Integrated Diagnostics Holdings Plc
Final Results
Thursday, 21 March 2019

Integrated Diagnostics Holdings Plc records strong organic growth, record revenues and profitability in 2018 final results

(London) Integrated Diagnostics Holdings ("IDH," "the Group," or "the Company"), a leading consumer healthcare company with operations in Egypt, Jordan, Sudan and Nigeria, announces its results for the year ended 31 December 2018, reporting a net profit of EGP 497 million on total revenues of EGP 1,921 million.

Results

	FY2018	FY2017	change
Revenues	1,921	1,514	*27%*
Cost of Sales	973	785	*24%*
Gross Profit	**948**	**730**	***30%***
Gross Profit Margin	*49%*	*48%*	*1 pts*
Operating Profit	685	540	*27%*
EBITDA[1]	**762**	**602**	***27%***
EBITDA Margin	*40%*	*40%*	-
Net Profit	**497**	**384**	***29%***
Net Profit Margin	*26%*	*25%*	*1 pts*
Recommended Dividend	**26.4**	**24.0**	***10%***

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

"Against the backdrop of greater currency stability, a growing economy and political stability in Egypt, our largest market, IDH's performance this year has been most impressive, delivering strong, consistent growth, whilst maintaining a conservative policy on gearing. We believe that IDH is well-hedged and well-positioned to maintain solid, consistent growth and profitability in a healthcare sector in which prevention is better than cure."

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

"IDH closed 2018 having delivered on several strategic goals. We strengthened and grew our core pathology business; expanded regionally with our acquisition of Echo-Scan in Nigeria; diversified into the radiology market in Egypt with the launch of Al Borg Scan; and, most importantly, executed these growth strategies in a manner that yielded strong financial results and created value for our shareholders. These achievements bolstered our Group's ability to deliver sustained, double-digit growth with strong margins. IDH's revenues were up 27% to EGP 1.9 billion in 2018, while management's emphasis on operational efficiency and cost-reduction initiatives led to stronger profitability with a gross profit margin of 49% and an EBITDA margin of 40%."

[1] EBITDA is calculated as operating profit plus depreciation and amortization.

"Our ability to maintain our growth momentum is directly related to our strong brands, our scalable asset-light business model and our strong supplier relationships that have allowed us to deliver exceptional value even under the challenging operating environment that characterised the last three years. We are heading into 2019 with the same clearly-defined and prudently-executed growth strategies that will continue to unlock significant growth potential for years to come."

Financial Highlights

- **Revenues** recorded EGP 1,921 million in 2018 or 27% higher than 2017 driven by improved pricing and test mix as well as higher patient and test volumes. Additionally, while inflationary pressures in Egypt have relatively subsided, they continued to support the passing of price increases to consumers during the year.
- **Cost of sales** reached EGP 973 million in FY2018, increasing 24% year-on-year or at a slower rate than revenues due to management's cost reduction initiatives. This is particularly evident in the **raw materials costs** as a percentage of sales ratio, which declined to 19% from 21% in FY2017.
- **Gross profit** increased 30% to EGP 948 million in FY2018 with gross profit margin expanding one percentage point to 49% compared to 48% in FY2017. Improved profitability is due to increased contribution from the higher-margin walk-in segment alongside cost reduction initiatives.
- **Operating profit** recorded a 27% increase to EGP 685 million in FY2018, with growth outpacing increased SG&A expenses including higher salaries, increased marketing spend to support revenue growth and pre-operating expenses related to Al-Borg Scan.
- **EBITDA**[2] was EGP 762 million in FY2018, up 27% compared to FY2017 figure of EGP 602 million. EBITDA margin recorded 40% in FY2018, remaining stable compared to the previous year despite downward pressure by currency devaluation in Sudan, a negative contribution from the newly launched Nigerian operation that is still in the value-building phase, as well as increased marketing spend (excluding results from Nigeria, IDH's EBITDA would have reached EGP 787 million in FY2018 while EBITDA margin would stand at 42%).
- **Net interest income** reached EGP 44 million in FY2018 compared to EGP 38 recorded last year as the Group earned higher rates on its accumulated deposits and treasury bills balances, particularly during the first quarter of 2018.
- **Net foreign exchange loss** of EGP 16 million in FY2018 compared to EGP 20 million last year. FX losses were primarily a result of the devaluation of the Sudanese pound and FX transactions related to dividend distributions.
- **Net profit** recorded EGP 497 million in FY2018, up 31% versus last year due to strong top-line growth, improved gross margin and higher interest income.
- **Earnings per share** of EGP 3.35 compared to EGP 2.49 in FY2017.
- **Net cash flow from operating activities** of EGP 601 million in FY2018, indicating a strong cash-generating ability.
- **Recommended Final Dividend** of US$ 0.176 per share, equivalent to US$ 26.4 million in total, compared with US$ 0.16 per share, equivalent to US$ 24 million in total in 2017.

Operational Highlights

- **A growing network of 423 branches** as of 31 December 2018 compared to 383 branches in FY2017.
- **Total tests** performed during FY2018 recorded 28.8 million, up 12% year-on-year. **Total patients** served climbed 11% year-on-year to reach 7.0 million during the year, reflecting the continued success of IDH's marketing campaigns.
- **Contract test volumes** were buoyed by the nation-wide 100 million Healthy Lives awareness campaign in Egypt during the fourth quarter of the year.

[2] EBITDA is calculated as operating profit plus depreciation and amortization

- IDH's key metrics of **average revenue per test** increased 13% in FY2018 while **average revenue per patient** climbed 15% during the year, demonstrating IDH's ability to pass on inflationary pressures thanks to patients' loyalty, a growing portfolio of services and its strong brand equity.
- **Nigeria expansion** through a US$ 5.7 million acquisition of Echo-Lab (previously Echo-Scan) through a strategic alliance with Man Capital LLP.
- **Radiology expansion** with the inauguration of IDH's first full-fledged radiology branch in Egypt, Al-Borg Scan.

Outlook

Management remains confident in the attractive underlying trends in the healthcare industries across the Group's footprint, and in IDH's continued ability to expand its reach and increase the numbers of test per patient. A key growth driver is the continued optimisation of IDH's test mix to extract higher value from operations, as well as growing the Group's service offering through the introduction of new medical services that leverage the Group's network and reputable brand position. Accordingly, management's guidance is for annual revenue growth of more than 20% and an EBITDA margin of c. 40% at our established businesses. IDH also continues to explore opportunities to expand into new geographies through selective, value-accretive acquisitions, and targets fragmented and underpenetrated diagnostic services markets where its business model is well-suited to capitalise on similar healthcare and consumer trends.

About Integrated Diagnostics Holdings (IDH)

IDH is a leading consumer healthcare company in the Middle East and Africa with operations in Egypt, Jordan, Sudan and Nigeria. The Group's core brands include Al Borg and Al Mokhtabar in Egypt, as well as Biolab (Jordan), Ultralab and Al Mokhtabar Sudan (both in Sudan) and Echo-Scan (Nigeria). A long track record for quality and safety has earned the Company a trusted reputation, as well as internationally recognised accreditations for its portfolio of over 1,400 diagnostics tests. From its base of 423 branches as of 31 December 2018, IDH will continue to add laboratories through a Hub, Spoke and Spike business model that provides a scalable platform for efficient expansion. Beyond organic growth, the Group's expansion plans include acquisitions in new Middle Eastern and African markets where its model is well-suited to capitalise on similar healthcare and consumer trends and capture a significant share of fragmented markets. IDH has been a Jersey-registered entity with a Standard Listing on the Main Market of the London Stock Exchange (ticker: IDHC) since May 2015.

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

Shareholder Information

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

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Analyst and Investor Presentation

IDH will present an analyst and investor presentation on the full-year 2018 results on Thursday 21 March 2019 at 2pm GMT. A live audio webcast can be accessed at this link, and you may dial in using the conference call details below:

UK dial in:	020-3936-2999
All other locations:	+44-20-3936-2999
Access code:	950478

Please email idh@hudsonsandler.com if you would like to attend the presentation.

Forward-Looking Statements

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

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

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

Chairman's Statement

I am pleased to present an extremely encouraging full year results statement for 2018. Against the backdrop of greater currency stability, a growing economy and political stability in Egypt, our largest market, our performance this year has been most impressive.

IDH has again achieved 27% growth year-on-year in revenues and delivered consistent results, whilst maintaining a conservative policy on gearing.

We are delighted to be moving to our new headquarters in Smart Village on the West side of Cairo, which will bring together all divisions of the IDH family.

We have expanded our product offering with the opening of our first state-of-the-art radiology unit and are considering other value-added revenue streams.

We continue to actively consider expanding our footprint in other geographical markets. With our recent acquisition in Nigeria, we are looking to replicate our business model and offering to meet the growing needs in the country.

We have seen continued strong growth in demand of our services, both in Jordan and Sudan, however, our Sudanese business has unfortunately been adversely impacted by the devaluation of the currency.

In line with the advances in innovation and medical technology, we continue to invest and expand our laboratories to incorporate the most up to date infrastructure. This enhances our ability to provide consistent, high-quality results matched by good value to our patients.

We remain committed to enhancing our management capabilities, ensuring the highest levels of corporate governance, transparency and accountability.

We are also constantly considering expanding our service offering to ensure sustainable growth and profitability. To this end we are seeking to expand our marketing strategy and visibility.

We remain committed to maintaining our existing dividend policy.

At a time of global political and economic uncertainty, we believe that the Company is well-hedged and well-positioned to maintain solid, consistent growth and profitability in a healthcare sector in which prevention is better than cure.

Lord St John of Bletso
Chairman

Chief Executive's Review

IDH's performance in 2018 demonstrates the Group's ability to deliver sustained, double-digit growth with strong margins. This was true at the height of economic reforms and uncertainty in 2017 — during which we delivered growth in excess of currency devaluation in our primary market of Egypt — and is true today as our strategic initiatives have ushered in a period of strong organic growth with significant upside potential.

IDH closed 2018 having delivered on several strategic goals. We strengthened and grew our core pathology business; expanded regionally with our acquisition of Echo-Scan in Nigeria; diversified into the radiology market in Egypt with the launch of Al Borg Scan; and, most importantly, executed these growth strategies in a manner that yielded strong financial results and created value for our shareholders.

Our position as a leading consumer healthcare company with a footprint now spanning Egypt, Jordan, Sudan and Nigeria, and a comprehensive suite of pathology and radiology diagnostic services, saw us deliver 27% growth in revenues in 2018. In US dollar terms, our Group today is in just as a robust financial shape as it was prior to the late 2016 float of the Egyptian pound. Since our IPO in 2015 on the London Stock Exchange, Group revenue has recorded a compounded annual growth rate (CAGR) of 24%, while our bottom-line grew at an impressive 47% CAGR. This is a testament to our proven business model and to the talented team of professionals that continue to deliver growth across all of our markets.

STRONG ORGANIC GROWTH AND FINANCIAL PERFORMANCE

IDH's revenue growth was dual-driven in 2018 by a combination of better pricing and test mix, as well as higher patient and test volumes. We closed the year with revenues of EGP 1.9 billion, up 27% year-on-year. Fully 16 percentage points of this growth was driven by pricing – in part supported by the prevailing inflationary environment – and 12 percentage points was the result of higher volumes. One percentage point was lost to the translation of our Sudanese pound revenues in Sudan into Egyptian pounds, the currency of our financial statements, on the back of significant devaluation in Sudan. In local-currency terms, our Sudanese operation grew 43%.

On a segmental basis, we maintained a strong focus on tactical marketing campaigns that primarily targeted walk-in patients. This helped increase patient volumes in this high-margin segment (+17%) and in turn supported our Group's profitability. Nationwide campaigns to increase healthcare awareness such as Egypt's late-year 100 Million Health Lives campaign, helped deliver higher contract patient volumes (+8%) and a balanced contribution to growth between IDH's two primary segments. In 2018, our walk-in segment contributed 46% to total consolidated growth (2017: 39%), while the contract segment made a 54% contribution (2017: 61%).

Strong organic revenue growth in 2018 was underlined by a continued expansion of our geographic footprint with 40 new branches added during the year, bringing our network to 423 laboratories or 10% higher than the previous year. We added 10 new branches in Nigeria through a strategic acquisition; 31 new locations in Egypt; and one new branch in Jordan, where we're seeing an encouraging growth momentum. Our expansion drive is made possible in large part through IDH's state-of-the-art Mega Lab, which in February 2018 was awarded accreditation from the College of American Pathologists (CAP) to become the only CAP-accredited facility in Egypt.

In parallel with our revenue growth, management focused on operational efficiency and cost-reduction initiatives throughout the year. By leveraging IDH's key supplier relationships and its strong bargaining power, our cost of sales rose at a rate slower than revenue growth in 2018; this is particularly evident in our average raw material cost per test, which increased only 2% in 2018 despite the prevailing double-digit inflation. The result was stronger gross and bottom-line profitability. Gross profit was up 30% year-on-year to EGP 948 million in 2018, while our gross profit margin expanded one percentage point to 49%.

We also posted EBITDA growth of 27% in 2018 to EGP 762 million, with EBITDA margin stable at 40%. This result includes the negative EBITDA contribution from operations in Nigeria — still in the value-building phase — and pre-operating expenses related to the launch of Al Borg Scan in Egypt. Excluding the negative impact from Nigeria, our EBITDA margin would have stood at 42% in 2018, ahead of management's previously stated guidance of a 41% margin at established operations in Egypt, Jordan and Sudan. Our bottom-line for the year was up 29% to EGP 497 million in 2018, and with a net profit margin of 26% versus 25% in the previous year.

Our performance in 2018 and ability to maintain our growth momentum is a direct consequence of our strong brands, reputation for quality and of patient loyalty. All of this has allowed us to deliver growing patient volumes year after year while simultaneously passing on price increases in step with inflationary pressures. Our success in fast-growing consumer markets is also supported by our asset-light business and ability to rapidly expand our reach in a fragmented diagnostic industry. IDH's Hub, Spoke and Spike platform awards us significant cost advantages in a business that is fundamentally about COGS and economies of scale, with the result being strong margins that we can protect whilst at the same time upholding our high quality standards.

NIGERIA EXPANSION

Seeking value-accretive acquisitions in African and Middle Eastern markets has always been a key pillar of our growth strategy. The large, fragmented and underpenetrated diagnostic services market in Nigeria made the country a compelling target with similar characteristics of the Egyptian market a generation ago where we have shown exceptional growth.

Since the acquisition of Echo-Scan in February 2018, we have kept true to our commitment with our strategic alliance partners — Man Capital LLC and the International Finance Corporation — to invest significant capital over the next four years to expand Echo-Scan's diagnostics network, service offerings, and quality standards.

In the year just ended, we rolled out our value-building program, including the refurbishment of existing branches; expansion of the operation's national reach with new branches; and the roll-out of Group quality standards and procedures. We have built out IT infrastructure that fully connects and controls all branches, including deployment of our Laboratory Information Systems (LIS). We are also in the process of deploying our System Application and Product (SAP) platform. This is in parallel with a network-wide equipment upgrade and a rebranding of the company to Echo-Lab to reflect the operation's new image and value proposition.

Our people will be key to our success in Nigeria, as they have been in all our markets. We are focused on training and development and are recruiting new talent and leadership that can deliver on our growth strategy. I am pleased to report that we are hiring a strong local management team, including our newly engaged chief operations officer.

All of the senior management team in Nigeria have spent time in Egypt, where they have received training on IDH's policies and procedures. Moreover, senior headquarters staff from across all disciplines are in Nigeria every 4-6 weeks to ensure a smooth and efficient integration process. The team is already delivering on-the-ground results including the signing of new accretive supplier relationships akin to those in our established markets.

LAUNCH OF AL BORG SCAN

I am also pleased to report that the Group's first full-fledged radiology branch in Egypt began operations in October 2018 under the Al Borg Scan brand. Our decision to diversify into this adjacent, high-value segment of our industry is a natural consequence of our strategy and aims to capitalise on a growing and under-served market.

Third-party research providers indicate that more than 75% of customers surveyed prefer to receive a consolidated offering that includes both pathology and radiology services under one roof. IDH's expansion into the fragmented radiology market is powered by our brand equity, geographic reach and the strong relationship with our millions of customers as well as the physicians who trust us to be part of diagnostic and treatment plans.

Total CAPEX earmarked for the expansion is approximately EGP 186 million, 70% of which is debt financed through an eight-year facility from the Ahli United Bank of Egypt. The facility is ring-fenced to Al Borg with no guarantees from, or recourse on, IDH or any of its other subsidiaries. The balance of the investment is to be financed from the operating cash flows of Al Borg. So far, we have deployed approximately EGP 55 million in investments to our first branch in the Cairo district of Mohandessin. Al Borg Scan launched with a comprehensive offering that covers the full-suite of radiology diagnostics services, including magnetic resonance imaging (MRI) and computed tomography (CT).

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

And just as our Mega Lab on the pathology side of the house is CAP-certified, Al Borg Scan is working to accredit its first facility through the International Organisation for Standardisation (ISO). Our end goal is to build on Al Borg's brand equity, delivering the premium, safe and market-leading service that our customers have come to expect.

PROPOSED DIVIDEND AND DIVIDEND POLICY

IDH is pleased to recommend a final dividend of US$ 0.176 per share, or US$ 26.4 million in aggregate, to shareholders in respect of the financial year ended 31 December 2018. This represents an increase of 10% compared to a final dividend of US$ 0.16 per share, or US$ 24 million in aggregate in 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.

2019 OUTLOOK AND GUIDANCE

I remain confident about the prospects and potential of the healthcare industry in the countries we operate in which are underpinned by key fundamentals and structural growth drivers. Large and rapidly growing populations; a high prevalence of lifestyle-related medical conditions; a growing health awareness and a fragmented service offering are all characteristics in our emerging markets and ones that IDH is ideally positioned to capitalise on.

In our home market of Egypt, which represented 84% of our revenues in 2018, difficult but necessary economic reforms are bearing fruit on the macro level. Key indicators show a strengthening economy with an improving fiscal position: Egypt's economy grew 5.3% in FY2018, while the budget deficit as a percentage of GDP is starting to narrow. Critically, inflation is also on the downtrend, falling from a high of more than 30% in 2017 to 12% in December 2018. The Central Bank of Egypt is now forecasting inflation falling below 10% this year.

We expect these developments to give the Government of Egypt more leeway in the reallocation of resources to strengthen the social safety net. As the country phases out energy subsidies, 2019 marks the first in the multi-year rollout of a new national health insurance program funded by a levy of 0.25% on the revenues of all companies doing business in Egypt. This will further support the state's constitutionally mandated minimum spending on healthcare.

We are already seeing on-the-ground initiatives such as the state-sponsored 100 Million Healthy Lives campaign. Launched in November 2018, the campaign aims to eradicate Hepatitis C in Egypt through testing of asymptomatic people. I am very pleased that IDH's subsidiaries in Egypt are active participants in this program. In an under-served market with a relatively low test per patient ratio, government initiatives like this will increase awareness and directly benefit our business as people become more proactive and adopt a preventative approach to healthcare with regular testing.

We are also particularly excited about our newest market in Nigeria and we are confident in our ability to capture the opportunity offered by Africa's most populous country. We believe we are in a unique position to replicate our success in Egypt by applying our extensive knowledge and experience to unlock the same potential in Nigeria. IDH will continue pushing forward its value-building program in 2019, expanding our reach and growing patient and test volumes while building a reputation for quality and a market-leading brand name. Our target is for Nigeria to begin delivering accretive value to the Group within 2019.

Meanwhile, our expansion into the high-value radiology segment in Egypt is a milestone on par with our expansion into Nigeria. We will add new branches this year and beyond and grow our service portfolio to build a convenient one-stop-shop for our customers. Our existing pathology business is a key volume driver and is already delivering new patients to our radiology business, and we expect that having both services under one roof will also drive growth in our pathology test volumes.

The strength of our brands, our scalable asset-light business model and our strong supplier relationships have allowed us to deliver exceptional value even under the challenging operating environment that characterised the last three years. We are heading into 2019 with a consistent, clearly-defined strategy that will continue to unlock significant growth potential for years to come. Accordingly, we are again targeting annual revenue growth of more than 20% and an EBITDA margin of c. 40% at our established businesses.

I look forward to reporting to you on the next chapter of our growth story as one of a leading consumer healthcare company in the Middle East and Africa.

Dr. Hend El-Sherbini
Chief Executive Officer

Operational & Financial Review

IDH delivered a strong financial performance in FY2018 with revenues increasing 27% year-on-year and net profit climbing 27% despite operational challenges in its markets. Revenue growth came as a result of improved pricing and test mix as well as higher patient and test volumes during the year. IDH was particularly successful in passing on price increases following a period of high inflation and eroded consumer spending, with improved pricing and mix accounting for c.60% of total growth in FY2018. Meanwhile, the company's tactical marketing campaigns throughout the year were successful in driving volume growth across both the contract and walk-in segments. Volumes were also supported by the state-sponsored 100 million Healthy Lives awareness campaign in Egypt launched in November 2018 and contributed 7% of total consolidated tests (2.0 million test). Overall, higher volumes accounted for c.40% of revenue growth in FY2018.

Revenue growth in FY2018 was also largely organic compared to growth in FY2017, at which time IDH had benefitted from foreign currency translations of its results in Jordan and Sudan. In contrast, currency translation contributed negatively to FY2018 growth as the Sudanese pound was devalued by c.85% during the year, leading to local-currency revenue gains in Sudan being lost to currency translation in IDH's consolidated financials.

Revenue Growth Drivers

	FY2018	FY2017
Volume	12%	8%
Price & Mix	16%	14%
Foreign Currency Translation	(1%)	7%
Total	**27%**	**29%**

In parallel to driving top-line growth, management was also successful in improving profitability by increasingly targeting the higher-margin walk-in segment while at the same time pushing through increased operational efficiency and cost-reduction initiatives. This is clearly reflected in IDH's gross profit which increased 30% year-on-year to EGP 948 million in FY2018, yielding a one percentage-point expansion in gross profit margin to 49%. The Group also recorded a strong 27% year-on-year increase in EBITDA to EGP 762 million in FY2018, with EBITDA margin remaining stable at 40% despite a negative contribution of c.EGP 25 million from IDH's newly acquired operation in Nigeria which is still in the value-building phase. Excluding Nigeria, Group EBITDA margin would record 41%, ahead of management's previously stated guidance of a targeted 40% EBITDA margin from its established operations in Egypt, Jordan and Sudan for FY2018. The Groups' strong revenue growth, improved profitability and higher interest income allowed it to deliver a 29% year-on-year increase in net profit to EGP 497 million in FY2018, with a one percentage-point expansion in net profit margin to 26%.

On the operational front, 2018 was a milestone year for the Group during which IDH delivered on several of its strategic and operational targets. In February 2018, the Group's state-of-the-art Mega Lab in Egypt was awarded accreditation from the College of American Pathologists (CAP), widely considered the leader in laboratory quality assurance globally. Early 2018 also witnessed IDH's expansion into Nigeria through the acquisition of Echo-Lab (previously Echo-Scan) via capital increase with a total value of US$ 5.7 million through a strategic alliance with Man Capital LLP. 2018 also marked the Group's expansion into the adjacent radiology market in Egypt with the fourth quarter inauguration of its first full-fledged radiology branch under the Al-Borg Scan brand. The branch offers a comprehensive suite of radiology services, including MRI and CT Scan and kicks off the Group's expansion drive in the segment which will see it open a further three branches during 2019. Finally, the Group's Jordan-based subsidiary Biolab has entered into an agreement with Georgia Healthcare Group to establish a Mega Lab in the Georgian capital of Tbilisi, poised to be the largest facility of its kind in the region. The agreement serves as testament to IDH's know-how and technical experience as the operators of the sole JCI-accredited Mega Labs in Egypt and Jordan.

Meanwhile, IDH continued to expand its geographic footprint in FY2018, adding 40 new branches during the year to reach a total 423 branches, up more than 10% compared to year-end 2017. Branch additions included 10 through acquisition in Nigeria, IDH's newest market, 31 in Egypt and one new branch in Jordan while Sudan saw the closure of two non-performing branches. The Group's expansion drive is supported by its state-of-the-art Mega Lab which allows IDH to deploy its Hub, Spoke and Spike business model in Egypt to roll out capital-efficient "C" labs more rapidly.

Branches by Country

	31 December 2018	31 December 2017	Change
Egypt	371	340	*9%*
Jordan	19	18	*6%*
Sudan	23	25	*(8%)*
Nigeria	10	-	*NA*
Total Branches	**423**	**383**	***10.4%***

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 include institutions such as unions, private insurance companies and corporations who enter into one-year renewable contracts at agreed rates per-test and on a per-client basis. In FY2018, contract clients represented 59% of IDH's total revenues, with 5.1 million patients served under these contracts (+8%) and over 22.2 million tests performed (+12%), with no single contract client accounting for more than 1% of revenues.

Walk-in Clients

Walk-in clients contributed 41% to the Group's total revenues in FY2018, up from 39% in the same period last year. Management's efforts to drive volume growth from the segment saw it record a 17% increase in total number of walk-in patients served to 2.0 million in FY2018, while total tests performed were up 11% to 6.6 million.

The ratio of contract to walk-in patients during FY2018 was 72:28 compared with 74:26 in FY2017, reflecting IDH's sustained marketing effort to target walk-in patients. That said, we expect the ratio to remain skewed in favour of contract patients; this is in step with the general market-wide shift in patient mix in recent years and is a natural consequence of market dynamics in Egypt, as companies are extending additional benefits to their staffs. The trend has been encouraged by continued high inflation, which is eroding consumer spending power and thus putting incremental pressure on corporations to provide either health insurance or corporate plans.

Key Performance Indicators

	FY2018			FY2017			% change		
	Walk-In	**Contract**	**Total**	**Walk-In**	**Contract**	**Total**	**Walk-In**	**Contract**	**Total**
Revenue (EGP '000)	779,969	1,141,483	1,921,452	591,463	922,794	1,514,257	*32%*	*24%*	*27%*
% of Revenue	*41%*	*59%*	*100%*	*39%*	*61%*	*100%*			
Patients ('000)	1,970	5,078	7,048	1,682	4,685	6,367	*17%*	*8%*	*11%*
% of Patients	28%	72%	100%	26%	74%	100%			
Revenue per Patient (EGP)	396	225	273	352	197	238	*13%*	*14%*	*15%*
Tests ('000)[3]	6,560	22,206	28,766	5,918	19,746	25,664	*11%*	*12%*	*12%*
% of Tests	*23%*	*77%*	*100%*	*23%*	*77%*	*100%*			
Revenue per Test (EGP)	119	51	67	100	47	59	*19%*	*10%*	*13%*
Test per Patient	3.3	4.4	4.1	3.5	4.2	4.0	*-5%*	*4%*	*1%*

Revenue Analysis: Contribution by Patient Segment

IDH's consolidated revenues recorded EGP 1,921 million in FY2018, up 27% year-on-year with growth being driven by both the contract and walk-in segments. In FY2018, the contract segment contributed 59% of total revenues and 54% to total revenue growth, while the walk-in segment contributed a 41% share of revenue and a made a 46% contribution to revenue growth. The Group served a total of 7.0 million patients across both segments in FY2018, up 11% year-on-year, while total tests performed increased 12% year-on-year to 28.8 million. Parallel to volume growth, selective price increases and better sales mix also made important contributions to revenue growth. This is clearly reflected in IDH's two key revenue metrics of average revenue per patient (up 15% in FY2018) and average revenue per test (up 13%).

The contract segment recorded a 24% year-on-year increase in revenues in FY2018 to EGP 1,141 million, supported by an overall market shift toward corporate health insurance coverage, especially in IDH's home market of Egypt. Total number of contract patients was up 8% year-on-year, while contract tests recorded a 12% year-on-year increase in FY2018. Better pricing contributed strongly to the contract segment's growth during the year, which saw it record a 14% increase in average revenue per contract patient and a 10% increase in average revenue per contract test. It is also worth noting that the segment's volume growth accelerated during the fourth quarter of 2018 on the back of the 100 million Healthy Lives campaign. The state-sponsored campaign was launched by the Egyptian President with the goal of eliminating Hepatitis C in Egypt by the end of 2019. The campaign kicked off in November 2018 and is expected to run through to May 2019, and has contributed c.2% of consolidated revenues and 7% of total tests in FY2018.

IDH's walk-in segment delivered a faster year-on-year revenue growth rate of 32% in FY2018 to EGP 780 million. Segment growth was almost equally driven by improved pricing and a continued turnaround in walk-in patient trends. The Group's efforts to target the segment with tactical marketing campaigns – including attractive features such as discounts on chronic disease tests and partnerships with banks for affordable payment programs – saw total number of walk-in patients increase 17% year-on-year in FY2018, while total tests were up 11%. Meanwhile the Group was also successful in passing-on price increases to consumers who have increasingly adapted to new price levels following the late 2016 devaluation of the Egyptian pound.

[3] During the year, IDH reclassified 249 thousand tests from contract to walk-ins with a total value of EGP 31.4 million. Without the reclassification, walk-in tests would have recorded a 7% y-on-y growth in FY2018 while contracts test would be 14% higher than last year.

This is clearly reflected in Egypt's average revenue per walk-in patient recording a 19% increase and average revenue per walk-in test increasing 16% in FY2018.

Revenue Analysis: Contribution by Geography

On a geographic basis, Egypt contributed 84% of total revenues in FY2018 (FY2017: 83%), followed by Jordan at 13% (FY2017: 14%) and Sudan and Nigeria each contributing 2% to total revenues (Sudan FY2017: 3%).

Revenues by Country

(EGP million)	FY2018	% contribution	FY2017	% contribution	% change
Egypt	**1,613**	**84%**	**1,250**	**83%**	**29%**
Walk-In	*587*	*36%*	*435*	*35%*	*35%*
Contract	*1023*	*64%*	*816*	*65%*	*26%*
Jordan	**243**	**13%**	**218**	**14%**	**11%**
Walk-In	*140*	*58%*	*126*	*58%*	*11%*
Contract	*103*	*42%*	*92*	*42%*	*11%*
Sudan	**35**	**2%**	**46**	**3%**	**(23%)**
Walk-In	*25*	*72%*	*31*	*68%*	*(18%)*
Contract	*10*	*28%*	*14*	*32%*	*(32%)*
Nigeria	**30**	**2%**	**-**	**-**	**-**
Walk-In	*27*	*91%*	*-*	*-*	*-*
Contract	*3*	*9%*	*-*	*-*	*-*
Total	**1,921**	**100%**	**1,514**	**100%**	**27%**
Walk-In	*780*	*41%*	*591*	*39%*	*32%*
Contract	*1,141*	*59%*	*923*	*61%*	*24%*

IDH's home market of Egypt recorded the fastest revenue growth in FY2018 at 29% year-on-year to EGP 1,613 million. Strong growth coupled with the geography's largest share of total revenue saw operations in Egypt contribute 89% to the Group's total revenue growth for the year. IDH served a total of 6.5 million patients in Egypt, up 10% year-on-year, whilst total tests performed increased 13% to 26.4 million during the year. On a segment basis, walk-in patient volumes recorded strong growth of 16% in FY2018 while volumes in the contract business recorded a 12% increase.

To drive both the acquisition of new patients and expanded test volumes, the Group offered discounted prices for selected tests related to certain diseases; launched tactical advertising campaigns to raise awareness of chronic diseases; and implemented a new customer relationship management (CRM) program that reached out to patients with marketing messages via SMS. Additionally, volumes in Egypt were supported by the launch of the state-sponsored 100 million Healthy Lives campaign in the fourth quarter of the year.

Revenues from the Group's operations in Jordan were up 11% year-on-year to EGP 243 million in FY2018, contributing c.6% to Group's consolidated revenue growth. Despite the economic challenges in Jordan, the Group's subsidiary Biolab delivered a strong operational performance with number of patients served up 14% to 277 thousand, and number of tests performed up 11% to 1.6 million.

In Sudan, the Group delivered on-the-ground revenue growth in SDG terms of 44% in FY2018, however, the devaluation of Sudanese pound by c.85% during the year saw top-line gains muted when translated into EGP on the Group's consolidated financial statements. The average SDG:EGP exchange rate was 0.57 in FY2018 versus 1.04 in FY2017, leading to a 23% year-on-year decline in revenues in EGP terms to EGP 35 million and a negative 3% contribution to total growth in absolute terms.

Nigeria, IDH's newest market, recorded revenues of EGP 30 million in FY2018 and made a c.7% contribution to total consolidated growth. Nigeria's value-adding phase is progressing, with existing branches being refurbished and renovated as well as rolling out new branches and procuring new state-of-art pathology and radiology equipment.

Contribution to Growth by Country

	FY2018	FY2017
Egypt	24%	19%
Jordan	2%	9%
Sudan	(1%)	1%
Nigeria	2%	-
Total	**27%**	**29%**

	EGP mn	% contribution
FY2017 Revenue	**1,514**	
Egypt	363	24%
Jordan	25	2%
Sudan	(10)	(1%)
Nigeria	30	2%
FY2018 Revenue	**1,921**	**27%**

Cost of Sales

IDH's cost of sales recorded EGP 973 million in FY2018, up 24% year-on-year or three percentage points slower than the 27% growth in revenues thanks to increased operational efficiency and several cost-reduction initiatives. Consequently, the Group delivered a 30% year-on-year increase in gross profit to EGP 948 million in FY2018, with a one percentage-point expansion in gross profit margin to 49%. Gross margin expansion is also more pronounced in IDH's home market of Egypt where cost-reduction efforts have seen gross profit margin expand significantly from 51.7% in FY2017 to 54.1% in FY2018.

COGS Breakdown as a Percentage of Revenue

	FY2018	FY2017
Raw Materials	19.3%	21.4%
Wages & Salaries	16.3%	15.7%
Depreciation	3.7%	3.7%
Other Expenses	11.3%	11.0%
Total	**50.6%**	**51.8%**

Management's cost-reduction efforts are clearly reflected on the Group's raw material costs – the largest contributor to COGS at 38% – which increased only 14% year-on-year to EGP 370 million in FY2018, including the cost of tests sent abroad. This translates to an average raw material cost per test of EGP 12.9 in FY2018, up only 2% versus FY2017 despite the prevailing double-digit inflation. It is also worth noting that management's efforts in improving patient and test mix and negotiating more favourable raw material prices have led to an overall decline in raw material costs as a percentage of sales to 19% in FY2018 from 21% in FY2017.

Constituting the second-largest share of COGS, direct salaries and wages increased 32% year-on-year to EGP 313 million in FY2018, however, as a percentage of sales remained stable at 16%. The year-on-year increase was driven by the staffing of new branches, higher incentive compensation tied to strong revenue growth and the consolidation of IDH's new Nigerian operation.

Other expenses, including branch utilities and rent, recorded EGP 218 million in FY2018 or 31% higher than the previous year. Growth in the expense item was driven by the utilities price hikes passed in July 2017, the increases in branches' rental contracts in early 2018 along with the increase in the number of branches, as well as fuel and energy price hikes in July 2018. It is worth noting, however, that utilities and rent costs as a percentage of revenue remained stable at 11% in FY2018.

EBITDA

The Group recorded a consolidated EBITDA of EGP 762 million in FY2018, up 27% compared to the EGP 602 million recorded in the previous year. EBITDA margin was stable at 40% despite the inclusion of a negative EBITDA of c.EGP 25 million from IDH's new Nigerian operations – currently in the value-building phase. Group EBITDA was also weighed down by the devaluation of the Sudanese pound which offset the country's top-line gains. Excluding the Nigerian operation, EBITDA growth would have recorded 31% year-on-year with a margin of 41%.

IDH's operations in Egypt contributed the lion's share of FY2018 EBITDA at 97%, up from 91% in FY2017 due to strong business in the market, a stable contribution from Jordan, and negative contributions from Sudan and Nigeria during the year. Egypt's EBITDA margin also expanded by two percentage points to 46% in FY2018 on the back of lower raw material costs and favourable operating leverage on strong revenues. EBITDA from Jordan's Biolab contributed 7% to consolidated EBITDA (EGP 52 million) with EBITDA margin improving to 21% compared to 19% in FY2017. Meanwhile currency devaluation in Sudan saw operations there record a negative 7% EBITDA margin in FY2018 versus a positive 31% in FY2017. The decrease was primarily driven by higher salaries paid in US$ to expatriates, and lower patient volumes. IDH is working to limit expatriate salaries by increasing dependence on local hires and has already transferred several employees back to Egypt which should help limit the negative effect on Sudan's EBITDA margin.

EBITDA Contribution by Country

(EGP million)	FY2018	% contribution	FY2017	% contribution	% change
Egypt	738	96%	547	91%	35%
Jordan	52	7%	41	7%	25%
Sudan	(3)	-	14	2%	NA
Nigeria	(25)	(3%)	-	-	NA
Total	**762**	**100%**	**602**	**100%**	**27%**

Interest Income / Expense

Prudent cash management saw the Group maximise return on its accumulated time deposits and treasury bills balances, with interest income up 16% year-on-year to EGP 59 million in FY2018 compared to EGP 51 million in the previous year.

Interest expense, which is primarily related to the Company's finance lease contracts, increased 17% or EGP 2.2 million to reach EGP 15.3 million for FY2018.

Interest Expense Breakdown

(EGP million)	**FY2018**
Finance Lease	9.5
Bank Charges	3.5
Al Borg Scan MTL	2.4
Total	**15.4**

Foreign Exchange

IDH recorded a net foreign exchange loss of EGP 16 million in FY2018 compared to EGP 20 million in FY2017. The figure is primarily a result of the devaluation of the Sudanese pound and FX transactions related to dividend distributions and salary expenditures.

Taxation

IDH recorded a tax expense of EGP 196 million for FY2018 compared to EGP 118 million for FY2017, with an effective tax rate of 27% versus 21% in the previous year. The increase in effective tax rate is mainly due to the following:

- Integrated Medical Analysis Company (IMA) had accumulated tax losses generated from 2016 *(related to FX losses following the devaluation of the EGP)* and that were fully settled during 2017 (EGP 18 million of tax difference between 2017 and 2018);
- The Egyptian Government imposed a new tax of 0.25% on total income (revenues and credit income) starting July 2018 in relation to the new Healthcare Act, which increased the tax on the Group by EGP 2.9 million.

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

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 expense in FY2018 was EGP 24 million versus an expense of EGP 57 million in FY2017. It should be noted that in 2017, IDH conducted a revaluation of the goodwill related to Sudan and Jordan, yielding a deferred tax amounting to EGP 19 million.

Net Profit

IDH recorded a net profit of EGP 497 million in FY2018, up 29% compared to the EGP 384 million posted in FY2017, and with a one percentage-point expansion in net profit margin to 26%. The improvement in bottom-line profitability was driven by strong revenue growth, an increase in EBITDA, and higher net interest income.

EBITDA to Net Profit Calculation

(EGP million)	FY2018
FY2018 EBITDA	**762**
Depreciation	(77)
Interest Income	59
Net Monetary Position	4
FX Losses	(16)
Interest Expense	(15)
Tax	(220)
FY2018 Net Income	**497**

Balance Sheet

On the assets side of the balance sheet, IDH held gross property, plant and equipment (PPE) of EGP 983 million as at 31 December 2018, up from EGP 685 million at 31 December 2017. The increase is due to the consolidation of Echo-Scan's fixed assets amounting to EGP 43 million, CAPEX outlays of EGP 86 million related to the Group's new corporate headquarters as well as EGP 50 million related to new branches and EGP 48 million related to the renovations of existing branches. Additionally, CAPEX outlays of EGP 55 million were related to the Al Borg Scan (radiology) expansion during 2018.

Accounts receivable recorded EGP 220 million as at 31 December 2018 compared to EGP 140 million at year-end 2017. Accounts receivable days-on-hand (DOH) increased to 138 days on account of EGP 36.7 million in receivables related the 100 million Healthy Lives campaign. Factoring out this amount, DOH would have remained stable at 123 days.

The Group's "days inventory outstanding" remained stable at 82 days.

IDH's cash balances decreased to EGP 664 million as at 31 December 2018 from EGP 708 million as at 31 December 2017 due to a dividends payment amounting to USD 24 million paid out in June 2018.

On the liabilities side, accounts payable stood at EGP 158 million at 31 December 2018 versus EGP 126 million at year end 2017. The Group's days payable outstanding (DPO) slightly decreased to 145 days from 148 days at 31 December 2017.

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 2018. The Board of Directors has recommended that a final dividend of US$ 26.4 million, or US$ 0.176 per share, should be paid to shareholders who appear on the register as at 17 May 2019, with an ex-dividend date of 16 May 2019. The payment date for the dividend will be 7 June 2019.

Going Concern

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

Principal Risks, Uncertainties and Their Mitigation

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

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

Specific Risk	Mitigation
Country risk — Political & Security Egypt and the wider MENA region, where the Group operates, have experienced political volatility and there remains a risk of occasional civil disorder.	See mitigants for "Country/regional risk — Economic," below.
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.	Echo-Lab'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.
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. 84% of our revenues in 2018 (2017: 83%).	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 in Egypt: According to the Central Bank of Egypt, headline inflation recorded 11.97% in December 2018, a considerable decline from the January 2018 rate of 21.6%. This marks a continued	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

easing from the record high of c.35% in July 2017 following the November 2016 devaluation of the Egyptian pound and subsequent energy subsidy cuts. Meanwhile core inflation that strips out volatile items dropped to 8.3% in December 2018 from 19.7% in December 2017.	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. According to Egypt's Ministry of Planning and Administrative Reform, as of the fiscal year ended June 2018 Egypt recorded GDP growth of 5.3%, while the budget deficit as a percentage of GDP had declined to 9.8% compared to 10.9% in the fiscal year ended June 2017. The Group's contemplated acquisitions outside of Egypt would also mitigate the Egypt-specific country risk over time.
High Inflation in Sudan: Three rounds of currency devaluation in Sudan saw the Sudanese pound lose 85% of its value during 2018 to an official rate of 47.5 pounds to the US dollar in December 2018 as per the Central Bank of Sudan. This has caused inflation to spiral reaching record highs of over 70% at the close of 2018 according to Trading Economics. IDH has been adversely affected as one-the-ground revenue growth is lost to currency translation on the Group's financial statements, in addition to increase salaries of Sudan-based expatriates who are compensated in US dollars.	The Group is closely monitoring the economic and political situation in Sudan and has implemented several price increases to keep instep with inflationary pressures. IDH is also working to limit expatriate salaries and foreign currency needs by increasing dependence on local hires.
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.
Foreign currency and banking regulation risk Foreign currency risk: The Group is exposed to foreign currency risk on the cost side of the business.	Only 15% of IDH's cost of supplies (c.3% of revenues) are payable in US dollars, minimising the

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 2018 at mid-market CBE rate of 17.91 per US$1 against an opening rate of EGP 17.72. The Egyptian pound was valued at 17.91 to US$ 1.00 as of 16 Jan 2019. While the Egyptian pound has performed relatively well compared to other emerging market currencies, increased capital flight amid a wider emerging market sell-off in 2018 saw Egyptian treasury bonds drop by c.US$ 8 billion according to a note issued by Capital Economics. This has added pressure on the country's banking system to sell foreign assets to meet demand for hard currency. The note presents two possible scenarios in 2019, namely allowing the Egyptian pound to weaken against the dollar or direct intervention by the CBE using its reserves to support the currency. 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.	Group's exposure to foreign exchange (FX) scarcity and in part, the volatility of the Egyptian pound. In 2018, IDH recorded a net foreign exchange loss/gain of EGP 16 million compared with a net foreign exchange loss of EGP 20 million in 2017. Capital Economics notes that a move to weaken the Egyptian pound wouldn't be a massive shock to the currency thanks to previous austerity measures and the fact that it is not currently overvalued. The consultancy estimates that a limited devaluation could see the currency trade at c.19.0 to the US$ by the end of 2019 and c.20.0 by 2020. Foreign currency continued to be available in the market throughout 2018 whether from the banks or exchange companies; and the with CBE foreign currency reserves reaching record-highs in 2018 to close the year at US$ 45 billion, the return of capital controls previously implemented following the pound's devaluation is unlikely.
Supplier risk IDH faces the risk of suppliers re-opening negotiations in the face of cost pressure owing to the prevailing inflationary environment and/or a possible albeit limited devaluation risk in 2019.	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 and

IDH's supplier risk is concentrated amongst three key suppliers — Siemens, Roche and BM (Sysmex)— who provide it with kits representing 42% of the total value of total raw materials in 2018 (2017: 47%).	maintain raw material costs increases at a rate slower than inflation. In 2018, average raw material cost per test increased only 2% versus the prevailing double-digit inflation. Total raw materials costs as a percentage of sales were 19% in 2018 compared with 21% in 2017.
Remittance of dividend regulations and repatriation of profit risk The Group's ability to remit dividends abroad may be adversely affected by the imposition of remittance restrictions where, under Egyptian law, companies must obtain government clearance to transfer dividends overseas and are subject to higher taxation on payment of dividends.	As a foreign investor in Egypt, IDH does not have issues with the repatriation of dividends, but is exposed to risk in the form of cost of foreign exchange in the markets in which the Group operates, particularly Egypt and Sudan. 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.
Legal and regulatory risk to the business The Group's business is subject to, and affected by, extensive, stringent and frequently changing laws and regulations, as well as frequently changing enforcement regimes, in each of the countries in which it operates. Moreover, as a significant player in the Egyptian private clinical laboratory market, the Group is subject to antitrust and competition-related restrictions, as well as the possibility of investigation by the Egyptian Competition Authority.	The Group's general counsel and the quality assurance team work together to keep IDH abreast of, and in compliance with, both legislative and regulatory changes. On the antitrust front, the private laboratory segment (of which IDH is a part) accounts for a small proportion of the total market, which consists of small private labs, private chain labs and large governmental and quasi-governmental institutions.
Quality control risks Failure to establish and comply with appropriate quality standards when performing testing and diagnostics services could result in litigation and liability for the Group and could materially and adversely affect its reputation and results of operations. This is particularly key as the Group depends heavily on maintaining good relationships with healthcare professionals who prescribe and recommend the Group's services.	The Group's quality assurance (QA) function ensures compliance with best practices across all medical diagnostic functions. All laboratory staff participate in ongoing professional education with quality assurance emphasised at each juncture. The head of quality assurance for the Group is a member of the senior management team at the IDH level, which meets weekly to review recent developments, plan strategy and discuss issues of concern to the Group as a whole.

Risk from contract clients Contract clients including private insurers, unions and corporations, account for c. 59% 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 1% of total revenues or 1.4% of Corporate revenues. Adoption of IFRS 9 during the year led management to take provisions of EGP 9.6 million in 2018 for doubtful accounts (2017: EGP 5.6 million). (See note (22) 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 risk may be more pronounced in the context of headline monthly inflation in Egypt, which as of December 2018 stood at 11.97% as per the Central Bank of Egypt.	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. 59% of our revenue is generated by servicing contract clients (private insurer, unions and corporations) who prefer IDH's national network to patchworks of local players. 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.
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	In February 2018, IDH's central Mega Lab in Cairo received CAP certification. The CAP certification will

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.	thereafter be subject to renewal every two years. The Company also renewed its ISO certifications in 2018, with the next renewal due in 2019. In Jordan, Biolab has received Joint Commission International (JCI) accreditation, as well as ISO 150189, HCAC and CAP certifications in 2018. Branches in Sudan and Nigeria are not accredited. IDH's ability to keep current its certifications and accreditation are supported by ongoing QA, training and internal audit procedures.

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- ensure that the financial statements comply with IFRS as adopted by the EU;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; 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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with Companies (Jersey) Law 1991. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

- The Group is in compliance with the Jersey code in relation to all applicable corporate law and tax filing requirements;
- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, 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, Performance Review and Principal Risks and Uncertainties, which constitute the management report, include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Dr. Hend El Sherbini
Executive Director
21 March 2019

INTEGRATED DIAGNOSTICS HOLDINGS plc – “IDH”
AND ITS SUBSIDIARIES

Consolidated Financial Statements

for the year ended 31 December 2018

Consolidated Statement of Financial Position as at

	Notes	31 December 2018 EGP'000	31 December 2017 EGP'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	705,779	473,786
Intangible assets and goodwill	12	1,672,463	1,658,252
Total non-current assets		**2,378,242**	**2,132,038**
Current assets			
Inventories	15	91,079	69,935
Trade and other receivables	16	299,991	202,255
Restricted cash	18	11,965	13,226
Other investments	19	239,905	9,149
Cash and cash equivalents	17	412,607	685,211
Total current assets		**1,055,547**	**979,776**
Total assets		**3,433,789**	**3,111,814**
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	37,959	33,383
Put option reserve	20	(145,275)	(93,256)
Translation reserve	20	194,764	203,709
Retained earnings		396,706	315,856
Equity attributable to the owners of the Company		**2,270,050**	**2,245,588**
Non-controlling interests	7	130,588	68,502
Total equity		**2,400,638**	**2,314,090**
Non-current liabilities			
Deferred tax liabilities	9	168,361	158,712
Other provisions	22	14,842	14,699
Loans and borrowings	25	101,439	38,425
Long-term Put option liability	24	13,604	-
Long-term financial obligations	27	65,587	100,478
Total non-current liabilities		**363,833**	**312,314**
Current liabilities			
Trade and other payables	23	444,032	333,432
Loans and borrowings	25	25,416	14,575
Current tax liabilities		199,870	137,403
Total current liabilities		**669,318**	**485,410**
Total liabilities		**1,033,151**	**797,724**
Total equity and liabilities		**3,433,789**	**3,111,814**

These consolidated financial statements were approved and authorised for issue by the Board of Directors and signed on their behalf on 21 March 2019 by:

Dr. Hend El Sherbini
Chief Executive Officer

Hussein Choucri
Independent Non-Executive Director

The accompanying notes on pages 32 - 77 form an integral part of these consolidated financial statements.

Consolidated Income Statement for the Year Ended

	Notes	31 December 2018 EGP'000	31 December 2017 EGP'000
Revenue	3	1,921,452	1,514,257
Cost of sales		(973,073)	(784,701)
Gross profit		**948,379**	**729,556**
Marketing and advertising expenses		(94,887)	(59,843)
Administrative expenses		(160,055)	(126,517)
Impairment loss on trade and other receivable	17	(9,635)	(5,561)
Other Income		1,141	2,736
Operating profit	**8**	**684,943**	**540,371**
Finance costs		(31,015)	(33,005)
Finance income		63,430	51,064
Net finance cost	8.2	32,415	18,059
Profit before tax		**717,358**	**558,430**
Income tax expense	9	(220,444)	(174,701)
Profit for the year		**496,914**	**383,729**
Profit attributed to:			
Owners of the Company		502,092	374,023
Non-controlling interests	7	(5,178)	9,706
		496,914	**383,729**
Earnings per share (expressed in EGP)	**10**		
Basic and Diluted		3.35	2.49

The accompanying notes on pages 32 - 77 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 2018 EGP'000	31 December 2017 EGP'000
Net profit	**496,914**	**383,729**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences on foreign currency subsidiaries	(2,566)	(5,577)
Other comprehensive income for the year, net of tax	**(2,566)**	**(5,577)**
Total comprehensive income for the year	**494,348**	**378,152**
Attributable to:		
Owners of the Company	493,146	370,012
Non-controlling interests	1,202	8,140
	494,348	**378,152**

The accompanying notes on pages 32 - 77 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended

	Notes	31 December 2018 EGP'000	31 December 2017 EGP'000
Cash flows from operating activities			
Profit for the year before tax		717,358	558,430
Adjustments for:			
Depreciation	11	70,989	57,148
Amortization	12	6,398	4,774
(Gain)/Loss on disposal of property, plant and equipment		(138)	77
Impairment in trade and other receivables	8	9,635	5,561
Reversal of impairment in trade and other receivables	16	(1,056)	(1,461)
Interest expense	8.2	11,855	10,391
Interest income	8.2	(59,305)	(51,064)
Loss of foreign exchange	8.2	15,706	19,940
		771,442	**603,796**
Change in:			
Change to Provisions	22	143	2,497
Change to Inventories		(21,144)	(18,220)
Change to Trade and other receivables		(118,042)	(43,575)
Change to Trade and other payables		64,446	(29,652)
Cash generated from operating activities		**696,845**	**514,846**
Income tax paid		(140,537)	(111,771)
Net cash from operating activities		**556,308**	**403,075**
Cash flows from investing activities			
Interest received		71,412	36,660
Acquisition of Property, plant and equipment		(331,550)	(157,349)
Proceeds from sale of property and equipment		3,500	343
Change in restricted cash	18	1,261	27
Change in other investment	19	(230,756)	86,426
Acquisition of subsidiary	6	20,519	-
Net cash flows used in investing activities		**(465,614)**	**(33,893)**
Cash flows from financing activities			
Proceeds from borrowings		94,369	53,000
Repayments of borrowings		(20,514)	-
Interest paid		(8,647)	(10,096)
Inflow from a non-controlling interest		38,684	-
Dividends paid		(434,953)	(376,744)
Payments for finance lease		(27,668)	(36,984)
Net cash flows used in financing activities		**(358,729)**	**(370,824)**
Net decrease in cash and cash equivalents		**(268,035)**	**(1,642)**
Cash and cash equivalent at the beginning of the year		685,211	683,721
Effect of exchange rate fluctuations on cash held		(4,569)	3,132
Cash and cash equivalent at the end of the year	18	**412,607**	**685,211**

The accompanying notes on pages 32 - 77 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018

(All amounts in Egyptian Pounds "EGP'000")	Share Capital	Share premium	Capital reserve	Legal reserve*	Put option reserve	Translation reserve	Retained earnings	Total attributed to the owners of the Company	Non-Controlling interests	Total Equity
As at 1 January 2018	**1,072,500**	**1,027,706**	**(314,310)**	**33,383**	**(93,256)**	**203,709**	**315,856**	**2,245,588**	**68,502**	**2,314,090**
Profit for the period	-	-	-	-	-	-	502,092	**502,092**	(5,178)	**496,914**
Other comprehensive income for the period	-	-	-	-	-	(8,946)	-	**(8,946)**	6,380	**(2,566)**
Total comprehensive income	-	-	-	-	**-**	**(8,946)**	**502,092**	**493,146**	**1,202**	**494,348**
Transactions with owners of the Company										
Contributions and distributions										
Dividends	-	-	-	-	-	-	(423,560)	(423,560)	(11,393)	**(434,953)**
Legal reserve formed during the year*	-	-	-	4,576	-	-	(4,576)	-	-	**-**
Non-controlling interests resulting from consoliatidating subsidiaries during the year	-	-	-	-	-	-	-	-	69,804	**69,804**
Restatement for impact of hyperinflation	-	-	-	-	-	-	6,894	6,894	2,473	**9,367**
Movement in put option liability in the year	-	-	-	-	(52,019)	-	-	**(52,019)**	-	**(52,019)**
Total contributions and distributions	**-**	**-**	**-**	**4,576**	**(52,019)**	**-**	**(421,242)**	**(468,685)**	**60,884**	**(407,801)**
Change in ownership interests										
At 31 December 2018	**1,072,500**	**1,027,706**	**(314,310)**	**37,959**	**(145,275)**	**194,764**	**396,706**	**2,270,050**	**130,588**	**2,400,638**
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)**
Equity settled 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**
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**

* Under Egyptian Law each subsidiary must set aside at least 5% of its annual net profit into a legal reserve until such time that this represents 50% of each subsidiary's issued capital. This reserve is not distributable to the owners of the Company.

Notes to the Condensed Consolidated Interim Financial Statements – For the Year Ended 31 December 2018

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

1. Corporate information

The consolidated financial statements of Integrated Diagnostics Holdings plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 21 March 2019. 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 2018, the Group had net assets amounting to EGP 2,400,638. 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 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

i. Subsidiaries

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

ii. Change in subsidiary ownership and loss of control

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

iii. Transactions eliminated on consolidation

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

2.2. 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 standards, including any inconsequential amendments to other standards, with a date of initial application of 1 January 2018.

- Annual Improvements to IFRS Standards 2014-2016 Cycle. [Describe effect of adoption
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRS 15 Revenue from Contract with Customers.
- IFRS 9 Financial Instruments.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4).

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

Changes in significant accounting policies

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, replacing IAS 18 Revenue. The Group has adopted IFRS 15 with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18.

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 has no significant change or impact on the Group's accounting policies applied on its consolidated financial statements.

B. IFRS 9 Financial Instruments

The Group do not consider the adoption of IFRS 9 to have a significant effect on the classification and measurement of financial assets and financial liabilities or hedge accounting. The Group have, however, assessed the impact that the initial application of IFRS 9 will have in relation to the impairment of financial assets.

The financial impact of this assessment is the recognition of an additional impairment charge (net of tax) of EGP 1.2m in the period for the expected credit loss of trade receivables in excess of the Group's existing provisioning policy. The Group do not deem the impact of transition as at 1 January 2018 to be significant therefore have not retrospectively adjusted opening equity balances.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.
The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9

	2018 EGP'000	2017 EGP'000
Net trade and other receivable balance at 31 December per IAS 39	221,577	139,885
Adjustment in initial application of IFRS 9	(1,181)	-
Net trade and other receivable balance at 31 December per IFRS 9 (note 17)	**220,396**	**139,885**

a) Business combinations and goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.
Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

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

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

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

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

b) Fair value measurement

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

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

- 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.

The following steps are considered for patients served under contracts:

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

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

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

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

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) Hyperinflationary Economies

The financial statements of "SAMA Medical Laboratories Co. and AL-Mokhtabar Sudanese Egyptian Co." report their financial statements in the currency of a hyperinflationary economy. In accordance with IAS 29 financial reporting in Hyperinflationary Economies, the financial statements of those subsidiaries were restated by applying a general price index at closing rates before they were included in the consolidation financial statements.

The comparative information has not been restated, the gain or loss on the net monetary position related to price changes in prior periods has been recognised directly in equity.

When the functional currency of a foreign operation is the currency of a hyperinflationary economy, all assets, liabilities, equity items, income and expenses are translated using an official exchange rate prevailing at the end of each reporting period. Exchange difference e arising, if any, are recognized on other comprehensive income and accumulated in equity (attributed to non-c0ontrolling interests as appropriate)

h) Property, plant and equipment

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

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

Land is not depreciated.

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

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

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

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

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

i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.
The useful lives of intangible assets are assessed as either finite or indefinite.

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

- IT development and software 4-5 years

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

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

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

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

> The Group brand names are considered to have indefinite useful life as the Egyptian brands have been established in the market for more than 30 years and the health care industry is very stable and continues to grow.
> The Brands are not expected to become obsolete and can expand into different countries and adjacent businesses, in addition, there is a sufficient ongoing marketing efforts to support the brands and this level of marketing effort is economically reasonable and maintainable for the foreseeable future.

j) Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

- Financial assets at fair value through profit or loss
- Fair value through other comprehensive income
- Amortised cost

The Group did not hold financial assets classified as financial assets at fair value through the profit or loss at 31 December 2018 and 31 December 2017.

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

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

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

ii. Financial liabilities

Initial recognition and measurement

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

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

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

Derecognition

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

iii. Offsetting of financial instruments

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

k) Impairment of non-financial assets

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

- 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.

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 29,295K (31 December 2017: EGP 21,784K)

l) Inventories

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

m) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

n) Provisions

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

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

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

o) Pensions and other post-employment benefits

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

p) Segment reporting

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

q) 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 2018.
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 16 Leases**

IFRS 16 – Leases: the standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group on 1 January 2019. The Directors are assessing the likely impact on the reported results and financial position of the Group. The existing obligations under operating lease agreements at 31 December 2018 are EGP 441m (see note 27), which primarily relate to buildings. We are using the modified retrospective approach for transition on 1 January 2019 and we are taking advantage of the exemption on transition relating to low value assets.

We have not yet concluded on the value of the expected adjustment to the balance sheet for leases capitalised and the corresponding lease liability. Similarly, the expected impact on the income statement for the year ending 31 December 2019 has not been concluded.

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	Notes 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 27.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of intangible assets

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

The recoverable amounts of cash generating units have been determined based on value in use. The value in use calculation is based on a discounted cash flow ("DCF") model.

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

3. Segment information

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

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

	Revenue by geographic location				
For the year ended	**Egypt region**	**Sudan region**	**Jordan region**	**Nigeria region**	**Total**
31-Dec-18	1,613,484	35,347	242,489	30,132	**1,921,452**
31-Dec-17	1,250,584	45,687	217,986	-	**1,514,257**

For the year ended	Net profit by geographic location				
	Egypt region	Sudan region	Jordan region	Nigeria region	Total
31-Dec-18	505,769	(6,241)	26,193	(28,807)	496,914
31-Dec-17	361,428	(228)	22,530	-	383,729

	Revenue by type		Net profit by type	
	2018 EGP'000	2017 EGP'000	2018 EGP'000	2017 EGP'000
Pathology	1,889,418	1,514,257	524,248	383,729
Radiology	32,034	-	(27,334)	-
	1,921,452	**1,514,257**	**496,914**	**383,729**

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

	2018 EGP'000	2017 EGP'000
Profit from operations	**684,943**	**540,371**
Property, plant and equipment depreciation	70,989	57,148
Amortization of Intangible assets	6,398	4,774
EBITDA	**762,330**	**602,293**

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.

	2018 **EGP'000**	**2017** **EGP'000**
Total liabilities	849,948	624,313
Less: cash and short-term deposits (Note 17)	(412,607)	(685,211)
Net (cash)/debt	**437,341**	**(60,898)**
Total Equity	**2,400,638**	**2,314,090**
Net debt to equity ratio	18.2%	**-2.6%**

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

5. Group information

Information about subsidiaries
The consolidated financial statements of the Group include:

	Principal activities	Country of Incorporation	% equity interest	
			2018	2017
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 Makhbariyoun Al Arab Group (Hashemite Kingdom of Jordan)	Medical diagnostics service	Jordan	**60.0%**	**60.0%**
Golden Care for Medical Services	Holding company of SAMA	Egypt	**100.0%**	**100.0%**
Integrated Medical Analysis Company (S.A.E)	Medical diagnostics service	Egypt	**99.6%**	**99.6%**
SAMA Medical Laboratories Co. ("Ultralab medical laboratory ")	Medical diagnostics service	Sudan	**80.0%**	**80.0%**
AL-Mokhtabar Sudanese Egyptian Co.	Medical diagnostics service	Sudan	**65.0%**	**65.0%**
Integrated Diagnostics Holdings Limited	Intermediary holding company	Caymans Island	**100.0%**	**100.0%**
Dynasty Group Holdings Limited	Intermediary holding company	England and Wales	**51%.0**	**51%.0**
Eagle Eye**	Intermediary holding company	Mauritius	**73.59%**	**-**
Echo-Scan (note 6)	Medical diagnostics service	Nigeria	**99.99%**	**-**

* "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. Acquisition of subsidiaries

On 15 January 2018, Dynasty Group Holdings Limited ("Dynasty") acquired 73.59% of Eagle Eye Company ("Eagle Eye"), a holding company which holds 99.99% of Echo-Scan Services Limited ("Echo-Scan"), through a capital increase amounting to 80m EGP. An additional 67,216 shares were issued, bringing to the total number of shares to 73,071. Dynasty acquired 53,773 shares, entitling them to a beneficial ownership of 73.59% and obtaining control of Eagle-Eye. IDH Cayman owns 51% of Dynasty. The remaining 49% is owned by Man Health (Cayman) LLP.

Dynasty has partnered with the International Finance Corporation ("IFC"), a member of the World Bank Group, to invest in Echo-Scan, a medical diagnostics business based in Nigeria. 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 the period from acquisition to 31 December 2018, Eagle-Eye and its subsidiary contributed revenue of EGP 30m and loss of EGP 28.8m to the Group's results. Due to the scale of Nigerian operations, management do not estimate there to be a significant impact on consolidated revenue and consolidated profit for the period if the acquisition had occurred on 1 January 2018.

The Company assigned Diya Fatimilehin & Co. as an independent appraisal firm to conduct the evaluation of the existing tangible assets at the date of the acquisition. Diya Fatimilehin & Co. used the Depreciated Replacement cost with recourse to Market. Comparison. Depreciated Replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Fincorp has been assigned to conduct the PPA exercise. Based on the report issued by Fincorp along with Diya Fatimilehin & Co assets revaluation report, EGP 79.5m was transferred

- Net assets of EGP 9m; and
- Goodwill of EGP 15m.

No amounts were allocated to intangibles due to:

- Echo-Scan branches was relatively and not strategically located.
- Echo-Scan had Low number of corporate patients (less than 5%).
- Echo-Scan did not possess an adequate database capturing the customers' names, addresses, medical history

Acquisition-related costs

The Group incurred acquisition-related cost of EGP 4m relating to external legal fees and due diligence costs. These costs have been included in 'administrative expenses' in the condensed consolidated statement of profit and loss.

The following is a statement of assets and liabilities of the acquired company (Eagle Eye – Echo Scan) and the fair value as at the date of acquisition.

	Book value EGP'000	Movement EGP'000	Value EGP'000
Tangible fixed assets	18,368	24,335	42,703
Trade and other receivables	2,240	-	2,240
Cash and cash equivalents	20,519	-	20,519
Trade and other payables	(49,049)	-	(49,049)
Deferred tax	-	(7,301)	(7,301)
Net assets acquired	**(7,922)**	**17,034**	**9,112**

Goodwill

Goodwill arising from the acquisition has been recognised as follows:	31-Dec-18 EGP'000
Consideration transferred*	-
Non-controlling interest	24,189
Provisional fair value of identifiable net assets	(9,112)
Goodwill	**15,077**

* proceeds of share issue have remained within the group.

7. Non-Controlling interest

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

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

Proportion of equity interest held by non-controlling interests:

	Country of incorporation	2018	2017
Medical Genetic Center	Egypt	45.0%	45.0%
Al Makhbariyoun Al Arab Group (Hashemite Kingdom of Jordan)	Jordan	40.0%	40.0%
SAMA Medical Laboratories Co. " Ultra lab medical laboratory "	Sudan	20.0%	20.0%
Al Borg Laboratory Company	Egypt	0.7%	0.7%
Dynasty Group Holdings Limited	England and Wales	49%	49%
Eagle Eye	Mauritius	26.4%	-

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

	Medical Genetic Center EGP'000	Al Makhbariyoun Al Arab Group (Hashemite Kingdom of Jordan) EGP'000	Alborg Laboratory Company EGP'000	Other individually immaterial subsidiaries EGP'000	Dynasty Group	Total EGP'000
Summarised statement of profit or loss for 2018:						
Revenue	11,506	242,489	754,038	1,302,116	30,132	2,340,281
Profit	1,603	27,263	258,554	364,108	(24,407)	627,121
Other comprehensive income	-	534		1,046	10,403	11,983
Total comprehensive income	**1,603**	**27,797**	**258,554**	**365,154**	**(14,004)**	**639,104**
Profit allocated to non-controlling interest	722	10,905	1,830	(6,989)	(11,646)	(5,178)
Other comprehensive income allocated to non-controlling interest	-	214	-	(39)	6,205	6,380
Summarised statement of financial position as at 31 December 2018:						
Non-current assets	876	99,687	214,161	361,292	101,393	777,409
Current assets	6,866	62,167	382,160	757,482	26,589	1,235,264
Non-current liabilities	(42)	(2,511)	(40,136)	(136,218)	(6,062)	(184,969)
Current liabilities	(3,796)	(56,088)	(216,606)	(349,679)	(18,267)	(644,436)
Net assets	**3,904**	**103,255**	**339,579**	**632,877**	**103,653**	**1,183,268**
Net assets attributable to non-controlling interest	1,758	41,302	2,403	34,335	50,790	130,588
Summarised cash flow information for year ended 31 December 2018:						
Operating	(444)	18,798	259,199	360,138	(53,649)	584,042
Investing	15	(8,674)	(213,920)	(162,152)	(247,252)	(631,983)
Financing	(590)	6,495	(291,166)	(105,002)	310,855	(79,408)
Dividend to NCI	(483)	(6,988)	(2,325)	-	-	(9,796)
Net increase/(decrease) in cash and cash equivalents	**(1,502)**	**9,631**	**(248,212)**	**92,984**	**9,954**	**(137,145)**

	Medical Genetic Center EGP'000	Al Makhbariyoun Al Arab Group (Hashemite Kingdom of Jordan) EGP'000	Alborg Laboratory Company EGP'000	Other individually immaterial subsidiaries EGP'000	Dynasty Group	Total EGP'000
Summarised statement of profit or loss for 2017:						
Revenue	11,454	218,077	589,275	1,043,968	-	1,862,774
Profit	1,311	22,253	195,048	281,984	-	500,596
Other comprehensive income	-	(4,082)	-	(813)	-	(4,895)
Total comprehensive income	**1,311**	**18,171**	**195,048**	**281,171**	**-**	**495,701**
Profit allocated to non-controlling interest	590	8,901	1,381	(1,166)	-	9,706
Other comprehensive income allocated to non-controlling interest	-	(1,633)	-	67	-	(1,566)
Summarised statement of financial position as at 31 December 2017:						
Non-current assets	962	106,439	145,751	274,945	-	528,097
Current assets	6,844	50,562	430,089	573,355	-	1,060,850
Non-current liabilities	(42)	-	(6,118)	(125,640)	-	(131,800)
Current liabilities	(4,154)	(60,639)	(132,693)	(323,537)	-	(521,023)
Net assets	**3,610**	**96,362**	**437,029**	**399,123**		**936,124**
Net assets attributable to non-controlling interest	1,625	38,545	3,093	25,239	-	68,502
Summarised cash flow information for year ended 31 December 2017:						
Operating	625	40,715	155,451	244,877	-	441,668
Investing	84	(28,326)	45,017	(45,811)	-	(29,036)
Financing	(860)	(6,011)	(68,919)	(179,516)		(255,306)
Dividend to NCI	(705)	(4,922)	(491)	-	-	(6,118)
Net increase/(decrease) in cash and cash equivalents	**(856)**	**1,456**	**131,058**	**19,550**	**-**	**151,208**

8. Expenses and other income

Included in profit and loss are the following:

	2018 EGP'000	2017 EGP'000
Impairment on trade and other receivables	9,635	5,561
Charge for increase in provisions	793	3,536
Operating lease payments (buildings)	67,197	51,478
Professional and advisory fees	31,938	22,945
Amortisation	6,398	4,774
Depreciation	70,989	57,148
Total	**186,950**	**145,442**

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

	2018 EGP'000	2017 EGP'000
Fees payable to the Company's auditor for the audit of the Group's annual financial statements	6,344	5,459
The audit of the Company's subsidiaries pursuant to legislation	2,528	1,593
Tax compliance and advisory services	55	608
	8,927	**7,660**

8.2. Net finance costs

	2018 EGP'000	2017 EGP'000
Interest expense	(11,855)	(10,391)
Net foreign exchange loss	(15,706)	(19,940)
Bank Charges	(3,454)	(2,674)
Total finance costs	**(31,015)**	**(33,005)**

	2018 EGP'000	2017 EGP'000
Interest income	59,305	51,064
Gain on hyperinflationary net monetary position	4,125	-
Total finance income	**63,430**	**51,064**
Net finance income /(cost)	**32,415**	**18,059**

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:

	2018			2017		
	Medical	Administration	**Total**	Medical	Administration	**Total**
Average number of employees	3,672	1,270	**4,942**	4,226	443	**4,669**

	2018 EGP'000			2017 EGP'000		
	Medical	Administration	**Total**	Medical	Administration	**Total**
Wages and salaries	290,508	98,162	**388,670**	219,493	73,604	**293,097**
Social security costs	17,958	4,157	**22,115**	15,537	4,091	**19,628**
Contributions to defined contribution plan	4,974	1,334	**6,308**	3,168	479	**3,647**
Total	313,440	103,653	**417,093**	238,198	78,174	**316,372**

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

9. Income tax

a) Amounts recognised in profit or loss

	2018 EGP'000	**2017 EGP'000**
Current tax:		
Current year	(196,477)	(117,844)
Deferred tax:		
Deferred tax arising on change in tax legislation relating to undistributed reserves in subsidiaries	(28,348)	(19,808)
Relating to origination and reversal of temporary differences	4,381	(37,049)
Total Deferred tax income / expenses	(23,967)	(56,857)
Tax expense recognised in profit or loss	**(220,444)**	**(174,701)**

b) Reconciliation of effective tax rate

The Company is treated as a tax resident of Jersey for the purpose of Jersey tax laws and is subject to a tax rate of 0%. The Company tax domicile in the UK. As a holding company for the IDH group, the Board concluded that the UK represents the most effective and efficient jurisdiction from which to manage the Company. The current income tax charge for the Group represents tax charges on profits arising in Egypt, Jordan and Sudan. The significant profits arising within the Group subject to corporate income tax are generated from the Egyptian operations and subject to 22.5% (2017: 22.5%) tax rate. The reconciliation of effective income tax rate has been performed using this rate.

In July 2018, the Egyptian Government imposed a new tax related to health care of 0.25% on total income. As result the Group has recorded an additional EGP 3m in income tax expense.

	2018 EGP'000	2017 EGP'000
Profit before tax	**717,358**	**558,430**
Profit before tax multiplied by rate of corporation tax in Egypt of 22.5% (2017: 22.5%)	161,405	125,647
Effect of tax rate in Jersey of 0% (2017: 0%)	9,466	9,558
Effect of tax rates in Jordan, Sudan and Nigeria of 20%, 15% and 30% respectively (2017: 20% and 15%)	(1,154)	(609)
Tax effect of:		
Change in unrecognized deferred tax assets	1,823	703
Deferred tax arising on undistributed reserves	28,348	19,808
Non-deductible expenses for tax purposes - employee profit share	14,314	10,240
Non-deductible expenses for tax purposes - other	6,242	9,354
Tax expense recognised in profit or loss	**220,444**	**174,701**

Deferred tax

Deferred tax relates to the following:

	2018		2017	
	Assets **EGP'000**	**Liabilities** **EGP'000**	**Assets** **EGP'000**	**Liabilities** **EGP'000**
Property, plant and equipment		(20,562)	-	(17,159)
Intangible assets		(106,125)	-	(106,651)
Undistributed reserves from group subsidiaries*		(44,293)	-	(37,532)
Provisions and finance lease liabilities	2,619		2,630	-
Total deferred tax assets - liability	**2,619**	**(170,980)**	**2,630**	**(161,342)**
	-	**(168,361)**		**(158,712)**

All movements in the deferred tax asset/liability in the year have been recognised in the profit or loss account. Deferred tax liabilities and assets have been calculated based on the enacted tax rate at 31 December 2018 for the country the liabilities and assets has arisen. The enacted tax rate in Egypt is 22.5% (2017: 22.5%), Jordan 20% (2017: 20%), Sudan 15% (2017: 15%) and Nigeria 30%.

* **Undistributed reserves from group subsidiaries**

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

	2018 EGP'000	2017 EGP'000
Al Mokhtabar Company for Medical Labs	19,694	13,517
Alborg Laboratory Company	12,216	17,507
Integrated Medical Analysis Company	7,997	2,582
Molecular Diagnostic Center	383	317
Medical Genetics Center	58	47
Al Makhbariyoun Al Arab Group	3,945	3,562
	44,293	**37,532**

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:

	2018 EGP'000	2017 EGP'000
Impairment of trade receivables (Note 16)	29,295	21,784
Impairment of other receivables (Note 16)	8,516	8,069
Provision for legal claims (Note 22)	2,828	2,685
	40,639	**32,538**
Unrecognized deferred tax asset	**9,144**	**7,321**

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:

	2018 EGP'000	2017 EGP'000
Profit attributable to ordinary equity holders of the parent for basic earnings	502,092	374,023
Weighted average number of ordinary shares for basic and dilutive EPS	150,000	150,000
Basic and dilutive earnings per share (expressed in EGP)	**3.35**	**2.49**

There is no dilutive effect from equity.

11. Property, plant and equipment

	Land & Buildings	Medical, electric & information system equipment	Leasehold improvements	Fixtures, fittings & vehicles	Building & Leasehold improvements in construction	Total
Cost or valuation						
At 1 January 2017	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	-	(12,637)	-
At 31 December 2017	**211,774**	**237,608**	**147,351**	**45,050**	**43,130**	**684,913**
Additions	-	106,299	38,732	11,714	104,149	260,894
Acquired in business combination	6,411	31,615	-	907	3,771	42,704
Disposals	-	(7,860)	(5,381)	(992)	-	(14,233)
Exchange differences	478	(49)	(648)	(1,173)	121	(1,271)
Transfers	-	-	5,424	-	(5,424)	-
At 31 December 2018	**218,663**	**367,613**	**185,478**	**55,506**	**145,747**	**973,007**
Depreciation and impairment						
At 1 January 2017	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**
Depreciation charge for the year	7,310	34,592	24,784	4,303	-	70,989
Disposals	-	(5,742)	(4,827)	(303)	-	(10,872)
Exchange differences	10	(2,497)	(760)	(769)	-	(4,016)
At 31 December 2018	**32,342**	**132,349**	**80,803**	**21,734**	**-**	**267,228**
Net book value						
At 31-12-2018	**186,321**	**235,264**	**104,675**	**33,772**	**145,747**	**705,779**
At 31 December 2017	**186,752**	**131,612**	**85,745**	**26,547**	**43,130**	**473,786**

*Additions include EGP 72.3m improvement related to the Group's new Headquarter purchased in April 2017. Addition also include capitalised borrowing costs related to the improvement of the building of EGP 13.5m (2017: EGP 7.8m). Calculated using capitalisation rate of 18.75% (note 25).

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 27 for further details. At 31 December 2018, the net carrying amount of leased equipment was EGP 40m (Dec 2017: EGP 47m).

12. Intangible assets

	Goodwill EGP'000	Brand Name EGP'000	Software EGP'000	Total EGP'000
Cost				
At 1 January 2017	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
Additions (note 6)	15,077	-	10,582	25,659
Effect of movements in exchange rates	(4,534)	(530)	19	(5,045)
At 31 December 2018	**1,270,996**	**386,757**	**55,170**	**1,712,923**
Amortisation and impairment				
At 1 January 2017	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
Amortisation	-	-	6,398	6,398
Effect of movements in exchange rates	-	-	5	5
At 31 December 2018	**1,849**	**-**	**38,611**	**40,460**
Net book value				
At 31 December 2018	**1,269,147**	**386,757**	**16,559**	**1,672,463**
At 31 December 2017	**1,258,604**	**387,287**	**12,361**	**1,658,252**

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

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

	2018 EGP'000	2017 EGP'000
Medical Genetics Center		
Goodwill	1,755	1,755
	1,755	**1,755**
Al Makhbariyoun Al Arab Group ("Biolab")		
Goodwill	52,403	52,086
Brand name	22,885	22,746
	75,288	**74,832**
Golden Care for Medical Services ("Ultralab")		
Goodwill	3,535	8,386
Brand name	487	1,156
	4,022	**9,542**
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**
Echo-Scan (note 6)		
Goodwill	15,077	-
	15,077	**-**
Balance at 31 December	**1,655,904**	**1,645,891**

The Group performed its annual impairment test in October 2018. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

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

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

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

	Year 2018				
	Ultra Lab	Bio Lab	Al-Mokhtabar	Al-Borg	Echo-Scan
Average annual patient growth rate from 2019 -2023	8%	5%	4%	3%	20%
Average annual price per test growth rate from 2019 -2023	11%	5%	11%	11%	9%
Annual revenue growth rate from 2019 -2023	18%	5%	15%	19%	45.5%
Average gross margin from 2019 -2023	16%	5%	16%	19%	54%
Terminal value growth rate from 1 January 2024	2%	2%	3%	3%	2%
Discount rate	29%	15%	19%	19%	22.97%

	Year 2017				
	Ultra Lab	Bio Lab	Al-Mokhtabar	Al-Borg	Echo-Scan
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%	-

During year 2018, 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 2019- 2023 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.

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

This recoverable amount is then compared to the carrying value of the asset as recorded in the books and records of IDH plc. The discount rate is the pre-tax rate taking into account the risks of each CGU.
These risks include country risk, currency risk as well as the beta factor relating to the CGU and how it performs relative to the market.

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

14. Financial assets and financial liabilities

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

	2018 EGP'000	2017 EGP'00
Cash and cash equivalent	412,607	685,211
Short term deposits - treasury bills	239,905	9,149
Trade and other receivables (Note 16)	264,037	174,902
Total financial assets	**916,549**	**869,262**

	2018 EGP'000	2017 EGP'00
Trade and other payables	281,183	215,176
Put option liability	145,275	93,256
Finance lease liabilities	90,581	117,714
Loans and borrowings	133,039	60,763
Total other financial liabilities	**650,578**	**486,909**
Total financial instruments	**266,471**	**382,353**

The fair values measurements for all the Group companies has been categorized as Level 2, except Echo-Scan which has been categorized as level 3.
Makhbariyoun Al Arab put option (note 23) has been categorized as Level 2.
Echo-Scan put option (note 24) has been categorized as Level 3.

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

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

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

- **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and deposits. The sensitivity analyses in the following sections relate to the position as at 31 December in 2018 and 2017. 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 2018 and 2017.
- 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 2018 for the effects of the assumed changes of the underlying risk.

- **Interest rate risk**

The Group adopts of ensuring that between 40 and 60% 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:

	2018 EGP'000	**2017 EGP'000**
Fixed-rate instruments		
Finance lease liabilities (note 27)	90,581	117,714
Variable-rate instruments		
Loans and borrowings (note 25)	126,855	53,000

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

Cash flow sensitivity analysis for variable-rate instruments

A reasonable possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts EGP 1,269K. This analysis assumes that all other variables, remain constant.

- **Foreign currency risk**

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Sudanese Pound, the Jordanian Dinar and Nigerian Naira. Foreign exchange risk arises from 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 recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

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

31-Dec-18

	Assets			Liabilities				
	Cash and cash equivalents	Other assets	Total assets	Put option	Finance lease	Trade payables	Total liability	**Net exposure**
US Dollars	7,012	336	7,348	-	(4,559)	(2,405)	(6,964)	**384**
Euros	32	-	32	-	-	(31)	(31)	**1**
GBP	4	-	4	-	-	-	-	**4**
JOD	601	1,882	2,483	(5,259)	(141)	(1,259)	(6,659)	**(4,176)**
SDG	7,299	18,741	26,040	-	-	(14,754)	(14,754)	**11,286**
NGN	117,302	217,864	335,166	(234,898)	-	(230,900)	(465,798)	**(130,632)**

31-Dec-17

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

The following is the exchange rates applied:

Average rate for the year ended

	31-Dec-18	**31-Dec-17**
US Dollars	17.71	17.68
Euros	20.83	20.05
GBP	23.51	22.84
JOD	24.96	24.92
SAR	4.68	4.71
SDG	0.57	1.04
NGN	0.06	0.06

Spot rate for the year ended

	31-Dec-18	**31-Dec-17**
US Dollars	17.78	17.67
Euros	20.31	21.09
GBP	22.55	23.73
JOD	25.04	24.89
SAR	4.76	4.71
SDG	0.37	0.88
NGN	0.06	0.06

At 31 December 2018, 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 0.7m (2017: EGP 5.5m), 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 (1m) due to the impact from translation of foreign subsidiaries.

At 31 December 2018, 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 (10.5m) (2017: EGP (8.2m)), 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 5.45m due to the impact from translation of foreign subsidiaries.

At 31 December 2018, 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 0.4m (2017: EGP 1.7m, 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 (5.30m) due to the impact from translation of foreign subsidiaries.

At 31 December 2018, if the Egyptian Pounds had weakened / strengthened by 10% against the Nigeria Naira with all other variables held constant, pre-tax profit for the year would have been increased / decreased by EGP (0.8m), 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 7.63m 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 and expected future credit losses. The Group does not hold collateral as security.

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

Cash and cash equivalents

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

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

- **Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of finance leases and loans. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2018	**1 year or less**	**1 to 5 years**	**more than 5 years**	**Total**
Obligations under finance leases	35,805	95,242	-	**131,047**
Put option liability	131,671	-	13,604	**145,275**
Loans and borrowings	45,612	113,756	38,495	**197,863**
Trade and other payables	281,183	-	-	**281,183**
	494,271	**208,998**	**52,099**	**755,368**

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	24,699	55,818	-	**80,517**
Trade and other payables	215,176	-	-	**215,176**
	371,406	**184,544**	**-**	**555,950**

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

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

15. Inventories

	2018 EGP'000	2017 EGP'000
Chemicals and operating supplies	91,079	69,935
	91,079	**69,935**

During 2018, EGP 353,789k (2017: EGP 306,641k) was recognised as an expense for inventories, this was recognised in cost of sales.

16. Trade and other receivables

	2018 EGP'000	2017 EGP'000
Trade receivables	220,396	139,885
Prepaid expenses	35,954	27,353
Receivables due from related parties	6,588	6,441
Other receivables	31,584	11,000
Accrued revenue	5,469	17,576
	299,991	**202,255**

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

As at 31 December 2018, trade and other receivables with an initial carrying value of EGP 37,811k (2017: EGP 29,852k) were impaired and fully provided for. Below show the movements in the provision for impairment of trade and other receivables:

	2018 EGP'000	2017 EGP'000
At 1 January	29,852	27,222
Charge for the year	9,635	5,561
Utilised	(240)	(1,331)
Unused amounts reversed	(1,056)	(1,461)
Exchange differences	(380)	(139)
At 31 December	**37,811**	**29,852**

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

Expected credit loss assessment is based on the following:

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

Based on the expected credit loss assessment, additional provision was calculated for each period, yielding an additional Expected Credit Losses (ECL) for IDH Group amounting to EGP 1.2 million. On quarterly basis, IDH revises its forward looking estimates and the general economic conditions to assess the expected credit loss, which will be mainly based on current and expected inflation rates. The results of the quarterly assessment will increase/decrease the percentage allocated to each period.

The following changes in the gross carrying amounts of trade receivables contributed to the changes in the impairment loss allowance during 2018:

- The growth of the business with Governmental Bodies in Egypt resulted in increases in trade receivables of EGP 4 million and increases in impairment allowances in 2018 of EGP 742k.

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2018.

31-Dec-18	**Weighted average loss rate EGP'000**	**Gross carrying amount EGP'000**	**Loss allowance EGP'000**
Current (not past due)	0.16%	108,150	(172)
1–30 days past due	0.20%	41,723	(85)
31–60 days past due	1.10%	27,866	(307)
61–90 days past due	3.53%	12,094	(428)
More than 90 days past due	94.17%	39,100	(36,819)

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

	Total	**< 30 days**	**30-60 days**	**61-90 days**	**> 90 days**
2018	**220,396**	149,873	27,866	12,094	30,563
2017	**139,885**	99,143	12,111	6,522	22,109

17. Cash and cash equivalent

	2018	2017
Cash at banks and on hand	81,721	139,974
Treasury bills	20,475	-
Short-term deposits	310,411	545,237
	412,607	**685,211**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits and treasury bills are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit average rate 13.75% per annum.

18. Restricted cash

	2018 EGP'000	2017 EGP'000
Restricted cash	11,965	13,226
	11,965	**13,226**

The cash balance related to “Molecular Diagnostic Center” and is not available for use by the Group because the entity commenced deconsolidation in May 2016 and control has been transferred to the liquidator. The process of liquidation will end next year, 2019 and once complete the total cash amount is expected to be returned to IDH.

19. Other investments

	2018 EGP'000	2017 EGP'000
Fixed term deposits	145,000	9,149
Treasury bills	94,905	-
	239,905	**9,149**

The maturity date of the fixed term deposit and treasury bills between 9–12 months and the effective interest rate on the deposit is 14.76% and 18.34% (2017: 14.65%).

20. Share capital and reserves

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

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

	Ordinary shares 31-Dec-18	Ordinary shares 31-Dec-17
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

	2018 EGP'000	2017 EGP'000
Cash dividends on ordinary shares declared and paid:		
US$ 0.16 per qualifying ordinary share (2017: US$ 0.14)	423,560	371,875
	423,560	**371,875**
After the balance sheet date, the following dividends were proposed by the directors (the dividends have not been provided for):		
US$ 0.176 per share (2017: $0.160) per share	**469,392**	**424,080**

The proposed 2019 dividend on ordinary shares are subject to approval at the annual general meeting and is not recognised as a liability as at 31 December 2018.

22. Provision

	Egyptian Government Training Fund for employees EGP'000	Provision for legal claims EGP'000	Total EGP'000
At 1 January 2018	12,014	2,685	14,699
Provision made during the year	-	793	793
Provision used during the year	-	(234)	(234)
Provision reversed during the year	-	(416)	(416)
At 31 December 2018	**12,014**	**2,828**	**14,842**
Current	-	-	-
Non- Current	12,014	2,828	14,842

	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

Employees training provision

The provision for employees training fund was provided for in 2017 in accordance with the Egyptian law and regulations. During the year, the company obtained a legal opinion regarding the training fund. The Company was advised if it adopted a training system for its employees, there was no requirement to make additional provisions to the current amount provided for. During the year the Group spent EGP 784K on training courses for employees.

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 2018.

23. Trade and other payables

	2018 EGP'000	2017 EGP'000
Trade payables	157,891	126,140
Accrued expenses	95,497	73,821
Other payables	27,795	15,215
Put option liability	131,671	93,256
Accrued interest	6,184	7,763
Finance lease liabilities	24,994	17,237
	444,03	**333,432**

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

Through the historic acquisitions of 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.

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 2018.

24. Long-term Put option liability

	2018 EGP'000	2017 EGP'000
Put option liability	13,604	-
	13,604	**-**

According to definitive agreements signed on 15 January 2018 between Dynasty Group Holdings Limited and International Finance Corporation (IFC) related to the Eagle Eye-Echo scan transaction, IFC has the option to put it is shares to Dynasty in year 2024. The put option price will be calculated on the basis of the fair market value determined by an independent valuer (one of the big four accounting firms) (see note 6).

According to the International Private Equity and Venture Capital Valuation Guidelines, there are multiple ways to calculate the put option including Discounted Cash Flow, Multiples, Net assets. Multiple valuation was applied and EGP 13.6 million was booked.

25. Loan and borrowings

A) In April 2017 AL-Mokhtabar for medical lab, one of IDH subsidiaries, was granted a medium term loan amounting to EGP 110m from Commercial international bank "CIB Egypt" to finance the purchase of the new administrative building for the group. As at 31 December 2018 only EGP 89m 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 35m per year, other than year 2017 which includes in addition the value of the building financed by EGP 110m loan facility. This condition is valid throughout the term of the loan.

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

B) In July 2018, AL-Borg lab, one of IDH subsidiaries, was granted a medium term loan amounting to EGP 130.5m from Ahli united bank "AUB Egypt" to finance the investment cost related to the expansion into the radiology segment. As at 31 December 2018 only EGP 37m had been drawn down from the total facility available. The loan contains the following financial covenants which if breached will mean the loan is repayable on demand:

1. The financial leverage shall not exceed 0.7 throughout the period of the loan

"**Financial leverage**": total liabilities divided by net equity

2. The debt service ratios (DSR) shall not be less than **1.35 starting 2019**
"**Debt service ratio**": cash operating profit after tax plus depreciation for the financial year less annual maintenance on machinery and equipment adding cash balance divided by total financial payments.
"**Cash operating profit**": Operating profit after tax, interest expense, depreciation and amortization, is calculated as follows: Net income after tax and unusual items adding Interest expense, Depreciation,

Amortisation and provisions excluding tax related provisions less interest income and Investment income and gains from extraordinary items

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

3. The current ratios shall not be less than 1.
"**Current ratios**": Current assets divided current liabilities.

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Maturity	31 Dec 18	31 Dec 17
CIB - BANK	EGP	CBE corridor rate*+1%	Apr-22	89,486	53,000
AUB - BANK	EGP	CBE corridor rate*+1%	Apr-26	37,369	-
-				**126,855**	**53,000**
Amount held as:					
Current liability				25,416	14,575
Non- current liability				101,439	38,425
				126,855	**53,000**

*As at 31 December 2018 corridor rate 17.75% (2017: 19.75%)

26. Long-term financial obligations

	2018 EGP'000	2017 EGP'000
Finance lease liabilities (see note 27)	65,587	100,478
	65,587	**100,478**

27. Commitments and contingencies

Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2018 EGP'000	2017 EGP'000
Less than one year	65,781	50,072
Between one and five years	234,270	178,938
More than five years	140,927	101,343
	440,978	**330,353**

The Group lease certain branches for the operation of the business. During the year EGP 67,197K was recognised as an expense in the income statement in respect of operating leases (2017: EGP 51,478K).

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:

	2018 EGP'000	2017 EGP'000
Finance lease liability – laboratory equipment	88,279	114,727
Finance lease liability – other	2,302	2,987
	90,581	**117,714**

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

At 31 December 2018	Minimum lease payments 2018 EGP'000	Interest 2018 EGP'000	Principal 2018 EGP'000
Less than one year	34,128	10,810	23,318
Between one and five years	94,617	29,656	64,961
	128,745	**40,466**	**88,279**

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

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

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

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

Contingent liabilities

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

28. Related party disclosures

The significant transactions with related parties, their nature volumes and balance during the period 31 December 2018 and 2017 are as follows:

Related Party	Nature of transaction	Nature of relationship	31-Dec-18 Transaction amount of the year EGP'000	Amount due from EGP'000
Life Scan (S.A.E)*	Expenses paid on behalf	Affiliate**	52	330
International Fertility (IVF)**	Expenses paid on behalf	Affiliate***	(200)	5,800
Dr. Hend Elshrbini***	Loan arrangement	CEO**	8,024	-
Integrated Treatment for Kidney Diseases (S.A.E)	Rental income	Entity owned by Company's CEO	320	458
	Medical Test analysis		145	
Total				**6,588**

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

* 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).

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 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

IDH commits up to 1% of the net after-tax profit of the subsidiaries Al Borg and Al Mokhtabar to the Moamena Kamel Foundation for Training and Skill Development. Established in 2006 by Dr. Moamena Kamel, a Professor of Pathology at Cairo University and founder of IDH subsidiary Al-Mokhtabar Labs and mother to the CEO Dr. Hend El Sherbini. The Foundation allocates this sum to organisations and groups in need of assistance. The foundation deploys an integrated program and vision for the communities it helps that include economic, social, and healthcare development initiatives. In 2018 EGP 3,733K (2017: EGP 3,674K) 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.

	2018	2017
	EGP'000	EGP'000
Short-term employee benefits	36,662	32,426
Total compensation paid to key management personnel	**36,662**	**32,426**

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

EGP'000	Other loans and borrowings	Finance lease liabilities
Restated balance at 1 January 2018	**60,763**	**117,714**
Proceeds from loans and borrowings	94,369	-
Repayment of borrowings	(20,514)	-
Payment of finance lease liabilities	-	(27,668)
Total changes from financing cash flows	**73,855**	**(27,668)**
Capitalised borrowing costs	13,544	-
Interest expense	2,359	9,182
Interest paid	(17,482)	(8,647)
Total liability-related other changes	**(1,579)**	**535**
Balance at 31 December 2018	**133,039**	**90,581**

EGP'000	Other loans and borrowings	Finance lease liabilities
Restated balance at 1 January 2017	**-**	**155,523**
Proceeds from loans and borrowings	53,000	-
Repayment of borrowings	-	-
Payment of finance lease liabilities	-	(36,984)
Total changes from financing cash flows	**53,000**	**(36,984)**
Capitalised borrowing costs	7,763	-
Interest expense	-	9,271
Interest paid	-	(10,096)
Total liability-related other changes	**7,763**	**(825)**
Balance at 31 December 2017	**60,763**	**117,714**