loan arrangement	CEO**	164,483	-
Integrated Treatment for Kidney Diseases (S.A.E)	Rental income Medical Test analysis	Entity owned by Company's CEO	296 33	163
<b>Total</b>				<b>6,441</b>
Related Party	Nature of transaction	Nature of relationship	31-Dec-16	
			Transaction amount of the year EGP'000	Amount due from EGP'000
Life Scan (S.A.E)**	Expenses paid on behalf	Affiliate**	-	277

International Fertility (IVF)***	Expenses paid on behalf	Affiliate***	3,760	3,760
Integrated Treatment for Kidney Diseases (S.A.E)	Rental income Medical Test analysis	Entity owned by Company's CEO	274	53
<b>Total</b>				<b>4,090</b>

### Related party disclosures (continued)

\* Life Scan is a company whose shareholders include Dr. Moamena Kamel (founder of IDH subsidiary Al-Mokhtabar Labs).

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

\*\*\* During the year 2017 Dr. Hend (C.E.O) granted 2 loans to IDH Cayman amounting to US\$ 9m. and the loan was settled by Al Mokhtabar on behalf of IDH Cayman for EGP 164m at the prevailing exchange rate of US\$/EGP 18.35 - 17.82. 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.

### Terms and conditions of transactions with related parties

The transactions with the related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

IDH commits up to 1% of the net after-tax profit of the subsidiaries Al Borg and Al Mokhtabar to the Moamena Kamel Foundation for Training and Skill Development. Established in 2006 by Dr. Moamena Kamel, a Professor of Pathology at Cairo University and founder of IDH subsidiary Al-Mokhtabar Labs and mother to the CEO Dr. Hend El Sherbini. The Foundation allocates this sum to organizations and groups in need of assistance. The foundation deploys an integrated program and vision for the communities it helps that include economic, social, and healthcare development initiatives. In 2017 EGP 3,674K (2015: EGP 2,740K) was paid to the foundation by the IDH Group.

### Compensation of key management personnel of the Group

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

	2017 EGP'000	2016 EGP'000
Short-term employee benefits	32,426	23,085
<b>Total compensation paid to key management personnel</b>	<b>32,426</b>	<b>23,085</b>

### 28. Subsequent events

Integrated Diagnostics Holdings ("IDH"), and Man Capital LLP ("Man Capital"), the investment arm of the Mansour Group, jointly announced their first investment in Nigeria's promising healthcare industry.

The investment will see Dynasty Group ("Dynasty"), a venture that is 51% owned by IDH, partner with the International Finance Corporation ("IFC"), a member of the World Bank Group, to invest in Eagle Eye Echo-Scan Services Limited ("Echo-Scan"), a leading medical diagnostics business based in Nigeria.

## **28. Subsequence events (continued)**

The transaction will see Dynasty acquire a majority stake in Echo-Scan and assume management control of the company, while both 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 February 2018, IDH transferred MUSD 2.69 to Dynasty. Dynasty in its turn transferred MUSD 4.5, representing its contribution in Eagle Eye Nigeria.

On 22 January 2018, the transaction completed but the accounting for the transaction has not been finalised and as such detailed the fair value of the identifiable assets and liabilities acquired together with the Goodwill acquired is not available for disclosure at present.

The shareholders structure of the transaction, Dynasty acquires 75.8%, International Finance Corporation ("IFC") 19.1% and 5.1% other founders.

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