3. Investment in subsidiaries and loans to subsidiaries

2018	**Issued share capital**	**Percentage holding**	**Investment cost**	**Loans to subsidiaries**	**Total**
Investments in subsidiaries	**Number of shares**	**%**	**R**	**R'000**	**R'000**
Directly held					
Merafe Chrome	**200**	**100**	**-***	**1 759 108**	**1 759 108**
Indirectly held					
Merafe Ferrochrome	**400**	**100**	**-***	**-**	**-**
2017					
Investments in subsidiaries					
Directly held					
Merafe Chrome	200	100	-*	1 533 128	1 533 128
Indirectly held					
Merafe Ferrochrome	400	100	-*	-	-

The above loans are unsecured, interest free, have no fixed terms of repayment and are long-term in nature. The wholly owned subsidiaries are incorporated in the Republic of South Africa. The assumptions used in the valuation of this loan are as follows:

- Method of valuation: Effective interest rate method
- Term: 55 years (based on the reserves and resources of the Merafe Resources Limited group)
- Interest rate: Current cost of debt interest rate for the group which takes into consideration the risk profile of the group

The company's share in the profits of subsidiaries for the year ended 31 December 2018 amounted to R270m (2017: R749m).

Structured entities

The following entities are consolidated as they are subsidiaries of the Merafe Resources Limited group:

- Merafe Kroondal Rehabilitation Trust
- Merafe Resources Limited Share Incentive Scheme Trust

Refer to the related parties note 23 for further details on investments in subsidiaries and structured entities. There has been no significant changes in the nature and risks associated with these structured entities.

There are no contractual arrangements that require the company to provide financial support to any of the above entities nor are there any events or circumstances that could expose the company to a loss.

**Less than one thousand.*