



ABRIDGED AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

It is my pleasure to present the abridged audited financial statements for MedTech Holdings Limited for the year ended 31 December 2019.

Operating Environment

The operating and economic environment remained challenging during the period under review. There has been no improvement to the trading environment and factors as previously mentioned in our half year and third quarter publications still exist. These factors include liquidity constraints, subdued demand, power outages, foreign currency shortages and rapid devaluation of the Zimbabwe Dollar ("ZWL") leading to increased costs of key imports and a sharp rise in inflation (cost push inflation). These factors continue to hamper productivity and depress economic growth. The hyperinflationary environment has reduced consumers disposable income, and this has resulted in decreased demand and decreased real sales values.

There were several legislative amendments and changes during the year 2019. Most notable legislative amendments include;

- The introduction of RTGS Dollars on 22 February 2019 (SI 33 of 2019) where in an interbank market was created and the RTGS Dollar and United States Dollar were no longer at parity;
- Abolishment of the multi-currency regime and introduction of Zimbabwe Dollar (SI 142 of 2019); and
- Revised listing requirements (SI 134 of 2019).

Change in functional currency

As previously advised during the half year publication, the functional and reporting currency changed from United States Dollar ("US\$") to RTGS Dollar. Subsequently, the RTGS Dollar was replaced by the Zimbabwe Dollar ("ZWL").

Financial Reporting in a Hyper Inflationary Economy

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement indicating that the conditions for a hyperinflationary economy had been met in Zimbabwe, and entities should commence hyperinflationary reporting in compliance with International Accounting Standard 29 ("IAS 29"), "Financial Reporting In Hyperinflationary Economies" for reporting periods ending on or after 1 July 2019. For the purposes of fair presentation in accordance with IAS 29, the historical cost information has been restated for changes in general purchasing power of Zimbabwean dollar ("ZWL") and appropriate adjustments and reclassifications have been made. Accordingly, the inflation adjusted financial statements represents the primary financial statements of the Group. The historical cost financial statements have been provided by way of supplementary information.

Financial Highlights

Financial highlights and commentary on the financials are based on the inflation adjusted numbers.

- Group revenues decreased by 31% from \$101,468,485 in 2018 to \$70,481,356 in 2019.
- Deterioration in operating profit by 45% from \$37,824,976 in 2018 to \$20,887,957 in 2019;
- Deterioration in profit before tax from a profit of \$11,545,397 in 2018 to a loss before tax of \$41,339,987 in 2019.

Group	2019 \$	2018 \$
Revenues	\$70,481,356	\$101,468,485
Gross Profit %	58%	60%

Group revenue decreased by 31% compared to comparative prior period. The causes of the revenue decrease include;

- A stance by management to restrict sales due to the continual devaluation of the debtors book with the aim of preserving shareholder value,
- Decreased consumer spending as income levels have not kept up with rising general price levels and this has caused aggregate demand to remain subdued; and
- Stockouts because of challenges in sourcing replacement stock of raw materials and goods due to stop supply from foreign creditors because of overdue balances

There was a significant sales volume decrease of approximately 70% as compared to the corresponding prior period.

One should note that the margins are artificially high. For several years, there has been a decrease in volumes resulting in slower stock turn over. Such stocks are recorded at historical costs. However due to inflation, selling prices are regularly increased to be able to cover real replacement cost. This disparity has caused artificially high margins.

The inflation adjusted net exchange rate loss included in the net finance costs for the year of \$62,227,944 was mainly due to the translation of monetary liabilities (mainly foreign creditors) during the period. However, there is a possibility that these losses may reverse if the legacy debts are dealt with by the Reserve Bank of Zimbabwe as promised.

FMCG Segment	2019 \$	2018 \$
Revenues	\$51,613,095	\$82,622,032
Gross Profit %	49%	56%

The FMCG Segment includes MedTech Distribution, Smart Retail and Choice Brands. Segment revenue decreased by 38% compared to comparative prior period. Reasons for sales decrease are the same as those mentioned in the Group commentary above. Another factor contributing to reduced sales was grey market imports. Margins decreased due to reduced real selling prices as well as promotions entered into so as to try and increase sales volumes which had significantly decreased compared to the prior period. The FMCG segment posted an inflation adjusted loss before tax of \$22,377,232. The loss is attributable to loss on exchange on amounts owing to foreign creditors.

Medical Segment	2019 \$	2018 \$
Revenues	-	\$2,297,442
Gross Profit %	-	28%

The Medical Segment includes MedTech Medical and Scientific (Private) Limited and Education and Laboratory Services Division including Laboratory Services. This segment did not trade during the period under review since there were working capital challenges and inadequate stock as foreign suppliers maintained their stance of cutting lines of credit.

The medical segment posted an inflation adjusted profit before tax of \$5,232,510. The profit is attributable to holding of fixed assets which resulted in a net monetary gain.

Manufacturing Segment	2019 \$	2018 \$
Revenues	\$27,468,615	\$23,319,703
Gross Profit %	57%	58%

The manufacturing segment comprises of Chicago Cosmetics (Private) Limited. Revenues increased by 18% compared to comparative prior period. The revenue increase was because of increased product offering. Margins remained stagnant. The manufacturing segment posted an inflation adjusted profit before tax of \$7,924,412. The profit is attributable to holding of fixed assets which resulted in a net monetary gain.

Associate Company: MedTech Food and Beverages (Private) Limited

The associate's results have not been incorporated as it still reflects a cumulative loss position.

Legacy debt

The Group owes legacy debts amounting to ZAR 27.8 million to foreign creditors. Some of the debts have been validated by the Reserve Bank of Zimbabwe while appeals have been put in for others. At this stage, the Group is unsure when payments will be made for the debts validated and when a response will be received for appeals lodged. Delays in the payment of legacy debt has resulted in cuts in supply and stock outs which is one of the contributing factors to the decreased sales volumes. For prudence, these foreign creditors have been restated to the interbank rate of 16.77 at end of the reporting period. The extent of liabilities owing to the foreign creditors leaves the Group in a precarious position.

Dividend

Given the liquidity challenges and the Group's working capital needs and loss position, the Directors resolved not to declare a dividend.

Outlook

The trading environment and macro-economic conditions remain volatile. The full impact of COVID 19 is yet to be felt but will undoubtedly have a significant adverse impact on the Zimbabwean economy.

Uncertainty related to payment of legacy debt affects our foreign credit lines, and with no definitive position, this may result in serious challenges and our ability to continue in the future.

We will continue to do our best to maintain market share and sales and keep up strict cost control.

Appreciation

I wish to record my appreciation to all stakeholders, strategic partners and suppliers, customers, management, and staff for their support. I also wish to thank the non-executive directors for their considerable guidance.

R. Mazula
Chairman
8 May 2020
Directors: R. Mazula (Chairman), A. Motiwala* (CEO); F. Sheikh; T. Sheikh; V. Lapham.
(*Executive)
Company Secretary M.Y. Patel

AUDITORS STATEMENT

The Group's external auditors, AMG Global Chartered Accountants (Zimbabwe), have audited the Group's financial statements for the year ended 31 December 2019 on which this publication is based and have issued a disclaimer thereon. The basis of disclaimer was mainly due to the Group's inability to comply with International Accounting Standard 21 ("IAS 21") "The Effects Of Changes In Foreign Exchange Rates". The auditors have reported a material uncertainty related to going concern (see note 15). The auditors have also drawn attention to a non-adjusting subsequent event COVID 19 (see note 7). Key audit matters identified include the valuation of accounts receivable, the valuation and existence of inventories, the determination of amounts recognised as cost of sales and accounts payable. The financial statements were audited by Clayton Kazembe, CA(Z), a member of the Institute of Chartered Accountants Zimbabwe ("ICAZ"), Public Practice Certificate Number 0372 and a registered Public Auditor with the Public Accountants and Auditors Board, Public Auditor Registration Number 0226.

The auditor's report is available for inspection at the Company's registered office

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2019

	Inflation adjusted		Historical	
	2019 \$	2018 \$	2019 \$	2018 \$
Turnover	70,481,356	101,468,485	28,280,402	12,341,786
Cost of sales	(29,802,053)	(40,975,895)	(10,115,927)	(4,852,265)
Gross profit	40,679,303	60,492,590	18,164,475	7,489,521
Operating profit	20,887,957	37,824,976	10,172,224	4,618,560
Net financing costs	(62,227,944)	(26,279,579)	(29,874,024)	(3,196,431)
(Loss) / profit before taxation	(41,339,987)	11,545,397	(19,701,800)	1,422,129
Net monetary gain	33,100,208	4,155,438	-	-
Taxation	1,424,448	(3,164,645)	4,694,571	(384,919)
(Loss) / profit from continuing operations	(6,815,331)	12,536,190	(15,007,229)	1,037,210
Other comprehensive income				
Foreign currency translation gain / (loss)	7,684,238	-	(378,464)	-
Total comprehensive profit / (loss) for the year	868,907	12,536,190	(15,385,693)	1,037,210

Attributable to:

Owners of the parent	8,260,481	6,657,900	(7,994,119)	450,573
Non controlling interests	(7,391,574)	5,878,290	(7,391,574)	586,637

Total (loss) / profit for the year **868,907** **12,536,190** **(15,385,693)** **1,037,210**

	Cents	Cents	Cents	Cents
Profit / (loss) per share	0.272	0.219	(0.263)	0.015
Basic profit / (loss) per share	0.272	0.219	(0.263)	0.015
Headline profit / (loss) per share	0.272	0.219	(0.263)	0.015

Ordinary shares in issue during the year 3,039,764,872 3,039,764,872 3,039,764,872 3,039,764,872

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year Ended 31 December 2019

	Inflation adjusted		Historical	
	2019 \$	2018 \$	2019 \$	2018 \$
TOTAL ASSETS				
Non current assets				
Property, plant and equipment	17,184,455	10,385,316	3,016,840	1,191,917
Intangible asset	428,871	168,760	94,123	18,971
Deferred taxation	8,036,983	1,233,845	7,282,640	142,479
	25,650,309	11,787,921	10,393,603	1,353,367
Current assets				
Inventories	19,415,246	10,259,191	7,991,851	1,247,843
Accounts receivable	7,541,458	16,593,954	7,541,458	2,634,175
Amounts owed by related parties	4,056,410	2,203,838	4,056,410	352,012
Cash and bank balances	1,217,503	1,320,111	1,217,503	210,857
	32,230,617	30,377,094	20,807,222	4,444,887
Total assets	57,880,926	42,165,015	31,200,825	5,798,254
EQUITY AND LIABILITIES				
Equity				
Issued share capital and reserves	10,360,076	2,099,595	(8,055,965)	(61,846)
Non controlling Interests	1,834,731	9,226,305	(6,428,572)	963,002
Total equity	12,194,807	11,325,900	(14,484,537)	901,156
Non-current liabilities				
Finance leases	-	245,695	-	39,244
Deferred taxation	802	387,196	45	49,390
	802	632,891	45	88,634
Current liabilities				
Accounts payable	35,880,647	18,982,329	35,880,647	3,015,706
Short term loans payable	5,336,668	2,395,747	5,336,668	382,664
Finance leases	40,635	307,725	40,635	49,152
Amounts owed to related parties	1,682,439	6,228,135	1,682,439	994,800
Taxation	2,744,928	2,052,554	2,744,928	327,850
Bank overdraft	-	239,734	-	36,292
	45,685,317	30,206,224	45,685,317	4,808,464
Total equity and liabilities	57,880,926	42,165,015	31,200,825	5,798,254

CONSOLIDATED STATEMENT OF CASHFLOWS

Year Ended 31 December 2019

	Inflation adjusted		Historical	
	2019 \$	2018 \$	2019 \$	2018 \$
NET CASH FLOWS FROM OPERATING ACTIVITIES				
Net cash flows from operations	66,583,702	32,901,316	26,774,404	3,809,458
Returns on investments and servicing of finance				
Net financing costs	(62,227,944)	(26,279,579)	(29,874,024)	(3,196,431)
Taxes paid				
Income tax paid	(5,072,710)	(4,221,156)	(77,883)	(404,486)
Net cash flows from operating activities	(716,952)	2,400,581	(3,177,503)	208,541
NET CASHFLOWS FROM INVESTING ACTIVITIES				
Acquisition of plant and equipment	(1,472,160)	(2,939,754)	(637,108)	(357,568)
Acquisition of intangible assets	(101,898)	-	(46,695)	-
Net cash flows from investing activities	(1,574,058)	(2,939,754)	(683,803)	(357,568)
NET CASH FLOWS FROM FINANCING ACTIVITIES				
Net movement in short term loans payable	2,940,921	(1,446,778)	4,954,004	(49,291)
Net movement in finance leases	(512,785)	100,408	(47,761)	37,471
Net cash flows from financing activities	2,428,136	(1,346,370)	4,906,243	(11,820)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	137,126	(1,885,543)	1,044,937	(160,847)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2019

	Inflation Adjusted							
	Share capital \$	Share premium \$	Non Distributable Reserve \$	Currency Translation Reserve \$	Accumulated Losses \$	Total \$	Non controlling interest \$	Total \$
Balances as at 31 December 2017	270,401	15,588,729	8,995,763	-	(29,413,199)	(4,558,305)	3,348,015	(1,210,290)
Total comprehensive profit for the year	-	-	-	-	6,657,900	6,657,900	5,878,290	12,536,190
Balances as at 31 December 2018	270,401	15,588,729	8,995,763	-	(22,755,299)	2,099,595	9,226,305	11,325,900
Total comprehensive loss for the year	-	-	-	7,719,657	540,824	8,260,481	(7,391,574)	868,907
Balances as at 31 December 2019	270,401	15,588,729	8,995,763	7,719,657	(22,214,474)	10,360,076	1,834,731	12,194,807

	Historical							
	Share capital \$	Share premium \$	Non Distributable Reserve \$	Currency Translation Reserve \$	Accumulated Losses \$	Total \$	Non controlling interest \$	Total \$
Balances as at 31 December 2017	30,397	1,752,397	1,011,253	-	(3,306,466)	(512,419)	376,365	(136,054)
Total comprehensive profit for the year	-	-	-	-	450,573	450,573	586,637	1,037,210
Balances as at 31 December 2018	30,397	1,752,397	1,011,253	-	(2,855,893)	(61,846)	963,002	901,156
Total comprehensive loss for the year	-	-	-	(343,044)	(7,651,075)	(7,994,119)	(7,391,574)	(15,385,693)
Balances as at 31 December 2019	30,397	1,752,397	1,011,253	(343,044)	(10,506,968)	(8,055,965)	(6,428,572)	(14,484,537)

SUPPLEMENTARY INFORMATION

Year Ended 31 December 2019

1 Directors' responsibility and statement of compliance

The Holding Company's directors are responsible for the preparation and fair presentation of the Group's consolidated financial statements of which this press release represents an extract. These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), IFRS Interpretations Committee ("IFRSIC") interpretations applicable and in a manner required by the Zimbabwe Companies Act (Chapter 24:03). The financial statements are based on statutory records that are maintained under the historical cost convention and adjusted to taking into account the effect of inflation in accordance with the provisions of International Accounting Standard ("IAS 29") "Financial Reporting In Hyperinflationary Economies." The Group has not been able to comply with International Accounting Standard ("IAS 21") "The Effects Of Changes In Foreign Exchange Rates," due to compliance with laws and regulations stemming from Statutory Instrument 33 of 2019. Refer to note 2 below on change in functional and presentation currency.

For the purposes of fair presentation in accordance with International Accounting Standard ("IAS 29") "Financial Reporting In Hyperinflationary Economies," the historical cost information has been restated for changes in general purchasing power of Zimbabwean dollar ("ZWL") and appropriate adjustments and reclassifications have been made. The restatement has been calculated by means of adjusting factors derived from the consumer price index ("CPI") prepared by Zimbabwe National Statistics Agency ("ZimStat"). Accordingly, the inflation adjusted financial statements represents the primary financial statements of the Group. The historical cost financial statements have been provided by way of supplementary information and have been audited. The consolidated financial statements are available at the Company's registered office.

2 Functional and presentation currency

The Group's functional and presentation currency changed from United States Dollar ("US\$") to RTGS Dollar following the re-introduction of a local currency on 22 February 2019 and the establishment of an interbank currency market in Zimbabwe through Statutory Instruments 32 and 33 of 2019 and Exchange Control Directive RU28 of 2019. The local currency started to trade officially against other international currencies on 22 February 2019. Subsequently, the RTGS Dollar was replaced by the Zimbabwe Dollar ("ZWL") on 24 June 2019 through Statutory Instrument 142 of 2019 which removed the multi-currency system.

The Group had in prior financial periods used the United States Dollar as its functional and presentation currency. The fiscal and monetary policy pronouncements made through the above-mentioned statutory instruments led to a reassessment of the functional currency and a justification to conclude that, under IAS 21 'Effects of Foreign Exchange Rates', there was a change in functional currency effective 22 February 2019. Comparative numbers for the year ended 31 December 2018 have not been restated and have been disclosed as Zimbabwe Dollars at a rate of USD1:ZWL1, and are inflation adjusted. The opening balances at 1 January 2019 are carried at USD1:ZWL1 in compliance with Statutory Instrument 33 of 2019.

The Group used this fixed exchange rate at 1 January 2019 and thus did not comply with the requirements of International Accounting Standard 21 (IAS21), "The Effects of Changes in Foreign Exchange Rates", as doing so would have been in contravention of SI 33 of 2019. The financial statements were restated using the first available interbank mid-rate on 22 February 2019 of USD1:ZWL2.5, giving rise to Currency Translation Reserve of ZWL 7,719,657 (historical 343,044).

The Directors have restated the comparative information at the official rate of USD1:ZWL1 as the cost and effort of restating the comparative information using any other rate outweighs the benefits that may arise from the exercise and would contravene the country's laws and regulations.

3 Accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are consistent with those of the previous year. Applicable new standards and interpretations did not materially either quantitatively and qualitatively affect the Groups consolidated financial statements.

4 Inflation adjustment

The Public Accountants Auditors Board ("PAAB") issued a pronouncement ("Pronouncement 01/2019") on the application of International Accounting Standard ("IAS 29") "Financial Reporting In Hyperinflationary Economies", in Zimbabwe after broad market consensus factors and characteristics to consider Zimbabwe economy as hyperinflationary have been met. One characteristic that leads to the classification of an economy as hyperinflationary, is a cumulative three year inflation rate approaching or exceeding 100 percent. Pronouncement 01/2019 covered the preparation and presentation of financial statements of entities operating in Zimbabwe for the financial periods ending on or after 1 July 2019. The Group determined the effective date of application of the standard as 1 January 2019. International Financial Reporting Interpretations Committee ("IFRIC 7"), 'Economies Becoming Hyperinflationary', requires that the entity applies the IAS 29 as if the economy was always hyperinflationary. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the reporting date, and that the corresponding figures for prior periods be stated in terms of measuring unit current at the end of reporting date. The restatement has been calculated by means of adjusting factors derived from the consumer price index (CPI) prepared by Zimbabwe National Statistics Agency ("ZimStat"). The adjustment factors used to restate the financial statements as at 31 December 2019, using 2018 base year are as follows:

Date	Indices	Adjusting factor
CPI as at 31 December 2017	62.50	8.83
CPI as at 31 December 2018	88.81	6.21
CPI as at 31 December 2019	551.74	1

The indices and adjusting factors have been applied to the historical cost of transactions and balances as follows:

All items in income statements are restated by applying relevant monthly adjusting factors; The net effect of the inflation adjustments on the net monetary position of the Group is included in the income statement as a monetary loss or gain; Comparative information is restated using the inflation indices in terms of the measuring unit current at the reporting date; The application of the IAS 29 restatement procedures has the effect of amending certain accounting policies which are used in the preparation of the financial statements under historical cost convention. The policies affected are;

- Monetary assets and liabilities are not restated as they are already stated in terms of the measuring unit current at the reporting date;
- Non-monetary assets and liabilities are not carried at amounts current at the reporting date and components of shareholders equity are restated by applying the relevant monthly adjusting factor;
- Inventories are carried at the lower of indexed cost and net realizable value;
- Deferred tax is provided in respect of temporary differences arising from the restatement of assets and liabilities; and
- All items of cash statement are expressed in terms of measuring unit current at the reporting date.

5 Contingent liabilities

The Company had no material contingent liabilities as at 31 December 2019.

6 Supplementary information

	Inflation adjusted		Historical	
	2019 \$	2018 \$	2019 \$	2018 \$
Capital expenditure	1,574,058	2,939,754	683,803	357,568
Depreciation	4,345,672	1,946,583	551,891	221,463
Operating profit	20,887,957	37,824,976	10,172,224	4,618,560
Operating profit is stated after charging items of significance:				
Auditors remuneration	478,895	420,219	395,204	51,112
Directors fees	172,592	96,439	121,799	11,730
Foreign currency translation gain / (loss)	7,684,238	-	(378,464)	-

7 Approval and events after the reporting period

The underlying financial statements to these results were approved by the Board on 8 May 2020. However, subsequent to the reporting period date, there was a non-adjusting event stemming from COVID 19. COVID 19 has been declared as a pandemic by the World Health Organization and a national disaster by the Government of Zimbabwe. Zimbabwe implemented a lockdown of the country to mitigate and contain the spread and transmission of the virus. Relevant statutory instruments were put in place to ensure compliance with the lockdown. The initial lockdown was for a period of 21 days, thereafter there was an extension by a further 14 days to end 03 May 2020. Subsequently a further extension of 14 days was declared which we are currently in. The full impact of COVID 19 is yet to be felt but will undoubtedly have a significant adverse impact on the Zimbabwean economy. During the period of lock down the Group was permitted to operate. The FMCG segment markets and distributes sanitizers and personal care products and the manufacturing segment manufactures sanitizers and personal care products. The Group operated at reduced levels during the lock down period. Sales volumes have been depressed as most chain stores and wholesalers were restocking basic commodities and not restocking products supplied by us. However, sales volumes to informal traders increased due to the unavailability of grey market imports. Overall, the lock down will result in decreased volumes in quarter 2 of year 2020. The Group has implemented various mitigation measures to minimize the effects of COVID 19 in as much as this is possible. In terms of business continuity, the Group measures in place are sufficient to ensure continuity and business risks are being continually monitored. The solvency of the Group remains poor but with the continued support of major suppliers, solvency is not expected to be an issue. There are many uncertainties that make it difficult to fully estimate the full impact of the COVID 19 pandemic on the financial health of the Group.

8 Property, Plant and Equipment

	Inflation adjusted		Historical	
	2019 \$	2018 \$	2019 \$	2018 \$
Capital expenditure incurred to maintain and replace existing non-current assets	1,472,160	2,939,754	637,108	357,568
Capital expenditure incurred on software	101,898	-	46,695	-
	1,574,058	2,939,754	683,803	357,568

9 Assets pledged as security

Assets pledged as security for borrowings comprise motor vehicles subject to finance leases. The carrying amount of the Group's non current assets pledged as security was \$261,844 (31 December 2018 : \$134,663). In addition the composite credit facility is secured by a notarial general covering bond (NGCB) for \$887,500 over inventories and accounts receivable.

10 SEGMENT INFORMATION

Year Ended 31 December 2019

	FMCG \$	Medical \$	Inflation adjusted		Total \$
			Manufacturing \$	Eliminations / Unallocated \$	
Revenue - external	51,447,839	-	19,033,517	-	70,481,356
- internal	165,256	-	8,435,098	(8,600,354)	-
Total	51,613,095	-	27,468,615	(8,600,354)	70,481,356
Net financing (costs) / income	(52,426,943)	-	(9,801,041)	40	(62,227,944)
Depreciation	(2,401,889)	(105,159)	(1,814,899)	(23,725)	(4,345,672)
Net monetary gain	20,401,370	3,247,855	8,300,867	1,150,117	33,100,208
Segment (loss) / profit before tax	(22,377,232)	5,232,510	7,924,412	980,531	(8,239,778)
Taxation	3,786,220	-	(2,360,583)	(1,189)	1,424,448
Segment (loss) / profit after tax	(18,591,012)	5,232,510	5,563,829	979,342	(6,815,331)
Foreign currency translation gain / (loss)	2,802,955	145,079	4,631,317	104,887	7,684,238
Segment total comprehensive income	(15,788,057)	5,377,589	10,195,146	1,084,229	868,907
Segment assets	35,963,839	1,974,639	21,151,747	(1,199,299)	57,880,926
Segment liabilities	38,446,834	1,466,153	7,989,107	(2,215,958)	45,686,137

Year Ended 31 December 2018

	FMCG \$	Medical \$	Inflation adjusted		Total \$
			Manufacturing \$	Eliminations / Unallocated \$	
Revenue - external	82,612,454	2,297,442	16,558,590	-	101,468,485
- internal	9,575	-	6,761,113	(6,770,692)	-
Total	82,622,032	2,297,442	23,319,703	(6,770,692)	101,468,485
Net financing (costs) / income	(19,841,375)	282	(6,438,507)	44	(26,279,556)
Depreciation	(1,227,463)	(16,296)	(658,611)	(44,213)	(1,946,583)
Net monetary (loss) / gain	(717,283)	1,598,534	2,770,413	503,774	4,155,438
Segment profit before tax	8,276,230	2,277,368	4,692,235	454,991	15,700,824
Taxation	(2,579,897)	-	(653,516)	68,767	(3,164,646)
Segment profit after tax	5,696,333	2,277,368	4,038,719	523,758	12,536,178
Segment assets	39,369,813	4,298,340	14,114,413	(15,617,549)	42,165,015
Segment liabilities	26,074,764	9,167,427	11,146,919	(15,549,994)	30,839,115

Year Ended 31 December 2019

	FMCG \$	Medical \$	Historical		Total \$
			Manufacturing \$	Eliminations / Unallocated \$	
Revenue - external	20,083,066	-	8,197,336	-	28,280,402
- internal	62,706	-	3,603,356	(3,666,662)	-
Total	20,145,772	-	11,801,292	(3,666,662)	28,280,402
Net financing (costs) / profit	(24,361,107)	-	(5,512,936)	19	(28,874,024)
Depreciation	(290,312)	(11,824)	(247,088)	(2,667)	(551,891)
Segment (loss) / profit before tax	(20,404,845)	(11,824)	718,938	(4,070)	(19,701,801)
Taxation	4,944,319	-	(248,558)	(1,190)	4,694,571
Segment (loss) / profit after tax	(15,460,526)	(11,824)	470,380	(5,259)	(15,007,229)
Foreign currency translation (loss) / gain	(1,137,383)	26,094	713,960	18,865	(378,464)
Segment total comprehensive (loss) / income	(16,597,910)	14,270	1,184,340	13,607	(15,385,693)
Segment assets	23,548,660	644,692	9,273,462	(2,265,989)	31,200,825
Segment liabilities	38,446,053	1,466,153	7,989,107	(2,215,952)	45,685,362

Year ended 31 December 2018

	FMCG \$	Medical \$	Historical		Total \$
			Manufacturing \$	Eliminations / Unallocated \$	
Revenue - external	10,048,296	279,442	2,014,048	-	12,341,786
- internal	1,166	-	822,367	(823,533)	-
Total	10,049,462	279,442	2,836,415	(823,533)	12,341,786
Net financing (costs) / income	(2,413,341)	37	(783,127)	-	(3,196,431)
Depreciation	(139,966)	(1,833)	(74,693)	(4,971)	(221,463)
Segment profit / (loss) before tax	1,160,101	(32,367)	299,923	(5,228)	1,422,129
Taxation	(313,798)	-	(79,487)	8,366	(384,919)
Segment profit / (loss) after tax	846,303	(32,367)	220,436	2,838	1,037,210
Other comprehensive income	-	-	-	-	-
Segment assets	7,213,068	628,554	1,868,056	(3,911,424)	5,798,254
Segment liabilities	5,512,564	1,464,285	1,768,042	(3,847,793)	4,897,098

11 Net financing costs

	Inflation adjusted		Historical	
	2019 \$	2018 \$	2019 \$	2018 \$
Interest payable	(1,177,068)	(2,278,007)	(556,187)	(277,078)
Net exchange rate loss	(61,051,715)	(24,013,304)	(29,318,196)	(2,920,780)
Interest received	839	11,732	359	1,427
	(62,227,944)	(26,279,579)	(29,874,024)	(3,196,431)

12 Account payable

	Inflation adjusted		Historical	
	2019 \$	2018 \$	2019 \$	2018 \$
Accounts payable	35,880,647	18,982,329	35,880,647	3,015,706

The Group's major accounts payable are foreign suppliers and the increase is due to changes in the functional currency which has resulted in translation from a previous USD1: ZWL1 to interbank rates at 31 December 2019 USD1: ZWL16.77. Existing foreign creditors amount to ZAR 27.9 million.

13 Short term loans payable

	Inflation adjusted		Historical	
	2019 \$	2018 \$	2019 \$	2018 \$
Short term loans payable	5,336,668	2,395,747	5,336,668	382,664

The short term borrowings were incurred to finance capital expenditure and working capital requirements. As at 31 December 2019, short term borrowings amounting to \$3,336,668 (31 December 2018: \$17,690) were unsecured, whilst \$2,000,000 (31 December 2018 : \$ 364,974) were secured by an unlimited guarantee issued by the holding company and NGCBs for \$887,500 over inventories and accounts receivable.

14 Amounts owed to related parties

The amounts are owed to Turfgreens Investments (Private) Limited and Grillage Investments (Private) Limited. These companies are under the control of one of the holding company's major shareholders. The amounts owed which are payable in the ordinary course of business, are in respect of rentals payable for various properties leased by the Group.

15 Going concern

The Group's equity reserves have been significantly depleted over the last few years due to cumulative operating losses. The directors have assessed the ability of the Group to continue as a going concern and are of the view that the preparation of these financial statements on a going concern basis appropriate as for the reasons disclosed in detail in the financial statements.

Office address:
3 Elcombe Avenue
Belgravia
Harare
Zimbabwe

Mail address:
P O Box 3230
Harare
Zimbabwe

Telephone: +263-04- 251415-8
Fax: +263 -04- 251420
Cell: +263 772 147 993-4
Email: info@amgglobal.co.zw
website: www.amgglobal.co.zw



Chartered Accountants
(Zimbabwe)

A member firm of AMG Global, a Swiss Verein

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MEDTECH HOLDINGS LIMITED
and its subsidiaries**

Disclaimer of opinion

We have audited the consolidated financial statements of MedTech Holdings Limited and its subsidiaries (“the Group”), set out on pages 6 to 59, and comprising the following:

- Consolidated and company statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows, for the year ended 31 December 2019;
- Group and company’s statements of financial position as at 31 December 2019;
- A summary of the significant accounting policies applied by the Group and company during the year ended 31 December 2019; and
- Related financial statements notes.

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph below, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion, and accordingly we do not express an opinion on the Group’s financial statements.

Basis for disclaimer of opinion

Functional and presentation currencies of comparative information

During the financial year ended 31 December 2018, and for the period from 1 January 2019 to 20 February 2019, there was no official/legal local currency in Zimbabwe. The United States dollar was deemed by the directors to be the functional and presentation currency of the Group. According to the Reserve Bank of Zimbabwe (“RBZ”) Act, the balances between the Bond note, RTGS System and the US\$ notes were legally exchangeable at 1:1 during this period. However, there was constrained exchangeability (the Group was not readily able to exchange currencies through a legal exchange mechanism within a relatively short period of time) of the RTGS balances with foreign currencies in Zimbabwe as there was no legal foreign exchange mechanism. Furthermore, there was a differential between the value of pricing of goods and services depending on the mode of settlement, albeit through the RTGS system, with the bond notes and US dollars.

The Group transacts a significant amount of business in foreign currencies (especially in the procurement of raw materials and goods for resale), and had significant foreign currency denominated assets and liabilities in its statement of financial position as at 31 December 2018 and 20 February 2019. During this period, the Group was unable to comply with the requirements of *IAS 21 The Effects of Changes in Foreign Exchange Rates* in the recognition and measurement of foreign currency denominated transactions and balances in its accounting records, as well as, the presentation and disclosure of same in its financial statements.

During this period, there was evidence of a three tier pricing system in Zimbabwe, namely for the US dollar, for the funds in the electronic transfer system (“RTGS”) and the bond notes. According to the conceptual framework for financial reporting, financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon. [March 2019 Conceptual Framework paragraph 2.12].





On 20 February 2019, the Reserve Bank of Zimbabwe issued a Monetary Policy Statement in which the bond notes and coins were redenominated as RTGS Dollars. At the same time, the RBZ established an interbank foreign exchange market in Zimbabwe to formalize the exchange of RTGS Dollars with United States Dollars. The opening exchange rate for the United States Dollar to the RTGS Dollar as at 23 February 2019 was 1:2.5.

The Directors had to apply judgement in determining the rates at which the historical comparative information for the year ended 31 December 2018 would be restated. The currency conversion challenge emanates from the existence of a 3-tier pricing structure during the comparative period depending on mode of settlement and the challenge was compounded by the fact that the official exchange rate between US\$ and the bond note/electronic balances was pegged at 1:1 and there was neither an orderly, nor functional market where foreign currency transactions were being conducted in order to establish credible foreign currency conversion rates. On that basis, the Directors have restated the historical comparative information at the official rate of USD/ZW\$1:2.5 as the cost and effort of restating the comparative information using any other rate outweighs the benefits that may arise from the exercise and would contravene the country's laws and regulations.

However, even subsequent to the introduction of the RTGS Dollar on 20 February 2019, there was evidence of a three tier pricing system in Zimbabwe, namely for the US dollar, for the funds in the electronic transfer system ("RTGS Dollars") and the bond notes cash, which again presented challenges in terms of complying with the requirements of IAS 21 and provisions of the conceptual framework for financial reporting as explained above.

As a result of the issues discussed above and the significance thereof, we were unable to determine the adjustments that might have been necessary in respect of comparative information to the financial statements, and to transactions entered into during the beginning of the current financial year to satisfy ourselves concerning the fair presentation of these financial statements.

Material uncertainty related to going concern

We also draw attention note 26 on the financial statements relating to going concern. As at 31 December 2019, the Group was in a net current liability position of \$13 454 700 (2018 net current asset position: \$170 870). These matters, along with other matters as set forth in note 26, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue operating as a going concern. Our opinion is not modified in respect of this matter.

Subsequent events-Covid-19

We draw your attention to note 27 on the financial statements, which states that, towards the end of the year, a health hazard, COVID-19, that was later declared as a world-wide pandemic by the World Health Organisation in March 2020 affected many parts of the world, including Zimbabwe. The Covid 19 pandemic has led to widespread economic uncertainty and volatility in financial market as the measures taken across the globe to try and slow down the spread of the pandemic is impacting both the supply and demand for many goods and services. Although fiscal and monetary policy measures are also being implemented to prop up the economy, many still believe there is a possibility of a global recession.

As at the date of the approval of the financial statements, management was in the process of assessing the full impact of COVID-19 on its operations. However, management, do not anticipate the COVID-19 to have a significant impact on its operations, and as result the going concern assumption adopted in the preparation of these financial statements has not been revised.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. Key audit matters are selected from the matters communicated with the Directors, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of accounts receivables</p> <p>The Group's gross trade receivables amounted to \$7 645 169 (2018: \$13 447 739) at year end and trade receivables amounting to \$1 531 552 (2018:\$6 076 107) were past due but not impaired at year end. An allowance for credit losses of \$611 832 (\$2018:3 830 491) was provided for at year end. The Zimbabwean economy is currently facing liquidity challenges and the recoverability of trade receivables could be doubtful. The valuation of accounts receivables was therefore considered a key audit matter.</p>	<p>We focused our attention on assessing the recoverability of trade receivables and our procedures included the following:</p> <ul style="list-style-type: none"> • We circularised trade receivables balances as at 31 December 2019; • We assessed the adequacy and appropriateness of the Group's policies and procedures on providing for credit losses and writing off bad debts; • We assessed the adequacy of the allowance for credit losses; • We verified bad debts written off during the year; • We assessed the trade receivables performance post year end and up to the date of our report; and • We verified the adequacy of disclosures relating to accounts receivable made in note 16 to the financial statements. <p>We were satisfied with the results of our audit procedures.</p>
<p>Inventories and cost of sales</p> <p>The Group's inventories comprise mostly of numerous imported product lines and are stored at different locations where the Group's business units operate from. In addition, the costing of imported inventories requires the translation of foreign currency denominated cost components into United States Dollars, the Group's functional currency, at varying exchange rates throughout the year. The Group's inventories are predominantly acquired from South Africa.</p> <p>As such, we considered the existence and valuation of inventories a key audit matter.</p>	<p>Our audit approach was focused on verifying the existence and condition of the Group's inventories, the valuation of inventories and the determination of amounts recognized as cost of sales during the year. We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • We attended and observed the Group's year end stock counts. We also conducted our own test counts and inspected the physical condition of the inventories during those stock count exercises; • We considered the control environment over the procurement, custody and costing and valuation of inventories; • We re-performed the costing of inventories on a test basis paying particular attention to the exchange rates used to cost imported inventories; • We also re-computed the amounts recognised as cost of sales by the Group companies; • We performed cut off tests for inventories' receipts and dispatches; • We assessed the procedures for identifying and writing off and/or providing for damaged and

	<p>obsolete stocks and the adequacy of stock provisions and stock write offs done during the year;</p> <ul style="list-style-type: none"> • We verified the inventories' valuation reports prepared by management as at 31 December 2019; and • We verified the disclosures relating to inventories presented in note 15. <p>Except for the effect of exchange rates as described in the basis of disclaimer of opinion paragraph above, we were satisfied with the results of our audit procedures.</p>
Key audit matter	How our audit addressed the key audit matter
<i>Accounts payable</i>	
<p>As stated previously, the Group imports a significant component of its inventories from South African based suppliers. Exchange rate differences arose because of the movements in the exchange rate between the South African Rand ("ZAR") and the United States Dollar ("US\$") during the year as well as when translating the ZAR creditors to USD at year end. The Group owed a total of ZAR27 899 267 to its foreign suppliers at year end. The ZAR – US\$ exchange rate has been volatile throughout the financial year ended 31 December 2019. As such, the determination of amounts recognized in the financial statements as accounts payable and exchange rate gains/(losses) were considered a key audit matter.</p>	<p>Our approach focused on verifying the completeness and valuation of foreign creditors and the exchange rate differences recognised in the financial statements.</p> <ul style="list-style-type: none"> • We inspected and re-performed the foreign creditors' reconciliations and satisfied ourselves as to the amounts due to those creditors as 31 December 2019; • We considered the internal controls over the reconciliation of creditors; • We performed cut off tests for inventories, receipts and dispatches; • We verified the exchange rates used to translate the foreign currency denominated creditors to USD at year end; • We recomputed the exchange rate gains and losses recognized in the financial statements during the year; and • We verified the disclosures in respect of accounts payable in the financial statements. <p>Except for the effect of exchange rates as described in the basis of disclaimer of opinion paragraph above, we were satisfied with the results of our audit procedures.</p>

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the presentation and disclosure requirements of the Companies Act (Chapter 24:03) as well as for such internal control the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

The financial statements were prepared under the supervision of Muhammad Y Patel, ACCA member, number 1182437.



Auditor's responsibilities for the audit of the group financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We are required to communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are required to provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been properly drawn up so as to comply, in all material respects, with the financial disclosure and presentation requirements of the Companies Act (Chapter 24:03) and related legislation.

The engagement partner responsible for the audit resulting in this independent auditor's report is Clyton Kazembe, Registered Public Auditor - PAAB Number 0372.

A handwritten signature in blue ink, appearing to read 'Ann Global'.

**AMG Global
Harare**

8 May 2020