

**Integrated Diagnostics Holdings Plc**  
**Final Results**  
 Tuesday, 28 April 2020

## Integrated Diagnostics Holdings Plc records resilient growth and operational performance in 2019 final results

**(London)** Integrated Diagnostics Holdings ("IDH," "the Group," or "the Company"), a leading consumer healthcare company with operations in Egypt, Jordan, Sudan and Nigeria, released today its results for the year ended 31 December 2019, reporting revenues of EGP 2,226 million and a net profit of EGP 505 million for the year.

### Results<sup>1</sup>

EGP mn	FY2019	FY2018
<b>Revenues</b>	<b>2,226</b>	<b>1,926</b>
Cost of Sales	(1,143)	(973)
<b>Gross Profit</b>	<b>1,084</b>	<b>949</b>
<i>Gross Profit Margin</i>	48.7%	49.4%
Operating Profit	791	681
<b>EBITDA<sup>2</sup></b>	<b>945</b>	<b>766</b>
<i>EBITDA Margin</i>	42.4%	39.7%
<b>Net Profit</b>	<b>505</b>	<b>491</b>
<i>Net Profit Margin</i>	22.7%	25.9%
<b>Cash Balance</b>	<b>631</b>	<b>661</b>

### Financial Highlights

- Revenues:** increased 16% year-on-year to EGP 2,226 million in 2019, supported primarily by improved average pricing as well as higher patient and test volumes. Egypt was the primary driver of growth during the year, recording an 18% year-on-year increase in revenue to EGP 1,903 million in 2019.
- Gross Profit:** recorded EGP 1,084 million in 2019, up 14% year-on-year, with a stable gross profit margin of 49%.
- Operating Profit:** grew by 15% to EGP 791 million in 2019 with a 36% margin, partly supported by the adoption of IFRS 16 along with the release of provision related to a training fund amounting to EGP 11.8 million. Operating profit margin

remained stable versus the previous year. Operating profit was affected by losses recorded in Nigeria and ramp-up costs related to Wayak.

- €€€ **EBITDA<sup>2</sup>**: recorded EGP 945 million for 2019, up 24% against the EGP 762 million in 2018, with an EBITDA margin 42% versus 40% in 2018. EBITDA strength was driven by revenue growth and the effect of adopting IFRS 16, which added EGP 68.2 million to EBITDA in 2019.
- €€€ **Normalized EBITDA<sup>3</sup>**, which excludes the EGP 68.2 million related to the adoption of IFRS 16, reached EGP 877 million, up 15% year-on-year and with an EBITDA margin of 39%. Normalized EBITDA growth came despite the negative contribution from Nigeria and pre-operating expenses related to Wayak.
- €€€ **Net Profit**: recorded EGP 505 million in 2019, up 2% against 2018 and with a net profit margin of 23% versus 26% in 2018. Bottom-line profitability was affected by higher interest charges related to Al Borg Scan and IDH's new headquarters, lower interest income due rate cuts, and the effect of adopting of IFRS 16.
- €€€ **Normalized Net Profit<sup>4</sup>**, which excludes the effect of IFRS 16 (EGP 15.3 million), would reach EGP 520 million, up 5% versus 2018 and with a 23% net profit margin.
- €€€ **Earnings Per Share**: of EGP 3.41 compared to EGP 3.35 in 2018.
- €€€ **Dividend**: Due to the Covid-19 pandemic and consequent uncertainty regarding the macroeconomic environment, the Board of Directors has deemed it more appropriate to focus on retaining resources and will thus suspend the dividend decision till September 2020. At which point, further consideration will be given to developments in the global pandemic and confidence regarding the Group's future needs and financial outlook.

*1 Decimals are rounded to the nearest whole number.*

*2 Consolidated EBITDA is calculated as operating profit plus depreciation and amortisation. Consolidated EBITDA includes negative contributions from its Nigerian operation which is still in the value-building phase.*

*3 Normalised EBITDA is calculated as consolidated EBITDA adjusted for the effect of adopting IFRS 16.*

*4 Normalised Net Profit is calculated as Net Profit adjusted for the effect of adopting IFRS 16*

## Operational Highlights

- €€€ **34**: new branches added in 2019 bringing the Group's network to 452 branches across its footprint.
- €€€ **30.5**: million tests performed across the Group in 2019 compared to 28.8 million last year.
- €€€ **7.5**: million patients served in across the Group in 2019 compared to 7.0 million last year.
- €€€ **Radiology**: services ramp-up at Al Borg Scan with increasing contribution to revenue and EBITDA and a second branch commencing operations in early 2020.
- €€€ **Nigeria**: expansion with three new Echo-Lab branches established during 2019, bringing the total number of branches in the country to 13. Eight of the existing branches had been renovated by year-end 2019.
- €€€ **Wayak**: established as new Egyptian subsidiary in September 2019 with the aim of offering its patients healthcare management services such as home-delivery of medications, diagnostics testing reminders and referrals to service providers.

**Commenting on the year's performance and the Company's outlook, IDH Chairman Lord St John of Bletso said:** "I am pleased to report that we continued to deliver impressive growth in 2019. Despite increased competition in Egypt and challenging market conditions in Sudan and Nigeria, IDH maintained its competitive edge as the leading healthcare provider

with its scalable platform and value-added diagnostic services. In 2019, we achieved a 16% growth in revenue, benefiting from our strong core business, and we maintained encouraging gross margins. The Company continued its organic expansion with additional branches and expanding Al Borg Scan. We also restructured the business in Nigeria which will take time to mature. Management is confident in the strong fundamentals of IDH's markets and we are committed to driving growth through these expansions. And while the full global economic impact of Covid-19 will take several quarters to analyse and digest, IDH fortunately has strong defensive qualities as well as a strong and impressive track record"

**IDH Chief Executive Officer Dr. Hend El-Sherbini added:** "The novel coronavirus that causes the covid-19 illness continued to spread across the globe including in our markets. This pandemic has pushed governments, businesses and communities to adopt unprecedented mitigation efforts to control the spread of the disease. As a healthcare business, IDH has a role to play in our community - and an equally important role to play in keeping our staff safe as we navigate this new normal and ensure business continuity.

We have thus prepared a Crisis Management Plan (CMP) outlining measures to mitigate the risks posed by the pandemic, with a focus on strengthening our health and safety protocols, maintaining compliance and efficient stakeholder communication, assessing business strengths and financial resilience and running stress tests to better ascertain the financial impact on IDH under rapidly evolving scenarios. As we continue to operate across our footprint, our primary focus is to ensure staff and patient safety and to mitigate the risk of disease spread. IDH's strong liquidity position and underleverage balance sheet places us in a very resilient position, and we are actively working to preserve this position through cost discipline and a reduction of non-critical uses of cash such as in training, CAPEX and marketing."

"The strength of our position in the face of these unprecedented challenges is thanks to IDH's long track record of growth and prudent financial policies, and I am pleased to report that our performance in 2019 was no different. The Group's results for the year reflect the defensive nature of our business and the strength of our market position. Against a backdrop of sluggish consumer spending in our primary market of Egypt, along with political and economic challenges in Sudan, IDH delivered 16% growth in its top line while maintaining a normalized EBITDA margin at 39%."

"Alongside strong organic growth of our business, our Group in 2019 also continued to make headway on its strategic initiatives. We have ramped-up operations at Al-Borg Scan, our new radiology unit in Egypt, which is increasingly contributing to revenue and EBITDA; and we are witnessing good momentum in volumes in Nigeria as we continue renovating and expanding our branch network while deploying new state-of-the-art equipment. While these expansions have weighed down the Group's consolidated net profit, we expect Al Borg Scan and Nigeria to turn to bottom-line profitability in the near term."

"We remain fundamentally optimistic about the outlook for our businesses following the resolution of the covid-19 crisis. Egypt is (and for the foreseeable future will remain) our largest business, with key long-term growth drivers unaffected by current events. Regionally, we expect continued growth in Jordan, which enjoys some of the most modern health care infrastructure in the Middle East and where strong fundamentals have allowed IDH to deliver growth despite strict price regulation. I am also increasingly confident in the growth prospects of our business in Sudan, where increasing stability supports growth in number of patients and test volumes and with it improved financial performance. In Nigeria, we will continue to focus on implementing our value-building phase.

"In short, we believe the business is well served by strong market positions, supporting macroeconomic and industry trends over the long-term, an expanding services portfolio, and clearly defined strategies that will allow us to deliver consistent growth once the current global crisis resolves."

## Outlook

Management remains confident in the attractive underlying trends in the healthcare industries across the Group's footprint, and in IDH's continued ability to expand its reach and increase the numbers of test per patient. A key growth driver is the continued optimisation of IDH's test mix to extract higher value from operations, as well as growing the Group's service offering through the introduction of new medical services that leverage the Group's network and reputable brand position. IDH also continues to explore opportunities to expand into new geographies through selective, value-accretive acquisitions, and targets fragmented and underpenetrated diagnostic services markets where its business model is well-suited to capitalise on similar healthcare and consumer trends.

## About Integrated Diagnostics Holdings (IDH)

IDH is a leading consumer healthcare company in the Middle East and Africa with operations in Egypt, Jordan, Sudan and Nigeria. The Group's core brands include Al Borg and Al Mokhtabar in Egypt, as well as Biolab (Jordan), Ultralab and Al Mokhtabar Sudan (both in Sudan) and Echo-Scan (Nigeria). A long track record for quality and safety has earned the Company a trusted reputation, as well as internationally recognised accreditations for its portfolio of over 1,400 diagnostics tests. From its base of 452 branches as of 31 December 2019, IDH will continue to add laboratories through a Hub, Spoke and Spike business model that provides a scalable platform for efficient expansion. Beyond organic growth, the Group's expansion plans include acquisitions in new Middle Eastern and African markets where its model is well-suited to capitalise on similar healthcare and consumer trends and capture a significant share of fragmented markets. IDH has been a Jersey-registered entity with a Standard Listing on the Main Market of the London Stock Exchange (ticker: IDHC) since May 2015.

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

## Shareholder Information

LSE: IDHC.L  
Bloomberg: IDHC:LN  
Listed: May 2015  
Shares Outstanding: 150 million

## Contact

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## Analyst Call

IDH will hold an analyst call on the full-year 2019 results on Tuesday 28 April 2020 at 2pm BST. A live audio webcast can be accessed at this [link](#) and you may dial in using the conference call details below:

- **Access code:** 1181767#
- **UK dial in:** +44 20 7107 9450
- **USA dial in:** +1 (866) 499-2813

For more information about the event, please contact [ebba.hellsten@panmure.com](mailto:ebba.hellsten@panmure.com).

## Forward-Looking Statements

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 communication. The information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Group does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.

## Chairman's Message

We live in unprecedented times. The full global economic impact of Covid-19 will take several quarters to analyse and digest. Your Company fortunately has strong defensive qualities as well as a strong and impressive track record.

I am pleased to report that we continued to deliver impressive growth in 2019. Despite increased competition in Egypt and challenging market conditions in Sudan and Nigeria, IDH maintained its competitive edge as the leading healthcare provider with its scalable platform and value-added diagnostic services.

In 2019, we achieved a 16% growth in revenue, benefiting from our strong core business, and we maintained encouraging gross margins. The Company continued its organic expansion with additional branches and expanding AI Borg Scan. We also restructured the business in Nigeria which will take time to mature. Your management is confident in the strong fundamentals of IDH's markets and we are committed to driving growth through these expansions.

A key development during 2019 was the opening of IDH's new headquarters in Smart Village on the West side of Cairo.

This brought the IDH family together and has boosted productivity, efficiency and morale.

IDH is growing its regional footprint and working to further strengthen its competitive advantage by offering patients value propositions that increase retention rates and safeguard our Company's leading market position.

Apart from the immediate challenges for global businesses with the Covid-19 threat, Egypt has experienced a more stable economic and political environment in the last year with a strengthening pound and a commitment by the Government to promote proactive healthcare services.

We are also seeing a gradual improvement in Sudan, where our business remains stable after a year of significant political transition, and we are particularly pleased with Jordan, which has been a solid and growing business.

Your Company is cognizant and committed to our ESG policy and responsibilities promoting gender equality, increased training programs and following best practices on transparency, accountability and good governance.

Management regularly updates and monitors our risk matrix and heat map to ensure we have all the right checks and balances in place and ensuring business continuity processes.

IDH's success relies on the dedication and hard work of its senior management team, and we constantly review our KPIs and remuneration policy to retain and promote talent. We are also cognizant of succession planning.

Your Company continues to enjoy strong organic growth momentum and is constantly evaluating potential M&A opportunities in the Middle East and Africa to further accelerate this trajectory.

We are grateful to the loyalty and support of our shareholders. At a time of volatility in the listed healthcare sector, your Company is well positioned to maintain growth and profitability in an increasingly competitive landscape.

**Lord St John of Bletso**  
Chairman

## **Chief Executive's Review**

Before unpacking our performance in 2019, I note that as of this writing, the novel coronavirus that causes the covid-19 illness continued to spread across the globe including in our markets. This pandemic has pushed governments, businesses and communities to adopt unprecedented mitigation efforts to control the spread of the disease. As a healthcare business, IDH has a role to play in our community - and an equally important role to play in keeping our staff safe as we navigate this new normal and ensure business continuity.

We have thus prepared a Crisis Management Plan (CMP) outlining measures to mitigate the risks posed by the pandemic, with a focus on strengthening our health and safety protocols, maintaining compliance and efficient stakeholder communication, assessing business strengths and financial resilience and running stress tests to better ascertain the financial impact on IDH under rapidly evolving scenarios. Our primary goal is to ensure safe continuity of business activities and keeping critical functions running. The CMP is regularly reviewed and updated by a specialized crisis committee that is responsible for daily monitoring of the situation across our footprint and ensuring our organization is prepared for any eventualities.

As of date, the health ministry in Egypt has made testing for the SARS CoV-2 the exclusive responsibility of state-owned laboratories. Were we to be called by the national health authority to assist with testing, we stand ready with the necessary systems and having reviewed our risk matrix and our staff are trained on how to safely administer the test. Whilst there is a nationwide nighttime curfew in Egypt, our branches continue to operate and we are offering free house visits by phlebotomist to encourage patients to stay home.

In Jordan, a complete nationwide lockdown had initially seen 17 of our 19 Biolab branches shutdown, however, as of date 17 of our branches are fully operational, with only two branches located within shopping centres remaining closed. We are also currently conducting testing for SARS CoV-2 at one location in Jordan. In Nigeria, covid-19 cases remain few according to official numbers and all our branches continue to operate despite the complete lockdown in the country. Finally, in Sudan, the government has imposed a curfew

and we are currently operating with four branches.

As we continue to operate across our footprint, our primary focus is to ensure staff and patient safety and to mitigate the risk of disease spread. Key health and safety measures include:

- All of our staff use **appropriate protective equipment** when interacting with patients, including those suspected of having covid-19 or any other infectious disease. We maintain a robust stock of protective equipment to ward against supply-chain risk.
- All of our frontline staff are trained **on procedures for interacting with patients** suspected of carrying covid-19 or any other communicable disease. Managers regularly review these procedures with their teams and a refresher has been disseminated to all employees. These procedures include steps that are taken to (a) protect our staff and (b) protect other patients presenting at our clinics for testing.
- **Daily temperature check** conducted for all employees and visitors at the headquarters and the Mega Lab.
- The Mega Lab and branch **employees are split into two alternating groups** for two continuous weeks. In case of infection, the Mega Lab/branch will undergo a complete sterilization, and the off duty group will be called on to resume work the following day.
- Our team have a protocol for **referring patients they suspect may carry covid-19** to the nearest state lab for testing.
- We are prepared with **standard operating procedures for SARS CoV-2 testing** in the event that we are asked by a competent health authority to participate in testing efforts.
- All staff who may come into contact with a covid-19 patient are given a **14-day home leave** and are monitored carefully.
- All members of our team are subject to **regular messages** reminding them that they may not report to work if they have symptoms of a covid-19 infection.
- Headquarters employees have **alternating attendance, meetings are conducted virtually, and remote work** is encouraged where possible.
- Weekly attendance plan is prepared and implemented by each department for all employees, ensuring a **minimum labor force and separate teams to limit interactions**.

**On the business continuity front**, we have outlined measures to ensure preparedness in the case of a complete lockdown in Egypt which would require headquarter employees to work from home. Currently, our headquarters is operating with a 50% employee capacity and we have tested the tools and IT infrastructure - including Customer Relationship Management, Laboratory Management Systems and SAP - to **allow for stable and remote day-to-day operations**. These measures extend across all functions, including our marketing activities and relevant digital media campaigns to **maintain and strengthen customer relationships**.

IDH is also in constant communication with all its key suppliers to mitigate against supply chain disruptions, with daily monitoring of kit use and raw materials. As of 31 March 2020, our **average testing kit stock covers three months of operation** (with the exception of short shelf life kits which constitute c.10% of total number of kits). We are therefore covered

through to July 2020 and we have placed a new order for a further three-month supply, which is expected to be delivered in April 2020 and would extend coverage to September 2020.

Most importantly, we are **ensuring prudent cash management** and preparing for changes in our cash conversion cycle. Management is continuously **monitoring our short-term liquidity position**, including daily revenue, debt retirement schedules and covenants. IDH's strong liquidity position and **underleverage balance sheet places us in a very resilient position**, and we are actively working to preserve this position through cost discipline and a **reduction of non-critical uses of cash** such as in training, CAPEX and marketing.

The strength of our position in the face of these unprecedented challenges is thanks to IDH's long track record of growth and prudent financial policies, and I am pleased to report that our performance in 2019 was no different. The Group's results for the year reflect the defensive nature of our business and the strength of our market position.

## **RESILIENT GROWTH AND OPERATIONAL PERFORMANCE**

Against a backdrop of sluggish consumer spending in our primary market of Egypt, along with political and economic challenges in Sudan, IDH delivered 16% growth in its top line while maintaining a normalized EBITDA margin at 39%.

IDH's strong brand equity and its comprehensive suite of diagnostic services allowed us to attract a growing number of patients in 2019, with consumer loyalty remaining intact amidst a multitude of forces weighing down on their purchasing power, including the cumulative impact of subsidy cuts, higher energy prices, erosion of disposable income, higher taxes and runaway inflation since the float of Egyptian pound in late 2016.

Alongside strong organic growth of our business, our Group in 2019 also continued to make headway on its strategic initiatives. We have ramped-up operations at Al-Borg Scan, our new radiology unit in Egypt, which is increasingly contributing to revenue and EBITDA; and we are witnessing good momentum in volumes in Nigeria as we continue renovating and expanding our branch network while deploying new state-of-the-art equipment. While these expansions have weighed down the Group's consolidated net profit, we expect Al Borg Scan and Nigeria to turn to bottom-line profitability in the near term.

IDH recorded revenue of EGP 2,226 million in 2019, a 16% increase over the EGP 1,921 million recorded in the previous year, with growth being primarily driven by improved pricing and test mix as well as higher volumes during the year. Stronger pricing delivered 11 percentage points of the Group's growth in 2019, in step with average inflation rates, while higher volumes contributed 6 percentage points. IDH recorded a 6% increase in both number of patients served, and tests performed, closing the year with 7.5 million patients and over 30.5 million completed tests. Meanwhile, one percentage point of the Group's local-currency growth was lost to currency translation on account of the Egyptian pound's appreciation.

Our contract segment reported a 17% year-on-year increase in revenue in 2019, making up 60% of the Group's top-line and contributing circa 10 percentage points to total growth. The segment's performance was driven by a higher number of patients served (+7% compared to 2018) as well as improved pricing, which drove average revenue per patient up 9%. On the other hand, walk-in revenues grew 15% in 2019, similarly driven by growing number of patients during the year (+4%) along with better pricing leading to a 10% increase in average revenue per patient.

Our ability to absorb higher volumes and capture resilient demand for our services is underpinned by IDH's continued investment in its geographic footprint. In 2019, our Group



has opened 33 labs in Egypt and three in Nigeria, while closing two unprofitable branches in Sudan, leaving us with a branch network of 452 locations as at year-end, up from the 418 branches operated as of 31 December 2018. IDH's Egyptian expansion drive continues to be supported by its state-of-the-art, College of American Pathology-accredited Mega Lab, which is the backbone of our "Hub, Spoke and Spike" business model. IDH's Mega Lab is the sole CAP-accredited facility in Egypt, deploying the most advanced technology to run more than 20,000 tests per hour. The facility also provides a leading clinical trials laboratory service, helping biopharmaceutical and diagnostics customers develop new medical insights.

Regionally, our Group witnessed strong and improving performance in 2019 across our core businesses in Egypt, Jordan and Sudan.

In Egypt, revenue grew 18% year-on-year to EGP 1,903 million and continued to make up the largest share of both the Group's consolidated revenue and total revenue growth for the year. Egypt's performance continued to be driven by the market's strong fundamentals and rising healthcare awareness. In that regard, I am particularly pleased with our subsidiaries' participation in the state-sponsored 100 Million Healthy Lives campaign, which ran from November 2018 through June 2019 with the aim of eradicating Hepatitis C in Egypt through testing of asymptomatic people. Our participation in national health awareness campaigns is a natural outgrowth of our responsibilities as a healthcare provider and we are proud to have helped the 250,000 people who walked through our doors under the campaign's umbrella to lead better and healthier lives.

I am also pleased with the Group's performance in Jordan, where we delivered growth despite exogenous factors including austerity measures and a decade-long price freeze maintained by the regulator. Biolab was successful in growing patient and test volumes to deliver a 6% increase in revenue to EGP 257 million for the year (+12% in JOD terms), while cost efficiencies are yielding substantial improvements in profitability. Jordan's EBITDA grew by a sharp 74% year-on-year in 2019 to EGP 90 million, and its EBITDA margin expanded 6 percentage points to 27% when normalizing for the positive impact of IFRS 16.

In Sudan, despite nationwide protests last year that culminated in significant political change and the continued impact of a sharp currency devaluation that began in 2018, we were successful in growing patient numbers and passing on price increases in step with inflationary pressures. The results are clear with revenue in local-currency (SDG) terms recording a strong 64% increase, while in EGP terms the geography delivered a 4% increase in the top-line to EGP 37 million, the first year-on-year growth since 2017. Moreover, Sudan's profitability improved at the gross profit and EBITDA levels owing to a turnaround in revenue and following staff localization efforts to lower foreign currency-denominated salaries.

At the holding level, the Group's gross profitability remained intact with gross profit for the year increasing 14% over 2018; we also maintained a healthy gross profit margin of 49%. This is a direct consequence of management's focus on increasing operational efficiency and on cost-reduction initiatives throughout the year. As such, our raw materials cost as a percentage of sales has decreased to 18.3% in 2019, down from last year's 19.3%. EBITDA grew 24% to EGP 945 million with an EBITDA margin of 42% (2018: 40%), partly owing to the adoption of IFRS 16 which added EGP 68.2 million to EBITDA in 2019. Nonetheless, normalized EBITDA increased 15% year-on-year, and normalized EBITDA margin was largely stable year-on-year despite the negative contribution for Nigeria, which incurred increased ramp-up costs and lower capacity as branch renovations took place.

The Group recorded a 2% year-on-year increase in net profit to EGP 505 million in 2019, with net profit margin at 23%, partly affected by the adoption of IFRS 16. When excluding the effect of applying IFRS 16, normalised net profit for the year would reach EGP 520 million, up 5% year-on-year. A detailed breakdown of the effects of adopting IFRS 16 is provided in the Operational and Financial Review section of this report on pages 16 - 17. Our bottom-line profitability was affected by higher net interest charges related to Al Borg Scan and IDH's new headquarters and lower interest income due to rate cuts.

## **GROWTH IN NIGERIA**

IDH pressed on with its value-building program in Nigeria during 2019, including refurbishment of existing Echo-Lab branches and the rollout of new locations. As of year-end, we had completed renovations at eight out of our current 13 branches in the geography, as well as inaugurating two new locations in Victoria Island and Akowonjo.

Despite rotating downtime during the upgrade period, we are witnessing strong volume growth: number of tests was up by 38% in 2019 compared to the previous year, and patient numbers rose 8% year-on-year. This growth is being driven by Echo-Lab's strengthening position in the market with a growing reputation as a quality provider of diagnostic services with new state-of-the-art radiology equipment. IDH recently installed new radiology equipment at Echo-Lab, including magnetic resonance imaging (MRI) and computed tomography scan (CT) that started operation in the second half of 2019. Echo-Lab is also implementing marketing and business development activities to drive higher volumes, with a key focus on engaging with corporate clients as well as targeting doctor forums to build referral networks.

We have also completed the deployment at Echo-Lab of the Group's Laboratory Information Systems (LIS) and its System Application and Product (SAP) platform and expanded our Nigerian subsidiary's range of diagnostic testing by sending select samples to our Mega Lab in Egypt. Most importantly, IDH continues to train Echo-Lab staff on quality standards and procedures, supported by strong commitments to training and development of operational staff as well as the recruitment of new management to help deliver on its strategic goals for the geography.

Our efforts to ramp up operations in Nigeria and improve Echo-Lab's service offering are beginning to reflect on the geography's performance, with revenues in NGN terms recording a 23% year-on-year increase. However, the Egyptian pound's appreciation during 2019 saw revenue remain flat year-on-year at EGP 30 million when translated into our consolidated financial statements.

## **RAMP UP AT AL BORG SCAN**

The Group's first full-fledged radiology branch in Egypt began operations in October 2018 under the Al Borg Scan brand and has since been delivering a promising growth trajectory with strong profitability. The sole branch's first full year of operations saw it record EGP 14 million in revenue for 2019, contributing one percentage point to IDH's 16% consolidated revenue growth in 2019. I am also pleased to report that with only one operational branch thus far, Al Borg Scan is an EBITDA positive operation having recorded EGP 1.8 million in 2019.

Throughout the year, Al Borg Scan served more than 19,000 patients and conducted over 27,000 tests, including 4,000 CT scans, 4.8 thousand MRIs and 6.8 thousand x-rays. The branch is attracting patients through various corporate accounts, physicians and by leveraging the strong relationship between the Al Borg brand and its millions of customers.

Our high-quality offering is delivered by state-of-the-art technology supplied by global brand names including Siemens, Hitachi and GE Healthcare, and a highly trained staff of radiologists, technicians and front office personnel.

We anticipate significant growth at AI Borg Scan as we continue with our branch rollout plan, starting with a second location in Cairo set to commence operations in early 2020. Our expansion into this adjacent, high-value segment will continue to be supported by strong marketing campaigns, capitalizing on AI Borg's strong brand equity and in tune with the Group's overarching strategy of raising healthcare awareness.

### **OUR COMMITMENT TO OUR STAKEHOLDERS**

As a woman-led business offering quality, affordable consumer healthcare solutions for millions of people across Africa and the Middle East, IDH has long taken into account what it means to be a good corporate citizen. This starts with our prime motivator: To leave the communities in which we do business healthier than we found them by ensuring everyone has the tools they need to take charge of their health.

Our team, more than 30% of which are women, pride themselves on their support of national healthcare campaigns that expand access to affordable healthcare, including most recently the c. 4.4 million tests we completed for the 100 Million Healthy Lives campaign in Egypt. And we continue to run awareness campaigns for patients suffering from treatable chronic conditions that impact patients' health and quality of life.

It is against this backdrop that I welcome the growing calls in the investment community for more reporting on environmental, social and governance (ESG) issues - and for real-world policies that drive improvement in key matrixes.

Since we went public on the London Stock Exchange, we have been governed by a world-class Board of Directors made of up majority independent, non-executive directors and backed up by a robust policy framework. And by the nature of our business, IDH has both a low environmental footprint compared to many enterprises and a high social impact.

I am, however, very cognizant that there is much more to do. Late in 2019, our management team began laying the groundwork for an ESG review that will result in both the creation of our first ESG policy, in our establishing a matrix of responsibility for key indicators, and in our regular reporting on these indicators before the end of 2020.

In doing so, we aim to tell a story that emphasizes where we have room for improvement - and that clearly outlines the benefits IDH delivers to patients, to our employees and the communities in which we are privileged to operate.

### **PROPOSED DIVIDEND AND DIVIDEND POLICY**

Whilst we maintain our long-term dividend policy that sees us return to shareholders the maximum amount of excess cash after taking careful account of the cash needed to support operations and expansions, our Board of Directors will postpone the dividend decision in light of the current situation and uncertainty surrounding the covid-19 pandemic. We will review the situation in our upcoming Board meeting in September and assess the Group's cash position at the time before a decision is made and a distribution date is set.

### **2020 OUTLOOK**

We remain fundamentally optimistic about the outlook for our businesses following the resolution of the covid-19 crisis. Egypt is (and for the foreseeable future will remain) our largest business, with key long-term growth drivers unaffected by current events.

Regionally, we expect continued growth in Jordan, which enjoys some of the most modern health care infrastructure in the Middle East and where strong fundamentals have allowed IDH to deliver growth despite strict price regulation. I am also increasingly confident in the growth prospects of our business in Sudan, where increasing stability supports growth in number of patients and test volumes and with it improved financial performance. In Nigeria, we will continue to focus on implementing our value-building phase.

In short, we believe the business is well served by strong market positions, supporting macroeconomic and industry trends over the long-term, an expanding services portfolio, and clearly defined strategies that will allow us to deliver consistent growth once the current global crisis resolves.

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

## Operational & Financial Review

IDH revenues came in at EGP 2,226 million in FY2019, 16% above last year's figure on the back of both higher volumes and favourable pricing. Top-line growth for the year was supported by both the company's walk in and contract segments with the first recording a 15% year-on-year rise in revenues and the latter reporting a 17% year-on-year top-line expansion.

### Revenue Growth Drivers

	FY2019	F
Volume	6%	
Price & Mix	11%	
Foreign Currency Translation	(1%)	
<b>Total</b>	<b>16%</b>	

On a geographical basis, IDH's Egyptian operations continued to be the main driver for total revenue growth for the year, expanding 18% year-on-year in FY 2019. Rising revenues in Egypt were supported by both favourable pricing across both the walk in and contract segments and higher test volumes. Egypt's performance was buoyed by the ramp up of operations at the new Al Borg Scan branch - the Group's radiology unit - which contributed c.4.3% to Egypt's total revenue growth for the year.

In Jordan, revenue growth began to accelerate with Biolab recording a 6% year-on-year increase in FY2019 (12% in JOD terms), supported by rising consumer confidence from lows following a period of austerity measures implemented by the government. Revenues in Sudan rose 4% y-o-y in EGP terms, while in SDG terms revenues recorded an impressive 64% y-o-y expansion. Finally, despite the restructuring works that took place across the Group's Nigerian operations over the course of the year, revenues in NGN terms reported solid 23% y-o-y rise for FY2019. However, in EGP terms, following an appreciation of the Egyptian pound over the course of the year, revenues in Nigeria came in flat at EGP 30 million for FY2019.

### Revenue Growth Drivers by Geography

FY2019

F

Egypt	15%
Jordan	0.7%
Sudan	0.1%
Nigeria	-
<b>Total</b>	<b>16%</b>

The company's cost of sales recorded a 17% year-on-year increase in FY2019 to EGP 1,143 million with IDH's gross profit margin for the year unchanged at 49%. EBITDA margin grew two percentage points year-on-year to 42% in FY2019 following the implementation of IFRS 16 (stable at 40% when the application of IFRS 16 and Wayak's results are excluded). Profitability for the year was further supported by a strong improvement in Jordan where EBITDA grew 74% year-on-year in FY2019 and EBITDA margin expanded 14 percentage points to 35%. On a similar note, operations in Sudan generated a positive EBITDA of EGP 7 million (margin of 20%) for the year, compared to the negative EGP 3 million EBITDA in FY2018.

On the operational front, IDH expanded its branch network to 452 branches as at year-end 2019. This is up from the 418 branches operated as of 31 December 2018. The Group's network expansion drive continues to be supported by its state-of-the-art Mega Lab which allows IDH to deploy its Hub, Spoke and Spike business model in Egypt to roll out capital-efficient "C" labs more rapidly. Over the last year, IDH has opened 33 labs in Egypt, three in Nigeria, and closed two unprofitable branches in Sudan.

## Branches by Country

	31 December 2019	31 December 2018
Egypt	399	399
Jordan	19	19
Sudan	21	21
Nigeria	13	13
<b>Total Branches</b>	<b>452</b>	<b>418</b>

## Our Customers

IDH serves two principal types of clients: contract (corporate), including institutions such as unions, private insurance companies and corporations who enter into one-year renewable contracts at agreed rates per-test and on a per-client basis, 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.

IDH served a total of 7.5 million patients between both segments during FY2019, 6% above last year's figure. During the year, the total number of tests performed reached 30.5 million, up 6% year-on-year. The ratio of contract to walk-in **patients** during the year was 73:27 largely unchanged from last year's ratio.

## Key Performance Indicators\* (excluding Wayak)\*\*

	Contract Segment			Walk-in Segment		
	FY2018	FY2019	Change	FY2018	FY2019	Change
Revenue (EGP '000)	1,141,483	1,331,160	17%	779,969	894,703	15%

% of Revenue	59%	60%		41%	40%	
Patients ('000)	5,078	5,433	7%	1,970	2,048	4%
% of Patients	72%	73%		28%	27%	
Revenue per Patient (EGP)	225	245	9%	396	437	10%
Tests ('000)	22,206	23,553	6%	6,560	6,918	5%
% of Tests	77%	77%		23%	23%	
Revenue per Test (EGP)	51	57	10%	119	129	9%
Test per Patient	4.4	4.3	(1%)	3.3	3.4	1%

\* KPIs exclude Wayak's top-line figure amounting to EGP 632 thousand in 2019, inclusion of which would distort the KPIs with an unrelated line of business.

\*\* Percent changes are calculated based on exact decimal numbers which are rounded to the nearest whole number in the table

## Revenue Analysis: Contribution by Patient Segment

The **Group's contract segment** reported a 17% y-o-y rise in revenues during FY2019, making up 60% of the company's total revenues and contributing to 62% of IDH's total revenue growth for the year. During FY2019, IDH served 5.4 million contract patients (up 7% y-o-y) and performed 23.6 million tests (up 6% y-o-y).

Average revenue per contract test witnessed a 10% y-o-y rise to EGP 57 in FY2019, while average revenue per contract patient was up 9% to EGP 245 in FY2019 from EGP 225 recorded last year.

Within the **Group's walk-in segment**, revenues recorded a 15% y-o-y increase to EGP 895 million, making up 40% of the Group's total revenues for the year and contributing to 38% of the Group's total revenue growth in FY2019. The segment's revenue growth for the year was both volume and price driven as average revenues per walk-in test increased 9% y-o-y to EGP 129, while the total number of walk-in tests increased 5% y-o-y for the period to 6.9 million tests.

IDH's overall average revenue per test rose 9% y-o-y to EGP 73 in FY2019. The Group's combined average revenue per patients also reported a 9% y-o-y to EGP 298.

## Revenue Analysis: Contribution by Geography

### Revenue Contribution by Country

	FY2019	F
Egypt	85.5%	
Jordan	11.5%	
Sudan	1.7%	
Nigeria	1.4%	

At IDH's Egyptian operations, revenues expanded 18% y-o-y to EGP 1,903 million in FY2019. Growth for the year came on the back of both higher volumes and favourable pricing. Both the number of total patients served and of tests performed increased 6% y-o-y, with the first reaching 6.9 million and the latter recording 27.9 million for the year.

On a segment basis, contract patients served by IDH in Egypt reached 5.1 million, up 6% y-o-y, while walk in patients increased 5% y-o-y to 1.7 million in FY2019. Test performed at the company's contract segment reached 22.1 million in FY2019, up 5% y-o-y. At the walk-in segment, tests performed were up 7% y-o-y to 5.7 million. Egypt's contract segment recorded revenues of EGP 1,197 million in the year, a 17% y-o-y increase, while at the walk-in segment revenues reached EGP 705 million, up 20% y-o-y. Wayak recorded revenues of EGP 632 thousand in FY2019.

In Jordan, where consumers continued to adjust to the government's austerity measures, including an increase in income tax rates, IDH reported revenues of EGP 257 million in FY2019, a 6% y-o-y rise (up 12% in JOD terms). Biolab, the Group's Jordanian subsidiary, served 311 thousand patients in FY2019, a 12% increase y-o-y, while the total number of tests performed also increased 12% y-o-y during the year reaching 1.8 million.

In Sudan, revenues came in 4% above last year's figure at EGP 37 million as results continued to be impacted by the devaluation of the Sudanese pound. However, in SDG terms, revenues increased 64% y-o-y as increasingly favourable pricing more than offset the lower test volumes on account of political unrest in the early part of 2019. Growth in SDG terms came on the back of a strong rise in revenue per test at the Group's walk-in segment as the company passed on price increases in step with currency devaluation.

At the Group's Nigerian subsidiary, revenues came in flat at EGP 30 million for the year as results continued to be impacted by ongoing restructuring works and delays in new branch openings. As of year-end 2019 the Group has renovated a total of 8 out of 13 branches in the country and rolled out its new Victoria Island and Akowonjo branches which came online in June and October of 2019, respectively. In NGN terms, the division's top-line increased by a 23% y-o-y in FY2019 driven by rising volumes.

## Cost of Sales

IDH's cost of sales increased 17% y-o-y to EGP 1,143 million in FY 2019. The Group's gross profit reached EGP 1,084 million in FY 2019, up 14% y-o-y. Gross profit margin for the year came in unchanged at 49%.

### COGS Breakdown as a Percentage of Revenue

	FY2019	FY2018
Raw Materials including cost of tests sent abroad	18.3%	19.3%
Wages & Salaries	17.2%	17.2%
Depreciation	6.0%	6.0%
Other Expenses	9.8%	9.8%
<b>Total</b>	<b>51.3%</b>	<b>52.3%</b>

Raw materials costs, increased 10% y-o-y to EGP 408 million in FY 2019, continuing to contribute the largest share of total consolidated COGS at 35.7%. The average raw material cost per test performed during the year stood at EGP 13.4, up from the EGP 12.9 with a modest increase of 4%. Raw materials as a percentage of sales decreased to 18.3% from last year's 19.3% in line with management's efficiency and cost-reduction initiatives, and EGP appreciation.

Direct salaries and wages continued to make up the second largest share of total COGS during the year at 33.5% in FY 2019, as they reached EGP 383 million for the period, 22% above last year's figure. Direct salaries and wages as a percentage of sales increased almost one percentage point to 17.2% for the year.

Direct depreciation and amortisation rose 87% y-o-y to EGP 133 million, on the back of capitalised leases amounting to EGP 265 million (gross) related to the implementation of IFRS 16 (noting that related depreciation amounts to EGP 48 million). Growth in depreciation was also driven by the addition of new equipment at Al Borg-Scan and Nigeria, with their depreciation recording EGP 7.6 million and EGP 7.8 million respectively. As such, direct depreciation and amortisation as a percentage of revenues increased to 6.0% in FY 2019 from the 3.7% figure last year.

## EBITDA

IDH's consolidated EBITDA in FY 2019 stood at EGP 945 million, up 24% y-o-y. EBITDA margin for the year was 42%, up two percentage points versus the 40% EBITDA margin recorded in FY 2018 supported by the positive impact of adopting IFRS 16. When normalising for the impacts of IFRS 16, normalized EBITDA records EGP 877 million, up 15% y-o-y, with a normalized EBITDA margin of 39% despite the negative contributions from Nigeria and pre-operating expenses related to Wayak.

### Operating Profit to Normalised EBITDA Reconciliation

EGP mn	FY2019	
<b>Operating Profit</b>	<b>791</b>	
Depreciation	99	
Depreciation on Right of Use Assets	48	
Amortisation	7	
<b>EBITDA</b>	<b>945</b>	
<i>EBITDA Margin</i>	<i>42.4%</i>	
Rent Expenses Related to the Adoption of IFRS 16	(68)	
<b>Normalised EBITDA</b>	<b>877</b>	
<i>Normalised EBITDA Margin</i>	<i>39.4%</i>	

### IFRS 16 Effect on Regional EBITDA\*

	EBITDA	Margin	Rent Expense Related to the Adoption of IFRS 16	No
Egypt	877	46%	(44)	
Jordan	90	35%	(20)	
Sudan	8	22%	(2)	
Nigeria	(30)	(99%)	(2)	
<b>Total</b>	<b>945</b>	<b>42%</b>	<b>(68)</b>	

\* Decimals are rounded to the nearest whole number

Egypt's EBITDA recorded EGP 877 million in FY2019, up 19% y-o-y. EBITDA margin stood at 46% during the year (44% when controlling for IFRS 16), down 2% from last year's figure, which is mainly attributable to the recognition of EGP 27 million related to employees' profit share as well as pre-operating expenses related to Wayak.



In Jordan, IDH's operations reported an impressive 74% y-o-y rise in EBITDA for FY2019, with the associated margin rising to 35% (27% when excluding IFRS 16) compared to 21% recorded in FY2018. The significant rise came on the back of raw material cost optimization along with further cost savings attributable to salaries and the decrease in rent related to the training centre. In it is important to note that FY2019 EBITDA figure includes a USD 400 thousand related to the IT & Technology purchase agreement with Mega Lab in Georgia.

Sudan's EBITDA for the year recorded EGP 7.5 million, up from the negative EGP 2.6 million figure recorded last year. EBITDA margin stood at 20% (15% when excluding IFRS 16) compared to the negative 7% margin recorded in FY 2018. Stronger EBITDA results were supported by a significant increase in 3Q 2019 revenues due to continued price increases in addition to the decrease in salaries expense as the Company replaced Egyptian expats with Sudanese employees.

In Nigeria, EBITDA losses increased to EGP 30 million from negative EGP 25 million EBITDA recorded last year. The loss was largely related to delays in new branch openings along with the large amount of salaries as a percentage of revenue. As branch renovations are completed along with the installation of new state-of-the-art radiology equipment, management expects the Group's Nigerian operations to turn EBITDA positive during 2020.

### **Interest Income / Expense**

IDH recorded interest income of EGP 44 million in FY2019, 27% below last year's EGP 59 million figure. The fall is largely attributable to the multiple rate cuts by the Central Bank of Egypt during the course of 2019 (a cumulative 450 bps cut) combined with the decrease in cash balances during the first half of the year to secure the dividends' payment in June 2019.

Interest expenses came in at EGP 65 million for the year versus the EGP 15 million recorded in FY2018. The increase came on the back of the implementation of IFRS 16 which added EGP 35 million to the period's interest expense. As of year-end 2019, IDH's borrowing costs stood at EGP 20 million for the year related to medium term loans for the Al Borg Scan expansion (EGP 6.5 million) and the Group's new headquarters in Cairo's Smart Village (EGP 13.5 million).

### **Foreign Exchange**

IDH recorded net forex losses of EGP 15.5 million in FY 2019.

### **Taxation**

Tax expenses for the year stood at EGP 254 million up from the EGP 220 million tax expense recorded in FY2018. The effective tax rate was 33% in FY2019 compared to 31% last year. The increase in the Group's effective tax rate recorded during the year is largely attributable to:

- €€€ EGP 6.25 million related to the new healthcare tax law imposed by the Egyptian Government (0.25% of revenues);
- €€€ Starting January 2019, the Jordanian corporate tax rate increased 1% to reach 21% with a net effect amounting to EGP 552 thousand.

- The increase in Sudan tax rate from 15% to 30% with a net effect amounting to EGP 221 thousand.

There is no tax payable for IDH's two companies at the holding level. Tax was paid on profits generated by operating companies in Egypt, Jordan and Sudan.

## Net Profit

IDH's consolidated net profit increased 2% y-o-y in FY2019 to reach EGP 505 million. Net profit margin stood at 23% for the year compared to 26% in FY2018. Declined net profitability was due to net losses sustained at Nigeria, higher borrowing costs related to Al Borg Scan and IDH's new headquarters, a decrease in interest income and the adoption of IFRS 16 (negative EGP15.3 million). When excluding the effect of IFRS 16, net profit records EGP 520 million, up 5% y-o-y with a net profit margin of 23%.

## Net Effect of IFRS 16 on Net Profit

	Depreciation	Interest	Rent
Egypt	(29.9)	(28.4)	44.0
Jordan	(15.5)	(5.2)	19.7
Sudan	(1.1)	(1.4)	2.0
Nigeria	(1.8)	-	2.5
<b>Total</b>	<b>(48.4)</b>	<b>(35.1)</b>	<b>68.2</b>

## Balance Sheet

On the assets side, IDH held gross property, plant and equipment (PPE) of EGP 1,131 million as of year-end 2019, up from the EGP 973 million as of 31 December 2018. The rise came largely on the back of CAPEX outlays for the addition and renovation of branches totalling EGP 146 million (EGP 71 million in Egypt, EGP 64 million in Nigeria and EGP 11 million in Jordan), and reflects foreign currency translation adjustments of negative EGP 48 million.

As of 31 December 2019, accounts receivable stood at EGP 261 million compared to EGP 220 million at year-end 2018. Accounts receivables' days-on-hand (DOH) normalised at 129 days (based on credit revenues of EGP 726 million) following the increase witnessed at year-end 2018. The Group's "days inventory outstanding" came in unchanged from last year at 82 days for FY2019.

IDH's cash balances stood at to EGP 631 million as at year-end 2019 compared to EGP 664 million as at 31 December 2018, remaining relatively stable despite the distribution of EGP 451 million (US\$ 26.4 million) in dividends for FY2018 paid in June 2019. It should be noted that cash balances include cash on hand, current accounts, time deposits, treasury bills and restricted cash.

On the liabilities side, accounts payable as of year-end 2019 stood at EGP 145 million compared to the EGP 158 million as of 31 December 2018. The Group's days payable outstanding (DPO) decreased to 141 days from 145 days as of 31 December 2018.

The adoption of IFRS 16 led to the addition of EGP 37 million in short-term lease liabilities and EGP 232 million in long-term lease liabilities as at 31 December 2019.

## **Cash Flow**

Net cash flow from operating activities recorded EGP 704 million in FY2019 compared to EGP 556 million in the previous year, demonstrating the company's strong cash generation ability. Net cash used in investing activities totalled EGP 143 million in FY2019, driven by acquisition of property, plant and equipment which recorded EGP 213 million during the year. Finally, net cash used in financing activities reached EGP 549 million in FY2019, driven primarily by the EGP 451 dividend payment in June 2019.

## **Dividend**

Due to the Covid-19 pandemic and consequent uncertainty regarding the macroeconomic environment, the Board of Directors has deemed it more appropriate to focus on retaining resources and will thus suspend the dividend decision till September 2020. At which point, further consideration will be given to developments in the global pandemic and confidence regarding the Group's future needs and financial outlook.

## **Going Concern**

The uncertainty as to the future impact on the Group of the recent COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis. The Board has considered the potential impact of the COVID-19 outbreak on the Group's financial position and liquidity, but given the unknown magnitude of COVID-19, Management has considered several downside scenarios and stress tests. One of the stress tests considered the following key assumptions: a complete lockdown with a substantial loss of revenue by more than 75% for a period of eight months (from May to December), no fixed costs reductions, forecasted capital expenditure (mainly the yearly expansionary plan of opening new branches that are not required for the current operation) reduced in 2020 by 86%, and cessation of dividend payments. Reducing revenues by more than 75% will negatively impact EBITDA and consequently will affect the Group's ability to meet financial covenants such as Debt service Coverage Ratio. The conducted stress test displayed the ability of full repayment of the existing loans balances. The downside scenarios showed that the Group's current financial position and cash balance will alleviate any potential downside risk in the Group's cash flow generated from its operational activities, thus the Directors 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:



## 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. 85% of our revenues in 2019 (2018: 84%).

High inflation in Egypt: According to the Central Bank of Egypt, headline inflation recorded 7.1% in December 2019, continuing a declining trend from 11.97% in December 2018, 21.6% in January 2018 and a record high of c.35% in July 2017 following the November 2016 devaluation of the Egyptian Pound and subsequent energy subsidy cuts. Meanwhile core inflation that strips out volatile items dropped to 2.37% in December 2019 from 8.3% in December 2018.

High Inflation in Sudan: Following substantial currency devaluation in Sudan during 2018 that saw the currency lose 85% of its value, the Sudanese Pound's official rate versus the US Dollar remained relatively stable during 2019 at 45.11 as 31 December as per the Central Bank of Sudan. However, the currency continued to devalue on the parallel market, leading to sustained high inflation rates of 57.01% as of December 2019 according to Trading Economics.

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.

## Country Risk - COVID-19

The global spread of COVID-19 presents business continuity risks to IDH including, but not limited to, supply-chain disruptions and their effect on the delivery of business-critical materials such as test kits, government enforced quarantines and their effect IDH business operations including patient volumes and staff mobility and risk of infection among IDH employees.

As with country risk, this is largely a political/security and economic risk. IDH operates in a defensive industry and has grown year-on-year through two periods of extremely difficult operating conditions.

High inflation is one consequence of a recession cycle. The structural change underway is a general repricing of goods and services. Years of comprehensive government reform the reform program is designed to provide a sustainable path to growth and fiscal stability. Egypt's Ministry of Planning and Economic Affairs for the fiscal year ended June 2019 Egypt's budget deficit as a percentage of GDP was 8.4% compared to 9.8% in the fiscal year ended June 2018.

The Group's contemplated acquisition of IDH is intended to mitigate the Egypt-specific country risk.

The Group is closely monitoring the economic situation in Sudan and has implemented several measures to mitigate with inflationary pressures. IDH is reviewing salaries and foreign currency needs for local hires.

In Nigeria, until currency exchange rates show greater visibility regarding profit repatriation, IDH is expected to be repatriated in the first half of 2020.

IDH will capitalise on its regional presence to procure kits at competitive prices.

IDH is in continual dialogue with health authorities associated with a shortage of materials and staff weakness. The Group will aim to be prepared, should supply disruption occur, by preparing new standard operating procedures for testing in the event that the Group is unable to procure competent health authority to participate in testing. Staff use appropriate protective equipment and patients, including those suspected of having an infectious disease.

All of the Group's employees are being reminded that they may not have any symptoms of a covid-19 infection.

IDH has identified head-office functions that can be performed at home and is reviewing its disaster recovery plan.

**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 2019 at mid-market CBE rate of 16.04 per US\$1 against an opening rate of EGP 17.91.

The Egyptian pound was valued at 15.69 to US\$ 1.00 as of 13 February 2020.

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.

Only 13% of IDH's cost of supplies in US dollars, minimising the Group (FX) scarcity and in part, the volatility

In 2019, IDH recorded a net foreign million, largely stable compared to EGP 15.7 million in 2018.

The Egyptian Pound's appreciation multiple factors, most notable of which foreign investment repatriation mechanism balance as production from the manufacturing rising tourism revenues, rate cuts by continued capital inflow to Egyptian attractive yields.

Foreign currency also continued throughout 2019 whether from the and the with CBE foreign currency highs during 2019 to close the year capital controls previously implemented devaluation is unlikely.

**Supplier risk**

IDH faces the risk of suppliers re-opening negotiations in the face of cost pressure owing to the prevailing inflationary environment and/or a possible albeit limited devaluation risk in 2020.

IDH's supplier risk is concentrated amongst three key suppliers - Siemens, Roche and BM (Sysmex)- who provide it with kits representing 45% of the total value of total raw materials in 2019 (2018: 42%).

IDH has strong, longstanding relationships with whom it is a significant regional client. Company purchases, IDH is able to maintain raw material costs increase. In 2019, average raw material cost per

Total raw materials costs as a percentage of 2019 compared with 19.3% in 2018.

**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 is not subject to repatriation of dividends, but is exposed to foreign exchange in the markets particularly Egypt and Sudan.

As a provider of medical diagnostic services in Sudan are not subject to sanctions. Sudan lifted a host of sanctions imposed on it, including a comprehensive trade embargo, a freeze on assets and tight restrictions on financial institutions.

<p><b>Legal and regulatory risk to the business</b></p> <p>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.</p>	<p>The Group's general counsel and the Board of Directors work together to keep IDH abreast of, and respond to, legislative and regulatory changes.</p> <p>On the antitrust front, the private laboratory market (as a part) accounts for a small proportion of the total market, which consists of small private labs, large public hospitals, governmental and quasi-governmental labs.</p>
<p><b>Quality control risks</b></p> <p>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.</p>	<p>The Group's quality assurance (QA) system is based on best practices across all markets. All laboratory staff participate in ongoing training and quality assurance emphasised at each level.</p> <p>The head of quality assurance for the Group is a member of senior management team at the IDH Group. He regularly reviews recent developments, plans for the future and any concern to the Group as a whole.</p>
<p><b>Risk from contract clients</b></p> <p>Contract clients including private insurers, unions and corporations, account for c. 60% of the Group's revenue in 2019. 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 strong relationships with its clients. All changes to pricing and terms are discussed in detail rather than blanket imposed. This is further enhanced by regular visits to clients and direct contact with sales staff.</p> <p>IDH's attractiveness to contract clients is a key factor in its national network.</p> <p>No single client contract currently accounts for more than 1.4% of Corporate revenues or 1.4% of Corporate revenue.</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 in Egypt, which as of December 2019 stood at 7.1% as per the Central Bank of Egypt.</p>	<p>This is an external risk for which there is limited control.</p> <p>In the event there is escalation of prices from third-party payers, the Group sees its wide national network as a strength. 60% of our revenue is generated from a network of patchworks of local players.</p> <p>IDH has a limited ability to influence pricing policies imposed by government agencies, particularly where basic tests that account for a significant portion of that nation are subject to price control.</p>
<p><b>Carrying value of goodwill and other intangible assets</b></p> <p>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.</p>	<p>IDH carries out an annual impairment test of its intangible assets in line with IAS 36.</p> <p>The results of the annual impairment test determine the recoverable amount (based on the fair value less costs of disposal) of each of the identified cash-generating units. If the carrying amount of the unit exceeds the recoverable amount, an impairment is deemed to be required and is recognised in the Financial Statements.</p>

<p><b>Business continuity risks</b></p> <p>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.</p> <p>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.</p>	<p>IDH understands the need to support strengthening its human capital and succession planning. The Company's senior management team, led by its CEO, includes the talent needed for a long-term future. IDH has constituted an Executive Committee, which is composed of heads of departments and meets every second week.</p> <p>The Group has in place a full disaster recovery plan and provisions for spares, redundant systems and mobile data systems as alternatives to other factors. IDH tests its disaster recovery plan on a regular basis.</p>
<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, IDH ensures it has access to a broad pool of professionals through its own in-house training program. We furthermore have in place a robust performance of graduates of the training program.</p> <p>Egypt is a net exporter of trained healthcare professionals, with a surplus staff in the market. IDH's effective retention of qualified staff as opposed to other personnel.</p> <p>In Nigeria, IDH intends to offer a salary structure that includes opportunity for both local and expatriate. The Group will seek to bring in expatriate staff where needed 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 October 2017, IDH's central Mega Lab CAP which is subject to renewal every two years was renewed in October 2019 with the next renewal due in October 2021. The Company also renewed its accreditation with the next renewal due in three years. IDH's Joint Commission International (JCI) accreditation 150189, HCAC and CAP certifications in Egypt and Nigeria are not accredited.</p> <p>IDH's ability to keep current its certifications is supported by ongoing QA, training and compliance activities.</p>
<p><b>Cybersecurity risk</b></p> <p>The company controls a vast amount of confidential data for its patients' records; to this end, there is a cybersecurity risk emerged as for both data confidentiality and data security.</p>	<p>The company has stringent controls in place and does stress tests over its IT infrastructure. IDH is commissioning an independent lead auditor to perform independent stress tests on its IT infrastructure controls, in order to ensure the security of its data.</p>



## Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the EU ("IFRS as adopted by the EU"). Company law requires the directors to prepare Group financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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

- The Group is in compliance with the Jersey code in relation to all applicable corporate law and tax filing requirements;
- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, 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 Group and the undertakings included in the consolidation taken as a whole; and

- The sections of this Report, including the Strategic Report, Performance 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.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

**Dr. Hend El Sherbini**

Executive Director

27 April 2020

**INTEGRATED DIAGNOSTICS HOLDINGS plc - "IDH"**  
**AND ITS SUBSIDIARIES**

# Annual Report and Consolidated Financial

for the year ended 31 December 2019

## Consolidated Statement of Financial Position as at 31 December 2019

	Notes	2019 EGP'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	10	785,546
Intangible assets and goodwill	11	1,660,836
Right-Of-Use Asset	27	264,763
Other investments	13	6,391
<b>Total non-current assets</b>		<b>2,717,536</b>

<b>Current assets</b>		
Inventories	15	84,339
Trade and other receivables	16	322,805
Restricted cash	18	247
Other investments	19	221,617
Cash and cash equivalents	17	408,892
<b>Total current assets</b>		<b>1,037,900</b>
<b>Total assets</b>		<b>3,755,436</b>
<b>Equity</b>		
Share capital	20	1,072,500
Share premium reserve	20	1,027,706
Capital reserves	20	(314,310)
Legal reserve	20	46,330
Put option reserve	20	(229,164)
Translation reserve	20	155,823
Retained earnings		456,661
<b>Equity attributable to the owners of the Company</b>		<b>2,215,546</b>
Non-controlling interests	6	144,710
<b>Total equity</b>		<b>2,360,256</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	8	174,000
Other provisions	22	5,273
Loans and borrowings	25	81,305
Long-term financial obligations	26	306,384
<b>Total non-current liabilities</b>		<b>566,962</b>
<b>Current liabilities</b>		
Trade and other payables	23	320,083
Short-term financial obligations	24	260,853
Loans and borrowings	25	25,416
Current tax liabilities		221,866
<b>Total current liabilities</b>		<b>828,218</b>
<b>Total liabilities</b>		<b>1,395,180</b>
<b>Total equity and liabilities</b>		<b>3,755,436</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

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

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## Consolidated Income Statement for the Year Ended 31 December 2019

	Notes	2019 EGP'000
Revenue	3	2,226,495
Cost of sales		(1,142,681)
<b>Gross profit</b>		<b>1,083,814</b>
Marketing and advertising expenses		(115,764)
Administrative expenses		(189,465)
Impairment loss on trade and other receivable	16	(8,647)
Other Income		20,902
<b>Operating profit</b>		<b>790,840</b>
Finance costs		(80,105)
Finance income		47,409
Net finance cost	7.2	(32,696)
<b>Profit before tax</b>		<b>758,144</b>
Income tax expense	8	(253,609)
<b>Profit for the year</b>		<b>504,535</b>
<b>Profit attributed to:</b>		
Owners of the Company		510,931
Non-controlling interests	6	(6,396)
		<b>504,535</b>
<b>Earnings per share (expressed in EGP)</b>	9	
Basic and Diluted		3.41

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

## Consolidated Statement of Other Comprehensive Income for the Year Ended 31 December 2019

2019  
EGP'000

<b>Net profit</b>	<b>504,534</b>
<b>Other comprehensive income:</b>	
Items that may be subsequently reclassified to profit or loss:	
Currency translation losses on foreign currency subsidiaries	(59,402)
<b>Other comprehensive income for the year, net of tax</b>	<b>(59,402)</b>
<b>Total comprehensive income for the year</b>	<b>445,132</b>
<b>Attributable to:</b>	
Owners of the Company	471,991
Non-controlling interests	(26,859)
	<b>445,132</b>

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

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

	<b>Note</b>
<b>Cash flows from operating activities</b>	
Profit or loss for the year	
<b>Adjustments for:</b>	
Depreciation of property, plant and equipment ('PPE')	7
Amortisation of intangible assets	12
Unrealised foreign exchange gains and losses	7.2
Interest Income	7.2
Interest Expense	7.2
Gain/(Loss) on sale of PPE	
Impairment in trade and other receivables	7
Reversal of impairment in trade and other receivables	16
Equity settled share based payment receipt	
Hyperinflation	

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**Cash (used in)/generated from operating activities**

Income taxes paid	
Change in Provisions	22
Change in Inventories	
Change in Trade and other receivables	
Change in Trade and other payables	
<b>Net cash from operating activities</b>	

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**Cash flows from investing activities**

Proceeds from sale of PPE	
Interest received	
Acquisition of PPE	
Acquisition of intangible assets	
Decrease in restricted cash	18
Change in other investment "acquisition"	
Change in other investment "sale"	
Acquisition of subsidiary	
<b>Net cash from investing activities</b>	

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**Cash flows from financing activities**

Proceeds from loans and borrowings	
Repayment of loans and borrowings	
Payment of finance lease liabilities	
Dividends paid	
Interest paid	
Injection of cash by non controlling interest	
<b>Net cash flows used in financing activities</b>	

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**Net increase/(decrease) in cash and cash equivalents**

Cash and cash equivalents at 31/12/2018	
Effect of exchange rate fluctuations on cash held	
<b>Cash and cash equivalents at 31/12/2019</b>	17

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

## **Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019**

(All amounts in Egyptian Pounds "EGP'000")

	Share Capital	Share premium	Capital reserve	Legal reserve
<b>As at 1 January 2019</b>	<b>1,072,500</b>	<b>1,027,706</b>	<b>(314,310)</b>	<b>37,955</b>
Profit for the period	-	-	-	-
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with owners of the Company</b>				
<b>Contributions and distributions</b>				
Dividends	-	-	-	-
Legal reserve formed during the year*	-	-	-	8,375
Non-controlling interests resulting from consolidating subsidiaries during the year	-	-	-	-
Restatement for impact of hyperinflation	-	-	-	-
Movement in put option liability in the year	-	-	-	-
Non-controlling interest cash injection in subsidiaries during the year	-	-	-	-
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,375</b>
<b>Change in ownership interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2019</b>	<b>1,072,500</b>	<b>1,027,706</b>	<b>(314,310)</b>	<b>46,330</b>
<b>As at 1 January 2018</b>	<b>1,072,500</b>	<b>1,027,706</b>	<b>(314,310)</b>	<b>33,385</b>
Profit for the period	-	-	-	-
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with owners of the Company</b>				
<b>Contributions and distributions</b>				
Dividends	-	-	-	-
Legal reserve formed during the year*	-	-	-	4,570
Non-controlling interests resulting from consolidating subsidiaries during the year	-	-	-	-
Restatement for impact of hyperinflation	-	-	-	-
Movement in put option liability in the year	-	-	-	-
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,570</b>
<b>Change in ownership interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2018</b>	<b>1,072,500</b>	<b>1,027,706</b>	<b>(314,310)</b>	<b>37,955</b>

\* Under Egyptian Law each subsidiary must set aside at least 5% of its annual net profit into a legal reserve until such time that this represents 50% of the share capital.

\*\* Part of the translation is an amount related to hyperinflation of EGP 7,434k

## Notes to the Condensed Consolidated Financial Statements - For the Year Ended 31 December 2019

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

### 1. Corporate information

The consolidated financial statements of Integrated Diagnostics Holdings plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 27 April 2020. 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**

The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements, which comprise the Annual Report and audited financial statements, for the years ended 31 December 2019 or 31 December 2018 but is derived from the statutory financial statements for the year ended 31 December 2019. The Group's statutory financial statements for the year ended 31 December 2019 will be made available to shareholders and delivered to the Jersey Registrar of Companies in due course. The auditor has reported on those financial statements and has given an unqualified report which does not contain a statement under Article 111(2) or Article 111(5) of the Companies (Jersey) Law 1991. The Group's statutory financial statements for the year ended 31 December 2018 have been delivered to the Jersey Registrar of Companies. The auditor reported on those financial statements and gave an unqualified report which did not contain a statement under Article 111(2) or Article 111(5) of the Companies (Jersey) Law 1991.

Other than those disclosed in this preliminary announcement, no significant events impacting the Group have occurred between 31 December 2019 and 28 April 2019 when this preliminary announcement was approved for issue.

This preliminary announcement has been prepared in accordance with the Listing Rules of the UK Financial Conduct Authority, using the accounting policies applied in the preparation of the Group's statutory financial statements for the year ended 31 December 2019. Those policies were published in full in the Group's statutory financial statements for the year ended 31 December 2018 and are available on a corporate website, at [www.idhcorp.com](http://www.idhcorp.com).

### **Statement of compliance**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards 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**

The uncertainty as to the future impact on the Group of the recent COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis. The Board has considered the potential impact of the COVID-19 outbreak on the Group's financial position and liquidity, but given the unknown magnitude of COVID-19, Management has considered several downside scenarios and stress tests. One of the stress tests considered the following



key assumptions: a complete lockdown with a substantial loss of revenue by more than 75% for a period of eight months (from May to December), no fixed costs reductions, forecasted capital expenditure (mainly the yearly expansionary plan of opening new branches that are not required for the current operation) reduced in 2020 by 86%, and cessation of dividend payments\*. Reducing revenues by more than 75% will negatively impact EBITDA and consequently will affect the Group's ability to meet financial covenants such as Debt service Coverage Ratio. The conducted stress test displayed the ability of full repayment of the existing loans balances. The downside scenarios showed that the Group's current financial position and cash balance will alleviate any potential downside risk in the Group's cash flow generated from its operational activities, thus the Directors continue to adopt the going concern basis in preparing the financial information. At 31 December 2019, the Group had net assets amounting to EGP 2,360,256,000. 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.

\* Please refer to P.10 for more details

## **2.1. Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. 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.

### **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. Changes in significant accounting policies**

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the Modified Retrospective Approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019.

Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

#### **A. Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease of the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

#### **B. As a lessee**

The Group leases many assets, including properties, production equipment and IT equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **C. Significant accounting policies**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measurement at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, of that rate cannot be readily determined, the Group's incremental borrowing rate. the Group uses the incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

#### **D. Transition**

Previously, the Group classified property leases as operating under IAS 17. These include warehouse and factory facilities. The leases typically run for a period of 5 to 10 years. At transition, for leases that were classified as operating leases under IAS 17, lease liabilities are measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rates at 1 January 2019. Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
- The incremental borrowing rate (IBR) used by the Group was determined by region and the period of the lease contract as follows:

	1-5 Years	5-10 Years
<b>Egypt</b>	18.75%	18.75%
<b>Jordan</b>	9.00%	9.50%
<b>Sudan</b>	29.84%	29.84%
<b>Nigeria</b>	23.86%	24.73%

The IFRS 16 defines incremental borrowing rate (IBR) as "the rate of interest that causes the present value of (a) the lease payments and (b) the unguaranteed residual value to equal the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor."

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

#### **E. Impact of transition**

On transition to IFRS 16, the Group recognized the addition of right-of-use assets, including investment property and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarised below.

Right-of-use assets presented in financial statement  
Lease liabilities

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rates applied for each region are (Egypt 18.75% - Jordan 9.5% - Sudan 29.84% - Nigeria 24.30%).

Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements

Discounted using the incremental borrowing rate at 1 January 2019  
Finance lease liabilities recognized as at 31 December 2018  
Recognition exemption for leases with less than 12 months  
of lease term at transition

#### **Lease liabilities recognized at 1 January 2019**

#### **F. Impacts for the period**

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized EGP 264,763K of net right-of-use assets and EGP 269,401K of net lease liabilities balance as at 31 December 2019.

Also in relation to those leases under IFRS 16, the Group has recognized depreciation and interest expense, instead of operating lease expense. During the year ended 31 December

2019, the Group recognized EGP 47,716K of depreciation charges and EGP 35,136K of interest costs from these leases.

For the impact of IFRS 16 on segment information and EBITDA, see notes 3.

**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 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. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. 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 one 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 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 used in the valuation techniques as follows:

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

The following steps are considered for patients served under contracts:

1. Identification of the Contracts: written contracts are signed between IDH and customers. The contracts stipulate the duration, price per test, credit period.
2. Transaction price: Services provided by the Group are distinct in the contract, as the contract stipulates the series of tests' names/types to be conducted along with its distinct prices.
3. Allocation of price to performance obligations: Stand-alone selling price per test is stipulated in the contract. In case of discounts, it is allocated proportionally to all of tests prices in the contract.
4. The performance obligations are the diagnostics tests within the pathology and radiology services. The performance obligation is achieved when the customer receives their test results, and so are recognised at point in time.
5. That there are no other revenue streams other than those whose performance obligation occurs at a point in time.

### **d) 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 recognised 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 recognised 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.

#### **e) 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.

#### **f) Hyperinflationary Economies**

The financial statements of "SAMA Medical Laboratories Co. and AL-Mokhtabar Sudanese Egyptian Co." report their financial statements in the currency of a hyperinflationary economy. In accordance with IAS 29 financial reporting in Hyperinflationary Economies, the financial statements of those subsidiaries were restated by applying the consumer price index at closing rates in December 2019 2,321 (2018 December, 1,490) before they were included in the consolidation financial statements. The comparative information as the financial information of SAMA Medical Laboratories Co. and AL-Mokhtabar Sudanese Egyptian Co whose functional currency is hyperinflationary is translated into a different presentation currency (EGP), this is done in accordance with IAS 21 as follows. If the presentation currency is not hyperinflationary, then comparative amounts are not restated for changes in either the general price level in the functional currency (i.e. as otherwise required by IAS 29) or the exchange rate between the functional and presentation currencies. As such, the comparative amounts remain those amounts reported as current for the previous reporting period. When the functional currency of a foreign operation is the currency of a hyperinflationary economy, all assets, liabilities, equity items, income and expenses are translated using an official exchange rate prevailing at the end of each reporting period. Exchange differences arising, if any, are recognized on other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

#### **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 recognised 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.

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 recognised 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

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

acquire.

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 recognised at fair value at the acquisition date and have an indefinite useful life.

The Group brand names are considered to have indefinite useful life as the Egyptian brands have been established in the market for more than 30 years and the health care industry is very stable and continues to grow.

The Brands are not expected to become obsolete and can expand into different countries and adjacent businesses, in addition, there is a sufficient ongoing marketing efforts to support the brands and this level of marketing effort is economically reasonable and maintainable for the foreseeable future.

### **J) 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, 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 Fair value through other comprehensive income
- Ø Amortised cost

The Group did not hold financial assets classified as financial assets at fair value through the profit or loss at 31 December 2019 and 31 December 2018.

##### **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.
- Ø



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 uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on credit risk characteristics, age of customer relationship.

Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Groups view of economic conditions over the expected lives of the receivables.

## **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, put option and loans and borrowings including bank overdrafts.

### **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.

### k) 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.

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.

#### **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 36,012K (31 December 2018: EGP 29,295K)

#### **l) Inventories**

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

#### **m) 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.

#### **n) 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.

**o) 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.

**p) 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.

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	Notes 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 27.

**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.

### 3. Segment information

The Group has four operating segments based on geographical location rather than two operating segments based on service provided, as the Group's Chief Operating Decision Maker (CODM) reviews the internal management reports and KPIs of each geography.

The Group operates in four geographic areas, Egypt, Sudan, Jordan and Nigeria. The revenue split between the four regions is set out below.

For the year ended	Revenue by geographic location				
	Egypt region	Sudan region	Jordan region	Nigeria region	Total
31-Dec-19	1,902,788	36,927	256,700	30,080	<b>2,226,495</b>
31-Dec-18	1,613,484	35,347	242,489	30,132	<b>1,921,452</b>

For the year ended	Net profit by geographic location			
	Egypt region	Sudan region	Jordan region	Nigeria region
31-Dec-19	499,745	3,684	44,162	
31-Dec-18	505,769	(6,241)	26,193	

	Revenue by type		Net profit by type	
	2019 EGP'000	2018 EGP'000	2019 EGP'000	2018 EGP'000
Walk-in			895,336	
Corporate			1,331,160	
			<b>2,226,495</b>	<b>1,921,452</b>

	Revenue by type		Net profit by type	
	2019 EGP'000	2018 EGP'000	2019 EGP'000	2018 EGP'000
Pathology	2,182,208	1,889,418	55,336	55,336
Radiology	44,287	32,034	(5,336)	(5,336)
	<b>2,226,495</b>	<b>1,921,452</b>	<b>50,000</b>	<b>50,000</b>

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

	2019 EGP'000
<b>Profit from operations</b>	<b>790,840</b>
Property, plant and equipment depreciation	147,269
Amortization of Intangible assets	6,862

Non-current assets by geographic location are as follows:

For the year ended	Non-current assets by geographic location		
	Egypt region	Sudan region	Jordan region
31-Dec-19	2,334,043	17,518	237,155
31-Dec-18	2,122,027	10,054	174,976

#### 4. 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 are 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.

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.

	2019 EGP (000)	2018 EGP (000)
Total liabilities	1,215,907	849,948
Less: cash and short-term deposits (Note 17)	(408,892)	(412,607)
<b>Net (cash)/debt</b>	<b>807,015</b>	<b>437,341</b>
Total Equity	2,360,256	2,400,638
Net debt to equity ratio	34.2%	18.2%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

#### 5. Group information

##### Information about subsidiaries

The consolidated financial statements of the Group include:

	Principal activities	Country of Incorporation
Al Borg Laboratory Company ("Al-Borg")	Medical diagnostics service	Egypt
Al Mokhtabar Company for Medical Labs ("Al Mokhtabar")	Medical diagnostics service	Egypt
Molecular Diagnostic Center*	Medical diagnostics service	Egypt
Medical Genetic Center	Medical diagnostics service	Egypt
Al Makhbaryoun Al Arab Group (Hashemite Kingdom of Jordan)	Medical diagnostics service	Jordan

Golden Care for Medical Services	Holding company of SAMA	Egypt
Integrated Medical Analysis Company (S.A.E)	Medical diagnostics service	Egypt
SAMA Medical Laboratories Co. ("Ultralab medical laboratory ")	Medical diagnostics service	Sudan
AL-Mokhtabar Sudanese Egyptian Co.	Medical diagnostics service	Sudan
Integrated Diagnostics Holdings Limited	Intermediary holding company	Caymans Island England and Wales
Dynasty Group Holdings Limited	Intermediary holding company	
Eagle Eye	Intermediary holding company	Mauritius
Echo-Scan	Medical diagnostics service	Nigeria
WAYAK Pharma**	Medical services	Egypt

\* Molecular Diagnostic Center" put under liquidation on 5 May 2016 following the start of liquidation proceedings by the liquidator (Abd EL Wahab Kamal) under Egyptian Law. The liquidation processes were completed and finalized on 19 January 2020.

\*\* On 7 August 2019, AL-Mokhtabar; one of the IDH' subsidiaries has established Wayak Company with Khaled Ismail for the purpose of creating an Electronic Medical Record "EMR" platform .

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).

## 6. Non-Controlling interest

Non-Controlling Interest is measured at the proportionate share basis.

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

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

	<u>Country of incorporation</u>
Medical Genetic Center	
Al Makhbariyoun Al Arab Group (Hashemite Kingdom of Jordan)	
SAMA Medical Laboratories Co. " Ultra lab medical laboratory "	
Al Borg Laboratory Company	England
Dynasty Group Holdings Limited	
Eagle Eye	Mauritius

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	Al Makhbariyoun Al Arab Group (Hashemite Kingdom of Jordan) EGP'000	Alborg Laboratory Company EGP'000	Other individually immaterial subsidiaries EGP'000
<b>Summarised statement of profit or loss for 2019:</b>				
Revenue	7,628	256,700	877,334	1,502,166
Profit	(385)	43,504	273,833	451,559
Other comprehensive income	-	(11,778)	-	190
<b>Total comprehensive income</b>	<b>(385)</b>	<b>31,726</b>	<b>273,833</b>	<b>451,749</b>
Profit allocated to non-controlling interest	(173)	17,402	2,248	217
Other comprehensive income allocated to non-controlling interest	-	(4,711)	-	44
<b>Summarised statement of financial position as at 31 December 2019:</b>				
Non-current assets	788	169,491	280,546	521,362
Current assets	6,300	77,892	397,241	795,497
Non-current liabilities	-	(52,208)	(69,193)	(94,556)
Current liabilities	(1,605)	(46,347)	(123,186)	(170,939)
<b>Net assets</b>	<b>5,483</b>	<b>148,828</b>	<b>485,408</b>	<b>1,051,364</b>
Net assets attributable to non-controlling interest	2,468	59,531	3,436	829
<b>Summarised cash flow information for year ended 31 December 2019:</b>				

Operating	310	44,566	229,414	443,173
Investing	-	(15,595)	68,369	(53,730)
Financing	-	(26,501)	(260,183)	(429,260)
Dividend to NCI	-	6,577	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>310</b>	<b>9,047</b>	<b>37,600</b>	<b>(39,817)</b>

	Medical Genetic Center EGP'000	Al Makhbariyoun Al Arab Group (Hashemite Kingdom of Jordan) EGP'000	Alborg Laboratory Company EGP'000	Other individually immaterial subsidiaries EGP'000
<b>Summarised statement of profit or loss for 2018:</b>				
Revenue	11,506	242,489	754,038	1,302,116
Profit	1,603	27,263	258,554	364,108
Other comprehensive income	-	534	-	1,046
<b>Total comprehensive income</b>	<b>1,603</b>	<b>27,797</b>	<b>258,554</b>	<b>365,154</b>
Profit allocated to non-controlling interest	722	10,905	1,830	(6,989)
Other comprehensive income allocated to non-controlling interest	-	214	-	(39)

<b>Summarised statement of financial position as at 31 December 2018:</b>				
Non-current assets	876	99,687	214,161	361,292
Current assets	6,866	62,167	382,160	757,482
Non-current liabilities	(42)	(2,511)	(40,136)	(136,218)
Current liabilities	(3,796)	(56,088)	(216,606)	(349,679)
<b>Net assets</b>	<b>3,904</b>	<b>103,255</b>	<b>339,579</b>	<b>632,877</b>
Net assets attributable to non-controlling interest	1,758	41,302	2,403	34,335

<b>Summarised cash flow information for year ended 31 December 2018:</b>				
Operating	(444)	18,798	259,199	360,138
Investing	15	(8,674)	(213,920)	(162,152)
Financing	(590)	6,495	(291,166)	(105,002)
Dividend to NCI	(483)	(6,988)	(2,325)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,502)</b>	<b>9,631</b>	<b>(248,212)</b>	<b>92,984</b>

## 7. Expenses and other income

Included in profit and loss are the following:

Impairment on trade and other receivables				EGP
Charge for increase in provisions				
Professional and advisory fees				
Amortisation				
Depreciation				14
<b>Total</b>				<b>17</b>

### 7.1 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

Fees payable to the Company's auditor for the audit of the Group's annual financial statements				EGP
The audit of the Company's subsidiaries pursuant to legislation				1
Tax compliance and advisory services				2
				<b>1</b>



## 7.2 Net finance costs

	2019 EGP'000
Interest expense	(60,9)
Net foreign exchange loss	(15,5)
Bank Charges	(3,5)
<b>Total finance costs</b>	<b>(80,1)</b>

	2018 EGP'000
Interest income	43,5
Gain on hyperinflationary net monetary position	3,8
<b>Total finance income</b>	<b>47,4</b>
<b>Net finance income /(cost)</b>	<b>(32,6)</b>

## 7.3 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:

	2019			2018	
	Medical	Administration	Total	Medical	Administration
Average number of employees	4,168	1,272	5,440	3,672	1,772

  

	2019 EGP'000			2018 EGP'000	
	Medical	Administration	Total	Medical	Administration
Wages and salaries	357,308	109,932	467,240	290,508	109,932
Social security costs	20,082	4,647	24,729	17,958	4,647
Contributions to defined contribution plan	5,700	1,399	7,099	4,974	1,399
<b>Total</b>	<b>383,090</b>	<b>115,978</b>	<b>499,068</b>	<b>313,440</b>	<b>115,978</b>

Details of Directors' and Key Management remuneration and share incentives are disclosed in the Remuneration Report and note 28.

## 8. Income tax

### a) Amounts recognised in profit or loss

20

	EGP'000	EGP'000
Current year tax		(220,390)
WHT suffered		(27,500)
<b>Current tax</b>		<b>(247,890)</b>
DT on undistributed reserves		(5,200)
DT on reversal of temporary differences		(3,000)
<b>Total Deferred tax</b>		<b>(5,600)</b>
<b>Tax expense recognized in profit or loss</b>		<b>(253,490)</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%. 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% (2018: 22.5%) tax rate. The reconciliation of effective income tax rate has been performed using this rate.

In accordance with the Egyptian Law No. 991 of 2005, the employees' profit share are deducted from the retained earnings of the company and are approved by the general association meeting.

In July 2018, the Egyptian Government imposed a new tax related to health care of 0.25% on total income. As result the Group has recorded an additional EGP 6.3m in income tax expense.

	2019	2018
	EGP'000	EGP'000
<b>Profit before tax</b>		<b>758,000</b>
Profit before tax multiplied by rate of corporation tax in Egypt of 22.5% (2018: 22.5%)		170,550
Effect of tax rate in Jersey of 0% (2018: 0%)		12,000
Effect of tax rates in Jordan, Sudan and Nigeria of 20%, 30% and 30% respectively (2018: 20%, 15% and 30%)		(3,000)
<b>Tax effect of:</b>		
Change in unrecognized deferred tax assets		2,000
Deferred tax arising on undistributed dividend		32,000
Non-deductible expenses for tax purposes - employee profit share		22,000
Current year losses for which no deferred tax asset was recognized		12,000
Non-deductible expenses for tax purposes - other		4,000
<b>Tax expense recognised in profit or loss</b>		<b>253,490</b>

#### Deferred tax

Deferred tax relates to the following:

	2019	
	Assets EGP'000	Liabilities EGP'000
Property, plant and equipment	-	(17,460)
Intangible assets	-	(108,365)
Undistributed reserves from group subsidiaries*	-	(49,534)

Provisions and finance lease liabilities	1,360	-
<b>Total deferred tax assets - liability</b>	<b>1,360</b>	<b>(175,359)</b>
	-	<b>(174,000)</b>

**The difference between net deferred tax balances recorded on the income statement is as follows:**

**2019**

	Net Balance 1 January	Deferred tax recognised in profit or loss	Deferred tax effect of current tax recognised in profit and loss on dividend payment
Property, plant and equipment	(20,562)	3,102	-
Intangible assets	(106,125)	(2,240)	-
Undistributed dividend from group subsidiaries	(44,293)	(32,822)	27,581
Provisions and finance lease liabilities	2,619	(1,259)	-
	<b>(168,361)</b>	<b>(33,219)</b>	<b>27,581</b>

**2018**

	Net balance at 1 January	Deferred tax recognised in profit or loss	Deferred tax effect of current tax recognised in profit and loss on dividend payment
Property, plant and equipment	(17,159)	(3,403)	-
Intangible assets	(106,651)	7,795	-
Undistributed dividend from group subsidiaries	(37,532)	(28,348)	21,587
Provisions and finance lease liabilities	2,630	(11)	-
	<b>(158,712)</b>	<b>(23,967)</b>	<b>21,587</b>

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 2018 for the country the liabilities and assets has arisen. The enacted tax rate in Egypt is 22.5% (2018: 22.5%), Jordan 21% (2018: 20%), Sudan 30% (2018: 15%) and Nigeria 30% (2018: 30%).

**\* 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:

	2019 EGP'000
Al Mokhtabar Company for Medical Labs	22,524
Alborg Laboratory Company	12,343
Integrated Medical Analysis Company	8,987
Molecular Diagnostic Center	434

#### 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 as the tax law does not recognize the balance of provisions except when it is used only. No deferred tax asset has been recognised on tax losses due to uncertainty that future taxable profit will be available against which the Group can use the benefits therefrom:

	2019 Gross Amount EGP'000	2019 Tax Effect EGP'000	Gross E
Impairment of trade receivables (Note 16)	36,012	8,103	
Impairment of other receivables (Note 16)	8,516	1,916	
Provision for legal claims (Note 22)	5,082	1,143	
Tax losses	57,633	17,290	
	<b>107,243</b>	<b>28,452</b>	
<b>Unrecognized deferred tax asset</b>	<b>28,452</b>		

#### 9. 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:

	2019 EGP'000
Profit attributable to ordinary equity holders of the parent for basic earnings	510,9
Weighted average number of ordinary shares for basic and dilutive EPS	150,0
<b>Basic and dilutive earnings per share (expressed in EGP)</b>	<b>3.</b>

There is no dilutive effect from equity.

#### 10. Property, plant and equipment

	Land & Buildings	Medical, electric & information system equipment	Leasehold improvements	Fixtures, fittings & vehicles
<b>Cost or valuation</b>				
At 1 January 2018	211,774	237,608	147,351	45,050
Additions	-	106,299	38,732	11,714
Acquired in business combination	6,411	31,615	-	907
Disposals	-	(7,860)	(5,381)	(992)
Exchange differences	478	(49)	(648)	(1,173)
Transfers	-	-	5,424	-

<b>At 31 December 2018</b>	<b>218,663</b>	<b>367,613</b>	<b>185,478</b>	<b>55,506</b>
Additions	649	95,107	42,961	14,756
Disposals	-	(4,667)	(1,712)	(2,763)
Exchange differences	(4,269)	(21,547)	(9,577)	(5,598)
Transfers	117,310	46,864	8,131	4,560
<b>At 31 December 2019</b>	<b>332,353</b>	<b>483,370</b>	<b>225,281</b>	<b>66,461</b>

#### Depreciation and impairment

At 1 January 2018	25,022	105,996	61,606	18,503
Depreciation charge for the year	7,310	34,592	24,784	4,303
Disposals	-	(5,742)	(4,827)	(303)
Exchange differences	10	(2,497)	(760)	(769)
<b>At 31 December 2018</b>	<b>32,342</b>	<b>132,349</b>	<b>80,803</b>	<b>21,734</b>
Depreciation charge for the year	7,656	58,054	28,051	5,140
Disposals	-	(2,924)	(1,352)	(2,238)
Exchange differences	(280)	(7,433)	(2,395)	(3,566)
<b>At 31 December 2019</b>	<b>39,718</b>	<b>180,046</b>	<b>105,107</b>	<b>21,070</b>
<b>Net book value</b>				
<b>At 31-12-2019</b>	<b>292,634</b>	<b>303,324</b>	<b>120,173</b>	<b>45,391</b>
<b>At 31-12-2018</b>	<b>186,321</b>	<b>235,264</b>	<b>104,675</b>	<b>33,772</b>

\*Payment on account this relates to payments made as a with respect to branches that IDH will receive and own in 2021 and are paying off via a payment schedule.

#### Leased equipment (classified as a finance lease and IAS 17)

The Group leases medical and electric equipment under lease arrangements. This equipment is supplied to service the Group's new state-of-the-art Mega Lab. At 31 December 2018, the net carrying amount of leased equipment was EGP 40m.

#### 11. Intangible assets

	Goodwill	Brand Name
	EGP'000	EGP'000
<b>Cost</b>		
<b>At 1 January 2018</b>	<b>1,260,453</b>	<b>387,287</b>
Additions	15,077	-
Effect of movements in exchange rates	(4,534)	(530)
<b>At 31 December 2018</b>	<b>1,270,996</b>	<b>386,757</b>
Additions (note 6)		
Effect of movements in exchange rates	(6,910)	(2,343)
<b>At 31 December 2019</b>	<b>1,264,086</b>	<b>384,414</b>

#### Amortisation and impairment

At 1 January 2018	1,849	-
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Amortisation	-	-
Effect of movements in exchange rates	-	-
<b>At 31 December 2018</b>	<b>1,849</b>	<b>-</b>
Amortisation	-	-
Effect of movements in exchange rates	-	-
<b>At 31 December 2019</b>	<b>1,849</b>	<b>-</b>
<b>Net book value</b>		
<b>At 31 December 2019</b>	<b>1,262,237</b>	<b>384,414</b>
<b>At 31 December 2018</b>	<b>1,269,147</b>	<b>386,757</b>

## 12. Goodwill and intangible assets with indefinite lives (note 2.2-i)

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

	2019 EGP'000
<b>Medical Genetics Center</b>	
Goodwill	1,755
	<b>1,755</b>
<b>Al Makhbariyoun Al Arab Group ("Biolab")</b>	
Goodwill	47,096
Brand name	20,567
	<b>67,663</b>
<b>Golden Care for Medical Services ("Ultralab")</b>	
Goodwill	3,353
Brand name	462
	<b>3,815</b>
<b>Alborg Laboratory Company ("Al-Borg")</b>	
Goodwill	497,275
Brand name	142,066
	<b>639,341</b>
<b>Al Mokhtabar Company for Medical Labs ("Al-Mokhtabar")</b>	
Goodwill	699,102
Brand name	221,319
	<b>920,421</b>
<b>Echo-Scan</b>	
Goodwill	13,656
	<b>13,656</b>
<b>Balance at 31 December</b>	<b>1,646,651</b>

The Group performed its annual impairment test in October 2019. Nothing occurred between the impairment test and the balance sheet date that would require the assumptions in the models to be updated. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

Management have considered the current effects of Corona virus and believe it represents a non-adjusting post balance sheet event with respect to the impairment testing carried out in October 2019. The impairment calculations were prepared for the purposes of the balance at the balance sheet date 31/12/2019. At this point in time there were no indications of impact of COVID-19 and at that point in time the number of cases were few therefore it has been deemed to be a non-adjusting event. However, the impact of corona virus on the business could have a resulting impact on the headroom and need for impairment in the models should it significantly impact the business for an extended period of time. It is currently too early to determine the full impact that the virus may have on the individual CGU's.

## 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	Al-Mokhta
Average annual patient growth rate from 2020 -2024	8%	5%	4%
Average annual price per test growth rate from 2020 -2024	4%	0%	8%
Annual revenue growth rate from 2020 -2024	14%	5%	12%
Average gross margin from 2020 -2024	36%	40%	52%
Terminal value growth rate from 1 January 2025	2%	2%	3%
Discount rate	27.20%	14.70%	16.60%

  

	Ultra Lab	Bio Lab	Al-I
Average annual patient growth rate from 2019 -2023	8%	5%	
Average annual price per test growth rate from 2019 -2023	11%	0%	
Annual revenue growth rate from 2019 -2023	18%	5%	
Average gross margin from 2019 -2023	42%	35%	
Terminal value growth rate from 1 January 2024	2%	2%	
Discount rate	28.60%	15.10%	

During year 2019, The management has conducted business plan projection with the help of an independent advisor (Fincorp), using the key assumptions above to be able to calculate the net present value of the asset in use and determine the recoverable amount. The projected cash flows from 2020- 2024 have been based on detailed forecasts prepared by management for each CGU and a terminal value thereafter. Management have used 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.

Management also considered a change in the discount rates of 1-3%, increasing those rates to reflect additional risk that could reasonably be foreseen in the marketplaces in which the Group operates. This did not result in an impairment under any of these scenarios.

This recoverable amount is then compared to the carrying value of the asset as recorded in the books and records of IDH plc. The WACC has been used considering 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.

Moreover, the only CGU where a reasonably possible change in a key assumption which could cause the carrying amount to exceed its recoverable amount is Echo Scan. The estimated recoverable amount of Echo Scan exceeded its carrying amount by EGP 90 million. Management has identified that if the average annual revenue growth rate from 2020-2024 fell by 10.8% (a 25% fall of all revenues in the model) this would cause the recoverable amount to equal the carrying amount. Management is satisfied that the sensitivity analysis doesn't give rise to an impairment risk.

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

### 13. Other investments

Equity investments\*

**Balance at 31 December**

EGP

\* Al Makhbaryoun Al Arab LLC (Biolab) received shares representing an 8.025% interest in JSC Mega-Lab in an agreement signed on 8 April 2019. The shares represent payment for the purchase of IT technology (LIMS) from Biolab in relation to an agreement with EVEX Medical Corporation to establish the biggest laboratory among the West Asia countries located in Tbilisi. This 4000-square-meters diagnostic medical laboratory will connect more than 40 hospitals, and diagnostic centers that are part of EVEX group, utilizing the advanced technological systems that Biolab created in Jordan. EVEX Medical Corporation is the largest chain of hospitals in Georgia, currently represented with 78 clinics in 6 regions of Georgia.

The agreement is based on two elements:

1. Implementation of the technological platforms and biolab LIMS at Evex labs.
2. Taking the Mega Lab through the journey of Joint Commission International accreditation (JCI), within two years from the expected launch date of the central laboratory.

### 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:

	<b>2019</b>
	<b>EGP'000</b>
Cash and cash equivalent	408,892
Short term deposits - treasury bills	221,617
Trade and other receivables (Note 16)	289,833
<b>Total financial assets</b>	<b>920,342</b>

	<b>2019</b>
	<b>EGP'000</b>
Trade and other payables	315,054
Put option liability	229,164
Lease liabilities	338,073
Loans and borrowings	111,750
<b>Total other financial liabilities</b>	<b>994,040</b>

**Total financial instruments**

**(73,698)**

The fair values measurements for all the Group companies has been categorized as Level 2, except Echo-Scan which has been categorized as level 3.

Makhbaryoun Al Arab put option (note 24) has been categorized as Level 2.

Echo-Scan put option (note 26) has been categorized as 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 2019 and 2018. 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.

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:

- Ø 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 2019 and 2018.
- Ø 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 2019 for the effects of the assumed changes of the underlying risk.

- **Interest rate risk**

The Group is trying to minimize its interest rate exposure, especially in Egypt region, characterized by decreasing interest rate environment. 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:

**Fixed-rate instruments**

Lease liabilities (note 27)

338,0

**Variable-rate instruments**

Loans and borrowings (note 25)

106,7

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 1,067K. 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, the Jordanian Dinar and Nigerian Naira. Foreign exchange risk arises from 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 recognised 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 in thousands):

	31-Dec-19					
	Assets			Liabilities		
	Cash and cash equivalents	Other assets	Total assets	Put option	Finance lease	Trade payables
US Dollars	3,715	397	4,112	-	(4,049)	(1,330)
Euros	9	-	9	-	-	(14)
GBP	4	-	4	-	-	-
JOD	986	2,224	3,210	(8,850)	(3,252)	(1,894)
SDG	13,608	10,150	23,758	-	(15,559)	(20,253)
NGN	237,189	164,878	402,067	(680,298)	(179,290)	(518,718)

  

	31-Dec-18					
	Assets			Liabilities		
	Cash	Other assets	Total assets	Put option	Finance lease	Trade payables
US Dollars	7,012	336	7,348	-	(4,559)	(2,405)
Euros	32	-	32	-	-	(31)
GBP	4	-	4	-	-	-
JOD	601	1,882	2,483	(5,259)	(141)	(1,259)
SDG	7,299	18,741	26,040	-	-	(14,754)

The following is the exchange rates applied:

	<b>Average rate for the year ended 31-Dec-19</b>
US Dollars	16.68
Euros	18.68
GBP	21.35
JOD	23.49
SAR	4.47
SDG	0.36
NGN	0.05

	<b>Spot rate for the year ended 31-Dec-19</b>
US Dollars	15.98
Euros	17.94
GBP	21.09
JOD	22.50
SAR	4.26
SDG	0.35
NGN	0.04

At 31 December 2019, 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 increased / decreased by EGP (1.2m) (2018: EGP 0.7m), mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

At 31 December 2019, 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 37m (2018: EGP (10.5m)), mainly as a result of foreign exchange gains/losses on translation of JOD - denominated financial assets and liabilities.

At 31 December 2019, 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 2.6m (2018: EGP 0.4m), mainly as a result of foreign exchange gains/losses on translation of SDG -denominated financial assets and liabilities.

At 31 December 2019, if the Egyptian Pounds had weakened / strengthened by 10% against the Nigeria Naira with all other variables held constant, pre-tax profit for the year would have been increased / decreased by EGP 8m (2018: (0.8m)), mainly as a result of foreign exchange gains/losses on translation of SDG -denominated financial assets and liabilities.

**- 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 and expected future credit losses. 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:

<b>Year ended 31 December 2019</b>	<b>1 year or less</b>	<b>1 to 5 years</b>	<b>more than 5 years</b>
Lease liabilities	117,712	368,832	87,500
Put option liability	199,141	-	41,000
Loans and borrowings	38,580	85,726	23,000
Trade and other payables	315,054	-	-
	<b>670,487</b>	<b>454,558</b>	<b>153,500</b>
<b>Year ended 31 December 2018</b>	<b>1 year or less</b>	<b>1 to 5 years</b>	<b>more than 5 years</b>
Lease liabilities	35,805	95,242	-
Put option liability	131,671	-	16,000
Loans and borrowings	45,612	113,756	38,000
Trade and other payables	281,183	-	-

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

Chemicals and operating supplies

During 2019, EGP 391,574k (2018: EGP 353,789k) was recognised as an expense for inventories, this was recognised in cost of sales.

## 16. Trade and other receivables

	<b>2019</b>
	<b>EGP'000</b>
Trade receivables	260,746
Prepaid expenses	32,972
Receivables due from related parties	6,191
Other receivables	21,969
Accrued revenue	927
	<b>322,805</b>

For terms and conditions relating to related party receivables, refer to Note 28.

As at 31 December 2019, the expected credit loss related to trade and other receivables was EGP 44,528k (2018: EGP 37,811k). Below show the movements in the provision for impairment of trade and other receivables:

	<b>2019</b>
	<b>EGP'000</b>
<b>At 1 January</b>	<b>37,811</b>
Charge for the year	8,647
Utilised	(493)
Unused amounts reversed	(1,155)
Exchange differences	(282)
<b>At 31 December</b>	<b>44,528</b>

No debts have met the group's definition of default

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (historical customer's collection, Customers' contracts conditions) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Expected credit loss assessment is based on the following:

1. The customer list was divided into 9 sectors
2. Each sector was divided according to customers aging
3. Each sector was studied according to the historical events of each sector. According to the study conducted, the expected default rate was derived from each of the aforementioned period.
4. General economic conditions

Based on the expected credit loss assessment, additional provision was calculated for each period, yielding an additional Expected Credit Losses (ECL) for IDH Group amounting to EGP 8.6 million. On quarterly basis, IDH revises its forward-looking estimates and the general economic conditions to assess the expected credit loss, which will be mainly based on current and expected inflation rates. The results of the quarterly assessment will increase/decrease the percentage allocated to each period.

A reasonable possible change of 100 basis points in the expected credit loss at the reporting date would have increased (decreased) profit or loss by the amount of EGP 1,957K. This analysis assumes that all other variables remain constant.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at:

	Weighted average loss rate EGP'000	Gross
<b>31-Dec-19</b>		
Current (not past due)	0.06%	
1-30 days past due	0.15%	
31-60 days past due	0.24%	
61-90 days past due	8.14%	
91-120 days past due	11.09%	
121-150 days past due	12.97%	
More than 150 days past due	41.17%	

	Weighted average loss rate EGP'000	Gross
<b>31-Dec-18</b>		
Current (not past due)	0.16%	
1-30 days past due	0.20%	
31-60 days past due	1.10%	
61-90 days past due	3.53%	
91-120 days past due	5.60%	
121-150 days past due	6.06%	
More than 150 days past due	60.13%	

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

	Total	< 30 days	30-60 days	61-90 days
2019	260,746	144,856	38,508	15,192
2018	220,396	149,873	27,866	12,057

## 17. Cash and cash equivalent

Cash at banks and on hand	93,400
Treasury bills	194,300
Short-term deposits	121,100
	<b>408,800</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits and treasury bills 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 average rate 10.10% and Treasury bills 15.17% per annum.

## 18. Restricted cash

Restricted cash	EGP
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The cash balance related to "Molecular Diagnostic Center" is not available for use by the Group as a liquidator has been appointed. During the year 2019 EGP 11,571K has been returned to IDH, the liquidation process was completed and finalized on 19 January 2020.

## 19. Other investments

	2019 EGP'000
Fixed term deposits	-
Treasury bills	221,617
	<u>221,617</u>

The maturity date of the fixed term deposit and treasury bills between 9-12 months and the effective interest rate on the treasury bills is 16.65% and nil (2018: 18.34% and 14.76%).

## 20. Share capital and reserves

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 par value of \$1.

	Ordinary shares 31-Dec-19
In issue at beginning of the year	150,000,000
<b>In issue at the end of the year</b>	<u><b>150,000,000</b></u>

### 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.

### 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.

## 21. Distributions made and proposed

### Cash dividends on ordinary shares declared and paid:

US\$ 0.18 per qualifying ordinary share (2018: US\$ 0.16)	<u>442,1</u>
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The dividend on ordinary shares are subject to approval at the annual general meeting.

## 22. Provision

	Egyptian Government Training Fund for employees EGP'000	Provision for le
<b>At 1 January 2019</b>	12,014	
Provision made during the year	-	
Provision used during the year	-	
Provision reversed during the year*	(11,823)	
<b>At 31 December 2019</b>	<b>191</b>	
Current		
Non- Current	191	

  

	Egyptian Government Training Fund for employees EGP'000	Pro
<b>At 1 January 2018</b>	12,014	
Provision made during the year	-	
Provision used during the year	-	
Provision reversed during the year	-	
<b>At 31 December 2018</b>	<b>12,014</b>	
Current		
Non- Current	12,014	

\* During 2019 management reversed provisions for the employee' training fund balance EGP 11.8m as it is no longer required. See Contingent Liabilities in Note 25.

### 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 2019.

## 23. Trade and other payables

	2019
	EGP'000
Trade payables	145,195
Accrued expenses	129,357
Other payables	40,502
Accrued interest	5,029
	<b>320,083</b>

## 24. Short-term financial obligations

	2019
	EGP'000
Put option liability	199,141
Finance lease liabilities	61,712
	<b>260,853</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 2019

## 25. Loan and borrowings

**A)** 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 2019 only EGP 110m 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
%	2.33	1.71	2.31	1.95

**"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 50m 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.

**B)** In July 2018, AL-Borg lab, one of IDH subsidiaries, was granted a medium term loan amounting to EGP 130.5m from Ahli united bank "AUB Egypt" to finance the investment cost related to the expansion into the radiology segment. As at 31 December 2019 only EGP 43m 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 0.7 throughout the period of the loan

**"Financial leverage"**: total bank debt divided by net equity

2. The debt service ratios (DSR) shall not be less than **1.35 starting 2019**  
**"Debt service ratio"**: cash operating profit after tax plus depreciation for the financial year less annual maintenance on machinery and equipment adding cash balance divided by total financial payments.

**"Cash operating profit"**: Operating profit after tax, interest expense, depreciation and amortization, is calculated as follows: Net income after tax and unusual items adding Interest expense, Depreciation, Amortisation and provisions excluding tax

related provisions less interest income and Investment income and gains from extraordinary items

"**Financial payments**": current portion of long-term debt including finance lease payments, interest expense and fees and dividends distributions.

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

"**Current ratios**": Current assets divided current liabilities.

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Maturity	31 D
CIB ??? BANK	EGP	CBE corridor rate*+1%	Apr-22	6
AUB ??? BANK	EGP	CBE corridor rate*+1%	Apr-26	4
-	-	-	-	10
Amount held as:				
Current liability				2
Non- current liability				8
				10

\*As at 31 December 2019 corridor rate 13.25% (2018: 17.75%)

### Contingent liabilities

As required by article 134 of the labour law on Vocational Guidance and Training issued by the Egyptian Government in 2003, Al Borg Laboratory Company and Al Mokhtabar Company for Medical Labs are required to conform to the requirements set out by that law to provide 1% of net profits each year into a training fund. During the year, Integrated Diagnostics Holdings plc have taken legal advice and considered market practice in Egypt relating to this and more specifically whether the vocational training courses undertaken by Al Borg Laboratory Company and Al Mokhtabar Company for Medical Labs suggest that obligations have been satisfied through training programmes undertaken in-house by those entities. Since the issue of the law on Vocational Guidance and Training, Al Borg Laboratory Company and Al Mokhtabar Company for Medical Labs have not been requested by the government to pay or have voluntarily paid any amounts into the external training fund. The board of Integrated Diagnostics Holdings plc have concluded that an outflow of funds is not probable and therefore a brought forward provision of EGP 11.8m has been released to the income statement. Should a claim be brought against Al Borg Laboratory Company and Al Mokhtabar Company for Medical Labs, an amount of between EGP 16.0m to EGP 34.3m could become payable, however this is not considered probable.

### Accounting policies

Provisions are recognized 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. Provisions are discounted using a current pre-tax rate if the time value of money is significant.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

## 26. Long-term financial obligations

Lease liabilities building (see note 27)  
 Lease liabilities Medical equipment (see note 27)  
 Put option liability\*

	2019
	EGP'000
	232,07
	44,28
	30,02
	<b>306,38</b>

\*According to definitive agreements signed on 15 January 2018 between Dynasty Group Holdings Limited and International Finance Corporation (IFC) related to the Eagle Eye-Echo scan transaction, IFC has the option to put its shares to Dynasty in year 2024. The put option price will be calculated on the basis of the fair market value determined by an independent valuer (one of the big four accounting firms).

According to the International Private Equity and Venture Capital Valuation Guidelines, there are multiple ways to calculate the put option including Discounted Cash Flow, Multiples, Net assets. Multiple valuation was applied and EGP 30.0 million was calculated as the valuation as at 31 December 2019 (2018; EGP 13.6m). In line with IAS 32 the entity has recognised a liability for the present value of the exercise price of the option price. The ramp-up of Echo-Scan operations driven by the new radiology equipment installed during Q4 2019 in Lago and Abuja will bolster the Company's top line figure significantly starting 2020 and the following years yielding a Compounded Annual Growth Rate of 49% from 2019 to 2024.

## 27. Leases as lessee (IFRS 16)

The Group leases property and equipment. Property leases include branches, warehouse, parking and administration buildings. The leases typically run for average period from 5-10 years, with an option to renew the lease after that date. Lease payments are renegotiated with renovation after the end of the lease term to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements. The property leases were entered into as combined leases of land and buildings and were previously, classified as operating leases under IAS 17.

The Group entered into 2 significant agreements during the year ended 31 December 2015 to service the Group's state-of-the-art Mega Lab. 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. 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\$. These contracts leases were previously identified as finance leases under IAS 17, with the assets held within property plant and equipment (see note 10).

Information about leases for which the Group is lessee is presented below.

### a) Right-of-use assets

#### 2019

Balance at 1 January

Addition for the year

Depreciation charge for the year

**Balance at 31 December**


### b) Leases liabilities

Future minimum lease payments under leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

*Lease liability - laboratory equipment	67,690
*Lease liabilities building	269,401
Lease liability - other	982
	<b>338,073</b>

\*The lease liabilities for the laboratory equipment and building are payable as follows:

At 31 December 2019	Minimum lease payments	
	2019	
	EGP'000	
Less than one year	106,436	
Between one and five years	381,378	
More than 5 years	87,972	
	<b>575,786</b>	

At 31 December 2018	Minimum lease payments	
	2018	
	EGP'000	
Less than one year	34,128	
Between one and five years	94,617	
More than 5 years	-	
	<b>128,745</b>	

### c) Amounts recognised in profit or loss

Interest on lease liabilities  
Expenses related to short-term lease

#### 2018 - Operating leases under IAS 17

Leases expenses

### 28. Related party transactions disclosures

The significant transactions with related parties, their nature volumes and balance during the period 31 December 2019 and 2018 are as follows:

Related Party	Nature of transaction	Nature of relationship	Transaction amount year EGP'00
Life Scan (S.A.E)*	Expenses paid on behalf of related party by the group	Affiliate**	
International Fertility (IVF)**	Equipment bought from Related Party	Affiliate**	
H.C Security	Provide service	Entity owned by Company's board member	
Integrated Treatment for Kidney Diseases (S.A.E)	Rental income Medical Test analysis	Entity owned by Company's CEO	

**Total**

Related Party	Nature of transaction	Nature of relationship	Transaction amount year EGP'00
Life Scan (S.A.E)*	Expenses paid on behalf of related party by the group	Affiliate**	
International Fertility (IVF)**	Equipment bought from Related Party	Affiliate**	
H.C Security	Provide service	Entity owned by Company's board member	
Integrated Treatment for Kidney Diseases (S.A.E)	Rental income Medical Test analysis	Entity owned by Company's CEO	

**Total**

\* 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).

\*\*\* The group made a loan to International Fertility (IVF) of EGP 5 million which may provide future business opportunities for the company and is expected to be repaid in 2020.

**Terms and conditions of transactions with related parties**

The transactions with the related parties are not related to trading activities. However, they are related to expenses that have been paid on behalf of those related companies. 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 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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 organisations 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 2019 EGP 5,259K (2018: EGP 3,733K) 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.

Short-term employee benefits

**Total compensation paid to key management personnel**

**29. Reconciliation of movements of liabilities to cash flows arising from financing activities**

<b>EGP'000</b>	<b>Other loans and borrowings</b>
<b>Balance at 1 January 2019</b>	<b>133,000</b>
Proceeds from loans and borrowings	5,000
Repayment of borrowings	(25,400)
Payment of finance lease liabilities	
Interest paid	(21,100)
<b>Total changes from financing cash flows</b>	<b>(41,200)</b>
Capitalised borrowing costs	
Implementation of IFRS 16	
New leases signed in the period	
Interest expense	20,000
<b>Total liability-related other changes</b>	<b>20,000</b>
<b>Balance at 31 December 2019</b>	<b>111,800</b>
<b>EGP'000</b>	<b>Other loans and borrowings</b>
<b>Balance at 1 January 2018</b>	<b>60,000</b>
Proceeds from loans and borrowings	94,000
Repayment of borrowings	(20,000)
Payment of finance lease liabilities	
<b>Total changes from financing cash flows</b>	<b>73,000</b>
Capitalised borrowing costs	13,000
Interest expense	2,000
Interest paid	(17,000)
<b>Total liability-related other changes</b>	<b>(1,000)</b>
<b>Balance at 31 December 2018</b>	<b>133,000</b>

### 30. Post balance sheet events

As a result of the COVID-19 pandemic, the Group has conducted an assessment of the potential financial and operational risks to the business. The Group has a duty of care towards all employees, and therefore we expect some of our staff to be required to self-isolate and a lower level of branch visits to take place than anticipated for a limited period of time. The Group has increased house visits by phlebotomists to encourage patients to stay at home.

The Group has experienced branch closures in both Jordan and Sudan\* and reduced operating hours\*\* across its geographical markets, which has impacted revenue in March and April 2020. If the situation continues or worsens further, revenue, supply chain and operation are expected to be impacted. However, the Group has secured an ample level of inventory to mitigate the risk; Currently, raw material and other supplies stock is sufficient to cover until September 2020.

\* As of April 23, 2020, 17 branches have been closed in Jordan due to the complete lockdown, while the remaining two branches are open with a special permit from the authority. One of the two branches is located inside a hospital and the other test COVID-19. In Sudan, 17 branches have closed due to the lockdown of Khartoum city.

\*\*As of April 23, 2020, the operating hours per geography are as follows:

Egypt: from 8 am to 11 pm Two Shifts to 8 am to 7 pm Two Shift

Jordan: from 8 am to 7 pm Two shifts to 24h for the branch in the hospital, and 8 am to 6 pm for the second, only to test COVID-19

Nigeria: from 8 am to 6 pm Two shifts to 9 am to 5 pm One shift.

Sudan: from 8 to 6 pm Two Shifts to 7.30 to 12.30 pm for three branches and the fourth branch from 8 to 5 pm

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