Notes to the company financial statements

for the year ended 30 June 2019

		2019 R'000	2018 R'000
1	**INVESTMENT IN GROUP COMPANIES**		
	Joint-venture entity (refer below)	**468 153**	468 153
	Subsidiary companies (refer below)	**1 561 757**	1 561 757*
		2 029 910	2 029 910
	Investment in joint-venture entity		
	Assmang Proprietary Limited (Assmang)		
	1 774 103 (2018: 1 774 103) ordinary shares at cost	**468 153**	468 153
	Investment in subsidiary companies (refer note 15)		
	Shares at cost	**1 561 757**	1 037 150
	Reconciliation of loans to group companies		
	Closing balance, at fair value in accordance with IFRS 9 (2018: Loan accounts receivable)	**3 053 304**	3 616 279*
	Opening balance, at amortised cost in accordance with IAS 39	**3 616 279**	
	Fair value adjustments:		
	— prior to 1 July 2018 (cumulative)	**(97 974)**	
	— at 30 June 2019	**(42 825)**	
	Payments made during the year	**(422 176)**	
	Current accounts payable	**(31 250)**	(3 062)
	Per note 15	**3 022 054**	3 613 217

Loan accounts receivable include cumulative redeemable preference shares in the amount of R2 727 million (2018: R3 547 million), issued to structured entities (SEs), recognised as subsidiary companies, with an interest rate of 75% (2018: 75%) of the prime interest overdraft rate, published by the Standard Bank of South Africa Limited (SBSA), and with no fixed terms of redemption. Loan accounts payable are interest-free with no fixed terms of repayment. The redemption is dependent on the declaration of the Assore dividends to its shareholders, including SEs. The SEs are contractually obliged to utilise any dividends received to settle unpaid preference dividends prior to redemption of the preference shares.

To date, the fair value adjustment on the preference shares, in terms of IFRS 9, amounted to R141 million, by way of using a discounted cash flow model, using a risk-free rate as the discounted rate. Refer note 16.2 for a contractual cash flow analysis on the loans to group companies including preference shares.

Current accounts payable are interest-free and payable on demand.

	2019 R'000	2018 R'000
Accrued preference dividends from SEs (included as part of other receivables)	**631 158**	643 457

* During the 2019 financial year, it was determined that share premium of R524 607 000 paid for the investment in Main Street 350 Proprietary Limited (RF) in the 2010 financial year had been incorrectly classified as a loan receivable. This amount should have been included with investments in group companies.

The amount of the reclassification is the same for each of the financial years presented since and including 30 June 2010.

This error has no impact on the statements of comprehensive income or cash flows presented to date and eliminates in the group and therefore neither basic nor diluted earnings per share as reported by the group are impacted.

The impact of correcting the error in the financial statements presented in 2018 and 2017 is as follows:

Company statement of financial position	**2018 R'000**	**2017 R'000**
Increase in investment in group companies	524 607	524 607
Decrease in loans to group companies	(524 607)	(524 607)