29. CONTINGENCIES, COMMITMENTS AND GUARANTEES

29.1 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 2007. 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.

Following years of the prolonged pending arbitration, the oral hearing for the first part of the claim on the Electronic Membership Interface ("**EMI**") and Broker Application Software issue commenced on 18 May 2020 and ran for a period of 29 days. The first part of the hearing addressed the matters centred on the authorship of a computer programme, the parameters of which are relatively unsettled in South African law, with little case authority to assist. On conclusion of the evidence, the arbitrator directed the extensive heads of argument to be exchanged and delivered to him on 17 August 2020, for oral argument on 27 and 28 August 2020.

As at year-end, the matter had not been finalised as the parties are still engaged in private arbitration. Medscheme Holdings Proprietary Limited will continue to vigorously defend the claim and is confident that there will still be no liability in this matter. We constantly monitor the merits of the case with our legal team, and we are still awaiting the outcome of the oral arguments held on 27 and 28 August 2020. We remain confident that there will be no liability.

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 to the agreement.

Allegra, Shoprite and Medirite pursued an arbitration: final terms of the arbitration agreement were agreed in March 2020. Due to delays with the signing of the arbitration agreement, the parties pursued the abandonment and settlement of this claim by all parties relinquishing their rights to the current claims and future claims.

A settlement agreement has subsequently been entered into effective 24 July 2020, where each party has agreed to withdraw and abandon their respective claims for damages against each other. Parties have further agreed that there shall be no future further recourse against each other, arising from the termination of the master service agreement between Shoprite and Allegra for the Medirite development models. The arbitration has thus been abandoned as the matter has been settled.

29. CONTINGENCIES, COMMITMENTS AND GUARANTEES (CONTINUED)

29.2 Guarantees

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Guarantees issued in respect of office rental for premises occupied by the Group	**5 503**	5 503	**–**	–
Medical aid schemes	**1 000**	1 000	**–**	–
South African Post Office	**3 800**	3 800	**–**	–
City Power Johannesburg	**500**	500	**–**	–
MMed guarantees to suppliers	**850**	850	**–**	–
	11 653	11 653	**–**	–

30. RELATED PARTY TRANSACTIONS

30.1 Directors

Details relating to directors' emoluments are disclosed in Note 21. There are no loans to directors.

The directors' shareholdings are disclosed on pages 7 and 8 of the Annual Financial Statements. Transactions within the Group are listed below.

Relationships with directors in the Group

WAD Holdings Proprietary Limited – Mr AV van Buuren (previous Group CEO – resigned during the prior year) and WH Britz (Executive Director) each hold 50% of WAD Holdings Proprietary Limited.

WAD Holdings Proprietary Limited is the 100% shareholder of Northern Lights Trading 172 Proprietary Limited.