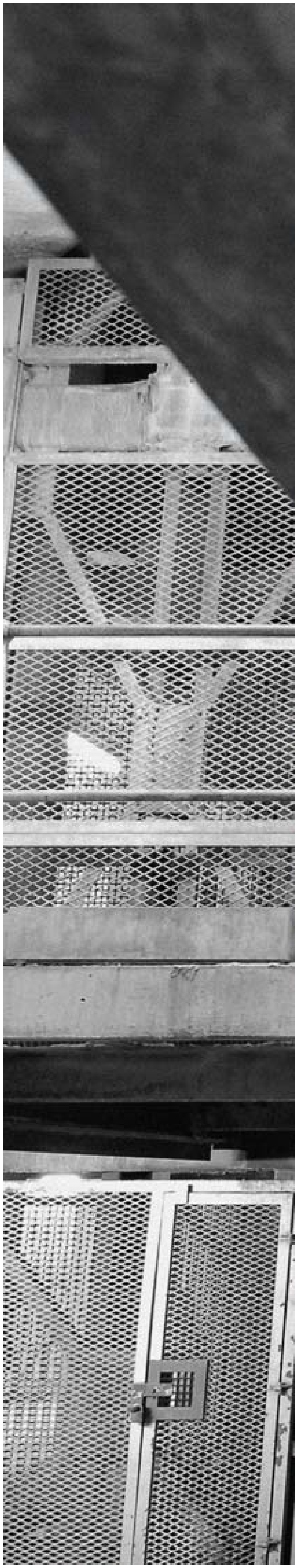
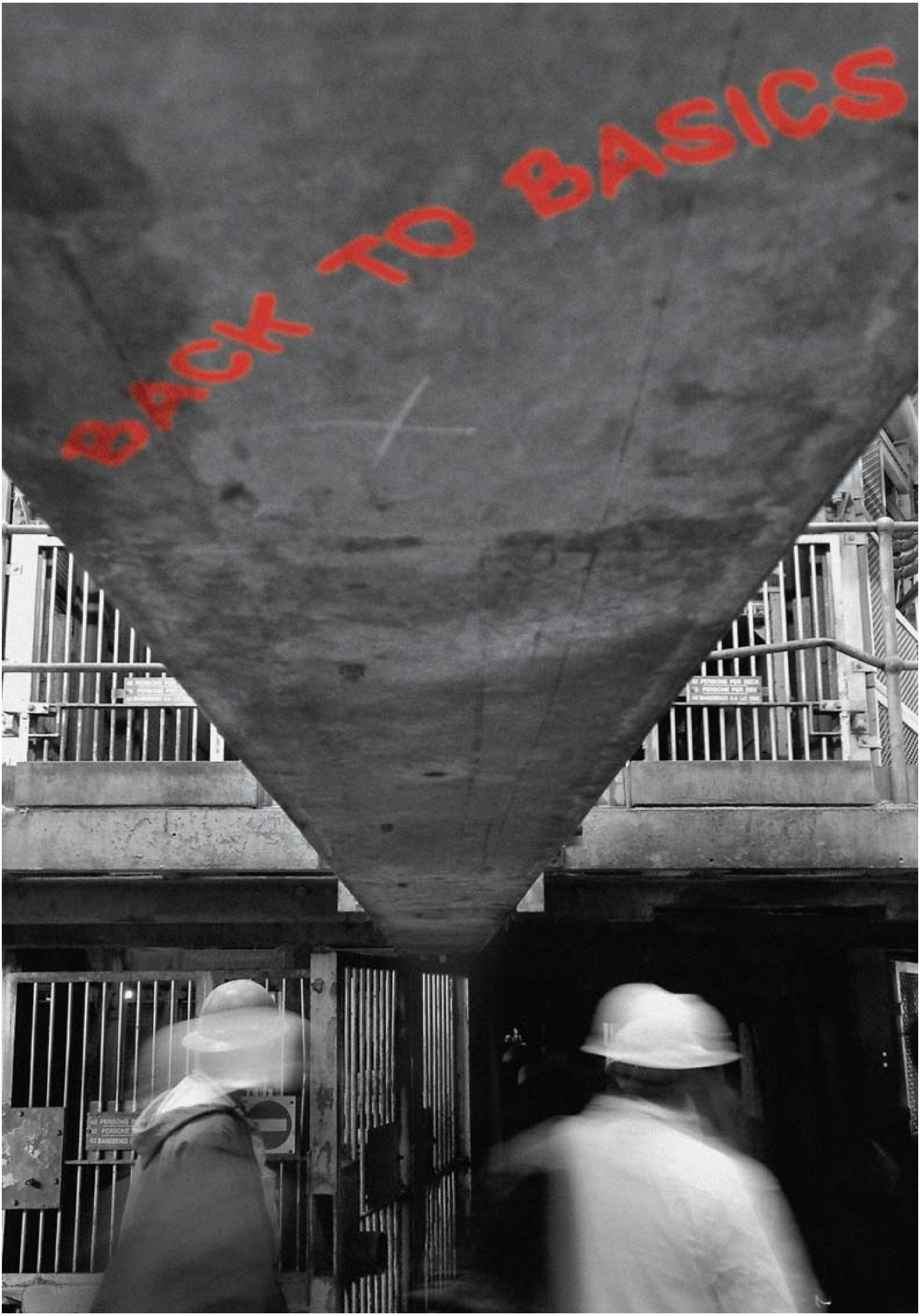
The bottom line

Financial statements



Contents


BACK TO BASICS

Operational results

For the year ended 30 June 2005

Metric (rand)	2005	2004[1]
Underground operations		
Tonnes Milled (000)	**14 484**	17 824
Gold produced (kg)	**81 209**	92 082
Yield (g/t)	**5.16**	5.16
Cash operating cost (R/t milled)	**461**	413
Surface operations		
Tonnes Milled (000)	**8 799**	12 957
Gold produced (kg)	**11 021**	11 045
Yield (g/t)	**1.25**	0.85
Cash operating cost (R/t milled)	**99**	65
Total operations		
Gold produced (kg)	**92 230**	103 127
Gold price received per kilogram	**84 799**	85 219
Cash operating cost (R/kg)	**81 839**	79 599

Imperial (US dollar)	2005	2004
Underground operations		
Tonnes Milled (000)	**15 972**	19 655
Gold produced (oz)	**2 610 918**	2 960 475
Yield (oz/t)	**0.163**	0.151
Cash operating cost ($/t milled)	**68**	54
Surface operations		
Tonnes Milled (000)	**9 703**	14 288
Gold produced (oz)	**354 332**	355 120
Yield (oz/t)	**0.037**	0.025
Cash operating cost ($/t milled)	**15**	9
Total operations		
Gold produced (oz)	**2 965 250**	3 315 595
Gold price received per ounce	**427**	385
Cash operating cost ($/oz)	**412**	360

Average conversion rate for the 12 months under review: US$1 = R6.18 (2004: R6.89)

Note (1) – Includes gold production from ARMgold for nine months from 1 October 2003 and Target for two months from 1 May 2004.

This statement does not form part of the annual financial statements and is unaudited. It is included for convenience.

Report of the independent auditors

TO THE MEMBERS OF HARMONY GOLD MINING COMPANY LIMITED

We have audited the annual company and group financial statements of Harmony Gold Mining Company Limited for the year ended 30 June 2005 set out on pages 156 to 163 and 168 to 237. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards and in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes:

- an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements;
- an assessment of the accounting principles used and significant estimates made by management; and
- an evaluation of the overall presentation of financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly represent, in all material respects, the financial position of the company and the group as at 30 June 2005, and the results of their operations, changes in equity and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice, International Financial Reporting Standards and in the manner required by the South African Companies Act.

PricewaterhouseCoopers Inc.
Chartered Accountant (SA)
Registered Accountants & Auditors

Johannesburg
1 September 2005

Consolidated income statement

For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm		Note	Group 2005 Rm	Group 2004 Rm
1 679	**1 192**	Revenue		**7 822**	8 789
(1 694)	**(1 425)**	Cash operating costs	2	**(7 548)**	(8 209)
(15)	**(233)**	**Cash operating profit/(loss)**		**274**	580
(89)	**(61)**	Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	2	**(795)**	(807)
(33)	**(32)**	Corporate administration and other expenditure	2	**(111)**	(98)
7	**15**	Reversal of provision for rehabilitation costs	2	**23**	114
(130)	**(311)**	**Operating loss**	3	**(609)**	(211)
(12)	**(14)**	Amortisation and depreciation other than mining properties, mine development costs and mine plant facilities	4	**(34)**	(126)
–	**–**	Care and maintenance cost of closed shafts		**(185)**	–
(63)	**(129)**	Employment termination and restructuring costs	5	**(453)**	(224)
–	**–**	Exploration expenditure		**(72)**	(103)
–	**(294)**	Impairment of assets	6	**(1 513)**	–
–	**(1)**	Gain/(loss) on financial instruments		**16**	(223)
–	**–**	Marketing and new business expenditure		**(95)**	(86)
(78)	**(73)**	Other (expenses)/income – net	7	**(25)**	59
–	**1**	Provision for post retirement benefits	33	**(56)**	–
–	**–**	Impairment of investment in associate	8	**–**	(88)
–	**–**	Income from associates	23	**–**	54
22	**(394)**	(Loss)/profit on sale of listed investments	9	**(555)**	34
(8)	**1**	(Loss)/profit on sale of subsidiaries	10	**(1)**	1
–	**–**	Permanent diminution in value of listed investment	11	**(320)**	–
577	**–**	Profit on sale and loss on dilution of investment in associates	12	**–**	371
981	**218**	Interest and dividends received	13	**149**	207
(330)	**(325)**	Interest paid	14	**(505)**	(500)
959	**(1 321)**	**(Loss)/income before tax**		**(4 258)**	(835)
61	**122**	Taxation	15	**803**	305
1 020	**(1 199)**	**Net (loss)/income before minority interests**		**(3 455)**	(530)
–	**–**	Minority interests	16	**–**	7
1 020	**(1 199)**	**Net (loss)/income**		**(3 455)**	(523)
		Basic loss per share (cents)	17	**(955)**	(206)
		Fully diluted loss per share (cents)	17	**(955)**	(206)
		Basic headline loss per share (cents)	17	**(408)**	(308)
		Fully diluted headline loss per share (cents)	17	**(408)**	(308)
		Interim dividends per share (cents)	18	**–**	40
		Proposed final dividends per share (cents)	18	**–**	30
		Total dividends per share (cents)	18	**–**	70

Consolidated balance sheet

As at 30 June 2005

Company 2004 Rm	Company 2005 Rm		Note	Group 2005 Rm	Group 2004 Rm
		Assets			
		Non-current assets			
1 313	**994**	Property, plant and equipment	19	**21 178**	22 244
–	**–**	Intangible assets	20	**2 267**	2 267
11	**1**	Restricted cash	21	**52**	62
235	**2 230**	Investments	22	**4 154**	2 612
–	**–**	Investments in associates	23	**–**	124
23 548	**24 168**	Investments in subsidiaries	24	**–**	–
–	**–**	Deferred taxation asset	15	**58**	3
–	**–**	Derivative financial assets	30	**–**	8
25 107	**27 393**	**Total non-current assets**		**27 709**	27 320
		Current assets			
218	**256**	Inventories	25	**578**	531
303	**166**	Receivables	26	**632**	859
–	**30**	Income and mining taxes		**27**	–
669	**1 302**	Cash and cash equivalents		**1 778**	1 352
1 190	**1 754**	**Total current assets**		**3 015**	2 742
26 297	**29 147**	**Total assets**		**30 724**	30 062
		Equity and liabilities			
		Share capital and reserves			
160	**197**	Share capital	27	**197**	160
20 780	**25 142**	Share premium	27	**25 092**	20 729
256	**166**	Fair value and other reserves	28	**(670)**	(1 186)
1 357	**61**	(Accumulated loss)/retained earnings		**(2 474)**	1 078
22 553	**25 566**	**Total shareholders' equity**		**22 145**	20 781
		Non-current liabilities			
2 499	**1 392**	Long term borrowings	29	**2 422**	2 790
134	**8**	Deferred taxation liabilities	15	**1 976**	2 662
17	**24**	Derivative financial liabilities	30	**386**	578
123	**118**	Provision for environmental rehabilitation	31	**837**	776
12	**14**	Provision for social plan	32	**14**	12
5	**4**	Provision for post-retirement benefits	33	**89**	10
2 790	**1 560**	**Total non-current liabilities**		**5 724**	6 828
		Current liabilities			
889	**844**	Accounts payable and accrued liabilities	34	**1 514**	1 806
56	**1 171**	Short-term portion of long-term borrowings	29	**1 333**	579
3	**–**	Income and mining taxes		**–**	60
6	**6**	Shareholders for dividends		**8**	8
954	**2 021**	**Total current liabilities**		**2 855**	2 453
26 297	**29 147**	**Total equity and liabilities**		**30 724**	30 062

Consolidated statement of changes in shareholders' equity

For the year ended 30 June 2005

	Number of ordinary shares issued	Number of warrants issued	Share capital Rm	Share premium Rm	Accumulated loss/retained earnings Rm	Fair value and other reserves Rm	Total Rm
Notes			27	27		28	
Group							
Balance – 30 June 2003	184 854 115	2 368 030	92	6 782	1 996	(242)	8 628
Net loss	–	–	–	–	(523)	–	(523)
Dividends declared	–	–	–	–	(395)	–	(395)
Issue of shares							
– Acquisition of 11.5% interest in Avgold	6 960 964	–	4	642	–	–	646
– Acquisition of ARMgold	63 666 672	–	32	7 048	–	–	7 080
– Acquisition of 42.2% interest in Avgold	28 630 526	–	14	2 880	–	–	2 894
– Acquisition of Avgold minorities	33 574 367	–	17	3 377	–	–	3 394
Exercise of employee share options	703 800	–	–	30	–	–	30
Share issue expenses	–	–	–	(79)	–	–	(79)
Conversion of warrants	2 351 133	(2 351 133)	1	100	–	–	101
Warrants expired	–	(16 897)	–	–	–	–	–
Issue of convertible bond	–	–	–	–	–	277	277
Consolidation of share trusts	–	–	–	(51)	–	–	(51)
Foreign exchange translation	–	–	–	–	–	(513)	(513)
Mark-to-market of listed and other investments	–	–	–	–	–	(326)	(326)
Mark-to-market of environmental trust funds	–	–	–	–	–	(1)	(1)
Acquisition of Abelle minorities	–	–	–	–	–	(381)	(381)
Balance – 30 June 2004	320 741 577	–	160	20 729	1 078	(1 186)	20 781
Net loss	–	–	–	–	(3 455)	–	(3 455)
Dividends declared	–	–	–	–	(97)	–	(97)
Issue of shares							
– Acquisition of 11.5% interest in Gold Fields	72 173 265	–	37	4 422	–	–	4 459
Exercise of employee share options	426 352	–	–	20	–	–	20
Share issue expenses	–	–	–	(80)	–	–	(80)
Consolidation of share trusts	–	–	–	1	–	–	1
Foreign exchange translation	–	–	–	–	–	349	349
Mark-to-market of listed and other investments	–	–	–	–	–	173	173
Mark-to-market of environmental trust funds	–	–	–	–	–	(6)	(6)
Balance – 30 June 2005	393 341 194	–	197	25 092	(2 474)	(670)	22 145
Company							
Balance – 30 June 2003	184 854 115	2 368 030	92	6 782	732	23	7 629
Net income	–	–	–	–	1 020	–	1 020
Dividends declared	–	–	–	–	(395)	–	(395)
Issue of shares							
– Acquisition of 11.5% interest in Avgold	6 960 964	–	4	642	–	–	646
– Acquisition of ARMgold	63 666 672	–	32	7 048	–	–	7 080
– Acquisition of 42.2% interest in Avgold	28 630 526	–	14	2 880	–	–	2 894
– Acquisition of Avgold minorities	33 574 367	–	17	3 377	–	–	3 394
Exercise of employee share options	703 800	–	–	30	–	–	30
Share issue expenses	–	–	–	(79)	–	–	(79)
Conversion of warrants	2 351 133	(2 351 133)	1	100	–	–	101
Warrants expired	–	(16 897)	–	–	–	–	–
Issue of convertible bond	–	–	–	–	–	277	277
Mark-to-market of listed and other investments	–	–	–	–	–	(44)	(44)
Balance – 30 June 2004	320 741 577	–	160	20 780	1 357	256	22 553
Net loss	–	–	–	–	(1 199)	–	(1 199)
Dividends declared	–	–	–	–	(97)	–	(97)
Issue of shares							
– Acquisition of 11.5% interest in Gold Fields	72 173 265	–	37	4 422	–	–	4 459
Exercise of employee share options	426 352	–	–	20	–	–	20
Share issue expenses	–	–	–	(80)	–	–	(80)
Mark-to-market of listed and other investments	–	–	–	–	–	(90)	(90)
Balance – 30 June 2005	393 341 194	–	197	25 142	61	166	25 566

Consolidated statement of cash flows

For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm		Note	Group 2005 Rm	Group 2004 Rm
		Cash flows from operating activities			
(598)	**(406)**	Cash (utilised in)/generated by operations	38	**(947)**	305
237	**201**	Interest received		**132**	204
744	**17**	Dividends received		**17**	3
(308)	**(254)**	Interest paid		**(261)**	(319)
(8)	**(37)**	Income and mining taxes paid		**(55)**	(578)
67	**(479)**	**Net cash (utilised in)/generated by operating activities**		**(1 114)**	(385)
		Cash flows from investing activities			
(18)	**–**	Net increase in amounts invested in environmental trusts		**(2)**	(34)
(11)	**10**	Restricted cash		**10**	(62)
–	**–**	Cash held by subsidiaries on acquisition	39	**5**	730
–	**–**	Cash held by subsidiaries at disposal	39	**(11)**	–
–	**–**	Cash paid for Abelle	39	**–**	(579)
(1)	**–**	Cash paid for ARMgold	39	**–**	(1)
(2)	**–**	Cash paid for Avgold	39	**–**	(2)
18	**–**	Cash received for Bissett	39	**–**	18
–	**(85)**	Investment in Gold Fields acquired	22	**(85)**	–
–	**–**	Cost on closure of hedge positions		**(212)**	(133)
995	**2 094**	Proceeds on disposal of listed investments		**2 546**	1 022
(1 433)	**(637)**	Increase in other non-current investments		**(7)**	(53)
5	**3**	Proceeds on disposal of mining assets		**129**	200
(58)	**(37)**	Additions to property plant and equipment		**(802)**	(880)
(505)	**1 348**	**Net cash generated by/(utilised in) investing activities**		**1 571**	226
		Cash flows from financing activities			
1 700	**553**	Long-term borrowings raised		**1 403**	1 840
(1 329)	**(632)**	Long-term borrowings paid		**(1 212)**	(1 452)
132	**20**	Ordinary shares issued		**20**	132
(79)	**(80)**	Shares issue expenses		**(80)**	(79)
(395)	**(97)**	Dividends paid		**(97)**	(395)
29	**(236)**	**Net cash generated by/(utilised in) financing activities**		**34**	46
–	**–**	**Foreign currency translation adjustments**		**(65)**	(222)
(409)	**633**	**Net increase/(decrease) in cash and cash equivalents**		**426**	(335)
1 078	**669**	**Cash and equivalents – beginning of year**		**1 352**	1 687
669	**1 302**	**Cash and equivalents – end of year**		**1 778**	1 352

Notes to the consolidated financial statements

For the year ended 30 June 2005

1 Accounting policies

(a) Basis of preparation: The annual financial statements, as modified by available-for-sale financial assets, and financial assets and liabilities (including derivative instruments), which have been brought to account at fair value through the income statement or through other reserves under shareholders' equity, are prepared on the historical cost basis. The accounting policies as set out below have been consistently applied, except for goodwill which is no longer amortised but rather tested annually for impairment. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), South African Statements of Generally Accepted Accounting Practice and in the manner required by the South African Companies Act.

(b) Change in accounting policy: During the financial year, the Group adopted IFRS3, Business Combinations. Previously, goodwill was recognised on the balance sheet and amortised using the straight-line method over the estimated useful life of the underlying assets. The adoption of IFRS 3 resulted in goodwill not being amortised, however tested for impairment annually. This change has not been accounted for retrospectively. The effect of the change was as follows:

	Group	
	2005 Rm	2004 Rm
(Accumulated loss)/retained income as reported	(2 474)	1 078
Amortisation of goodwill	(140)	–
(Accumulated loss)/retained income had the accounting policy not been changed	(2 614)	1 078

Refer to note 4, amortisation and depreciation other than mining properties, mine development costs and plant facilities, and note 20, intangible assets.

(c) Use of estimates: The preparation of the financial statements in conformity with South African Statements of Generally Accepted Accounting Practice and IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used by management include the valuation and amortisation of mining assets and investment in associates, the valuation of other investments, as well as estimates of exposure and liabilities with regard to rehabilitation costs, employee benefit liabilities, taxation, hedging and financial derivatives. Actual results could differ from those estimates.

(d) Consolidation: The consolidated financial information includes the financial statements of the Company, its subsidiaries, its proportionate interest in joint ventures, special purpose entities (SPEs) – also referred to as special purpose vehicles (SPVs) – and its interests in associates.

(i) Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. Subsidiaries are consolidated from the date on which control is acquired and are no longer consolidated when control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Minorities are carried at fair value at acquisition.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. (refer to (d)(v)).

In situations of successive share purchases when control already existed at the date of further acquisition, no fair value adjustment is made to the identifiable net assets acquired and any excess/deficit purchase price over the carrying value of minorities acquired is accounted for in shareholders' equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost and are adjusted for write-downs where appropriate in the Company's financial statements.

(ii) Investments in associates are those entities, other than a subsidiary, in which the Group has a material long term interest and in respect of which the Group exercises significant influence over operational and financial policies, normally owning between 20% and 50% of the voting equity, but which it does not control.

Investments in associates are accounted for by using the equity method of accounting, and are initially recognised at cost. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Equity accounting involves recognising in the income statement the Group's share of the associates' profit or loss for the period. The Group's interest in the associate is carried in the balance sheet at an amount that reflects the cost of the investment, the share of post acquisition earnings and other movement in reserves. The carrying value of an associate is reviewed on a regular basis and, if an impairment in the carrying value has occurred, it is written off in the period in which such permanent impairment is identified.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. The Group's investment in associates includes goodwill on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

Investments in associates are accounted for at cost and are adjusted for write-downs where appropriate in the Company's financial statements.

(iii) Investment in joint ventures are those entities in which the Group holds a long term interest and which is jointly controlled by the Group and one or more venturers under a contractual arrangement. The Group's interest in jointly controlled entities is accounted for by proportionate consolidation. Under this method the Group includes its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line by line basis with similar items in the Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Investments in joint ventures are accounted for at cost and are adjusted for write-downs where appropriate in the Company's financial statements.

(iv) Special purpose entities (SPEs) are those undertakings that are created to satisfy specific business needs of the Group. These are consolidated where the Group has the right to the majority of the benefits of the SPE and/or is exposed to the majority of the risk thereof. SPEs are consolidated in the same manner as subsidiaries when the substance of the relationship indicates that the SPE is controlled by the Group.

(v) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associate, joint venture or business at the date of acquisition. Goodwill on acquisition of subsidiaries, joint ventures and businesses are included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

The Group ceased the amortisation of goodwill on 30 June 2004, in line with the requirements of IFRS 3. Thereafter, goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

At each balance sheet date, the Group performs an analysis to assess whether the carrying amount of goodwill is recoverable. An impairment is made if the carrying amount exceeds the recoverable amount.

The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

(e) Foreign currencies

(i) Foreign entities: For self sustaining foreign entities, assets and liabilities are translated using the closing rates at year end, income statements and cash flows are translated at the average rates for the year. Differences arising on translation are taken directly to shareholders' equity, until the foreign entity is sold or otherwise disposed of when the translation differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of the foreign entities are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(ii) Foreign currency transactions: The South African Rand is the reporting currency of the Group.

Transactions in foreign currencies are translated at the rates of exchange ruling at the date of these transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at balance sheet date. Gains and losses associated with foreign currency transactions are recognised in the income statement in the period to which they relate. These transactions are included in the determination of other income.

(iii) Convenience translations: The consolidated income statement, the consolidated balance sheet and the consolidated statement of cash flows have been expressed in United States Dollars for information purposes.

For this purpose the consolidated income statement and the consolidated statement of cash flows were translated at the average rate for the year and the consolidated balance sheet at the exchange rate ruling at the balance sheet date.

(f) Financial instruments are initially measured at cost or fair value, including transaction costs. Subsequent to initial recognition these instruments are measured as set out below. Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, accounts payable, borrowings and derivative financial instruments.

(g) Cash and cash equivalents are defined as cash on hand, deposits held at call with banks and short term highly liquid investments with insignificant interest rate risk and original maturities of three months or less. Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

(h) Investments

(i) Loans and receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are initially recognised at fair value and subsequently measured at amortised cost. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(ii) Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at cost plus transaction costs for all financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If in the opinion of the directors, permanent diminution in value exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

(iii) Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group's held-to-maturity investments are held at amortised cost.

(i) Inventories which include bullion on hand, gold in process and stores and materials, are measured at the lower of cost or net realisable value after appropriate allowances for redundant and slow moving items.

Stores and materials consist of consumable stores and are valued at average cost.

Bullion on hand and gold in process represent production on hand after the smelting process for most of the Group's underground operations, predominantly located in South Africa. Where mechanised mining is used in underground operations, work in progress is accounted for at the earliest stage of production when reliable estimates of quantities and costs are capable of being made, normally from when ore is broken underground. Due to the different nature of the Group's open pit operations, predominantly located in Australia, gold in process represents either production in broken ore form or production from the time of placement on heap leach pads. It is valued using the weighted average cost method.

Costs included are average production costs, including amortisation and depreciation at the relevant stage of production.

The Group assesses the gold content of broken ore or ore placed on heap leach pads by reference to the historical recovery factor obtained for the type of broken ore and ore added to the heap leach pad.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

(j) Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(k) Accounts payable are recognised at cost and adjusted for payments made to reflect the value of the anticipated economic outflow of resources.

(l) Derivative financial instruments: Derivative financial instruments are recognised on the balance sheet at cost, and subsequently measured at fair value.

On the date a derivative contract is entered into, the Group designates it for accounting purposes as either:

a) a hedge of the fair value of a recognised asset or liability (fair value hedge);
b) a hedge of a forecasted transaction (cash flow hedge);
c) a hedge of a net investment in a foreign entity;
d) a speculative derivative financial instrument; or
e) normal purchase, normal sale contracts.

Certain derivative transactions, however while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting.

Changes in the fair value of a derivative that is determined to be highly effective, and that is designated and qualifies as a fair value hedge, are recognised in the income statement, along with the change in fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of a derivative that is determined to be highly effective, and that is designated and qualifies as a cash flow hedge, are recognised directly in equity. Amounts deferred in equity are included in the income statement in the same periods during which the hedged firm commitment or forecasted transaction affects net profit or loss.

Hedges of net investment in foreign entities are accounted for similarly to cash flow hedges

Changes in the fair value of derivatives which are not designated as hedges, and do not qualify for hedge accounting are recognised in the income statement.

Derivatives which meet the criteria for the normal purchase, normal sales exemption are not recognised until settlement, under these contracts the Group must physically deliver a specified quantity of gold at a future date at a specified price and to the contracted counter party.

(m) Borrowings are recognised at fair value and subsequently measured at amortised cost, comprising original debt less principal payments and amortisations, using the effective yield method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds are allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(n) Exploration costs are expensed as incurred. When a decision is taken that a mining property is capable of commercial production, all further pre-production expenditure, including evaluation costs, are capitalised. Costs related to property acquisitions and mineral and surface rights are capitalised. Where the directors consider that there is little likelihood of the properties or rights being exploited or the value of the exploration rights have diminished below cost, an impairment is recognised.

(o) Property, plant and equipment

(i) Mining assets including mine development costs and mine plant facilities are initially recorded at cost, whereafter it is measured at cost less accumulated amortisation and impairment. Costs include pre-production expenditure incurred in the development of the mine and the present value of future decommissioning costs. Interest on borrowings to specifically finance the establishment of mining assets is capitalised until it is substantially completed. Development costs incurred to evaluate and develop new orebodies, or to define mineralisation in existing orebodies, or to establish or expand productive capacity are capitalised. Mine development costs in the ordinary course to maintain production are expensed as incurred. Initial development and pre-production costs relating to a new orebody are capitalised until the reef horizon is intersected and commercial levels of production are achieved, at which time the costs are amortised as set out below.

Stripping costs incurred during the production phase to remove waste ore are deferred and charged to operating costs on the basis of the average life of mine stripping ratio. The average stripping ratio is calculated as the number of tonnes of waste material removed per tonne of ore mined. The average life of mine ratio is revised annually in the light of additional knowledge and change in estimates. The cost of "excess stripping" is capitalised as mine development costs when the actual stripping ratio exceeds the average life of mine stripping ratio.

Where the average life-of-mine stripping ratio exceeds the actual stripping ratio, the cost is charged to the Income Statement.

(ii) Mining operations placed on care and maintenance: The net assets of operations placed on care and maintenance are impaired to their recoverable amount. Expenditure on the care and maintenance of these operations is charged against income, as incurred.

(iii) Non-mining fixed assets: Land is shown at cost and not depreciated. Other non mining fixed assets are shown at cost less accumulated depreciation and accumulated impairment losses.

(iv) Depreciation and amortisation of mining assets: Depreciation and amortisation of mineral property interests, mineral and surface rights, mine development costs and mine plant facilities are computed principally by the units of production method based on estimated proved and probable reserves. Proved and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. Amortisation is first charged on mining ventures from the date on which the mining ventures reach commercial production quantities.

(v) Depreciation and amortisation of non mining fixed assets: Other non mining fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

- Vehicles at 20% per year;
- Computer equipment at 33.3% per year;
- Computer software at 50% per year; and
- Furniture and equipment at 16.67% per year.

(vi) Impairment: The carrying amount of the long term assets of the Group, which include development costs are annually compared to the recoverable amount of the assets, or whenever events or changes in circumstances indicate that the net book value may not be recoverable. The recoverable amount is the higher of fair value less cost to sell and value in use.

An impairment is recognised in the income statement to the extent that the carrying amount exceeds the assets' recoverable amount. The revised carrying amounts are amortised in line with Group accounting policies.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

The determination of fair value is subject to risks and uncertainties including the future gold price and exchange rates. It is therefore reasonably possible that changes could occur which may affect the recoverability of mining assets.

(p) Environmental obligations: Estimated long term environmental obligations, comprising pollution control, rehabilitation and mine closure , are based on the Group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

The net present value of expected rehabilitation cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using rates that reflect inflation and the time value of money.

Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalised to mining assets against an increase in the rehabilitation provision. The rehabilitation asset is amortised as noted in the Group's accounting policy. Rehabilitation projects undertaken, included in the estimates are charged to the provision as incurred. The cost of ongoing current programmes to prevent and control pollution is charged against income as incurred.

(q) Environmental trust funds: Annual contributions are made to the Group's trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the Group's mines. Contributions are determined on the basis of the estimated environmental obligation over the life of the mine. Income earned on monies paid to environmental trust funds is accounted for as investment income. The funds contributed to the trusts plus growth in the trust funds are included under investments on the balance sheet.

(r) Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(s) Deferred taxation: The Group follows the comprehensive liability method of accounting for deferred tax using the balance sheet approach. Under this method deferred income and mining taxes are recognised for the tax consequences of temporary differences by applying expected tax rates to the differences between the tax base of certain assets or liabilities and its balance sheet carrying amount. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or on the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect the taxability of accounting profits at the time of the transaction. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, post retirement benefits, tax losses and/or unutilised capital allowances carried forward. Deferred tax assets relating to the carry forward of unutilised tax losses and/or unutilised capital allowances are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and/or unutilised capital allowances can be utilised.

(t) Post-retirement benefits and other employee benefits:

(i) Pension and provident plans are funded through annual contributions. The Group's contributions to the defined contribution pension and provident plans are charged to the income statement in the year to which they relate. The Group's liability is limited to its annually determined contributions.

(ii) Medical plans: The Group provides medical cover to current employees and certain retirees through certain funds. The medical accounting costs for the defined benefit plan are assessed using the projected unit credit method. The health care obligation is measured as the present value of the estimated future cash outflows using market yields consistent with the term and risks of the obligation. Actuarial gains and losses as a result of these valuations are recognised in the income statement at re-valuation date. A liability for retirees and their dependents is accrued in full based on actuarial valuations every year.

(iii) Equity compensation benefits: The Group grants share options to certain employees under an employee share plan. Costs incurred in administering the scheme are expensed as incurred. No compensation cost is recognised in these financial statements for options or shares granted to employees from employee share plans.

(iv) Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(v) Leave pay: The group provides for the cost of the leave days granted to employees during the period in which the leave days accumulate.

(u) Revenue recognition:

(i) Revenue represents gold sales and is recognised when the risks and rewards of ownership has passed to the buyer with delivery from the refinery. Sales revenue excludes value added tax but includes the net profit and losses arising from financial derivatives that meet the definition of normal sale to the extent that they relate to that metal and have been matched at the date of the financial statements.

(ii) Interest income: Interest is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

(iii) Dividend income is recognised when the shareholder's right to receive payment is established. This is recognised at the last date of registration.

(v) Dividends declared: Dividends proposed and the related transactions thereon are recognised when declared by the Board of directors. The dividends paid therefore relate to those declared in the current financial year. Dividends are payable in South African Rands.

Dividends declared which are payable to foreign shareholders are subject to approval by the South African Reserve Bank in terms of South African foreign exchange control regulations. In practice, dividends are freely transferable to foreign shareholders.

(w) Segmental reporting: The primary reporting format of the Group is by business segment. As there is only one business segment, being mining, extraction and production of gold, the relevant disclosures have been given in the financial statements. The segmental information is supplied on a shaft level in the geographical area. The secondary reporting format is by geographical analysis by origin. The segmental information is supplied on a shaft level in the geographical area. The accounting policies of the segments are the same as those described in the other accounting policy notes.

Notes to the consolidated financial statements

For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		2 Cost of sales		
		Cash operating costs include mine production, transport and refinery costs, applicable general and administrative costs, movement in inventories and ore stockpiles and ongoing environmental rehabilitation costs as well as transfers to and from deferred stripping. Ongoing employee termination cost is included, however, employee termination costs associated with major restructuring and shaft closures are excluded. These costs, analysed by nature, consist of the following:		
1 027	**907**	Labour costs, including contractors	**4 748**	4 824
378	**287**	Stores and materials	**1 571**	1 829
190	**165**	Water and electricity	**865**	898
28	**33**	Hospital costs	**147**	130
8	**(12)**	Changes in inventory	**(25)**	(4)
63	**45**	Other	**242**	532
1 694	**1 425**	Cash operating cost	**7 548**	8 209
89	**61**	Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	**795**	807
33	**32**	Corporate, administration and other expenditure	**111**	98
(7)	**(15)**	Reversal of provision for rehabilitation costs	**(23)**	(114)
1 809	**1 503**	Cost of sales	**8 431**	9 000

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		3 Operating loss		
		The following have been included in operating loss:		
6	**8**	Professional fees	**51**	33
1	**2**	Auditors' remuneration	**13**	5
1	**1**	Fees – current year	**9**	4
–	**1**	Fees – other services	**4**	1

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		4 Amortisation and depreciation other than mining properties, mine development costs and mine plant facilities		
–	**–**	Other non-mining assets	**20**	9
–	**–**	Goodwill	**–**	105
12	**14**	Borrowings issue costs	**14**	12
12	**14**		**34**	126

Notes to the consolidated financial statements

For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		5	**Employment termination and restructuring costs**		
63	**129**		Free State	**129**	62
–	**–**		Randfontein and Elandskraal	**103**	57
–	**–**		Evander	**25**	26
–	**–**		Kalgold	**1**	–
–	**–**		Australian operations	**–**	–
–	**–**		Freegold	**174**	53
–	**–**		ARMgold (Welkom and Orkney)	**12**	26
–	**–**		Avgold	**9**	–
63	**129**			**453**	224

The detailed plan of the restructuring process announced on 2 April 2004, was finalised and announced by 30 June 2004 and the Company recognised a provision of R164 million (comprising mainly of employment termination costs) in the 2004 financial year to cover the estimated costs of the restructuring. Actual costs amounted to R354 million and the provision was fully utilised by 30 September 2004. During March 2005, Harmony announced that the Company had commenced a final restructuring process in its Free State region following the weakening of the gold price in Rand per kilogram terms. A process to down-scale production at some shafts was initiated and communicated to the unions by 30 June 2005. An accrual was raised to cover the estimated cost of the restructuring.

During the year ended 30 June 2004, the continued process of restructuring for profitability at the Free State, Randfontein, Elandskraal, Evander, Freegold, Welkom and Orkney operations resulted in excess labour, which could not be accommodated on other shafts, even with the implementation of continuous operations. On 2 April 2004, Harmony announced that the Company had commenced a restructuring process following the recent weakening of the gold price in Rand per kilogram terms. Some of the older shafts, which had come to the end of their economic lives, were jointly evaluated by the Company and organised labour, and a process to down-scale production at the shafts was initiated. A provision was raised to cover the estimated cost of the restructuring.

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		6	**Impairment of assets**		
–	294		Free State	294	–
–	–		Evander	89	–
–	–		Kalgold	137	–
–	–		Australian operations	637	–
–	–		Freegold	353	–
–	–		ARMgold (Welkom and Orkney)	3	–
–	294			1 513	–

The South African operations recorded an impairment of R876 million at a number of its operations. This impairment relates to an impairment of mining properties, mine development costs and mine plant facilities, as well as some undeveloped properties. The adjustment to the expected amount of gold to be produced as well as revised working costs resulted in revised life-of-mine plans being designed for the South African operations. Utilising the revised mine plans, a gold price of R92 000 per kilogram and a discount rate of 8.2%, the calculated fair values did not support the carrying value of some of the South African operations. Accordingly an asset impairment of R876 million was charged against income.

The Australian operations recorded an impairment of R637 million during the year ended 30 June 2005. This impairment relates to an impairment loss on amounts previously capitalised as undeveloped properties for which no future financial benefits are expected by management. An impairment was also recorded on mining assets mainly resulting from a review performed on life-of-mine plans. The revised life-of-mine plans included an adjusted Australian dollar gold price and adjustments to estimated production costs. Utilising the revised mine plans, a gold price of A$550 per ounce and a discount rate of 7%, the calculated fair values did not support the carrying value of some of the Australian operations. Accordingly, an asset impairment of R637 million was charged against income.

Fair value is generally determined utilising discounted future cash flows. Management also considers such factors as the market capitalisation of the Group, the quality of the individual orebody and country risk in determining fair values.

Notes to the consolidated financial statements

For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		7	**Other (expenses)/income – net**		
4	**3**		Profit on sale of property, plant and equipment	**78**	116
(72)	**(20)**		Foreign exchange profits/(losses) – net	**3**	(29)
–	**(38)**		Non-mining bad debts	**(38)**	–
(10)	**(18)**		Other expenditure – net	**(68)**	(28)
(78)	**(73)**			**(25)**	59
		8	**Impairment of investment in associate**		
–	**–**		Mark to market of shares in listed companies	**–**	(88)

At the time of Harmony's acquisition of its investment in Bendigo Mining NL (Bendigo) during the 2002 financial year, Bendigo's shares were trading at A$2.90 per share on the Australian stock exchange. During the 2004 financial year, the share price decreased to A$0.88 per share, which was below the carrying value of the investment in Harmony's records, resulting in an impairment of R88 million to reflect the value of the investment of R124 million. Refer to note 23(a).

A profit of R30 million was recorded in the current financial year on the final disposal of the investment (Refer note 9).

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		9	**(Loss)/profit on sale of listed investments**		
–	**–**		Profit on sale of investment in Gindalbie Gold NL	**–**	–
–	**(22)**		Loss on sale of investment in ARM Limited	**(213)**	–
–	**–**		Profit on sale of investment in Bendigo NL	**30**	–
–	**(372)**		Loss on sale of investment in Gold Fields Limited	**(372)**	–
22	**–**		Profit on sale of investment in High River Gold Mines Limited	**–**	22
–	**–**		Profit on sale of investment in Midas Resources Limited	**–**	–
–	**–**		Profit on sale of investment in Legend Mining Limited	**–**	12
22	**(394)**		(Loss)/profit on sale of listed investments	**(555)**	34

On 15 March 2005, Harmony disposed of its investment in Gindalbie, carried at total cost of A$0.1 million less a provision for diminution of A$0.05 million, which it received as partial consideration for the sale of tenements on 30 December 2003, for R0.3 million, resulting in a profit of R0.05 million.

The Company disposed of 5.82% of the 19.5% investment held in ARM Limited (ARM) for R346 million through a range of transactions on 3 February 2005, 15 March 2005 and 27 May 2005. The 5.82% portion of the investment was acquired at a cost of R559 million, resulting in a loss of R213 million (Also refer to note 11).

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

9 (Loss)/profit on sale of listed investments (continued)

On 1 April 2005 Harmony disposed of its investment in Bendigo NL (Bendigo), carried at a total cost of A$26 million, for R158 million, resulting in a profit of R30 million. Previously a diluted loss of R88 million was accounted for (refer note 8), resulting in a net loss over the life of the investment of R58 million.

On 3 June 2005 the Company disposed of 30 million shares in Gold Fields Limited (Gold Fields) for R2 041 million. The investment was acquired at a cost of R2 413 million, resulting in a loss of R372 million.

On 17 October 2003 the Company disposed of its investment in High River Gold Mines Limited (High River) for R163 million. The investment was acquired at a cost of R141 million, resulting in a profit of R22 million.

On 22 March 2004 Harmony disposed of its investment in Midas Resources Limited (Midas Resources), acquired at a total cost of A$2 million, which it received as partial consideration for the sale of its Lake Carey tenements in February 2003, for R10 million, resulting in a profit of R0.1 million.

On 23 March 2004 Harmony disposed of its investment in Legend Mining Limited, acquired at a value of A$1 million on 17 February 2004 through a share exchange transaction during the sale of Gidgee mine, for R17 million, resulting in a profit of R12 million.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		10 (Loss)/profit on sale of subsidiaries		
–	**1**	Profit on sale of investment in NACS	**1**	–
–	**–**	Loss on sale of investment in Future	**(9)**	–
–	**–**	Profit on sale of investment in Ubuntu	**7**	–
(8)	**–**	Profit/(loss) on sale of investment in Bissett	**–**	1
(8)	**1**	(Loss)/profit on sale of subsidiaries	**(1)**	1

On 1 July 2004, the Company disposed of the entire share capital of National Accommodation & Catering Services (Proprietary) Limited (NACS) for R1.3 million. The net asset value of NACS was R0.5 million, resulting in a profit of R0.8 million for the Group. The subsidiary was acquired from African Rainbow Mineral and Exploration Investments (Proprietary) Limited (ARMI) as part of the acquisition of ARMgold on 23 September 2003.

On 29 November 2004, the Company disposed of the entire share capital of Future Mining (Proprietary) Limited (Future) for R1. The net asset value of Future was R9 million, resulting in a loss of R9 million for the Group. The subsidiary was acquired from ARMI as part of the acquisition of ARMgold on 23 September 2003.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		10 (Loss)/profit on sale of subsidiaries (continued)		

On 30 November 2004, the Company disposed of the entire share capital of Ubuntu Small Scale Mining (Proprietary) Limited (Ubuntu) for R0.4 million. The net asset value of Ubuntu was a negative R6.6 million, resulting in a profit of R7 million for the Group. The subsidiary was acquired from ARMI as part of the acquisition of ARMgold on 23 September 2003.

On 17 March 2004, the Company disposed of the entire share capital of Harmony Gold (Canada) Incorporated (Bissett) for R38 million. The proceeds were settled by the issue of 5 000 000 shares in San Gold Resources Corporation (San Gold), 5 714 285 shares in Gold City Industries Limited (Gold City) and the balance of R18 million in cash. The net asset value of Bissett was R37 million, resulting in a profit of R1 million for the Group.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		11 Permanent diminution in value of shares in listed companies		
–	–	Permanent diminution in value of shares in listed companies	**(337)**	–
–	–	Mark-to-market of shares in listed companies	**17**	–
–	–		**(320)**	–

The purchase by the ARM Broad-Based Economic Empowerment Trust (the Trust) of 13.68% of the investment in ARM was financed and underwritten by Harmony. As part of the various agreements put in place to arrange the sale of the shares to the Trust, Harmony has accepted terms which resulted in the majority of the risk not being transferred to the Trust. This relates mainly to a "Put Option" whereby the loan of R480 million can be put to Harmony by Nedbank Limited in the event of default of the loans obtained by the Trust in acquiring the shares from Harmony. Based on accounting rules governing the accounting for "Special Purpose Entities," it is required that Harmony consolidate the Trust and therefore the total Trust liability and the total investment in ARM is accounted for on the consolidated Harmony balance sheet, as the Trust is deemed to form part of the Harmony Group. This will be unwound as the shares in the trust are taken up by the incumbent owners. In the interim the value of the shares in the Trust have been written down to R29 per shares which is the maximum realisable price under the terms of the agreement. The net diminution in the carrying value accounted for is R320 million.

Notes to the consolidated financial statements

For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		12	**Profit on sale and loss on dilution of investment in associates**		
577	–		Profit on sale of investment in Highland Gold Limited	–	534
–	–		Loss on dilution of investment in African Rainbow Minerals Limited Minerals Limited	–	(163)
577	–		Profit on sale and dilution of associates	–	371

On 14 October 2003 the Company disposed of its investment in Highland Gold Limited (Highland Gold) for R833 million. The investment was acquired at a cost of R256 million and the Group's share in the equity accounted earnings of Highland Gold amounted to R43 million, resulting in a profit of R534 million.

The Company and African Rainbow Minerals Gold Limited (ARMgold) purchased the investment in African Rainbow Minerals Limited (ARM), formerly known as Anglovaal Mining Limited, through a joint venture, ARMgold/Harmony Joint Investment Company (Proprietary) Limited (Clidet), for R1 692 million. Since acquisition Harmony equity accounted earnings of R119 million. The carrying value of the investment was R1 811 million at 30 April 2004, before the dilution. Following a range of transactions between Harmony, ARM and ARMI, Harmony's interest in ARM was diluted from 34.5% to 19.0%. resulting in a net loss of R163 million.

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		13	**Interest and dividends received**		
237	**201**		Interest received	**132**	204
–	**17**		Dividends received from listed investments	**17**	–
744	**–**		Dividends received from unlisted investments	**–**	3
981	**218**			**149**	207

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		14 Interest paid		
		Cash interest paid		
24	**26**	Banks and short term facilities	**32**	26
143	**136**	Senior unsecured fixed rate bonds	**136**	143
9	**81**	Convertible unsecured fixed rate bonds	**81**	9
2	**–**	BAE Systems Plc	**–**	2
34	**–**	BOE Bank Limited	**–**	34
95	**11**	Nedbank Limited	**11**	95
1	**–**	Other creditors	**1**	10
308	**254**	**Total cash interest paid**	**261**	319
		Non-cash interest paid		
6	**57**	Convertible unsecured fixed rate bonds	**57**	6
–	**–**	AngloGold Limited	**27**	44
–	**–**	BOE Bank Limited	**44**	43
–	**–**	Nedbank Limited	**17**	–
–	**–**	Post retirement benefits	**20**	–
16	**14**	Time value of money component of rehabilitation costs	**79**	88
22	**71**	**Total non-cash interest paid**	**244**	181
330	**325**	**Total interest paid**	**505**	500

The non-cash interest charges relate to imputed interest charges on the various liabilities, in terms of the applicable accounting rules.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		15 Taxation		
		The components of taxation in the income statement are the following:		
		South African taxation		
–	**(4)**	Mining tax	**(4)**	8
(30)	**–**	Non-mining tax	**(3)**	(54)
91	**86**	Deferred tax	**477**	285
–	**40**	Deferred tax – impairment of assets	**158**	–
		Foreign taxation		
–	**–**	Current tax	**(69)**	(25)
–	**–**	Prior year adjustment	**–**	30
–	**–**	Deferred tax – normal	**53**	61
–	**–**	Deferred tax – impairment of assets	**191**	–
61	**122**	Total taxation	**803**	305

Mining tax on mining income is determined on a formula basis which takes into account the profit and revenue from mining operations during the year. Non-mining income is taxed at a standard rate. Mining and non-mining income of Australian operations are taxed at a standard tax rate of 30% (2004: 30%). Deferred tax is provided at the estimated expected future mining tax rate for temporary differences. Major items causing the Company's income tax provision to differ from the maximum mining statutory tax rate of 45% (2004: 46%) were:

Notes to the consolidated financial statements

For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		15 Taxation (continued)		
(462)	**536**	Tax on net income at the maximum statutory mining tax rate	**1 421**	381
611	**(240)**	Non-taxable income/additional deductions	**312**	(8)
(61)	**136**	Difference between estimated effective mining tax rate and maximum mining statutory rate on timing differences	**115**	(17)
–	**(224)**	Difference between South African mining formula tax rate and maximum mining statutory rate on mining income	**(670)**	68
16	**–**	Difference between non-mining tax rate and maximum mining statutory rate on non-mining income	**(78)**	2
(43)	**(81)**	Change in estimated effective mining tax rate on deferred tax	**(282)**	(121)
–	**(5)**	Change in statutory mining tax rate	**(10)**	–
–	**–**	Change in statutory non-mining tax rate	**(5)**	–
61	**122**	Income and mining taxation	**803**	305
(6%)	**9%**	**Effective income and mining tax rate**	**19%**	37%
		Deferred income and mining tax liabilities and assets on the balance sheet as of 30 June 2005 and 30 June 2004, relate to the following:		
		Deferred income and mining tax liabilities		
114	**28**	Amortisation and depreciation	**3 027**	3 200
5	**3**	Product inventory not taxed	**15**	36
45	**18**	Convertible bonds	**18**	45
–	**–**	Other	**–**	4
164	**49**	Gross deferred income and mining tax liability	**3 060**	3 285
(30)	**(41)**	Gross deferred income and mining tax assets	**(1 142)**	(626)
–	**–**	Deferred financial liability	**(76)**	(80)
(9)	**(5)**	Unredeemed capital expenditure	**(603)**	(375)
(21)	**(9)**	Provisions, including non-current provisions	**(112)**	(69)
–	**(27)**	Tax losses	**(351)**	(102)
134	**8**		**1 918**	2 659
		The Group's net deferred tax liability/(asset) per tax entity is made up as follows:		
–	**–**	Deferred tax assets	**(58)**	(3)
134	**8**	Deferred tax liabilities	**1 976**	2 662
134	**8**		**1 918**	2 659
		The movement in the net deferred tax liability recognised in the balance sheet is as follows:		
165	**134**	At the beginning of the year	**2 659**	1 534
–	**–**	Acquired through the purchase of subsidiaries and businesses and the finalisation of purchase prices of subsidiaries and businesses	**–**	1 498
(91)	**(126)**	Total reversal per income statement	**(879)**	(346)
60	**–**	Initial recognition of convertible bonds	**–**	60
–	**–**	Foreign currency translation adjustments	**138**	(87)
134	**8**	At the end of the year	**1 918**	2 659

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

15 Taxation (continued)

As at 30 June 2005 the Group has unredeemed capital expenditure of R6 581 million (2004: R5 752 million) and tax losses carried forward of R1 827 million (2004: R387 million) available for deduction against future mining income. These future deductions are utilisable against mining income generated only from the Group's current mining operations and does not expire unless the Group ceases to trade for a period longer than one year.

16 Minority interests

The Company initiated a takeover of Abelle Limited (Abelle) on 26 February 2003. The offer closed on 30 April 2003. At 30 June 2003 Harmony held a controlling interest of 87%, with three members appointed to the board of Abelle on 5 May 2003. The remaining 13% shareholders were treated as a minority interest as from that date. Harmony's interest was diluted to 83.2% up until 15 March 2004 when Harmony announced that it had made an off market cash offer to acquire all the ordinary shares, listed options and unlisted options in Abelle that it did not already own. As at 30 June 2004 Abelle was a wholly-owned subsidiary of Harmony.

The Company acquired 11,5% of the shares in Avgold Limited (Avgold) on 15 July 2003 and further additional shares in Avgold were acquired on 3 May 2004, resulting in a controlling interest of 53,5%. The remaining 46.5% owned by outside shareholders was treated as a minority interest since that date. On 11 May 2004 the Company announced a scheme of arrangement to acquire the entire issued share capital of Avgold. This scheme was sanctioned by the High Court of South Africa and was subsequently registered by the Registrar of Companies. This concluded the acquisition of the remaining 46.5% of Avgold and the scheme became effective on 24 May 2004, after which Avgold became a wholly-owned subsidiary of the Company.

17 Earnings per share

Basic loss per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted number of ordinary shares in issue during the year

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		Net loss attributable to shareholders	**(3 455)**	(523)
		Weighted average number of ordinary shares in issue ('000)	**361 817**	253 558
		Basic loss per share (cents)	**(955)**	(206)

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

17 Earnings per share (continued)

Fully diluted loss per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares as a result of share options granted to employees under the share option schemes and warrants in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the Company's shares, based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Group 2005 Rm	Group 2004 Rm
Weighted average number of ordinary shares in issue ('000)	**361 817**	253 558
Potential ordinary shares ('000)	**–**	–
Weighted average number of ordinary shares for fully diluted earnings per share ('000)	**361 817**	253 558
Fully diluted loss per share (cents)	**(955)**	(206)

The inclusion of share options issued to employees as at 30 June 2005 and 30 June 2004, as potential ordinary shares, would have an anti-dilutive effect on the diluted loss per share. Additionally, the potential ordinary shares to be issued upon the conversion of the convertible unsecured fixed rate bond (refer to note 29) would have an anti-dilutive effect on the diluted earnings per share. Accordingly, such additional shares have not been taken into account in the determination of the diluted loss per share.

Headline loss per share

The calculation of headline earnings per share is based on the basic earnings per share calculation adjusted for the following items:

	Group 2005 Rm	Group 2004 Rm
Net loss attributable to shareholders	**(3 455)**	(523)
Amortisation of goodwill	**–**	105
Net impairment of assets	**1 164**	–
– Gross	**1 513**	–
– Taxation	**349**	–
Profit on sale of property, plant and equipment	**(78)**	(116)
Impairment of investment in associate	**–**	88
Net loss/(profit) on sale of listed investments	**555**	(31)
– Gross	**555**	(34)
– Taxation	**–**	(3)
Net loss/(profit) on sale of subsidiary	**1**	(22)
– Gross	**1**	(1)
– Taxation	**–**	21
Net profit on sale and loss on dilution of investment in associates	**–**	(282)
– Gross	**–**	(371)
– Taxation	**–**	(89)
Permanent dimunition in value of listed investments	**337**	–
Headline loss	**(1 476)**	(781)
Basic headline loss per share (cents)	**(408)**	(308)
Fully diluted headline loss per share (cents)	**(408)**	(308)

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For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		18	**Dividends declared**		
			No interim dividend was declared during 2005		
			(2004: dividend no. 78 of 40 cents)	–	103
			Final dividend no. 79 for 2004 of 30 cents per share		
			(2004: dividend no. 77 for 2003 of 150 cents)	**97**	292
				97	395
			The dividends proposed are as follows:		
			Dividends proposed		
			No final dividend was proposed for 2005		
			(2004: dividend no. 79 proposed of 30 cents)	–	97
			The final dividend in respect of the 2004 financial year was approved on 30 July 2004. The 2004 financial statements do not reflect the final dividend proposed. It was accounted for in the 2005 financial year.		
		19	**Property, plant and equipment**		
			Mining properties, mine development costs and mine plant		
1 312	**993**		facilities	**21 009**	22 078
1	**1**		Other non-mining assets	**169**	166
1 313	**994**			**21 178**	22 244
			Mining properties, mine development costs and mine plant facilities		
2 487	**2 557**		Cost at beginning of year	**28 881**	16 150
–	**–**		Acquired through the purchase of subsidiaries	**4**	13 413
70	**37**		Additions	**840**	938
–	**(1)**		Disposals	**(604)**	(128)
–	**–**		Disposal of subsidiary	**(4)**	(243)
–	**–**		Foreign currency translation adjustments	**569**	(1 249)
2 557	**2 593**			**29 686**	28 881
1 156	**1 245**		Accumulated depreciation and amortisation at beginning of year	**6 803**	6 319
–	**–**		Acquired through the purchase of subsidiaries	**2**	703
–	**294**		Impairment of fixed assets	**1 513**	–
–	**–**		Disposals	**(571)**	(48)
–	**–**		Disposal of subsidiary	**(4)**	(190)
–	**–**		Foreign currency translation adjustments	**139**	(788)
89	**61**		Charge for the year	**795**	807
1 245	**1 600**			**8 677**	6 803
1 312	**993**		**Net book value**	**21 009**	22 078

Notes to the consolidated financial statements

For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		19	**Property, plant and equipment (continued)**		
			Other non-mining assets		
28	**28**		Cost at beginning of year	**226**	190
–	**–**		Additions	**27**	45
–	**–**		Disposals	**(5)**	(4)
–	**–**		Foreign currency translation adjustments	**1**	(5)
28	**28**			**249**	226
27	**27**		Accumulated depreciation and amortisation at beginning of year	**60**	52
–	**–**		Disposals	**–**	–
–	**–**		Foreign currency translation adjustments	**–**	(1)
–	**–**		Charge for the year	**20**	9
27	**27**			**80**	60
1	**1**		**Net book value**	**169**	166
1 313	**994**		**Total net book value**	**21 178**	22 244

Other non-mining assets consist of mineral subscription and participation rights, freehold land, computer equipment and motor vehicles.

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		20	**Intangible assets**		
			Goodwill		
–	**–**		Opening net book value	**2 267**	–
–	**–**		Acquired through the purchase of subsidiaries	**–**	2 372
–	**–**		Amortisation charge	**–**	(105)
–	**–**		**Closing net book value**	**2 267**	2 267
			The net book value as at 30 June 2005, is made up as follows:		
–	**–**		Cost	**2 372**	2 372
–	**–**		Accumulated amortisation	**(105)**	(105)
–	**–**		**Net book value**	**2 267**	2 267

The goodwill relates to the acquisition of ARMgold (Refer to note 39(b)(ii)(a)).

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		21	**Restricted cash**		
11	**1**		Bissett proceeds held in trust	**1**	10
–	**–**		Australian shareholders funds	**9**	33
–	**–**		Security deposits	**42**	19
11	**1**			**52**	62

An amount of C$0.2 million (2004: C$2 million) of the proceeds on sale of Bissett is held in trust with Stike and Elliot attorneys in Canada. The amount will be held in trust until clearance is provided by the Canadian tax authority that all outstanding tax obligations by Harmony have been met.

An amount of A$2 million (2004: A$8 million) is held to acquire the remaining shares in Australian subsidiaries, as part of the compulsory takeover of shares.

An amount of A$ 8 million (2004: A$ 4 million) is held in respects of security deposits on mining tenements and credit cards.

Restricted cash is measured at fair value.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		22 Investments		
		Listed investments		
–	–	Investment in Gindalbie Gold NL (a)	–	–
4	**11**	Investment in San Gold Resources Corporation (b)	**11**	4
6	**6**	Investment in Gold City Industries Limited (c)	**6**	6
68	–	Investment in African Rainbow Minerals Limited (d)	**854**	1 452
–	**2 027**	Investment in Gold Fields Limited (e)	**2 027**	–
–	–	Investment in Australian other Limited (f)	**1**	–
–	–	Investment in Peninsula Minerals Limited (g)	–	–
78	**2 044**	**Total listed investments**	**2 899**	1 462
		Other investments		
29	**53**	Unlisted investments and loans (h)	**84**	70
99	**107**	Amounts contributed to environmental trust funds (i)	**1 171**	1 080
29	**26**	Loan to Harmony Share Trust (j)	–	–
157	**186**		**1 255**	1 150
235	**2 230**	**Total non-current investments**	**4 154**	2 612

(a) On 30 December 2003 Harmony Gold Operations (Proprietary) Limited, a subsidiary of Harmony Gold (Australia) (Proprietary) Limited, received 538 503 shares in Gindalbie Gold NL, as partial consideration for the sale of tenements. As at 30 June 2004 the market value of the shares was R0.2 million (A$0.10 per share). On 15 March 2005, Harmony disposed of its entire investment in Gindalbie for R0.3 million, resulting in a profit of R0.05 million.

(b) On 17 March 2004 the Company received 5 000 000 ordinary shares in San Gold, issued at C$0.40 per share, as partial consideration for the sale of the Company's wholly owned subsidiary, Bissett. San Gold is a mineral resources company, which has a secondary listing on the Toronto Stock Exchange. The market value of the investment was R11 million (C$0.40 per share) (2004: R4 million (C$0.19 per share)) on 30 June 2005, resulting in an increase of R1 million (2004: a decrease of R6 million) since acquisition, which was reflected as equity reserves (Refer to note 28(b) for more detail).

(c) On 17 March 2004 the Company received 5 714 285 ordinary shares in Gold City, issued at C$0.35 per share, as partial consideration for the sale of the Company's wholly owned subsidiary, Bissett. Gold City is a mineral resources company, which has a secondary listing on the Toronto Stock Exchange. The market value of the investment was R6 million (C$0.20 per share) (2004: R6 million (C$0.25 per share)) on 30 June 2005, resulting in a decrease of R4 million (2004: R4 million) since acquisition, which was reflected as equity reserves (Refer to note 28(b) for more detail).

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

22 Investments (continued)

(d) Harmony's 34.5% investment in 38 789 761 issued ordinary shares of ARM was diluted to 19% on 3 May 2004, by the issue of new shares by ARM, following a range of transactions between Harmony, ARM and ARMI. The result was that the investment in ARM was reclassified from an investment in an associate to an available-for-sale investment (Refer to note 23(c) for more detail). Through the same range of transactions, Harmony disposed of its platinum interest in the Kalplats platinum project to ARM for the issue of 2 000 000 new ordinary shares in ARM. ARM is listed on the JSE Limited and has interests in operating gold, manganese, iron, chrome, platinum, and nickel mines in South Africa. The market value of the investment was R1 452 million (R34.00 per share) on 30 June 2004, resulting in a decrease of R275 million in the carrying value of the investment, which was reflected as equity reserves (Refer to note 28(b) for more detail).

During the 2005 financial year, Harmony entered into a number of transactions to dispose of the 19.5% investment held in ARM. These transactions included transactions in the open market to dispose of a 5.82% share in ARM on which a loss of some R213 million was recorded. (Refer to note 9). In addition, Harmony disposed of the remaining portion of the investment in ARM to the Trust. As part of the various agreements put in place to arrange the sale of the shares to the Trust, Harmony has accepted terms which resulted in the majority of the risk not being transferred to the Trust. This relates mainly to a "Put Option" whereby the loan of R480 million can be put to Harmony by Nedbank Limited in the event of default on any of the loans obtained by the Trust in acquiring the shares from Harmony. Based on the accounting rules governing the accounting for SPEs, it is required that Harmony consolidate the Trust and therefore the total Trust liability and the total investment in ARM is accounted for on the consolidated balance sheet, as the Trust is deemed to form part of the Harmony Group. (Refer to note 11).

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

22 Investments (continued)

(e) On 30 November 2004, the Company acquired 56 606 482 ordinary shares in Gold Fields Limited, representing 11.5% of their issued share capital, at a total cost of R4 458 million through the issue of 1.275 Harmony shares for every Gold Fields share. Gold Fields is a mineral resources company, primarily gold, which is listed on the JSE Limited and has a secondary listing on the New York Stock Exchange. The investment was classified as an available-for-sale investment since acquisition. On 3 June 2005, the Company disposed of 30 million shares in Gold Fields, representing 6.5% of their issued capital., for R2 041 million. These shares were acquired at a total cost of R2 413 million, resulting in a loss of R372 million. The market value of the remaining investment was R2 027 million (R76.20 per share) on 30 June 2005, resulting in a decrease of R108 million since acquisition, which was reflected as equity reserves. (Refer to note 28(b)). Dividends to the value of R17 million were received from this investment during the current financial year.

(f) On 13 January 2005, the Company received 500 000 ordinary shares in Atlas Gold Limited, issued at A$0.20 per share, as partial consideration for the sale of tenements. The market value of the investments was R0.5 million (A$0.20 per share) on 30 June 2005.

(g) On 20 January 2005, the company received 5 million ordinary shares in Peninsula Minerals Limited, issued at A$0.02 per share, as partial consideration for the sale of tenements. The market value of the investment was R0.3 million (A$0.01 per share) on 30 June 2005.

(h) Unlisted investments comprise various industry related investments and loans, which have been valued by the directors. The directors of the Company perform independent valuations of the investments on an annual basis to ensure that no permanent impairment in the value of the investments has occurred. No dividends were received from these investments during the current financial year (2004: R0 million).

(i) The environmental trust funds are irrevocable trusts under the Group’s control. The contributions to the trusts are invested primarily in interest bearing short-term and other investments. The cost of these investments approximate their fair value. These investments provide for the estimated cost of rehabilitation during and at the end of the life of the Group's mines. Income earned on the investments are accounted for as investment income. The funds contributed to the trusts are included under held-to-maturity and available-for-sale investments. These investments are restricted in use and may only be used to fund the Group's approved rehabilitation costs.

(j) A loan of R26 million (2004: R29 million) was made to the Harmony Share Trust to acquire 589 050 shares (2004: 692 950 shares) for employees participating in the Harmony Share Option Scheme. Refer to note 36 for detail on the share option scheme.

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For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		23 Investments in associates		
		Listed investments in associates		
256	–	Opening carrying amount (a, b and c)	**124**	1 398
647	–	Shares acquired at cost (d)	–	647
–	–	Shares acquired through purchase of subsidiary (c)	–	862
–	–	Impairment of investment	–	(88)
(256)	–	Disposal of shares	–	(299)
(647)	–	Associate becoming a subsidiary	–	(636)
–	–	Associate becoming a listed investment on dilution	**(124)**	(1 811)
–	–	Share of results after tax	–	54
–	–		–	127
–	–	Foreign currency translation adjustments	–	(3)
–	–	Closing carrying amount	–	124

(a) As at 30 June 2004 the Group held 294 222 437 shares in Bendigo, a company incorporated in Australia. The investment represents a 31.6% interest in a single project gold company, listed on the Australian stock exchange. The company is developing into virgin underground orebodies that proved to exist beneath old workings that made up this gold field, which closed in the early 1950s after 100 years of continuous production. The carrying value of this investment as determined by the closing price on the Australian stock exchange at the close of business and closing exchange rates amounted to R124 million at 30 June 2004. Harmony was also granted options to acquire 360 million shares in Bendigo any time before 31 December 2003 at Australian $0.30 per share. These options were not exercised by Harmony before this date and have lapsed. Included in the income statement for the previous year was an impairment on this investment of R88 million. (Refer to note 8). On 7 July 2004, Bendigo announced that it had raised A$100 million in a capital-raising exercise, by the issuing of new Bendigo shares at A$0.72 per share. As a result, Bendigo has been diluted from 31.6% to 12.7%. From this date, Bendigo was classified as an available-for-sale investment.

The Group's interest of 31.6% in the summarised balance sheet of Bendigo as at 30 June 2004 was as follows:

	Group 2005 Rm	Group 2004 Rm
Capital and reserves	–	12
Non-current liabilities	–	3
	–	15
Fixed assets	–	7
Net current assets	–	8
	–	15

Company			Group	
2004	2005		2005	2004
Rm	Rm		Rm	Rm

23 Investments in associates (continued)

(b) The Company acquired a strategic shareholding of 32 500 000 shares in Highland Gold on 31 May 2002, for R188 million. On listing on the Alternative Investment Market of the London Stock Exchange in December 2002, Highland Gold issued additional shares. This diluted the Company's initial investment of 32.5% to 31.7% after an additional 2 511 947 shares were issued for R68 million. Highland Gold is a Jersey based company which holds Russian gold assets, comprising a producing gold mine together with projects and potential projects at various stages of development. Highland Gold's financial year end is 31 December. For the remainder of the Group's reporting periods, unaudited management accounts were used to compile the Group's consolidated results. Harmony has disposed of its investment in Highland Gold for R833 million as at 14 October 2003.

(c) In prior years the Group acquired a 17.25% interest in ARM through its 50% interest in a joint venture with ARMgold, Clidet. The joint venture company purchased 27 786 362 shares in ARM from Anglo American Plc for R1 209 million on 8 May 2003 and a further 11 003 399 shares for R478 million on 14 May 2003, giving a combined interest of 34.5% in the issued share capital of ARM. On 22 September 2003, the group acquired the additional 17.25%, owned by Clidet, through its acquisition of ARMgold. ARM is listed on the JSE Limited (JSE) and has interests in operating gold, manganese, iron, chrome, platinum, and nickel mines in South Africa, as well as cobalt and copper mines in Zambia. Clidet's investment in ARM was diluted to 19% in May 2004, by the issue of new shares by ARM, following a range of transactions between Harmony, ARM and ARMI resulting in a loss on dilution of R163 million. A voting pool agreement between Harmony and ARMI in respect of their shareholding in ARM, was reached.

The result was that the investment in ARM was reclassified to an available-for-sale investment (Refer to note 22(d)).

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Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		23	**Investments in associates (continued)**		
		(d)	On 15 July 2003, the Company acquired 11.5% of the shares in Avgold for R647 million. Together with its indirect holding of 14.3% in Avgold through its investment in ARM, the company had significant influence on Avgold. Further additional shares in Avgold were acquired on 3 May 2004, resulting in a controlling interest of 53.5%. The remaining 46.5% owned by outside shareholders were treated as a minority interest since that date. On 11 May 2004, the Company announced a scheme of arrangement to acquire the entire issued share capital of Avgold. This scheme was sanctioned by the High Court of South Africa and was subsequently registered by the Registrar of Companies. This concluded the acquisition of the remaining 46.5% of Avgold and the scheme became effective on 24 May 2004, after which Avgold became a wholly-owned subsidiary of the Company. The result was that the investment in Avgold was reclassified from an investment in an associate to an investment in a subsidiary on 3 May 2004.		
		24	**Investments in subsidiaries**		
			Unlisted investments in subsidiaries		
20 390	**20 394**		Shares at fair value (refer Annexure A)		
3 158	**3 774**		Loans to subsidiaries (refer Annexure A)		
23 548	**24 168**		**Total investments in subsidiaries**		
		25	**Inventories**		
68	**81**		Gold in-process and bullion on hand	**337**	335
150	**175**		Stores and materials at average cost	**241**	196
218	**256**			**578**	531
			Gold in-process is valued at fair value less cost to sell, except for the following operations' gold in-process, that are valued at net realisable value:		
			Free State	**81**	69
			Randfontein	**109**	–
			Elandskraal	**7**	8
			Kalgold	**–**	8
			Evander	**–**	33
			Freegold	**11**	21
			ARMgold	**–**	11
				208	150
		26	**Receivables**		
6	**(12)**		Value added tax	**100**	122
87	**16**		Trade receivables	**65**	156
178	**89**		Gold receivables	**288**	429
32	**73**		Interest and other receivables	**179**	152
303	**166**			**632**	859

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		27	**Share capital and share premium**		
			Share capital		
			Authorised		
			1 200 000 000 (2004: 350 000 000) ordinary shares of 50 cents each		
			10 958 904 (2004: 10 958 904) redeemable convertible preference shares of 50 cents each		
			Issued		
			393 341 194 (2004: 320 741 577) ordinary shares of 50 cents each		
92	**160**		Ordinary shares of 50 cents each at 1 July 2004	**160**	92
–	**–**		Issued in terms of the share option scheme	**–**	–
–	**37**		Acquisition of 11.5% interest in Gold Fields	**37**	–
4	**–**		Acquisition of 11.5% interest in Avgold	**–**	4
32	**–**		Acquisition of ARMgold	**–**	32
14	**–**		Acquisition of 42.4% interest in Avgold	**–**	14
17	**–**		Acquisition of Avgold minorities	**–**	17
1	**–**		Conversion of warrants	**–**	1
160	**197**		Balance as at 30 June 2005	**197**	160
20 780	**25 142**		**Share premium**	**25 092**	20 729

The unissued shares are under the control of the Directors until the forthcoming Annual General Meeting. The directors report and note 36 set out details in respect of the share option scheme.

The company has a general authority to purchase its shares up to a maximum of 20% of the issued share capital in any one financial year. This is in terms of the annual general meeting of shareholders on 12 November 2004. The general authority is subject to the Listings Requirements of the JSE and the Companies Act no 61 of 1973 of South Africa, as amended.

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		28	**Fair value and other reserves**		
–	**–**		Foreign exchange translation reserve (a)	**(425)**	(774)
(21)	**(111)**		Mark-to-market of listed investments (b)	**(112)**	(285)
–	**–**		Mark-to-market of environmental trust funds (c)	**2**	8
277	**277**		Equity component of convertible bond (d)	**277**	277
–	**–**		Acquisition of minority interest in subsidiary (e)	**(381)**	(381)
–	**–**		Other	**(31)**	(31)
256	**166**			**(670)**	(1 186)

(a) The balance of the foreign exchange translation reserve represents the cumulative translation effect of the Company's off shore operations.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

28 Fair value and other reserves (continued)

(b) On 30 November 2004, the Company acquired 56 606 482 ordinary shares in Gold Fields at a total cost of R4 458 million by the issue of 1.275 Harmony shares for every Gold Fields' share. Gold Fields is a mineral resources company, primarily gold, which is listed on the JSE and has a secondary listing on the New York Stock Exchange. On 3 June 2005, the company disposed of 30 million shares in Gold Fields, resulting in a loss of R372 million. The market value of the remaining investment as at 30 June 2005 was R2 027 million, resulting in a decrease of R108 million since acquisition.

On 17 March 2004, the Company received 5 000 000 ordinary shares in San Gold, valued at R10 million, as partial consideration for the sale of the Company's wholly-owned subsidiary Bissett. San Gold is a mineral resources company, which has a secondary listing on the Toronto Stock Exchange. The market value of the investment as at 30 June 2005 was R11 million (2004: R4 million), resulting in an increase of R1 million since acquisition.

On 17 March 2004 the Company received 5 714 285 ordinary shares in Gold City, valued at R10 million, as partial consideration for the sale of the Company's wholly owned subsidiary, Bissett. Gold City is a mineral resources company, which has a secondary listing on the Toronto Stock Exchange. The market value of the investment as at 30 June 2005 was R6 million (2004: R6 million), resulting in a decrease of R4 million since acquisition.

Harmony's 34.5% investment in 38 789 761 issued ordinary shares of ARM was diluted to 19% on 3 May 2004, by the issue of new shares by ARM, following a range of transactions between Harmony, ARM and ARMI. The result was that the investment in ARM was reclassified from an investment in an associate to an available-for-sale investment. Through the same range of transactions, Harmony disposed of its platinum interest in the Kalplats platinum project to ARM for the issue of 2 000 000 new ordinary shares in ARM, giving a total value to the investment in ARM of R1 727 million. ARM is listed on the JSE and has interests in operating gold, manganese, iron, chrome, platinum, and nickel mines in South Africa. The market value of the investment as at 30 June 2004 was R1 452 million, resulting in a decrease in carrying value of R275 million. Starting on 3 February 2005, the Company disposed of its entire investment in ARM through a range of transactions and the mark-to-market reserve was realised in the income statement to the profit on disposal of the investment and the permanent diminution in value of investment. (Refer to notes 9 and 11).

Company			Group	
2004	2005		2005	2004
Rm	Rm		Rm	Rm

28 Fair value and other reserves (continued)

On 22 November 2002, the company purchased 17,1 million shares in High River, a Toronto listed company, for a total consideration of R141 million. The market value of the investment as at 30 June 2003 was R164 million, resulting in an increase of R23 million since acquisition. The investment in High River was disposed of on 17 October 2003 and the mark-to-market reserve was realised in the income statement to the profit on disposal of the investment.

(c) The balance of the mark-to-market of environment trust funds reserve relates to the mark-to-market of government gilts and bonds in the portfolio of investments of the environment trust funds.

(d) On 21 May 2004, the Company issued 4.875% convertible bonds at a nominal value of R1 700 million. The bonds are convertible at the option of the bondholders at any time on or after 1 July 2004 and up to and including 15 May 2009, unless previously redeemed, converted or purchased and cancelled, into fully paid ordinary shares, at nominal value Rand 0.50 per share. The fair values of the liability component and the equity conversion component were determined on the issue of the bond. The fair value of the liability component, included in long term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in fair value and other reserves, net of deferred income taxes. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods. Refer to note 29(b) for more detail

(e) On 15 March 2004 Harmony announced that it had made an off market cash offer to acquire all the ordinary shares, listed and unlisted options of Abelle, held by minorities. Refer note 16 for more detail. The excess of the purchase price of R579 million (A$123 million) over the carrying amount of minorities acquired, amounting to R381 million, has been accounted for under other reserves.

Notes to the consolidated financial statements

For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		28 Fair value and other reserves (continued)		
		The different categories of fair value and other reserves are made up as follows:		
		Foreign exchange translation reserve		
–	–	At the beginning of the year	(774)	(261)
–	–	Current year's foreign exchange movement	349	(513)
–	–	At the end of the year	(425)	(774)
		Mark-to-market of listed investments		
23	(21)	At the beginning of the year	(285)	41
–	–	Mark-to-market of Abelle's options	–	(18)
(23)	–	Realisation of mark-to-market on disposal of High River investment	–	(23)
(6)	7	Unrealised Mark-to-market of San Gold investment	7	(6)
(4)	–	Unrealised Mark-to-market of Gold City investment	–	(4)
(11)	(5)	Unrealised Mark-to-market of ARM investment	(108)	(275)
–	(313)	Unrealised Mark-to-market of Gold Fields investment	(313)	–
–	17	Realisation of mark-to-market on disposal of ARM investment	383	–
–	204	Realisation of mark-to-market on disposal of Gold Fields investment	204	–
(21)	(111)	At the end of the year	(112)	(285)
		Mark-to-market of environmental trust funds		
–	–	At the beginning of the year	8	9
–	–	Mark-to-market of available-for-sale investments	(6)	(1)
–	–	At the end of the year	2	8
		Equity component of convertible bond		
–	277	At the beginning of the year	277	–
277	–	Issue of convertible bond	–	277
337	–	– Equity conversion component	–	337
(60)	–	– Deferred tax liability	–	(60)
277	277	At the end of the year	277	277
		Acquisition of minority interest in subsidiary		
–	–	At the beginning of the year	(381)	–
–	–	Acquisition of 17% Abelle minorities	–	(381)
–	–	At the end of the year	(381)	(381)
		Other reserves		
–	–	At the beginning/end of the year	(31)	(31)

Notes to the consolidated financial statements

For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		29	**Borrowings**		
			Unsecured long term borrowings		
1 200	**1 200**		Senior unsecured fixed rate bonds (a)	**1 200**	1 200
(17)	**(24)**		Fair value adjustment	**(24)**	(17)
(10)	**(5)**		Less: amortised discount and bond issue costs	**(5)**	(10)
1 173	**1 171**			**1 171**	1 173
–	**(1 171)**		Less: short term portion	**(1 171)**	–
1 173	**–**			**–**	1 173
1 700	**1 700**		Convertible unsecured fixed rate bonds (b)	**1 700**	1 700
(277)	**(277)**		Equity conversion component, net of deferred tax liability	**(277)**	(277)
(60)	**(60)**		Deferred tax liability	**(60)**	(60)
1 363	**1 363**		Liability component on initial recognition	**1 363**	1 363
6	**64**		Interest expense	**64**	6
(43)	**(35)**		Less: amortised bond issue costs	**(35)**	(43)
1 326	**1 392**			**1 392**	1 326
–	**–**		Africa Vanguard Resources (Proprietary) Limited (c)	**32**	14
2 499	**1 392**		Total unsecured long term borrowings	**1 424**	2 513
			Secured long term borrowings		
56	**–**		BAE Systems Plc (d)	**–**	56
(56)	**–**		Less: short term portion	**–**	(56)
–	**–**			**–**	–
–	**–**		AngloGold Limited (e)	**–**	372
–	**–**		Less: short term portion	**–**	(372)
–	**–**			**–**	–
–	**–**		Gold Fields Limited (f)	**5**	6
–	**–**		Less: short term portion	**(2)**	(3)
–	**–**			**3**	3
–	**–**		Nedbank Limited (g)	**140**	128
–	**–**		BOE Bank Limited (h)	**159**	294
–	**–**		Less: short term portion	**(159)**	(148)
–	**–**			**–**	146
–	**–**		Nedbank Limited (i)	**364**	–
–	**–**		Nedbank Limited (j)	**490**	–
–	**–**		Auriel Alloys (k)	**2**	–
–	**–**		Less: short term portion	**(1)**	–
–	**–**			**1**	–
–	**–**		**Total secured long term borrowings**	**998**	277
2 499	**1 392**		**Total long term borrowings**	**2 422**	2 790

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

29 Borrowings (continued)

(a) On 16 June 2001, Harmony launched and priced an issue of senior unsecured fixed rate bonds in an aggregate principal amount of R1 200 million, with semi-annual interest payable at a rate of 13% per annum. These bonds will be repayable on 14 June 2006, subject to early redemption at Harmony's option. The bonds are listed on the Bond Exchange of South Africa. The bonds were issued to settle existing debt and fund the purchase of Elandskraal and New Hampton. As long as the bonds remain outstanding, Harmony will not permit encumbrances on its present or future assets or revenues to secure indebtness for borrowed money, without securing the outstanding bonds equally and ratably with such indebtedness, except for certain specified permitted encumbrances. Included in the amortisation charge as per the income statement is R5 million (2004: R5 million) for amortisation of the bond issue costs. On 6 July 2005, a total of R281.7 million of the bond's notional value was repurchased at a cost of R294.6 million (Refer to note 42).

(b) On 21 May 2004, Harmony issued an international unsecured fixed rate convertible bond in an aggregate principal amount of R1 700 million. Interest at a rate of 4.875% per annum is payable semi-annually in arrears on 21 May and 21 November of each year, commencing 21 November 2004. The bonds mature 5 years from the issue date at their nominal value of R1 700 million unless converted into the company's ordinary shares. The bonds are convertible at the option of the bondholders at any time on or after 1 July 2004 and up to and including 15 May 2009, unless previously redeemed, converted or purchased and cancelled, into fully paid ordinary shares, at nominal value Rand 0.50 per share. The number of ordinary shares to be issued at such a conversion shall be determined by dividing the principal amount of each bond by the conversion price in effect on the relevant conversion date. The fair values of the liability component and the equity conversion component were determined on the issue of the bond. The fair value of the liability component, included in long term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond (10%). The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in fair value and other reserves net of deferred income taxes. In subsequent periods, the liability component continues to be presented on the amortised cost basis, until extinguished on conversion or maturity of the bonds. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods. The bonds are listed on the London Stock Exchange for Bonds. The terms and conditions of the bonds prohibit Harmony and its material subsidiaries from creating any encumbrance or security interest over any of its assets to secure any relevant debt (or any guarantee or indemnity in respect of any relevant debt) without according the same security to the bondholders or without obtaining the prior approval of the bondholders. Included in the amortisation charge as per the income statement is R9 million (2004: R1 million) for amortisation of the bond issue costs.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

29 Borrowings (continued)

(c) During the year, AVR borrowed an additional R18 million (2004: R14 million) from its holding company, Africa Vanguard Resources (Proprietary) Limited to service working capital commitments. The loan is unsecured and interest-free, with no fixed term of repayment.

(d) The loan from BAE Systems Plc was a US dollar denominated term loan for financing the design, development and construction of a facility for the manufacture and sale of value added gold products at Harmony's premises in the Free State. The loan was secured by a notarial covering bond over certain gold proceeds and other assets and was repaid in full on 2 April 2005. The loan bore interest at Libor plus 2% which was accrued daily from the drawdown date and interest was repayable on a quarterly basis. As at 30 June 2004 the outstanding balance was R56 million ($9.0 million).

(e) On 24 December 2001, FreeGold entered into an agreement with AngloGold Limited to purchase its FreeGold assets for R2 881 million . R1 800 million was payable on 1 January 2002 at the call rate from this date until the 10th business day after the date of fulfilment of the last of the conditions precedent. R400 million was payable on 1 January 2005 at no interest charge. The balance of the consideration was payable five business days before AngloGold was obliged to pay recoupment tax, capital gains tax and any other income tax on the disposal of the assets at no interest charge. The final R400 million was fully repaid on 30 December 2004.

(f) On 1 July 2002, Freegold entered into an agreement with St Helena Gold Mines Limited, a fully owned subsidiary of Gold Fields Limited, to purchase its St Helena assets for R129 million. R120 million was payable on 29 October 2002, being the effective date after the fulfilment of all the conditions precedent. The balance of R9 million is payable by way of a 1% royalty on turnover, monthly in arrears, for a period of 48 months, commencing on the 10th of the month following the effective date.

(g) On 30 July 2003, Africa Vanguard Resources (Doornkop) (Proprietary) Limited (AVR) entered into a term loan facility of R116 million with Nedbank Limited for the purpose of partially funding AVR's purchase of an undivided 26% share of the Mining titles, to be contributed to the Doornkop joint venture with Randfontein. Interest at a fixed rate equal to JIBAR plus the applicable margin plus stamp duties and holding costs shall be repayable to the extent that the borrower received profit participation interest for the interest periods. Unpaid interest shall be capitalised and repaid with the loan amount. The loan amount and any interest accrued is repayable on 30 July 2008. Interest capitalised during the year ended 30 June 2005 amounted to R12 million (2004: R12 million).

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

29 Borrowings (continued)

(h) On 5 April 2002, ARMgold entered into a term loan facility of R500 million with BOE Bank Limited for the purpose of partially funding ARMgold's acquisition of shares in Freegold and loans made by ARMgold to Freegold in connection with the acquisition of mining assets from AngloGold Limited. The facility is collateralised by a pledge of the following:

(i) ARMgold's shares in Freegold;

(ii) The proceeds to ARMgold from the exercise of call options of Harmony as set out in the Freegold Joint Venture Agreement;

(iii) The proceeds to ARMgold of put options purchased by ARMgold to create downside protection on the gold price,

(iv) All amounts owing to ARMgold by Freegold; and

(v) Monies held to the account of the Distribution Account, being the account to which all distributions by Freegold to ARMgold in the form of the distribution on shares or repayments of interest or capital in respect of unsecured shareholder loans, must be credited. There were no balances on this account at 30 June 2005.

The loan is repayable over a 4 year period in bi-annual installments of R89 580 194, the first was on 31 December 2002 and the final installment will be on 30 June 2006. The loan bears interest, compounded monthly, at a fixed interest rate of 15.49%.

(i) On 15 April 2005, the Trust entered into a term loan facility of R356 million with Nedbank Limited for the purpose of funding the Trust's partial acquisition of the shares the Company held in ARM. (Refer to note 22(d)). The loan bears interest, compounded monthly, at a fixed rate of 10.02%. Interest capitalised during the year ended 30 June 2005 amounted to R8 million. The loan is repayable on the 5th anniversary of the advance date. (Refer note 11).

(j) On 15 April 2005, the Trust entered into a second term loan facility of R474 million with Nedbank Limited for the purpose of funding the balance of the Trust's acquisition of the shares the Company held in ARM. (Refer to note 22(d)). The loan bears interest, compounded monthly, at a fixed rate of 9.52%. Interest capitalised during the year ended 30 June 2005 amounted to R9 million and additional charges to R7 million. The loan is repayable on the 5th anniversary of the advance date. (Refer note 11).

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29 Borrowings (continued)

(k) During 2003, Musuku Beneficiation Systems (Proprietary) Limited, a wholly-owned subsidiary of the Company, entered into a long-term loan facility of R2 million with Auriel Alloys for the purpose of financing the acquisition of Dental Alloy equipment. The loan bears interest at 11% and is payable by way of 60 instalments of R50 000 commencing December 2003.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:		
56	–	Variable	**140**	184
–	**1 171**	Current	**1 333**	554
1 173	–	Between 1 to 2 years	**5**	1 291
1 326	**1 392**	Between 2 to 5 years	**2 245**	1 327
–	–	Over 5 years	**32**	14
2 555	**2 563**	Total borrowings	**3 755**	3 370
2.2%	**0.0%**	Variable	**3.7%**	5.5%
0.0%	**45.7%**	Current	**35.5%**	16.4%
45.9%	**0.0%**	Between 1 to 2 years	**0.1%**	38.3%
51.9%	**54.3%**	Between 2 to 5 years	**59.8%**	39.4%
0.0%	**0.0%**	Over 5 years	**0.9%**	0.4%
100.0%	**100.0%**	Total borrowings	**100.0%**	100.0%
		The maturity of borrowings is as follows:		
56	**1 171**	Current	**1 333**	610
1 173	–	Between 1 to 2 years	**5**	1 291
1 326	**1 392**	Between 2 to 5 years	**2 385**	1 455
–	–	Over 5 years	**32**	14
2 555	**2 563**	Total borrowings	**3 755**	3 370
		The effective interest rates at the balance sheet date were as follows:		
		Senior unsecured fixed rate bonds (a)	**13.0%**	13.0%
		Convertible unsecured fixed rate bonds (b)	**10.0%**	10.0%
		Africa Vanguard Resources (Proprietary) Limited (c)	**0.0%**	0.0%
		*BAE Systems Plc (d)	**–**	3.4%
		*AngloGold Limited (e)	**–**	15.5%
		Gold Fields Limited (f)	**0.0%**	0.0%
		Nedbank Limited (g)	**9.5%**	15.3%
		BOE Bank Limited (h)	**15.5%**	15.5%
		Nedbank Limited (i)	**10.0%**	–
		Nedbank Limited (j)	**9.5%**	–
		Auriel Alloys (k)	**11.0%**	–

*Loan repaid in full

Other borrowings

The level of the Company's borrowing powers, as determined by its Articles of Association, shall not, except with the consent of the Company's general meeting, exceed R40 million or the aggregate from time-to-time of the issued and paid-up share capital of the Company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including minority interests in subsidiary companies and provisions for deferred taxation) and any share premium accounts of the Group. At year-end, total borrowings amounted to R3 755 million (2004: R3 370 million).

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For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		30	**Deferred financial liabilities/(assets)**		
17	**24**		Mark-to-market of speculative financial instruments at year end	**386**	570
			The Group's net financial liability is made up as follows:		
–	**–**		Deferred financial assets	**–**	(8)
17	**24**		Deferred financial liabilities	**386**	578
17	**24**			**386**	570

During the financial year ended 30 June 2005, Harmony closed out the remaining gold lease rate swaps which were inherited through the acquisition of New Hampton Gold and Hill 50. During the previous financial year, Harmony closed out 500,000oz of the New Hampton and Hill 50 hedge books at a cost of R105 million (US$15 million). These close outs are in accordance with Harmony's strategy of being unhedged.

All forward-pricing commitments and forward exchange contracts are classified as speculative and the mark-to-market movements are reflected in the income statement.

Refer to note 37 for more detail on the outstanding financial instruments.

Company 2004 Rm	Company 2005 Rm			Group 2005 Rm	Group 2004 Rm
		31	**Provision for environmental rehabilitation**		
			Provision raised for future rehabilitation		
120	**123**		Opening balance	**776**	624
–	**–**		Acquisition of subsidiaries	**–**	228
–	**–**		Disposal of subsidiary	**–**	(9)
3	**(5)**		Income statement charge	**50**	(37)
(13)	**(19)**		– Change in estimate	**(29)**	(125)
6	**5**		– Inflation present value adjustment	**32**	38
10	**9**		– Time value of money component	**47**	50
–	**–**		Foreign currency translation adjustments	**11**	(30)
123	**118**		Closing balance	**837**	776

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the Group has estimated that based on current environmental and regulatory requirements, the total cost for the mines, in current monetary terms, is approximately R1 390 million (2004: R1 280 million).

Included in the charge to the income statement is an amount of R47 million (2004: R50 million) relating to the time value of money.

Notes to the consolidated financial statements

For the year ended 30 June 2005

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		31 Provision for environmental rehabilitation (continued)		
		The movements in the investments in the Group Environmental Trust Funds, were as follows:		
72	**99**	Opening balance	**1 080**	606
–	**–**	Transferred from other trust funds	**–**	352
9	**8**	Interest accrued	**87**	89
20	**–**	Contributions made	**3**	35
–	**–**	Mark-to-market of available-for-sale investments	**2**	(1)
(2)	**–**	Reimbursement of costs incurred	**(1)**	(1)
99	**107**	Closing balance	**1 171**	1 080
235	**252**	Ultimate estimated rehabilitation cost	**1 390**	1 280
(99)	**(107)**	Amounts invested in Environmental Trust Funds	**(1 171)**	(1 080)
136	**145**	Future net obligations	**219**	200

The Group intends to finance the ultimate rehabilitation costs from the money invested with the environmental trust funds, ongoing contributions, as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		32 Provisions for social plan		
–	**12**	Opening balance	**12**	–
12	**–**	Recognition of present value of future liability	**–**	12
-	**2**	Charge to income statement	**2**	–
12	**14**	Closing balance	**14**	12

The Company has undertaken to donate R50 million over a period of 10 years to The Harmony Gold Mining Company Social Plan Trust in terms of an agreement signed on 3 November 2003. R18.5 million was donated during the current financial year and the balance will be donated in instalments of R3.5 million per annum over the next nine years. The purpose of the trust is to fund the social plan to reduce the negative effects of restructuring on the company's workforce, to put measures in place to ensure that the technical and life skills of the company's workforce are developed and to develop the company's workforce in such a manner to avoid or minimise job losses and a decline in employment through turnaround or redeployment strategies.

The movements in the investment of The Harmony Gold Mining Company Social Plan Trust for the period were as follows:

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
–	**20**	Opening balance	**20**	–
19	**4**	Contributions made	**4**	19
1	**2**	Interest accrued	**2**	1
20	**26**	Closing balance	**26**	20

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

33 Post-retirement benefits

(a) Pension and provident funds: The Group contributes to several pension and provident funds governed by the Pension Funds Act, 1946 for the employees of its South African subsidiaries. The pension funds are multi-employer industry plans. The Group's liability is limited to its annually determined contributions.

The provident funds are funded on the "money accumulative basis" with the member's and employer's contributions having been fixed in the constitution of the funds.

The Australian group companies make contributions to each employee's Superannuation (pension) funds in accordance with the Superannuation Guarantee Scheme (SGS). The SGS is a Federal Government initiative enforced by law which compels employers to make regular payments to regulated funds providing for each employee on their retirement. The Superannuation Guarantee Contributions were set at a minimum of 9% of gross salary and wages for the 2005 year (2004: 9%).

Substantially all the Group's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the Group for the 2005 financial year amounted to R346 million (2004 : R317 million).

(b) Post-retirement benefits other than pensions: Most of the supervisory and managerial workers in South Africa participate in the Minemed Medical Scheme, as well as other medical schemes. The Group contributes to these schemes on behalf of current employees and retired employees who retired prior to 31 December 1996 (Minemed scheme). The annual contributions for these retired employees are fixed. The Group's contributions to these schemes on behalf of current employees amounted to R62 million for 2005 and R50 million for 2004.

With the exception of some Freegold employees, included from date of acquisition, no post-retirement benefits are available to other workers. No liability exists for employees who were members of these schemes who retired after the date noted above. The medical schemes pay certain medical expenses for both current and retired employees and their dependents. Current and retired employees pay an annual fixed contribution to these schemes.

Notes to the consolidated financial statements

For the year ended 30 June 2005

33 Post-retirement benefits (continued)

(b) Post-retirement benefits other than pensions (continued)

An updated actuarial valuation was carried out during the 2005 financial year on the Minemed medical scheme following the last actuarial valuation in the 2002 financial year.

Assumptions used to determine the liability relating to the Minemed medical scheme included a discount rate of 9%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA "a mf" tables and a medical inflation rate of 6.34%.

The company operates a post-retirement medical aid benefit scheme. The amounts were based on an actuarial valuation conducted during the year ended 30 June 2005 and the liability was valued using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2006.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
5	**4**	Present value of unfunded obligations	**89**	10
		Movement in the liability recognised in the balance sheet		
5	**5**	Opening balance as previously stated	**10**	9
–	**–**	Acquired through the purchase of subsidiary	**–**	1
–	**–**	Additional provision for the current employees	**39**	–
–	**(1)**	Contributions paid	**(4)**	–
–	**(1)**	– Current financial year	**(2)**	–
–	**–**	– Prior financial years	**(2)**	–
		Other expenses included in staff costs		–
–	**–**	Current service cost	**7**	–
–	**–**	– Current financial year	**3**	–
–	**–**	– Prior financial years	**4**	–
–	**–**	Interest cost	**20**	–
–	**–**	– Current financial year	**7**	–
–	**–**	– Prior financial years	**13**	–
–	**–**	Net actuarial gains recognised during the year	**17**	–
–	**–**	– Current financial year	**20**	–
–	**–**	– Prior financial years	**(3)**	–
5	**4**	Balance at the end of the year	**89**	10
		The principal actuarial assumptions used for accounting purposes were:		
12%	**9%**	Discount rate	**9%**	4%-12%
0%	**0%**	Healthcare inflation rate	**6.34%**	0%-7%
	60	Normal retirement age – years	**60**	

Notes to the consolidated financial statements

For the year ended 30 June 2005

				Group	
				2005	2004
				Rm	Rm
		34	**Accounts payable and accrued liabilities**		
409	**311**		Trade payables	**331**	437
–	**–**		Short term borrowings	**18**	80
249	**324**		Payroll accruals	**434**	560
62	**51**		Leave liabilities	**204**	264
97	**78**		Accruals	**300**	401
72	**80**		Other liabilities	**227**	64
889	**844**			**1 514**	1 806
			Leave liability		
			Employee entitlement to annual leave are recognised on an ongoing basis. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:		
46	**62**		At the beginning of the year	**264**	136
–	**–**		Acquired through the purchase of subsidiaries	**–**	65
(38)	**(51)**		Benefits paid	**(257)**	(125)
–	**–**		Foreign currency translation adjustments	**2**	(2)
54	**40**		Total expenses per income statement	**195**	190
62	**51**		At the end of the year	**204**	264

		2005 Rm	2004 Rm
35	**Employee Benefits**		
	Number of permanent employees as at 30 June:		
	Harmony Free State	**11 365**	10 974
	Evander	**5 895**	7 344
	Kalgold	**180**	188
	Randfontein	**5 640**	6 756
	Elandskraal	**4 149**	6 213
	Australian operations	**195**	516
	Freegold (100%)	**15 404**	17 975
	ARMgold	**3 530**	4 746
	Avgold	**435**	534
	Other	**71**	667
	Total	**46 864**	55 913

Subsequent to year end approximately 3 000 additional employees were given notice of termination of their employment.

Aggregate earnings:

	2005 Rm	2004 Rm
The aggregate earnings of employees including directors were:		
Salaries and wages and other benefits	**3 207**	3 564
Retirement benefit costs	**317**	317
Medical aid contributions	**50**	50
	3 574	3 931

The aggregate earnings for the 2004 financial year included the earnings of 50% of Freegold for a 3-month period until the acquisition of ARMgold on 22 September 2003. Thereafter the aggregate earnings includes 100% of the earnings of Freegold and ARMgold for the nine month period.

Directors' remuneration is fully disclosed in the Director's report

36 Share option scheme

The Company has an Employee Share Option Scheme (Harmony Share Option Scheme) hereunder referred to as the HSOS scheme under which certain qualifying employees may be granted options to purchase shares in the Company's authorised but unissued ordinary shares. Of the total of 8 000 000 ordinary shares under the specific authority of the directors in terms of the Harmony (2001) Share Option Scheme, 7 572 500 shares have been offered to participants leaving a balance of 427 500. In addition a total of 1 065 400 shares were still outstanding under the Harmony (1994) Share Option Scheme. On 12 November 2003, an additional 23 204 960 ordinary shares were approved to be offered to participants under the Harmony (2003) Share Option Scheme. On 30 June 2005, 13 532 997 shares have been offered to participants leaving a balance of 9 671 963. In terms of the rules of the HSOS scheme, the exercise price of the options granted is equal to fair market value of the shares at the date of the grant.

Options currently expire no later than 10 years from the grant date and annually from the grant date, a third of the total options granted are exercisable in terms the Harmony (1994) Share Option Scheme and a fifth of the total options granted are exercisable in terms of the Harmony (2001) Share Option Scheme, as well as the Harmony (2003) Share Option Scheme. Proceeds received by the Company from the exercise are credited to share capital and share premium.

Share option activity was as follows:

	Number of share options granted	Average exercise price per share SA Rand
Balance as at 30 June 2003	7 431 868	–
Share options lapsed	(683 934)	–
Share options exercised during the year	(703 800)	41.82
Balance as at 30 June 2004	6 044 134	–
Share options granted during the year	13 532 997	–
Share options lapsed	(937 695)	–
Share options exercised during the year	(426 352)	–
Balance as at 30 June 2005	18 213 084	–

The details pertaining to share options issued and exercised by directors during the year are disclosed in the Directors' report.
The number of shares held by the Harmony Share Trust at year end amounted to 589 050 (2004: 692 950).

The following table summarises the status of share options outstanding at 30 June 2005:

Grant date	Number of options	Option price (Rand)
23 February 1999	6 000	25.75
21 September 1999	65 950	22.90
13 January 2000	111 200	35.40
15 November 2000	89 500	27.20
24 April 2001	155 150	36.50
20 November 2001	3 030 350	49.60
2 February 2002	30 000	93.00
23 September 2002	196 537	66.00
27 March 2003	955 400	91.60
10 August 2004	3 924 149	66.15
26 April 2005	9 608 848	39.00
	18 213 084	

37 Derivative financial instruments and financial risk management activities

Harmony is exposed to various market risks, including commodity price risk, foreign currency risk, interest rate risk, liquidity risk and credit risk associated with the underlying assets and liabilities of the company as well as with anticipated transactions. Harmony does not issue derivative financial instruments for trading or speculative purposes. However, following periodic evaluation of these exposures, Harmony may enter into derivative financial instruments to manage these exposures.

Commodity price sensitivity

As a general rule, Harmony sells its gold production at market prices. Harmony, generally, does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of its future gold production. A significant proportion of New Hampton's and Hill 50's production was however already hedged when they were acquired by Harmony.

It is Harmony's strategy to continuously evaluate the hedge agreements as well as market conditions in order to close these contracts out at the most beneficial time.

The group had the following net forward-pricing commitments against future production at 30 June 2005. The total net delta of the hedge position at 30 June 2005 was 484 977 oz (15 084 kg).

Summary of the group's gold hedge position at 30 June 2005

Year		30 June 2006	30 June 2007	30 June 2008	30 June 2009	Total
AUSTRALIAN DOLLAR GOLD						
Forward contracts	Kilograms	3 359	4 572	3 110	3 110	14 151
	Ounces	108 000	147 000	100 000	100 000	455 000
	A$ per oz	510	515	518	518	515
Call options sold	Kilograms	933	311	–	–	1 244
	Ounces	30 000	10 000	–	–	40 000
	A$ per oz	552	562	–	–	554
Total commodity contracts	Kilograms	4 292	4 883	3 110	3 110	15 395
	Ounces	138 000	157 000	100 000	100 000	495 000
Total net gold **	Delta (kg)	4 155	4 790	3 081	3 058	15 084
	Delta (oz)	133 593	153 999	99 068	98 317	484 977

The mark-to-market of these contracts was a negative R252 million (US$38 million) at 30 June 2005 (30 June 2004: R260 million (US$42 million)). The values at 30 June 2005 were based on a gold price of US$435 (A$571) per ounce, exchange rates of US$1/R6.6670 and A$1/US$0.7622 and prevailing market interest rates and volatilities at that date. These valuations were provided by independent risk and treasury management experts. These contracts are classified as speculative and the marked-to-market movement is reflected in the income statement.

These marked-to-market valuations are not predictive of the future value of the hedge position, nor of the future impact on the revenue of the company. The valuation represents the cost of buying all hedge contracts at the time of the valuation, at market prices and rates available at the time.

** The Delta of the hedge position indicated above, is the equivalent gold position that would have the same marked-to-market sensitivity for a one unit change in the gold price. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities at 30 June 2005.

Foreign currency sensitivity

Harmony's revenues are sensitive to the ZAR/US$ exchange rates as all of the revenues are generated by gold sales, denominated in US$. Harmony, generally, does not enter into forward sales, derivatives or other hedging arrangements to establish a ZAR/US$ exchange rate in advance for the sale of its future gold production.

Harmony, however, inherited forward exchange contracts with the acquisition of Avgold.

37 Derivative financial instruments and financial risk management activities (continued)

Summary of the group's currency hedge position at 30 June 2005

Year		30 June 2006	Total
Forward exchange contracts	US$ million	39	39
(Buy US$, sell ZAR at the agreed exchange rate)	Average strike ZAR/US$	9.54	9.54
Forward exchange call contracts sold	US$ million	39	39
(Sell US$, buy ZAR at the agreed exchange rate)	Average strike ZAR/US$	9.54	9.54

The mark-to-market of these contracts was a negative R108 million (US$16 million) at 30 June 2005 (30 June 2004: R300million (US$48million)). These values were based upon an exchange rate of US$1/R6.6670 and prevailing market interest rates at the time. Independent risk and treasury management experts provided these valuations. These contracts are classified as speculative and the mark-to-market movement is reflected in the income statement.

These exchange contracts expire on 31 December 2005.

Interest rate and liquidity risk

Fluctuations in interest rates and gold lease rates impact on the value of short-term cash and financing activities, giving rise to interest rate risk.

Gold Lease Rate Swaps:

Harmony generally does not undertake any specific actions to cover its exposure to gold lease rates in respect of its derivative financial instruments. Through its acquisitions of New Hampton Gold and Hill 50, Harmony did however acquire certain gold lease rate swaps.

During the financial year ending 30 June 2005, Harmony closed out the remaining gold lease rate swaps which were inherited through the acquisition of New Hampton Gold and Hill 50. Through the close out of these agreements, Harmony received R2 million (US$0.3 million). The marked-to-market of these contracts was a positive R8 million (US$1 million) at 30 June 2004, based on valuations provided by independent treasury and risk management experts. The mark-to-market movement is reflected in the income statement.

Interest Rate Swaps:

The Group has interest rate swap agreements to convert R600 million of its R1.2 billion fixed rate bond (HAR1) to variable rate debt. The interest rate swap runs over the term of the bond and comprises two separate tranches:

(a) R400 million: receive interest at a fixed rate of 13% and pay floating at JIBAR (reset quarterly) plus a spread of 1.8%.
(b) R200 million: receive interest at a fixed rate of 13% and pay floating at JIBAR (reset quarterly) plus a spread of 2.2%.

These transactions which mature in June 2006 are designated as fair value hedges. The marked-to-market value of the transactions was a negative R24 million (US$4 million) at 30 June 2005 (30 June 2004: R17 million (US$3 million)), based on the prevailing interest rates and volatilities at the time. The mark-to-market movement is reflected in the income statement.

Surplus funds:

In the ordinary course of business, the Group receives cash from its operations and is required to fund its working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk. The group is able to actively source financing at competitive rates.

Concentration of credit risk

Credit risk arises from the risk that a counterpart may default or not meet its obligations timeously.

Financial instruments, which subject the Company to significant concentrations of credit risk, consist predominantly of cash and cash equivalents, short-term investments and various derivative financial instruments. The Group's financial instruments do not represent a concentration of credit risk as the Group deals with and maintains cash and cash equivalents, short-term investments and derivative financial instruments with a variety of well established financial institutions of high quality and credit standing.

The credit exposure to any one counter party is managed by setting exposure limits, which are reviewed regularly. The Group's debtors and loans are regularly monitored and assessed. An adequate level of provision is maintained.

37 Derivative financial instruments and financial risk management activities (continued)

Fair value of financial instruments
The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

The carrying amount of the receivables, all accounts payable, cash and cash equivalents are a reasonable estimate of the fair values thereof, because of the short-term maturity of such instruments.

The carrying value of investments in the environmental trust funds with short term maturities, approximate their fair values. Available-for-sale investments (including those in the environmental trust fund) are carried at market value.

Long term borrowings are subject to market related rates and approximate fair value.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		38 Cash (utilised in)/generated by operations		
		Reconciliation of (loss)/profit before taxation to cash (utilised in)/generated by operations:		
959	**(1,321)**	(Loss)/income before taxation	**(4 259)**	(836)
		Adjustments for:		
101	**76**	Amortisation and depreciation	**829**	933
–	**294**	Impairment of assets	**1 513**	–
–	**1**	(Gain)/loss on financial instruments	**(16)**	223
(4)	**(3)**	Profit on sale of mining assets	**(78)**	(116)
–	**(1)**	Net increase in provision for former employees' post retirement benefits	**56**	–
(13)	**(19)**	Net decrease in provision for environmental rehabilitation	**(29)**	(125)
–	**–**	Impairment of investment in associate	**–**	88
–	**–**	Income from associates	**–**	(54)
–	**–**	Permanent diminution in value of listed investment	**320**	–
(22)	**394**	Loss/(profit) on sale of listed investments	**555**	(34)
8	**(1)**	Loss/(profit) on sale of subsidiary	**1**	(1)
(577)	**–**	Profit on sale and loss on dilution of investment in associates	**–**	(371)
(744)	**(17)**	Dividends received	**(17)**	(4)
(237)	**(201)**	Interest received	**(132)**	(204)
308	**254**	Interest paid – cash	**261**	319
22	**71**	Interest paid – non cash	**244**	181
(755)	**15**	Other non cash transactions	**(56)**	(98)
		Effect of changes in operating working capital items:		
61	**139**	Receivables	**235**	175
(8)	**(38)**	Inventories	**(45)**	(5)
303	**(49)**	Accounts payable and accrued liabilities	**(329)**	234
(598)	**(406)**	Cash (utilised in)/generated by operations	**(947)**	305

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		39 Additional cash flow information		
		The income and mining taxes paid in the statement of cash flow represents actual cash paid.		
		a) Non cash-items		
		Excluded from the statements of consolidated cash flows are the following:		
		i) For the year ended June 2004		
		The minorities' share in the profits of Abelle and Avgold.		
		b) Acquisitions and disposals of Subsidiaries/Businesses		
		i) For the year ended June 2005		
		(a) With effect from 22 September 2003, the Company acquired the entire shareholding of Harmony Engineering (Proprietary) Limited, Ubuntu, NACS and Future from ARMI, as part of the acquisition of ARMgold. During the year, the Company disposed of the entire share capital of the following companies: NACS as of 1 July 2004; Future as of 29 November 2004; and Ubuntu as of 30 November 2004. The aggregate fair value of the assets acquired and liabilities assumed, and subsequently disposed of, were:		
		Inventories	1	
		Accounts receivable	5	
		Property, plant and equipment	1	
		Investments	16	
		Deferred tax	–	
		Accounts payable and accrued liabilities	(13)	
		Income and mining taxes payable	(3)	
		Net loss on sale of subsidiaries	1	
		Total purchase price	8	
		Paid for by way of accounts payable	(4)	
		Proceeds received by way of accounts receivable	2	
		Cash and cash equivalents at disposal	(11)	
		Cash and cash equivalents at acquisition	(5)	

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		39 Additional cash flow information (continued)		
		ii) For the year ended June 2004		
		(a) With effect from 22 September 2003, the Company acquired the entire shareholding in ARMgold, which included the additional 50% interest in Freegold. The aggregate fair value of the assets acquired and the liabilities assumed were as follows:		
		Inventories		30
		Accounts receivable		226
		Investments		357
		Investment in associate		885
		Property, plant and equipment		5 463
		Accounts payable and accrued liabilities		(784)
		Long-term liabilities		(478)
		Provision for environmental rehabilitation		(219)
		Provision for post retirement benefits		(1)
		Deferred tax		(1 498)
		Fair value of net assets acquired		3 981
		Goodwill		2 372
		Total purchase price		6 353
		Paid for by way of share issue		(7 080)
		Paid for by cash		(1)
		Cash and cash equivalents at acquisition		(728)
		(b) With effect from 15 July 2003, the Company acquired a 11.5% interest in the share capital of Avgold, from Anglo South Africa Capital (Proprietary) Limited. On 3 May 2004, the Company acquired an additional 42.2% shareholding in Avgold, from ARM. The balance of the shareholding was acquired on 24 May 2004, after an offer to the minority shareholders was approved. The aggregate fair value of the assets acquired and the liabilities assumed were as follows:		
		Inventories		42
		Accounts receivable		39
		Investments		29
		Investment in associate		11
		Property, plant and equipment		7 233
		Accounts payable and accrued liabilities		(144)
		Deferred financial liability		(250)
		Provision for environmental rehabilitation		(9)
		Minority interest		(18)
		Total purchase price/ fair value of assets acquired		6 933
		Paid for by way of share issue		(6 933)
		Paid for by cash		(2)
		Cash and cash equivalents at acquisition		(2)

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm
		39 Additional cash flow information (continued)		
		(c) On 15 March 2004 Harmony announced an off market cash offer to acquire the remaining 16.8% of the shares and 30.3% of the options in Abelle. The compulsory acquisition was completed on 30 June 2004. The aggregate fair value of the assets acquired and liabilities assumed were as follows:		
		Excess purchase price over carrying value of minorities		381
		Net minority interest in Abelle		198
		Total purchase price		579
		Paid for by cash		(579)
		d) With effect from 17 March 2004, the Company disposed of the entire share capital of Bissett to San Gold and Gold City. The book value of the assets and liabilities disposed of were:		
		Property, plant and equipment		46
		Provision for environmental rehabilitation		(8)
		Total sales price		38
		Paid for by way of share issue		(20)
		Paid for by cash		(18)
		Cash and cash equivalents at disposal		–
		40 Commitments and contingencies		
		Capital expenditure commitments		
3	**–**	Contracts for capital expenditure	**28**	77
46	**210**	Authorised by the directors but not contracted for	**1 829**	4 178
49	**210**		**1 857**	4 255
		This expenditure will be financed from existing cash resources and where appropriate borrowings.		
		Contingent liabilities		
–	**–**	Guarantees and suretyships	**18**	19
28	**28**	Environmental guarantees	**134**	99
28	**28**		**152**	118

Occupational healthcare services

Occupational healthcare services are made available by Harmony to employees from its existing facilities. There is a risk that the cost of providing such services could increase in the future depending upon changes in the nature of underlying legislation and the profile of employees. This increased cost, should it transpire, is currently indeterminate. The group is monitoring developments in this regard.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

40 Commitments and contingencies (continued)

Action was instituted by 10 plaintiffs employed at Elandsrand Mine in December 2004. The First Defendant in these matters is Anglo American Corporation of South Africa Limited (Anglo American) with Harmony cited as the Second Defendent. These 10 claims constitute test cases in relation to claims for damages for silicosis allegedly contracted by the Plaintiffs over their period of employment with Anglo American and Harmony at Elandsrand. The Board of Directors do not believe that the present 10 test cases present a significant risk and the probabilities vastly favour a dismissal of the actions instituted on the basis that the Plaintiffs have failed to address our causes of complaint and accordingly we are entitled to a dismissal. At this stage, the contingent liability cannot be reasonably quantified.

41 Related party transactions

The Chairman of the Company's Board of directors, Patrice Motsepe, was involved as a related party in the sale of Harmony's interest in ARM. 14% of our shareholding in ARM was sold to the Trust of which our Nomfundo Qangule and Frank Abbott are trustees.

Our largest shareholder up to 3 May 2004, holding approximately 14% of the Company's issued shares since the ARMgold acquisition was ARMI, represented by our Chairman. In terms of the transaction with ARM, these shares were sold to ARM.

The Company has, with effect from September 2003, acquired several companies owned by ARMI. These companies had competitive contractual arrangements with ARMgold for the provision of services and supplies related to ARMgold's business which were entered into before the ARMgold merger. These companies may continue to provide services and supplies to Harmony.

Certain of ARMI's subsidiaries and community development companies established for the benefit of the 60 000 community residents living near the ARM Mining Consortium/Anglo Platinum Joint Venture mine received non-interest bearing loans from ARMgold prior to the ARMgold acquisition in the aggregate amount of R37 million. No interest was charged due to ARMgold's long-term commitments and contribution to upliftment and empowerment, for which ARMgold has received recognition and credit. These loans have been repaid in full as at 30 June 2004.

Company 2004 Rm	Company 2005 Rm		Group 2005 Rm	Group 2004 Rm

41 Related party transactions (continued)

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had any interest, direct or indirect, in any transaction concluded in the 2005 and 2004 financial years, or in any proposed transaction that has affected or will materially affect Harmony or its investment interests or subsidiaries, other than stated above.

None of the directors or members of senior management of Harmony or any associate of such director or member of senior management is currently or has been at any time during the past two financial years indebted to Harmony and or its subsidiaries.

42 Subsequent events after balance sheet date

(a) On 30 June 2005 Harmony announced that it would approach the market to purchase up to 25% of the outstanding notional amount (the Repurchase) of its 13% HAR1 bond (ISIN: ZAG000018011) listed on the Bond Exchange of South Africa due 14 June 2006 (the Bonds). All holders of the Bonds were given an equal opportunity to participate in the Repurchase. On 6 July 2005 the partial re-purchase of Harmony's HAR1 corporate bond was completed. A total of R281.7 million of the bond's notional value was repurchased at a cost of some R294.6 million.This represents 23.5% of the total issue due for redemption in June 2006, compared to an allocated maximum amount for the repurchase of 25% of the total issue. The re-purchase was done at a spread of 195 bps above the benchmark government issue (R152). The bond has a semi-annual coupon of 13% and was launched in 2001.

Notes to the consolidated financial statements

For the year ended 30 June 2005

43 Geographical and segment information

The primary reporting format of the company is by business segment. As there is only one business segment, being mining, extraction and production of gold, the relevant disclosures have been given in the financial statements. The secondary reporting format is by geographical analysis by origin. It was decided to supply the segmental information at a shaft level in the geographical area. The accounting policies of the segments are the same as those described in the accounting policy notes.

The results of ARMgold (which includes the additional 50% of the results of Freegold) have been included from 1 October 2003, and the results of Avgold have been included from 1 May 2004.

Gold operations are internally reported based on the following geographic areas: Free State, Evander, Kalgold, Randfontein, Elandskraal, Free Gold, New Hampton, Hill 50, Abelle, ARMgold and Avgold. The Free State, Randfontein, Kalgold, Evander, Elandskraal, Free Gold, ARMgold and Avgold are specific gold producing regions within South Africa. New Hampton, Hill 50 and Abelle mines are located primarily in Western Australia and Papua New Guinea. The Company also has exploration interests in Southern Africa, Australia and Peru which are included in Other. Cash operating costs include mine production, transport and refinery costs, applicable general and administrative costs, movement in inventories and ore stockpiles and ongoing environmental rehabilitation costs as well as transfers to and from deferred stripping. Ongoing employee termination cost is included, however employee termination cost associated with major restructuring and shaft closures are excluded. Selling, administrative, general charges and corporate costs are allocated between segments based on the size of activities based on production results.

Harmony has split its South African operations in the following categories for segmental purposes:

a) **Quality ounces:** The quality shafts are those shafts with a larger reserve base and longer life, which form the core of the Group's production.
b) **Leverage ounces:** The leverage shafts are those shafts that supplement production and provide the upside in the event of a positive swing in the Rand gold price.
c) **Growth ounces:** The growth shafts comprise the expansion projects established through existing infrastructure, as well as the three new mines we are building in South Africa.
d) **Surface:** The South African surface operations include the Kalgold opencast mine, all previously mined rock, whether waste or reef, and any clean-up operations as well as plant and other infrastructure.
e) **Other**: It relates to the segmental information that could not be allocated to specific shafts or surface operations within a geographical area.
f) **Other entities:** The other entities category represents all other companies and entities that do not form part of the normal mining operations in the Group.

The segmental split on a geographical basis at a shaft level is:

Year ended 30 June 2005	Revenue Rm	Cash operating costs Rm	Cash operating profit/(loss) Rm	Amortisation and depreciation Rm	Impairment Rm
SOUTH AFRICA					
Free State operations					
Quality ounces					
Masimong	422	447	(25)	22	98
Leveraged ounces					
Harmony 2	181	208	(27)	3	–
Merriespruit 1	120	152	(32)	–	21
Merriespruit 3	144	157	(13)	2	–
Unisel	172	218	(46)	4	52
Brand 3	122	149	(27)	5	23
Brand 5	–	13	(13)	–	18
Saaiplaas 3	6	30	(24)	–	2
Surface	24	19	5	24	80
Other	–	–	–	16	–
Total Free State	1 191	1 393	(202)	76	294

* Unallocated assets represent all the other assets other than property, plant and equipment, that could not be allocated to a specific shaft, eg. cash, receivables, investments, etc.

** Production statistics are unaudited.

	Profit/(loss) before tax Rm	Taxation Rm	Net profit/(loss) Rm	Mining assets Rm	Unallocated assets (*) Rm	Total assets Rm	Total liabilities Rm	Capital expenditure Rm	Kilograms gold (**)	Tonnes milled (**) ('000)
				200	–	200		23	4 976	949
				5	–	5		–	2 132	507
				–	–	–		–	1 417	376
				9	–	9		4	1 701	497
				71	–	71		–	2 022	448
				10	–	10		–	1 440	406
				–	–	–		–	1	–
				3	–	3		–	79	27
				250	–	250		10	297	424
				446	3 959	4 405		–	–	–
	(1 336)	(122)	(1 214)	994	3 959	4 953	3 510	37	14 065	3 634

Notes to the consolidated financial statements

Year ended 30 June 2005	Revenue Rm	Cash operating costs Rm	Cash operating profit/(loss) Rm	Amortisation and depreciation Rm	Impairment Rm
SOUTH AFRICA (continued)					
Evander operations					
Quality ounces					
Evander 2	128	191	(63)	4	45
Evander 5	124	120	4	3	44
Evander 7	343	228	115	18	–
Evander 8	401	286	115	8	–
Leveraged ounces					
Evander 9	7	19	(12)	–	–
Surface	–	–	–	2	–
Other	–	–	–	–	–
Total Evander	1 003	844	159	35	89
Randfontein operations					
Quality ounces					
Cooke 1	209	208	1	28	–
Cooke 2	144	164	(20)	11	–
Cooke 3	306	313	(7)	6	–
Growth projects					
Doornkop	139	167	(28)	18	–
Surface	88	87	1	20	–
Other	–	–	–	–	–
Total Randfontein	886	939	(53)	83	–
Elandsrand operations					
Growth projects					
Elandsrand	548	613	(65)	32	–
Leveraged ounces					
Deelkraal	6	4	2	–	–
Surface	–	–	–	–	–
Other	–	–	–	–	–
Total Elandsrand	554	617	(63)	32	–
Freegold operations					
Quality ounces					
Tshepong	1 007	727	280	113	–
Growth projects					
Phakisa	–	–	–	–	–
Leveraged ounces					
Bambanani	520	566	(46)	66	49
Joel	169	194	(25)	6	12
Eland	71	83	(12)	–	–
Kudu/Sable	67	117	(50)	4	37
West Shaft	74	81	(7)	5	–
Nyala	61	109	(48)	10	96
St Helena	78	155	(77)	5	118
Surface	96	95	1	8	40
Other	–	–	–	–	–
Total Freegold	2 143	2 127	16	217	352

* Unallocated assets represent all the other assets other than property, plant and equipment, that could not be allocated to a specific shaft, eg. cash, receivables, investments, etc.

** Production statistics are unaudited.

Profit/(loss) before tax Rm	Taxation Rm	Net profit/(loss) Rm	Mining assets Rm	Unallocated assets (*) Rm	Total assets Rm	Total liabilities Rm	Capital expenditure Rm	Kilograms gold (**)	Tonnes milled (**) ('000)
Information not allocated at shaft level	Information not allocated at shaft level	Information not allocated at shaft level	25	–	25	Information not allocated at shaft level	–	1 517	324
			25	–	25		–	1 465	222
			238	–	238		24	4 044	491
			210	–	210		21	4 726	666
			–	–	–		–	80	28
			–	–	–		–	–	–
			268	159	427		–	–	–
6	47	(41)	766	159	925	217	45	11 832	1 731
Information not allocated at shaft level	Information not allocated at shaft level	Information not allocated at shaft level	66	–	66	Information not allocated at shaft level	2	2 460	472
			67	–	67		1	1 693	366
			54	–	54		–	3 617	671
			1 263	–	1 263		156	1 639	477
			19	–	19		38	1 039	2 501
			–	461	461		–	–	–
(227)	(170)	(57)	1 469	461	1 930	396	197	10 448	4 487
Information not allocated at shaft level	Information not allocated at shaft level	Information not allocated at shaft level	1 522	–	1 522	Information not allocated at shaft level	96	6 450	924
			17	–	17		–	71	1
			3	–	3		–	–	–
			–	147	147		–	–	–
(277)	(74)	(203)	1 542	147	1 689	95	96	6 521	925
Information not allocated at shaft level	Information not allocated at shaft level	Information not allocated at shaft level	4 044	–	4 044	Information not allocated at shaft level	42	11 841	1 542
			1 723	–	1 723		116	–	–
			549	–	549		24	6 144	989
			28	–	28		1	2 005	452
			–	–	–		–	833	157
			–	–	–		–	783	176
			64	–	64		–	876	160
			–	–	–		9	731	180
			–	–	–		–	932	222
			23	–	23		2	1 133	1 235
			–	3 259	3 259		–	–	–
(1 024)	(289)	(735)	6 431	3 259	9 690	2 188	194	25 278	5 113

Notes to the consolidated financial statements

Year ended 30 June 2005	Revenue Rm	Cash operating costs Rm	Cash operating profit/(loss) Rm	Amortisation and depreciation Rm	Impairment Rm
SOUTH AFRICA (continued)					
ARMgold operations					
Leveraged ounces					
Orkney 2	206	204	2	13	–
Orkney 4	202	189	13	12	–
Welkom 1	7	10	(3)	–	–
Surface	–	–	–	–	3
Other	–	–	–	1	–
Total ARMgold	415	403	12	26	3
Avgold operations					
Quality ounces					
Target	552	354	198	109	–
Surface	4	3	1	2	–
Other	–	–	–	–	–
Total Avgold	556	357	199	111	–
Kalgold operations					
Surface	286	248	38	21	137
Other	–	–	–	–	–
Total Kalgold	286	248	38	21	137
Other entities	11	–	11	6	–
TOTAL SOUTH AFRICA	7 045	6 928	117	607	875
AUSTRALASIA					
Mt Magnet	478	377	101	136	270
South Kal	299	243	56	82	182
Papua New Guinea	–	–	–	3	–
Other entities	–	–	–	1	186
TOTAL AUSTRALASIA	777	620	157	222	638
TOTAL HARMONY	7 822	7 548	274	829	1 513

* Unallocated assets represent all the other assets other than property, plant and equipment, that could not be allocated to a specific shaft, eg. cash, receivables, investments, etc.

** Production statistics are unaudited.

Profit/(loss) before tax Rm	Taxation Rm	Net profit/ (loss) Rm	Mining assets Rm	Unallocated assets (*) Rm	Total assets Rm	Total liabilities Rm	Capital expenditure Rm	Kilograms gold (**)	Tonnes milled (**) ('000)
Information not allocated at shaft level	Information not allocated at shaft level	Information not allocated at shaft level	50	–	50	Information not allocated at shaft level	–	2 440	375
			61	–	61		–	2 394	413
			–	–	–		–	85	19
			–	–	–		–	–	–
			–	93	93		2	–	–
(24)	(27)	3	111	93	204	271	2	4 919	807
Information not allocated at shaft level	Information not allocated at shaft level	Information not allocated at shaft level	2 014	–	2 014	Information not allocated at shaft level	54	6 527	1 069
			6	–	6		11	42	80
			5 139	104	5 243		–	–	–
13	–	13	7 159	104	7 263	200	65	6 569	1 149
(122)	–	(122)	137	–	137	Information not allocated at shaft level	(26)	3 365	1 683
			8	50	58		–	–	–
(122)	–	(122)	145	50	195	31	(26)	3 365	1 683
(582)	6	(588)	–	1 149	1 149	818	14	–	–
(3 573)	(629)	(2 944)	18 617	9 381	27 998	7 726	624	82 997	19 529
(380)	(105)	(275)	522	–	522	352	97	5 637	2 488
(262)	(68)	(194)	369	–	369	245	63	3 596	1 266
(29)	–	(29)	1 339	–	1 339	13	74	–	–
(14)	(1)	(13)	162	334	496	243	13	–	–
(685)	(174)	(511)	2 392	334	2 726	853	247	9 233	3 754
(4 258)	(803)	(3 455)	21 009	9 715	30 724	8 579	871	92 230	23 283

Notes to the consolidated financial statements

Year ended 30 June 2004	Revenue Rm	Cash operating costs Rm	Cash operating profit/(loss) Rm	Amortisation and depreciation Rm	Profit/(loss) before tax Rm
SOUTH AFRICA					
Free State operations					
Quality ounces					
Masimong	579	484	95	29	Information not allocated at shaft level
Leveraged ounces					
Harmony 2	215	206	9	4	
Merriespruit 1	144	155	(11)	1	
Merriespruit 3	189	209	(20)	1	
Unisel	224	238	(14)	9	
Brand 3	148	154	(6)	7	
Brand 5	39	80	(41)	1	
Saaiplaas 3	71	93	(22)	–	
Surface	70	64	6	34	
Other	–	–	–	15	
Total Free State	1 679	1 683	(4)	101	(60)
Evander operations					
Quality ounces					
Evander 2	229	223	6	9	Information not allocated at shaft level
Evander 5	128	110	18	5	
Evander 7	245	227	18	18	
Evander 8	289	274	15	7	
Leveraged ounces					
Evander 9	62	62	–	1	
Surface	5	3	2	2	
Other	–	–	–	–	
Total Evander	958	899	59	42	(6)
Randfontein operations					
Quality ounces					
Cooke 1	275	218	57	9	Information not allocated at shaft level
Cooke 2	239	236	3	6	
Cooke 3	353	345	8	17	
Growth projects					
Doornkop	172	159	13	12	
Surface	50	45	5	10	
Other	–	–	–	–	
Total Randfontein	1 089	1 003	86	54	(16)

* Unallocated assets represent all the other assets other than property, plant and equipment, that could not be allocated to a specific shaft, eg. cash, receivables, investments, etc.

** Production statistics are unaudited.

Taxation Rm	Net profit/ (loss) Rm	Mining assets Rm	Unallocated assets (*) Rm	Total assets Rm	Total liabilities Rm	Capital expenditure Rm	Kilograms gold (**)	Tonnes milled (**) ('000)
Information not allocated at shaft level	Information not allocated at shaft level	269	–	269	Information not allocated at shaft level	28	6 790	1 250
		8	–	8		–	2 529	583
		21	–	21		2	1 697	433
		7	–	7		–	2 213	674
		127	–	127		9	2 622	614
		38	–	38		–	1 723	482
		18	–	18		–	456	139
		33	–	33		1	833	230
		344	–	344		17	831	2 147
		447	1 342	1 789		12	–	–
(61)	1	1 312	1 342	2 654	3 677	69	19 694	6 552
Information not allocated at shaft level	Information not allocated at shaft level	84	–	84	Information not allocated at shaft level	4	2 680	445
		61	–	61		3	1 496	202
		233	–	233		35	2 877	523
		196	–	196		35	3 406	627
		–	–	–		–	729	183
		–	–	–		16	61	92
		267	153	420		–	–	–
(45)	39	841	153	994	219	93	11 249	2 072
Information not allocated at shaft level	Information not allocated at shaft level	93	–	93	Information not allocated at shaft level	6	3 240	549
		77	–	77		6	2 823	679
		61	–	61		–	4 168	905
		1 127	–	1 127		99	2 029	514
		35	–	35		31	588	2 202
		–	388	388		–	–	–
(44)	28	1 393	388	1 781	579	142	12 848	4 849

Notes to the consolidated financial statements

Year ended 30 June 2004	Revenue Rm	Cash operating costs Rm	Cash operating profit/(loss) Rm	Amortisation and depreciation Rm	Profit/(loss) before tax Rm
SOUTH AFRICA (continued)					
Elandsrand operations					Information not allocated at shaft level
Growth projects					
Elandsrand	667	693	(26)	38	
Leveraged ounces					
Deelkraal	180	260	(80)	10	
Surface	14	18	(4)	–	
Other	–	–	–	–	
Total Elandsrand	861	971	(110)	48	(216)
Freegold operations					Information not allocated at shaft level
Quality ounces					
Tshepong	899	603	296	94	
Growth projects					
Phakisa	–	–	–	–	
Leveraged ounces					
Bambanani	668	627	41	81	
Joel	158	161	(3)	8	
Eland	117	155	(38)	–	
Kudu/Sable	92	100	(8)	5	
West Shaft	83	70	13	12	
Nyala	28	25	3	–	
St Helena	163	197	(34)	14	
Surface	163	140	23	10	
Other	–	–	–	81	
Total Freegold	2 371	2 078	293	305	22
ARMgold operations					Information not allocated at shaft level
Leveraged ounces					
Orkney 1	1	1	–	–	
Orkney 2	216	185	31	21	
Orkney 3	30	44	(14)	1	
Orkney 4	181	139	42	20	
Orkney 6	30	37	(7)	1	
Orkney 7	12	14	(2)	–	
Welkom 1	51	68	(17)	2	
Welkom 2	4	4	–	1	
Welkom 3	4	4	–	1	
Welkom 4	11	10	1	1	
Welkom 6	6	6	–	1	
Welkom 7	27	26	1	1	
Surface	–	–	–	4	
Other	–	–	–	–	
Total ARMgold	573	538	35	54	(103)

* Unallocated assets represent all the other assets other than property, plant and equipment, that could not be allocated to a specific shaft, eg. cash, receivables, investments, etc.

** Production statistics are unaudited.

	Taxation Rm	Net profit/ (loss) Rm	Mining assets Rm	Unallocated assets (*) Rm	Total assets Rm	Total liabilities Rm	Capital expenditure Rm	Kilograms gold (**)	Tonnes milled (**) ('000)
	Information not allocated at shaft level	Information not allocated at shaft level	1 160	–	1 160	Information not allocated at shaft level	111	7 793	1 303
			315	–	315		9	2 119	474
			5	–	5		2	165	409
			–	111	111		–	–	–
	(91)	(125)	1 480	111	1 591	146	122	10 077	2 186

	Taxation Rm	Net profit/ (loss) Rm	Mining assets Rm	Unallocated assets (*) Rm	Total assets Rm	Total liabilities Rm	Capital expenditure Rm	Kilograms gold (**)	Tonnes milled (**) ('000)
	Information not allocated at shaft level	Information not allocated at shaft level	4 115	–	4 115	Information not allocated at shaft level	60	10 552	1 436
			1 607	–	1 607		116	–	–
			640	–	640		52	7 837	1 272
			45	–	45		–	1 855	447
			–	–	–		2	1 369	263
			89	–	89		–	1 076	217
			69	–	69		–	974	158
			98	–	98		50	326	88
			124	–	124		–	1 918	401
			21	–	21		–	1 906	3 209
			–	3 243	3 243		1 573	–	–
	4	18	6 808	3 243	10 051	2 731	1 853	27 813	7 491

	Taxation Rm	Net profit/ (loss) Rm	Mining assets Rm	Unallocated assets (*) Rm	Total assets Rm	Total liabilities Rm	Capital expenditure Rm	Kilograms gold (**)	Tonnes milled (**) ('000)
	Information not allocated at shaft level	Information not allocated at shaft level	–	–	–	Information not allocated at shaft level	–	10	3
			64	–	64		–	2 533	352
			3	–	3		3	355	124
			75	–	75		1	2 113	365
			–	–	–		–	344	142
			–	–	–		–	141	25
			–	–	–		–	598	144
			–	–	–		–	42	11
			–	–	–		–	47	14
			–	–	–		–	122	12
			–	–	–		–	75	22
			–	–	–		–	308	80
			(3)	–	(3)		–	–	–
			–	125	125		4 235	–	–
	(11)	(92)	139	125	264	455	4 239	6 688	1 294

Notes to the consolidated financial statements

Year ended 30 June 2004	Revenue Rm	Cash operating costs Rm	Cash operating profit/(loss) Rm	Amortisation and depreciation Rm	Profit/(loss) before tax Rm
SOUTH AFRICA (continued)					
Avgold operations					
Quality ounces					
Target	136	79	57	35	Information not allocated at shaft level
Other	–	–	–	–	
Total Avgold	136	79	57	35	(60)
Kalgold operations					
Surface	217	196	21	15	6
Other	–	–	–	–	–
Total Kalgold	217	196	21	15	6
Other entities	–	–	–	3	(65)
TOTAL SOUTH AFRICA	7 884	7 447	437	657	(498)
AUSTRALASIA					
Mt Magnet	466	401	65	198	(151)
South Kal	321	268	53	66	(18)
Papua New Guinea	–	–	–	1	10
Other entities	118	93	25	11	(178)
TOTAL AUSTRALASIA	905	762	143	276	(337)
TOTAL HARMONY	8 789	8 209	580	933	(835)

* Unallocated assets represent all the other assets other than property, plant and equipment, that could not be allocated to a specific shaft, eg. cash, receivables, investments, etc.

** Production statistics are unaudited.

Taxation Rm	Net profit/ (loss) Rm	Mining assets Rm	Unallocated assets (*) Rm	Total assets Rm	Total liabilities Rm	Capital expenditure Rm	Kilograms gold (**)	Tonnes milled (**) ('000)
Information not allocated at shaft level	Information not allocated at shaft level	2 397	–	2 397	Information not allocated at shaft level	8	1 662	207
		4 808	142	4 950		7 621	–	–
–	(60)	7 205	142	7 347	471	7 629	1 662	207
7	(1)	238	–	238	21	30	2 574	1 388
–	–	–	108	108	–	–	–	–
7	(1)	238	108	346	21	30	2 574	1 388
2	(67)	–	1 747	1 747	28	9	–	–
(239)	(259)	19 416	7 359	26 775	8 327	14 186	92 605	26 039
(56)	(95)	762	–	762	316	94	5 388	2 774
(7)	(11)	505	–	505	175	37	3 749	1 672
–	10	1 318	–	1 318	8	13	–	–
(3)	(175)	77	625	702	455	66	1 385	296
(66)	(271)	2 662	625	3 287	954	210	10 522	4 742
(305)	(530)	22 078	7 984	30 062	9 281	14 396	103 127	30 781

Annexure A – statement of subsidiary companies

For the year ended 30 June 2005

Company and description		Issued share capital R000	Effective group interest 2005 %	Effective group interest 2004 %	Cost of investment by holding company 2005 Rm	Cost of investment by holding company 2004 Rm	Loans from/(to) holding company 2005 Rm	Loans from/(to) holding company 2004 Rm
DIRECT SUBSIDIARIES:								
Dormant companies								
Harmony Gold (Management Services) (Pty) Ltd	(a)	1	**100**	100	**–**	–	**–**	–
Virginia Salvage (Pty) Ltd	(a)	2	**90**	90	**–**	–	**–**	–
Unisel Gold Mines Ltd	(a)	23 136	**100**	100	**89**	89	**(92)**	(92)
Exploration company:								
Harmony Gold Peru SA	(b)	2	**100**	–	**–**	–	**4**	–
Lydenburg Exploration Ltd	(a)	42 792	**100**	100	**204**	204	**(20)**	(20)
Gold mining companies:								
African Rainbow Minerals Gold Ltd	(a)	96	**100**	100	**7 081**	7 081	**(45)**	(23)
Avgold Ltd	(a)	6 827	**100**	100	**6 935**	6 934	**167**	(17)
Evander Gold Mines Ltd	(a)	39 272	**100**	100	**545**	545	**15**	59
Randfontein Estates Ltd	(a)	19 882	**100**	100	**1 311**	1 311	**2 094**	1 346
Investment holding companies:								
Harmony Gold Australia (Pty) Ltd	(c)	3 886 933	**100**	100	**3 887**	3 887	**(157)**	126
West Rand Consolidated Mines Ltd	(a)	17 967	**100**	100	**321**	321	**(2)**	28
Marketing companies:								
Authentic Beverage (Pty) Ltd	(a)	#	**100**	100	**–**	–	**–**	–
Harmony Gold (Marketing) (Pty) Ltd	(a)	#	**100**	100	**–**	–	**63**	61
Harmony Precious Metal Services SAS	(d)	62	**100**	100	**–**	–	**63**	59
Mining related services companies:								
Future Mining (Pty) Ltd	(a)	#	**–**	100	**–**	–	**–**	–
Harmony Engineering (Pty) Ltd	(a)	#	**100**	100	**3**	–	**(3)**	–
Musuku Benefication Systems (Pty) Ltd	(a)	#	**100**	100	**–**	–	**48**	25
National Accommodation & Catering Services (Pty) Ltd	(a)	#	**–**	100	**–**	–	**–**	–
Ubuntu Small-scale Mining (Pty) Ltd	(a)	#	**–**	100	**–**	–	**–**	–
Property holding companies:								
La Riviera (Pty) Ltd	(a)	#	**100**	100	**–**	–	**–**	–
INDIRECT SUBSIDIARIES:								
Dormant companies:								
Arai Liki Offshore (Pty) Ltd	(c)	293	**100**	100	**–**	–	**–**	–
Bracken Mines Ltd	(a)	#	**100**	100	**–**	–	**–**	–
Garden Gully (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Garnkirk (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Jubilee Minerals (Pty) Ltd	(c)	2	**100**	100	**–**	–	**–**	–
Leslie Gold Mines Ltd	(a)	#	**100**	100	**–**	–	**–**	–
Loraine Gold Mines Ltd	(a)	#	**100**	100	**–**	–	**–**	–
Muro Baru (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
NHG Investments (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Selcast Nickel (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Swaziland Gold (Pty) Ltd	(e)	#	**100**	100	**–**	–	**–**	–
Winkelhaak Mines Ltd	(a)	#	**100**	100	**–**	–	**–**	–

Annexure A – statement of subsidiary companies

For the year ended 30 June 2005

Company and description		Issued share capital R000	Effective group interest 2005 %	Effective group interest 2004 %	Cost of investment by holding company 2005 Rm	Cost of investment by holding company 2004 Rm	Loans from/(to) holding company 2005 Rm	Loans from/(to) holding company 2004 Rm
INDIRECT SUBSIDIARIES (continued)								
Exploration company:								
Harmony Gold (Exploration) (Pty) Ltd	(a)	10	**100**	100	**–**	–	**–**	–
Gold mining companies:								
Abelle Ltd	(c)	488 062	**100**	100	**–**	–	**–**	–
Big Bell Gold Operations (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Buffalo Creek Mines (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Harmony Gold Operations Ltd	(c)	405 054	**100**	100	**–**	–	**–**	–
Kalahari Goldridge Mining Company Ltd	(a)	1 275	**100**	100	**–**	–	**–**	–
Mt Magnet Gold NL	(c)	79 710	**100**	100	**–**	–	**–**	–
New Hampton Goldfields Ltd	(c)	196 248	**100**	100	**–**	–	**–**	–
South Kal Mines (Pty) Ltd	(c)	6	**100**	100	**–**	–	**–**	–
Harmony Gold Mining Company Limited								
Investment holding companies:								
Aurora Gold Ltd	(c)	685 006	**100**	100	**–**	–	**–**	–
Aurora Gold Australia (Pty)Ltd	(c)	58	**100**	100	**–**	–	**–**	–
Aurora Gold Finance Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Aurora Gold Services (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Aurora Gold (WA) (Pty) Ltd	(c)	163 115	**100**	100	**–**	–	**–**	–
Aurora Gold (PNG) (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Aurora Gold (Wafi) (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Aurora Gold Administration (Pty) Ltd	(c)	293	**100**	100	**–**	–	**–**	–
Evander Stone Holdings (Pty) Ltd	(a)	#	**100**	100	**–**	–	**–**	–
Harmony Gold (Isle of Man) Ltd	(f)	550	**100**	100	**–**	–	**–**	–
Harmony Gold Investments (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Harmony Gold Securities (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Harmony Gold WA (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Harmony Victoria (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Potchefstroom Gold Areas Ltd	(a)	8 407	**100**	100	**–**	–	**–**	–
Vadessa (Pty) Ltd	(c)	#	**100**	100	**–**	–	**–**	–
Marketing company:								
Harmony Precision Casting (Pty) Ltd	(a)	357	**70**	70	**–**	–	**–**	–
Mineral right holding companies:								
Australian Ores & Minerals (Pty) Ltd	(c)	8 766	**100**	100	**–**	–	**–**	–
Carr Boyd Minerals (Pty) Ltd	(c)	402 414	**100**	100	**–**	–	**–**	–
Cogent (Pty) Ltd	(a)	#	**100**	100	**–**	–	**–**	–
Hampton Gold Mining Areas Ltd	(g)	299 680	**100**	100	**–**	–	**–**	–
Kwazulu Gold Mining Company (Pty) Ltd	(a)	#	**100**	100	**–**	–	**–**	–
Morobe Consolidated Goldfields Ltd	(h)	#	**100**	100	**–**	–	**–**	–
Portions 1 and 3 Wildebeesfontein (Pty) Ltd	(a)	2	**100**	100	**–**	–	**–**	–
Potchefstroom Gold Holdings (Pty) Ltd	(a)	2	**100**	100	**–**	–	**–**	–
Remaining Extent and Portion 15 Wildebeesfontein (Pty) Ltd	(a)	1	**90**	90	**–**	–	**–**	–
The Kunana Mining Company (Pty) Ltd	(a)	#	**100**	100	**–**	–	**–**	–
Trodex Platinum (Pty) Ltd	(a)	4	**100**	100	**–**	–	**–**	–
Venda Gold Mining Company (Pty) Ltd	(a)	#	**100**	100	**–**	–	**–**	–
Wafi Mining Ltd	(h)	#	**100**	100	**–**	–	**–**	–

Annexure A – statement of subsidiary companies

For the year ended 30 June 2005

Company and description		Issued share capital R000	Effective group interest 2005 %	Effective group interest 2004 %	Cost of investment by holding company 2005 Rm	Cost of investment by holding company 2004 Rm	Loans from/(to) holding company 2005 Rm	Loans from/(to) holding company 2004 Rm
INDIRECT SUBSIDIARIES (continued)								
Property holding companies:								
Evander Township Ltd	(a)	1 340	**100**	100	**–**	–	**–**	–
Evander Township Development Ltd	(a)	3	**100**	100	**–**	–	**–**	–
Quarrytown Ltd	(a)	#	**100**	100	**–**	–	**–**	–
Salt Holdings Ltd	(a)	60	**100**	100	**–**	–	**–**	–
JOINT VENTURE COMPANY – DIRECT:								
Gold mining company:								
ArmGold/Harmony Freegold Joint Venture Company (Pty) Ltd	(a)	20	**100**	100	**17**	17	**1 902**	760
Investment holding company:								
ARMgold/Harmony Joint Investment Company (Pty) Ltd	(a)	#	**100**	100	**1**	1	**(263)**	846
Mining related services company								
Healthshare Health Solutions (Pty) Ltd	(a)	#	**45**	–	**–**	–	**–**	–
JOINT VENTURE COMPANY – INDIRECT:								
Dormant company:								
Jeanette Gold Mines Ltd	(a)	#	**96**	96	**–**	–	**–**	–

The Group's interest in jointly controlled entities is accounted for by proportionate consolidation. Under this method the Group includes its share of the joint venture's individual income and expenses, assets and liabilities in the relevant components of the financial statements on a line by line basis.

Company and description		Issued share capital R000	Effective group interest 2005 %	Effective group interest 2004 %	Cost of investment by holding company 2005 Rm	Cost of investment by holding company 2004 Rm	Loans from/(to) holding company 2005 Rm	Loans from/(to) holding company 2004 Rm
ASSOCIATE COMPANY – INDIRECT:								
Gold mining company:								
Bendigo Mining NL	(c)	708 067	**–**	32	**–**	–	**–**	–
Exploration company:								
LMP Minerals (Pty) Ltd	(a)	#	–	31	**–**	–	**–**	–

Investments in associates are accounted for by using the equity method of accounting. Equity accounting involves recognising in the income statement the Group's share of the associates' profit or loss for the period. The Group's interest in the associate is carried on the balance sheet at an amount that reflects the cost of the investment, the share of post acquisition earnings and other movement in the reserves.

	Cost 2005 Rm	Cost 2004 Rm	Loans 2005 Rm	Loans 2004 Rm
Total	**20 394**	20 390	**3 774**	3 158
Total investments			**24 168**	23 548

\# Indicates issued share capital of less than R1 000
- (a) Incorporated in the Republic of South Africa
- (b) Incorporated in the Republic of Peru
- (c) Incorporated in Australia
- (d) Incorporated in France
- (e) Incorporated in Swaziland
- (f) Incorporated in the Isle of Man
- (g) Incorporated in the United Kingdom
- (h) Incorporated in the Papua New Guinea

The above investments are valued by the directors at book value.

The interest of Harmony Gold Mining Company Ltd in the aggregate amount of the after tax losses of its subsidiaries, joint venture companies and associates is R2 256 million (2004: losses of R1 543 million).

Consolidated income statement – (us$/Imperial)

For the year ended 30 June 2005

Please note: This income statement has not been prepared in accordance with US-GAAP. For convenience purposes, the IFRS income statement has been converted in US Dollars using the applicable rates.

	Group		
	2005	2004	2003
	US$ million	US$ million	US$ million
Revenue	**1 266**	1 276	985
Cash operating costs	**(1 221)**	(1 191)	(725)
Cash operating profit	**45**	85	260
Amortisation and depreciation of mining properties, mine development cost and mine plant facilities	**(129)**	(117)	(62)
Corporate administration and other expenditure	**(18)**	(14)	(8)
Reversal of provision for rehabilitation costs	**4**	17	(1)
Operating loss	**(98)**	(29)	189
Amortisation and depreciation other than mining properties mine development costs and mine plant facilities	**(5)**	(18)	(2)
Care and maintenance cost of restructured shafts	**(30)**	–	–
Employment termination and restructuring costs	**(73)**	(33)	(5)
Exploration expenditure	**(12)**	(15)	(8)
Impairment of assets	**(245)**	–	(88)
Gain/(loss) on financial instruments	**3**	(32)	48
Marketing and new business expenditure	**(15)**	(13)	(8)
Other (expenses)/income – net	**(5)**	9	(19)
Provision for post retirement benefits	**(9)**	–	(1)
Impairment of investment in associate	**–**	(13)	–
Income from associates	**–**	8	6
(Loss)/profit on sale of listed investments	**(90)**	5	(6)
(Loss)/profit on sale of subsidiaries	**–**	–	–
Permanent diminution in value of listed investment	**(52)**	–	–
Profit/(loss) on mark-to-market of listed investment	–	–	(1)
Profit on sale and loss on dilution of investment in associates	**–**	54	–
Interest and dividends received	**24**	30	30
Interest paid	**(82)**	(73)	(35)
(Loss)/income before tax	**(689)**	(120)	100
Taxation	**130**	44	(30)
Net (loss)/income before minority interests	**(559)**	(76)	70
Minority interests	**–**	1	–
Net (loss)/income	**(559)**	(75)	70
Basic (loss)/earnings per share (cents)	**(155)**	(30)	39
Fully diluted (loss)/earnings per share (cents)	**(155)**	(30)	39
Basic headline (loss)/earnings per share (cents)	**(66)**	(45)	72
Diluted headline (loss)/earnings per share (cents)	**(66)**	(45)	72
Interim dividends per share (cents)	**–**	6	14
Proposed final dividends per share (cents)	**–**	4	16
Total dividends per share (cents)	**–**	10	30

Convenience translation based on average rates of US$/R6.18 (2004: US$/R6.89) (2003: US$/R9.13)

Consolidated balance sheet – (US$/Imperial)

At 30 June 2005

Please note: This balance sheet has not been prepared in accordance with US-GAAP. For convenience purposes, the IFRS balance sheet has been converted in US Dollars using the applicable rates.

	Group	
	2005	2004
	US$ million	US$ million
Assets		
Non-current assets		
Property, plant and equipment	**3 175**	3 570
Intangible assets	**340**	364
Restricted cash	**7**	10
Investments	**623**	419
Investment in associates	**–**	20
Investments in subsidiaries	**–**	–
Deferred taxation assets	**9**	1
Deferred financial assets	**–**	1
Total non-current assets	**4 154**	4 385
Current assets		
Inventories	**87**	85
Receivables	**94**	138
Income and mining taxes	**4**	–
Cash and equivalents	**267**	217
Total current assets	**452**	440
Total assets	**4 606**	4 825
Equity and liabilities		
Share capital and reserves		
Share capital	**29**	26
Share premium	**3 762**	3 327
Fair value and other reserves	**(100)**	(190)
Retained earnings	**(371)**	173
Total shareholders' equity	**3 320**	3 336
Non-current liabilities		
Long term borrowings	**363**	448
Deferred taxation	**296**	427
Deferred financial liability	**58**	93
Provision for environmental rehabilitation	**126**	125
Provision for post-retirement benefits	**13**	2
Provision for social plan	**2**	2
Total non-current liabilities	**858**	1 097
Current liabilities		
Accounts payable and accrued liabilities	**227**	288
Short-term portion of long term borrowings	**200**	93
Income and mining taxes	**–**	10
Shareholders for dividends	**1**	1
Total current liabilities	**428**	392
Total equity and liabilities	**4 606**	4 825

Convenience translation based on closing rates of US$/R6.67 (2004: US$/R6.23)

Consolidated statement of cash flows – (US$/Imperial)

For the year ended 30 June 2005

Please note: This cash flow statement has not been prepared in accordance with US-GAAP. For convenience purposes, the IFRS cash flow statement has been converted in US Dollars using the applicable rates.

	Group 2005 US$ million	2004 US$ million	2003 US$ million
Cash flows from operating activities			
Cash (utilised in)/generated by operations	**(153)**	44	190
Interest received	**21**	29	30
Dividends received	**3**	1	–
Interest paid	**(42)**	(46)	(32)
Income and mining taxes paid	**(9)**	(84)	(43)
Net cash (utilised in)/generated by operating activities	**(180)**	(56)	145
Cash flows from investing activities			
Net increase in amounts invested in environmental trusts	**–**	(5)	(4)
Restricted cash	**2**	(9)	–
Cash held by subsidiaries on acquisition	**1**	101	10
Cash held by subsidiaries at disposal	**(2)**	–	–
Cash paid for St. Helena Mines	**–**	–	(6)
Cash paid for Abelle	**–**	(88)	(102)
Cash paid for ARMgold	**–**	–	–
Cash paid for Avgold	**–**	–	–
Cash received for Bissett	**–**	3	–
Investment in Gold Fields acquired	**(14)**	–	–
Investment in Highland Gold acquired	**–**	–	(7)
Cost on closure of hedge positions	**(34)**	(19)	(8)
Proceeds on disposal of listed investments	**380**	146	87
Increase in other non-current investments	**(1)**	(8)	(2)
Proceeds on disposal of mining assets	**21**	29	6
Additions to property, plant and equipment	**(130)**	(128)	(108)
Net cash generated by/(utilised in) investing activities	**223**	22	(134)
Cash flows from financing activities			
Long-term borrowings raised	**232**	267	142
Long-term borrowings paid	**(200)**	(211)	(194)
Ordinary shares issued	**3**	19	145
Shares issue expenses	**(13)**	(11)	(5)
Dividends paid	**(16)**	(57)	(106)
Net cash generated by/(utilised in) financing activities	**6**	7	(18)
Foreign currency translation adjustments	**1**	19	93
Net increase/(decrease) in cash and cash equivalents	**50**	(8)	86
Cash and equivalents – beginning of year	**217**	225	139
Cash and equivalents – end of year	**267**	217	225

Convenience translation based on average rates of US$/R6.18 (2004: US$/R6.89) (2003: US$/R9.13)
Convenience translation based on closing rates of US$/R6.67 (2004: US$/R6.23) (2003: US$/R7.51)