

**A Leading Consumer Healthcare
Company in the Middle East and Africa**

Annual Report 2017



A long track record for quality and safety has earned the Group a trusted reputation, as well as internationally recognised accreditations

TABLE OF CONTENTS

Strategic Report	02
IDH at a Glance	04
Highlights in 2017	06
Financial & Operational Performance	08
A Note from Our Chairman	10
A Note from Our CEO	12
Our Markets	16
IDH's Competitive Strengths & Business Model	24
Our Healthcare Systems	26
Our Business Model	28
Internationally Accredited Test Portfolio	30
Growth Strategy	32
Principal Risks, Uncertainties and Their Mitigation	34
Financial Review	40
Corporate Responsibility	46
Corporate Governance	48
Board of Directors	50
Corporate Governance Report	52
Audit Committee Report	58
Remuneration Committee Report	62
Directors' Report	64
Financial Statements	68



Strategic Report



IDH is well-positioned with trusted brands, strong supplier relationships, and a proven asset-light business model to deliver high-quality medical diagnostics to the Middle East and Africa regions

IDH at a Glance

Integrated Diagnostics Holdings (“IDH,” the “Group,” or the “Company”) is a leading consumer healthcare company with operations in Egypt, Jordan, Sudan and Nigeria. A long track record for quality and safety has earned the Group a trusted reputation, as well as internationally recognised accreditations for its portfolio of over 1,400 diagnostics tests. From its base of 383 branches as of 31 December 2017, the Company will continue to add laboratories through a Hub, Spoke and Spike business model that provides a scalable platform for efficient expansion.

Beyond organic growth, IDH’s expansion plans include acquisitions in new Middle Eastern and African markets where its model is well-suited to capitalise on similar healthcare and consumer trends and capture a significant share of underpenetrated and highly-fragmented markets. Notably in early 2018, the Group expanded its geographic footprint with an investment in Nigeria, Africa’s largest and most populous country. IDH has been a Jersey-registered entity with a Standard Listing on the Main Market of the London Stock Exchange since May 2015.

+ 39 YEARS

track record at the subsidiary level

383

operational branch labs as at 31 December 2017

6

key brands with strong awareness in underserved markets*

26 MN

tests completed across the Group in 2017

6.4 MN

patients served across the Group in 2017

+ 1400

internationally accredited diagnostic tests offered

EGP **1,514** MN

in revenue in 2017,
up 29% on 2016

EGP **384** MN

in net profit in 2017,
up 44% on 2016

Dividend

of US\$ 0.16 per share
(vs. US\$ 0.14 in 2016)

*As at January 2018.



Highlights of 2017

Revenues

increased 29% to EGP 1,514 million in 2017 from EGP 1,171 million in 2016, driven by a combination of better pricing, favourable currency translation and higher volumes.

Net profit

grew 44% year-on-year to EGP 384 million in 2017 versus EGP 267 million in 2016, benefiting from increased interest income and a lower foreign exchange loss.

Interest income

reached EGP 51 million versus EGP 21 million a year earlier, reflecting highly effective management of excess cash.

Net foreign exchange loss

amounted to EGP 20 million, substantially lower than EGP 89 million in 2016.

Recommended final dividend

of US\$ 0.16 (sixteen US\$ cents) per share, equivalent to US\$ 24 million in total, compared with US\$ 0.14 (fourteen US\$ cents) per share, equivalent to US\$ 21 million in total in 2016.

Gross profit

gained 16% to EGP 730 million from EGP 628 million in 2016, despite ongoing inflationary pressures on raw material costs following the November 2016 floatation of the Egyptian pound.

EBITDA*

grew 18% to EGP 602 million from EGP 511 million in 2016, despite higher raw material costs as well as higher rent and utilities expenses.

Operating profit

rose 16% to EGP 540 million compared with EGP 466 million in 2016, also constrained by post-devaluation inflationary pressures.

Earnings per share

of EGP 2.49 compared with EGP 1.74 in 2016.

Expansion of branch network

to 383 in 2017 from 354 in 2016 represented 8% annual unit growth.

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

Immunology	Microbiology	Haematology
Endocrinology	Clinical Chemistry	Molecular Biology
Cytogenetics	Histopathology	Radiology

Our Brands

In Egypt, IDH's largest market, the Group's core brands include Al Borg and Al Mokhtabar, each of which is well-known and enjoys a loyal following. In Jordan, the Company operates Biolab; in Sudan, Ultralab and Al Mokhtabar Sudan; and in Nigeria, Echo-Scan*.

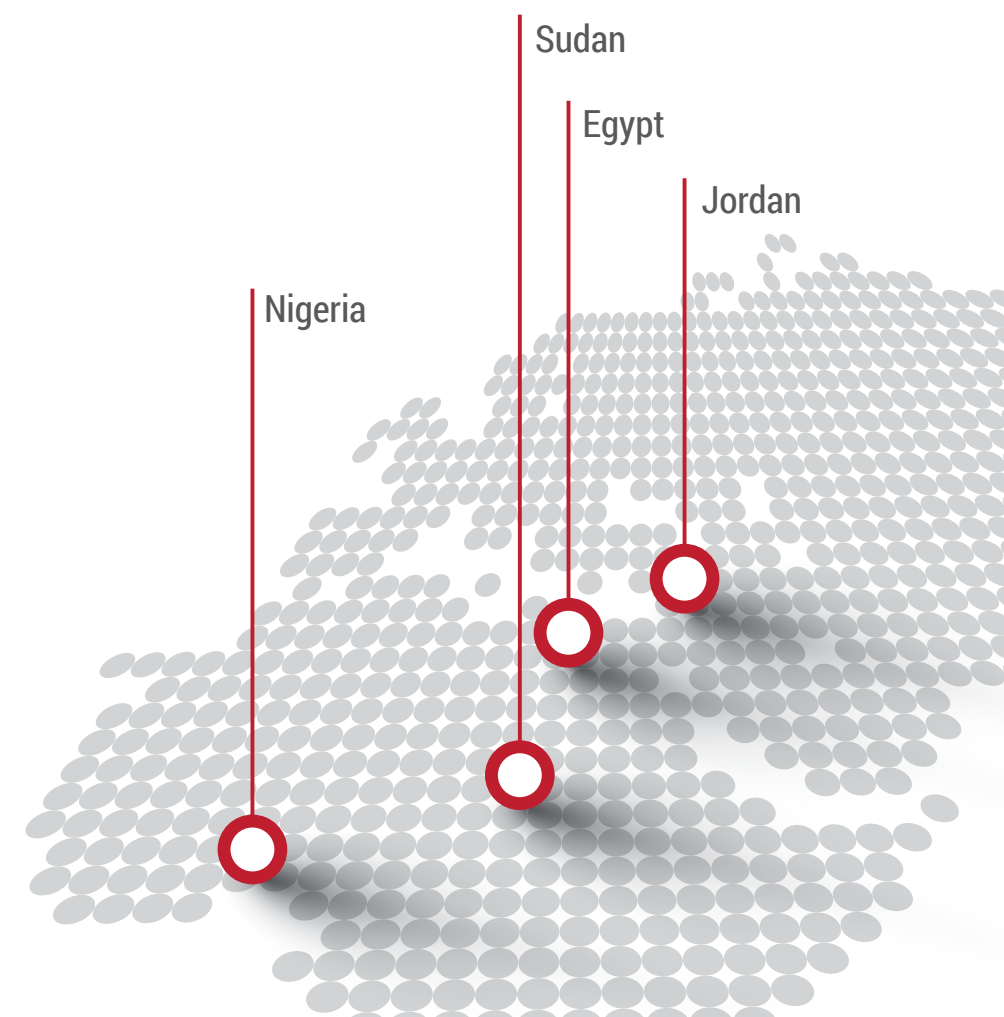
Our Services

IDH offers more than 1,400 diagnostic pathology tests, ranging from basic blood glucose tests for diabetes to advanced molecular testing for genetic disorders.

Our Geography

IDH's geographic platform has expanded to include four countries across the Middle East and Africa including Egypt, Sudan, Jordan and Nigeria*.

*As at January 2018.

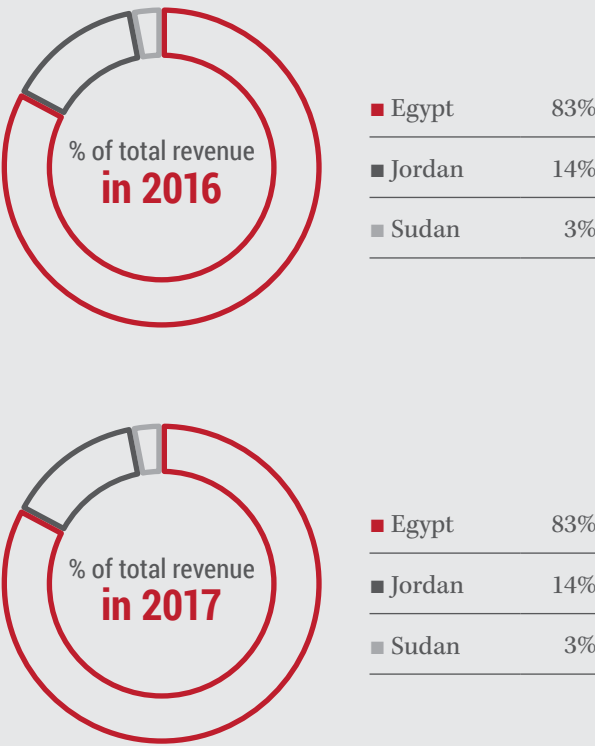


Financial & Operational Performance

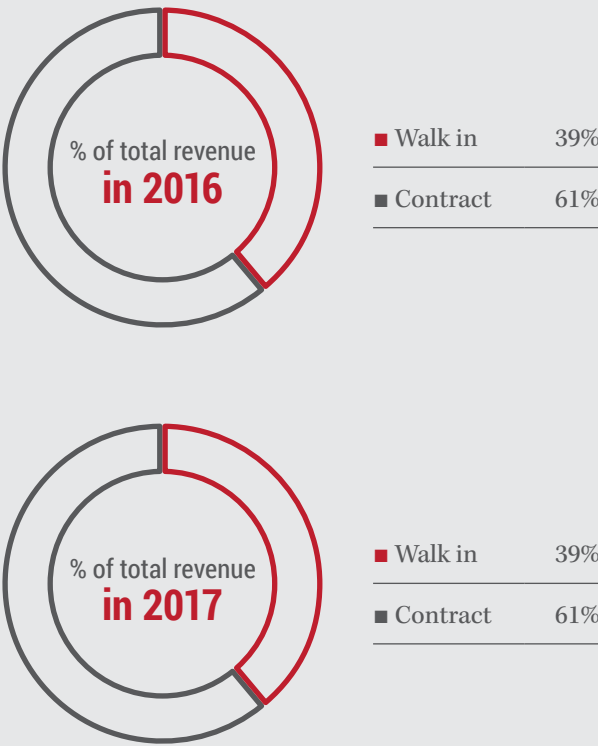
IDH delivered strong operational and financial results in the year ended 31 December 2017, despite macroeconomic challenges, in particular high inflation – in sharp contrast to many consumer names in Egypt

Indicator	Units	2017	2016
Operational			
Number of Tests	mn	25.7	24.1
Number of Patients	mn	6.4	5.8
Number of Labs	#	383	354
Tests per Patient	#	4.03	4.16
Financial			
Revenue	EGP mn	1,514	1,171
Per Patient	EGP	238	201
Per Test	EGP	59.0	48.6
Per Lab	EGP mn	4.0	3.3
EBITDA*	EGP mn	602	511
Net Profit	EGP mn	384	267
Earnings per share	EGP	2.49	1.74

Revenue by Geography 2017 and 2016



Revenue by Type in 2017 and 2016



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



A Note from Our Chairman



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

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

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

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

We remain committed to fulfilling our business strategy through expanding our geographical footprint – both in Africa and in the Middle East

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

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

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

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

Lord St John of Bletso
Chairman
20 March 2018



A Note from Our CEO



Fellow shareholders,

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

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

Strong Operational and Financial Performance

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

Understanding that protracted high inflation in Egypt has had the most significant impact on our patients who pay for their own healthcare, we have developed our marketing programs to target them with a strong health awareness message in combination with a compelling value component. This includes offering bundled diagnostic test packages for lifestyle-related diseases and chronic health conditions; an in-house point redemption system; and bank partnerships for more affordable payment plans. Moreover, in recognition of the pressures being felt by all our patients,

our price increases have been significantly below the high rates of inflation caused by the November 2016 devaluation of the Egyptian pound. The brand equity we have built over many years has translated into strong loyalty among the millions of patients who came to know and trust us long before facing the current inflationary pressures.

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

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

As IDH maintains international-quality accreditations to ensure best-in-class service, we are honoured to have been awarded the certification for our Cairo Mega Lab

from the College of American Pathologists (CAP), widely considered the leader in laboratory quality assurance globally. The international accreditation of our Mega Lab constructs a competitive barrier to entry to our markets and, as importantly, imparts an assurance of quality and safety that engenders strong loyalty among our valued corporate as well as individual customers. IDH operates the only laboratory in Egypt with the distinguished CAP accreditation.

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

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

Macroeconomic Progress in our Largest Market

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

With the floatation of the Egyptian pound in November 2016, the foreign exchange market has normalised and

We enter 2018 in a strong financial position with an under-leveraged and highly cash-generative balance sheet that provides us with strategic flexibility

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

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

Expanding Our Geographic Footprint in Africa

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

The strategic rationale for making Nigeria the fourth country on our regional platform is compelling. Nigeria’s diagnostic services market is very large, highly fragmented and underpenetrated, offering significant opportunities for growth and economies of scale. As importantly, it shares many similarities with Egypt’s market in the 1980s and 1990s in terms of structure, pace of development, and the emerging disease profile of patients.

Dynasty and the IFC have committed to invest significant capital in Echo-Scan over the next four years. Dynasty

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

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

Proposed Dividend and Dividend Policy

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

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

2018 Outlook

The fundamentals of our inherently counter-cyclical healthcare industry remain sound. We are well positioned with our strong brands and geographic positioning to capitalise on the structural drivers that support future growth in medical diagnostic services including

large, rapidly-growing populations; a high prevalence of lifestyle-related medical conditions; and a growing health consciousness in our emerging markets.

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

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

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

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

Dr. Hend El-Sherbini
Chief Executive Officer
20 March 2018



Our Markets

Egypt – Our Largest Market

The Egyptian diagnostics industry can be broadly divided into public and private sector infrastructure, with the latter including both labs attached to private hospitals and independent standalone labs (chains and single labs). According to the Boston Consulting Group (BCG), IDH is the largest fully-integrated private sector diagnostics service provider, with more than 50% share by revenue of the private chain market in Egypt.

Whilst the counter-cyclical nature of the healthcare system in Egypt has been challenged by ongoing difficult macro-economic conditions, powerful structural growth drivers continue to support future growth in diagnostic services:

- With the country's population crossing the 100 million mark in 2017, Egypt is the most populous country in the Middle East North Africa ("MENA") region; in terms of demographics, it hosts a significant proportion of elderly people.
- The population is marked by a high disease burden, with high prevalence of both communicable and non-communicable diseases, tropical diseases, and lifestyle diseases such as diabetes.
- There is a rising prevalence of diseases commanding high test volumes, indicating an expanding need gap compared with more developed markets.
- There is ample opportunity to increase the usage of laboratory diagnostics as a tool in clinical practice, the awareness of which will be raised with higher penetration of health insurance and improved cognisance of preventive healthcare.
- Most labs in Egypt are concentrated in big cities; there is still substantial room to increase accessibility to lab services by adding branches in all of the country's 29 governorates for greater coverage of the population.
- The corporate market is emerging as a driver for diagnostic services, as more companies offer healthcare coverage to their employees.

IDH is in a strong competitive position in the Egyptian diagnostic industry, having created formidable barriers to entry with its 39-year track record, trusted brands, scalable business model and network of 340 branch labs at 2017 year end. This has been achieved by:

- IDH's accreditations, which underscore the high-quality and safety of its testing capabilities, are key to attracting patients. In February 2018, the Group's central Mega Lab in Cairo earned the distinguished certification of The College of American Pathologists (CAP). The Mega Lab, inaugurated in 2015, replaced two smaller, independent "A labs" that were also CAP certified.
- IDH's long-established brands have trusted reputations that have engendered strong patient loyalty.
- With a wide geographic presence, IDH is well positioned to cater to the fragmented nature of the regional market.
- IDH has a strong relationship with key stakeholders such as physicians, patients and hospitals.

In 2017, revenues in Egypt increased 22% year-on-year to EGP 1,251 million, driven by higher volumes as well as selected price increases. Contract revenues gained 24%, whilst revenues in the walk-in category rose 19%. EBITDA grew 14% year-on-year to EGP 547 million, with an associated EBITDA margin of 44% versus 47%. Egypt is the Company's largest market, contributing 83% of total revenues and 91% of total EBITDA in 2017. Last year, IDH treated 9% more patients and performed 5% more tests in Egypt. At 2017 year end, there were 340 branch labs in Egypt, 7% more than a year earlier.

On our way to realising our full potential as a leading consumer healthcare company in the Middle East and Africa, we are pleased to have added Nigeria, Africa's largest and most populous country, to our geographic footprint in early 2018



Jordan

Jordan has one of the most modern health care infrastructures in the Middle East. Whilst medical services remain highly concentrated in Amman, c. 70% of Jordanians have medical insurance. Notably, medical laboratories must abide by the price list that was issued by the Jordanian Ministry of Health in 2008, which has not since changed. Consequently, Biolab's strategy is to expand its range of check-up packages offered, thereby increasing the number of tests per patient. In 2017, Biolab performed c. 1.5 million tests for c. 242,000 patients, generating 6.2 average tests-per-patient compared with 6.1 in 2016.

Unlike Al Borg and Al Mokhtabar in Egypt, Biolab does not operate a Hub, Spoke and Spike business model. Whilst Biolab's 18 central labs perform many of the +1,000 pathology tests offered, four that are considered specialty labs perform particular types of tests including, but not limited to, haematology, endocrinology, immunochemistry, parasitology, oncology, transfusion medicine, molecular genet-

ics and antenatal diagnostics and gene sequencing. Furthermore, Biolab does not share purchasing, supply and logistics, IT, marketing or sales functions with its Egyptian parent company.

In 2017, Biolab signed a joint venture agreement with Georgia-based EVEX Medical Corporation to establish the largest medical laboratory among West Asian countries, which will be located in Tbilisi. This 4,000-square-metre facility will connect more than 40 hospitals and diagnostic centres that are part of the EVEX network.

EVEX Medical Corporation is the largest chain of hospitals in Georgia, currently operating 78 clinics in six regions of the country. The agreement between Biolab and EVEX has two components: i) the implementation of Biolab's technological platforms and laboratory information management systems (LIMS) at EVEX; and ii) taking the Mega Lab through the Joint Commission International (JCI) accreditation within two years of the laboratory's expected launch date.

The new laboratory is expected to open in the second half of 2018, with initial installations and connectivity, as well as the training of quality control officers in both Jordan and Georgia, completed. All tests that are not performed in Georgia will be referred to Biolab in Jordan.

In 2017, revenues from operations in Jordan increased 94% to EGP 218 million, in large part due to the favorable impact of translating Jordanian dinars (JOD) into Egyptian pounds. The subsidiary did perform well, however, notably achieving a 14% revenue gain in local currency. Patient and test volumes were both strong, rising 12% and 13%, respectively. Whilst EBITDA grew 71% year-on-year to EGP 41 million, higher salary and rental costs associated with the opening of four new branches in 2017 pressured the EBITDA margin by c. 200 basis points to 19%. Jordan contributed 14% of 2017 revenues (2016: 10%) and 7% of EBITDA (2016: 5%). At 2017 year end, there were 18 branch labs in Jordan, 4% more than a year earlier.

218 EGP MN

in revenues in 2017, for 94% y-o-y growth

18

branch laboratories offer 1,000+ pathology tests



Sudan

IDH operates under two brand names in Sudan, Ultralab and Al Mokhtabar Sudan. Al Borg acquired a majority interest in Ultralabs in 2011, whilst Al Mokhtabar Sudan had been established in 2010 prior to the Group's acquisition of Al Mokhtabar in Egypt. While Al Mokhtabar Sudan operates independently, Ultralab shares purchasing, supply and logistics, and IT functions with the Company's Egyptian operations.

Sudan has endured social conflict, civil war, and with the 2011 secession of South Sudan, the loss of c. 75% of the oil production that had underpinned the country's economic growth since 1999 and had been its main source of foreign currency. The government had been struggling to re-stabilise the economy, pressured

further by international sanctions imposed by the US and others.

In October 2017, the US decided to lift a host of sanctions imposed 20 years ago that included a comprehensive trade embargo, a freeze on government assets and tight restrictions on financial institutions dealing with the country. The subsequent weakening of the Sudanese pound (SDG) resulted in the government's January 2018 devaluation of the currency, a necessary step toward growth and investment. Meanwhile, the lifting of longstanding sanctions is an important milestone for the people and businesses of Sudan, signaling an end to the country's economic isolation and a renewal of interest among Western investors eager to enter the region.

In 2017, revenues from operations in Sudan increased 34% year-on-year to EGP 46 million on a reported basis. The impact of translating Sudanese dollars (SDG) into Egyptian pounds was negative, however, as revenues denominated in the local currency gained 55%. Importantly, the top line was driven by the signing of a new and very substantial contract with the Sudanese government that contributed to 43% more patients and 84% more tests last year. Whilst reported EBITDA declined 13% year-on-year to EGP 14 million, in Sudanese dollars EBITDA would have gained 75%. The associated EBITDA margin was 31% compared with 22% in 2016. Sudan contributed 3% of total revenues (2016: 3%) and 2% of total EBITDA (2016: 1%). At 2017 year end, there were 25 branch labs in Sudan, 2% more than a year earlier.

46 EGP MN
in revenues in 2017, for
34% y-o-y growth

20 YEARS
after being imposed, US
trade sanctions are lifted



Nigeria

The Opportunity

In Nigeria, the medical diagnostics industry is large, valued at c. US\$ 140 million in 2017 and projected to reach US\$ 1 billion by 2025¹, driven primarily by increased access to and spending on healthcare overall. This forecast could prove conservative should the government spend more than currently planned under difficult macroeconomic conditions; and should health insurance be mandated for all companies sooner than expected.

Whilst also highly fragmented, the industry can be broadly divided into three groups. The largest is independent standalone labs (chains and single labs), representing c. 45% of the market. This should be considered in the context of the fact that there are only five key multi-unit players with different brand positioning and varied service offerings that on a combined basis account for just c. 7% of total test volumes and c. 20% of the diagnostic market's value due to their ability to perform advanced tests. The other two groups include public hospitals with 35% of the market and private hospitals that make up the remaining 20%.

¹Source: Boston Consulting Group

The Investment

IDH has expanded its geographic platform to four countries with an investment in Nigeria's promising healthcare industry. The Group closed on a transaction in February 2018 in which it formed a joint venture with Man Capital LLC ("Man Capital"), the London-based investment arm of the Mansour Group, called Dynasty Holding Group ("Dynasty"), which is 51% owned and controlled by IDH. In turn, Dynasty partnered with the International Finance Corporation ("IFC") to invest in Eagle Eye Echo-Scan Limited ("Echo-Scan"), a leading medical diagnostics business based in Nigeria.

Dynasty and the IFC have committed to invest significant capital in Echo-Scan over the next four years. Dynasty has acquired a majority stake in Echo-Scan and assumed management control of the company, whilst both Dynasty and the IFC will invest US\$ 25 million to expand Echo-Scan's laboratory network, service offerings, and quality standards.

Dynasty combines IDH's c. four decades of experience in Africa's medical diagnostics industry with Man Capital's similarly long experience on the ground in West Africa to drive Echo-Scan's expansion and the institutionalization of all aspects of its operations. Echo-Scan enjoys a strong reputation among physicians and patients alike and will greatly benefit from Dynasty's extensive expertise.

The process of integrating Echo-Scan will begin with the realignment of its existing labs into IDH's "Hub, Spoke and Spike" business model to form three B-labs ("Spokes" capable of processing routine tests) in Nigeria's three major cities of Abuja, Lagos and Benin; and 12 C-labs ("Spikes" functioning as collection and basic test centres) in less populated areas. Dynasty's four-year plan calls for an Echo-Scan network of 50-plus branches including conventional B-labs, enhanced B-labs (offering the most sophisticated radiology tests), and C-labs that will reach patients nationwide.

In building the Echo-Scan brand, Dynasty aims to equate the name with quality and safety, embodying the same core values that have earned the Al Borg and Al Mokhtabar brands strong loyalty in Egypt over the years. The Group will also reach out as it does in Egypt to physicians with joint programs and medical conferences and newsletters; and to patients through public relations campaigns and digital media customer relationship management (CRM) programs, among others.

190⁺ MN

people in Nigeria, Africa's most populous country

140^{US\$} MN

the value of Nigeria's diagnostics industry



IDH's Competitive Strengths & Business Model



Exposure to resilient markets

IDH's markets are characterised as having strong structural growth drivers and an underserved diagnostic services demand. The Group has been able to demonstrate growth based on strong underlying industry fundamentals despite political and economic turmoil in recent years in the regions in which it operates. Barriers to entry are high, which the Company has been able to surmount with established strong brands, internationally accredited laboratories, a scalable business model and a wide geographic reach. Notably, consensus expectations are for further economic improvement in Egypt, IDH's largest market, in 2018.



Established business model

IDH's Hub, Spoke and Spike business model provides the Group with an efficient low-capital intensive platform for organic expansion over a wide geographic area. It enhances the consistency of safety and testing procedures as more tests are conducted through its centralised Mega Lab with modern, high-capacity equipment and significant throughput.



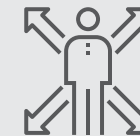
Experienced, entrepreneurial management

The Group has a highly experienced management team with decades of experience in the healthcare sector. Furthermore, IDH's world-class Board of Directors brings years of healthcare, MENA region and investment experience to the table.



Strong, unlevered balance sheet and cash generation capacity

IDH has enjoyed a strong track record of profitable growth, even under adverse macro-economic conditions. This was demonstrated again in 2017, when against the backdrop of persistent inflationary pressures associated with 2016's currency devaluation, the Group delivered an EBITDA margin of 40% versus 44% a year earlier. In parallel, the Company's asset-light business model notably translates into minimal borrowings while allowing for significant strategic flexibility.



Substantial opportunities to expand into new geographies

The Group continues to explore opportunities to expand into new high-growth markets in the Middle East and Africa as well as adjacent verticals, where complementary diagnostic services would help to raise IDH's profile to that of a "one-stop shop" diagnostics provider. The Company executed on this strategy in January 2018, expanding into Nigeria with an investment in a chain of diagnostic laboratories offering both pathology and radiology services.

Barriers to Entry

Accreditation of Facilities

Attracting contract clients requires accredited, high-quality testing capabilities.

Brand Equity and Reputation

Patients are loyal to leading brands with a strong track record.

Market Reach

Fragmented market necessitates a wide geographic presence to allow for broad customer reach.

Relationship with Key Stakeholders

Building a scalable platform requires strong relationship with stakeholders such as physicians, patients and hospitals.

Our Healthcare Systems

The mechanics of the healthcare markets in which IDH operates are markedly different from those in many Western healthcare sectors. Publicly funded and private healthcare systems exist in parallel, and in the private market served by the Group, patients have substantially more freedom to make healthcare decisions than their counterparts do in more institutionalised markets.

General practitioners (also referred to as family medicine practitioners or primary care specialists) are rare in these emerging markets and are, accordingly, not the gatekeepers through which patients access primary or specialist care. Patients seeking treatment may elect to obtain initial care by attending a hospital outpatient clinic or emergency room; attending a polyclinic or directly seeking the services of a specialist physician. The patient's choice may be influenced by whether or not the patient has employer-provided health insurance or a corporate arrangement with a specific provider.

Physicians ordering diagnostic procedures to be completed outside a hospital setting may recommend that the patient complete these tests at a specific service provider, but patients enjoy a high degree of freedom in choosing the service provider they attend based on perceived quality and pricing or on insurance or corporate arrangements. Walk-in patients (also referred to as "self-payers") pay out of pocket in advance of the tests being completed.

Patients then typically obtain test results in person (often with an accompanying report from a pathologist, geneticist, radiologist or other specialist) and return with the results to the physician who requested the tests in the first instance. It is noteworthy that IDH has the ability to deliver test results to patients on the same day electronically as well as via a mobile app.

IDH accordingly engages in sales and marketing activities that separately target:



Physicians, through direct sales visits to individual practitioners, periodic gatherings for physicians within a speciality, promotional giveaways as well as discount cards for physicians and their families, incentive-based physician loyalty programs and the organisation or sponsorship of conferences;



Walk-in patients, through social media channels, mass-market and targeted health awareness campaigns, outdoor advertising, television, radio and online advertising; and



Corporate patients, through direct outreach to insurers and employers.

Our Suppliers

IDH has an asset-light business model that is also illustrated by its supplier relationships. The Group's contracts with its key suppliers of medical testing kits include the provision of the equipment to analyse the laboratory test results. These agreements have minimum annual commitment payments to cover the supply of the medical diagnostic equipment, kits and chemicals to be used for testing and ongoing maintenance and support services. The agreement periods are typically for five to eight years. The supply of the medical diagnostics equipment through these arrangements has been judged to be finance lease in nature.

The Company's main suppliers of kits are Roche, Siemens and BM (Sysmex), who collectively represent 47% of total raw materials in 2017 compared with 49% in 2016, excluding the cost of tests conducted abroad. On the whole, raw materials as a percentage of sales increased to 20% in 2017 from 16% in 2016. IDH does not rely on any single supplier of test kits or any other medical supply purchases in the Mega Lab so as to avoid backorders and any ensuing interruptions to operations.

The number of kits purchased is determined by a combination of historical consumption patterns and future growth plans, with our high volume of kit consumption supporting our pricing power with suppliers going forward. Increasing test volumes puts IDH in a stronger position to negotiate favourable kit prices, thereby reducing the cost per test while at the same time incurring no initial capital outlay for the purchase of medical diagnostic equipment.

IDH is exposed to foreign exchange risk in purchasing supplies, as a significant portion of its purchases are either payable or effectively priced in foreign currency (see "Specific Risk/Mitigation" table on page 36). Siemens accounted for 15% of total raw materials and is the main supplier that the Group pays in US dollars. While other suppliers provide the Company with imported products, they are paid in Egyptian pounds.

IDH is one of the largest providers of diagnostic services in the MENA region, and as such, one of the largest volume purchasers of test kits. Over the years, IDH has developed strong and long-standing relationships with its supplier base. Accordingly, the Group has been able to successfully negotiate favourable contract terms against the backdrop of the currency devaluation, so that the prices of its kits have been increasing at a slower rate than that at which the Egyptian pound has lost value against the US dollar. It is noteworthy that management has been able to negotiate an agreement with its main suppliers not to increase prices during 2018.



Our Business Model

IDH operates an easily scalable business model, allowing for expansion in a capital-efficient manner and geared toward operational efficiency. The Group deploys a Hub, Spoke and Spike model in which the Mega Lab functions as the Hub that is equipped for all tests and services, notably with advanced diagnostic tools, for samples collected by the B- and C-labs. The

B-labs (Spokes) are capable of processing routine tests, and they effectively reduce traffic to the Mega Lab where warranted. The C-labs (Spikes) function as collection centres that most importantly increase the Group's reach to clients nationwide.

Supported by the strong operational backbone of the Mega Lab, IDH is able

to offer a broad range of tests and can "plug and play" new C-labs to extend its geographic reach. The addition of new and esoteric test facilities at the Mega Lab provides a "one-stop" solution for patients that, in combination with value-package offerings, drives the Company's key test-per-patient financial metric.

IDH operates the only laboratory in Egypt that has been awarded certification from the College of American Pathologists (CAP), widely considered the leader in laboratory quality assurance

Mega Lab (Hub)

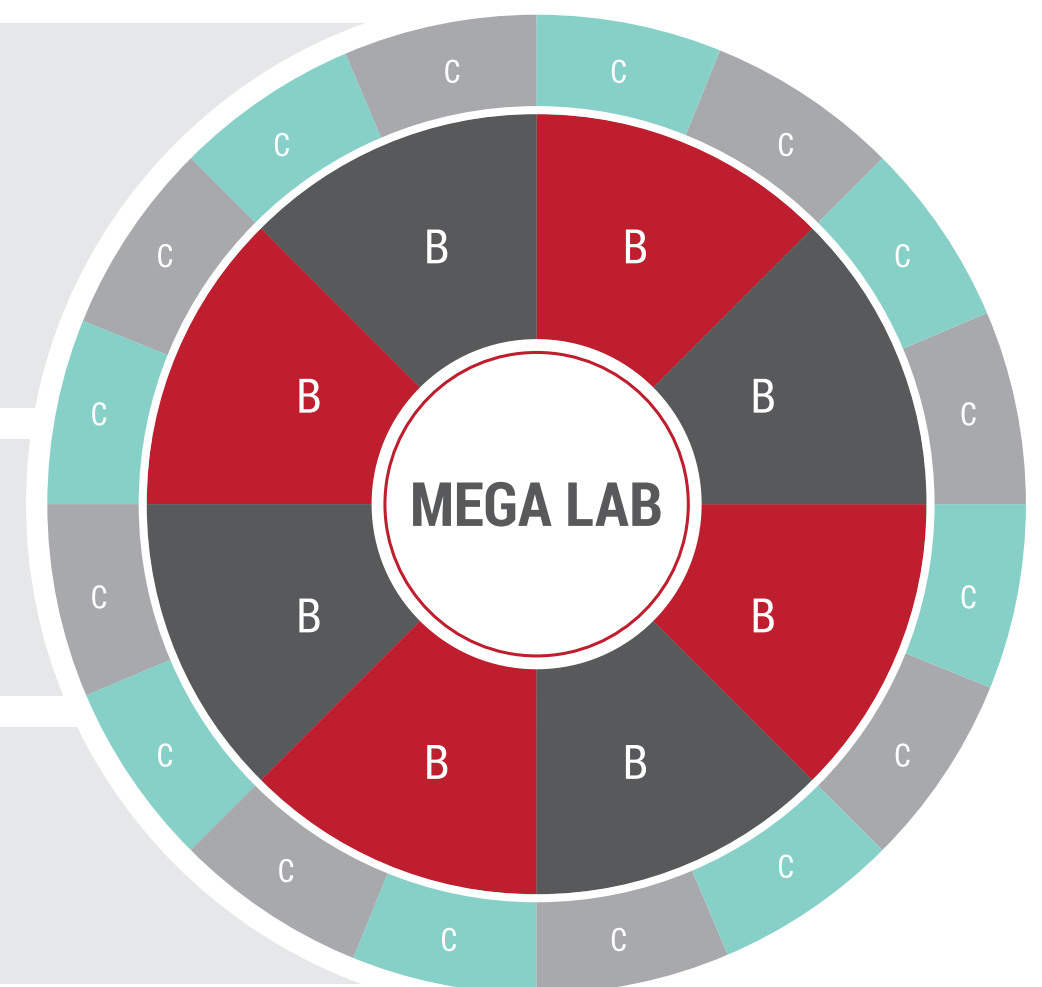
- The Mega Lab, the largest automated lab in Egypt, serves as IDH's diagnostic hub, equipped with the latest technology and providing a full suite of diagnostic tests.
- A majority of equipment is provided at no upfront cash cost in return for IDH agreeing to purchase minimum volumes of kits from equipment suppliers.
- Specialty tests from IDH subsidiaries are shipped to the Mega Lab in Egypt, and results are retrieved electronically.
- Significant cost synergies are realised on kits, logistics and quality control; after the introduction of Mega Lab in 2015, the Group's contribution margin witnessed improvement on higher volumes.

B Labs (Spokes)

- B-labs serve as IDH's spokes that work to reduce traffic to Mega Lab by processing routine tests on-site including chemistry, parasitology and haematology.
- They are higher in capacity and larger in size than the C-labs.
- At 2017 year end, there were 7 B-labs in Egypt and 4 in Jordan.

C Labs (Spikes)

- C-labs are collection centres that allow for expansion of reach.
- They conduct basic tests including urine, stool, semen, ESR and pregnancy tests.
- At 2017 year end, there were 348 operational C-lab branches.



Internationally Accredited Test Portfolio

IDH's comprehensive pathology product portfolio covers immunology, radiology, haematology, endocrinology, clinical chemistry, molecular biology, cytogenetics, histopathology and microbiology. Across its brand portfolio, IDH maintains international-quality accreditations with a stringent internal audit process to ensure best-in-class service.

ISO

ISO accreditation requires an initial inspection of laboratory practices, calibration and medical analysis by an accreditation body. For Al Mokhtabar and for Al Borg, it was URS Certification (accredited internationally by the United Kingdom Accreditation Service); and for Biolab, it was the Jordanian Accreditation System (JAS). The inspection involves the clinical chemistry area, the virology unit, the haematology unit and the general laboratory management practice. The accreditation's standards include both management and technical requirements. The Company's ISO 9001:2008 accreditations for both Al Mokhtabar and Al Borg passed year end accreditation reviews in 2017 and will next be renewed in 2018.

College of American Pathologists (CAP)

Unlike ISO accreditation, CAP certification is awarded to individual labs, rather than the Group's operations as a whole. In February 2018, IDH's central Mega Lab in Cairo earned certification from the College of American Pathologists (CAP). The Group's Mega Lab, inaugurated in 2015, replaced two smaller, independent "A-labs" one of which was also CAP certified.

IDH operates the only laboratory in Egypt to receive this distinguished certification. The College of American Pathologists, widely considered the leader in laboratory quality assurance globally, upholds standards that track four aspects of laboratory operations:

- **Directors and personnel:** The laboratory must be staffed with a sufficient number of personnel and the lines of authority should be well defined so that the directors can properly fulfil their responsibilities.
- **Physical resources:** There must be sufficient resources, including physical space, testing instruments, reagents, information processing and communication systems, ventilation, storage and waste disposal facilities and public utilities. Furthermore, there must be sufficient safeguards against hazardous conditions to ensure patient safety.
- **Quality management:** The laboratory must have policies and procedures in place to ensure quality testing and patient safety. These should include the validation of test systems, analytic quality control, and quality management of pre- and post-analytic processes, proficiency testing, human resource management, information management, ongoing quality improvement and appropriate communication procedures.
- **Administrative requirements:** The laboratory must maintain appropriate records and adhere to CAP certification requirements and certain other policies, and will be subject to on-site inspections, interim inspections and interim self-assessments.

The CAP certification remains subject to renewal every two years.

Quality Assurance

IDH's quality assurance programme ensures that all internal diagnostic processes, lab testing procedures and results analyses are accurate. The quality assurance program ensures that all the standards of the CAP and ISO accreditations are met by inspecting hardware and equipment, ensuring compliance with procedure manuals, inspecting the accuracy of results and administering competency assessments for employees. The internal audit team also maintains a specific audit checklist for the basic and routine tests conducted in the Group's C-labs, including conformity of process; testing the competency of employees through oral, observational, practical and written tests; and conducting managerial audits to assess the labs' management and administrative efficiency.

Employee Training

The Group views education as an essential means of ensuring quality across its laboratories. To help develop the skills of employees, IDH has a dedicated training facility in Cairo with four training laboratories. In 2017, the training centre employed one director, eight full-time specialists, three administrators, two consultants and seven part-time instructors. The centre provides training to around 350 employees per month, including doctors, chemists, receptionists, branch and area managers, sales personnel and administrators. The training curriculum is determined based on performance KPIs, internal audit reports, management reviews, competency assessment reports and analysis of customer feedback and complaints. IDH's employee training is structured along four modules: new employee training, competency-based, need-based and practical re-training.



Growth Strategy

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



Expand Customer Reach

IDH intends to use its scalable, low capital-intensive business model to quickly and efficiently open new labs and expand geographically in the Middle East and Africa. A wider geographic reach will increase accessibility for patients, thereby expanding the customer base. Furthermore, the Group's add-on services, such as house calls, e-services and results delivery, make its regular service offerings easier to use for both existing and prospective patients. IDH is also actively engaged in advertising campaigns to raise awareness of particular diseases and the importance of being tested, as well as to educate people with lifestyle diseases, such as diabetes and high cholesterol, to undergo frequent testing.



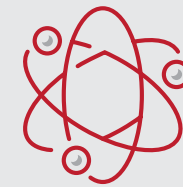
Increase Tests per Patient

IDH intends to expand its branch network and diversify its portfolio of test services offered in order to take full advantage of the strong demand for private healthcare services across its geographic platform. The Group is expanding its ability to perform more complex tests not offered in other labs by broadening its portfolio of specialised and advanced tests, which will help to drive testing volumes. IDH is also focused on bundling testing services into health packages to offer to its existing customers at discounted rates as a way to increase tests, thus revenues, per patient.



Expand Geographically

IDH is looking to expand through value-accretive acquisitions in highly-fragmented and underpenetrated markets in the Middle East and Africa, where our business model is well-suited to capitalise on similar healthcare and consumer trends. Beyond acquisitions in new geographies, the Group is also interested in acquiring complementary diagnostic services that in combination would enhance IDH's profile as that of a "one-stop shop" diagnostics provider. In sync with these strategies, the Group was pleased to have closed on an investment in Nigeria in January 2018.



Diversify into New Medical Services

As the medical testing market in Egypt is evolving from a single doctor-oriented model to a branded chain model, IDH recognises the opportunity to offer services that are not currently being provided by any private healthcare provider on a large scale. The Group believes that its scale and experience make it better positioned than its competitors to take advantage of developing diagnostic services opportunities in Egypt, ranging from specialised physician services to radiology to in-vitro fertilisation, among other possibilities.



Principal Risks, Uncertainties & Their Mitigation

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

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

Specific Risk

Country risk — Political & Security

Egypt and the wider MENA region, where the Group operates, have experienced political volatility since 2011 and continue to experience occasional terrorist incidents. There remains a risk of occasional civil disorder.

Nigeria is facing security challenges on several fronts, including re-emerging ethnic tensions and resurgent attacks by Islamist militants in the northeast. Against the backdrop of a sluggish economy and the slow implementation of reforms, mounting discontent could translate into further social unrest.

Mitigation

See mitigants for “Country/regional risk — Economic,” below.

Echo-Scan’s laboratories are located primarily in Lagos, Abuja and Benin, far from the current unrest occurring in the northeast part of Nigeria.

Regarding other operating risks, including but not limited to legal and compliance risks, IDH will apply the same rigorous standards to evaluating all aspects of its business processes in Nigeria as it has implemented in all of the emerging markets in which it operates.

Specific Risk

Mitigation

Country/regional risk — Economic

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

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

High inflation: According to Reuters, Egypt’s annual inflation rates fell in January 2018 to their lowest levels since the November 2016 devaluation of the Egyptian pound. Annual Urban Consumer Price Inflation eased to 17.1% in January 2018 from 21.9% in December 2017, whilst core inflation that strips out volatile items dropped to 14.4% from 19.9% for the same periods. Inflation had reached a record high in July 2017 at c. 35% on the back of energy subsidy cuts, but then subsequently declined gradually as inflationary pressures caused by floating the currency eased.

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

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

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

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

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

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

Specific Risk

Foreign currency and banking regulation risk

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

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

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

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

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

Mitigation

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

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

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

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

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

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

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

Specific Risk

Supplier risk

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

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

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

Remittance of dividend regulations and repatriation of profit risk

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

Legal and regulatory risk to the business

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

Quality control risks

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

Mitigation

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

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

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

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

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.

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

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

Specific Risk

Mitigation

Risk from contract clients

Contract clients including private insurers, unions and corporations, account for c. 61% of the Group’s revenue. Should IDH’s relationship with these clients deteriorate, for example if the Group was unable to negotiate and retain similar fee arrangements or should these clients be unable to make payments to the Group, IDH’s business could be materially and adversely affected.

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 0.8% of total revenues or 1.4% of Corporate revenues.

Prudent management of contract clients translated into the Group taking provisions of EGP 5.6 million in 2017 for doubtful accounts (2016: EGP 4.3 million). (See note 16 to the accompanying Financial Statements for more information.)

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; c. 61% of our revenue is generated by servicing contract clients (private insurer, unions and corporations) who prefer IDH’s national network to patch-works of local players.

IDH has a limited ability to influence changes to mandatory pricing policies imposed by government agencies, as is the case in Jordan, where basic tests that account for the majority of IDH’s business in that nation are subject to price controls.

Carrying value of goodwill and other intangible assets

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

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

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

For more detail see note 13 of the Financial Statements.

Specific Risk

Mitigation

Business continuity risks

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

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

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

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

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. Furthermore, IDH is reliant on its ability to recruit and retain laboratory professionals. Loss of senior managers could materially and adversely affect the Group’s results of operations and business.

In Nigeria, IDH will face a more limited talent pool of healthcare workers due to a weak education system and the tendency for trained professionals to move abroad.

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.

Egypt is a net exporter of trained healthcare professionals as there is surplus staff in the market. IDH’s efforts are accordingly focused on retention of qualified staff as opposed to recruitment of new personnel.

In Nigeria, IDH intends to offer a strong value proposition for staff that includes opportunity for both compensation and training. The Group will seek to bring in expatriates to fill key leadership roles whilst local teams are being trained and developed.

Loss of certifications and accreditations

Many of IDH’s facilities have received internationally accreditations for high-quality standards. The failure to renew these certifications, including the College of American Pathologists (CAP) accreditation for the Mega Lab or the International Organization for Standards (IOS) for other facilities, would call into question the Group’s quality standards and competitive differentiators.

In February 2018, IDH’s central Mega Lab in Cairo received CAP certification. The CAP certification will thereafter be subject to renewal every two years. The Company also renewed its ISO certifications in 2017, with the next renewal due in 2018. IDH’s ability to keep current its certifications and accreditation are supported by ongoing QA, training and internal audit procedures.

Financial Review

2017 Performance Overview

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

The Group continued to invest in expanding its geographic footprint in 2017, and notably through a transaction that closed in February 2018 entered the Nigerian market (see discussion on page 22). Supported by its state-of-the-art Mega Lab with additional capacity, the Company is able to deploy its Hub, Spoke and Spike business model to open capital efficient “C” labs more rapidly. During 2017, the Group added 29 new labs in total, including 19 new branches for Al Mokhtabar in Egypt; four for Al Borg in Egypt; four for Biolab in Jordan; and two for MK Sudan. Total IDH branches reached 383 as of 31 December 2017 versus 354 at 2016 year end, for 8% total unit expansion.

The results for the year are summarised below:

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

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



Our Customers

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

Contract Clients

IDH’s contract clients, who in 2017 represented 61% of the Group’s revenues, include institutions such as unions, syndicates, private and public insurance companies, banks and corporations who enter into one-year renewable contracts at agreed rates per-test and on a per-client basis. During 2017, IDH served 4.7 million patients under these contracts and performed a total of 19.7 million tests, with no single contract client accounting for more than 0.8% of total revenues. Within

the contract segment, IDH also provides lab-to-lab services for hospitals and other laboratories not able to process certain tests in house.

Walk-in Clients

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

IDH Revenue by Type and Key Performance Indicators

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

Breakdown of Contract Revenue

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

Revenue Analysis

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

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

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

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

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

Cost of Sales

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

Wages and salaries, the second largest component of cost of sales in 2017, accounting for 30% of total (2016: 36%), were favourably leveraged on the strong revenues. The 22% year-on-year increase in these expenses is mainly



attributable to the translation into Egyptian pounds of higher salaries for the Group’s Jordanian subsidiary and Board of Directors caused by the exchange rate difference between the two reporting period.

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

Gross Profit

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

Operating Expenses

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

Operating Profit

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

EBITDA

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

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

Foreign Exchange

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

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

Strategic Report

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

Taxation

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

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

The Group's dividend policy is to distribute any excess cash after taking into consideration all business cash requirements and potential acquisition considerations. As a result, a deferred tax liability is recognised for the 5% tax on dividends for the future expected distribution payable by Egyptian entities under Egyptian tax legislation. Deferred tax in 2017 amounted to EGP 56.9 million (loss) compared with EGP 14.1 million (gain) in 2016.

Net Profit

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

Balance Sheet

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

In 2015, IDH entered into equipment lease agreements with its major suppliers that became effective in May 2015. The agreement periods range from five to eight years, which is deemed to reflect the useful life of the equipment. The agreements include annual commitment payments to cover the supply of medical diagnostic equipment, test kits and chemicals to be used for testing and ongoing maintenance and support services over the term of the agreement. If the minimum annual commitment payments are met over the agreement period, ownership of the equipment supplied will legally transfer to IDH. On one side, the leased equipment is recorded in PPE, and the finance lease is recorded as a liability on the other side.

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

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

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

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

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

Dividend

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



Corporate Responsibility

Founded on the principle of providing quality medical assistance and services to better the lives of individuals and the community at large, IDH views corporate responsibility initiatives as an extension of its core purpose, with the aim of improving the communities in which it does business.

The Moamena Kamel Foundation for Training and Skill Development was established in 2006 by Dr. Moamena Kamel, a Professor of Pathology at Cairo University, founder of IDH subsidiary Al-Mokhtabar Labs, and mother of the CEO, Dr. Hend El Sherbini. IDH commits up to 1% of the net after-tax profit of the subsidiaries Al Borg and Al Mokhtabar to the Foundation, which in 2017 amounted to EGP 3.9 million compared with EGP 2.8 million in 2016.

The Foundation allocates this sum to organisations and groups in need of assistance, with a particular focus on making a difference in the lives of residents of Cairo's Al Duweiqia community along with several other villages across Egypt. The Foundation deploys an integrated program and vision for the communities it helps that include economic, social and healthcare development initiatives.

The Foundation's primary services include:

- Free healthcare clinics
- Loans for entrepreneurial women
- Educational services for the children of Al Duweiqia community
- Providing food for families in need of such assistance
- Coverage of running costs for the ICU at Cairo's public-sector Kasr El Aini Hospital

IDH has also been expanding the reach of its Corporate Responsibility initiatives in recent years to include:

- Additional services to Kasr El Aini Hospital that include providing medical supplies to the ICU and other units; monthly incentives for nurses in the ICU; and 12-20 hospital beds
- Financial and in-kind support to El Manial Hospital
- Financial and in-kind support to the Egyptian people during natural disasters
- Ramadan Iftar (feast) meals to underprivileged Egyptians during the holy month of Ramadan
- Free medical tests to underprivileged Egyptian children
- Sponsorship of medical convoys to the city of Fayoum

Corporate responsibility initiatives are an extension of our core purpose to better the lives of individuals and improve the communities in which we operate



Corporate Governance



IDH is committed to implementing strong corporate governance, upholding the highest standards of accountability and transparency

Board of Directors

The majority of members of IDH's Board of Directors are independent and offer significant experience in the healthcare market, MENA region and investment activities.



Lord St John of Bletso (Age 60)
Independent Non-Executive Chairman

Lord St John has been a member of the House of Lords of the U.K. Parliament since 1978 and is currently Deputy Chairman of Strand Hanson Ltd., Non-Executive Chairman of Global Resources Investment Trust, a member of the Advisory Board of Silicon Valley Bank, Non-Executive Director of Albion Ventures LLP, Chairman of the Governing Board of Certification International and holds advisory roles with Milio International, Alliance Media Group USA, Sapinda and ABN Corporation. Lord St John received a BA and a BSocSc in Psychology from Cape Town University, a BProc in Law from the University of South Africa and an LLM from the London School of Economics.



Prof. Dr. Hend El Sherbini (Age 49)
Group Chief Executive Officer

Dr. El Sherbini is a professor of clinical pathology at the Faculty of Medicine, Cairo University and currently sits on the board of American Society of Clinical Pathology (Egypt) and consults on the international certification process. She received her MBBCh, Masters in Clinical and Chemical pathology, PhD in Immunology from Cairo University, and MBA from London Business School. Dr. El Sherbini served as CEO of Al Mokhtabar since 2004, until becoming CEO of the Group in 2012.



Hussein Choucri (Age 67)
Independent Non-Executive Director and Chairman of the Remuneration Committee

Mr. Choucri is Chairman and Managing Director of HC Securities & Investment, which he established in May 1996. He currently sits on the boards of EDITA Food Industries S.A.E and SODIC (Sixth of October Development & Investment Company), as well as the Egyptian British Business Council and the Egyptian Greek Business Council. Mr. Choucri served as a Managing Director of Morgan Stanley from 1987 to 1993 and served as Advisory Director at Morgan Stanley from 1993-2007. He received his Management Diploma from the American University in Cairo in 1978.



James Patrick Nolan (Age 58)
Independent Non-Executive Director and Chairman of the Audit Committee

Mr. Nolan is an Independent Director. He spent 15 years with Royal Philips NV, latterly as Head of Mergers & Acquisitions, and has also served as Head of Mergers & Acquisitions at Veon Inc., a major mobile telecoms operator in Emerging Markets. During his time at Philips, he led a series of acquisitions in diagnostic imaging, an area in which Philips is now a global leader. He has extensive quoted-company board experience having served on the boards of M*Modal Inc., Navteq Inc and SHL Telemedicine Ltd. Mr. Nolan graduated from Oxford University in Law in 1983 and is a qualified barrister in England and Wales. He also holds an MBA from INSEAD.



Dan Olsson (Age 52)
Independent Non-Executive Director

Mr. Olsson is CEO of the Team Olivia Group AB, a Swedish healthcare group. He has long and extensive international experience in the diagnostic sector, where he has served in a range of executive positions, among others as CEO of Unilabs Group in Geneva, Switzerland from 2007 to 2009 and has worked in the healthcare sector since 1999. Mr. Olsson studied economics at the University of Lund in Sweden.



Richard Henry Phillips (Age 53)
Non-Executive Director

Mr. Phillips is a founding partner of Actis LLP, the emerging markets private equity group. As Actis LLP is one of the Company's major shareholders, Mr. Phillips is not considered by the Board as being independent. He was previously responsible for the investment activity of Actis in North Africa and is currently responsible for Asia. He is a member of the Actis Investment Committee. Mr. Phillips is a director on the board of a number of companies including Emerging Markets Knowledge Holdings (Mauritius) Limited, Les Laboratoires Medis SA, and others. Mr. Phillips holds a degree in Economics from the University of Exeter.

Corporate Governance Report

Your Board of Directors (“the Board”) is responsible for providing strong leadership and effective decision making, safeguarding in the process the interests of all shareholders of Integrated Diagnostics Holdings. Under my chairmanship, the Board has been resolute in providing oversight and guidance to senior management as the Group continues to execute its regional growth strategy.

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, nor does IDH voluntarily comply with the Code. That said, it is the view of your Board that we continue our path of improving our corporate governance structure to adhere to best practices. We strongly believe that the gradual adoption of best industry practices in governance will assist us in building a profitable and sustainable business as well as safeguarding shareholder interests.

We are compliant 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).

To that end, we have an Audit Committee as well as Remuneration and Nomination Committees. The Board may establish additional committees as appropriate going forward. This Annual Report includes reports from both the Audit and Remuneration Committees.

Your Board aims to work towards implementing best practices in corporate governance, calling on both the expertise of individual Directors as well as that of outside parties, including legal counsel and global professional services firms.

Functioning of the Board

We met five times as a Board during the course of 2017, including once in Cairo, Egypt in November 2017. I was delighted to have had the opportunity to visit IDH’s main base of operations in Cairo, during which time 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.

The Board has invested significant time discussing and evaluating the Group’s strategy and prospects for future growth, the outcome of which is presented in our statement of strategy on page 32. We are confident that we have in place the right strategy and the right management team to deliver shareholder returns going forward.

Composition of the Board

Under its Articles of Association, the Group must have a minimum of two Directors. While there is no maximum number of Directors, the Board presently includes six Board members and has no intention at present of appointing additional members. Notably, Directors have no share qualification, meaning they do not need to be shareholders of the Group in order to serve.

I am pleased to report that we have four Independent Non-Executive Directors. Together, the Directors offer IDH a world standard mix of expertise in areas including strategy, finance and medical diagnostics — as well as diverse experience in Europe, the Middle East and Africa. We have relevant commercial and technical experience to help direct the Group as it delivers on its strategy in a very technical field and across rapidly changing geographies.

Your Board in 2017 and their biographies are set out on pages 50 and 51 of this Annual Report and are summarised in the following table.

Board of Directors of Integrated Diagnostic Holdings Plc

Name	Position (Date of appointment)
Lord St John of Bletso	Independent Non-Executive Chairperson (12 January 2015)
Prof. Dr. Hend El Sherbini	Group Chief Executive Officer (23 December 2014)
Hussein Choucri	Independent Non-Executive Director (12 January 2015)
James Patrick Nolan	Independent Non-Executive Director (8 April 2015)
Dan Olsson	Independent Non-Executive Director (12 January 2015)
Richard Henry Phillips	Non-Executive Director (23 December 2014)

Leadership

We continue to operate on the basis of a clear division of responsibilities between the role of the Chairman and that of the Group Chief Executive. This segregation of roles was agreed at the Board meeting held 12 January 2015. The Board continues to believe that this segregation of roles remains appropriate, taking into account the size and structure of the Group.

As Chairman, I ensure the Board is effective in the execution of all aspects of its role. The Group Chief Executive Officer, meanwhile, is responsible for managing the day-to-day running of the business. In this, she is supported by a senior management team. The Group Chief Executive and I have a good working relationship and discuss matters of Group strategy and performance on a regular basis.

We also work together to ensure that Board meetings cover relevant matters, including a quarterly review of financial and operational performance (including key performance indicators), and in partnership with the Group secretary ensure that all Directors:

- are kept advised of key developments;
- receive accurate, timely and clear information upon which to call in the execution of their duties; and
- actively participate in the decision-making process.

Agendas for meetings of the Board are reviewed and agreed in advance to ensure each Board meeting is efficiently run, allowing all Directors to openly and constructively challenge the proposals made by the Group’s senior management. I am pleased to report that throughout the year, each Director has properly exercised those powers with which they have been vested by the Group’s Articles of Association and relevant laws.

The Board operates under a Schedule of Matters Reserved, the details of which are unchanged since our last Annual Report. Matters reserved to the Board means any decision that may affect the overall direction, supervision and management of the Group, including, but not limited to:

- a. approving annually a strategic plan and objectives for the following year for the Group;
- b. approving any decision to cease to operate all or any material part of the Group’s business or to enter into any new business or geographic areas;
- c. monitoring the delivery of the Group’s strategy, objectives, business plan and budget;
- d. adopting or amending the Group’s business plan or annual budget;
- e. incurring any capital expenditure in respect of any item or project of more than EGP 5 million that is not within the annual budget already approved by the Board;
- f. entering into any contract, liability or commitment that: (i) could involve a liability for expenditure in excess of EGP 25 million that is not within the annual budget already approved by the Board or (ii) is outside the ordinary course of business of the Group, unless a contract involves costs within the annual budget and business plan already approved by the Board and satisfies such authorisation criteria as the Group may approve from time to time as part of the procedures for the Group;
- g. making any material acquisition or disposal (including any grant of any material licence) of or relating to any intellectual property rights;
- h. decisions relating to the conduct (including the settlement) of any legal proceedings to which any member of the Group’s group is a party where there is a potential liability or claim of more than EGP 100,000;

- i. approving the Group’s annual report and accounts and half-yearly financial statements and/or any change in the accounting principles or tax policies of any member of the Group’s group and/or any change in the end of the financial year of any member of the Group’s group except as contemplated by the business plan or annual budget, as required by law or to comply with a new accounting standard;
- j. adopting (or varying) the Group’s group material policies in respect of employees’ remuneration, employment terms and/or pension schemes;
- k. any member of the Group’s group declaring or paying any dividend or distribution;
- l. delegating any of the Group’s powers to a committee of the Board, including setting the quorum for a meeting of any such committee or approving its, or any changes to its, terms of reference;
- m. approving the issue of all circulars, prospectuses, listing particulars and general meeting notices to shareholders of the Group;
- n. ensuring the Group has effective systems of internal control and risk management in place by (i) approving the Group’s risk appetite statements and (ii) approving policies and procedures for the detection of fraud, the prevention of bribery and other areas considered by the Board to be material;
- o. undertaking an annual review of the effectiveness of the Group’s risk management and internal control and reporting on that review in the Group’s annual report. The review should cover all controls, including financial, operational and compliance controls and risk management;

- p. carrying out a robust assessment of the principal risks facing the Group, including those that threaten its business, future performance, solvency or liquidity and to report on such assessment in the Group’s annual report; and
- q. reviewing the Group’s overall corporate governance arrangements and approving any changes thereto.

Apart from these Reserved matters, the Board delegates specific items to its principal committees, namely the committees on Audit, Remuneration and Nomination. Each Committee is authorised to seek any information it requires from senior management.

I provide brief recaps below on each of these committees. Reports from the Chairmen of the Audit and Remuneration Committees appear starting pages 58 and 62 of this Annual Report, respectively.

Board activities during 2017

Your Board of Directors held five meetings in 2017: three in London, one in Cairo and one via conference call.

- The following standing items are considered at each meeting:
- Determines that notice was given and that a quorum for the meeting has been obtained;
 - Hears declarations of interest and considers any conflicts of interest that may arise;
 - Establishes the purpose of the meeting; and
 - Reviews and approves minutes of the previous meeting of the Board.

Details of our Directors’ attendance at Board and Committee meetings are shown in the table on page 57. In the event that any Director is unable to attend a meeting of the Board or Committee of which they are a member, he or she receives the necessary papers, including agendas, meeting outcomes and any documents presented for review or information. Furthermore, I endeavour to discuss with them in advance of the meeting to obtain their views and decisions on the proposals to be considered.

The Board meeting held one meeting in Cairo, Egypt in 2017 to afford all Directors the opportunity to tour the Group’s Egypt offices and diagnostic facilities, as well as to meet with members of the Group’s senior management on an as-needed basis.

Within the wider corporate governance framework, management established in 2016 a Management Committee led by the Chief Executive. Its members include all heads of departments, and it meets every second week to discuss issues related to sales, manual analysis units, automated analysis units, human resources, finance, marketing, quality and investor relations. The Group’s general counsel also attends these meetings on an as-needed basis. Senior management uses this as a forum to review upcoming priorities, recent performance, and the operational steps necessary to ensure the management team delivers on its business goals and the Group’s strategic plan.

Effectiveness

The Board of IDH does not currently have formal mechanisms in place to evaluate its effectiveness as regards to the on-boarding of new Directors, strategic planning or its formulation of goals. That said, having spent considerable time in both formal meetings and in learning about the skills of our Directors one on one — and drawing on my past experience as a Director — I am confident that the Board has the skills, talent and industry knowledge it needs to effectively deliver the Group’s agreed strategy. It is, moreover, our hope that we will over time develop formal evaluation mechanisms that will allow us to report on our effectiveness in a more rigorous manner.

In the interim, it is my considered judgement that the Board receives from senior management sufficiently detailed budgets, forecasts, strategy proposals, reviews of the Group’s financial position and operating performance, and annual and half yearly reports to ensure that it may be effective. This enables us to effectively ask questions of senior management and to hold discussions on the Group’s strategy and performance. In 2017, senior management delivered regular reports to the Board ahead of regularly scheduled Board meetings.

All meetings of the Board and its Committees are minuted by the Group Secretary or a designated alternate. Any concerns raised by Directors are clearly recorded in the minutes of each meeting. I review Board minutes in my capacity as Chairman before these minutes are circulated to all Directors in attendance and then tabled for approval at the next meeting, at which time any necessary amendments are made.

The Group has obtained customary directors’ and officers’ indemnity insurance covering the Chairman and the Non-Executive Directors.

Overview of the Nomination Committee

The Nomination Committee assists the Board in reviewing the structure, size and composition of the Board. It is also responsible for reviewing succession plans for the Directors, including the Chairman and Chief Executive and other senior management. The Nomination Committee met on 21 August 2017 within the context of the regular Board of Directors meeting, where it was resolved to appoint Mr. Omar Bedewy as Chief Financial Officer in succession to Mr. Tarek Hamida.

I note in this instance that all members of the Nomination Committee are Non-Executive Directors. As a result, we are fully compliant with the Code’s recommendation that a majority of the Nomination Committee should comprise Independent Non-Executive Directors. Hussein Choucri is deemed to be our Non-Executive Director with relevant financial experience in compliance with the DTR.

Chairman	Members
Lord St John of Bletso	Hussein Choucri
	Dan Olsson

Overview of the Remuneration Committee

The Remuneration Committee recommends the Group’s policy on executive remuneration determines the levels of remuneration for Executive Directors and the Chairman and other senior management and prepares an annual remuneration report for approval by the Shareholders at the Annual General Meeting.

The Code recommends that the Remuneration Committee should comprise, in the case of smaller companies, at least two Independent Non-Executive Directors. As all of the members of the Committee are Independent Non-Executive Directors, we are in full compliance with the recommendations of the Code in this respect.

The full report of the Remuneration Committee for 2017 appears starting on page 62 of this Annual Report.

Meeting	Highlights
2 February 2017	Review of strategy and business opportunities going forward.
21 March 2017	Approval of the Group’s Annual Report and Accounts for the year ended 31 December 2017. Recommendation of a final dividend to shareholders for approval at the AGM. Discussion of the macroeconomic backdrop in Egypt. Review of the year-to-date financial highlights.
22 May 2017	Review of the Group’s operational and financial performance during the interim three-month period to 31 March 2017 and approval of the Quarterly Interim Management Statement. Discussion of strategy and business opportunities going forward.
21 August 2017	Discussion of key operational and financial highlights in the first half of 2017. Approval of the Group’s Interim Financial Statements for the period to 30 June 2017. Review of strategy and business opportunities going forward.
21 November 2017	Discussion of the Remuneration Committee’s report regarding the Group’s Human Resources (HR) structure and newly-appointed HR Director. Review of the Group’s operational and financial performance during the nine-month period to 30 September 2017. Discussion of the Group’s 2018 budget. Review of strategy and business opportunities going forward.

Chairman	Members
Hussein Choucri	Dan Olsson
	James Patrick Nolan

Overview of the Audit Committee

The Audit Committee’s role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including: reviewing the Group’s annual and half-year financial statements and accounting policies and internal and external audits and controls; reviewing and monitoring the independence and scope of the annual audit and the extent of the non-audit work undertaken by external auditors; advising on the appointment of external auditors; and reviewing the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place within the Group. The Audit Committee will meet not less than three times a year.

The Code requires that at least one member of the Audit Committee be independent and that at least one member has competence in accounting and /or auditing. In addition, the Code recommends that the Audit Committee should comprise, in the case of smaller companies, at least two Independent Non-Executive Directors and that at least one member has recent and relevant financial experience and that members of the Committee must have competence relevant to the sector in which the Group is operating. The Board considers that the Audit Committee complies with the requirements and recommendations of the Code in those respects.

Chairman	Members
James Patrick Nolan	Dan Olsson
	Hussein Choucri

The full report of the Audit Committee for 2017 appears starting on page 58 of this Annual Report.

Internal Control and Risk Management

Given the business and geographies in which the Group operates, I believe as Chairman that risk mitigation will be key not just to the creation and preservation of shareholder value, but in the Group’s growth going forward. The Company’s risk matrix, outlined on pages 34-39, is sufficiently vital that it must be owned equally by the management team and members of the Board.

Our view as a Board is that the Group must be proactive on risk in order to meet shareholder expectations, and I have advised that I expect the IDH management team to be ahead of the curve in this area. Senior management is working with the internal audit team to take the risk register forward. You may expect risk and its mitigation will be a theme to which your Board returns repeatedly in 2018, as we did in 2017.

The Board has ultimate responsibility for the Group’s internal controls; however, they have delegated oversight of the Group’s system of internal controls to the Audit Committee so as to safeguard the assets of the Group and the interests of shareholders. The Audit Committee thus reviews the effectiveness of the Group’s internal controls on an ongoing basis to ensure the keeping of proper accounting records, safeguarding the assets of the Group and detecting fraud and other irregularities. The Audit Committee reports back to the Board with their findings and recommendations.

The Board has accordingly established that the Group has in place internal controls to manage risk including:

- an Internal Auditor was appointed in May 2016;
- the identification and management of risk at the level of operating departments by the heads of those departments; and
- regular Board level discussion of the major business risks of the Group, together with measures being taken to contain and mitigate those risks.

The Group’s principal risks and uncertainties and mitigation for them are set out on pages 34-39 of this Annual Report.

Your Board has furthermore put in place a control framework at the Group level that applies to all subsidiaries, including:

- Board approval of the overall Group budget and strategic plans;
- a clear organisational structure delineating lines of responsibility, authorities and reporting requirements;
- defined expenditure authorisation levels;
- a regular process for operational reviews at the senior management level on a weekly, monthly and quarterly basis covering all aspects of the business;
- a strategic planning process that defines the key steps senior management must take to deliver on the Group’s long term strategy;
- a comprehensive system of financial reporting including weekly flash reports to management, monthly reporting to management and an annual budget process involving both senior management and the Board; the Board received reports on a quarterly basis in 2017.
- as part of the reporting process in 2017, management reviewed monthly and year-to-date actual results against prior year, against budget and against forecast; these reports were circulated to the Board; any significant changes and adverse variances are reviewed by the Group Chief Executive and by senior management and remedial action is taken where appropriate.

An internal audit plan for 2018 was prepared and agreed with the Audit Committee.

Investor Relations

Engagement with shareholders continues to be a key function at both the senior management and the Board level. Our investor relations function held more than 50 meetings with current and potential investors during the course of the year. Management met investors at seven investor conferences organised by CI Capital (Cairo and New York; counted as one conference), EFG Hermes (Dubai and London; two separate conferences), Renaissance Capital (Cape Town), Arqaam Capital (Dubai), HSBC (London) and, Deutsche Bank (Dubai); welcomed potential and current investors to meetings in Cairo; and handled queries, whether delivered verbally or in writing, from more than 100 investors.

We published both half- and full-year results and further released trading updates on performance at the three- and nine-month periods. We intend to continue publishing trading updates at the first- and third-quarter marks in 2018, while simultaneously meeting the minimum regulatory disclosure as required of a UK Standard listed entity.

The Board communicates with shareholders through public announcements disseminated via the London Stock Exchange, analyst briefings, roadshows and press interviews. Copies of public announcements and financial results are published on the Group’s website, along with a number of other investor relations tools.

The Board receives regular updates from the senior management team on the views of major shareholders and on milestones in the investor relations program. We will continue throughout 2018 to grow our investor relations program to ensure that our shareholders and stakeholders remain informed of the Group’s strategy and ongoing financial and business performance.

Table of Director Attendance at 2017 Meetings

	Board	Audit	Remuneration	Nomination
Number of meetings	5	3	1	1
Directors				
Lord St John of Bletso	5			1
Dr. Hend El Sherbini	5			
Hussein Choucri	5	3	1	1
James Nolan	5	3	1	
Dan Olsson	5	2	1	1
Richard Phillips	5			

Annual Reporting and Annual General Meeting of Shareholders

We typically publish our Annual Report in March in respect of the prior year ended 31 December. We voluntarily comply with the Code’s requirement to send a Notice of Meeting of an Annual General Meeting (AGM) and related papers to shareholders at least 20 working days prior to the meeting.

The Group’s second Annual General Meeting as a listed company will be held in London on 14 May 2018. Shareholders are encouraged to attend the AGM and to ask questions about the business, its financial performance and its strategy. All Board members are scheduled to attend the upcoming AGM. Details of the AGM are included in the Notice of Meeting that accompanies this Annual Report and which is available on our website.

At the AGM, all of the Group’s Directors will retire and submit themselves for re-election.

The outcome of the voting at the AGM will be announced by way of a London Stock Exchange announcement and full details will be published on the Group’s website shortly after the AGM.

Limitations of this Report

As I noted earlier, the Group is not bound to adhere to the requirements of the 2016 U.K. Code of Corporate Governance. Nevertheless, we have endeavoured to ensure that this Annual Report is, as a whole, fair, balanced and understandable.

In formulating this Annual Report, we have called on the Group Chief Executive and her senior management staff to provide us with clear documentary evidence of the Group’s performance and policies for 2017. The Audit Committee has confirmed to us that the financial statements as contained in the 2017 Annual Report are true and fair and that the work of the external auditor has been accurate and effective.

Lord St John of Bletso
Chairman
20 March 2018

Audit Committee Report



James Nolan
Chairman, Audit Committee

2018 marks my third year as Chairman of the Audit Committee, having been appointed to that role owing to my relevant financial experience as required by the Code. I have served on the audit committees of three publicly quoted companies in the past. I have held the positions of Global Head of Mergers & Acquisitions both at Veon and at Royal Philips. I hold an MBA from INSEAD and studied law at university. The other members of the Committee have a broad range of appropriate skills and experience covering financial and healthcare industry matters and their biographies are summarised on pages 50 and 51. I am very grateful for their valuable contributions and am happy that we work well together as a team.

During 2017, the Audit Committee convened three times, once each in March, August and November. We provided governance of external financial reporting, risk management and internal controls and reported our findings and recommendations to the Board. Outside of scheduled committee meetings, the Audit Committee also communicated throughout 2017 on an as-needed basis with the Group Chief Financial Officer and with KPMG as our external auditors.

The audit partner and audit manager from the Group's external auditor, KPMG, are invited to attend meetings of the Committee on a regular basis. During 2017, they attended meetings in whole or in part, both in person and by telephone. The Vice-President Finance and Strategy, who is not a member of the executive board, attends our meetings by invitation, and other members of the senior management team attend as required; these include the Director of Investor Relations and the Group Secretary.

There are also private meetings between the Audit Committee and the external auditor outside the half-year and year end timetable at which senior management is not present. The Committee will continue with the practice of meeting in private with the external auditor in the future.

At our Board Meeting in August 2016, the Audit Committee approved the Internal Audit Activity Charter as well as the appointment of Mr. Ashraf Hallaba as Internal Auditor reporting to the Audit Committee. The

role reports functionally to the Audit Committee and administratively to the Chief Executive Officer. Since inception, the Internal Auditor has been building a team, writing a manual on operations, reviewing process of key functions within the company and discussing the same with the company's management. The Internal Auditor delivered his comprehensive risk register on 19 November 2017, as well as his progress report in setting up and establishing his department. It was noted that the department was not yet fully staffed and that the position of Compliance Officer was not filled. Adequate staffing is an essential ingredient of the success of the Internal Audit function and is under review.

FRC Audit Quality Review

The FRC is the UK's independent regulator responsible for promoting high-quality corporate governance and reporting to foster investment. The FRC's responsibilities include independent monitoring of audits of listed and certain other public interest entities performed by firms registered to conduct audits in the UK by a Recognised Supervisory Body (further details are set out on the FRC's website). This monitoring is performed by the FRC's Audit Quality Review ('AQR') team. The reviews of individual audit engagements are intended to contribute to safeguarding and promoting improvement in the overall quality of auditing in the UK.

Roles and Duties of the Audit Committee

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including:

- reviewing the Group's annual and half-year financial statements;
- reviewing the Group's accounting policies, internal and external audits and controls;
- reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors; and
- advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place within the Group.

During its scheduled meetings, the Committee also considers the following matters:

- confirm compliance with Directors' duties and consider any new conflicts of interest;
- review minutes of previous meetings;
- review actions from previous meetings; and
- review progress against current year objectives.

Audit Committee Activities During 2017

During 2017 the Audit Committee had three scheduled meetings, one each in March, August and November. At each scheduled meeting, the Committee considers the matters outlined above under the subheading "Roles and Duties of the Audit Committee."

21 March 2017

- Overview of the 2016 audit of the Company
- Identification and discussion of key risk factors including revenue recognition, impairment of goodwill, lease accounting and management override of controls
- Discussion of dividend policy
- Final dividend recommendation to the Board
- Letter of Representation recommended to the Board for signature
- Recommendation to the Board of approval for the Group's Financial Statements for the year ended 31 December 2016
- Review of the Group's Internal Audit function

17 August 2017

- Consideration of financials for the half-year ended 30 June 2017
- Discussion of auditor's interim review including significant risks and key areas of focus
- Recommendation to the Board of half-year results to 30 June 2017

20 November 2017

- Review and discussion of KPMG's Audit Plan
- Discussion and approval of the Group's Internal Audit Plan
- Discussion and approval of the revised Anti-Bribery and Anti-Corruption and Trade Controls Policy (ABAC)

The Audit Committee is responsible for overseeing IDH's internal financial reporting and ensuring the integrity of the Group's financial statements. The Committee is also responsible for reviewing and monitoring the effectiveness of the Group's risk management processes and internal controls, as well as for ensuring that audit processes are robust.

At the date of this report, the Audit Committee comprises three Non-Executive Directors, all of whom are considered independent. In addition to myself, the members are Dan Olsson and Hussein Choucri.

Significant Issues

The Committee considered several significant accounting issues, matters and judgements in relation to the Group’s financial statements and disclosures for the year ended 31 December 2017. As part of the half-year and full-year reporting process, management communicates key accounting issues to the Committee, and the external auditor is asked to comment on the key significant areas of accounting judgement and disclosure. The infor-

mation presented is used by the Committee to critically review and assess the key policies and judgements that have been applied, the consistency of policy application from year to year and the appropriateness of key disclosures made, together with compliance with the applicable accounting standards. The significant issue arising and a description of how it was addressed is shown in the following table.

Issue	How it is being addressed
Impairment of intangible assets	The carrying value of goodwill is subject to annual impairment testing undertaken by management, who apply a series of assumptions concerning future revenue and cash flows and appropriate discount rates for Cash Generating Units (CGU). Management presented the outcome of the impairment review to the Audit Committee, highlighting the level of headroom. The external auditor also commented on this. The Committee critically reviewed management’s assessment of the outlook and carrying value of these intangible assets and their disclosure in the Group’s financial statements. The Committee concurred with management’s conclusion that the carrying value of goodwill attributed to each CGU was fully supported, and no impairment is required at 31 December 2017.

External Auditor

KPMG has acted as the Group’s external auditor since appointment in July 2015, with Mr. Adrian Wilcox serving as audit partner until August 2017, when the role was assumed by Mr. David Neale on behalf of KPMG. The Auditors’ independence was considered by the Committee during the year and following careful consideration, it was agreed that the Auditors remained independent. We aim to comply with the requirement to rotate the audit partner every five years, and thus the term of appointment of our audit partner is expected to end in 2022.

In acknowledgment of the Competition and Markets Authority’s proposal that companies must put their statutory audit engagement out to tender at least every ten years, it is possible that we will tender the audit process in 2025, or earlier if KPMG’s performance falls short of the Audit Committee’s expectations.

Provision of Non-Audit Services

IDH may, on occasion, retain the external auditor for non-audit services on matters including accounting advice in relation to acquisitions and divestments, corporate governance and risk management advice, among other services. The Audit Committee reviewed the work completed by the external auditor, as well as the provision of non-audit services to ensure that the auditor maintained its independence. The Audit Committee confirms that during 2017, £61,500 was paid to KPMG in respect of non-audit work compared to the audit fee for the Group financial statements for the year ended 31 December 2017 of £243,500 (audit fee for the Group financial statements for the year ended 31 December 2016: £235,000). This non-audit work was related to the review of the half year financial statements.

Recommendation

Ultimately, it is the Board’s responsibility to review and approve the Group’s full-year and half-year financial statements, as well as to determine that, taken as a whole, the Annual Report is balanced, understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy. It is the Audit Committee’s role to assist the Board in discharging its responsibilities with regards to financial reporting, external and internal audits and controls. Following a review of the process around the annual audit and the content of the financial statements, the Audit Committee advised the Board at its meeting on 20 March 2018 that it was their opinion that the financial statements as at 31 December 2017 provide a true and fair view of the financial performance of the Group and recommend that it be adopted by the Board and recommended to shareholders for approval at the forthcoming Annual General Meeting.

The Audit Committee has recommended to the Board that the Auditors be put forward for re-election at the forthcoming Annual General Meeting. The Committee arrived at this recommendation after having met with the Audit partner and Audit team; reviewed the quality of the Auditors’ reports and the quality of the work undertaken in respect of the half-yearly and Annual Report; considered the Audit fees of both Audit and Non-Audit work; and reviewed the Auditors’ independence.

James Nolan
Chairman, Audit Committee
20 March 2018



Remuneration Committee Report



Hussein Choucri
Chairman, Remuneration Committee

In this report from the Remuneration Committee, I outline on behalf of my colleagues and myself the basis on which Directors and select members of senior management will be remunerated for their service in 2017.

A detailed discussion of the basis on which the aforementioned (as well as one key member of senior management) were remunerated for their service in 2017 appears below and is summarised in tabular form on page 63.

- Remuneration Committee Activities During 2017**
20 November 2017
- Overview of the Group’s Human Resource (HR) organisational structure
 - Review of HR work-in-progress under the leadership of newly-appointed HR Director
 - Identification of training needs
 - Review of the Group’s Compensation strategy, including its recent Salary Survey
 - Discussion of a new Performance Management System to be introduced in 2018

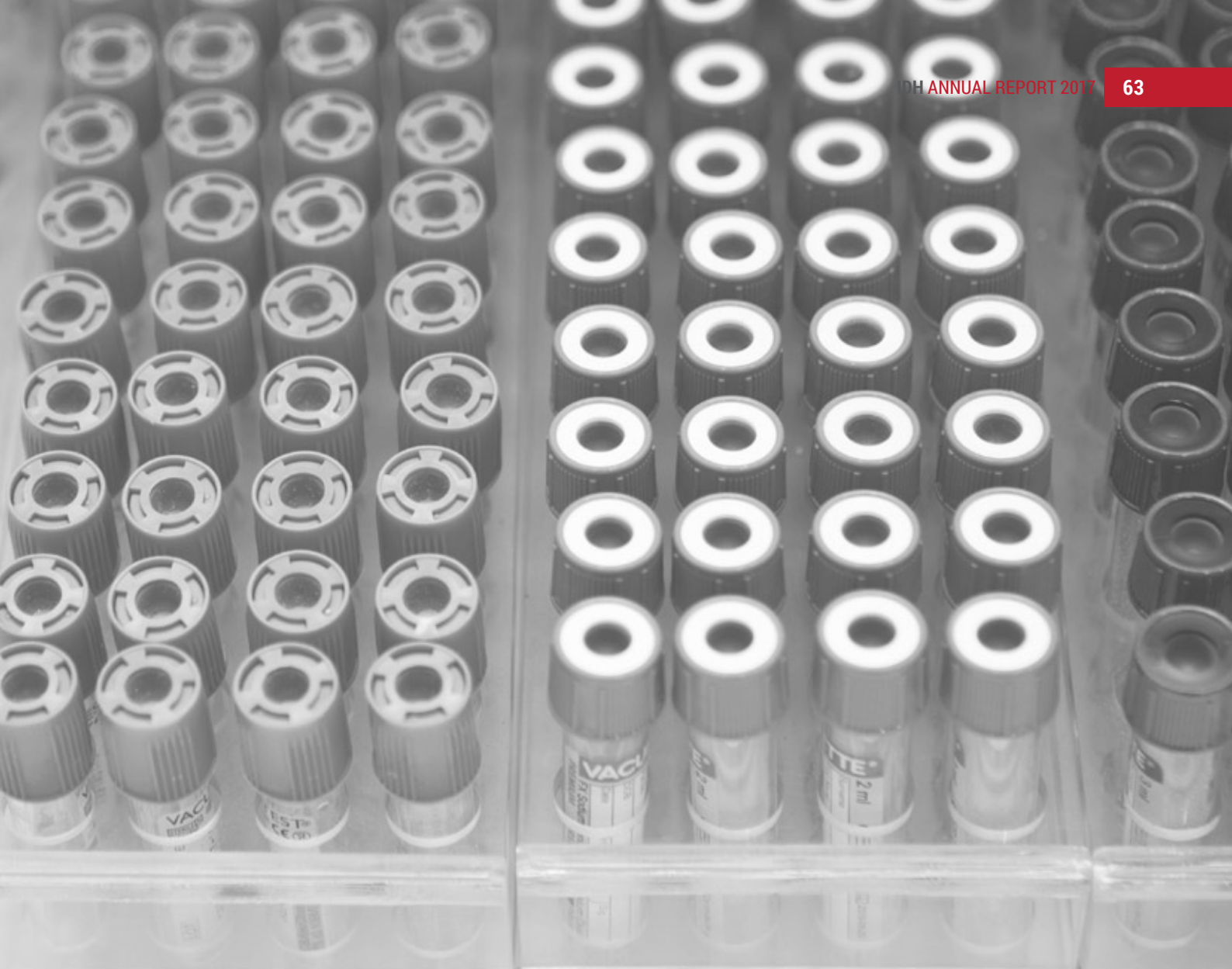
The Remuneration Committee also met in February 2018, a meeting rescheduled from December 2017, to discuss appropriate revisions to senior management salaries; the firm’s salaries compared with marketplace benchmarks; and strategies to ensure that all employees are compensated competitively relative to the marketplace.

Chairman: Lord St John of Bletso is entitled to receive an annual salary of US\$ 75,000. He is entitled to the reimbursement of reasonable expenses.

Independent Non-Executive Directors: Hussein Choucri, James Patrick Nolan and Dan Olsson have been engaged by the Group as Independent Non-Executive Directors under letters of appointment. They are each entitled to an annual fee of US\$ 50,000. The Independent Non-Executive Directors are all entitled to the reimbursement of reasonable expenses.

Non-Executive Directors: Richard Henry Phillips has been engaged by the Group as a Non-Executive Director under letter of appointment. He will not be entitled to receive any fee from the Group for this role. The Non-Executive Directors are all entitled to the reimbursement of reasonable expenses.

Hussein Choucri
Chairman, Remuneration Committee
20 March 2018



Remuneration of Directors in 2017 (all figures in EGP)²

Figures in EGP	Base salary / fees 2017	Base salary / fees 2016	Annual bonus 2017	Annual Bonus 2016	Total 2017	Total 2016
Executive Director						
Dr. Hend El Sherbini	3,973,500	3,898,322	450,000	450,000	4,423,500	4,348,322
Non-Executive Directors						
Lord St John of Bletso	1,325,938	761,565	-	-	1,325,938	761,565
Hussein Choucri	883,958	507,710	-	-	883,958	507,710
James Nolan	883,958	507,710	-	-	883,958	507,710
Dan Olsson	883,958	507,710	-	-	883,958	507,710
Richard Phillips	-	-	-	-	-	-

²There are no taxable benefits, corporate pensions or long-term incentive plans for the Company’s directors.
³ Dr. Hend El Sherbini receives part of her annual bonus in the form of an annual award amounting to EGP 450,000.
⁴ Mr. Phillips is the board representative of a major shareholder, Actis, and is therefore not remunerated

Directors’ Report

The statements and reviews on pages 02 to 47 comprise the Strategic Report, which contains certain information that is incorporated into this Directors’ Report by reference, including indications as to the Group’s likely future business developments.

Directors

The Directors who held office at 31 December 2017 and up to the date of this report are set out on pages 50 and 51 along with their photographs and biographies. The remuneration of the Directors (including their respective shareholdings in the Group, where applicable) is set out in the Remuneration Report on pages 62 and 63.

Directors’ and Officers’ Liability Insurance and Indemnification of Directors

Subject to the conditions set out in the Companies (Jersey) Law 1991 (as amended), the Group has arranged appropriate Directors’ and Officers’ liability insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

Principal Activities

The Group’s principal activity is the provision of medical diagnostics services. An overview of the Group’s principal activities is an integral component of the Strategic Review included in this Annual Report beginning on page 24.

Business Review and Future Developments

A review of the development and performance of the Group’s business forms an integral part of this Annual Report in sections including A Note from Our Chairman (pages 10-11), A Note from Our CEO (pages 12 to 13), Strategic Report (beginning page 02) and particularly the Financial Review (beginning on page 40). Financial statements for 2017 appear in the Audited Financial Statements (starting on page 68).

Results and Dividends

The Group’s Results for 2017 are set out in the Audited Financial Statements starting on page 68.

The Board of Directors has recommended that a dividend of US\$ 0.16 (sixteen US\$ cents) per share (2016: US\$ 0.14, fourteen



US\$ cents) should be paid to shareholders who appear on the register as at 18 May 2018, with an ex-dividend date of 17 May 2018. The payment date for the dividend is 8 June 2018.

Principal Risks and Uncertainties

The principal risks and uncertainties that may affect IDH’s business, as well as their potential mitigants, are outlined on pages 34 to 39 of this Annual Report.

Share Capital

The Group has 150,000,000 ordinary shares each with a nominal value of US\$ 1.00. There are no other shares in issue, other than ordinary shares. Note 20 to the consolidated financial statements on page 107 summarises the rights of

the ordinary shares as well as the number issued during 2017. An analysis of shareholdings is shown below.

Substantial share holdings

As at 1 March 2018, the Company ascertained from its own analysis that the following held interests of 3% or more of the voting rights of its issued share capital:

The Directors certify that there are no issued securities that carry special rights with regard to control of the Company. There are similarly no restrictions on voting rights. Chief Executive Officer Dr. Hend El-Sherbini jointly holds voting rights to shares held by Hena Holdings Ltd. with her mother, Dr. Moamena Kamel.

Shareholder	Number of voting rights	% of voting rights
Hena Holdings Ltd.	38,245,589	25.50
Actis IDH B.V.	31,500,000	21.00
HSBC Global Asset Mgmt (UK)	12,887,084	8.59
T. Rowe Price	7,670,533	5.11
FIAM LLC	7,340,589	4.89

Committees of the Board

The Board has established Audit, Nominations and Remuneration Committees. Details of these Committees, including membership and their activities during 2017, are contained in the Corporate Governance section of this Annual Report and in the Remuneration Report.

Corporate Responsibility

The Group's report on Corporate Responsibility is set out on pages 46 to 47.

Corporate Governance

The Group's report on Corporate Governance is on pages 48 to 63.

Articles of Association

The Company's Articles of Association set out the rights of shareholders including voting rights, distribution rights, attendance at general meetings, powers of Directors, proceedings of Directors as well as borrowing limits and other governance controls. A copy of the Articles of Association can be requested from the Group Company Secretary.

The Articles of Association may be amended by members of the Company via special resolution at a General Meeting of the Company.

Rules on the Appointment and Replacement of Directors

Rules on the appointment and replacement of Directors are set out in the Group's Articles of Association, a copy of which may be requested from the Group Company Secretary.

Agreements Related to Change of Control of the Group

No such agreements exist.

Conflicts of interest

During the year, no Director held any beneficial interest in any contract significant to the Group's business, other than a contract of employment. The Company has procedures set out in the Articles of Association for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable.

Political Donations

The Group made no political donations in 2017 (2016: nil).

Financial Instruments

The Group's principal financial instruments comprise cash balances, balances with related parties, trade receivables and payables and other payables and receivables that arise in the normal course of business. The Group's financial instruments risk management objectives and policies are set out in Note 14 to the Financial Statements.

Employees

The Group has one (1) Executive Director, namely Group Chief Executive Dr. Hend El Sherbini, as identified in the Corporate Governance section. Her biographical information appears on page 50 of this Annual Report, and her compensation is reported in the Remuneration Committee Report on page 63. IDH has service agreements with the Group Chief Executive and with the Group Chief Financial Officer, Mr. Omar Bedewy, who is not a Company Director. Dr. Hend El Sherbini leads the Company's Executive Committee, which also includes all heads of departments and meets every second week to review and discuss performance, priorities and upcoming events in light of the Group's strategic plan. In view of the Company's regional growth plans, IDH is committed to building out its senior management team in preparation for a larger footprint. The Group and its subsidiaries had total of 4,739 (2016: 4,688) employees as of 31 December 2017 employed in Egypt, Jordan and Sudan.

Creditor Payment Policy

Individual subsidiaries of the Group are responsible for agreeing on the terms and conditions under which business transactions with their suppliers are conducted. It is the Group's policy that payments to suppliers are made in accordance with all relevant terms and conditions.

Post-Balance Sheet Events

In a transaction that closed in January 2018, IDH formed a joint venture with Man Capital LLC ("Man Capital"), the London-based investment arm of the Mansour Group, called Dynasty Holding Group ("Dynasty"), which is 51% owned and controlled by IDH. In turn, Dynasty has partnered with the International Finance Corporation ("IFC") to invest in Eagle Eye Echo-Scan Limited ("Echo-Scan"), a leading medical diagnostics business based in Nigeria.

Going Concern

Having made enquiries, the Directors have a reasonable expectation that the Group has adequate resources to meet its liabilities as they fall due for at least 12 months from the date of approval of these consolidated financial statements. Thus, they continue to adopt the going concern basis in

preparing the financial information. 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 on pages 02 to 45. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial statements and notes thereon on pages 68 to 113.

Statement of Directors' Responsibilities

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

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

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

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

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

- The consolidated financial statements have been prepared in accordance with International Financial

Reporting Standards, including International Accounting Standards; and Interpretations adopted by the International Accounting Standards Board give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- The sections of this Report, including the Chairman's Statement, Strategic Report, Financial Review and Principal Risks and Uncertainties, which constitute the management report, include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Disclosure of Information to the Auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditors, each Director has taken all the steps that he/she is obliged to take as a Director in order to have made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Annual General Meeting (AGM)

The 2018 AGM will be held at the Hilton London Tower Bridge on 14 May 2018 at 11:00 am BST, London, UK.

The Chairman of the Board and of each of the Board's Committees as well as all company Directors will be in attendance at the AGM to answer questions from shareholders. During the AGM, all of the Group's Directors will retire and submit themselves for re-election.

Auditor

KPMG LLP has expressed its willingness to continue in office as auditor and separate resolutions will be proposed at the forthcoming AGM concerning their reappointment and to authorise the Board to agree their remuneration.

By order of the Board

Dr. Hend El Sherbini
Executive Director
20 March 2018

Financial Statements



Independent Auditor's Report to the members of Integrated Diagnostics Holdings plc	70
Consolidated Statement Of Financial Position	74
Consolidated Income Statement	75
Consolidated Statement Of Profit Or Loss And Other Comprehensive Income	76
Consolidated Statement Of Cash Flows	77
Consolidated Statement Of Changes In Equity	78
Integrated Diagnostics Holdings Plc – "IDH" and its Subsidiaries	79

Independent Auditor’s Report

to the members of Integrated Diagnostics Holdings plc

1. Our opinion is unmodified

We have audited the financial statements of Integrated Diagnostics Holdings plc (“the Company”) for the year ended 31 December 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Group’s affairs as at 31 December 2017 and of the Group’s profit for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality:	EGP25m (2016:EGP20m)	
group financial statements as a whole	4.5% (2016: 5%) of Profit before tax	
Coverage	99% (2016:99%) of group profit before tax]	
Risks of material misstatement		
Recurring risks	Recoverability of goodwill and indefinite life brand intangible assets	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters were as follows [(unchanged from [2016]):

	The risk	Our response
Recoverability of goodwill and indefinite life brand intangible assets (EGP1,640million; 2016: EGP1,644million) Refer to page 58 (Audit Committee Report), page 86 (accounting policy) and page 100 (financial disclosures).	Forecast-based valuation Each of the CGU’s operate within a market subject to high degrees of competition, price inflation and cost rises which provide market challenges. Recoverability of the goodwill and brand names intangible asset is subject to judgement in terms of the assumptions used and inherent uncertainty involved in forecasting the future cash flows that are used in the Group’s discounted cash flow models, in particular in respect of revenue growth (i.e. patient numbers and price) and discount rate. This is a key judgemental area that our audit is concentrated on.	Our procedures included: – Historical comparison: assessing the reasonableness of the Group’s forecasting by comparing actual performance for the year against forecasts for the same period in the prior year model; – Benchmarking assumptions: evaluating the Group’s assumptions included within the discounted cash flow forecasts by comparing key inputs such as projected growth, cost inflation and discount rates to internally and externally derived data; – Sector expertise: We used our own valuation specialist to assist us in evaluating the assumptions and methodology used in calculating the discount rate; – Sensitivity analysis: performing sensitivity analysis on the assumptions noted above; and – Assessing transparency: assessing whether the group’s disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at EGP25m (2016: EGP 20m), determined with reference to a benchmark of group profit before tax, of which it represents 4.5% (2016: 5%).

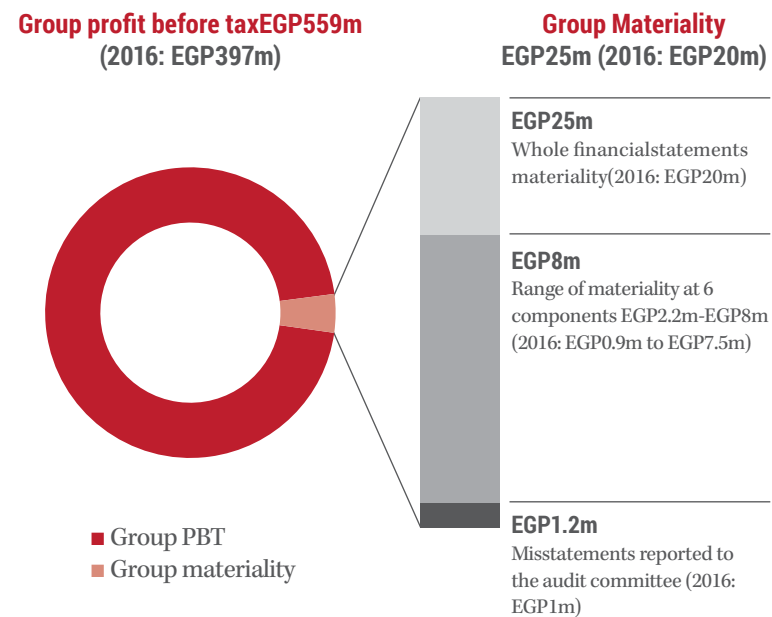
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding EGP1.2m (2016: EGP1m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 11 (2016: 11) reporting components, we subjected 6 (2016: 6) to full scope audits for group reporting purposes and 3 (2016: 3) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require an full scope audit for group reporting purposes, but did present specific individual risk that needed to be addressed. For the residual 2 components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team instructed the component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved component materialities which in the ranged from EGP2.2m to EGP8m (2016: EGP0.9m to EGP 7.5m), having regard to the mix of size and risk profile of the Group across the components. The work on 7 of the 9 components (2016: 7 of the 9 components) was performed by component auditors and the rest was performed by the Group team.

The Group team visited the 6 (2016: 6) components, all in the same location, in Egypt on multiple occasions, including to assess the audit risk and strategy and to attend a clearance meeting. Telephone conference meetings were also held with this component auditor and with the component auditor in Jordan component that was not physically visited.. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.



4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the Company's accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 67, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square London
E14 5GL
20 March 2018



Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 EGP'000	2016 EGP'000
Assets			
Non-current assets			
Property, plant and equipment	11	473,786	380,374
Intangible assets and goodwill	12	1,658,252	1,654,362
Restricted cash	18	-	13,253
Deferred tax assets	9	-	18,307
Total non-current assets		2,132,038	2,066,296
Current assets			
Inventories	15	69,935	51,715
Trade and other receivables	16	202,255	148,375
Restricted cash	18	13,226	-
Other investments	19	9,149	95,575
Cash and cash equivalents	17	685,211	683,721
Total current assets		979,776	979,386
Total assets		3,111,814	3,045,682
Equity			
Share capital	20	1,072,500	1,072,500
Share premium reserve	20	1,027,706	1,027,706
Capital reserves	20	(314,310)	(314,310)
Legal reserve	20	33,383	30,251
Put option reserve	20	(93,256)	(102,082)
Translation reserve	20	203,709	207,720
Retained earnings		315,856	315,518
Equity attributable to the owners of the Company		2,245,588	2,237,303
Non-controlling interests	7	68,502	62,161
Total equity		2,314,090	2,299,464
Non-current liabilities			
Deferred tax liabilities	9	158,712	132,627
Other provisions	22	14,699	12,202
Loans and borrowings	24	38,425	-
Long-term financial obligations	25	100,478	119,638
Total non-current liabilities		312,314	264,467
Current liabilities			
Trade and other payables	23	333,432	345,776
Loans and borrowings	24	14,575	-
Current tax liabilities		137,403	135,975
Total current liabilities		485,410	481,751
Total liabilities		797,724	746,218
Total equity and liabilities		3,111,814	3,045,682

The accompanying notes on pages 79 - 113 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved and authorised for issue by the Board of Directors and signed on their behalf on 20 March 2018 by:

Chief Executive Officer
Dr. Hend El Sherbini

Head of Audit Committee
James Nolan

Consolidated Income Statement

For the year ended 31 December 2017

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

The accompanying notes on pages 79 - 113 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

	2017	2016
	EGP'000	EGP'000
Net profit	383,729	266,918
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences on foreign currency subsidiaries	(5,577)	228,130
Other comprehensive income for the year, net of tax	(5,577)	228,130
Total comprehensive income for the year	378,152	495,048
Attributable to:		
Owners of the Company	370,012	467,664
Non-controlling interests	8,140	27,384
	378,152	495,048

The accompanying notes on pages 79 - 113 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

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

The accompanying notes on pages 79 - 113 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

(All amounts in Egyptian Pounds "EGP'000")	Share Capital	Share premium	Capital reserve	Legal reserve*	Put option reserve	Translation reserve	Retained earnings	Share based payment reserve	Total attributed to the owners of the Company	Non- Controlling interests	Total Equity
As at 1 January 2017	1,072,500	1,027,706	(314,310)	30,251	(102,082)	207,720	315,518	-	2,237,303	62,161	2,299,464
Profit for the period	-	-	-	-	-	-	374,023	-	374,023	9,706	383,729
Other comprehensive income for the period	-	-	-	-	-	(4,011)	-	-	(4,011)	(1,566)	(5,577)
Total comprehensive income	-	-	-	-	-	(4,011)	374,023	-	370,012	8,140	378,152
Transactions with owners of the Company											
Contributions and distributions											
Dividends	-	-	-	-	-	-	(371,875)	-	(371,875)	(4,869)	(376,744)
Reverse share-based payment	-	-	-	-	-	-	-	-	-	-	-
Legal reserve formed during the period*	-	-	-	3,132	-	-	(3,132)	-	-	-	-
Movement in put option liability in the year	-	-	-	-	8,826	-	-	-	8,826	-	8,826
Total contributions and distributions	-	-	-	3,132	8,826	-	(375,007)	-	(363,049)	(4,869)	(367,918)
Change in ownership interests											
Non-controlling interests resulting from acquisition of subsidiary	-	-	-	-	-	-	1,322	-	1,322	3,070	4,392
As at 31 December 2017	1,072,500	1,027,706	(314,310)	33,383	(93,256)	203,709	315,856	-	2,245,588	68,502	2,314,090
As at 1 January 2016	1,072,500	1,027,706	(314,310)	28,834	(64,069)	1,193	142,712	1,034	1,895,600	46,873	1,942,473
Profit for the period	-	-	-	-	-	-	260,399	-	260,399	6,519	266,918
Other comprehensive income for the period	-	-	-	-	-	207,265	-	-	207,265	20,865	228,130
Total comprehensive income	-	-	-	-	-	207,265	260,399	-	467,664	27,384	495,048
Transactions with owners of the Company											
Contributions and distributions											
Dividends	-	-	-	-	-	-	(79,470)	-	(79,470)	(9,090)	(88,560)
Equity settled share-based payment	-	-	-	-	-	-	-	(1,034)	(1,034)	-	(1,034)
Legal reserve formed during the period*	-	-	-	90	-	-	(90)	-	-	-	-
Movement in put option liability in the year	-	-	-	-	(38,013)	-	-	-	(38,013)	-	(38,013)
Total contributions and distributions	-	-	-	90	(38,013)	-	(79,560)	(1,034)	(118,517)	(9,090)	(127,607)
Change in ownership interests											
Non-controlling interests resulting from acquisition of subsidiary	-	-	-	1,327	-	(738)	(8,033)	-	(7,444)	(3,006)	(10,450)
At 31 December 2016	1,072,500	1,027,706	(314,310)	30,251	(102,082)	207,720	315,518	-	2,237,303	62,161	2,299,464

Integrated Diagnostics Holdings plc – “IDH” and its subsidiaries

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

1. Corporate information

The consolidated financial statements of Integrated Diagnostics Holdings plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the directors on 20 March 2018. Integrated Diagnostics Holdings plc “IDH” or “the company” has been established according to the provisions of the Companies (Jersey) law 1991 under No. 117257.

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

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

2. Basis of preparation

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

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

Going concern

These consolidated financial statements have been prepared on the going concern basis. At 31 December 2017, the Group had net assets amounting to EGP 2,314,090. The Group is profitable and cash generative and the Directors have considered the Group’s cash forecasts for a period of 12 months from the signing of the balance sheet. The Directors have a reasonable expectation that the Group has adequate resources to meet its liabilities as they fall due for at least 12 months from the date of approval of these condensed consolidated annual financial statements. Thus, they continue to adopt the going concern basis in preparing the financial information.

2.1 Basis of consolidation

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

Financial Statements

i. Subsidiaries

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

ii. Change in subsidiary ownership and loss of control

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

iii. Transactions eliminated on consolidation

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

2.2 Significant accounting policies

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

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

- Annual Improvements to IFRSs – 2014-2016 Cycle
- Disclosure initiative – amendment to IAS 7
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

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

a) Business combinations and goodwill

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

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

This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss. And when it is classified as equity it should not be remeasured and accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount

recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing which it is done one an annual basis, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

b) Fair value measurement

The Group measures financial instruments such as non-derivative financial instruments, 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:

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

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

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

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

c) Revenue recognition

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

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

Financial Statements

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.

Financial Statements

h) Intangible assets

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

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

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

IT development and software	4-5 years
-----------------------------	-----------

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

Goodwill

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

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

Brand

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

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:

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

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

Loans and receivables

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

Derecognition

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

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

Or

- 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:

- | | |
|---|----------|
| • Disclosures for significant estimates and assumptions | Note 2.3 |
| • Financial assets | Note 14 |
| • Trade receivables | Note 16 |

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

Financial Statements

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:

- | | |
|---|----------|
| • Disclosures for significant assumptions and estimates | Note 2.3 |
| • Goodwill and intangible assets with indefinite lives | Note 13 |

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

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

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

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

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

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

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

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

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 October at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGU). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

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 a finance cost.

n) Pensions and other post-employment benefits

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

Financial Statements

o) Segment reporting

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

2.3 Significant accounting judgments, estimates and assumptions

New and amended standards and interpretations not yet adopted

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

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

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

Estimated impact of the adoption of IFRS 9 and IFRS 15

IFRS 15

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

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

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

The Group considers the current basis of revenue recognition to remain appropriate as the only performance obligation, being completion of a test, reflects the current policy. Therefore the Group considers that the initial application IFRS 15 will have no impact on its consolidated financial statements based on the assessment undertaken to date, however the Group may enter into contracts in the near future that would be accounted for differently under IFRS 15 than the existing standards.

IFRS9

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

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

The Group has made an initial assessment of the impact that the initial application of IFRS 9 will have on its consolidated Financial statement by considering the level of loss experienced from customers across the portfolio at a macro level. The financial impact of this assessment is an adjustment (net of tax) to the opening balance of the Group’s equity at 1 January 2018 of EGP 2.5 m due to the recognition of an impairment charge for the expected credit loss of trade receivables. The final impact of adopting the standard at 1 January 2018 may change because the Group is in the process of undertaking an extensive exercise to assess the credit loss on a customer basis, which has not been finalised.

Additionally, the testing and assessment of controls over new IT systems has not been complete. It is not expected that the impact of the final assessment will be materially different.

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

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

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

- | | |
|--|----------|
| • Capital management | Note 4 |
| • Financial instruments risk management and policies | Note 14 |
| • Sensitivity analyses disclosures | Notes 14 |

Judgments

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

Estimates and assumptions

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

Impairment of intangible assets

The Group tests annually whether goodwill and other intangibles with indefinite lives have suffered any impairment. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amounts of cash generating units have been determined based on value in use. The value in use calculation is based on a discounted cash flow (“DCF”) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Impairment of trade and notes receivables

The requirement for impairment of trade receivables is made through monitoring the debts aging and reviewing customer’s credit position and their ability to make payment as they fall due. An impairment is recorded against receivables for the irrecoverable amount estimated by management. At the year end, the provision for impairment of trade receivables was EGP 21,784K (31 December 2016: EGP 19,154k).

3. Segment information

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

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

Financial Statements

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

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

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

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.

4 Capital management

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

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

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

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

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

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

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

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

5. Group information

Information about subsidiaries

The consolidated financial statements of the Group include:

	Principal activities	Country of Incorporation	% equity interest	
			2017	2016
Al Borg Laboratory Company (“Al-Borg”)	Medical diagnostics service	Egypt	99.3%	99.3%
Al Mokhtabar Company for Medical Labs (“Al Mokhtabar”)	Medical diagnostics service	Egypt	99.9%	99.9%
Molecular Diagnostic Center*	Medical diagnostics service	Egypt	99.9%	99.9%
Medical Genetic Center	Medical diagnostics service	Egypt	55.0%	55.0%
Al Makhbaryoun Al Arab Group (Hashemite Kingdom of Jordan)	Medical diagnostics service	Jordan	60.0%	60.0%
Golden Care for Medical Services	Holding company of SAMA	Egypt	100.0%	100.0%
Integrated Medical Analysis Company (S.A.E)	Medical diagnostics service	Egypt	99.6%	99.6%
SAMA Medical Laboratories Co. (“Ul-tralab medical laboratory “)	Medical diagnostics service	Sudan	80.0%	80.0%
AL-Mokhtabar Sudanese Egyptian Co.	Medical diagnostics service	Sudan	65.0%	65.0%
Integrated Diagnostics Holdings Limited	Intermediary holding company	Caymans Island	100.0%	100.0%
Dynasty Group Holdings Limited	Intermediary holding company	Caymans Island	51%.0	51.0%

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

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

6. Business combinations and acquisition of non-controlling interests

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

7. Non-Controlling interest

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

Proportion of equity interest held by non-controlling interests:

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

Financial Statements

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

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

	Medical Genetic CenterEGP'000	Al Makhbaryoun Al Arab Group (Hashemite Kingdom of Jordan) EGP'000	SAMA Medical Laboratories Co. "Ultralab medical laboratory "EGP'000	Alborg Laboratory Company EGP'000	Other individually immaterial subsidiaries EGP'000	Intra- Groupelimina- tions EGP'000	Total EGP'000
Summarised cash flow information for year ended 31 December 2017:							
Operating	625	40,715	437	155,451	41,979	-	239,207
Investing	84	(28,326)	(756)	45,017	(2,199)	-	13,820
Financing	(1,565)	(10,933)	-	(69,410)	(46,577)	-	(128,485)
Net increase/ (decrease) in cash and cash equivalents	(856)	1,456	(319)	131,058	(6,797)	-	124,542
Summarised statement of profit or loss for 2016:							
Revenue	11,881	112,266	27,160	482,002	207,452	-	840,761
Profit	1,818	13,850	1,360	199,827	(57,725)	-	159,130
Other comprehensive income	-	52,930	(1,115)	-	393	-	52,208
Total comprehensive income	-	3,016	850	-	(297)	-	3,569
Profit allocated to non-controlling interest	818	5,540	272	1,414	(916)	(610)	6,519
Other comprehensive income allocated to non-controlling interest	-	21,172	(446)	-	139	-	20,865
Summarised statement of financial position as at 31 December 2016:							
Non-current assets	885	92,168	3,363	136,938	136,316	-	369,670
Current assets	7,761	47,090	20,548	311,085	306,983	-	693,467
Non-current liabilities	9	773	-	-	99,339	-	100,121
Current liabilities	4,518	42,014	14,657	120,345	324,452	-	505,986
Net assets	6,121	40,845	9,009	194,900	122,583	-	373,458
Net assets attributable to non-controlling interest	5,930	72,818	7,714	4,023	(1,327)	(26,997)	62,161
Operating	2,687	18,034	1,508	189,193	73,254	-	284,676
Investing	(37)	(11,955)	(410)	(55,929)	(8,326)	-	(76,657)
Financing	(3,163)	(6,848)	-	(52,256)	(8,928)	-	(71,195)
Net increase/(de- crease) in cash and cash equivalents	(513)	(769)	1,098	81,008	56,000	-	136,824

8. Expenses and other income

Included in profit and loss are the following:

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

8.1 Auditor's remuneration

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

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

8.2 Net finance costs

	2017 EGP'000	2016 EGP'000
Finance charges payable under finance leases	(10,391)	(9,271)
Net foreign exchange loss	(19,940)	(88,877)
Bank Charges	(2,674)	(924)
Total finance costs	(33,005)	(99,072)
	2017 EGP'000	2016 EGP'000
Interest income	51,064	21,418
Total finance income	51,064	21,418
Net finance (cost)/ income	18,059	(77,654)

8.3 Employee numbers and costs

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

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

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

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

9. Income tax

a) Amounts recognised in profit or loss

	2017 EGP'000	2016 EGP'000
Current tax:		
Current year	(117,844)	(135,727)
Deferred tax:		
Effect of reduction in tax rate to 22.5%		
Deferred tax arising on undistributed reserves in subsidiaries	(19,808)	(18,876)
Relating to origination and reversal of temporary differences	(37,049)	32,983
Total Deferred tax income / (expense)	(56,857)	14,107
Tax expense recognised in profit or loss	(174,701)	(121,620)

b) Reconciliation of effective tax rate

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

	2017	2016
	EGP'000	EGP'000
Profit before tax	558,430	388,538
Profit before tax multiplied by rate of corporation tax in Egypt of 22.5% (2016: 22.5%)	125,647	87,421
Effect of tax rate in Jersey of 0% (2016: 0%)	9,558	(2,210)
Effect of tax rates in Jordan and Sudan of 20% and 15% respectively (2016: 20% and 15%)	(609)	(452)
Tax effect of:		
Change in unrecognized deferred tax assets	703	303
Deferred tax arising on undistributed reserves	19,808	18,876
Reduction in tax rate on deferred tax balances	10,240	8,940
Non-deductible expenses for tax purposes - employee profit share		
Non-deductible expenses for tax purposes - other	9,354	8,742
Tax expense recognised in profit or loss	174,701	121,620

Deferred tax

Deferred tax relates to the following:

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

All movements in the deferred tax asset/liability in the year have been recognised in the profit or loss account. Deferred tax liabilities and assets have been calculated based on the enacted tax rate at 31 December 2017 for the country the liabilities and assets has arisen. The enacted tax rate in Egypt is 22.5% (2016: 22.5%), Jordan 20% (2016: 20%) and Sudan 15% (2016: 15%).

* Undistributed reserves from group subsidiaries

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

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

Unrecognized deferred tax assets

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

	2017	2016
	EGP'000	EGP'000
Impairment of trade receivables (Note 16)	21,784	19,154
Impairment of other receivables (Note 16)	8,069	8,068
Provision for legal claims (Note 22)	2,685	2,191
	32,538	29,413
Unrecognized deferred tax asset	7,321	6,618

10. Earnings per share (EPS)

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

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

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

There is no dilutive effect from equity.

Financial Statements

11. Property, plant and equipment

	Land & Buildings EGP'000	Medical, electric & electronic equipment EGP'000	Leasehold improvements EGP'000	Fixtures, fittings & vehicles EGP'000	Building & Leasehold improvements in construction EGP'000	Total EGP'000
Cost						
At 1 January 2016	167,612	164,382	76,272	31,949	3,576	443,791
Additions	-	18,138	18,050	2,740	4,570	43,498
Disposals	(648)	(1,994)	(315)	(342)	-	(3,299)
Exchange differences	6,285	15,937	23,646	6,095	2,248	54,211
Transfers	-	4,114	1,198	-	(5,312)	-
At 31 December 2016	173,249	200,577	118,851	40,442	5,082	538,201
Additions*	27,700	41,275	17,788	5,588	50,765	143,116
Disposals	-	(2,697)	(888)	(477)	-	(4,062)
Exchange differences	10,825	(1,547)	(1,037)	(503)	(80)	7,658
Transfers	-	-	12,637	-	(12637)	-
At 31 December 2017	211,774	237,608	147,351	45,050	43,130	684,913
Depreciation and impairment						
At 1 January 2016	19,331	52,690	31,088	12,463	-	115,572
Depreciation charge for the year	2,757	22,045	12,947	2,475	-	40,224
Disposals	-	(1,497)	(306)	(248)	-	(2,051)
Exchange differences	77	2,060	1,280	665	-	4,082
At 31 December 2016	22,165	75,298	45,009	15,355	-	157,827
Depreciation charge for the year	2,857	33,446	17,278	3,567	-	57,148
Disposals	-	(2,594)	(663)	(385)	-	(3,642)
Exchange differences	-	(154)	(18)	(34)	-	(206)
At 31 December 2017	25,022	105,996	61,606	18,503	-	211,127
Net book value						
At 31 December 2017	186,752	131,612	85,745	26,547	43,130	473,786
At 31 December 2016	151,084	125,279	73,842	25,087	5,082	380,374

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

Leased equipment

The Group leases medical and electric equipment under finance lease arrangements. This equipment is supplied to service the Group's new state-of-the-art Mega Lab. The equipment secures lease obligations, see note 26 for further details. At 31 December 2017, the net carrying amount of leased equipment was EGP 47m (Dec 2016: EGP 59m).

12. Intangible assets

	Goodwill EGP'000	Brand Name EGP'000	Software EGP'000	Total EGP'000
Cost				
At 1 January 2016	1,231,199	375,026	32,371	1,638,596
Additions	-	-	5,039	5,039
Effect of movements in exchange rates	26,153	13,066	791	40,010
At 31 December 2016	1,257,352	388,092	38,201	1,683,645
Additions	4,391	-	6,386	10,777
Effect of movements in exchange rates	(1,290)	(805)	(18)	(2,113)
At 31 December 2017	1,260,453	387,287	44,569	1,692,309
Amortisation and impairment				
At 1 January 2016	-	-	22,713	22,713
Impairment Loss	1,849	-	-	1,849
Amortisation	-	-	4,506	4,506
Effect of movements in exchange rates	-	-	215	215
At 31 December 2016	1,849	-	27,434	29,283
Amortisation	-	-	4,774	4,774
Effect of movements in exchange rates	-	-	-	-
At 31 December 2017	1,849	-	32,208	34,057
Net book value				
At 31 December 2017	1,258,604	387,287	12,361	1,658,252
At 31 December 2016	1,255,503	388,092	10,767	1,654,362

Financial Statements

13. Goodwill and intangible assets with indefinite lives

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

	2017 EGP’000	2016 EGP’000
Medical Genetics Center		
Goodwill	1,755	1,755
	1,755	1,755
Al Makhbaryoun Al Arab Group (“Biolab”)		
Goodwill	52,086	47,953
Brand name	22,746	23,224
	74,832	71,177
Golden Care for Medical Services (“Ultralab”)		
Goodwill	8,386	9,417
Brand name	1,156	1,484
	9,542	10,901
Alborg Laboratory Company (“Al-Borg”)		
Goodwill	497,275	497,275
Brand name	142,066	142,066
	639,341	639,341
Al Mokhtabar Company for Medical Labs (“Al-Mokhtabar”)		
Goodwill	699,102	699,102
Brand name	221,319	221,319
	920,421	920,421
Balance at 31 December	1,645,891	1,643,595

The Group performed its annual impairment test in October 2017. The Group considers the relationship between its mar- ket 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 pre- pare an independent impairment assessment of the Group’s CGUs. The assessment was carried out based on business plans provided by IDH. These plans have been prepared based on criteria set out below:

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

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

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

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

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

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

14. Financial assets and financial liabilities

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

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

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

Financial instruments risk management objectives and policies

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

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

Financial Statements

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

Market risk

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

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

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

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

Interest rate risk

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

Exposure to interest rate risk

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

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

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

Cash flow sensitivity analysis for variable-rate instruments

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

Foreign currency risk

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

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

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity’s functional currency. At year end, major financial assets / (liabilities) denominated in foreign currencies were as follows (the amounts presented are shown in the foreign currencies):

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

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

Financial Statements

The following is the exchange rates applied against EGP:

	Average rate for the year ended	
	2017	2016
US Dollar	17.68	10.15
Euros	20.05	11.09
GBP	22.84	13.43
JOD	24.92	14.57
SAR	4.71	2.71
SDG	1.04	1.20
	Spot rate at the year ended	
	31-Dec-17	31-Dec-16
US Dollar	17.67	18.00
Euros	21.09	18.87
GBP	23.73	22.04
JOD	24.89	25.41
SAR	4.71	4.80
SDG	0.88	1.28

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

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

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

Price risk

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

Credit risk

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

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

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

Trade receivables

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

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

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

Cash and cash equivalents

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

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

Liquidity risk

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

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

Year ended 31 December 2017	1 year or less	1 to 5 years	more than 5 years	Total
Obligations under finance leases	38,275	128,726		167,001
Put option liability	93,256	-	-	93,256
Loans and borrowings	14,575	38,425	-	53,000
Trade and other payables	215,176	-	-	215,176
	361,282	167,151	-	528,433

Year ended 31 December 2016	1 year or less	1 to 5 years	more than 5 years	Total
Obligations under finance leases	48,373	152,234	8,438	209,045
Put option liability	102,082	-	-	102,082
Loans and borrowings	-	-	-	-
Trade and other payables	211,533	-	-	211,533
	361,988	152,234	8,438	522,660

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.

Financial Statements

The group's management retain cash balances in order to allow repayment of obligations in due dates, without taking into account any unusual effects which it cannot be predicted such as natural disasters. All suppliers and creditors will be repaid over a period not less 30 days from the date of the invoice or the date of the commitment.

15. Inventories

	2017 EGP'000	2016 EGP'000
Chemicals and operating supplies	69,935	51,715
	69,935	51,715

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

16. Trade and other receivables

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

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

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

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

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

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

17. Cash and cash equivalent

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

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

18. Restricted cash

	2017 EGP'000	2016 EGP'000
Restricted cash	13,226	13,253
	13,226	13,253

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

19. Other investments

	2017 EGP'000	2016 EGP'000
Fixed term deposits	9,149	90,000
Treasury bills	-	5,575
	9,149	95,575

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

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

20. Share capital and reserve

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

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

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

Capital reserve

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

Legal reserves

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

Put option reserve

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

Translation reserve

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

21. Distributions made and proposed

	2017 EGP’000	2016 EGP’000
Cash dividends on ordinary shares declared and paid:		
US\$ 0.14 per qualifying ordinary share (2016: US\$ 0.06)	371,875	79,470
	371,875	79,470
After the balance sheet date the following dividends were proposed by the directors (the dividends have not been provided for):		
US\$0.16 per share (2016: \$0.14) per share	424,080	371,875

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

22. Provision

	Egyptian Government Training Fund for employees EGP’000	Provision for legal claims EGP’000	Total EGP’000
At 1 January 2017	10,011	2,191	12,202
Provision made during the year	2,003	1,533	3,536
Provision used during the year	-	(39)	(39)
Provision reversed during the year	-	(1,000)	(1,000)
At 31 December 2017	12,014	2,685	14,699
Current	-	-	-
Non- Current	12,014	2,685	14,699

	Egyptian Government Training Fund for employees EGP’000	Provision for legal claims EGP’000	Total EGP’000
At 1 January 2016	7,995	2,967	10,962
Provision made during the year	2,016	208	2,224
Provision used during the year	-	(267)	(267)
Provision reversed during the year	-	(717)	(717)
At 31 December 2016	10,011	2,191	12,202
Current	-	-	-
Non- Current	10,011	2,191	12,202

Employees training provision

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

Legal claims provision

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

23. Trade and other payables

	2017 EGP’000	2016 EGP’000
Trade payables	126,140	126,069
Accrued expenses	73,821	77,646
Other payables	15,215	7,818
Put option liability	93,256	102,082
Accrued interest	7,763	-
Finance lease liabilities	17,237	32,161
	333,4322	345,776

The accounting policy for put options after initial recognition is to recognise all changes in the carring value of the put liability within equity.

Through the historic acquisitions of Makhbariyoun Al Arab the Group entered into separate put option arrangements to purchase the remaining equity interests from the vendors at a subsequent date. At acquisition a put option liability has been recognised for the net present value for the exercise price of the option.

Financial Statements

The options are exercisable in whole from the fifth anniversary of completion of the original purchase agreement, which fell due in June 2016. The vendor has not exercised this right at 31 December 2017.

24. Loan and borrowings

In April 2017 AL-Mokhtabar for medical lab, one of IDH subsidiaries, was granted a medium term loan amounting to EGP 110m from Commercial international bank “CIB Egypt” to finance the purchase of the new administrative building for the group. As at 31 December 2017 only EGP 53m had been drawn down from the total facility available. The loan contains the following financial covenants which if breached will mean the loan is repayable on demand:

1. The financial leverage shall not exceed the following percentages

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

“Financial leverage”: total liabilities divided by net equity

2. The debt service ratios (DSR) shall not be less than 1.
“Debt service ratios”: cash operating profit after tax plus Depreciation for the financial year less annual maintenance on machinery and equipment divided by total distributions plus accrued interest and loan instalments.
3. The current ratios shall not be less than 1.
“Current ratios”: Current assets divided current liabilities.
4. The capital expansions in AL Mokhtabar company shall not exceed EGP 20m per year, other than year 2017 which includes in addition the value of the building financed by EGP 110m loan facility. This condition is valid throughout the term of the loan.

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

The terms and conditions of outstanding loans are as follows:

	currency	Nominal interest rate	Maturity	31 Dec 17	31 Dec 16
CIB — BANK	EGP	CBE corridor rate+1%	Apr-22	53,000	-
-				53,000	-
Amount held as:					
Current liability				14,575	-
Non- current liability				38,425	-
				53,000	-

25. Long-term financial obligations

	2017 EGP'000	2016 EGP'000
Finance lease liabilities (see note 26)	100,478	119,638
	100,478	119,638

26. Commitments and contingencies

Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

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

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

Finance lease

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

	2017 EGP'000	2016 EGP'000
Finance lease liability – laboratory equipment	114,727	74,023
Finance lease liability – other	2,987	461
	117,714	151,799

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

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

	Minimum lease payments	Interest	Principal
At 31 December 2016	2016 EGP'000	2016 EGP'000	2016 EGP'000
Less than one year	47,834	16,212	31,622
Between one and five years	150,971	38,628	112,343
More than five years	8,438	2,407	6,031
	207,243	57,247	149,996

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

Financial Statements

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

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

Contingent liabilities

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

27. Related party disclosures

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

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

Related Party	Nature of transaction	Nature of relationship	31-Dec-16	
			Transaction amount of the year EGP’000	Amount due from EGP’000
Life Scan (S.A.E)**	Expenses paid on behalf	Affiliate**	-	277
International Fertility (IVF)***	Expenses paid on behalf	Affiliate***	3,760	3,760
Integrated Treatment for Kidney Diseases (S.A.E)		Entity owned by Company’s CEO		53
	Rental income		274	
	Medical Test analysis		53	
Total				4,090

* Life Scan is a company whose shareholders include Dr. Moamena Kamel (founder of IDH subsidiary Al-Mokhtabar Labs).
** International Fertility (IVF) is a company whose shareholders include Dr. Moamena Kamel (founder of IDH subsidiary Al-Mokhtabar Labs).
*** During the year 2017 Dr. Hend (C.E.O) granted 2 loans to IDH Cayman amounting to US\$ 9m. and the loan was settled by Al Mokhtabar on behalf of IDH Cayman for EGP 164m at the prevailing exchange rate of US\$/EGP 18.35 – 17.82. The loan was not interest bearing.

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

Terms and conditions of transactions with related parties

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

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

Compensation of key management personnel of the Group

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

	2017 EGP’000	2016 EGP’000
Short-term employee benefits	32,426	23,085
Total compensation paid to key management personnel	32,426	23,085

28. Subsequent events

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

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

The transaction will see Dynasty acquire a majority stake in Echo-Scan and assume management control of the company, while both Dynasty and the IFC will invest USD 20 million and USD 5 million respectively to expand Echo- Scan’s nationwide service offering, footprint, and quality standards. Over the coming year, Echo- Scan will refurbish and upgrade existing locations as well as significantly augment its number of branches.

In February 2018, IDH transferred MUSD 2.69 to Dynasty. Dynasty in its turn transferred MUSD 4.5, representing its contribution in Eagle Eye Nigeria.

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

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

This page has been intentionally left blank



IDHCORP.COM