# 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 | **–** | – |