(Incorporated in Zimbabwe on 10 February 1997, Registration number 897/97)

# SHORT FORM ANNOUNCEMENT
# FOR THE YEAR ENDED 31 DECEMBER 2021

## Short-Form Financial Announcement

### Issued in terms of Practice Note 13 of the Zimbabwe Stock Exchange

This short-form announcement is the responsibility of the Directors and is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement.

A copy of the full announcement has been shared with shareholders using the latest email addresses supplied by the shareholder and is available upon request, and for inspection at no charge, at the Company's registered office or via email request to thuli@bridgefortcapital.com. The full announcement is also available on the Zimbabwe Stock Exchange website (data portal): www.zse.co.zw and the Company website www.medtechholdings.co.zw.

| | Inflation adjusted | | | Historical | | |
|---|---|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **% Change** | **2021 $'000** | **2020 $'000** | **% Change** |
| Turnover | 953 382 | 567 161 | 68% | 777 195 | 255 866 | 204% |
| Operating (loss)/profit | (181) | 46 569 | (100%) | 100 923 | 97 660 | 3% |
| Net asset value | 452 888 | 199 860 | 127% | 452 888 | (3 846) | (11 876%) |
| Earnings per share (cents) | | | | | | |
| Basic – Class A | 1 340 | 452 | 196% | 2 823 | 7 | 41 164% |
| Basic – Class B | 1 851 | - | - | 1 851 | - | - |
| Headline – Class A | 193 | 452 | (57%) | 522 | 7 | 7 524% |
| Headline – Class B | - | - | - | - | - | - |

### Dividend

The Directors resolved not to declare a final dividend.

### Auditors Statement

This short-form financial announcement should be read in conjunction with the complete set of the Group's consolidated financial statements for the year ended 31 December 2021. The Group's consolidated financial statements have been independently audited by AMG Global Chartered Accountants (Zimbabwe) who have issued an adverse opinion. The basis of the adverse opnion 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 auditor's report is available for inspection at the Company's registered office and on the Company's website www.medtechholdings.co.zw.

M. Patel
Company Secretary
31 May 2022
Directors: Dr C. Beddies (Chairman), P. Masamba, O. Lutz, W. Marere V. Lapham (Chief Executive)

(Incorporated in Zimbabwe on 10 February 1997, Registration number 897/97)

# ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

## BOARD REPORT

### Introduction

It is our pleasure to present the abridged audited financial results for MedTech Holdings Limited for the year ended 31 December 2021. These results largely reflect the performance of MedTech prior to the conversion into a private equity investment holding company, apart from fair value adjustments. We look forward to announcing private equity transactions, currently being pursued, in due course.

### Operating environment

The year-on-year official inflation rate closed at 349% in December 2020 before receding to the 50% range from July 2021 and ending the 2021 year at 61%. The official auction exchange rate to the US Dollar was 81.8 on 31 December 2020 and devalued to 108.7 at the end of 2021, a devaluation of 32.9%. Typically, one would expect inflation and devaluation to be similar. The discrepancy may reflect the extent to which the exchange rate was managed during the year. The management of exchange rates has seen a widening gap between the official rate and the parallel market rate, resulting in increased demand for currency from the auction. This disparity has effectively been a tax on exporters and remitters of US Dollars to other local companies through the 40% and 20% surrender requirement, whilst also effectively being a subsidy to importers. The result has been a disincentive to the country's exporters and local manufacturers – contrary to what we would ordinarily expect to see.

The operating environment remained difficult and unpredictable during the year, and this has worsened since the year end.

### Update of changes from MedTech to BridgeFort

We have been advised that the various changes required at the Registrar of Companies and Other Business Entities resulting from the EGM held on 15 November 2021 are expected imminently. Shareholders will be advised as soon as the final documents have been received and the ZSE has approved the announcement to shareholders and the renaming of the shares.

### Financial highlights

***Class A Portfolio – Consumer Goods***

The Class A portfolio primarily includes 50.1% of Zvemvura Trading (Private) Limited, trading as MedTech Distribution, and Chicago Cosmetics (Private) Limited, a 51% subsidiary of MedTech Distribution. These businesses primarily sell goods to retailers and wholesalers. Credit demanded by supermarkets is generally 30 days from statement for slower moving products, which is onerous in Zimbabwe's unpredictable and inflationary environment. Typically, these businesses aim to hedge the debtors book and unlock the working capital tied up in debtors through bank borrowings. Inflation continually erodes the real value of the facilities in place necessitating regular facility increases with the associated costs being incurred.

The businesses managed well on hedging mechanisms and this, along with a reduction in the real selling price of goods, less stockouts and a reduction in competition from grey imports and smuggled goods drove an increase in the volume of sales by 110% (198% in distribution and 20% in manufacturing).

Worsening delays in the payment of successful auction bids have hampered operations and resulted in increased working capital demands. At the year-end successful auction bids to the value of USD465,000 were unpaid.

The validated legacy debts amount to ZAR 23.4 million, with ZAR 5.9 million of this having been settled leaving a validated balance payable of ZAR 17.5 million (which has been provided for in the accounts at the auction rate). This legacy debt continues to hamper relationships with suppliers and timeous supply of goods.

| Class A Portfolio – Consumer Goods Financial Highlights | Inflation adjusted | | | Historical | | |
|---|---|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | % Change | 2021 $'000 | 2020 $'000 | % Change |
| Turnover | 953 382 | 567 161 | 68% | 777 195 | 255 866 | 204% |
| Profit before tax | 221 970 | 107 183 | 107% | 205 016 | (5 516) | (3 817%) |
| Comprehensive profit after tax attributable to Class A shareholders | 160 769 | 54 281 | 196% | 338 813 | 821 | 44 164% |
| Basic earnings per share (cents) | 1 340 | 452 | 196% | 2 823 | 7 | 41 164% |
| Headline earnings per share (cents) | 193 | 452 | (57%) | 522 | 7 | 7 524% |

***Class B Portfolio***

Whilst a transaction is pursued, the Class B portfolio continues to only reflect a receivable of USD100,200 relating to 50.1% of the land owned by MedTech Distribution and based on the USD200,000 valuation of this land.

| Class B Portfolio Financial Highlights | Inflation adjusted | | | Historical | | |
|---|---|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | % Change | 2021 $'000 | 2020 $'000 | % Change |
| Turnover | - | - | - | - | - | - |
| Profit before tax | - | - | - | - | - | - |
| Comprehensive profit after tax attributable to Class A shareholders | 24 847 | - | - | 24 847 | - | - |
| Basic earnings per share (cents) | 1 851 | - | - | 1 851 | - | - |
| Headline earnings per share (cents) | - | - | - | - | - | - |

**Dividend**

The Directors resolved not to declare a final dividend.

**Directorate**

After the EGM held on 15 November 2021, Rose Mazula, Tarik Sheikh, Farouq Sheikh and Afzal Motiwala stepped down from the board to pave the way for new directors to lead the change to a private equity investment holding company. This change ushered in a new board where Dr Christian Beddies, Pride Masamba, William Marere and Oliver Lutz were appointed as directors at the EGM.

**Outlook**

The operating environment has deteriorated and become more unpredictable since the year-end with doing business becoming more difficult. Considerable management time is spent in reacting to and dealing with various issues which businesses in most of the rest of the world do not have to invest precious time in. The competitiveness of the informal sector is largely unhindered by policy pronouncements resulting in the informal players becoming an increasing threat to the formal economy. Unfortunately, we envisage this trend continuing, resulting in a smaller tax net and increasing pressure on formal businesses.

Inflation has accelerated rapidly during the year, most recently reported at 132% in May, and will probably continue to do so with a lack of positive policy pronouncements having been witnessed thus far. Should the various recommendations by organisations such as the Zimbabwe National Chamber of Commerce or the Confederation of Zimbabwean Industries be implemented then we anticipate positive developments thereafter.

We will continue to focus on looking for good opportunities, concluding private equity transactions and assisting underlying portfolio companies in achieving their goals.

**Appreciation**

We wish to extend our appreciation to all stakeholders for their continued support.

## AUDITORS STATEMENT

The Group's external auditors, AMG Global Chartered Accountants (Zimbabwe), have audited the Group's financial statements for the year ended 31December 2021 on which this publication is based and have issued an adverse opinion thereon. The basis of the adverse opnion 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 financial statements were audited by Clyton 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.

**On behalf of the Board**

**M. Patel**
Company Secretary
31 May 2022
Directors: Dr C. Beddies (Chairman), P. Masamba, O. Lutz, W. Marere, V. Lapham (Chief Executive)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME**
**For the year ended 31 December 2021**

| | | Inflation adjusted | | Historical | |
|---|---|---|---|---|---|
| | | **2021** | **2020** | **2021** | **2020** |
| | | **$'000** | **$'000** | **$'000** | **$'000** |
| Turnover | | 953 382 | 567 161 | 777 195 | 255 866 |
| Cost of sales | | (696 435) | (382 607) | (476 280) | (106 500) |
| Gross profit | | 256 947 | 184 554 | 300 915 | 149 366 |
| Operating profit | | (181) | 46 569 | 100 923 | 97 660 |
| Net financing income/(costs) | | 131 852 | (258 662) | 104 093 | (103 176) |
| Monetary gain | | 90 299 | 319 276 | - | - |
| Profit/(loss) before taxation | | 221 970 | 107 183 | 205 016 | (5 516) |
| Taxation | | (120 374) | 4 274 | (53 120) | 1 300 |
| Profit/(loss) for the year after taxation | | 101 596 | 111 457 | 151 896 | (4 216) |
| **Other comprehensive income** | | | | | |
| Revaluation gain | | 5 707 | 1 547 | 15 642 | 19 731 |
| Fair value gain | | 185 912 | - | 324 372 | - |
| Taxation | | (32 188) | (382) | (27 178) | (4 878) |
| | | 159 431 | 1 165 | 312 837 | 14 853 |
| Total comprehensive profit/(loss) for the year | | 261 027 | 112 622 | 464 733 | 10 637 |
| **Attributable to**: | | | | | |
| Owners of the parent | | 185 616 | 54 281 | 363 660 | 821 |
| Non-controlling interests | | 75 411 | 58 341 | 101 073 | 9 816 |
| Total | | 261 027 | 112 622 | 464 733 | 10 637 |
| **Basic earnings per share** | 9.1 | **Cents** | **Cents** | **Cents** | **Cents** |
| Ordinary shareholders | | - | - | - | - |
| Class A shareholders | | 1 340 | 452 | 2 823 | 7 |
| Class B shareholders | | 1 851 | - | 1 851 | - |
| **Headline earnings per share** | 9.2 | | | | |
| Ordinary shareholders | | - | - | - | - |
| Class A shareholders | | 193 | 452 | 522 | 7 |
| Class B shareholders | | - | - | - | - |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**As at 31 December 2021**

| | Inflation adjusted | | Historical | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 2 109 | 140 745 | 1 312 | 40 054 |
| Intangible assets | - | 4 028 | - | 634 |
| Investments held at fair value | 466 905 | - | 467 702 | - |
| Deferred taxation | - | 78 642 | - | 10 578 |
| | 469 014 | 223 415 | 469 014 | 51 266 |
| **Current assets** | | | | |
| Inventories | - | 175 140 | - | 65 945 |
| Accounts receivable | - | 119 712 | - | 74 477 |
| Amount owed by related parties | 8 982 | 12 639 | 8 982 | 7 863 |
| Cash and bank balances | 9 | 80 832 | 9 | 50 288 |
| | 8 991 | 388 323 | 8 991 | 198 573 |
| **Total assets** | 478 005 | 611 738 | 478 005 | 249 839 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Issued share capital and reserves per statement of changes in equity | 263 229 | 77 612 | 356 425 | (7 235) |
| Non-controlling interests | 189 659 | 122 248 | 96 463 | 3 389 |
| **Total equity** | 452 888 | 199 860 | 452 888 | (3 846) |
| **Non-current liabilities** | | | | |
| Deferred taxation | 23 450 | 13 147 | 23 450 | 5 620 |
| **Current liabilities** | | | | |
| Short-term loans payable | - | 111 294 | - | 69 240 |
| Accounts payable | - | 278 624 | - | 173 341 |
| Amounts owed to related parties | 1 667 | 6 618 | 1 667 | 4 118 |
| Taxation | - | 2 178 | - | 1 355 |
| Bank overdraft | - | 17 | - | 11 |
| | 1 667 | 398 731 | 1 667 | 248 065 |
| **Total equity and liabilities** | 478 005 | 611 738 | 478 005 | 249 839 |

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**For the year ended 31 December 2021**

| | Inflation adjusted | | Historical | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Net cash flows from operations | (101 842) | 320 168 | (97 291) | 109 536 |
| **Returns on investments and servicing of finance** | | | | |
| Net financing costs | 131 852 | (258 662) | 104 093 | (103 176) |
| **Taxes paid** | | | | |
| Movement in taxes paid | (4 735) | (21 575) | (1 258) | (2 642) |
| Net cash flows from operating activities | 25 275 | 39 931 | 5 544 | 3 718 |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisition of equipment | (35 820) | (39 692) | (27 956) | (17 981) |
| Acquisition of intangible asset | (1 224) | (960) | (874) | (540) |
| Net cash utilised in investing activities | (37 044) | (40 652) | (28 830) | (18 521) |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Net movement in short-term loans payable | 26 399 | 73 117 | 68 454 | 63 903 |
| Net movement in finance leases | - | (291) | - | (41) |
| Dividend paid to outside shareholders | (8 000) | - | (8 000) | - |
| Allotment of shares | 1 | - | 1 | - |
| Net cash flows from financing activities | 18 400 | 72 826 | 60 455 | 63 862 |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | **6 631** | **72 105** | **37 169** | **49 060** |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**For the year ended 31 December 2021**

| | Share capital $'000 | Share premium $'000 | Non-distributable reserve $'000 | Foreign currency translation reserve $'000 | Revaluation reserve $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Inflation adjusted** | | | | | | | | | |
| Balance as at 31 December 2019 | 1 934 | 111 518 | 64 354 | 20 276 | - | (174 751) | 23 331 | 63 908 | 87 239 |
| Total comprehensive profit for the year | - | - | - | - | 564 | 53 717 | 54 281 | 58 340 | 112 621 |
| Balances as at 31 December 2020 | 1 934 | 111 518 | 64 354 | 20 276 | 564 | (121 034) | 77 612 | 122 248 | 199 860 |
| Share allotment and removal of par value | 111 519 | (111 518) | - | - | - | - | 1 | - | 1 |
| Total comprehensive profit for the year | - | - | - | - | 149 254 | 36 362 | 185 616 | 75 411 | 261 027 |
| Dividends paid to outside shareholders | - | - | - | - | - | - | - | (8 000) | (8 000) |
| Balances as at 31 December 2021 | 113 453 | - | 64 354 | 20 276 | 149 818 | (84 672) | 263 229 | 189 659 | 452 888 |

| | Share capital $'000 | Share premium $'000 | Non-distributable reserve $'000 | Foreign currency translation reserve $'000 | Revaluation reserve $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Historical** | | | | | | | | | |
| Balance as at 31 December 2019 | 30 | 1 752 | 1 011 | (343) | - | (10 507) | (8 056) | (6 429) | (14 485) |
| Total comprehensive profit for the year | - | - | - | - | 7 462 | (6 641) | 821 | 9 818 | 10 639 |
| Balances as at 31 December 2020 | 30 | 1 752 | 1 011 | (343) | 7 462 | (17 148) | (7 235) | 3 389 | (3 846) |
| Share allotment and removal of par value | 1 753 | (1 752) | - | - | - | - | 1 | - | 1 |
| Total comprehensive profit for the year | - | - | - | - | 306 961 | 56 699 | 363 660 | 101 073 | 464 733 |
| Dividends paid to outside shareholders | - | - | - | - | - | - | - | (8 000) | (8 000) |
| Balance at 31 December 2021 | 1 783 | - | 1 011 | (343) | 314 423 | 39 551 | 356 425 | 96 463 | 452 888 |

**SUPPLEMENTARY INFORMATION**
**Year ended 31 December 2021**

## 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") and IFRS Interpretations Committee ("IFRSIC") interpretations applicable and in a manner required by The Companies and Other Business Entities Act (Chapter 24:31). These financial statements are based on statutory records that are maintained under the historical cost convention and adjusted to take 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 4 below.

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 the 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 the 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 for inspection at the Company's registered office and on the Company's website www.medtechholdings.co.zw.

## 2. Functional and presentation currency

These financial statements are presented in Zimbabwe Dollars (ZWL) being the functional and reporting currency of the primary economic environment in which the Group operates.

## 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 and Auditors Board ("PAAB") issued a pronouncement ("Pronouncement 01/2019") prescribing the application of International Accounting Standard ("IAS 29") "Financial Reporting In Hyperinflationary Economies" had become effective in Zimbabwe. 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 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 a measuring unit current at the end of the 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 these interim financial statements are as follows:

| Dates | Indices | Conversion factors |
|---|---|---|
| 31 December 2021 | 3 977.50 | 1.00 |
| 31 December 2020 | 2 474.50 | 1.61 |
| 31 December 2019 | 551.74 | 7.21 |
| 2021 Average CPI | 3 135.2 | 1.27 |

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 2020

**6. Supplementary information**

| | Inflation adjusted | | Historical | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Capital expenditure | 35 820 | 39 692 | 27 956 | 17 981 |
| Depreciation | 22 217 | 23 428 | 4 390 | 675 |
| Comprehensive profit | 261 027 | 112 622 | 464 733 | 10 637 |
| Operating profit is stated after charging items of significance; | | | | |
| Auditors remuneration | 5 748 | 6 272 | 4 557 | 2 608 |
| Directors fees | 2 982 | 1 239 | 2 785 | 547 |
| Revaluation gain | 5 707 | 1547 | 15 642 | 19 731 |
| Fair value gain | 185 912 | - | 324 372 | - |
| Deferred taxation charge on revaluation and fair value gain | 32 188 | 382 | 27 178 | 4 878 |
| Foreign currency translation gain | 188 988 | (242 395) | 150 057 | (96 419) |

**7. Net financing costs**

| | | | | |
|---|---|---|---|---|
| Interest received | 2 | 2 | 2 | 1 |
| Interest payable | (57 138) | (16 269) | (45 966) | (6 758) |
| Foreign currency translation gain | 188 988 | (242 395) | 150 057 | (96 419) |
| | 131 852 | (258 662) | 104 093 | (103 176) |

**8. Approval and events after the reporting period**

The underlying financial statements to these results were approved by the Board on 31 May 2022. Subsequent to the reporting period date, there were no material adjusting or non-adjusting events.

Office address:
3 Elcombe Avenue
Belgravia
Harare
Zimbabwe

Mail address:
PO Box 3230
Harare
Zimbabwe

Tel +263 242 251415-8
Fax +263 242 251420
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

## BRIDGEFORT CAPITAL LIMITED
**and its subsidiaries**

### Adverse opinion

We have audited the consolidated financial statements of BridgeFort Capital Limited [formerly Medtech Holdings Limited] and its subsidiaries ("the Group"), set out on pages 5 to 50, 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 2021;
- Group and company's statements of financial position as at 31 December 2021;
- A summary of the significant accounting policies applied by the Group and company during the year ended 31 December 2021; and
- Related financial statements notes.

Because of the significance of the matters described in the basis for the adverse opinion paragraph below, the Group and Company financial statements are not true and fair.

### Basis for adverse opinion

International Accounting Standard (IAS) 21- *The Effects of Changes in Foreign Exchange Rates* in prior period and inappropriate application of IAS 8- *Accounting Policies, Changes in Accounting Estimates and Errors Impact* of prior year modification on current period (Group and Company). In the prior year, and in the current year, the Group's subsidiary companies transacted a significant amount of business in foreign currencies (especially in the procurement of raw materials and goods for resale). The Group used exchange rates which did not meet IAS21 requirements for a spot rate. The misstatements could however not be quantified as an appropriate exchange rate had not been identified. 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 transactions entered into during the current financial year to satisfy ourselves concerning the fair presentation of these financial statements. Also, the audit report for the year ended 31 December 2020 was modified due to the impact of non-compliance with IAS 21.

With respect to prior year figures, management has not made retrospective adjustments in terms of IAS 8 to correct these matters. As a result, corresponding amounts on the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Cashflows, Accumulated Profit, Non-controlling interest and Deferred Tax liability on the consolidated Statement of Financial Position remain impacted.

Our opinion on the current period's consolidated financial statements is therefore modified because of the effects of the above matters on the current year figures on the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Cashflows and on the comparative figures.

**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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Cost of sales</td></tr>
<tr><td>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.<br><br>As such, we considered the costing of goods sold as a key audit matter.</td><td>Our audit approach was focused on the valuation of inventories and the determination of amounts recognized as cost of sales during the year. We performed the following procedures, amongst others:<br><br>• 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;<br>• We considered the control environment over the procurement, custody and costing and valuation of inventories;<br>• We re-performed the costing of inventories on a test basis paying particular attention to the exchange rates used to cost imported inventories;<br>• We also re-computed the amounts recognised as cost of sales by the Group companies;<br>• We performed cut off tests for inventories' receipts and dispatches;<br>• We assessed the procedures for identifying and writing off and/or providing for damaged and obsolete stocks and the adequacy of stock provisions and stock write offs done during the year; and<br>• We verified the inventories' valuation reports prepared by management as at 31 December 2021 for the subsidiary companies being the effective date of the conversion.<br><br>Except for the effect of exchange rates as described in the basis of adverse opinion paragraph above, we were satisfied with the results of our audit procedures</td></tr>
<tr><td colspan="2">Changes from holding investments in subsidiaries at cost to holding investments at fair value</td></tr>
</table>

| | |
|---|---|
| During the year under review, the Company changed its business model from being a parent company holding investments in its subsidiaries at cost and consolidating same in terms of IFRS 3, to being an investment entity which now hold its investments at fair value with changes being recognised in the statement of profit or loss in terms IFRS 9. | Our audit approach was focused checking the approval processes related to the changes in the Company's model and assessing the appropriateness of the attendant accounting policies and financial presentation and disclosure requirements. Our audit procedures included the following:<br><br>• Reviewing the Detailed and Abridged Circular prepared and circulated to the stakeholders explaining the changes;<br>• Reviewing the Board and Shareholders approvals of the changes;<br>• Reviewing reports and opinions and reports prepared by various experts and in respect of the proposed changes;<br>• Assessing the impact of the change of the Company and Group's financial reporting and disclosure obligations, especially IFRS 3, IFRS 9,IFRS 10 and IFRS 13; and<br>• Reviewing appropriateness and reasonableness of fair values determined for reporting purposes.<br><br>Based on the work performed, we were satisfied with the results of our audit procedures. |

**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 and Other Business Entities Act (Chapter 24:31) 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 Vernon Lapham, a member of the Institute of Chartered Accountant of Zimbabwe, membership number M2531.

**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 and Other Businesses Act (Chapter 24:31) 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.

Amg Global

**AMG Global**
**Harare**

**31 May 2022**