ABRIDGED AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2016

MedTech HOLDINGS LIMITED

CHAIRMANS REPORT

Highlights:

- Deterioration in performance with a loss before tax of $275,486 in 2016 as compared to a profit before tax of $476,914.
- Group revenues decreased 26% from $13,282,544 in 2015 to $9,851,157 in 2016.
- Reduction in operating loss from $378,825 in 2015 to $216,778 in 2016.

Commentary

Group	2016	2015
Revenues	$9,851,157	$13,282,544
Gross Profit %	24%	24%

The challenging operating and economic environment remained depressed causing demand to remain subdued and resulting in a 26% decrease in revenue compared to prior period. Challenges experienced during the first half of the year persisted during the second half and these included delays by banks in remitting foreign payments, increased competition from unregistered operators and smuggled competing products and changes in legislation resulting in delays in reorders thus leading to an increased level in lost sales.

Another factor contributing to the dismal performance was the significant increase in finance costs. This was mainly driven by a stronger Rand which resulted in a significantly lower exchange rate gain as compared to prior period.

Discipline towards cost control and the ongoing cost cutting initiatives have resulted in lower expenses compared to prior period. Margins have remained stagnant.

FMCG Segment	2016	2015
Revenues	$6,859,712	$11,330,849
Gross Profit %	25%	22%

The FMCG Segment includes MedTech Distribution and Smart Retail. Segment sales declined 39% due to temporary suspension of trading at Smart Retail effected from end of February 2016 to June 2016. MedTech Distribution sales also declined due to factors as described in the Group commentary section above.

The FMCG segment posted a loss before tax of $175,347.

Margins improved due to changes in the sales mix at MedTech Distribution.

Medical Segment	2016	2015
Revenues	$1,182,358	$1,221,778
Gross Profit %	28%	22%

The Medical Segment includes MedTech Medical and Scientific (Private) Limited ("MMS") and Education and Laboratory Services Division including Laboratory Services. Segment sales declined 3% and margins improved due to changes in the sales mix. The medical segment posted a loss before tax $86,846.

Manufacturing Segment	2016	2015
Revenues	$2,440,820	$2,150,194
Gross Profit %	13%	17%

The manufacturing segment comprises of Chicago Cosmetics (Private) Limited ("CC"). The second half of the year saw improved revenues which resulted in revenues closing 14% higher than prior period.

Gross margins have decreased as discounts and price reductions had been put in place so as to stimulate demand and remain competitive.

The manufacturing segment posted a loss before tax of $4,441.

During the second half of the year, the product range increased by two product lines. These were previously imported but are now being packaged locally. Local production of other key lines which are imported by MedTech Distribution will commence at CC in the first half of 2017. Benefits in increased sales and margins will be realised in the second half of 2017.

Associate Company: MedTech Food and Beverages (Private) Limited

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

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

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 2016 on which this publication is based and issued an unqualified opinion thereon. However, the auditors reported on a material uncertainty related to going concern. The auditors have identified the valuation of accounts receivables, the valuation and existence of inventories, cost of sales and accounts payables as key audit matters.

An extract of the audit opinion and material uncertainty related to going concern paragraphs have been reproduced below:

Opinion
In our opinion, the consolidated financial statements are properly drawn up in conformity with International Financial Reporting Standards ("IFRSs") and, in all material respects, give a true and fair view of the financial position of the Group and Company as at 31 December 2016, and of the results of the Group's and Company's operations and cashflows, for the year then ended.

Material uncertainty related to going concern
We draw attention to note 22 to the financial statements dealing with going concern. The Group incurred a comprehensive loss of $232,476 for the year ended 31 December 2016, and as of that date, the Group's current liabilities exceeded its current assets by $1,139,243 (2015: $526,306). These factors, along with other matters set forth in note 22, 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.

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

Outlook
The trading environment and macro economic situation remains uncertain and is not expected to improve in the year 2017. Therefore, focus will continue to be placed on maintaining sales and strict cost control.

In addition, the Board will continue to look at performance improvement internally by implementing measures as have been described in note 12 Going Concern in the supplementary information section of this publication.

Appreciation
I wish to record my appreciation to all stakeholders, strategic partners, customers, management and staff for their support. I also wish to thank my fellow board members for their considerable guidance.

R. Mazula
Chairman
22nd March 2017
Directors: R. Mazula (Chairman), A. Motiwala* (CEO); F. Sheikh; T.Sheikh; V. Lapham. (*Executive)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 $	2015 $
Turnover	9,851,157	13,282,544
Cost of sales	(7,480,344)	(10,094,285)
Gross profit	2,370,813	3,188,259
Operating loss	(216,778)	(378,825)
Net financing (costs)/ income	(58,708)	855,739
(Loss)/Profit before taxation	(275,486)	476,914
Taxation	43,010	(245,546)
(Loss)/ profit from continuing operations	(232,476)	231,368
Other comprehensive income	-	-
Total comprehensive (loss)/ income for the year	**(232,476)**	**231,368**
Attributable to:		
Owners of the Parent	(91,047)	54,321
Non Controlling Interests	(141,429)	177,047
	(232,476)	**231,368**
(Loss)/ earnings per share	**Cents**	**Cents**
Basic (loss)/ earnings per share	(0.002)	0.002
Headline (loss)/ earnings per share	(0.002)	0.002
Weighted number of ordinary shares in issue during the year	3,039,764,872	2,859,667,372

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	2016 $	2015 $
TOTAL ASSETS		
Non current assets		
Property, plant and equipment	1,129,615	1,096,992
Intangible asset	18,971	-
Deferred taxation	396,915	323,171
	1,545,501	1,420,163
Current assets		
Inventories	2,638,295	3,057,673
Accounts receivable	2,314,321	3,133,743
Amounts owed by related parties	246,126	98,505
Cash and bank balances	52,136	50,304
	5,250,878	6,340,225
Total assets	**6,796,379**	**7,760,388**
EQUITY AND LIABILITIES		
Equity		
Issued share capital and reserves	(42,805)	48,242
Non-controlling Interests	385,967	527,396
Total equity	343,162	575,638
Non-current liabilities		
Deferred taxation	37,998	239,716
Finance leases	25,098	78,503
	63,096	318,219
Current liabilities		
Accounts payable	4,521,603	4,305,998
Short term loans payable	83,702	1,219,987
Finance leases	59,673	51,076
Amounts owed to related parties	645,449	276,159
Taxation	718,172	567,763
Bank overdraft	361,522	445,548
	6,390,121	6,866,531
Total equity and liabilities	**6,796,379**	**7,760,388**

CONSOLIDATED STATEMENT OF CASHFLOWS

Year ended 31 December 2016

	2016 $	2015 $
Net cash flows from operating activities		
Net cash flows from operations	1,722,172	(436,270)
Returns on investments and servicing of finance		
Net financing (costs)/ income	(58,708)	855,739
Taxes paid		
Income taxes paid	(82,043)	(87,013)
Net cash flows from operating activities	1,581,421	332,456
Net cash flows from investing activities		
Acquisition of non-current assets	(315,370)	(565,236)
Proceeds from disposal of equipment	900	28,371
Net cash flows from investing activities	(314,470)	(536,865)
Net cash flows from financing activities		
Net movement in short-term loans payable	(1,136,285)	271,921
Net movement in finance leases	(44,808)	63,716
	(1,181,093)	335,637
Increase/ (decrease) in cash and cash equivalents	**85,858**	**131,228**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Share capital $	Share premium $	Non distributable reserve $	Accumulated losses $	Total $	Non controlling interest $	Total $
Balances as at 31 December 2014	27,996	1,562,694	1,011,253	(2,612,502)	(10,559)	352,589	342,030
Issue of shares	2,401	189,703	-	-	192,104	-	192,104
Change in ownership interest on aquisition of additional equity interest in subsidiary	-	-	-	(187,624)	(187,624)	(2,240)	(189,864)
Total comprehensive income for the year	-	-	-	54,321	54,321	177,047	231,368
Balances as at 31 December 2015	30,397	1,752,397	1,011,253	(2,745,805)	48,242	527,396	575,638
Total comprehensive loss for the year				(91,047)	(91,047)	(141,429)	(232,476)
Balances as at 31 December 2016	30,397	1,752,397	1,011,253	(2,836,852)	(42,805)	385,967	343,162

SUPPLEMENTARY INFORMATION

Year ended 31 December 2016

1 **Directors' responsibility and statement of compliance**
The Holding Company's directors are responsible for the preparation and and fair presentation of the consolidated financial statements of which this press release represents an extract. These financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner as required by the Companies Act (Chapter 24:03). The consolidated financial statements are available at the Company's registered office.

2 **Accounting policies and reporting currency**
There have been no changes in the Company's accounting policies since the date of the last audited financial statements. The underlying financial statements to these results are presented in United States Dollars, which is the functional currency of the Company.

3 **Contingent liabilities**
The Company had no material contingent liabilities as at 31 December 2016.

4 **Supplementary information**

	2016 $	2015 $
Capital expenditure	315,370	565,236
Depreciation expense	254,516	274,905
Operating loss	(216,778)	(378,825)
Operating profit is stated after charging items of significance:		
Auditors remuneration	35,544	35,000
Directors fees	20,910	24,600

5 **Approval and events after the reporting period**
The underlying financial statements to these results were approved by the Board on 22nd March 2016. Subsequent to the reporting date there were no material adjusting or non-adjusting events.

6 **Property, Plant and Equipment**
Capital expenditure of $174,792 was incurred to maintain and replace existing non-current assets and $140,578 to expand manufacturing capacity.

7 **Assets pledged as security**
Assets pledged as security for borrowings comprise land and motor vehicles subject to finance leases. The carrying amount of the Group's non current assets pledged as security was $205,058 (31 December 2015: $218,596).
In addition the overdraft facility is secured by a notarial general covering bond (NGCB) for $450,000 over inventories and accounts receivable.

8 **SEGMENT INFORMATION**

Year ended 31 December 2016

	FMCG $	Medical $	Manufacturing $	Eliminations / Unallocated $	Total $
Revenue - external	6,785,505	1,182,358	1,883,294		9,851,157
- internal	74,207	-	557,526	(631,733)	-
Total Revenue	6,859,712	1,182,358	2,440,820	(631,733)	9,851,157
Net financing (costs)/ income	(98,244)	168	97,245	(57,877)	(58,708)
Depreciation	(192,283)	(8,072)	(47,111)	(7,050)	(254,516)
Segment loss before taxation	(175,347)	(86,846)	(4,441)	(8,852)	(275,486)
Taxation	(12,653)	-	10,533	45,130	43,010
Segment (loss)/ profit after taxation	(188,000)	(86,846)	6,092	36,278	(232,476)
Segment assets	5,660,983	1,154,595	2,728,592	(2,747,791)	6,796,379
Segment liabilities	4,843,911	1,440,408	2,811,500	(2,642,602)	6,453,217

Year ended 31 December 2015

	FMCG $	Medical $	Manufacturing $	Eliminations / Unallocated $	Total $
Revenue - external	10,937,034	1,221,777	1,123,733	-	13,282,544
- internal	393,815	-	1,026,461	(1,420,276)	-
Total revenue	11,330,849	1,221,777	2,150,194	(1,420,276)	13,282,544
Net financing income	574,213	(1,368)	282,894	-	855,739
Depreciation charge	(178,617)	(8,174)	(46,678)	(41,436)	(274,905)
Segment profit / (loss) before taxation	370,628	(31,229)	193,208	(55,693)	476,914
Taxation	(147,631)	(23,571)	(60,373)	(13,971)	(245,546)
Segment profit / (loss) after taxation	222,997	(54,801)	132,835	(69,663)	231,368
Segment assets	6,613,684	2,268,522	2,077,277	(3,199,095)	7,760,388
Segment liabilities	5,608,510	2,491,061	2,166,277	(3,081,098)	7,184,750

9 **Net finance (costs)/ income**

	2016 $	2015 $
Interest payable	(215,808)	(282,890)
Net exchange rate gains	156,924	1,138,307
Interest received	176	322
	(58,708)	855,739

10 **Short term loans payable**

	2016 $	2015 $
Short term loans payable	83,702	1,219,987

The short term borrowings were incurred to finance capital expenditure and working capital requirements. The average interest rate on short term borrowings was 3% per annum. As at 31 December 2016, short term borrowings amounting to $83,702 (31 December 2015: $1,128,320) were unsecured, whilst $0 (31 December 2015 : $ 91,667) were secured by an unlimited guarantee issued by the holding company.

11 **Amounts owed to related parties**
The amounts are owed to Turgreens Investments (Private) Limited and Grillage Investments (Private) Limited. These company's 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.

12 **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 operating as a going concern and are of the view that the preparation of these financial statements on a going concern basis is appropriate for the reasons disclosed in detail in note 22 to the financial statements.

13 **Update and status on implementation of measures pertaining to Going Concern**

- Cost cutting efforts are ongoing and are now imbedded in the corporate culture;
- Operating expenses lower than 2015 by $852,916 which represents a 23% decrease;
- Significant cost savings have been achieved by outsourcing selling and distribution costs which costs are set to be lower in the future as these will now be variable;
- Debt reduction efforts are ongoing and this should lead to further reduction in finance costs;
- Stricter measures have been implemented over credit control and this has resulted in lower bad debt write offs as compared to prior periods. We expect this tight control to remain in place in the coming year;
- Cost savings in rentals will be realised in the coming year as less space will be required for storage as a result of the outsourcing of selling and distribution activities referred to above;
- The Group's major supplier continues to support the Group's business units and there are no indications of withdrawal of such support;
- Key strategic and experienced personnel who have been spearheading the successful cost cutting initiatives are expected to remain within the Group and further steer the ship in the right direction; and
- A new plant will be commissioned during the first half of 2017 at Chicago Cosmetics in order to increase the number of locally produced product lines. This should result in margins increasing in the second half of 2017 once the plant is fully operational.

MedTech HOLDINGS LIMITED