



Initial Assessment of Competence

Professional Paper 2

June 2026

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All amounts exclude value-added tax (VAT), unless otherwise stated.

1 Background

Medical for Me Ltd ('Med4Me') is a group of medical companies listed on the Johannesburg Stock Exchange (JSE). Med4Me was established in the early 2000s, with the purpose of providing a range of medical, dental, day hospital, mental health and trauma medical services through its own clinics in larger towns in rural areas. Initially, business was good, and the company was able to open several clinics in these rural areas.

However, as time went on, management noticed an increasing number of missed appointments and late arrivals that put pressure on the clinics and medical staff and led to declining revenues. An investigation revealed that the reason for this decline was that many of the patients lived far away from the clinics and transport was often unreliable.

As a solution, management decided to 'decentralise' its clinics by expanding into smaller towns by partnering with independent doctors. A newly formed company, BohlokoaHealth Ltd ('BHealth') was founded and incorporated in South Africa for this purpose. Med4Me and the independent doctors (all natural persons) own 52% and 48% respectively of the issued share capital of BHealth. Accordingly, Med4Me exercises control over BHealth, which is consolidated in the Med4Me group accounts. The financial year end of all companies in the Med4Me Group is 31 December. All companies in the group apply IFRS® Accounting Standards, are South African residents for income tax purposes and registered vendors in terms of the VAT Act.

2 Financial information

The summarised consolidated annual financial statements for the Med4Me group for the 2025 financial year (FY2025) as prepared on 15 January 2026, are provided below:

MEDICAL FOR ME LTD SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER		
	2025	2024
	R	R
Assets		
Non-current assets		
Property, plant and equipment	65 331 000	49 156 000
Deferred tax asset	419 000	–
	65 750 000	49 156 000
Current assets		
Inventories	18 125 000	20 409 000
Trade receivables	6 921 000	11 390 000
Cash and cash equivalents	12 352 000	17 772 000
Current tax asset	637 000	–
	38 035 000	49 571 000
Total assets	103 785 000	98 727 000
Equity and liabilities		
Equity	65 379 000	68 317 000
Non-current liabilities		
Interest-bearing borrowings	6 869 000	179 000
Other non-current liabilities	4 565 000	3 704 000
Deferred tax liability	14 065 000	11 813 000
	25 499 000	15 696 000
Current liabilities		
Interest-bearing borrowings	2 947 000	4 320 000
Trade payables	9 271 000	9 459 000
Other current liabilities	689 000	729 000
Current tax liability	–	206 000
	12 907 000	14 714 000
Total equity and liabilities	103 785 000	98 727 000

MEDICAL FOR ME LTD SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025	
	R
Revenue	68 961 000
Operating expenses	(46 973 000)
Expected credit losses on trade receivables	(3 000)
Operating profit	21 985 000
Interest income	800 000
Interest expense	(651 968)
Profit before tax	22 133 032
Tax expense	(6 876 000)
Net profit	15 257 032

The following information was correctly taken into account in the preparation of the consolidated financial statements above:

- 1 The group earns its revenue from the sale of medical products in its pharmacies and various tests and treatments offered by the clinics. Patients can either use their eligible medical aid coverage to cover their medical costs or pay for their medical costs in cash up front. Trade receivables represent outstanding balances with medical aid companies. Expected credit losses are raised on trade receivables. Payments received in advance for certain treatments are recorded as contract liabilities until the treatments are provided, whereafter they are recognised as revenue. Contract liabilities relating to payments received in advance amounted to R449 000 at 31 December 2025 (2024: R553 000) and are included in the other current liabilities line item in the statement of financial position. These contract liabilities are separate from the amounts relating to the patient loyalty programme (see point 2).

2 Patient loyalty programme

Med4Me was searching for an innovative way to attract and keep its patients. Med4Me's market research has shown that patients visit a clinic only when they have a health issue. However, Med4Me wished to change that by promoting a healthy lifestyle by motivating and encouraging patients to come to its clinics for regular checkups. It therefore launched a patient loyalty programme during FY2025 specifically for BHealth clinics. BHealth soon noticed a shift in patient behaviour and also found that the loyalty programme was attracting new patients to the clinics. An additional benefit is that it enabled BHealth to gather valuable health information about its patients that it could use to provide a higher quality of service.

Patients earn points, called HealthMulas, based on their spend on a defined list of preventative health check services at BHealth clinics, such as glucose tests and blood pressure tests. One HealthMula is earned for every R1 spent at a clinic and each HealthMula can be redeemed for R1. So, for example, a blood pressure test that costs R50 will earn 50 HealthMulas, and a glucose test that costs R80 will earn 80 HealthMulas. In this way, patients build up a HealthMula savings account. The HealthMulas can be used as consideration to pay for products and medicine in the pharmacy and future treatments at the clinic. The HealthMulas cannot be used to pay for the preventative health checks on the defined list and cannot be exchanged for cash.

The HealthMulas are valid for a period of two years from the date they are earned. Any unused HealthMulas expire after this two-year period.

The following information is available for FY2025 in respect of the loyalty programme:

Total value of preventative health check services in respect of the loyalty programme, sold at their stand-alone selling price	R500 000
Percentage of HealthMulas expected to expire after a two-year period	15%
Number of HealthMulas utilised in 2025	300 000
Number of HealthMulas expected to be utilised in 2026	100 000
Number of HealthMulas expected to be utilised in 2027	25 000

Contract liabilities in relation to the patient loyalty programme are included in the other current liabilities and other non-current liabilities line items in the statement of financial position respectively.

3 Share appreciation rights (SARs)

On 1 January 2024, Med4Me, the holding company, granted 200 SARs each to 16 BHealth executive directors. The SARs entitle the executive directors to a cash payment if the Med4Me share price appreciates over time, to be paid by Med4Me. BHealth has no obligations to settle the scheme. The vesting of the SARs is subject to vesting conditions and the vesting date is 31 December 2025.

The vesting conditions are as follows:

- Remaining in the employ of BHealth until 31 December 2025.
- Profit after tax per the management accounts for BHealth in those two years should be at least R10 million cumulatively.
- The number of SARs will be doubled at vesting date if the profit after tax per the management accounts for BHealth is at least R15 million cumulatively in those two years.
- The final SARs cash payout value is based on the Med4Me closing price on the JSE on 30 December 2025.

By 31 December 2024, only one executive director had left BHealth's employ and BHealth estimated that a further two executive directors would leave by 31 December 2025. However, only one executive director left BHealth during FY2025.

The fair values of the SARs and the profit after tax as per the management accounts were estimated to be as follows:

Date	Fair value of each SAR	BHealth cumulative profit after tax for the two years ended 31 December 2025
1 January 2024*	R103	R10 250 000 (estimated)
31 December 2024	R135	R10 762 500 (estimated)
30/31 December 2025	R146	R15 531 250 (actual)

* For the sake of clarity: In the 1 January 2024 management accounts reflect the fair value of each SAR was calculated to be R103, based on an estimated cumulative profit after tax for the two years ended 31 December 2025 of R10 250 000.

The SARs were paid out to the executive directors on 31 December 2025. Prior to that, the obligations relating to the SARs were presented in the other current liabilities line item in the statement of financial position (SoFP).

4 Lease agreement

On 1 January 2025, Med4Me entered into a lease agreement to obtain a medical waste and sterilisation machine, for a non-cancellable lease period of five years, with Sango Medical Equipment, a third party. The first lease payment was R285 000 per annum payable in arrears on 31 December 2025. The agreement stipulates an annual increase on 31 December that is based on the published consumer price index (CPI) rate during the preceding 12 months. The published CPI was 5,2% on 1 January 2025 and 6,5% on 31 December 2025. The first increase in lease payments will take place on 31 December 2026 and annually thereafter.

Med4Me does not have an option to purchase the medical waste and sterilisation machine at the end of the lease term, but the lease agreement provides for an option to extend the lease for a further three years. At lease inception and to date, Med4Me had the intention to extend the lease.

The medical waste and sterilisation machine has the latest technology and is regularly updated by Sango Medical Equipment. Med4Me incurred installation costs of R167 000 on 1 January 2025, which were only payable six months later on 30 June 2025.

Med4Me's incremental borrowing rate was 9% per annum (compounded annually) on 1 January 2025. The interest rate implicit in the lease was not readily determinable by Med4Me.

The group presents right-of-use lease assets as part of property, plant and equipment in the SoFP and lease liabilities as part of other non-current liabilities and other current liabilities respectively in the SoFP.

- 5 Depreciation of R5 713 000 relating to property, plant and equipment for FY2025 is included in the operating expenses line item in the summarised consolidated statement of profit or loss and other comprehensive income (SoPL and OCI). This amount is separate from the effects of the lease above.

- 6 As part of the expansion strategy, BHealth decided to open clinics in new locations. The first locations were identified as Newcastle in KwaZulu-Natal and the QwaQwa region in the Free State. In these areas it identified existing buildings that could be used for the new clinics. Each new clinic will maintain an independent system of accounting, as a division of BHealth.

The purchase of the buildings and the renovations were funded separately as follows:

- To fund the purchase price of the buildings in Newcastle and QwaQwa, Med4Me provided a loan to BHealth to enable BHealth to purchase the buildings.
- To finance the renovations (which do not constitute maintenance or repairs), BHealth sourced financing from RMD Bank (a registered vendor and independent third party). The financing was provided on the condition that Med4Me guarantees the repayment of the loan should BHealth default.

The purchase and renovation of both buildings meet the definition of a qualifying asset in terms of IAS 23 *Borrowing Costs*. Med4Me paid the purchase price of the buildings directly to the seller of the properties. The old buildings and the renovation costs incurred were acquired from registered vendors.

The details of the loans are as follows:

	Newcastle	QwaQwa
Initial purchase price	R2 million	R3,4 million
Acquisition date	31 March 2025	1 June 2025
Loan from Med4Me	R2 million	R3,4 million
- Interest rate (market related)	10,75% per annum, fixed (interest paid monthly in arrears)	10,75% per annum, fixed (interest paid monthly in arrears)
- Term	20 years	20 years
- Loan origination date	31 March 2025	1 June 2025
Renovation cost	R3 million in total, paid monthly in equal amounts in arrears over the renovation period	R5 million in total, paid monthly in equal amounts in arrears over the renovation period
Renovation period	9 months	12 months
Commencement date	1 April 2025	1 July 2025
Loan from RMD Bank	R3 million	R5 million
- Interest rate (market related)	11,75% per annum, fixed (interest paid monthly in arrears)	12,25% per annum, fixed (interest paid monthly in arrears)
- Term	5 years	5 years
- Loan origination date	1 April 2025	1 July 2025
- Capital repayment	All on maturity	Capital repayable monthly in arrears from 31 July 2025
- Initiation fees	R6 250	None

The initiation fees charged by RMD Bank were paid by BHealth at inception of the loan agreement. The payment of the initiation fees was a pre-condition by RMD Bank for advancing the loan capital to BHealth. Surplus cash was not reinvested and did not attract interest income during the renovation period. The new clinics only commence trading once their renovations have been completed.

- 7 During FY2025, the group sold an old vehicle to a third party for R50 000 cash and realised a profit on the sale (before tax) of R1 000. This is presented as a gain in the operating expenses line item in the summarised consolidated SoPL and OCI.
- 8 During FY2025, there were also replacements of property, plant and equipment items to maintain operating capacity. These replacements were paid in cash. There were no other acquisitions for expansion other than those mentioned in the scenario.
- 9 A client was suing and claiming damages from Med4Me for an unsuccessful procedure that occurred during loadshedding. At 31 December 2025, Med4Me's legal advisors were of the opinion that there was a 40% probability that Med4Me would be found to be liable. On 15 January 2026, the court ruled in favour of the client and Med4Me was ordered to pay damages. Med4Me settled the amount on 18 January 2026. Provisions, when applicable, are presented as part of other current liabilities.
- 10 Med4Me charges a management fee to each clinic for services rendered for procurement of medical equipment and consumables to cover maintenance costs. The management fee is calculated as 10% of the revenue of each clinic. A market-related

fee charged for these types of services amounts to 7% of revenue. Med4Me has an assessed loss of R1,55 million in respect of the 2025 year of assessment. All other companies in the group accrued a normal tax liability in the 2025 year of assessment.

- 11 Interest income and interest expenses are presented as part of operating activities in the statement of cash flows. All interest income was received in cash. Interest expenses presented in the SoPL and OCI were paid in cash.
- 12 There were no other movements in equity that affect operating and investing activities in the statement of cash flows.
- 13 There was no other comprehensive income and accordingly no deferred tax on any other comprehensive income.
- 14 Apart from the transactions evident in the scenario, there were no other changes in other current liabilities.
- 15 Any impact of discounting a significant financing component in accordance with IFRS 15 *Revenue from Contracts with Customers* may be ignored.
- 16 The Med4Me Group annual financial statements for the financial year ended 31 December 2025 were authorised for issue on 18 February 2026.

INITIAL ASSESSMENT OF COMPETENCE, JUNE 2026

PROFESSIONAL PAPER 2

This paper consists of one scenario and two required parts.
Answer each required part in a separate answer book.

PAPER 2 PART I – REQUIRED		Marks	
		Sub-total	Total
(a)	Prepare, using the direct method, the operating and investing activities sections of the consolidated statement of cash flows of the Med4Me Group in accordance with IFRS® Accounting Standards for FY2025. - Comparative amounts are not required. - Notes are not required. - The financing activities section and the reconciliation of the cash and cash equivalent balances are not required. - Round all amounts to the nearest rand. <i>X1: Communication skill – presentation</i> <i>Y2: Integrative thinking</i> <i>Y3: Problem solving</i>	67	
Total for part I			70

INITIAL ASSESSMENT OF COMPETENCE, JUNE 2026

PROFESSIONAL PAPER 2

This paper consists of one scenario and two required parts.
Answer each required part in a separate answer book.

PAPER 2 PART II – REQUIRED		Marks	
		Sub-total	Total
(b)	With reference to note 2 on the patient loyalty programme, discuss the VAT consequences and the effect on taxable income of the patient loyalty programme for BHealth's 2025 year of assessment and all relevant VAT periods falling within that year. • Provide supporting calculations. <i>Y2: Integrative thinking</i>	9 1	 10
(c)	Discuss the normal tax implications of the expense relating to the SARs for BHealth and its employees in respect of their 2025 and 2026 years of assessment. • Do not perform calculations. <i>X1: Communication skill – logical argument</i>	7 1	 8
(d)	Advise, with reasons, the management of BHealth whether it would be able to register the new clinics in Newcastle and QwaQwa as separate vendors for VAT purposes.	6	6
(e)	Discuss the VAT consequences (with supporting calculations) for all relevant VAT periods falling within the 2025 year of assessment, as well as the normal tax consequences for BHealth for the following transactions in respect of its 2025 year of assessment: • Acquisition of the old buildings in Newcastle and QwaQwa and the renovation costs incurred in respect of the old buildings. • Initiation fees charged by RMD bank. • Interest expense incurred on the loans obtained from Med4Me and RMD Bank. ○ Do not calculate the amount of the interest. <i>Y1: Critical thinking</i>	19 1	 20
(f)	Discuss the income tax implications of the management fees levied by the holding company of the Med4Me Group on the clinics. • Do not address ethical frameworks.	6	6
Total for part II			50
TOTAL FOR THE PAPER			120

