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Integrated Diagnostics Holdings PLC

29 March 2016

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

**Integrated Diagnostics Holdings Plc**

**Final Results**

Tuesday, 29 March 2016

## Integrated Diagnostics Holdings Plc Results for the year ended 31 December 2015

**(Jersey)** Integrated Diagnostics Holdings ("IDH" or "the Group"), IDHC on the London Stock Exchange, Egypt's largest fully integrated private-sector provider of medical diagnostics services, announced today its results for the year ended 31 December 2015.

### Financial & Operational Highlights

- **Revenues** up 18% on 2014 to EGP 1,014.8 million amid improvements in all key operational metrics.
- **EBITDA** of EGP 303.7 million, down 17% from 2014, largely as a result of costs associated with IDH's listing on the London Stock Exchange (LSE).
- **Normalised EBITDA** of EGP 434.8 million, up 16% from a normalised 2014 figure of EGP 374.4 million.<sup>1</sup>
- **Net profit** of EGP 155.0 million, up 9.4% on 2014.
- **Normalised net profit** for the year of EGP 286.1 million, up 18.4% on 2014.
- **Earnings per share** of EGP 0.97, up from EGP 0.89 in 2014
- **Recommended final dividend of US\$0.06 (six U.S. cents) per share**, equivalent to US\$ 9 million in total.
- **Mega Lab**, the new automated central lab, **began operations** in 2Q2015 and is fully functional, serving as a core element of the growth strategy going forward.

### Commenting on the year's performance and the company's outlook, IDH's Chief Executive Officer Dr. Hend El-Sherbini said:

"Born of a merger in 2012 between Al Mokhtabar and Al Borg Laboratories, Integrated Diagnostics Holding (IDH) is one of the largest diagnostics groups in emerging markets. Today, we offer more than 1,000 international standard diagnostic tests, and in the year ended 31 December 2015 we performed more than 23.8 million tests for over 5.8 million patients. That represents 7% annual growth in total tests and 4% annual growth in patients

served. This is reflected in an increase in revenue of 18% to EGP 1,014.8 million. Careful attention to our cost structure saw this top line performance carry to our bottom line despite incurring expenses related to our listing on the London Stock Exchange and expenses related to the ramp-up of operations at the Mega Lab. Net profit for 2015 rose 9.4% on the previous year to close at EGP 155.0 million.

<sup>1</sup>The adjustments to 2015 EBITDA are IPO costs of EGP 125.1 million and the write-off of costs of EGP 6.0 million relating to plans to set up operations in Qatar which are now not being pursued, the closure of Molecular Diagnostics Centre in Cairo, and surplus stationery included within inventory. 2014 figure adjusted for one-time IPO expenses of EGP 8.4 million. A detailed breakdown of non-recurring expenses is provided in the Financial Review.

"2015 was a milestone year on multiple fronts. In May of 2015, we began the next stage of our growth as we transitioned from being a privately owned company into a public corporation. Our IPO on the London Stock Exchange was 11.2 times oversubscribed, indicating heavy institutional investment appetite for a leading healthcare business with an expanding Middle East and North Africa (MENA) footprint," added El-Sherbini. "2015 was key for our growth with the inauguration of the Mega Lab, our new state of the art central laboratory, which nearly doubles our existing capacity and offers cost saving opportunities."

## Outlook

IDH's forward looking strategy rests on leveraging its established business model to achieve five key strategic goals, namely: (1) continue to expand customer reach; (2) increase the number of test per patient by expanding the group's services portfolio; (3) use the Mega Lab's enlarged capacity to provide services to third party labs and hospitals; (4) introduce new medical services by leveraging the Group's network and reputable brand position; and (5) expand into new geographic markets through selective, value accretive acquisitions.

## About Integrated Diagnostics Holdings (IDH)

IDH is the largest fully integrated private-sector medical diagnostics services provider in Egypt, comprehensively offering pathology and molecular diagnostics, genetics testing and basic radiology. IDH's core brands include Al Borg and Al Mokhtabar in Egypt, as well as Biolab (Jordan), Ultralab and Al Mokhtabar Sudan (both in Sudan) and the Medical Genetics Center, which operates in Egypt. IDH is listed on the London Stock Exchange (ticker: IDHC) and was founded in 2012 by the merger of Al Borg and Al Mokhtabar, the most established diagnostics services brands in Egypt. Learn more at [idhcorp.com](http://idhcorp.com).

## Shareholder Information

LSE: IDHC.L

Bloomberg: IDHC:LN

Listed: May 2015

Shares Outstanding: 150 million

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## Cautionary Statement

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

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

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

## Chairman's Statement

Under my chairmanship, the Board has been resolute in providing oversight and guidance to the Group's management as the Group began its first year as a corporation listed on the London Stock Exchange.

Deutsche Bank and EFG Hermes Investment Banking were joint global coordinators and joint bookrunners, while Citigroup Global Markets were joint bookrunners on the transaction, which saw IDH admitted to trading on 11 May 2015 after an extensive roadshow. The Group's entire issued share capital of 150,000,000 ordinary shares was admitted to the standard listing segment of the Official List of the UK Listing Authority and to trading on London Stock Exchange's main market for listed securities under the ticker symbol IDHC.

IDH has a standard listing on the London Stock Exchange and is thus not required to comply with the requirements of the 2014 U.K. Corporate Governance Code ("the Code") as issued by the Financial Reporting Council. However, we are resolute in our belief in the importance of good governance practices and we aim to voluntarily comply with aspects of the code while continuously working to close the gap with premium listed entities. We strongly believe that adopting best industry practices in governance will assist us in building a profitable and sustainable business as well as safeguarding shareholder interests.

We are in compliance with Financial Conduct Authority Disclosure and Transparency Rule (DTR) subchapters 7.1 and 7.2, which set out certain mandatory disclosures: 7.1 concerns audit committees and bodies carrying out equivalent functions; 7.2 concerns corporate governance standards that are included in the Directors Report or, in this case, as part of the Strategic Review (DTR 7.2.1).

In the year just ended, we have established the division of roles and responsibilities between myself and the Chief Executive Officer. We met four times as a board during the course of 2015 (in January, April, August and November), and I was delighted to have had the opportunity to visit IDH's main base of operations in Cairo, Egypt, in summer 2015. Whilst in Egypt, I held meetings at corporate offices and toured the recently opened Mega Lab (IDH's centralized and fully automated testing facility) and collector facilities. During the visit, I engaged directly with senior management to discuss both the Group's strategic plans and how management (including our chief executive) is evolving the policies and procedures necessary to continue the full institutionalisation of the business.

As part of this institutionalisation process, IDH retained PricewaterhouseCoopers Dubai to perform a comprehensive gap analysis of IDH's finance function post-listing. The Group's senior management received the PwC report during the fourth quarter of 2015 and is now assessing its findings and developing a plan for implementation. The Group and the Board are also reviewing the outcome of the internal audit conducted in 2015 by Ernst & Young Egypt.

The Board has invested significant time discussing and evaluating the Group's strategy and prospects for future growth. We are accordingly confident that we have in place the right strategy and the right management team to deliver shareholder returns going forward.

Throughout this process, I have had the pleasure of working with Dr. Hend El Sherbini, our chief executive and sole executive director. The Group owes its success to the senior management team that leads it on a daily basis, and to Dr. El Sherbini in particular.

**Lord Anthony St. John, Chairman**

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

Born of a merger in 2012 between Al Mokhtabar and Al Borg Laboratories, Integrated Diagnostics Holding (IDH) is one of the largest diagnostics groups in emerging markets. From modest beginnings over 35 years ago, we have grown to become the largest private sector and fully integrated diagnostics service provider in Egypt, with our share of the private chain market totalling more than 50% by revenue as per the latest data available<sup>2</sup>. We also operate in Jordan and Sudan and are considering additional opportunities to expand beyond our present geography.

<sup>2</sup> Most recent data available according to Frost & Sullivan Analysis conducted in 2013.

Today, we offer more than 1,000 international standard diagnostic tests, and in the year ended 31 December 2015 we performed more than 23.8 million tests for over 5.8 million patients. That represents 7% annual growth in total tests and 4% annual growth in patients served. This is reflected in an increase in revenue of 18% to EGP 1,014.8 million. Careful attention to our cost structure saw this top line performance carry to our bottom line despite incurring expenses related to our listing on the London Stock Exchange and expenses related to the ramp-up of operations at the Mega Lab. Net profit for 2015 rose 9.4% on the previous year to close at EGP 155.0 million. Normalising for one-off expenses related to the Group's listing on the LSE and for write-offs relating to plans to establish operations in Qatar, normalised net profit would have risen 18.4% to EGP 286.1 million in 2015.

2015 was a milestone year on multiple fronts. In May of 2015, we began the next stage of our growth as we transitioned from being a privately owned company into a public corporation. Our IPO on the London Stock Exchange was 11.2 times oversubscribed, indicating heavy institutional investment appetite for a leading healthcare business with an expanding Middle East and North Africa (MENA) footprint. The IPO, which offered 50% of IDH shares, was the first ever listing of an Egyptian healthcare business on the LSE.

We have begun our journey as a quoted company with a solid legacy: A financially sound business with good opportunities to grow, governed by a newly formed board. This board will take the business forward and develop our governance, reporting and other systems that we will continue to develop in the years ahead. Our goal in doing so is to become voluntarily compliant with such aspects of the 2014 U.K. Corporate Governance Code as are appropriate to the size of our business and our state of development.

Operationally, 2015 was key for our growth with the inauguration of the Mega Lab, our new state of the art central laboratory, which nearly doubles our existing capacity and offers cost saving opportunities. Mega Lab enables us to efficiently deploy our Hub, Spoke, and Spike business model, allowing us to expand with comparatively low capital costs and continue to improve our operational efficiency. We are now seeking accreditation from the College of American Pathologists (CAP) for Mega Lab; the "A" labs Mega Lab replaces were previously the only such facilities in Egypt with CAP accreditation.

Critically, the Mega Lab will support IDH's growth by allowing us to roll out capital efficient "C" Labs more rapidly. Effective cost management and the simultaneous expansion of our

diagnostic services will also drive growth going forward. This strategy is already starting to bear fruit, with our throughput capacity nearly doubling with the inauguration of the Mega Lab.

Whilst we recognize the importance of global standard technologies and laboratory procedures, continued investment in our people is a key driver of sustainable growth. Our employees engage in ongoing professional education, and the quality of our services is ensured by our quality assurance function. As we expand as a Group, so do our numbers: Our headcount swelled 7% to 4,323 in 2015, and 30% of our staff are women. We also extend bonuses, healthcare and other insurance, and benefits to all members of our staff across the Group.

## **Governance**

Whilst our Chairman, Lord Anthony St. John, touches on this in some detail in his Chairman's Report in this document, I would like to stress that management is very supportive of the Board's view that IDH should aim to voluntarily comply with elements of the 2014 U.K. Corporate Governance Code ("the Code"). We have begun implementing a framework that is leading us to this objective. I further note that our Directors bring IDH a wealth of experience in healthcare, investments and MENA markets.

## **Proposed Dividend and Dividend Policy**

We are delighted to propose paying a final dividend of six (6) U.S. cents per share (totalling US\$ 9 million in aggregate) to shareholders in respect of the financial year ending 31 December 2015. The amount of the dividend has been calculated with reference to three important factors: historical profit for the year, anticipated financial needs agreed in the current budget, and the availability of U.S. dollars for payment depending on market conditions in IDH's markets from time to time. Having assessed what the IDH Board of Directors considers to be excess cash, we will look to declare the majority of that surplus.

Our dividend policy is driven by the strong cash generative nature of our business and its asset-light strategy. We believe that the fundamentals of our business will enable us to have a consistent and growing dividend strategy in the future. As this is our first year as a quoted company, we intend to declare a final dividend only and not to declare an interim dividend. We will, however, review this policy in the future.

## **Outlook**

Going forward, our goal is to enhance our market position across our current suite of diagnostic services and geographies. In particular, we believe the excess capacity afforded by the Mega Lab will allow us to further penetrate the corporate (B2B) market in Egypt. In parallel, we see significant opportunity to write a similar success story by penetrating the very fragmented radiology market. This would effectively transform IDH into a one stop shop diagnostics provider.

Securing hospital business is another key target for 2016. Hospitals carry out some 40 million tests per year and we see opportunities in both outsourcing contracts for tests to be performed at the Mega Lab as well as opportunities to win management contracts and concessions.

We expect our businesses in our non-Egyptian markets to continue to grow (albeit at lower rates than in Egypt) and we are looking at other expansion opportunities in MENA.

Innovation and efficiency lie at the heart of our continued business success. By investing in the training of our people, continuously updating technology in our labs, expanding into underdeveloped markets, and maintaining our diligent cost management culture, we will grow our business and continue to provide high quality, cost efficient medical laboratory services.

## **Operational Review**

The Group delivered strong operational and financial performances in the year ending 31 December 2015, with improvement in both the top and bottom lines, a continued investment in the rollout of an additional 28 capital efficient branches and the inauguration of the central Mega Lab facility.

Mega Lab is a state of the art central laboratory. It opened in May 2015 and is now fully operational, nearly doubling our existing capacity and offering an opportunity for cost savings.

During 2015, IDH brought into operation a total of 28 new labs, including 14 new branches for Al Mokhtabar (Egypt), 12 new branches for Al Borg (Egypt) and one branch each for Ultralab branch and MK Sudan both of which operate in Sudan. Total IDH branches reached 314 as of 31 December 2015, up from 288 branches the previous year. (Two branches were closed and replaced with new locations during the course of the year.)

IDH also recorded rises in total patients served (up 4% to 5.6 million) and total tests performed (up 7% to 22.3 million).

### **Contract clients**

IDH's contract clients, who in 2015 represented 61% of the Group's revenues, include institutions such as unions, private insurance companies and corporations who enter into one year, renewable contracts at agreed rates per test and on a per client basis. During 2015, IDH served approximately 4.1 million patients under those contracts, performing a total of 18.2 million tests, with no single contract client contributing more than 5% of revenue.

Within the contract segment, IDH also provides lab to lab services for hospitals and other laboratories that are not able to process certain tests in house. IDH views the lab to lab business as a potential growth area for the future.

### **Breakdown of total revenue**

<b>Type</b>	<b>% of total 2014 revenues</b>	<b>% of total 2015 revenues</b>
Contracts - Unions	16%	18%
Contracts - Banks	2%	2%
Contracts - Corporate	4%	18%
Contracts - Government Institutions	15%	4%
Contracts - Hospitals	4%	5%
Contracts - Public Insurance	5%	7%
Contracts - Medical Care	8%	7%
<b>Contracts as % of total revenue</b>	<b>54%</b>	<b>61%</b>

Walk-ins as % of total revenue

46%

39%

### Walk-in Clients

IDH derived 39% of its revenue in 2015 from walk-in clients, representing 30% of total patients served (or 1.8 million walk-in clients). As expected, number of walk-in patients declined in 2015 as more patients shift to corporate arrangements, in line with the long-term market trend. Nevertheless, IDH has successively increased walk-in revenues by growing its average revenue per test, driven by a both price increases and a better mix of test types. As IDH's markets develop and become more institutional markets, more patients will be performing pathology tests under corporate agreements or health insurance.

A key strategy of the Group is to continue to target walk-in clients through marketing campaigns focused on the Group's brands as well as educational campaigns aimed at increasing awareness of the importance of medical testing and preventive medicine. Additionally, the Group also offers a number of check-up packages and promotions aimed at increasing the number of tests per patient and encouraging repeat visits. These packages and promotions include a diabetes treatment program, pregnancy check-up program and weight management program among others.

	2014	2015
<b>Contract Clients</b>		
Revenue (EGP million)	468.0	614.6
Patients ('000)	3,599	4,074
Tests ('000)	15,721	18,173
<b>Walk-in Clients</b>		
Revenue (EGP million)	392.2	400.2
Patients ('000)	1,986	1,718
Tests ('000)	6,531	5,659
<b>Total Revenue (EGP million)</b>	<b>860.2</b>	<b>1,014.8</b>
<b>Total Patients ('000)</b>	<b>5,585</b>	<b>5,792</b>
<b>Total Tests ('000)</b>	<b>22,252</b>	<b>23,832</b>
<i>Revenue per Patient (EGP)</i>	<i>154.03</i>	<i>175.2</i>
<i>Revenue per Test (EGP)</i>	<i>38.66</i>	<i>42.58</i>

### Financial Review

The results for the year are set out in summary form below:

**EGP million**

**%**

	2014	2015	% change
<b>Revenue</b>	<b>860.2</b>	<b>1,014.8</b>	18%
Cost of sales	(479.5)	(467.5)	(2%)
<b>Gross Profit</b>	<b>380.7</b>	<b>547.3</b>	<b>44%</b>
Gross Profit Margin %	44%	54%	10 pts
Add back amortisation expenses	91.5	0.3	-
<b>Normalised Gross Profit</b>	<b>472.2</b>	<b>547.6</b>	<b>16%</b>
<i>Normalised GP Margin</i>	55%	54%	(1 pts)
Operating costs	(130.2)	(279.9)	115%
<b>Operating Profit</b>	<b>250.5</b>	<b>267.5</b>	<b>7%</b>
<b>Adjustments to Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)</b>			
<b>Depreciation</b>	<b>24.1</b>	<b>35.8</b>	
<b>Amortisation</b>	<b>91.5</b>	<b>0.3</b>	
<b>EBITDA</b>	<b>366.0</b>	<b>303.7</b>	<b>(17%)</b>
<b>Add back non-recurring expenditure</b>			
IPO Expenses	8.4	125.1	
Closure of Molecular Diagnostics Centre in Cairo	-	3.4	
Write off of set up costs for Qatar office now not being pursued	-	1.0	
Write-Off of surplus stationery included within inventory	-	1.6	
<b>Total Non-Recurring Expenses</b>			
	<b>8.4</b>	<b>131.1</b>	
<b>Normalised EBITDA</b>	<b>374.4</b>	<b>434.8</b>	<b>16%</b>
<i>Normalised EBITDA Margin</i>	43.5%	42.8%	
Income Tax	(105.6)	(119.5)	13%
<b>Net Profit</b>	<b>141.7</b>	<b>155.0</b>	<b>9.4%</b>
<b>Normalised Net Profit</b>	<b>241.6</b>	<b>286.1</b>	<b>18.4%</b>
<i>Normalised NP Margin</i>	28.1%	28.2%	

In respect of this summary, the Group notes:

- Normalised net profit is defined as net profit plus amortisation and non-recurring expenditure (the non-recurring expenditure is assumed to be non-tax deductible).
- Normalised EBITDA is defined as EBITDA plus non-recurring expenditure, while normalised gross margin is defined as Gross Margin plus amortisation.
- The IPO costs were incurred by the business over a period from November 2014 until the Group was admitted to trading on 11 May 2015 and therefore are shown in two financial years.
- The costs of closure of the Molecular Diagnostic Centre are seen to non-recurring expenditure in nature as the business is being liquidated.
- The write-off of the costs of setting up the Qatar office is seen as non-recurring expenditure as the market in Qatar was not seen as a market where the IDH brand



and business would work successfully on scale which would justify the investment necessary to make it viable.

- The write off of the surplus stationery stock was identified following a detailed review of the stationary holdings and it was found that this had built up over a number of years and was of little on going value to the group.

## **Revenue Analysis**

Consolidated revenues rose 18% year on year to EGP 1,014.8 million. Revenue growth was delivered by existing branches (75% of revenue growth in the year), better pricing and service mix (17.3% of growth) and the opening of new branches (7.7%).

Contract based clients contributed 61% to IDH's top line in 2015, growing 31% on 2014. IDH signed 312 new corporate contracts with insurers in 2015. Meanwhile, walk-in clients contributed 39% to total revenues, up 2% in EGP terms from 2014, but down 7% in terms of share of overall revenue. The comparatively rapid growth of contract based revenues is driven by IDH's focused sales strategy and the continued expected market trend of migration from walk-in to contract based clients as more customers join medical coverage arrangements and more corporates sign group contracts.

In absolute terms, IDH served 4.1 million contract clients in 2015 (up 13% from the previous year), while the total number of walk-in patients served fell to 1.7 million (down 13.0% from 2014). Walk-in revenues rose compared to 2014 on the back of better pricing and better test mix despite the slight downtick in patient numbers.

Egypt continued to contribute 90% of Group revenues recorded during 2015 followed by Jordan (7%) and Sudan (3%). In 2014, Egypt accounted for 89%, Jordan for 7% and Sudan for 4%.

Continued successful advertising and marketing activities saw total patients served rise 4% in 2015 to 5.8 million as the growing number of patients served on contracts offset the decline in walk-in patients. Key metrics also continued their growth trajectory, including revenue per patient (up +14%), revenue per test (+10%) and tests per patient (+3%).

## **Cost of Sales**

IDH's cost of sales declined slightly in 2015 to EGP 467.5 million compared to EGP 479.5 million in 2014. Cost of sales in 2014 included the final amortisation charge relating to customer and supplier lists and non-compete agreements from historical acquisitions of EGP 91.5 million that, when factored out, would see 2015 cost of sales increase by 20.5%. Material prices for chemicals and supplies, which make up 37% of cost of sales, increased 5% over 2014.

Cost of materials as a percentage of sales reduced by 2% on 2014 as a result of operational efficiencies in running the Mega Lab rather than the two A Labs as previously. Wages increased 25% on 2014 after the opening of a further 26 net new branches and wage increases of 20%. Newly leased machinery for the Mega Lab resulted in an increased depreciation cost of EGP 6.1 million.

## **Gross Profit**

The Group produced a gross profit for the year of EGP 547.3 million, up 16% compared to the normalised 2014 figure of EGP 472.2 million. Normalised gross margin eased slightly to

54% in 2015 compared to 55% the previous year as a result of higher materials costs, depreciation on new machines for Mega Lab and an increase in the employees' share of profits.

## **Operating Expenses**

Below the gross profit line, operating costs came in at EGP 279.9 million in 2015, up 115% on 2014 as the 2015 figure includes non-recurring expenses of some EGP 131.1 million primarily related to the Group's successful listing on the London Stock Exchange and other non-recurring expenses. Normalising for these expenses, operating costs would have come in at EGP 148.6 million, up 22% on 2014. The increase came on the back of an 8.6% rise in marketing and advertising expenses, reflecting IDH's continued investment in marketing in a competitive landscape.

## **EBITDA**

Normalised EBITDA for the year increased 16% to EGP 434.8 million, with Egyptian operations contributing 94% of normalised EBITDA; Jordan contributed 4% and Sudan 2%. The EBITDA figure for 2015 has been normalised for one-time IPO expenses of EGP 125.1 million and the non-recurring expenditure of EGP 6.0 million. The comparable figure for 2014 has been adjusted for one-time IPO expenses of EGP 8.4 million.

IDH's normalised EBITDA margin in the first three quarters of 2015 stood at 45% against a final full year figure of 43%. The decline reflects the impact of a 38% EBITDA margin in the fourth quarter as result of the Group's accounting policy in 2015, which was to book certain provisions and costs only in the final quarter of the year. Examples include regular provisions on debtor accounts as well as annual employee bonuses. Accounting policies in place for 2016 will see these expenses accrue instead on a quarterly basis.

## **Taxation**

Income tax expenses recorded in the income statement in 2015 totalled EGP 119.5 million during 2015 compared to EGP 105.6 million in 2014. The total tax expense included a current tax charge for the year of EGP 108.1 million (2014: EGP 121.9 million) and a deferred tax charge of EGP 11.4 million (2014: credit of EGP 16.4 million). There is no tax payable in the two IDH holding companies (Jersey and Cayman). All tax is paid within the operating companies in Egypt, Jordan and Sudan.

There has been a reduction in the Egyptian corporation tax rate to 22.5% in 2015 from 30% in 2014. However, the full benefit of this reduction in tax rate in calculating the tax charge for 2015 is offset by the fact that the Group's IPO costs were incurred in the Jersey entity where profits and losses are taxed at zero percent, thereby increasing the overall group effective tax rate by around 10% in 2015. Looking ahead to 2016, the Group expects the full benefit of the reduced corporation tax rate to flow through.

During 2015, a deferred tax liability has been recognised and a charge made for EGP 11.4 million for tax on the undistributed reserves held within the IDH Group. As the Group's dividend policy is to distribute any excess cash after taking into consideration all business cash requirements and potential acquisition considerations, a deferred tax liability has been recognised for the taxes expected to be incurred from the future distribution of reserves within the Group. Egyptian tax legislation now imposes a 5% tax on dividends distributed from Egyptian entities and the deferred tax charge has been calculated using this rate.

## **Net Earnings**

Net profit for the year was EGP 155.0 million, up 9.4% compared to the EGP 141.7 million recorded in 2014. Normalised net profit for 2015 was EGP 286.1 million, up 18.4% on 2014 partly owing to increased net financing income which stood at EGP 7 million in 2015 versus a net financing expense of EGP 3.2 million the previous year.

## **Balance Sheet**

On the assets side of the balance sheet: Property, plant and equipment on the balance sheet rose to EGP 337.9 million in 2015 from EGP 243.9 million the previous year due to the capitalisation of leased medical equipment and other capital expenditure at 28 new branches.

Trade debts and other receivables increased to EGP 117.2 million from EGP 90.1 million as a result of a 35% increase in accounts receivable arising from a 31 % increase in corporate sales. Cash increased significantly to EGP 387.7 million from EGP 252.1 million in 2014 due to good credit control and extended payment terms with suppliers.

On the liabilities side, notable variances from 2014 include a rise in long-term financial leases that increased to EGP 60.3 million from EGP 51 million the previous year. The sharp rise is attributable to the laboratory equipment supplied in the year to the Mega Lab facility for which the arrangement has been deemed to be a finance lease in nature. Furthermore, long-term deferred tax liabilities and provisions rose year-on-year for two reasons: The impact of the reduction in deferred tax rates as a result of the headline drop in tax rates to 22.5% from 30% as well as a change in the basis of taxing dividends. The net movement is an EGP 11.4 million increase in deferred tax. Trade payables also rose as supplier payment terms changed to 60-90 days from 45 days.

Following a detailed review of the sale and purchase agreements relating to the operations in Jordan and Sudan, a technical point was noted which meant there is a need to account for put option in the agreements. This has the effect of including a liability on the balance sheet and a corresponding entry into equity for the present value of the expected value of the option. This has been included in the balance sheets for 2014 and 2015. More details relating to this and three other prior year adjustments can be found in Note 2 to the accounts.

## **Dividend**

Proposed dividends for ordinary shares are subject to the approval of the Annual General Meeting and are not recognised as a liability as at 31 December 2015. The Board of Directors have recommended that a final dividend of US\$ 0.06 (six U.S. cents) per share should be paid to shareholders of record as at 8 April 2016, with an ex-dividend date of 7 April 2016. The payment date for the dividend is 13 May 2016.

## **Going concern**

Having made inquiries, the Directors have a reasonable expectation that the Group has adequate resources to meet its liabilities as they fall due for at least 12 months from the date of approval of these consolidated financial statements. Thus, they continue to adopt the going concern basis in preparing the financial information. The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial statements and notes thereon.

## 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 Anthony St. John has emphasized 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 by senior management.

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

Specific Risk	Mitigation
<p><b>Country risk - Political &amp; Security</b></p> <p>Egypt and the wider MENA region, where the Group operates, have experienced political volatility since 2011 and continue to experience occasional terrorist incidents and occasional civil disorder.</p>	<p>See mitigants for "Country / regional risk - Economic," below.</p>
<p><b>Country / regional risk - Economic</b></p> <p>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.90% of our revenues in 2015 (2014: 89%).</p>	<p>As with country risk, this is largely not subject to mitigation. In both political / security and economic risk, we do note that IDH operates in a defensive industry and that the business continued to grow year on year through two revolutions.</p>
<p><b>Foreign currency risk</b></p> <p>The Group is exposed to foreign currency risk with respect to its impact on pricing of supplies. The majority of supplies are priced and paid in 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 Group is also exposed to this risk in regards to foreign currency availability and remittance of dividends abroad.</p> <p>Furthermore, Egypt is presently experiencing a foreign currency shortage that is impacting the ability of companies to source foreign exchange. The Central Bank of Egypt devalued the Egyptian pound in March 2016, and there is an ongoing risk of devaluation against the U.S. dollar and other key foreign currencies.</p>	<p>Cost of supplies (almost all imported) was equivalent to c. 17% of revenues in 2015 (2014: 19%). Management believes that it can mitigate the effects of devaluation through a combination of improved pricing and cost efficiencies.</p> <p>Only 12% of IDH's cost of supplies (c. 2% of revenues) are payable in U.S. dollars, minimising the Group's exposure to FX scarcity and, in part, devaluation. IDH could, however, face price changes or negotiations with suppliers.</p> <p>Despite being a cash-generative business, IDH's ability to source foreign exchange is limited by caps on cash deposits of foreign currency at banks in Egypt. This can put limitation on the Group's level of U.S. dollar dividends. The Board is accordingly studying alternatives through which to make better use of excess local currency cash.</p>

**Remittance of dividend regulations & repatriation of profit**

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

As a foreign investor in Egypt, IDH does not have issues with the repatriation of dividends, but is exposed to risk in the form of cost and availability of - as well as deposit restrictions on - foreign exchange in the markets in which the Group operates, particularly Egypt.

**Legal & regulatory risk to the business**

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

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

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

**Quality control risks**

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

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

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

**Pricing pressure in a competitive, regulated environment**

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.

This is an external risk for which there exist few mitigants.

In the event there is escalation of price competition between market players, the Group sees its wide national footprint as a mitigant: More than 60% of our revenue is generated by servicing contract clients (private insurer, unions and corporations) who prefer IDH's national network to patchworks of local players.

**High level of goodwill and other intangible assets**

IDH's high level of goodwill and other intangible assets could generate significant future asset impairments, which could be recorded as operating losses. Goodwill and intangible assets include the brand names used in the business.

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

The results of the annual impairment test show significant headroom across all business areas based on achievable growth rates in the business. For more detail see note 14 of the accounts.

**Risk from contract clients**

Contract clients including private insurers, unions and corporations account for more than 60% of the Group's revenue. Should IDH's relationship with these clients deteriorate, if IDH should prove unable to negotiate and retain similar fee arrangements, or should these clients be unable to make payments to the Group, IDH's business may be materially and adversely affected.

IDH diligently works to maintain sound relationships with contract clients. All changes to pricing and contracts are arrived at through discussion rather than blanket imposition by IDH. Relations are further enhanced by regular visits to contract clients by the Group's sales staff.

IDH's attractiveness to contract clients is enhanced by the extent of its national network.

No single client contract currently accounts for more than 5% of revenues

**Business continuity risks**

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.

Since inaugurating the Mega Lab in the second half of 2015, IDH has maintained one of its two former central "A" labs as a backup facility. The Group has in place a full disaster recovery plan, with procedures and provisions for spares, redundant power systems, and the use of mobile data systems as alternatives to landlines, among multiple other factors. IDH tests its disaster recovery plans on a regular basis.

**Loss of talent**

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. IDH is furthermore 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.

The Group will launch a long term incentive program (LTIP) in 2016 to incentivize and retain senior management.

In addition to competitive compensation packages, the Group also ensures it has access to a broad pool of trained laboratory professionals through its own in-house recruitment and training program. We furthermore have in place a program to monitor the performance of graduates of the training program.

## Loss of certifications and accreditations

One of IDH's subsidiaries was the only laboratory in Egypt accredited by the College of American Pathologists (CAP); the Group's new Mega Lab is presently undergoing CAP certification. Many of IDH's facilities are also certified by the International Organization for Standards. The failure to obtain CAP accreditation for Mega Lab or the failure to renew ISO certifications would call into question the Group's quality standards and competitive differentiators.

IDH is presently going through procedures to obtain CAP accreditation for Mega Lab, and ISO certifications are renewed on a regular basis. IDH's ability to keep current its certifications and accreditation are supported by ongoing QA, training and internal audit procedures.

## Statement of Directors' Responsibilities

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

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

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

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

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

- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board gives a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- The sections of this Report, including the Chairman's Statement, Development Manager's Review, Financial Review and Principal Risks and Uncertainties, which

constitute the management report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board  
Dr. Hend El Sherbini  
Executive Director

## Balance sheet

	Notes	2015	2014
Assets		EGP'000	EGP'000 (as restated see note 2.2)
<b>Non-current assets</b>			
Property, plant and equipment	12	337,877	243,874
Intangible assets and goodwill	13	1,606,225	1,608,839
<b>Total non-current assets</b>		<b>1,944,102</b>	<b>1,852,713</b>
<b>Current assets</b>			
Inventories	16	34,326	36,007
Trade and other receivables	17	117,155	90,075
Cash and cash equivalents	18	387,716	252,110
<b>Total current assets</b>		<b>539,197</b>	<b>378,192</b>
<b>Total assets</b>		<b>2,483,299</b>	<b>2,230,905</b>
<b>Equity</b>			
Share capital	19	1,072,500	1,072,500
Share premium reserve	19	1,027,706	1,027,706
Capital reserves	19	(314,310)	(314,310)
Legal reserve	19	28,834	26,945
Put option reserve	19	(64,069)	(50,420)
Translation reserve	19	1,193	1,204
Retained earnings		142,712	-
Share based payment reserve	20	1,034	-
<b>Equity attributable to the owners of the Company</b>		<b>1,895,600</b>	<b>1,763,625</b>
Non-controlling interests	8	46,873	41,523
<b>Total equity</b>		<b>1,942,473</b>	<b>1,805,148</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	10	128,427	117,034
Other provisions	22	10,962	8,978
Long-term financial obligations	24	60,327	51,002
<b>Total non-current liabilities</b>		<b>199,716</b>	<b>177,014</b>
<b>Current liabilities</b>			



Trade and other payables	23	229,631	125,015
Borrowings	15	-	45
Current tax liabilities		111,479	123,683
<b>Total current liabilities</b>		<b>341,110</b>	<b>248,743</b>
<b>Total liabilities</b>		<b>540,826</b>	<b>425,757</b>
<b>Total equity and liabilities</b>		<b>2,483,299</b>	<b>2,230,905</b>

These consolidated financial statements were approved and authorised for issue by the Board of Directors and signed on their behalf on 24 March 2016 by:

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

**Head of Audit Committee**  
James Nolan

## Income statement

	Notes	2015	2014
		EGP'000	EGP'000
			(as restated see note 2.2)
Revenue	4	1,014,844	860,231
Cost of sales		(467,528)	(479,506)
<b>Gross profit</b>		<b>547,316</b>	<b>380,725</b>
Marketing and advertising expenses		(53,688)	(49,445)
Administrative expenses		(210,417)	(72,033)
Other expenses		(15,750)	(8,762)
<b>Operating profit</b>	9	<b>267,461</b>	<b>250,485</b>
Finance costs		(6,380)	(9,200)
Finance income		13,412	5,994
Net finance income/(cost)	9.2	7,032	(3,206)
<b>Profit before tax</b>		<b>274,493</b>	<b>247,279</b>
Income tax expense	10	(119,521)	(105,591)
<b>Profit for the year</b>		<b>154,972</b>	<b>141,688</b>
<b>Profit attributed to:</b>			
Owners of the Company		144,873	132,769
Non-controlling interests	8	10,099	8,919
		<b>154,972</b>	<b>141,688</b>
<b>Earnings per share (expressed in EGP)</b>	11		
Basic and Diluted		0.97	0.89

## Comprehensive income

	2015	2014
	EGP'000	EGP'000
<b>Net profit</b>	<b>154,972</b>	<b>141,688</b>
<b>Other comprehensive income:</b>		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences on foreign currency subsidiaries	1,432	1,345
<b>Other comprehensive income for the year, net of tax</b>	<b>1,432</b>	<b>1,345</b>
<b>Total comprehensive income for the year</b>	<b>156,404</b>	<b>143,033</b>
<b>Attributable to:</b>		
Owners of the Company	144,862	133,623
Non-controlling interests	11,542	9,410
	<b>156,404</b>	<b>143,033</b>

## Cashflows

	Note	2015	2014
		EGP'000	EGP'000
<b>Cash flows from operating activities</b>			
Profit for the period before tax		274,493	247,279
<b>Adjustments for:</b>			
Depreciation	12	35,840	24,104
Amortization	13	352	91,481
(Gain)/Loss on disposal of Property, plant and equipment		(138)	481
Impairment in trade and other receivables	9	9,230	7,556
Reversal of impairment in trade and other receivables	17	(343)	(109)
Provisions made	22	2,881	1,703
Provisions reversed	22	(6)	(872)
Share-based payment charge	20	1,034	-
Interest expense	9.2	6,380	395
Interest income	9.2	(9,930)	(5,956)
Foreign currency exchange (gain) / loss	9.2	(3,482)	8,590
<b>Net cash from operating activities before changes in working capital</b>		<b>316,311</b>	<b>374,652</b>
Provision used	22	(891)	(35)
Change in inventory		1,681	(7,445)
Change in trade and other receivables		(36,351)	(3,378)
Change in trade and other payables		20,336	10,485
<b>Cash generated from operating activities before income tax payment</b>		<b>301,086</b>	<b>374,279</b>
Income tax paid during period		(111,224)	(72,692)

<b>Net cash from operating activities</b>		<b>189,862</b>	<b>301,587</b>
<b>Cash flows from investing activities</b>			
Interest received		10,477	5,729
Acquisition of Property, plant and equipment		(54,897)	(76,089)
Proceeds from sale of property and equipment		2,003	70
<b>Net cash flows used in investing activities</b>		<b>(42,417)</b>	<b>(70,290)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(45)	(382)
Interest paid		(4,275)	(395)
(Acquisition) / proceeds from change in non-controlling interest		(272)	648
Dividends paid		(6,464)	(233,819)
Financial lease		(1,711)	(66)
<b>Net cash flows used in financing activities</b>		<b>(12,767)</b>	<b>(234,014)</b>
<b>Net decrease in cash and cash equivalent</b>		<b>134,678</b>	<b>(2,717)</b>
Cash and cash equivalent at the beginning of the period		252,110	262,586
Effect of exchange rate fluctuations on cash held		928	(7,759)
<b>Cash and cash equivalent at the end of the period</b>	18	<b>387,716</b>	<b>252,110</b>

## Changes in shareholder equity

	Share Capital	Share premium	Capital reserve	Legal reserve*	Put option reserve	Translation reserve	Retained earnings
<b>As at 1 January 2015</b>	1,072,500	1,027,706	(314,310)	26,945	(50,420)	1,204	
Profit for the period	-	-	-	-	-	-	144,877
Other comprehensive income for the period	-	-	-	-	-	(11)	
<b>Total comprehensive income</b>	-	-	-	-	-	<b>(11)</b>	<b>144,877</b>
<b>Transactions with owners of the Company</b>							
<b>Contributions and distributions</b>							
Dividends**	-	-	-	-	-	-	
Equity settled share-based payment	-	-	-	-	-	-	
Legal reserve formed during the period	-	-	-	1889	-	-	(1,889)
Movement in put option liability in the year	-	-	-	-	(13,649)	-	-

<b>Total contributions and distributions</b>	-	-	-	1,889	(13,649)	-	(1,889)
<b>Change in ownership interests</b>							
Non-controlling interests resulting from acquisition of subsidiary	-	-	-	-	-	-	(272)
<b>At 31 December 2015</b>	<b>1,072,500</b>	<b>1,027,706</b>	<b>(314,310)</b>	<b>28,834</b>	<b>(64,069)</b>	<b>1,193</b>	<b>142,711</b>
<b>As previously reported - as at 1 January 2014</b>	<b>318</b>	<b>-</b>	<b>2,100,907</b>	<b>26,777</b>	<b>-</b>	<b>350</b>	<b>(185,700)</b>
<b>Prior period restatements see note 2.2</b>	1,072,182	1,027,706	(2,099,888)	-	(40,982)	-	(32,516)
<b>As at 1 January 2014 - as restated</b>	<b>1,072,500</b>	<b>1,027,706</b>	<b>1,019</b>	<b>26,777</b>	<b>(40,982)</b>	<b>350</b>	<b>(218,216)</b>
Profit for the period	-	-	-	-	-	-	132,769
Other comprehensive income for the period	-	-	-	-	-	854	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>854</b>	<b>132,769</b>
<b>Transactions with owners of the Company</b>							
<b>Contributions and distributions</b>							
Dividends	-	-	-	-	-	-	(229,714)
Legal reserve formed during the period	-	-	-	168	-	-	(168)
Movement in put option liability in the year	-	-	-	-	(9,438)	-	-
Capital reorganisation	-	-	(315,329)	-	-	-	315,329
Shares issued	-	-	-	-	-	-	-
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>(315,329)</b>	<b>168</b>	<b>(9,438)</b>	<b>-</b>	<b>85,441</b>
<b>Change in ownership interests</b>							
Non-controlling interests resulting from acquisition of subsidiary	-	-	-	-	-	-	-
<b>At 31 December 2014</b>	<b>1,072,500</b>	<b>1,027,706</b>	<b>(314,310)</b>	<b>26,945</b>	<b>(50,420)</b>	<b>1,204</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 each subsidiary's issued capital. This reserve is not distributable to the owners of the Company.

\*\* Dividends paid in the period were from subsidiary companies to NCI within the period. No dividends were paid from IDH plc to shareholders

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

## **Annual report and Consolidated Financial Statements for the year ended 31 December 2015**

### **1. Corporate information**

The consolidated financial statements of Integrated Diagnostics Holdings plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the directors on 24 March 2016. 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 accounting**

#### **2.1. Basis of preparation**

The financial information presented for the comparative year ended 31 December 2014 essentially represents the financial performance and position of the same continuing business albeit that the Parent Company of the Group changed in 2014 as a result of group reorganisation.

On 23 December 2014, as a necessary step to its Initial Public Offering on 06 May 2015, the Company (i.e. Integrated Diagnostics Holdings plc), issued 150 million shares to the shareholders of the previous Parent Company of the Group, Integrated Diagnostics Holdings LLC ("Caymans"), in exchange for 100% of the issued shares of Caymans.

The effect of this was to add a new parent company on top of the existing group - this being the only change - prior to its flotation and gave rise to reverse acquisition accounting by the new parent company. In considering the requirements of IFRS 3, consideration was given as to whether this was a business combination. The conclusion reached by the Directors was that this was not a business combination by the new parent company merely the addition of a new holding company to a continuing business, i.e., a group reorganisation. The impact, for accounting purposes, of the transaction on 23 December 2014 was to present the Company as if it had always been the Parent Company of the Group with the consequent continuation of the book values and history previously reported by Caymans, save for alteration of the equity section of the prior year's statement of consolidated financial position to reflect that of the new Parent Company.

### **Statement of compliance**

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

#### **Basis of measurement**

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

#### **Functional and presentation currency**

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

#### **Going concern**

These consolidated financial statements have been prepared on the going concern basis. At 31 December 2015, the Group had net assets amounting to EGP 1,942,473K. The Group is profitable and cash generative and the Directors have considered the Group's cash forecasts for a period of 12 months from the signing of the balance sheet. The Directors have a reasonable expectation that the Group has adequate resources to meet its liabilities as they fall due for at least 12 months from the date of approval of these condensed consolidated interim financial statements. Thus, they continue to adopt the going concern basis in preparing the financial information.

## **2.2. Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. 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.

On 23 December 2014 the entire share capital of Integrated Diagnostics Holdings LLC (IDH Caymans) or "the previous parent company", was acquired by Integrated Diagnostics Holdings plc "IDH" funded by an issue of the equity instruments of IDH in exchange for these equity instruments.

There were no changes in rights or proportions of control in (IDH Caymans and its consolidated subsidiaries and subsidiary undertakings from time to time "the group", and after 23 December 2014 (the date after which IDH Caymans ceased to be the parent of the group), IDH and its consolidated subsidiaries and subsidiary undertakings from time to time "the group") as a result of this transaction.

Whilst, the equity instruments of IDH Caymans were legally acquired, in substance the Directors have determined that IDH Caymans is the accounting acquirer of IDH. As such, this transaction has been accounted for as a reverse acquisition.

Accordingly, these consolidated financial statements are issued in the name of the new legal parent, IDH, but are a continuation of the consolidated financial statements of IDH Caymans. In accordance with the requirements of IFRS 3: 'Business Combinations', the consolidated financial statements of IDH Caymans, including comparative information, have been retroactively adjusted to transfer EGP 2,099,888,000 from capital reserve to reflect the legal capital position of IDH as shown in the consolidated statement of changes in equity. No other adjustments have arisen in respect of this reverse acquisition accounting.

Various restatements have been made to the balance sheets as at 1 January 2014 and 31 December 2014 and for the income statement and statement in changes in equity for the year ended 31 December 2014.

- i. As disclosed in the consolidated statement of changes in equity, the individual amounts within equity as at 1 January 2014 has been restated. There are three main reasons for these changes being:
  - a. The push back of the capital structure of IDH to retroactively account for its share capital structure to be that of the Group as required by IFRS 3. Previously these changes had mostly been reported as changes in equity during the year ended 31 December 2014.
  - b. To adjust the share premium to reflect the accounting required in the individual financial statements of IDH as required by IAS 27 for its cost of investment in IDH Caymans.
  - c. The accounting of the put options in the Group see note (iii) below.

Only point (c) results in a change in the total amount of the equity as at 1 January 2014 as all others are reallocations within equity.

- ii. Certain reclassifications of the 31 December 2014 balance sheet have been retroactively adjusted, which are not material to the overall financial statements. A prepayment of EGP 1,088,000 had been included in Property, Plant and Equipment which has been re-allocated to trade and other receivables. Certain income tax balances included within trade debtors and other receivables of EGP 4,247,000 and other provisions of EGP 9,492,000 have been reallocated to current tax liabilities. Included in provisions was an accrual for holiday leave of EGP 729,000 which has been reallocated to trade and other payables.

These reclassifications to the 31 December 2014 balance sheet do not result in a change to the total equity as at 31 December 2014.

- iii. In addition there has been restatements made to the balance sheets as at 31 December 2013 and 31 December 2014 and to the statement in changes in equity for the year ended 31 December 2014 due the existence of NCI put options.

Through Al Borg the Group made two separate acquisitions in 2011 of Al Makhbaryoun Al Arab and Golden Care Medical Services.

Under both the sale and purchase agreement for the two acquisitions the vendors have a put option allowing them to force Al Borg to purchase all the remaining equity interest for a formulae agreed e equity value price. The option is exercisable in whole from the fifth anniversary of completion of the original purchase agreement being 30 June 2016.

At the date of the agreement the put option and the associated liability was not accounted for within the Group financial statements or on the conversion to IFRS on the 1 September 2012.

An adjustment has been made to 1 January 2014 position to correctly reflect this transactions within the Group financial statements. An initial liability has been recognised for the net present value at 1 January 2014 for the exercise price of the option with the corresponding amount recognized as equity within the put option reserve of the Group. The initial entry for the put option in Al Makhbaryoun Al Arab being EGP 30,148k and for the put option in Golden Care Medical Services being EGP 10,834k with the total liability being EGP 40,982k upon initial recognition.

The accounting policy for put options after initial recognition is to recognise all changes in the carrying value of the put liability within equity. The put liability recognised at 31 December 2014 and at 31 December 2015 year end were as follows:

<b>Put Option Liability</b>	<b>31 Dec 2015 EGP'000</b>	<b>31 Dec 2014 EGP'000</b>
Makhbaryoun Al Arab	47,087	36,856
Golden Care Medical Services	16,982	13,564
<b>Total</b>	<b>64,069</b>	<b>50,420</b>

- iv. Finally a reclassification of tax related expenses from other expenses to income tax expenses of EGP 5,391,108. This reclassification is to present all tax related expenses and credits within income tax expense.

#### **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.

**Transactions eliminated on consolidation** of 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.

### **2.3. Significant accounting policies**

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

The Group has adopted the following new standard, including any inconsequential amendments to other standards, with a date of initial application of 1 January 2015.

- €€€ Annual Improvements to IFRSs - 2010-2012 Cycle

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

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

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, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs 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 medical value of medical diagnostic services rendered in the year, and is stated net of discounts. The Company has two types of customers: Walk-in patients and patients served under contract. For patients under contract, rates are agreed in advance on a per-test, client-by-client basis. For both types of customers, revenue is recognized on completion of the services rendered. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

#### **d) Leases**

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

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

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

## **ii. Leased assets**

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

## **iii. Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## **e) Income Taxes**

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

### **i. Current tax**

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

### **ii. Deferred tax**

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

#### **f) Foreign currency**

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

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

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

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

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

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Land is not depreciated.

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

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

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

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

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

#### **h) Intangible assets**

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

The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

#### **Goodwill**

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

controlling interest in the acquiree.

Goodwill is stated at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

### **Brand**

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

### **Customer list**

Customer lists acquired in a business combination are recognized at fair value at the acquisition date and have finite useful life. Amortization method on a straight-line basis and the estimated useful life is 4 years, as determined by management.

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

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

### **i. Financial assets**

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

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, AFS financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### **Subsequent measurement**

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

- Ø Financial assets at fair value through profit or loss
- Ø Loans and receivables
- Ø AFS financial assets

The Group did not hold financial assets classified as financial assets at fair value through the profit or loss or AFS financial assets at 31 December 2015 and 31 December 2014.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an

integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

### **Derecognition**

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

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

Or

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

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
Ø Financial assets	Note 15
Ø Trade receivables	Note 17

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

## **ii. Financial liabilities**

### **Initial recognition and measurement**

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

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

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

### **Derecognition**

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

### **iii. Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

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

Ø Disclosures for significant assumptions and estimates	Note 2
Ø Goodwill and intangible assets with indefinite lives	Note 14

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 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.

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

#### **k) Inventories**

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

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

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

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

#### **m) Provisions**

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

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

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

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

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

#### **o) Share-based payment transactions**

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### **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 Group has not early adopted any other standard, interpretation or amendments that have been issued but not yet effective for the year ended 31 December 2015. None of these are expected to have a material effect on these consolidated financial statements of the Group, except for the following which could change the classification and measurements of financial assets.

- €€€ IFRS 9 "Financial instruments" (expected effective date of January 2018).
- €€€ Annual improvements to IFRSs - 2012 - 2014 cycle (effective date of January 2016)

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

### **3. Significant accounting judgments, estimates and assumptions**

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 5
Ø Financial instruments risk management and policies	Note 15
Ø Sensitivity analyses disclosures	Notes 15

#### **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 25.

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

#### Impairment of trade and notes receivables

The requirement for impairment of trade receivables is made through monitoring the debts aging and reviewing customer's credit position and their ability to make payment as they fall due. An impairment is recorded against receivables for the irrecoverable amount estimated by management. At the year end, the provision for impairment of trade receivables was EGP 17,030k (31 December 2014: EGP 12,138k).

#### 4. Segment information

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

The group operates in three geographic areas, Egypt, Sudan and Jordan. Each area offers similar services and the KPIs of each are viewed to be the same and they are not viewed as individual operating segments. The revenue split between the three regions is set out below, the combined Sudan and Jordan operations make up less than 10% of the Group's total revenue.

#### Revenue by geographic location

For the year ended	Egypt region EGP'000	Sudan region EGP'000	Jordan region EGP'000	Total EGP'000
31 December 2015	910,886	30,740	73,218	1,014,844
31 December 2014	768,660	31,527	60,044	860,231

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

	2015 EGP'000	2014 EGP'000
<b>Profit from operations</b>	<b>267,461</b>	<b>250,485</b>
Property, plant and equipment depreciation	35,840	24,104
Amortization of Intangible assets	352	91,481
<b>EBITDA</b>	<b>303,653</b>	<b>366,070</b>
<b>Non Recurring Items</b>		
IPO Expenses	125,152	8,355
Closure of Molecular Diagnostics Centre in Cairo	3,429	-
Write off of set up costs for Qatar office now not being pursued	1,051	-
Write-Off of surplus stationary included within inventory	1,558	-
<b>Normalised EBITDA</b>	<b>434,843</b>	<b>374,425</b>

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

## 5. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The repatriation of a declared dividend is subject to regulation by Egyptian authorities. The outcome of an Ordinary General Meeting of Shareholders declaring a dividend is first certified by the General Authority for Investment and Free Zones (GAFI). Approval is subsequently transmitted to Misr for Central Clearing, Depository and Registry (MCDR) to distribute dividends to all shareholders, regardless of their domicile, following notification of shareholders via publication in two 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.

	<b>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
Total liabilities	401,437	299,745
Less: cash and short-term deposits (Note 18)	(387,716)	(252,110)
<b>Net debt</b>	<b>13,721</b>	<b>47,635</b>
Total Equity	<b>1,942,473</b>	<b>1,805,148</b>
<b>Capital and net debt</b>	<b>1,928,752</b>	<b>1,757,513</b>
Net debt to equity ratio	<b>0.7%</b>	<b>2.6%</b>

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

Although Sudan sanctions impose restrictions on the distribution of dividends within one year, the amount of undistributed dividends is not significant to the Group total capital management. Total equity, is as shown in the statements of financial position. No funds will be remitted from Sudan in the form of cash payments for services provided or dividends from the company until such a time as the sanctions imposed on Sudan are clarified or released. The total of profits that could be distributed from Sudan is EGP 4,720K and the amount of cash in Sudan is EGP 16,166K.

## 6. Group information

### Information about subsidiaries

The consolidated financial statements of the Group include:

	Principal activities	Country of Incorporation	% equity interest	
			2015	2014
Al Borg Laboratory Company	Medical diagnostics service	Egypt	99.3%	99.3%
Al Mokhtabar Company for Medical Labs	Medical diagnostics service	Egypt	99.9%	99.9%
Molecular Diagnostic Center	Medical diagnostics service	Egypt	99.9%	99.9%
Medical Genetic Center	Medical diagnostics service	Egypt	55.0%	55.0%
Al Makhbaryoun Al Arab Group (Hashemite Kingdom of Jordan)	Medical diagnostics service	Jordan	60.0%	60.0%
Golden Care for Medical Services	Holding company of (Sama)	Egypt	75.0%	75.0%
Integrated Medical Analysis Company (S.A.E)	Medical diagnostics service	Egypt	99.6%	33.3%
SAMA Medical Laboratories Co. "Ultralab medical laboratory "	Medical diagnostics service	Sudan	60.0%	60.0%
AL-Mokhtabar Sudanese Egyptian Co.	Medical diagnostics service	Sudan	65.0%	65.0%
Integrated Diagnostics Holdings Limited	Intermediary holding company	Cayman Island	100.0%	100.0%

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

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

### Acquisition of Integrated Medical Analysis Company (IMA)

At 21 December 2014 and in accordance with Al Mokhtabar Company's board of directors' resolution, the company acquired 33.33% of the share capital of Integrated Medical Analysis Company (S.A.E). Integrated Medical Analysis Company (S.A.E) was considered a subsidiary of Al Mokhtabar Company even though Al Mokhtabar Company had only a 33.33% ownership interest. The remaining 66.67% was allocated equally between Dr. Momena Kamel (the Chairman of Al Mokhtabar), and Mr Amr Helal of Abraaj Group. Dr. Momena Kamel had waived her rights in the ownership and voting in relation to the shares of 83,333 shares held in Integrated Company for Medical Analysis, which accounted for 33.33% of the capital paid and Al Mokhtabar shall be considered as the beneficiary owner of these shares until it is completely transferred before all the authorities.

As a result the directors of the company consider Al Mokhtabar Company has control over Integrated Medical Analysis Company (S.A.E). Al Mokhtabar Company has the practical ability to direct the relevant activities of Integrated Medical Analysis Company (S.A.E) unilaterally.

During the current year, Al Mokhtabar Company increased its share equity of the acquiree by 66.25%, as a result, the percentage of total shares of the company in

Integrated Medical Analysis Company (S.A.E) became 99.58%.

## 8. Non-Controlling interest

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

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

	Country of incorporation	2015	2014
Medical Genetic Center	Egypt	45.0%	45.0%
Al Makhbariyoun Al Arab Group (Hashemite Kingdom of Jordan)	Jordan	40.0%	40.0%
SAMA Medical Laboratories Co. " Ultra lab medical laboratory "	Sudan	40.0%	40.0%
Golden Care for Medical Services	Egypt	25.0%	25.0%
Alborg Laboratory Company	Egypt	0.7%	0.7%

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

	Medical Genetic Center EGP'000	Al Makhbariyoun Al Arab Group (Hashemite Kingdom of Jordan) EGP'000	SAMA Medical Laboratories Co. "Ultralab medical laboratory " EGP'000	Alborg Laboratory Company EGP'000	Golden Care for Medical Services EGP'000	Other individually subsidiaries EGP'000	Intra- Group Elimination EGP'000	Total EGP'000
Summarised statement of profit or loss for 2015:								
Revenue	12,468	73,523	24,518	433,944	-	126,063	-	670,516
Profit	3,818	10,894	4,720	135,008	4,905	29,626	-	188,971
Other comprehensive income	-	3,016	850	-	-	(297)	-	3,569
Total comprehensive income	-	3,016	850	-	-	(297)	-	3,569
Profit allocated to non-controlling interest	1,719	4,358	1,888	956	1,226	199	-	(24,099)
Other comprehensive income allocated to non-controlling interest	-	1,033	340	-	-	70	-	1,443

Summarised statement of financial position as at 31 December 2015:

Non-current assets	920	35,038	4,612	126,539	935	81,428	249,472
Current assets	8,442	17,853	18,765	167,615	9,964	99,458	322,097
Non-current liabilities	(2)	-	-	(1,297)	-	(2,155)	(3,454)
Current liabilities	(3,239)	(12,046)	(14,368)	(97,957)	(144)	(66,903)	(194,657)
<b>Net assets</b>	<b>6,121</b>	<b>40,845</b>	<b>9,009</b>	<b>194,900</b>	<b>10,755</b>	<b>111,828</b>	<b>373,458</b>
Net assets attributable to non-controlling interest	2,756	16,338	3,604	1,379	2,689	(509)	<b>26,876</b>

	Medical Genetic Center EGP'000	AI Makhbaryoun Al Arab Group (Hashemite Kingdom of Jordan) EGP'000	SAMA Medical Laboratories Co. "Ultralab medical laboratory" EGP'000	Alborg Laboratory Company EGP'000	Golden Care for Medical Services EGP'000	Other individually subsidiaries EGP'000	Int Gr elimin EGP
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Summarised cash flow information for year ended 31 December 2015:

Operating	2,727	13,711	7,254	63,675	(771)	39,823
Investing	181	(5,665)	(1,228)	(2,968)	-	(30,224)
Financing	(2,759)	(9,019)	(1,390)	(73,933)	-	39,750
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>149</b>	<b>(973)</b>	<b>4,636</b>	<b>(13,226)</b>	<b>(771)</b>	<b>49,349</b>

Summarised statement of profit or loss for 2014:

Revenue	363,114	60,355	26,298	363,114	-	16,301
Profit	3,326	12,011	6,385	96,090	3,710	2,995
Other comprehensive income	-	922	(511)	-	-	607
<b>Total comprehensive income</b>	<b>-</b>	<b>922</b>	<b>(511)</b>	<b>-</b>	<b>-</b>	<b>607</b>
Profit allocated to non-controlling interest	1,497	4,804	2,554	680	928	(240)
Other comprehensive income allocated to non-controlling interest	-	554	(369)	-	-	306



	Medical Genetic Center EGP'000	AI Makhbaryoun Al Arab Group (Hashemite Kingdom of Jordan) EGP'000	SAMA Medical Laboratories Co. "Ultralab medical laboratory " EGP'000	Alborg Laboratory Company EGP'000	Golden Care for Medical Services EGP'000	OT
<b>Summarised statement of financial position as at 31 December 2014:</b>						
Non-current assets	965	30,491	4,001	129,974	935	
Current assets	8,148	14,229	13,724	158,786	6,507	
Non-current liabilities	(4)	-	-	(1,560)	-	
Current liabilities	(5,630)	(36,754)	(9,823)	(150,620)	(5,849)	
<b>Net assets</b>	<b>3,479</b>	<b>7,966</b>	<b>7,902</b>	<b>136,580</b>	<b>1,593</b>	
Net assets attributable to non-controlling interest	2,535	14,701	3,929	1,066	1,462	

**Summarised cash flow information for year ended 31 December 2014:**

Operating	3,139	13,850	6,968	111,491	(1,037)
Investing	991	(6,252)	(607)	(5,866)	-
Financing	(2,714)	(2,719)	(914)	(93,031)	(3,326)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,416</b>	<b>4,879</b>	<b>5,447</b>	<b>12,594</b>	<b>(4,363)</b>

**9. Expenses and other income**

Included in profit and loss are the following:

	2015 EGP'000	2014 EGP'000
Impairment on trade and other receivables	9,230	7,556
Charge for increase in provisions	2,881	1,703
Operating lease payments (buildings)	22,278	17,989
Professional and advisory fees*	138,436	10,524
Amortisation	352	91,481
Depreciation	35,840	24,104
<b>Total</b>	<b>209,017</b>	<b>153,357</b>

\* In the year professional and advisory fees included EGP 125 million relating to the costs for the IPO. No shares were issued on IPO and so all costs have been expensed.

### 9.1. 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

	2015 EGP'000	2014 EGP'000
Audit of these financial statements	821	-
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	629	614
Audit-related assurance services	1,040	-
Other assurance services	1,994	1,645
	<b>4,484</b>	<b>2,259</b>

### 9.2. Net finance costs

	2015 EGP'000	2014 EGP'000
<b>Finance cost</b>		
Finance charges payable under finance leases	(5,725)	(395)
Net foreign exchange loss	-	(8,590)
Bank Charges	(655)	(215)
	<b>(6,380)</b>	<b>(9,200)</b>
<b>Finance income</b>		
Interest income	9,930	5,956
Gains on sale of financial investments in investment funds	-	38
Net foreign exchange gain	3,482	-
	<b>13,412</b>	<b>5,994</b>
<b>Net finance income/(expense)</b>	<b>7,032</b>	<b>(3,206)</b>

### 9.3. 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:

	2015			2014		
	Medical	Administration	Total	Medical	Administration	Total
Average number of employees	3,917	406	4,323	3,680	348	4,028
	2015 EGP'000			2014 EGP'000		
Wages and salaries	148,604	43,229	191,833	120,144	34,219	154,363
Social security costs	9,238	1,818	11,056	5,526	1,305	6,831

Contributions to defined contribution plan	2,216	386	<b>2,602</b>	1,893	354	<b>2,247</b>
Equity settled shared based payments	-	1,034	<b>1,034</b>	-	-	-
<b>Total</b>	<b>160,058</b>	<b>46,467</b>	<b>206,525</b>	<b>127,563</b>	<b>35,878</b>	<b>163,448</b>

Details of Directors' and Key Management remuneration and share incentives are disclosed in the Remuneration Report and note 26.

## 10. Income tax

### a) Amounts recognised in profit or loss

	<b>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
<b>Current tax:</b>		
Current year	(108,128)	(121,944)
<b>Deferred tax:</b>		
Effect of reduction in tax rate to 22.5%	13,139	-
Deferred tax arising on change in tax legislation relating to undistributed reserves in subsidiaries	(22,614)	-
Relating to origination and reversal of temporary differences	(1,918)	16,353
<b>Tax expense recognised in profit or loss</b>	<b>(119,521)</b>	<b>(105,591)</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 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% (2014: 30%) tax rate. The reconciliation of effective income tax rate has been performed using this rate.

	<b>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
<b>Profit before tax</b>	<b>274,493</b>	<b>247,279</b>
Profit before tax multiplied by rate of corporation tax in Egypt of 22.5% (2014: 30%)	61,761	74,184
Effect of tax rate in Jersey of 0% (2014: 0%)	27,985	-

Effect of tax rates in Jordan and Sudan of 15% (2014: 15%)	(805)	(3,497)
<b>Tax effect of:</b>		
Unrecognised tax losses	-	
Change in unrecognized deferred tax assets	(1,476)	(1,419)
Deferred tax arising on undistributed reserves	22,614	-
Reduction in tax rate on deferred tax balances	(13,139)	-
Non-deductible expenses for tax purposes - employee profit share	7,549	7,531
Non-deductible expenses for tax purposes - other	15,032	28,792
<b>Tax expense recognised in profit or loss</b>	<b>119,521</b>	<b>105,591</b>

#### Deferred tax

Deferred tax relates to the following:

	2015	
	Assets EGP'000	Liabilities EGP'000
Property, plant and equipment	-	(5,668)
Intangible assets	-	(102,113)
Undistributed reserves from group subsidiaries*	-	(22,614)
Provisions	1,968	-
<b>Net deferred tax liability</b>		<b>(128,427)</b>

#### \* 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 profits held within the Group which will be taxed under the new legislation imposed and were as follows:

	2015 EGP'000
Al Mokhtabar Company for Medical Labs Alborg Laboratory Company	8,859
	5,776

Integrated Medical Analysis Company	2,192
Molecular Diagnostic Center	2,724
Golden Care for Medical Services	677
Medical Genetics Center	236
AI Makhbariyoun Al Arab Group	<u>2,150</u>
	<u><u>22,614</u></u>

#### Reconciliation of deferred tax liabilities, net

	<b>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
Net tax which creates a liability at the end of the period	(128,427)	(117,034)
<b>Less:</b>		
Net tax resulting in tax liability at the beginning of period	<u>117,034</u>	<u>133,387</u>
<b>Deferred tax (expense)/income</b>	<u><b>(11,393)</b></u>	<u><b>16,353</b></u>

#### 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:

	<b>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
Impairment of trade receivables (Note 17)	17,030	12,138
Impairment of other receivables (Note 17)	10,110	9,036
Provision for legal claims (Note 22)	<u>2,967</u>	<u>2,372</u>
	<u><b>30,107</b></u>	<u><b>23,546</b></u>
<b>Unrecognized deferred tax asset based on enacted tax rate 2015: 22.5% (2014: 30%)</b>	<u><b>6,774</b></u>	<u><b>7,064</b></u>

## Tax Status

### A) Amendments to Egyptian Tax law

The profits of Egyptian subsidiaries within the Group are subjected to corporate tax according to income tax law No. 91 of 2005 and the general applicable tax rate on all Egyptian corporations is 25%. However, the Egyptian Government imposed an additional 5% tax on corporations with income in excess of EGP 1.0 million beginning on January 1, 2014. Accordingly, we applied this tax rate in 2014. The Egyptian Government reduced the tax rate to 22.5% beginning in January 2015, and the Egyptian Government imposed tax on dividends paid by the company to its shareholders (non-resident natural persons and to corporate bodies, whether resident or non-resident) will be subject to withholding tax at a rate determined by the percentage of an investor's shareholding in the Issuer, except for dividends in the form of bonus shares. Shareholders holding 25% or more of the Issuer's share capital or voting rights will be subject to tax on dividends at a rate of 5% of the distributed dividend (without deducting any costs or expenses), provided they hold the shares for minimum two years. Shareholders holding less than 25% of the Issuer's share capital or voting rights will be subject to tax on dividends at a flat rate of 10% (without deducting any costs or expenses), which have been applied accordingly when calculating current and deferred tax in 2015.

### B) Integrated Diagnostics Holdings plc - "IDH"

Integrated Diagnostics Holdings plc "IDH" has been established according to the provisions of the Companies (Jersey) law 1991 under No. 117257. The company is subject to tax in Jersey at 0% in accordance with Jersey law.

## 11. 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:

	<b>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
Profit attributable to ordinary equity holders of the parent for basic earnings	144,873	132,769
Weighted average number of ordinary shares for basic and dilutive EPS	150,000	150,000
<b>Basic and dilutive earnings per share (expressed in EGP)</b>	<b>0.97</b>	<b>0.89</b>

There is no dilutive effect from equity settled share based payment arrangements detailed in note 20. Shares issued by the Company under the arrangement will be purchased from the market on the award date and no shares are held in treasury.

## 12. Property, plant and equipment

<b>Land &amp; Buildings</b>	<b>Medical, electric &amp; information system equipment</b>	<b>Leasehold improvements</b>	<b>Fixtures fitting vehicles</b>
<b>EGP'000</b>	<b>EGP'000</b>	<b>EGP'000</b>	<b>EGP'000</b>

<b>Cost</b>				
At 1 January 2014	124,960	80,211	40,155	23
Additions	-	11,577	8,127	2
Disposals	-	(60)	(408)	
Exchange differences	183	(86)	(96)	
Transfers	3,960	1,712	4,546	
<b>At 31 December 2014</b>	<b>129,103</b>	<b>93,354</b>	<b>52,324</b>	<b>23</b>
Additions	-	95,422	24,788	5
Disposals	-	(9,179)	(1,391)	
Exchange differences	509	1,697	551	1
Transfers	38,000	15,459	-	
<b>At 31 December 2015</b>	<b>167,612</b>	<b>196,753</b>	<b>76,272</b>	<b>3</b>
<b>Depreciation and impairment</b>				
At 1 January 2014	14,089	48,263	15,901	8
Depreciation charge for the year	2,434	12,900	6,665	2
Exchange differences	59	(28)	(31)	
<b>At 31 December 2014</b>	<b>16,582</b>	<b>61,135</b>	<b>22,535</b>	<b>10</b>
Depreciation charge for the year	2,600	21,390	9,726	2
Disposals	-	(7,588)	(1,335)	
Exchange differences	149	466	162	
<b>At 31 December 2015</b>	<b>19,331</b>	<b>75,403</b>	<b>31,088</b>	<b>12</b>
<b>Net book value At 31 December 2015</b>	<b>148,281</b>	<b>121,350</b>	<b>45,184</b>	<b>19</b>
<b>At 31 December 2014</b>	<b>112,521</b>	<b>32,219</b>	<b>29,789</b>	<b>19</b>

### **Leased equipment**

EGP 74m of medical and electric equipment was supplied under finance lease arrangements during the year ended 31 December 2015. This equipment was supplied to service the Group's new state of the art Mega Lab, The Mega Lab. The equipment secures lease obligations, see note 25 for further details on the recognition and the leasing arrangement.

### **13. Intangible assets**

	<b>Goodwill EGP'000</b>	<b>Brand Name EGP'000</b>	<b>Customer list EGP'000</b>	<b>Supplier list EGP'000</b>	<b>Non to compete agreement EGP'000</b>	<b>Total EGP'000</b>
<b>Cost</b>						
<b>At 31</b>						
<b>December</b>						
<b>2014</b>	<b>1,234,432</b>	<b>374,055</b>	<b>17,043</b>	<b>240,812</b>	<b>64,722</b>	<b>1,931,064</b>
Effect of movements in exchange rates	(3,233)	971	-	-	-	(2,262)
<b>At 31</b>						
<b>December</b>						
<b>2015</b>	<b>1,231,199</b>	<b>375,026</b>	<b>17,043</b>	<b>240,812</b>	<b>64,722</b>	<b>1,928,802</b>
<b>Amortisation and impairment</b>						
<b>At 1 January</b>						
<b>2014</b>	-	-	11,766	176,846	42,132	230,744
Amortisation	-	-	4,925	63,966	22,590	91,481
<b>At 31</b>						
<b>December</b>						
<b>2014</b>	-	-	16,691	240,812	64,722	322,225
Amortisation	-	-	352	-	-	352
<b>At 31</b>						
<b>December</b>						
<b>2015</b>	-	-	17,043	240,812	64,722	322,577
<b>Net book value</b>						
<b>At 31</b>						
<b>December</b>						
<b>2015</b>	<b>1,231,199</b>	<b>375,026</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,606,225</b>
<b>At 31</b>						
<b>December</b>						
<b>2014</b>	<b>1,234,432</b>	<b>374,055</b>	<b>352</b>	<b>-</b>	<b>-</b>	<b>1,608,839</b>

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

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

	<b>2015 EGP'000</b>	<b>2014 EGP'000</b>
<b>Molecular Diagnostic Center</b>		
Goodwill	1,849	1,849



	<b>1,849</b>	<b>1,849</b>
<b>Medical Genetics Center</b>		
Goodwill	1,755	1,755
	<b>1,755</b>	<b>1,755</b>
<b>AI Makhbariyoun AI Arab Group ("Biolab")</b>		
Goodwill	20,576	16,041
Brand name	9,965	7,769
	<b>30,541</b>	<b>23,810</b>
<b>Golden Care for Medical Services ("Ultralab")</b>		
Goodwill	10,641	18,409
Brand name	1,677	2,902
	<b>12,318</b>	<b>21,311</b>
<b>Alborg Laboratory Company ("Al-Borg")</b>		
Goodwill	497,275	497,275
Brand name	142,066	142,066
	<b>639,341</b>	<b>639,341</b>
<b>AI Mokhtabar Company for Medical Labs ("AI-Mokhtabar")</b>		
Goodwill	699,102	699,102
Brand name	221,319	221,318
	<b>920,421</b>	<b>920,420</b>
<b>Balance at 31 December</b>	<b>1,606,225</b>	<b>1,608,486</b>

The Group performed its annual impairment test in October 2015. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

#### **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:

	<b>Ultra Lab</b>	<b>Bio Lab</b>	<b>AI- Mokhtabar</b>	<b>AI- Borg</b>
Annual revenue growth rates	9%	11%	8%	9%
Average revenue per branch EGP'000	1,933	600	3,227	3,382
Average gross margin	53%	43%	63%	55%
Annual growth in costs	9%	11%	8%	9%
Terminal value growth rate from 1 January 2021	2%	2%	3%	3%

Discount rate                                      25.2% 18.5%                                      16.8% 16.8%

Fincorp has prepared discounted cash flow projections using the key assumptions above so as to be able to calculate the net present value of the asset in use and determine the recoverable amount. The projected cash flows from 2016- 2020 have been based on detailed forecasts prepared by management for each CGU and a terminal value thereafter. Management have used past experience and historic trends achieved in order to determine the key growth rate and margin assumptions set out above. The terminal value growth rate applied is not considered to exceed the average growth rate for the industry and geographic locations of the CGUs.

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

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

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

## 15. Financial assets and financial liabilities

### 15.1. 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>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
<b>Loans and receivables</b>		
Cash and cash equivalent	387,716	252,110
Trade and other receivables	117,155	90,075
<b>Total financial assets</b>	<b>504,871</b>	<b>342,185</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	151,320	124,157
Other interest-bearing loans and borrowings	-	45
Put option liability	64,069	50,420
Finance lease liabilities	74,569	1,440
<b>Total financial liabilities</b>	<b>289,958</b>	<b>176,062</b>
<b>Total financial instruments</b>	<b>214,913</b>	<b>166,123</b>

The fair values of all of the Group's financial instruments are the same as their carrying values. All financial instruments are deemed Level 3.

## **15.2. 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 2015 and 2014. 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 2015 and 2014 including the effect of hedge accounting.
- 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 2015 for the effects of the assumed changes of the underlying risk.

### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. During the year ending 2015 the Group was not exposed to the risk of changes in floating interest rates. The only interest-bearing financial liabilities held by the Group at 31 December 2015 were for finance lease liabilities held and disclosed in note 25. The implicit interest rate for the finance leases in place was estimated to be 11.5%.

### **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's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Sudanese Pound and the Jordanian Dinar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. However, the management aims to minimize open positions in foreign currencies to the extent that is necessary to conduct its activities.

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

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

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

	<b>2015</b>		
	<b>Assets '000</b>	<b>Liabilities '000</b>	<b>Net exposure '000</b>
US Dollar	12,581	(1,958)	<b>10,623</b>
Euros	87	(126)	<b>(39)</b>
GBP	11	(8)	<b>3</b>
JOD	1,642	(5,425)	<b>(3,783)</b>
SDG	16,831	(17,652)	<b>(821)</b>
	<b>2014</b>		
	<b>Assets '000</b>	<b>Liabilities '000</b>	<b>Net exposure '000</b>
US Dollar	15,389	(345)	<b>15,044</b>
Euros	1,176	(59)	<b>1,117</b>
JOD	300	(3,666)	<b>(3,366)</b>
SDG	9,630	-	<b>9,630</b>

The following is the exchange rates applied against EGP:

<b>Average rate for the year ended</b>	
<b>2015</b>	<b>2014</b>
_____	_____

US Dollar	7.70	7.09
Euros	8.48	9.34
GBP	11.73	11.63
JOD	10.81	10.04
SAR	2.05	1.89
SDG	1.20	1.14

	<b>Spot rate at the year ended against EGP</b>	
	<b>31-Dec-15</b>	<b>31-Dec-14</b>
US Dollar	7.78	7.15
Euros	8.46	8.68
GBP	11.52	11.11
JOD	10.90	10.11
SAR	2.07	1.9
SDG	1.28	1.1

At 31 December 2015, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollar with all other variables held constant, pre-tax profit for the year would have been increased / decreased by EGP 8,264k (2014: EGP 10,757k ) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

At 31 December 2015, 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 / period would have been increased / decreased by EGP (4,124)k (2014: EGP (3,403)k) higher / lower, mainly as a result of foreign exchange gains/losses on translation of JOD - denominated financial assets and liabilities.

At 31 December 2015, 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 / period would have been increased / decreased by EGP (105)k (2014: EGP 1,059k ) higher / lower, 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 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

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. 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 at 31 December 2015.

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17.

### 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 18.

### 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 2015</b>	<b>1 year or less EGP'000</b>	<b>1 to 5 years EGP'000</b>	<b>more than 5 years EGP'000</b>	<b>Total EGP'000</b>
Obligations under finance leases	22,321	62,681	21,375	<b>106,377</b>
Put option liability	69,956	-	-	<b>69,956</b>
Trade and other payables	151,320	-	-	<b>151,230</b>
	<b>243,597</b>	<b>62,681</b>	<b>21,375</b>	<b>327,653</b>
<b>Year ended 31 December 2014</b>	<b>1 year or less EGP'000</b>	<b>1 to 5 years EGP'000</b>	<b>more than 5 years EGP'000</b>	<b>Total EGP'000</b>

Interest-bearing loans and borrowings	45	-	-	<b>45</b>
Obligations under finance leases	858	582	-	<b>1,440</b>
Put option liability	-	66,254	-	<b>66,254</b>
Trade and other payables	124,157	-	-	<b>124,157</b>
	<b>125,060</b>	<b>66,836</b>	-	<b>191,896</b>

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

The group's management retain cash balances in order to allow repayment of obligations in due dates, without taking into account any unusual effects which it cannot be predicted such as natural disasters. All suppliers and creditors will be repaid over a period of 45 days from the date of the invoice or the date of the commitment.

## 16. Inventories

	<b>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
Chemicals and operating supplies	34,326	36,007
	<b>34,326</b>	<b>36,007</b>

During 2015, EGP 172,354k (2014: EGP 163,867k) was recognised as an expense for inventories carried at net realisable value. This was recognised in cost of sales.

## 17. Trade and other receivables

	<b>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
Trade receivables	100,033	74,427
Prepaid expenses	13,467	10,446
Receivables due from related parties	465	1,808
Other receivables	2,143	2,894
Accrued revenue	1,047	500
	<b>117,155</b>	<b>90,075</b>

For terms and conditions relating to related party receivables, refer to Note 26.

As at 31 December 2015, trade and other receivables with an initial carrying value of EGP 27,140k (2014: EGP 21,174k) were impaired and fully provided for. Below shows the movements in the provision for impairment of trade and other receivables:

	<b>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
<b>At 1 January</b>	21,174	16,213
Net increase during the year	9,230	7,556
Utilised during the year	(2,921)	(2,486)
Unused amounts reversed	(343)	(109)
<b>At 31 December</b>	<b>27,140</b>	<b>21,174</b>

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

	<b>Total</b>	<b>1 - 30</b>	<b>30-60</b>	<b>61-90</b>	<b>Over 90</b>
	<b>EGP'000</b>	<b>days</b>	<b>days</b>	<b>days</b>	<b>days</b>
	<b>EGP'000</b>	<b>EGP'000</b>	<b>EGP'000</b>	<b>EGP'000</b>	<b>EGP'000</b>
2015	100,033	29,508	28,774	20,668	21,083
2014	74,427	25,698	11,293	9,896	27,540

#### 18. Cash and cash equivalent

	<b>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
Cash at banks and on hand	124,332	66,334
Short-term deposits	263,384	185,776
	<b>387,716</b>	<b>252,110</b>

EGP 16,166K (2014: EGP 10,896K) of total cash and cash equivalents are held in subsidiaries operating in Sudan. Prior approval is required to transfer these funds abroad.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates ranging from 7%- 8% per annum.

#### 19. Share capital

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

	<b>Ordinary shares</b>	<b>Ordinary shares</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
In issue at beginning of the year	150,000,000	-
Issued during the year	-	150,000,000



**In issue at the end of the year**

**150,000,000**

**150,000,000**

On 23 December 2014, as a necessary step to its Initial Public Offering on 11 May 2015, the Company (i.e. Integrated Diagnostics Holdings plc), issued 150 million shares to the shareholders of the previous Parent Company of the Group, Integrated Diagnostics Holdings LLC ("Caymans"), in exchange for 100% of the issued shares of Caymans. This created a share premium of \$130,026,958 equivalent to EGP 929,693,000.

There were no changes in rights or proportions of control in Caymans and its consolidated subsidiaries, and after 23 December 2014 (the date after which Caymans ceased to be the parent of the group) IDH and its consolidated subsidiaries as a result of this transaction.

Whilst, the equity instruments of Caymans were legally acquired, in substance the Directors have determined that Caymans is the accounting acquirer of IDH. As such, this transaction has been accounted for as a reverse acquisition.

### **Capital reserve**

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

### **Legal reserves**

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

### **Put option reserve**

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

### **Translation reserve**

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

## **20. Equity settled share based payment arrangements**

The Company has established annual equity awards for the Chairman and Chief Executive Officer. The Chairman and Chief Executive Officer receive annually the

number of ordinary shares in the Company equal to US\$75,000 and EGP 450,000 (at the prevailing USD:EGP conversion rate on the date of grant), respectively and is deemed to be the fair value of the arrangement. In each case, the number of shares attributable to the award will be calculated by dividing the notional dollar amount of the award (pro-rated as necessary to reflect their actual service in their first and last years of service) by a reference price. In the case of their first award, the reference price shall be the price at which the ordinary shares were acquired by new investors in the Company's IPO. For each subsequent financial year of service, the reference price shall be the average quoted closing price of the ordinary shares on the London Stock

Exchange over the last 30 days of that financial year (provided that, if such 30 day period would otherwise fall within a close period, the Company's board of directors shall determine the appropriate reference period in its absolute discretion).

The grant and vesting of each Annual Award and the release of any shares will be subject to such other conditions as the Company may determine in its absolute discretion after prior discussion with the Executives. The first Annual Award to be made under this agreement has been granted by year end.

## 21. Distributions made and proposed

	<b>2015</b>
	<b>EGP'000</b>
<b>Cash dividends on ordinary shares declared and paid:</b>	
Dividend paid	-
	-
<b>Proposed dividends on ordinary shares:</b>	
Final dividend for the year 2015: US\$0.06 per share (2014: nil) per share	<b>70,020</b>

The proposed 2015 dividend on ordinary shares are subject to approval at the annual general meeting and is not recognised as a liability as at 31 December 2015.

## 22. Provision

	<b>Egyptian Government Training Fund for employees EGP'000</b>	<b>Provision for legal claims EGP'000</b>	<b>Total EGP'000</b>
<b>At 1 January 2015</b>	6,606	2,372	8,978
Provision made during the year	1,389	1,492	2,881
Provision used during the year	-	(891)	(891)
Provision reversed during the year	-	(6)	(6)
<b>At 31 December 2015</b>	<b>7,995</b>	<b>2,967</b>	<b>10,962</b>

Current	-	-	-
Non- Current	7,995	2,967	10,962
	<b>Egyptian Government Provision Training for Fund for legal employees claims EGP'000 EGP'000 Total EGP'000</b>		
<b>At 1 January 2014</b>	5,579	2,603	8,182
Provision made during the year	1,027	676	1,703
Provision used during the year	-	(35)	(35)
Provision reversed during the year	-	(872)	(872)
<b>At 31 December 2014</b>	<b>6,606</b>	<b>2,372</b>	<b>8,978</b>
Current	-	-	-
Non- Current	6,606	2,372	8,978

#### **Employees training provision**

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

#### **Legal claims provision**

The amount comprises the gross provision in respect of legal claims brought against the Group. Management's opinion, after taking appropriate legal advice, is that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2015.

### **23. Trade and other payables**

	<b>2015 EGP'000</b>	<b>2014 EGP'000</b>
Trade payables	70,743	59,351
Accrued expenses	73,747	57,738
Other payables	6,830	7,068
Put option liability	64,069	-
Finance lease liabilities	14,242	858
	<b>229,631</b>	<b>125,015</b>

### **24. Long-term financial obligations**

	<b>2015 EGP'000</b>	<b>2014 EGP'000</b>
Put option liability	-	50,420
Finance lease liabilities (see note 25)	60,327	582
	<b>60,327</b>	<b>51,002</b>

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 a put option liability has been recognised for the net present value for the exercise price of the option.

## 25. Commitments and contingencies

### Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2015 EGP'000	2014 EGP'000
Less than one year	21,706	20,033
Between one and five years	68,817	73,680
More than five years	37,450	50,644
	<b>127,973</b>	<b>144,357</b>

The Group lease certain branches for the operation of the business. During the year EGP 22,278K was recognised as an expense in the income statement in respect of operating leases (2014: EGP 17,989K).

### Finance lease

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

	2015 EGP'000	2014 EGP'000
Finance lease liability - laboratory equipment	74,023	858
Finance lease liability - other	461	582
	<b>74,484</b>	<b>1,440</b>

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

	Minimum lease payments 2015 EGP'000	Interest 2015 EGP'000	Principal 2015 EGP'000
Less than one year	21,860	7,965	13,895
Between one and five years	62,681	20,290	42,391
More than five years	21,375	3,638	17,737
	<b>105,916</b>	<b>31,893</b>	<b>74,023</b>

The Group entered into 2 significant agreements during the period ended 31 December 2015 to service the Group's new state-of-the-art Mega Lab.

Both agreements have minimum annual commitment payments to cover the supply of medical diagnostic equipment, kits and chemicals to be used for testing and ongoing maintenance and support services over the term of the agreement. The agreement periods are 5 and 8 years which is deemed to reflect the useful life of the equipment.

If the minimum annual commitment payments are met over the agreement period ownership of the equipment supplied will legally transfer to the IDH. Management fully expect to be able to fulfil the minimum payments and the basis of treating the proportion of payments relating to the supply of equipment as a finance lease.

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

#### Contingent liabilities

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

#### 26. Related party disclosures

The significant transactions with related parties, their nature volumes and balance during the period 31 December 2015 and 2014 are as follows:

Related Party	Nature of transaction	Nature of relationship	31-Dec-15	
			Transaction amount in the year EGP'000	Amount due from EGP'000
Health-care Tech Company	Expenses paid on behalf	Affiliate*	75	188
Life Scan (S.A.E)	Expenses paid on behalf	Affiliate** Entity owned by Company's CEO	277	277
Integrated Treatment for Kidney Diseases (S.A.E)	Rental income		274	-
<b>Total</b>				<b>465</b>
			31-Dec-14	

<b>Related Party</b>	<b>Nature of transaction</b>	<b>Nature of relationship</b>	<b>Transaction amount in the year EGP'000</b>	<b>Amount due from EGP'000</b>
Health-care Tech Company	Expenses paid on behalf of Bank transfers	Affiliate	75	113
Integrated Treatment for Kidney Diseases (S.A.E)	Value of assets and expenses paid on behalf	Entity owned by Company's CEO	1,695	1,695
<b>Total</b>				<b>1,808</b>

\* Health-care Tech is a company whose shareholders include Dr. Seham Ibrahim (a member of the Senior Management)

\*\* Life Scan is a company whose shareholders include Dr. Alaa Abd El-Rehim (a member of the Senior Management)

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

The transactions with the related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2014: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

IDH commits up to 1% of the net after-tax profit of the subsidiaries Al Borg and Al Mokhtabar to the Moamena Kamel Foundation for Training and Skill Development. Established in 2006 by Dr. Moamena Kamel, a Professor of Pathology at Cairo University and founder of IDH subsidiary Al-Mokhtabar Labs and mother to the CEO Dr. Hend El Sherbini. The Foundation allocates this sum to organizations and groups in need of assistance. The foundation deploys an integrated program and vision for the communities it helps that include economic, social, and healthcare development initiatives. In 2015 EGP 800,000 (2014: EGP 1,998,000) 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.

	<b>2015</b>	<b>2014</b>
	<b>EGP'000</b>	<b>EGP'000</b>
Short-term employee benefits	17,252	18,540

Share-based payment transactions	1,034	-
<b>Total compensation paid to key management personnel</b>	<b>18,286</b>	<b>18,540</b>

## 27. Establishment of saving fund to employees

The Al Borg Laboratory Company's board of directors on 8 October 2006 approved unanimously to establish an employees' saving fund according to the provisions of Egyptian law No. 54 for the year 1975 on private insurance funds with the following conditions and terms:

Ø The participation by the employee in the Fund is optional and only for the company's permanent employees.

The employees saving fund will be financed as follows:

- 10 % calculated monthly of annual basic salaries and incentives and contributed for by the Company.
- 2.5 % calculated monthly of annual basic salaries and incentives, and contributed for by the employees.

Ø The benefits and collection of contributions (source of financing the Fund) starts from 1/1/2007.

The subscribed employees in the fund will obtain the following benefits: The employee or his heirs will be reimbursed for the contribution he/she made to the Fund upon end of his service- for any reason of the following reasons (either total or partial disability or reach the age of retirement or death, or retirement after three years from the date the employee started his/ her contributions to the fund) plus his share of the company's contributions and his/her share in return of the Fund's investment.

At 31 December 2015 EGP 274K (2014: EGP 237K) was held in trade and other payables in relation to this fund.

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