

31. CONTINGENCIES, COMMITMENTS AND GUARANTEES

31.1 Contingencies

Exposure to errors and omissions in ordinary course of business

As for any business with similar operations, the Group is exposed to various potential claims relating to alleged errors and omissions or non-compliance with laws and regulations in the conduct of its ordinary course of business. At the date of these Annual Financial Statements, the Group is unaware of any material claims, actual or contemplated, by any of the Group's stakeholders or customers, except for those listed below.

Neil Harvey & Associates Proprietary Limited

Neil Harvey & Associates has instituted a claim against Medscheme Holdings Proprietary Limited and three of its employees in 2008. The allegations concern alleged copyright infringement and a breach of the Medware licence agreement. The maximum capital amount of the claim as presently pleaded is R390.4 million. An amendment sought by the Plaintiff was the cause of this. The increased sum has no impact on the merits of the claim which remain the same as before. The parties are still engaged in private arbitration, however, it is unlikely that the matter will be finalised during the current financial year. Medscheme Holdings Proprietary Limited will continue to vigorously defend the claim and is confident that there will still be no liability in this matter.

Legal claim against Allegra Proprietary Limited

Allegra entered into a supply agreement with Medirite in 2015 to install its pharmacy software at each Medirite branch in South Africa. The project was nearing completion by the end of 2017 upon which Medirite terminated the services during July 2017. As part of terminating the service, Medirite is claiming all previous fees paid to Allegra based on non-performance of the agreement.

Management is confident that the claims against Allegra are not seen to be valid and no proof exists to claim the fees paid to date of R18.2 million.

31.2 Commitments

	GROUP	
	June 2017 R'000	June 2016 R'000
Building rentals		
Rental obligations with respect to land and buildings		
Not later than 1 year	78 178	79 123
Later than 1 year but not later than 5 years	119 867	182 584
	198 045	261 707

31.3 Guarantees

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Guarantees issued in respect of office rental for premises occupied by the Group	5 503	6 072	–	–
Medical aid schemes	1 000	–	–	–
South African Post Office	3 800	3 800	–	–
City Power Johannesburg	500	500	–	–
	10 803	10 372	–	–