

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

32. RELATED PARTY TRANSACTIONS

32.1 Directors

Details relating to Directors' emoluments are disclosed in Note 23. There are no loans to Directors.

The Directors' shareholdings are disclosed on pages 6 and 7 of the Annual Financial Statements. Transactions within the Group are listed below.

32.2 Relationships with Directors in the Group

WAD Holdings Proprietary Limited – Mr AV Van Buuren (Group Chief Executive Officer) and WH Britz (Executive Director) each hold 33.3% of WAD Holdings Proprietary Limited.

WAD Holdings Proprietary Limited holds A class shares in the Glen Eden Trading 58 Proprietary Limited. The Glen Eden A class shares will be entitled to 10% of the votes at any meeting attended by WAD Holdings Proprietary Limited or its proxy. The Glen Eden A class shares will not be entitled to any dividends or profit before 1 January 2017 and will rank *pari passu* with ordinary shares in terms of voting rights and distribution rights from 1 January 2017. AfroCentric will purchase the A class shares in the 2018 financial year for an amount of R194.5 million.

WAD Holdings Proprietary Limited holds A class shares in Pharmacy Direct Proprietary Limited and Curasana Wholesaler Proprietary Limited. The A class shares shall have no voting rights but shall have right to 100% of the distribution of the after tax profits attributable to the Department of Health contract from 1 July 2018. In the 2019 financial year AfroCentric has a right to purchase the A class shares by 1 September 2018.

WAD Holdings Proprietary Limited is the 100% shareholder of Northern Lights Trading 172 Proprietary Limited Curasana Wholesaler entered into an agreement with Northern Lights Trading 172 Proprietary Limited on 29 February 2016 whereby Curasana Wholesaler purchased Portion 3 of Erf 1903, Zwartkop X15, which is the premises of the main business operations and was leased from Northern Lights Trading 172 Proprietary Limited for the amount of R32 000 000.

32.3 Transactions with entities in the Group

During the period the Group entered into the following related party transactions:

	GROUP	
	June 2017 R'000	June 2016 R'000
Directors		
Medical aid contributions paid by Directors to schemes administered by Medscheme Holdings (Pty) Ltd	242	356
Mr MJ Madungandaba (70%) and Dr ATM Mokgokong (30%) control Namane Financial Services – Consulting and marketing fees paid to Namane Financial Services	2 532	2 215
Mr SM Rothbart has a controlling interest in Rothbart Inc. – Consulting fees paid by Medscheme Holdings (Pty) Ltd	1 474	1 955
Mr MJ Madungandaba (42%) and Dr ATM Mokgokong (18%) control Mesure Facilities Management (Pty) Ltd – Management fees and other expenses paid to Mesure Facilities Management (Pty) Ltd. The fees represent outsourced facilities management for the AfroCentric Group that represents the following categories	90 883	82 107*
– Salaries	13 584	11 825
– Cleaning and security	25 672	21 905
– Refurbishments, projects and capex	33 844	30 554
– Utilities	15 518	15 800
– Other	2 265	2 023
Mr J Rothbart (son of SM Rothbart) is paid via Eyecom Outdoor Advertising (Pty) Ltd		
– Remuneration for services as the previous Group CEO	–	300
Mr JG Appelgryn has a joint interest (50%) in Sinergi Corporate Advisors (Pty) Ltd – Consulting fees paid by AfroCentric Investment Corporation Limited	–	8 350
Mr MJ Madungandaba (41.91%) and Dr ATM Mokgokong (17.96%) collectively control Skynet South Africa (Pty) Ltd – Courier fees to Skynet South Africa	1 278	1 099
Mr MJ Madungandaba (8.29%) and Dr ATM Mokgokong (3.55%) have an interest in Jasco Electronics Holdings Limited – IT service fees to Jasco Electronics Holdings Limited	17 281	20 639

* The prior year figure has been restated as rentals was included which is an agent/principal agreement.

32. RELATED PARTY TRANSACTIONS CONTINUED

32.3 Transactions with entities in the Group continued

	GROUP	
	June 2017 R'000	June 2016 R'000
Associates		
Invisible Card Company (Pty) Ltd – Loan advanced by AfroCentric Health Limited	3 000	5 700
AfroCentric Health Limited – Interest charged on loan to Invisible Card Company (Pty) Ltd	–	757
The Cheese Has Moved (Pty) Ltd – Interest charged on loan from AfroCentric Health (Pty) Ltd	51	–
Subsidiaries		
AfroCentric Health Limited – Management fees paid to Medscheme Holdings (Pty) Ltd	914	914
AfroCentric Management Services (Pty) Ltd – Profile fees paid to Helios IT Solutions (Pty) Ltd	51	371
AfroCentric Management Services (Pty) Ltd – Telkom, TMS and printer fees paid to Helios IT Solutions (Pty) Ltd	34	18
AfroCentric Management Services (Pty) Ltd – IT support services paid to Helios IT Solutions (Pty) Ltd	18	97
Aid for Aids Management (Pty) Ltd – Management fees paid to Medscheme Holdings (Pty) Ltd	4 674	4 431
Aid for Aids Management (Pty) Ltd – Telkom, TMS and printer fees paid to Helios IT Solutions (Pty) Ltd	655	569
Aid for Aids Management (Pty) Ltd – Profile fees paid to Helios IT Solutions (Pty) Ltd	2 325	2 174
Klinikka (Pty) Ltd – Management fees paid to AfroCentric Health Limited	–	1 774
Allegra (Pty) Ltd – Switching fees paid to Helios IT Solutions (Pty) Ltd	5 281	3 654
Allegra (Pty) Ltd – TMS and Telkom fees paid to Helios IT Solutions (Pty) Ltd	24	48
Allegra (Pty) Ltd – Licence and support fee paid to Helios IT Solutions (Pty) Ltd	1 342	1 342
Allegra (Pty) Ltd – Dividend paid to Helios IT Solutions (Pty) Ltd	3 168	602
ACT Healthcare Assets (Pty) Ltd – Dividends paid to AfroCentric Investment Corporation Limited	35 650	–
Medscheme Namibia (Pty) Ltd – Dividends paid to Medscheme Holdings (Pty) Ltd	43 324	16 954
Pharmacy Direct (Pty) Ltd – Inventory purchases from Curasana Wholesalers (Pty) Ltd	758 233	597 525
Aid for Aids Management (Pty) Ltd – NAPWA fees paid to Glen Eden Trading 58 (Pty) Ltd	234	528
Helios IT Solutions (Pty) Ltd – Consulting fees paid to Glen Eden Trading 58 (Pty) Ltd	33 095	23 802
Pharmacy Direct (Pty) Ltd – Rental costs, electricity and security costs paid to Curasana Wholesalers (Pty) Ltd	2 784	953
Medscheme International – Management fees paid to Medscheme Holdings (Pty) Ltd	28	26
AfroCentric Distribution Services (Pty) Ltd – On site support fees paid to Helios IT Solutions (Pty) Ltd	34	34
Medscheme Mauritius – Management fees paid to Medscheme Holdings (Pty) Ltd	250	237
Helios IT Solutions (Pty) Ltd – Management fees paid to Medscheme Holdings (Pty) Ltd	15 359	14 559
Medscheme Zimbabwe – Management fees paid to Medscheme Holdings (Pty) Ltd	223	211
Medscheme Holdings (Pty) Ltd – TMS and Telkom fees paid to Helios IT Solutions (Pty) Ltd	17 151	16 816
Medscheme Holdings (Pty) Ltd – Out of scope and recovery costs paid to Helios IT Solutions (Pty) Ltd	929	–
Klinikka (Pty) Ltd – Hosting fees paid to Helios IT Solutions (Pty) Ltd	188	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

32. RELATED PARTY TRANSACTIONS CONTINUED

32.3 Transactions with entities in the Group continued

	GROUP	
	June 2017 R'000	June 2016 R'000
Subsidiaries		
AfroCentric Health Limited – Hosting fees paid to Helios IT Solutions (Pty) Ltd	51	205
Medscheme Administrators Swaziland (Pty) Ltd – Management fees paid to Medscheme Holdings (Pty) Ltd	1 469	1 393
Klinikka (Pty) Ltd – Corporate service fees paid to Helios IT Solutions (Pty) Ltd	70	70
Medscheme Administrators Swaziland (Pty) Ltd – IT support services paid to Helios IT Solutions (Pty) Ltd	815	702
Medscheme Administrators Swaziland (Pty) Ltd – Profile fees paid to Helios IT Solutions (Pty) Ltd	323	440
Medscheme Administrators Swaziland (Pty) Ltd – Licence and support fees paid to Helios IT Solutions (Pty) Ltd	3 026	2 409
AfroCentric Health Limited – Sales to Klinikka (Pty) Ltd	2 800	2 800
Medscheme Holdings (Pty) Ltd – Management fees paid to AfroCentric Management Services (Pty) Ltd	27 540	32 400
Medscheme Holdings (Pty) Ltd – IT support services paid to Helios IT Solutions (Pty) Ltd	69	96
Medscheme Holdings (Pty) Ltd – Management fees paid to AfroCentric Health Limited	2 089	2 089
Medscheme Holdings (Pty) Ltd – Switching fees paid to Allegra (Pty) Ltd	31 787	28 657
Medscheme Holdings (Pty) Ltd – Management fees paid to AfroCentric Health Limited	30 000	10 000
Medscheme Holdings (Pty) Ltd – Management fees paid to AfroCentric Management Services (Pty) Ltd	7 000	10 000
Medscheme Holdings (Pty) Ltd – Information technology admin fees paid to Helios IT Solutions (Pty) Ltd	143 315	163 454
Helios IT Solutions (Pty) Ltd – Commission payable to Medscheme Holdings (Pty) Ltd for services rendered (CIMAS and First Mutual Life)	3 715	5 723
Medscheme Holdings (Pty) Ltd – Profile fees paid to Helios IT Solutions (Pty) Ltd	92 433	76 169
Medscheme Holdings (Pty) Ltd – Dividend paid to AfroCentric Health Limited	–	77 704
Medscheme Namibia (Pty) Ltd – Licence and support fees paid to Helios IT Solutions (Pty) Ltd	5 614	4 623
Medscheme Namibia (Pty) Ltd – Profile fees paid to Helios IT Solutions (Pty) Ltd	977	847
Medscheme Namibia (Pty) Ltd – Management fees paid to Medscheme Holdings (Pty) Ltd	935	886
Klinikka (Pty) Ltd – Interest charged on loan from AfroCentric Health Limited	563	260
Bonitas Marketing Company (Pty) Ltd – Interest charged on loan from Resticraft Health Limited	–	134
Allegra (Pty) Ltd – Interest charged on loan from Medscheme Holdings (Pty) Ltd	–	48
Pharmacy Direct (Pty) Ltd – Interest charged on loan from Medscheme Holdings (Pty) Ltd	40	–
Curasana Wholesalers (Pty) Ltd – Interest charged on loan from Medscheme Holdings (Pty) Ltd	12	–
	COMPANY	
	June 2017 R'000	June 2016 R'000
AfroCentric Health (Pty) Ltd loan account	(10 242)	(43 116)
ACT Funding (Pty) Ltd loan account	–	(1 361)

32. RELATED PARTY TRANSACTIONS CONTINUED

32.4 Key management personnel compensation

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Short-term employee benefits	7 904	5 533	–	–
Share-based payments (Note 30)	2 096	6 444	–	(1 708)

Key management personnel comprises Executive Directors within the AfroCentric Health Proprietary Limited Group.

32.5 Inter-Group guarantees

The following Group companies have provided cross guarantees to the AfroCentric Health Proprietary Limited bankers for facilities offered to that Company:

- Medscheme Holdings Proprietary Limited
- Aids for Aids Management Proprietary Limited
- Helios IT Solutions Proprietary Limited
- Klinikka Proprietary Limited

33. PENSIONS AND OTHER RETIREMENT OBLIGATIONS

The Group has made provision for pension and provident schemes covering substantially all employees. All eligible employees are members of defined contribution schemes administered by third parties. The assets of the schemes are held in administered trust funds separated from the Group's assets. Scheme assets primarily consist of listed shares, bonds and cash. The South African funds are governed by the Pension Funds Act of 1956.

Medscheme Provident Fund and Medscheme Employees Provident Fund

These funds are defined contribution plans. Contributions are fully expensed during the year in which they are funded.

Contributions of 7.6% of retirement funding remuneration are paid by the employer and contributions paid by the employee range between 0% and 12% of retirement funding remuneration. In the interest of the employee members of these funds, the trustees are encouraged to obtain an independent actuarial assessment of the performance of the funds.

34. CONTINGENT CONSIDERATION

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Non-current liability				
Contingent consideration on Glen Eden Trading 58 (Pty) Ltd	–	134 893	–	134 893
	–	134 893	–	134 893
Current liability				
Contingent consideration on Glen Eden Trading 58 (Pty) Ltd	194 475	–	194 475	–
	194 475	–	194 475	–

This is the estimated fair value of the contingent consideration relating to the acquisition of Glen Eden Trading 58 Proprietary Limited (refer to Notes 4 and 9.8). The fair value has been assessed at year-end. The contingent consideration will be settled in the 2018 financial year.