Notes to the financial statements continued

for the year ended 30 JUNE 2021

29. Dividends

AfroCentric Investment Corporation Limited passed two resolutions whereby dividends were declared in the 2021 financial year. The first dividend was declared in September 2020 of 17 cents per share and the second dividend was declared in March 2021 of 17 cents per share, being the interim dividend. The Rand value of R97.5 million was paid in November 2020 for the first dividend and R97.6 million was paid in May 2021 for the second dividend. These dividends were debited to retained earnings in 2021.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Dividend declared by AfroCentric Investment Corporation Limited in September 2020	**97 517**	97 621	**97 702**	97 621
Dividend declared by AfroCentric Investment Corporation Limited in March 2021	**97 271**	97 621	**97 744**	97 621
	194 788	195 242	**195 446**	195 242
Dividends declared and paid to non-controlling interests in the Group	**132 923**	43 900	**–**	–
Dividend declared and paid by Medscheme (Namibia) Proprietary Limited	**4 940**	9 230	**–**	–
Dividend declared and paid by Allegra Proprietary Limited	**8 330**	10 780	**–**	–
Dividend declared and paid by Scriptpharm Risk Management Proprietary Limited	**–**	1 344	**–**	–
Dividend declared and paid by ACT Healthcare Assets Proprietary Limited	**80 423**	22 546	**–**	–
Dividend declared and paid by AfroCentric Distribution Services Proprietary Limited	**19 600**	–	**–**	–
Dividend declared and paid by Essential Group Services Proprietary Limited	**19 630**	–	**–**	–
	327 711	239 142	**195 446**	195 242

30. Share-based payments

In the 2018 financial year a new share award plan was implemented. The purpose of the plan is to retain, motivate and reward eligible employees who are able to influence the performance and growth strategies of the company, on a basis which aligns their interests with those of the Group's shareholders.

Share awards will be issued to identified participants by the Remuneration Committee and Board. The number of share awards to be allocated to an eligible employee will primarily be based on the identified employee's annual salary, grade, performance, retention and attraction requirements and market benchmarks. The number of share awards will be recommended by the Remuneration Committee at the time that share awards are granted per an award letter.

Eligibility for participation to the plan will be considered on an annual basis. Share awards will constitute conditional shares in AfroCentric Investment Corporation Limited and on vesting date this will be issued to the identified participant in equity shares at no cost. The maximum annual allocation is 5 742 411 share awards (1% of current issued share capital of 574 241 248) and the maximum dilution limit is 28 712 062 (5% of current issued share capital of 574 241 248).

AfroCentric expects that 90% of awards will vest to participants at the end of the plan. The share awards are subject to staggered vesting, i.e. vesting of the share awards following the three-year retention period in three equal tranches. The charge for the year is R10 million (2020: R9 million).

30 June 2021	Group					
Offer date	Issue share price R	Balance at 30 June 2020 '000	Offered '000	Forfeited '000	Balance as at 30 June 2021 '000	Fair Value as at 30 June 2021 R'000
– 8 December 2017	6.20	2 680	–	(500)	2 180	**9 636**
– 1 November 2018	5.50	3 530	–	(310)	3 220	**14 232**
– 30 November 2019	3.30	5 690	–	(200)	5 490	**24 266**
– 07 December 2020	3.50	–	6 240	(540)	5 700	**25 194**
Total		11 900	6 240	(1 550)	16 590	**73 328**

Fair value based on closing share price as at 30 June 2021 of R4.42. Weighted average remaining years of 3.3 years.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

30. Share-based payments continued

30 June 2020			Group			
Offer date	Issue share price R	Balance at 30 June 2019 '000	Offered '000	Forfeited '000	Balance as at 30 June 2020 '000	**Fair Value as at 30 June 2020 R'000**
– 8 December 2017	6.20	4 440	–	(1 760)	2 680	9 889
– 1 November 2018	5.50	4 430	–	(900)	3 530	13 026
– 30 November 2019	3.30	–	5 690	–	5 690	20 996
Total		8 870	5 690	(2 660)	11 900	43 911

Fair value based on closing share price as at 30 June 2020 of R3.69. Weighted average remaining years of 2.75.

	Group		Company	
	Number of shares 2021	Number of shares 2020	Number of shares 2021	Number of shares 2020
Movements in number of instruments:				
Outstanding at the beginning of the period	**1 436**	1 130	**–**	–
Vested				
Active employees	**1 236**	306	**–**	–
Outstanding at the end of the period	**2 672**	1 436	**–**	–

This represents the shares vested but not yet exercised.

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

The first issue determined in the arbitration case was Neil Harvey and Associates' ("NHA") claim relating to Medscheme's use, during 2005 to 2007, of a copy of an offline and online broker software module known as the EMI Broker software. The EMI Broker software module was rendered redundant by about 2008 as a result of developments in technology and Medscheme had in any event discontinued the use thereof by that time.

This portion of NHA's arbitration claims amounted to a claim for approximately R24 million (as a royalty) plus interest which NHA sought to claim from about 2005. The interest claim could have resulted in a substantial addition to the above capital amount of the claim.

The dispute over this issue was heard in July and August 2020 and an award was given during October 2020.

The Board is pleased to notify shareholders that the arbitrator ruled that NHA was entitled to a total of only R2.7 million, with interest only from October 2020 to date of payment, and costs. Medscheme had provided the specifications and also assisted in the development of this software and therefore considered it was entitled to use it during the above period. The Arbitrator however found that Medscheme's contribution fell short of the contribution required for joint authorship and ownership of the software, but as indicated limited NHA's claim to R2.7 million, and costs. The Arbitrator further dismissed NHA's claims against three of Medscheme's former executives, with costs and also awarded Medscheme the costs of a previous postponement of the arbitration.

Thus both NHA and Medscheme were ordered to pay costs.

The calculation of the costs relating to the aspect of the arbitration that was heard and resolved in 2020 is now being determined by both parties to assess what the net amount payable by either party will be.

R2.7 million has been expensed and a possible accrual raised for the legal costs. The next part of the case relating to the extension of the licensing agreement of the NHA administration system will commence in February 2022.

	Group		Company	
Guarantees	2021 R'000	2020 R'000	2021 R'000	2020 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	**–**	–