Annual financial statements

Doornkop, South Africa

Doornkop, South Africa

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Report of the independent auditors

to the members of Harmony Gold Mining Company Limited

We have audited the annual financial statements and group annual financial statements of Harmony Gold Mining Company Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2008, the income statement and the consolidated income statement, the statement of other comprehensive income and consolidated statement of other comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 136 to 146 and pages 152 to 232 and 234 to 262.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

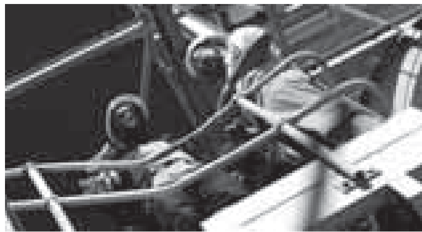
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as of 30 June 2008 and their financial performance and their cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: HP Odendaal
Registered Auditor
Johannesburg

27 October 2008



Elandsrand, South Africa

Doornkop, South Africa

Hidden Valley, Papua New Guinea

Group income statements

For the years ended 30 June

SA RAND				US DOLLAR	
2007	2008	Figures in million	NOTE	2008	2007
		Continuing operations			
8 037	9 210	Revenue		1 269	1 116
(6 687)	(8 184)	Cost of sales	5	(1 122)	(929)
(6 021)	(6 673)	Production costs		(918)	(836)
(763)	(846)	Amortisation and depreciation		(117)	(106)
134	(316)	Impairment of assets		(40)	19
–	(212)	Employment termination and restructuring costs		(29)	–
(37)	(137)	Other items		(18)	(6)
1 350	1 026	Gross profit		147	187
(226)	(228)	Corporate, administration and other expenditure		(31)	(31)
(194)	(205)	Exploration expenditure		(28)	(27)
175	(90)	Other (expenses)/income – net	6	(15)	25
1 105	503	Operating profit	7	73	154
(19)	(78)	Loss from associates	20	(11)	(3)
236	–	Profit on sale of investment in associate	8	–	33
–	(95)	Impairment of investment in associate	20	(12)	–
–	(2)	Loss on sale of investment in joint venture	21	–	–
111	33	Fair value of non-derivative financial instruments	9	5	15
(35)	(459)	Loss on sale of listed investments	10	(63)	(5)
–	(1)	Impairment of investments		–	–
188	282	Investment income	11	39	27
(454)	(514)	Finance cost	12	(70)	(65)
1 132	(331)	(Loss)/profit before taxation		(39)	156
(277)	(465)	Taxation	13	(65)	(39)
855	(796)	Net (loss)/profit from continuing operations		(104)	117
		Discontinued operations			
(473)	551	Profit/(loss) from discontinued operations	14	74	(66)
382	(245)	Net (loss)/profit		(30)	51
		(Loss)/earnings per ordinary share (cents):	15		
215	(199)	(Loss)/profit from continuing operations		(26)	29
(119)	137	Profit/(loss) from discontinued operations		18	(17)
96	(62)	Total (loss)/profit for the period		(8)	12
		Diluted (loss)/earnings per ordinary share (cents):	15		
212	(199)	(Loss)/profit from continuing operations		(26)	29
(119)	137	Profit/(loss) from discontinued operations		18	(17)
93	(62)	Total (loss)/profit for the period		(8)	12

The accompanying notes are an integral part of these consolidated financial statements.

Group statements of other comprehensive income

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
382	(245)	**Net (loss)/profit for the period**	(30)	51
		Attributable to:		
382	(245)	Owners of the parent	(30)	51
–	–	Non-controlling interest	–	–
(123)	982	Other comprehensive (loss)/income for the period, net of income tax	(204)	41
205	686	Foreign exchange translation profit and loss	(246)	87
(328)	296	Mark-to-market of available-for-sale investments	42	(46)
259	737	**Total comprehensive (loss)/income for the period**	(234)	92
		Attributable to:		
259	737	Owners of the parent	(234)	92
–	–	Non-controlling interest	–	–

Group balance sheets

As at 30 June

SA RAND				US DOLLAR	
2007	2008	Figures in million	NOTE	2008	2007
		Assets			
		Non-current assets			
24 538	27 556	Property, plant and equipment	16	3 531	3 484
2 307	2 209	Intangible assets	17	283	328
5	78	Restricted cash	24	10	1
1 373	1 465	Restricted investments	18	188	195
55	67	Investments in financial assets	19	9	8
7	145	Investments in associates	20	19	1
1 521	1 485	Deferred tax	13	190	216
54	137	Trade and other receivables	22	18	8
29 860	33 142	Total non-current assets		4 248	4 241
		Current assets			
742	693	Inventories	23	89	105
2 484	–	Investments in financial assets	19	–	353
918	875	Trade and other receivables	22	112	130
66	82	Income and mining taxes		11	9
274	–	Restricted cash	24	–	39
711	413	Cash and cash equivalents	25	53	101
5 195	2 063			265	737
1 284	1 537	Non-current assets classified as held for sale	14	197	182
6 479	3 600	Total current assets		462	919
36 339	36 742	**Total assets**		4 710	5 160
		Equity and liabilities			
		Share capital and reserves			
25 636	25 895	Share capital	26	3 787	3 752
(349)	676	Other reserves	27	(196)	2
(1 581)	(1 832)	Accumulated loss		(419)	(388)
23 706	24 739	Total equity		3 172	3 366
		Non-current liabilities			
1 743	242	Borrowings	28	31	248
4 240	4 475	Deferred tax	13	573	602
1 092	1 129	Provision for environmental rehabilitation	29	145	156
124	144	Provisions for other liabilities and charges	30	18	18
7 199	5 990	Total non-current liabilities		767	1 024
		Current liabilities			
1 812	1 659	Trade and other payables	31	213	257
2 855	3 857	Borrowings	28	494	405
220	–	Bank overdraft	25	–	31
4 887	5 516			707	693
547	497	Liabilities directly associated with non-current assets classified as held for sale	14	64	77
5 434	6 013	Total current liabilities		771	770
36 339	36 742	**Total equity and liabilities**		4 710	5 160

The accompanying notes are an integral part of these consolidated financial statements.

Group statements of changes in shareholders' equity

For the years ended 30 June

	Figures in million (SA Rand)					
	Number of ordinary shares issued	Share capital	Share premium	Accumulated loss	Other reserves	Total
Notes		26			27	
Balance – 30 June 2006 (as previously reported)	396 934 450	199	25 290	(2 015)	(271)	23 203
Change in accounting policy for the capitalisation of interest on assets under construction (note 2.1)	–	–	–	59	–	59
Balance – 30 June 2006 (restated)	396 934 450	199	25 290	(1 956)	(271)	23 262
Dividends declared	–	–	–	(7)	–	(7)
Issue of shares						
– Exercise of employee share options	2 673 934	1	137	–	–	138
Deferred share-based payments	–	–	9	–	45	54
Total comprehensive income for the year	–	–	–	382	(123)	259
Balance – 30 June 2007	399 608 384	200	25 436	(1 581)	(349)	23 706
Dividends declared	–	–	–	(6)	–	(6)
Issue of shares						
– Exercise of employee share options	1 786 213	1	86	–	–	87
– Exchange for PNG royalty	1 859 159	1	148	–	–	149
Deferred share-based payments	–	–	23	–	43	66
Total comprehensive income for the year	–	–	–	(245)	982	737
Balance – 30 June 2008	403 253 756	202	25 693	(1 832)	676	24 739

	Figures in million (US Dollar)					
	Number of ordinary shares issued	Share capital	Share premium	Accumulated loss	Other reserves	Total
Notes		26			27	
Balance – 30 June 2006 (as previously reported)	396 934 450	32	3 700	(446)	(45)	3 241
Change in accounting policy for the capitalisation of interest on assets under construction (note 2.1)		–	–	8	–	8
Balance – 30 June 2006 (restated)	396 934 450	32	3 700	(438)	(45)	3 249
Dividends declared	–	–	–	(1)	–	(1)
Issue of shares						
– Exercise of employee share options	2 673 934	–	19	–	–	19
Deferred share-based payments	–	–	1	–	6	7
Total comprehensive income for the year	–	–	–	51	41	92
Balance – 30 June 2007	399 608 384	32	3 720	(388)	2	3 366
Dividends declared	–	–	–	(1)	–	(1)
Issue of shares						
– Exercise of employee share options	1 786 213	–	12	–	–	12
– Exchange for PNG royalty	1 859 159	–	20	–	–	20
Deferred share-based payments	–	–	3	–	6	9
Total comprehensive income for the year	–	–	–	(30)	(204)	(234)
Balance – 30 June 2008	403 253 756	32	3 755	(419)	(196)	3 172

The accompanying notes are an integral part of these consolidated financial statements.

Group cash flow statements

For the years ended 30 June

SA RAND				US DOLLAR	
2007	2008	Figures in million		2008	2007
		Cash flow from operating activities			
1 221	1 978	Cash generated by operations	32	268	164
183	273	Interest received		38	25
21	33	Dividends received		5	3
(226)	(417)	Interest paid		(57)	(31)
(13)	(129)	Income and mining taxes paid		(18)	(2)
1 186	1 738	Cash generated by operating activities		236	159
		Cash flow from investing activities			
(12)	(89)	Amounts invested in restricted investments		(11)	(2)
(29)	205	Decrease/(increase) in restricted cash		28	(4)
–	127	Proceeds on disposal of South Kal Mine	32	18	–
395	1 310	Proceeds on disposal of available-for-sale financial assets		184	55
(42)	(21)	Increase in intangible assets		(3)	(6)
(32)	(81)	(Increase)/decrease in other non-current investments		(11)	(5)
190	131	Proceeds on disposal of property, plant and equipment		18	27
(2 698)	(3 955)	Additions to property, plant and equipment		(552)	(383)
(2 228)	(2 373)	Cash utilised by investing activities		(329)	(318)
		Cash flow from financing activities			
1 804	2 234	Long-term borrowings raised		323	253
(1 002)	(1 820)	Long-term borrowings paid		(256)	(139)
138	87	Ordinary shares issued		12	19
(7)	(6)	Dividends paid		(1)	(1)
933	495	Cash generated by financing activities		78	132
(48)	61	Foreign currency translation adjustments		(2)	6
(157)	(79)	Net decrease in cash and equivalents		(17)	(21)
651	494	Cash and equivalents – beginning of period		70	91
494	415	Cash and equivalents – end of period		53	70

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the group financial statements

For the years ended 30 June

1 General information

Harmony Gold Mining Company Limited (the Company) and its subsidiaries (collectively "Harmony" or "the Group") are engaged in gold mining and related activities, including exploration, extraction and processing. Gold bullion, the Group's principal product, is currently produced at its operations in South Africa. As discussed in note 14, Harmony classified its Australian operations as non-current assets held for sale. One of these operations were disposed of during the 2008 financial year.

The Company is a public company, incorporated and domiciled in South Africa. The address of the registered office is Randfontein Office Park, Corner Main Reef Road and Ward Avenue, Randfontein, 1759.

These consolidated and company financial statements (on page 152 to 232 and 234 to 262 in the annual report) were authorised for issue by the Board of Directors on 10 October 2008.

2 Accounting policies

The principal accounting policies applied in the preparation of the consolidated and company financial statements are set out below which have been consistently applied in all years presented. IAS 23 and IFRS 8 have been retrospectively applied.

2.1 Basis of preparation

The annual financial statements are prepared on a historical cost basis as modified by available-for-sale financial assets and financial assets and liabilities, which have been brought to account at fair value. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and in the manner required by the South African Companies Act.

New accounting standards and IFRIC interpretations

During the current financial year, the following new and revised accounting standards, amendments to standards and new interpretations were adopted by the Group:

IFRS 7 – Financial Instruments: Disclosure

In addition, the following new and revised accounting standards and amendments to standards were early adopted by the Group during the current financial year:

IAS 1 (Revised) – Presentation of Financial Statements

IAS 23 (Revised) – Borrowing Costs

IFRS 8 – Operating Segments

The effects of the adoption of these standards, amendments to standards and interpretations are as follows:

IFRS 7 – Financial Instruments: Disclosure

The Group adopted this standard as of 1 July 2007. The standard introduces new disclosures to improve the information regarding financial instruments. It requires the disclosures of qualitative and quantitative information about the exposure to risks arising from financial instruments, including a sensitivity analysis to market risk. There was no effect on the financial position or performance of the Group as a result of the adoption of this standard.

IAS 1 (Revised) – Presentation of Financial Statements

The Group early adopted this amendment as of 1 July 2007. The amendment requires that changes in equity resulting from transactions with owners (holders of instruments classified as equity) be presented separately from non-owner changes in equity (also known as other comprehensive income). There are also additional disclosures for components of other comprehensive income. There was no effect on the financial position or performance of the Group as a result of the adoption of this amendment.

Notes to the group financial statements

For the years ended 30 June

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 23 (Revised) – Borrowing Costs

The Group early adopted the revised standard on Borrowing Costs as of 1 July 2007. The standard requires that all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset be capitalised as part of the cost of the asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

In accordance with the Revised Standard's transitional provisions, the Group designated 1 July 2000 (the earliest commencement date of current qualifying projects) as the effective date and applied the requirements of the Revised Standard to all qualifying projects for which the commencement date of capitalisation was on or after that date.

The impact of the adjustment was as follows:

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
		Effect on net loss:		
58	128	Decrease in finance cost	18	8
(17)	(38)	Income tax	(5)	(2)
41	90		13	6
		Effect on Earnings per share (cents):		
10	22	Basic earnings per share	3	2
10	22	Diluted earnings per share	3	2
		Effect on opening accumulated loss:		
82		Decrease in finance cost		11
(23)		Income tax		(3)
59		Decrease in accumulated loss		8

The average capitalisation rate was 10.6% for 2008 (2007: 6.7%; 2006 7.3%).

IAS 1 (Revised) requires the presentation of a balance sheet as at the beginning of the earliest comparative period whenever the Group applies an accounting policy retrospectively. Such a balance sheet has been included in note 38.

IFRS 8 – Operating segments

The Group early adopted this standard as of 1 July 2007. The standard replaces IAS 14, "Segment Reporting", and aligns segment reporting with the requirements of the US GAAP standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting to the chief operating decision maker.

At the date of authorisation of these financial statements, the standards, amendments and interpretations listed below were in issue but not yet effective. These new standards and interpretations have not been early adopted by the Group and a reliable estimate of the impact of the adoption thereof for the Group cannot yet be determined for all of them, as management is still in the process of determining the impact of these standards and interpretations on future financial statements.

For the years ended 30 June

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

Title	Effective date
Amendments	
■ IAS 1 (Amendment) and IAS 32 (Amendment) – Puttable Financial Instruments and Obligations arising on Liquidation	^ Financial year commencing on or after 1 January 2009
■ IAS 27 (Revised) – Consolidated and Separate Financial Statements	# Financial year commencing on or after 1 July 2009
■ IAS 27 (Amendment) and IFRS 1 (Amendment) - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	# Financial year commencing on or after 1 January 2009
■ IAS 39 (Amendment) – Eligible Hedged items	^ Financial year commencing on or after 1 July 2009
■ IFRS 2 (Amendment) – Vesting conditions and cancellations	# Financial year commencing on or after 1 January 2009
■ IFRS 3 (Revised) – Business Combinations	# Prospectively commencing on or after 1 July 2009
■ Annual improvements to IFRS	# Financial year commencing on or after 1 July 2009
New interpretations	
■ IFRIC 14 – IAS19 The Limit on a Defined Benefit asset, Minimum Funding Requirements and their interactions	^ Financial year commencing on or after 1 January 2008
■ IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	^ Financial year commencing on or after 1 October 2008

The Group plans to apply the above amendments and interpretations on their respective effective dates.

The impact of the amendment/interpretation is not currently known and cannot be reasonably estimated.
^ The amendment/interpretation is not expected to have a material impact on the Group's financial statements.

2.2 Consolidation

The consolidated financial information includes the financial statements of the Company, its subsidiaries, its proportionate interest in joint ventures, special purpose entities (SPEs) 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 assumed 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 non-controlling interests. Non-controlling interests are carried at a proportion of the net identifiable assets acquired.

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 2.7).

Notes to the group financial statements (continued)

For the years ended 30 June

2 Accounting policies (continued)

2.2 Consolidation (continued)

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 non-controlling interests acquired is accounted for in equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated and may provide evidence of an impairment that should be recognised. 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 impairments where appropriate in the Company's separate financial statements.

(ii) **Associates** are those entities, other than a subsidiary, in which the Group has a material 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 assumed at the date of acquisition plus costs directly attributable to the acquisition.

The Group's share of the associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movement in reserves is recognised in other reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's shares of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group's investment in associates includes goodwill identified on acquisition.

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 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 and may provide evidence of an impairment that should be recognised.

Accounting policies of associates have been reviewed to ensure consistency with the policies adopted by the Group.

Investments in associates are accounted for at cost and are adjusted for impairments where appropriate in the Company's separate financial statements.

(iii) **Joint ventures** are those entities in which the Group holds an 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 impairments where appropriate in the Company's separate 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.

For the years ended 30 June

2 Accounting policies (continued)

2.3 Foreign currency transactions

(i) Functional and presentation currency: Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in the South African rand and US dollars for the benefit of local and international investors. The Company's financial statements are presented in its functional currency, being South African rand.

References to "A$" refer to Australian currency, "R" to South African currency, "$" or "US$" to United States currency and "K" or "Kina" to Papua New Guinea currency.

(ii) Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation to year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. These transactions are included in the determination of other (expenses)/income – net.

Changes in the fair value of monetary securities denominated in a foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in other reserves.

Translation differences on non-monetary financial assets and liabilities are reported as part of fair value gains or losses. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(iii) Group companies: The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transactions);

c) all resulting exchange differences are recognised as a separate component of other reserves.

d) equity items are translated at historical rates.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other reserves. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

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

Notes to the group financial statements (continued)

For the years ended 30 June

2 Accounting policies (continued)

2.4 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive committee. The accounting policies of the segments are the same as those described in the accounting policy notes to the financial statements.

2.5 Property, plant and equipment

(i) **Mining assets** including mine development costs and mine plant facilities are initially recorded at cost, whereafter they are measured at cost less accumulated amortisation and impairment.

At the Group's surface mines, when it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs incurred to develop the property are capitalised as incurred until the mine is considered to have moved into the production phase, are amortised using the units-of-production method over the estimated life of the orebody based on estimated recoverable ounces or pounds mined from proven and probable reserves. These costs include costs to further delineate the orebody and remove overburden to initially expose the orebody. Stripping costs incurred during the production phase to remove waste ore are deferred and charged to production 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 changes 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.

At the Group's underground mines, all costs incurred to develop the property, including costs to access specific ore blocks or other areas of the underground mine, are capitalised to the extent that such costs will provide future economic benefits as a result of establishing proven and probable reserves associated with specific ore blocks or areas of operations. These costs include the cost of shaft sinking and access, the costs of building access ways, lateral development, drift development, ramps, box cuts and other infrastructure development.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition and construction of qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use. These costs are capitalised until the asset moves into the production phase. Other borrowing costs are expensed.

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.

Where a depreciable asset is used in the construction or extension of a mine, the depreciation is capitalised against the mines cost.

(ii) **Non-mining 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.

(iii) **Undeveloped properties** are initially valued at the fair value of resources obtained through acquisitions. The carrying value of these properties are annually tested for impairment. Once development commences, these properties are transferred to mining properties and accounted for in accordance with the related accounting policy.

(iv) **Mineral and surface use rights** represent mineral and surface use rights for parcels of land both owned and not owned by the Group. Mineral and surface rights include acquired mineral use rights in production, development and exploration phase properties. The amount capitalised related to a mineral and surface right represents its fair value at the time it was acquired, either as an individual asset purchase or as part of a business combination, and is recorded at cost of acquisition.

For the years ended 30 June

2 Accounting policies (continued)

2.5 Property, plant and equipment (continued)

Production phase mineral interests represent interests in operating properties that contain proven and probable reserves. Development phase mineral interests represent interests in properties under development that contain proven and probable reserves. Exploration phase mineral interests represent interests in properties that are believed to potentially contain (i) other mineralised material such as inferred material within pits; measured, indicated and inferred material with insufficient drill spacing to qualify as proven and probable reserves; (ii) around-mine exploration potential such as inferred material not immediately adjacent to existing reserves and mineralisation but located within the immediate mine infrastructure; (iii) other mine-related exploration potential that is not part of measured, indicated or inferred material and is comprised mainly of material outside of the immediate mine area; or (iv) greenfield exploration potential that is not associated with any production, development or exploration phase property as described above.

The Group's mineral use rights are enforceable regardless of whether proven or probable reserves have been established. In certain limited situations, the nature of a use changes from an exploration right to a mining right upon the establishment of proven and probable reserves. The Group has the ability and intent to renew mineral use rights where the existing term is not sufficient to recover all identified and valued proven and probable reserves and/or undeveloped mineral interests.

(v) **Leased assets:** The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. The assets are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Finance lease payments are allocated using the rate implicit in the lease, which is included in finance costs, and the capital repayment, which reduces the liability to the lessor. The corresponding rental obligations, net of finance charges, are included in Borrowings, with the current portion included under Current Liabilities.

Capitalised lease assets are depreciated over the shorter of their estimated useful lives and the lease terms.

(vi) **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. Changes in management’s estimates of the quantities of economically recoverable reserves impact amortisation and depreciation on a prospective basis.

Costs incurred and capitalised to enable access to specific ore blocks or areas of the mine, and which only provide an economic benefit over the period of mining that ore block or area, are amortised using the units-of-production method where the denominator is estimated recoverable ounces of gold contained in proven and probable reserves within that ore block or area.

If capitalised underground development costs provide an economic benefit over the entire life-of-mine, the costs are amortised using the unit-of-production method, where the denominator is the estimated recoverable ounces of gold contained in total accessible proven 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 are considered to have moved into the production phase.

Notes to the group financial statements (continued)

For the years ended 30 June

2 Accounting policies (continued)

2.5 Property, plant and equipment (continued)

(vii) **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;
- Furniture and equipment at 16.67% per year.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(viii) **Depreciation and amortisation of mineral and surface use rights:** Mineral rights associated with production phase mineral interests are amortised over the life of mine using the units-of-production method in order to match the amortisation with the expected underlying future cash flows. Mineral interests associated with development and exploration phase mineral interests are not amortised until such time as the underlying property is converted to the production stage.

2.6 Exploration costs

The Group expenses all exploration and evaluation expenditures until the directors conclude that a future economic benefit is more likely to be realised than not, ie is 'probable'. The information that the directors use to make this determination depends on the level of exploration as well as the degree of confidence in the ore body.

Exploration and evaluation expenditure on green fields sites, being those where the Group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a final feasibility study has been completed, after which the expenditure is capitalised within development costs if the final feasibility study demonstrates that future economic benefits are probable.

Exploration and evaluation expenditure on brownfields sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the directors are able to demonstrate that future economic benefits are probable through the completion of a pre-feasibility study, after which the expenditure is capitalised as a mine development cost. A 'pre-feasibility study' consists of a comprehensive study of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which if an effective method of mineral processing has been determined includes a financial analysis based on reasonable assumptions of technical, engineering, operating economic factors and the evaluation of other relevant factors. The pre-feasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allows the directors to conclude that it is more likely than not that the Group will obtain future economic benefit from the expenditure.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost following the completion of an economic evaluation equivalent to a feasibility study. This economic evaluation is distinguished from a feasibility study in that some of the information that would normally be determined in a feasibility study is instead obtained from the existing mine or development.

For the years ended 30 June

2 Accounting policies (continued)

2.6 Exploration costs (continued)

The information when combined with existing knowledge of the mineral property already being mined or developed allows the directors to conclude that more likely than not the Group will obtain future economic benefit from the expenditures. Costs relating to property acquisitions are also capitalised. These costs are capitalised within development costs.

2.7 Intangible assets

Intangible assets consist of all identifiable non-monetary assets without physical substance. They are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The following are the main categories of intangible assets:

(i) Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are not amortised but tested for impairment on an annual basis. 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 and tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. The impairment testing is performed on 30 April.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. If the composition of one or more cash-generating units to which goodwill has been allocated changes due to a re-organisation, the goodwill is re-allocated to the units affected.

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

(ii) Intangible assets with a finite useful life

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. Intangible assets with a finite useful life are amortised on a straight line basis over their estimated useful lives, which are reviewed annually, as follows:

- Computer software at 20% per year.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Each operating shaft, along with allocated common assets such as plants and administrative offices, is considered to be a cash generating unit as each shaft is largely independent from the cash flows of other shafts and assets belonging to the Group.

The assets' recoverable amount is generally determined using discounted estimated future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected gold prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, all based on life-of-mine plans.

Notes to the group financial statements (continued)

For the years ended 30 June

2 Accounting policies (continued)

2.8 Impairment of non-financial assets (continued)

The term "recoverable minerals" refers to the estimated amount of gold that will be obtained from proven and probable reserves and all related exploration stage mineral interests (except for other mine-related exploration potential and greenfields exploration potential discussed separately below) after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such related exploration stage mineral interests will be risk adjusted based on management's relative confidence in such materials. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. With the exception of other mine-related exploration potential and greenfields exploration potential, estimates of future undiscounted cash flows are included on an area of interest basis, which generally represents an individual operating mine, even if the mines are included in a larger mine complex.

In the case of mineral interests associated with other mine-related and greenfields exploration potential, cash flows and fair values are individually evaluated, based primarily on recent exploration results and recent transactions involving sales of similar properties, if any. Assumptions underlying future cash flow estimates are subject to significant risks and uncertainties.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial instruments

Financial instruments are initially measured at fair value when the Group becomes a party to their contractual arrangements. Transaction costs are included in the initial measurement of financial instruments, with the exception of financial instruments classified as at fair value through profit or loss. The subsequent measurement of financial instruments is discussed below.

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the Group has transferred its rights to receive cash and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss recognised in equity is recognised in profit and loss.

On derecognition of a financial liability, the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is recognised in profit and loss.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, available-for-sale, held-to-maturity and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

(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. Loans and receivables are subsequently measured at amortised cost using the effective interest method. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables include trade and other receivables (excluding VAT and prepayments), restricted cash and cash and cash equivalents.

For the years ended 30 June

2 Accounting policies (continued)

2.9 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents exclude restricted cash (discussed below).

Restricted cash

Restricted cash consists of cash held for performance bonds, as security deposits on mining tenements, cash held to acquire shares in subsidiaries as part of the compulsory takeover of shares as well as cash held on margin call in terms of certain conditions of borrowing agreements.

Trade and other receivables

Trade and other receivables 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 carrying amount of the asset is reduced through the use of a provision for impairment (allowance account) and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

(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.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other reserves. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other reserves.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other reserves are reclassified in the income statement as profit or loss on sale of listed investments. Dividends on available-for-sale equity instruments are recognised in the income statement as part of investment income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the value for a financial instrument cannot be obtained from an active market, 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 valuation techniques make maximum use of market inputs and rely as little as possible on entity-specific inputs.

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 other reserves and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Notes to the group financial statements (continued)

For the years ended 30 June

2 Accounting policies (continued)

2.9 Financial instruments (continued)

(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 subsequently measured at amortised cost using the effective interest method.

The restricted investments (refer note 18) are classified as held-to-maturity investments.

(iv) **Financial assets at fair value through profit or loss** have two sub-categories: financial assets held-for-trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management in terms of specified criteria. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realised within 12 months of the balance sheet date. These assets are subsequently measured at fair value with gains or losses arising from changes in fair value recognised in the income statement in the period in which they arise.

Financial liabilities

Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost, comprising original debt less principal payments and amortisation, 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 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.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.10 Inventories

Inventories which include bullion on hand, gold in process and stores and materials, are measured at the lower of cost and net realisable value after appropriate allowances for redundant and slow moving items. Cost of bullion and gold in process is determined by reference to production cost, including amortisation and depreciation at the relevant stage of production.

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

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 perform the sale.

Gold-in-process inventories represent materials that are currently in the process of being converted to a saleable product. Conversion processes vary depending on the nature of the ore and the specific mining operation, but include mill in-circuit, leach in-circuit, flotation and column cells, and carbon in-pulp inventories. In-process material is measured based on assays of the material fed to process and the projected recoveries at the respective plants. In-process inventories are valued at the average cost of the material fed to process attributable to the source material coming from the mine, stockpile or leach pad plus the in-process conversion costs, including the applicable depreciation relating to the process facility, incurred to that point in the process. Bullion on hand and gold in process at certain of the underground operations include gold in lockup which can be reliably measured, and generally this is from the smelter onwards. Where mechanised mining is used in underground operations, in-progress material 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. Given the varying nature of the Group's open pit operations, gold in process represents either production in broken ore form or production from the time of placement on heap leach pads.

For the years ended 30 June

2 Accounting policies (continued)

2.11 Non-current assets or disposal group held for sale

A non-current asset or disposal group (a business grouping of assets and their related liabilities) is designated as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The classification as held for sale of a non-current asset or disposal group occurs when it is available for immediate sale in its present condition and the sale is highly probable. A sale is considered highly probable if management is committed to a plan to sell the non-current asset or disposal group, an active divestiture programme has been initiated, the non-current assets or disposal group is marketed at a price reasonable to its fair value and the disposal will be completed within one year from classification.

Upon classification of a non-current asset or disposal group as held for sale, it is reviewed for impairment. The impairment charged to the income statement is the excess of the carrying value of the non-current asset or disposal group over its expected net selling price (fair value less costs to sell). At each subsequent reporting date, the carrying values are remeasured for possible impairment. A gain is recognised for any subsequent increase in net selling price but not in excess of the cumulative impairment loss already recognised.

No depreciation is provided on non-current assets from the date they are classified as held for sale.

When a disposal group is classified as held for sale, it is also necessary to assess whether or not the criteria for discontinued operations are met. If the criteria are met, the results of the disposal group are classified as discontinued operations in the income statement and the comparative amounts restated for all periods presented.

If a non-current asset or disposal group is classified as held for sale but the criteria for classification as held for sale are no longer met, the disclosure of such non-current asset or disposal group as held for sale is ceased.

On ceasing such classification, the non-current assets are reflected at the lower of:

- the carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the assets not been classified as held for sale; or
- the recoverable amount at the date the classification as held for sale ceases. The recoverable amount is the amount at which the asset would have been recognised after the allocation of any impairment loss arising on the cash generating units as determined in accordance with the group's policy on impairment of non-financial assets.

Any adjustment required to be made on reclassification is charged to the income statement on reclassification, and included in income from continuing operations.

Where the disposal group was also classified as a discontinued operations, the subsequent classification as held for sale and used also requires that the discontinued operation be included in continuing operations. Comparative information in the income statement relating to the classification as a discontinued operation is restated accordingly.

2.12 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.

Based on damage done to date 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 a pre-tax risk-free rate that is adjusted to reflect the current market assessments of the time value of money and the risks specific to the obligation.

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. 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. Over time, the liability is increased to reflect an interest element, and the capitalised cost is depreciated over the life of the related asset.

Notes to the group financial statements (continued)

For the years ended 30 June

2 Accounting policies (continued)

2.13 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. The trusts are consolidated into the Group. 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 restricted investments on the balance sheet.

2.14 Provisions

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.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date. This estimate takes into account the associated risks and uncertainties. The increase in the provision due to the passage of time is recognised as an interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

2.15 Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Group follows the comprehensive liability method of accounting for deferred tax using the balance sheet approach. Under this method deferred income taxes are recognised for the tax consequences of temporary differences by applying expected tax rates to the differences between the tax base of all assets or liabilities and its balance sheet carrying amount. Deferred tax is charged to the income statement except to the extent that deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect the accounting or taxable profit or loss 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 unutilised capital allowances carried forward. Deferred tax assets relating to the carry forward of unutilised tax losses and 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 unutilised capital allowances can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 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.

For the years ended 30 June

2 Accounting policies (continued)

2.16 Employee benefits (continued)

(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 revaluation date. The future liability for current and retired employees and their dependents is accrued in full based on actuarial valuations obtained annually.

(iii) **Equity compensation benefits:** The Group operates an equity-settled, share-based payments plan, where the Group grants share options to certain employees. Equity share-based payments are measured at fair value of the equity instruments at the date of the grant. Share-based payments are expensed over the vesting period, based on the Group's estimate of the shares that are expected to eventually vest. The Group used an appropriate option pricing model in determining the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the estimates of the number of options that are expected to become exercisable are revised. The impact of the revision of original estimates, if any, are recognised in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(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 accrues for the cost of the leave days granted to employees during the period in which the leave days accumulate.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

For the Group's policy on finance leases, refer to note 2.5 (v).

2.19 Revenue recognition

(i) **Revenue** arising from gold sales is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer and collection of the sales price is reasonably assured. These criteria are typically met when the gold arrives at the refinery.

Revenues from silver and other by-products sales are credited to production costs as a by-product credit.

Notes to the group financial statements (continued)

For the years ended 30 June

2 Accounting policies (continued)

2.19 Revenue recognition (continued)

(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.

2.20 Dividends declared

Dividends declared are recognised in the period in which they are approved by the shareholders. Dividends are payable in South African rand.

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.

3 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with 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. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Impairment of mining assets

The recoverable amount of mining assets is generally determined utilising discounted future cash flows. Management also considers such factors as the quality of the individual orebody and country risk in determining the fair value.

Key assumptions for the calculation of mining assets' recoverable amounts are the forward gold price and the annual life of mine plans. In determining the gold price to be used, management assess the long term views of several reputable institutions on the gold price and based on this, derive the forward gold price. The life of mine plans are based on the proven and probable reserves as included in the Reserve Declaration, which are determined in terms of SAMREC and JORC.

During the year under review, the Group calculated the recoverable amount (generally fair value less costs to sell) based on updated life of mine plans, a gold price of R180 000 per kilogram and a discount rate of 11.36% (2007: R115 000 per kilogram and a 9.18% discount rate). Cash flows used in the impairment calculations are based on life of mine plans which exceed five years for the majority of the mines. Refer to note 5 for details of impairments recorded.

For the years ended 30 June

3 Critical accounting estimates and judgements (continued)

3.1 Impairment of mining assets (continued)

Should management's estimate of the future not reflect actual events, further impairments may be identified. Factors affecting the estimates include:

- changes to proven and probable ore reserves;
- the grade of the ore reserves may vary significantly from time to time;
- differences between actual commodity prices and commodity price assumptions;
- review of strategy;
- unforeseen operational issues at the mines;
- changes in capital, operating mining, processing and reclamation costs.

It is impracticable to disclose the extent of the possible effects the changes in assumptions for the forward gold price and life of mine plans at 30 June 2008, as these assumptions are inextricably linked.

3.2 Impairment of investment in associate

The investments in associates are evaluated for impairment by comparing the entire carrying value of the investment to the recoverable amount, which is the higher of value in use or fair value less costs to sell. In calculating fair value less cost to sell, the cash flows from disposal are looked at with reference to the closing share price at year-end, the average share price over a reasonable period thereafter as well as recent transactions.

3.3 Valuation of available-for-sale financial assets

If the value of financial instruments cannot be obtained from an active market, 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.

3.4 Estimate of exposure and liabilities with regard to rehabilitation costs

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.

Management used a short-term (two years) inflation rate of 9%, a long-term inflation rate of 6% (2007: 5%) and the expected life of the mines according to the life-of-mine plans in the calculation of the estimated net present value of the rehabilitation liability. The discount rates used for the calculation are dependant on the shaft's life of mine and are as follows: for 12 months – 12.25% (2007: 13.77%); for 1 – 5 years – 11.75% (2007:10.61%); for 5 – 9 years – 10.5% (2007: 9.49%) and for 10 years or more – 10.25% (2007: 9.25%). These estimates were based on recent yields determined on government bonds.

3.5 Estimate of employee benefit liabilities

An updated actuarial valuation is carried out at the end of each financial year. Assumptions used to determine the liability included a discount rate of 12%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA 1956/62 mortality table (SA "a mf" tables) (60 years) and a medical inflation rate of 9.8% (2007: discount rate of 9%, 60 years and 6.34% inflation rate).

Management determined the discount rate by assessing financial instruments with similar terms to the liability. The increases to the discount rate and medical inflation rate are similar to changes in interest and inflation rates in South Africa.

Notes to the group financial statements (continued)

For the years ended 30 June

3 Critical accounting estimates and judgements (continued)

3.6 Estimate of taxation

The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Management has to exercise judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not raised.

3.7 Fair value of share-based payments

The fair value of options granted are being determined using either a binomial or a Monte Carlo valuation model. The significant inputs into the model are: vesting period and conditions, risk free interest rate, volatility, price on date of grant and dividend yield. (Refer to note 35 for detail on each of the share option schemes.)

3.8 Impairment of goodwill

The Group tests annually whether separately identifiable goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.8. Refer to note 17 for the method used in determining the recoverable amounts of cash-generating units. These calculations require the use of estimates as stated in note 3.1.

3.9 Gold in lock-up

Gold in lock-up in certain plants is estimated based on the calculated plant call factor. Plant call factor is the efficiency measurement of the percentage of gold extracted from the ore.

3.10 Assessment of contingencies

Contingencies will only realise when one or more future events occur or fail to occur. The exercise of significant judgement and estimates of the outcome of future events are required during the assessment of the impact of such contingencies.

3.11 Gold mineral reserves

Gold mineral reserves are estimates of the amount of ounces that can be economically and legally extracted from the Group's properties. In order to calculate the gold mineral reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, commodity prices and exchange rates.

Estimating the quantities and/or grade of the reserves requires the size, shape and depth of the orebodies to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate the gold mineral reserves change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves may change from year to year. Changes in the proven and probable reserves may affect the Group's financial results and financial position in a number of ways, including;

- asset carrying values may be affected due to changes in estimated cash flows;
- depreciation and amortisation charged in the income statement may change as they are calculated on the units-of-production method;
- environmental provisions may change as the timing and/or cost of these activities may be affected by the change in mineral reserves.

At the end of each financial year, the estimate of proven and probable gold mineral reserves is updated. Depreciation of mining assets is prospectively adjusted, based on these changes.

For the years ended 30 June

3 Critical accounting estimates and judgements (continued)

3.12 Production start date

Various relevant criteria are considered in order to assess when the mine is substantially complete and ready for its intended use and moves into the production phase. Some of the criteria would include but are not limited to the following:

- the level of capital expenditure compared to the total project cost estimates;
- the ability to produce gold in a saleable form (where more than an insignificant amount of gold has been produced);
- the ability to sustain the ongoing production of gold.

4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk. The Group may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the rand/US$ exchange rate as all revenues are generated by gold sales denominated in US$. Harmony generally, does not enter into forward sales, derivatives or other hedging arrangements to establish a rand/US$ exchange rate in advance for the sale of its future gold production.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

Sensitivity analysis

The Group has reviewed its foreign currency exposure on financial assets and financial liabilities and has identified the following sensitivities for a 10% change in the exchange rate.

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
		A$ against the US$		
–	26	Increase by ten percent	3	–
–	(26)	Decrease by ten percent	(3)	–
0.85	0.96	Closing rate	0.96	0.85
		A$ against the rand		
102	235	Increase by ten percent	30	14
(102)	(235)	Decrease by ten percent	(30)	(14)
6.00	7.51	Closing rate	7.51	6.00
		Kina against the A$		
83	268	Increase by ten percent	35	12
(83)	(268)	Decrease by ten percent	(35)	(12)
2.43	2.42	Closing rate	2.42	2.43

Notes to the group financial statements (continued)

For the years ended 30 June

4 Financial risk management

(a) Market risk (continued)

(ii) Other price risk

The Group is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). Harmony generally does not use any derivative instruments to manage this risk.

Sensitivity analysis

The equity investments are listed on the Australian Securities Exchange. A one percent increase in the share price at the reporting date, with all other variables held constant, would have increased other comprehensive income by R1 million (US$0.1 million) (2007: R25 million; US$3.5 million); an equal change in the opposite direction would have decreased other comprehensive income by R1 million (US$0.1 million) (2007: R 25 million; US$3.5 million). The analysis is performed on the same basis for 2007.

Commodity price sensitivity

The profitability of the Group's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of future gold production.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises mainly from long-term borrowings. The Group has both fixed and variable interest rate borrowings. Fixed rate borrowings expose the Group to fair value interest rate risk. Variable rate borrowings expose the Group to cash flow interest rate risk. The Group has not entered into interest rate swap agreements.

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
114	25	Increase in 100 basis points	3	16
(114)	(25)	Decrease in 100 basis points	(3)	(16)

The above table excludes the fixed rate convertible bond. As it is accounted for at amortised cost, interest rate changes do not affect reported profit and loss.

(b) Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations timeously. Financial instruments, which subject the Group to concentrations of credit risk, consist predominantly of restricted cash, restricted investments, trade and other receivables (excluding non-financial instruments) and cash and cash equivalents.

Exposure to credit risk on trade and other receivables is monitored on a regular basis. The credit risk arising from restricted cash, cash and cash equivalents and restricted investments is managed by ensuring amounts are only invested with financial institutions of good credit quality. The Group has policies that limit the amount of credit exposure to any one financial institution.

It is the policy of the Group to renegotiate credit terms with long-standing customers who have a good credit history with the Group. These customers are monitored on an ongoing basis to ensure that the customer remains within the renegotiated terms.

For the years ended 30 June

4 Financial risk management (continued)

(b) Credit risk (continued)

The Group's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R2 811 million (US$361.2 million) as at 30 June 2008 (2007: R2 885 million; US$409.4 million).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

In the ordinary course of business, the Group receives cash from its operations and is required to fund 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.

The following are the contractual maturities of financial liabilities (including principal and interest payments):

SA RAND			US DOLLAR	
More than 1 year	Current	Figures in million	Current	More than 1 year
		2008		
228	4 038	Borrowings [1] [2]	518	29
–	787	Trade and other payables (excluding non-financial instruments)	101	–
228	4 825		619	29
		2007		
1 953	2 970	Borrowings	422	277
–	807	Trade and other payables (excluding non-financial instruments)	114	–
–	220	Bank overdraft	31	–
1 953	3 997		567	277

[1] R1 769 million (US$226.8 million) is due between 6 to 12 months. (2007: R41 million; US$5.8 million).

[2] R58 million (US$7.4 million) is due between 1 to 2 years. (2007: R1 953 million; US$277.4 million).

(d) Capital risk management

The primary objective of managing the Group's capital is to ensure that there is sufficient capital available to support the funding requirements of the Group, in a way that optimises the cost of capital and matches the current strategic business plan.

The Group manages and makes adjustments to the capital structure, which consists of debt (borrowings and bank overdraft) and equity, as and when borrowings mature or when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof. The Group may also adjust the amount of dividends paid, sell assets to reduce debt or schedule projects to manage the capital structure.

There were no changes to the Group's approach to capital management during the year.

The Group is subject to externally imposed capital requirements in the form of loan covenants relating to interest cover, which may have an impact on the manner in which capital is utilised. The Group has complied with these capital requirements during the periods under review.

Notes to the group financial statements (continued)

For the years ended 30 June

4 Financial risk management (continued)

(e) **Fair value determination**

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values.

The fair value of available-for-sale financial assets and derivative financial instruments are determined by reference to quoted market prices. The fair value of other non-current financial instruments are determined using a discounted cash flow model with market observable inputs, such as market interest rates.

Comparison between carrying value and fair value of financial assets and liabilities:

SA RAND			US DOLLAR	
Carrying value	Fair value	Figures in million	Fair value	Carrying value
		2008		
		Financial assets		
1 639	1 639	Restricted investments	211	211
67	67	Investment in financial assets	9	9
681	681	Trade and other receivables	87	87
78	78	Restricted cash	10	10
413	413	Cash and cash equivalents	53	53
2 878	2 878		370	370
		Financial liabilities		
4 099	4 106	Borrowings *	526	526
736	736	Trade and other payables	94	94
4 835	4 842		620	620
		2007		
		Financial assets		
1 432	1 432	Restricted investments	195	195
55	55	Investment in financial assets	8	8
463	463	Trade and other receivables	65	65
284	284	Restricted cash	41	41
711	711	Cash and cash equivalents	101	101
2 945	2 945		410	410
		Financial liabilities		
4 598	4 797	Borrowings *	682	653
701	701	Trade and other payables	96	96
220	220	Bank overdraft	31	31
5 519	5 718		809	780

* Included under borrowings is an unsecured convertible fixed rate bond which has a fair value of R1 632 million (US$209.2 million) being 96% of the nominal value of R1 700 million as at 30 June 2008 (2007: R1 740 million (US$24.72 million) being 102.36% of the nominal value).

For the years ended 30 June

5 Cost of sales

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
6 021	6 673	Production costs (a)	918	836
734	779	Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	107	102
29	67	Amortisation and depreciation of assets other than mining properties, mine development costs and mine plant facilities (b)	10	4
(47)	12	Provision/(reversal of provision) for rehabilitation costs (c)	1	(6)
56	74	Care and maintenance cost of restructured shafts	10	8
–	212	Employment termination and restructuring costs (d)	29	–
41	42	Share-based payments	6	6
(134)	316	Impairment/(reversal of impairment) of assets (e)	40	(19)
(13)	9	Provision for former employees' post retirement benefits	1	(2)
6 687	8 184	Total cost of sales	1 122	929

(a) Production 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 costs are included, however employee termination costs associated with major restructuring and shaft closures are excluded. Production costs, analysed by nature, consist of the following:

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
4 407	4 591	Labour costs, including contractors	632	612
1 412	1 666	Stores and materials	229	196
654	656	Water and electricity	90	91
27	73	Hospital costs	10	4
(69)	80	Changes in inventory	11	(10)
(461)	(793)	Capitalisation of mine development costs	(109)	(64)
(19)	(26)	By-products sales	(4)	(3)
70	426	Other	59	10
6 021	6 673	Total production cost	918	836

(b) Amortisation and depreciation of assets other than mining properties, mine development costs and mine plant facilities consist of the following:

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
15	30	Other non-mining assets	4	2
5	11	Intangible assets	2	1
9	26	Borrowings' issue costs	4	1
29	67	Total amortisation and depreciation	10	4

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		5 Cost of sales (continued)		
		(c) For the assumptions used to calculate the rehabilitation costs, refer to note 3.4.		
		(d) Employment termination and restructuring costs consist of the following:		
–	73	Free State	10	–
–	38	Randfontein and Elandskraal	5	–
–	23	Evander	3	–
–	73	Freegold	10	–
–	5	Avgold	1	–
–	212	Total employment termination and restructuring cost	29	–
		During the December 2007 quarter, a voluntary retrenchment process was begun, following the Group's decision to decentralise central services, as well as the restructuring of shafts due to the cessation of Conops. This process was completed by year-end.		
		(e) Impairment/(reversal of impairment) consist of the following:		
13	–	Free State	–	2
–	125	Evander	16	–
(133)	65	Kalgold	8	(19)
(14)	21	Other underground – assets	3	(2)
–	105	Other underground – goodwill	13	–
(134)	316	Total impairment/(reversal of impairment)	40	(19)

During the 2008 financial year, impairments were recognised at several of the Group's operations, which resulted primarily from changes to the life of mine plans. Goodwill relating to certain underground operations was also impaired. For further details on the allocation of goodwill, refer to note 17. For assumptions used to calculate the recoverable amount, refer to note 3.1.

During the year ended 30 June 2007, the Group recorded an impairment at the Free State operations relating to the cessation of operations at the Refinery. The Group also reversed impairments previously recorded at its Kalgold and Freegold operations, where the recoverable amounts calculated using fair value less costs to sell exceeded the carrying values.

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		6 Other (expenses)/income – net		
11	99	Foreign exchange profits/(losses) – net (a)	13	2
41	(6)	Gain/(loss) on financial instruments (b)	(1)	6
182	4	Profit on sale of property, plant and equipment (c)	–	25
(10)	(97)	Non-mining bad debts (d)	(14)	(1)
(49)	(90)	Other expenses – net	(13)	(7)
175	(90)	Total other (expense)/income – net	(15)	25

(a) Included in 2008 is a R111 million (US$15.3 million) foreign exchange gain related to the two loans to the international operations. The loans, which were previously designated as net investments of the Group's international operations, were de-designated in 2008, mainly as a result of the expected proceeds from the PNG Partnership Agreement (see note 39). Foreign exchange gains/(losses) arising after de-designation of the loans have been included in the consolidated income statements. Accumulated exchange gains/(losses) that arose while the loans were considered to form part of the Group's net investment in its international operations, will be reclassified to the consolidated income statements as and when the loans are repaid.

(b) The amount mainly relates to the Australian hedge book which was closed in 2007.

(c) The amount for 2008 relates to scrap sales.

The Randfontein 4 Shaft was sold to Ezulwini Mining Company (Pty) Ltd on 29 December 2006, resulting in a profit of R69 million (US$9.8 million).

The Deelkraal surface assets were disposed of at a profit of R98 million (US$13.7 million) to Ogoerion Construction CC on 5 April 2007.

(d) The amount in 2008 includes a provision for the outstanding balance of R50 million (US$6.4 million) on the sale of Deelkraal to Ogoerion Construction CC.

7 Operating profit/(loss)

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		The following have been included in operating profit/(loss):		
14	32	Auditors' remuneration	4	2
11	16	Fees – current year	2	2
–	9	Fees – prior year under provision	1	–
3	7	Fees – other services	1	–

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
		8 Profit on sale of investment in associate		
236	–	Profit on the sale of Western Areas Limited	–	33

On 8 December 2006, the Group disposed of its interest in Western Areas Limited (Western Areas). Refer to note 20.

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		9 Fair value of non-derivative financial instruments		
111	33	Mark-to-market adjustment	5	15

The sale agreement of African Rainbow Minerals Ltd (ARM) shares gave rise to a non-derivative financial instrument that is designated as at "fair value through profit and loss" and included in “investment in financial assets” on the balance sheet. The fair value movement recognised is equivalent to the interest paid on the Nedbank loans. (Refer to note 19 (c) and 28 (d) and (e)).

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		10 Loss on sale of investment		
(35)	(459)	Loss on sale of investment in Gold Fields Limited	(63)	(5)

On 8 December 2006, the Group received 15 745 079 ordinary shares in Gold Fields, issued at R135.02 per share, in exchange for its interest in Western Areas. Refer to note 20 on associates and note 19 on investments in financial assets for further detail.

The Group disposed of 2 650 000 shares during 2007, and the remaining 7 348 079 shares in 2008, resulting in realised losses of R35 million (US$5 million) and R459 million (US$63 million), respectively. For further detail, refer to note 19.

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		11 Investment income		
167	249	Interest received	34	24
6	35	Loans and receivables	5	1
99	134	Held-to-maturity investments	18	14
62	80	Cash and cash equivalents	11	9
21	33	Dividend income on available for sale	5	3
188	282	**Total investment income**	39	27

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
		12 Finance costs		
		Financial instruments		
3	37	Bank and short-term facilities	5	–
151	159	Convertible unsecured fixed-rate bonds	22	21
127	277	Nedbank Limited	38	18
94	17	Rand Merchant Bank	2	13
22	6	Other creditors	1	5
397	496		68	57
		Non-financial instruments		
10	10	Post-retirement benefits	1	1
105	107	Time value of money and inflation component of rehabilitation costs	15	15
16	59	South African Revenue Services (SARS)	8	2
131	176		24	18
528	672		92	75
(74)	(158)	Interest capitalised	(22)	(10)
454	514		70	65

13 Taxation

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		SA normal taxation		
		Mining tax (a)		
–	(35)	– current year	(5)	–
–	(112)	– prior year	(15)	–
		Non-mining tax (b)		
(13)	(7)	– current year	(1)	(2)
4	(6)	– prior year	(1)	1
		Deferred tax (c)		
(423)	(394)	– deferred tax	(55)	(60)
		Foreign normal taxation		
155	89	– deferred tax (d)	12	22
(277)	(465)	Total normal taxation	(65)	(39)

(a) Mining tax on gold mining income in South Africa is determined according to a formula, based on the taxable income from mining operations. Gold Mining Companies within the Group that have elected to be exempt from Secondary Tax on Companies (STC) are taxed at higher rates than those that have not made the election.

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007

13 Taxation (continued)

All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss and accounting depreciation is eliminated when calculating the South African mining tax income. Excess capital expenditure is carried forward as unredeemed capital to be claimed from future mining taxable income. The Group has several tax paying entities in South Africa. In terms of the mining ring-fencing application, each ring-fenced mine is treated separately and deductions can normally only be utilised against mining income generated from the relevant ring-fenced mine.

The formulas for determining the South African gold mining tax rates are:
Y = 43 – 215/X (elect not to pay STC)
Y = 45 – 225/X (elect not to pay STC for 2007)
Y = 34 – 170/X (no election made)
Y = 35 – 175/X (no election made for 2007)

Where Y is the percentage rate of tax payable and X is the ratio of taxable income, net of any qualifying capital expenditure that bears to mining income so derived, expressed as a percentage.

(b) Non-mining income is taxed at 35% (exempt from STC) (2007: 37%) and 28% (no election made) (2007: 29%). Non-mining companies are taxed at the statutory corporate rate of 28% (2007: 29%).

(c) The tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse, based on tax rates (and tax laws) that have been enacted at balance sheet date. Depending on the profitability of the operations, the tax rate can consequently be significantly different from year to year.

(d) Mining and non-mining income of Australia operations are taxed at a standard rate of 30% (2007: 30%). Deferred tax is provided at the estimated expected future mining tax rate for temporary differences, based on tax rates (and tax laws) that have been enacted at balance sheet date.

The taxation rates in South African were changed in the 2008 year after an announcement of a reduction in the applicable rates by the Finance Minister in his annual budget speech in February 2008.

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		13 Taxation (continued)		
		Major items causing the Group's income tax provision to differ from the maximum mining statutory tax rate of 43% (2007: 45%) were:		
(242)	(223)	Tax on net income at the maximum mining statutory tax rate	(33)	(34)
(86)	(366)	Non-taxable income/non-allowable deductions	(50)	(12)
–	30	Difference between effective mining tax rate and statutory mining rate on mining income	4	–
7	2	Difference between non-mining tax rate and statutory mining rate on non-mining income	–	1
40	(64)	Effect on temporary differences due to changes in effective tax rates	(8)	5
4	(118)	Prior year adjustment – mining and non-mining tax	(16)	1
–	274	Capital allowance and sale of business	38	–
(277)	(465)	Income and mining taxation	(65)	(39)
-25%	140%	**Effective income and mining tax rate**	172%	-25%
		Deferred tax liabilities and assets on the balance sheet as of 30 June 2008 and 30 June 2007, relate to the following:		
		Deferred tax liabilities		
4 219	4 525	Gross deferred tax liability	579	599
4 090	4 219	Amortisation and depreciation	540	581
101	99	Product inventory not taxed	13	14
22	8	Convertible bonds	1	3
6	199	Other	25	1
(1 521)	(1 485)	Gross deferred tax assets	(190)	(216)
(25)	–	Deferred financial liability	–	(4)
(872)	(817)	Unredeemed capital expenditure	(105)	(124)
(262)	(212)	Provisions, including non-current provisions	(27)	(37)
(362)	(456)	Tax losses	(58)	(51)
21	(50)	Non-current assets reclassified as held for sale	(6)	3
2 719	2 990	**Net deferred tax liability**	383	386
		Movement in the net deferred tax liability recognised in the balance sheet is as follows:		
2 323	2 719	At the beginning of the year	386	324
333	341	Total charge per income statement (a)	47	46
42	(6)	Foreign currency translation adjustments	(41)	13
–	(28)	Tax directly charged to equity (b)	(4)	–
21	(36)	Non-current assets reclassified as held for sale	(5)	3
2 719	2 990	**At the end of the year**	383	386
		The following amounts that will realise or be recovered in the next 12 months have been included in the deferred tax liabilities and assets:		
116	297	Deferred tax liabilities	38	16
(123)	(167)	Deferred tax assets	(21)	(17)
(7)	130		17	(1)

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007

13 Taxation (continued)

As at 30 June 2008, certain subsidiaries in the Group had unredeemed capital expenditure of R9 323 million (US$1 195.2 million) (2007: R8 696 million (US$1 235.2 million)) available against future mining taxable income, tax losses carried forward of R2 636 million (US$337.9 million) (2007: R1 391 million (US$197.6 million)) and Capital Gains Tax (CGT) losses of R571 million (US73.2 million) (at 50%) are available to be utilised against future CGT gains and taxable income. These future deductions are utilisable against income.

As at 30 June 2008, the Group has not recognised the deferred tax asset amount of R2 575 million (US$330.1 million) resulting from unredeemed capital expenditure of R6 206 million (US$795.6 million), tax losses of R1 037 million (US$132.9 million) and CGT losses of R571 million (US$73.2 million) in the determination of the net deferred tax liability.

(a) The charge includes the amounts for both continuing and discontinued operations.

(b) The charge relates to deferred tax asset on the downward mark-to-market adjustment during the year on available-for-sale financial assets by Australian operations. See note 19 and 27 in this regard.

14 Non-current assets or disposal group held-for-sale and discontinued operations

The assets and liabilities related to Mt Magnet and South Kal (operations in Australia), Orkney operations (operations in North West Provinces), have been presented as held for sale following approval of the Group's management and Board of Directors on 20 April 2007.

On 6 December 2007, the sale relating to the South Kal operation (operation in Australia) was concluded at a loss, net of tax, of R51 million (US$7.6 million) and the assets were derecognised.

On 27 February 2008, the sale relating to the Orkney operations (operations in the Northwest province) was concluded at a profit of R66 million (US$8.9 million) and the assets were derecognised.

For the years ended 30 June

14 Non-current assets held for sale and discontinued operations (continued)

The assets and liabilities relating to the Cooke 1, Cooke 2, Cooke 3, Cooke plant and relating surface operations (operations in the Gauteng province) have been presented as held for sale following the approval of the Group's management on 16 October 2007. These operations were also deemed to be discontinued operations. As a result the comparative income statements have been restated for this reclassification.

Management is still intent on the disposal of Mt Magnet despite the assets being classified as held for sale for more than 12 months. Refer to note 39 for more detail.

The following represents the assets and liabilities of operations classified as held for sale.

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Balance sheet		
		Non-current assets classified as held for sale		
876	1 183	Property, plant and equipment	152	124
5	–	Restricted cash	–	1
59	175	Restricted investments	22	8
5	2	Investment financial assets	–	1
120	–	Deferred tax	–	17
121	171	Inventories	22	17
84	4	Trade and other receivables	1	12
11	–	Income and mining taxes	–	2
3	2	Cash and cash equivalents	–	–
1 284	1 537	Total non-current assets classified as held for sale	197	182
		Balance sheet		
		Liabilities directly associated with non-current assets classified as held for sale		
1	1	Borrowings	–	–
99	50	Deferred tax	6	14
257	394	Provisions for other liabilities and charges	50	36
136	52	Trade and other payables	8	19
54	–	Accrued liabilities	–	8
547	497	Total liabilities directly associated with non-current assets classified as held for sale	64	77

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		14 Non-current assets held for sale and discontinued operations (continued)		
		The trade and other receivables reflected above are fully performing. The results of operations and cash flows relating to assets held for sale have been classified as discontinued operations as follows:		
		Income statement		
		Analysis of the results of discontinued operations, and the results recognised on the re-measurement of assets for disposal by the Group		
2 678	2 263	Revenue	312	372
(2 693)	(1 712)	Expenses – net	(238)	(373)
(391)	36	Reversal of impairment/(impairment)	5	(56)
(406)	587	Profit/(loss) from discontinued operations before tax	79	(57)
(67)	(36)	Taxation	(5)	(9)
117	(11)	Taxation on impairment	(2)	16
(184)	(25)	Taxation on discontinued operations	(3)	(25)
(473)	551	Profit/(loss) for the year from discontinued operations	74	(66)
		Cash flows		
(126)	503	Operating cash flows	71	(17)
–	(127)	Investing cash flows	(16)	–
23	62	Foreign exchange translation adjustment	(7)	–
(103)	438	Total cash flows	48	(17)
		15 (Loss)/earnings per share		
		Basic (loss)/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.		
397 911	400 750	Weighted average number of ordinary shares in issue ('000)	400 750	397 911
855	(796)	Net (loss)/profit from continuing operations	(104)	117
(473)	551	Net profit/(loss) from discontinued operations	74	(66)
382	(245)	Total net (loss)/profit attributable to shareholders	(30)	51
215	(199)	Basic (loss)/earnings per share from continuing operations (cents)	(26)	29
(119)	137	Basic earnings/(loss) per share from discontinued operations (cents)	18	(17)
96	(62)	Total basic (loss)/earnings per share (cents)	(8)	12

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007

15 (Loss)/earnings per share (continued)

Fully diluted (loss)/earnings per share

For 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 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.

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
397 911	400 750	Weighted average number of ordinary shares in issue ('000)	400 750	397 911
4 471	2 144	Potential ordinary shares ('000)	2 144	4 471
402 382	402 894	Weighted average number of ordinary shares for fully diluted earnings per share ('000)	402 894	402 382
212	(199)	Fully diluted (loss)/earnings per share from continuing operations (cents)	(26)	29
(119)	137	Fully diluted earnings/(loss) per share from discontinued operations (cents)	18	(17)
93	(62)	Total fully diluted (loss)/earnings per share (cents)	(8)	12

The inclusion of share options issued to employees as at 30 June 2008, as potential ordinary shares, had 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 28) had an anti-dilutive effect on the diluted earnings per share. Accordingly, such additional shares were not taken into account in the determination of the diluted loss per share.

Headline earnings per share

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

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Continuing operations		
855	(796)	Net (loss)/profit	(104)	117
		Adjusted for (net of tax):		
(129)	(2)	Profit on sale of property, plant and equipment	–	(18)
30	459	Loss/(profit) on sale of listed investment	63	4
(220)	–	Profit on sale of investment in associate	–	(31)
(117)	159	Impairment/(reversal of impairment) of assets	22	(16)
–	105	Impairment of intangible assets	15	–
–	95	Impairment of investment in associates	13	–
–	52	Provision for doubtful debt	7	–
–	2	Loss/(profit) on sale of Joint venture	–	–
419	74	Headline profit	16	56

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		15 (Loss)/earnings per share (continued)		
		Discontinued operations		
(473)	551	Net profit/(loss)	74	(66)
		Adjusted for (net of tax):		
–	(95)	Profit on sale of property, plant and equipment	(13)	–
(6)	–	Profit on sale of listed investment	–	(1)
274	(25)	Impairment of assets	(3)	38
(205)	431	Headline profit/(loss)	58	(29)
214	505	Total headline profit	74	27
105	18	Basic headline earnings per share from continuing operations (cents)	4	14
104	18	Fully diluted headline earnings per share from continuing operations (cents)	4	14
(52)	108	Basic headline earnings/(loss) per share from discontinued operations (cents)	14	(8)
(52)	107	Fully diluted headline earnings/(loss) per share from discontinued operations (cents)	14	(8)
53	126	Total basic headline earnings per share (cents)	18	6
52	125	Total fully diluted headline earnings per share (cents)	18	6

16 Property, plant and equipment

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
10 131	11 955	Mining properties, mine development costs and mine plant facilities	1 532	1 438
2 846	4 378	Mining assets under construction	561	404
11 416	11 192	Undeveloped properties	1 434	1 621
87	–	Deferred stripping	–	12
58	31	Other non-mining assets	4	9
24 538	27 556	Total property, plant and equipment	3 531	3 484
		Mining properties, mine development costs and mine plant facilities		
		Cost		
19 998	19 338	Balance at beginning of year	2 745	2 791
1 468	2 294	Additions	316	204
(15)	(1 227)	Disposals	(174)	(2)
380	100	Adjustment to rehabilitation asset	13	54
–	1 208	Transfers and other movements	166	–
392	839	Translation	(176)	108
(2 885)	(2 878)	Net reclassification from/(to) held for sale	(369)	(410)
19 338	19 674	Balance at end of year	2 521	2 745

For the years ended 30 June

16 Property, plant and equipment (continued)

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Accumulated depreciation		
9 939	9 207	Balance at beginning of year	1 307	1 387
390	104	Impairment of fixed assets (a)	13	55
(3)	(725)	Disposals	(104)	–
1 137	850	Depreciation for the year (a)	118	158
–	47	Depreciation for the year capitalised to mining assets under construction	6	–
–	(2)	Transfers and other movements	–	–
58	714	Translation	(34)	36
(2 314)	(2 476)	Net reclassification from/(to) held for sale	(317)	(329)
9 207	7 719	Balance at end of year	989	1 307
10 131	11 955	Net book value	1 532	1 438
		Mining assets under construction		
		Cost		
1 489	2 706	Balance at beginning of year as previously reported	384	208
81	140	Effect of change in accounting policy (note 2.1)	20	11
1 570	2 846	Restated balance at beginning of year	404	219
1 192	1 692	Additions (b)	233	166
59	158	Finance costs capitalised	22	8
–	(26)	Disposals	(4)	–
–	(609)	Transfers and other movements	(84)	–
49	293	Translation	(13)	14
(24)	24	Net reclassification from/(to) held for sale	3	(3)
2 846	4 378	Book value	561	404
		Undeveloped property		
		Cost		
12 213	11 479	Balance at beginning of year	1 630	1 705
35	–	Additions	–	5
(20)	(167)	Disposals	(24)	(3)
–	(535)	Transfers and other movements	(74)	–
(1)	557	Translation	(80)	29
(748)	(128)	Net reclassification from/(to) held for sale	(16)	(106)
11 479	11 206	Balance at end of year	1 436	1 630
		Accumulated depreciation		
544	63	Balance at beginning of year	9	76
(68)	(37)	Reversal on impairment of fixed assets (a)	(6)	(10)
5	–	Depreciation for the year (a)	–	1
–	68	Transfers and other movements	9	–
53	121	Translation	16	9
(471)	(201)	Net reclassification from/(to) held for sale	(26)	(67)
63	14	Balance at end of year	2	9
11 416	11 192	Net book value	1 434	1 621

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		16 Property, plant and equipment (continued)		
		Deferred stripping		
		Cost		
93	87	Balance at beginning of year	12	13
–	–	Translation	(1)	–
(6)	(22)	Reversal of deferred costs	(3)	(1)
87	65	Balance at end of year	8	12
		Accumulated depreciation		
65	–	Balance at beginning of year	–	9
(65)	65	Impairment/(reversal of impairment) of fixed assets	8	(9)
–	65	Balance at end of year	8	–
87	–	Net book value	–	12
		Other non-mining assets		
		Cost		
345	321	Balance at beginning of year	46	48
3	11	Additions	2	–
(1)	(40)	Disposals	(5)	–
–	32	Transfers and other movements	4	–
1	1	Translation	(6)	2
(27)	22	Net reclassification from/(to) held for sale	3	(4)
321	347	Balance at end of year	44	46
		Accumulated depreciation		
271	263	Balance at beginning of year	37	38
–	(30)	Disposals	(4)	–
15	30	Depreciation for the year (a)	4	2
–	30	Transfers and other movements	4	–
–	–	Translation	(4)	–
(23)	23	Net reclassification from/(to) held for sale	3	(3)
263	316	Balance at end of year	40	37
58	31	Net book value	4	9
24 538	27 556	Total net book value	3 531	3 484

(a) The amounts include both continuing and discontinued operations.

(b) Included in these additions are royalty agreements that Rio Tinto had over the Hidden Valley and Kerimenge deposits in Papua New Guinea. In terms of the royalty agreement, Rio Tinto had the rights to receive a portion of between 2% and 3.5% of future ounces produced by the Hidden Valley mine in Papua New Guinea. During March 2008, Harmony concluded the buy back of these royalty rights for US$22 million through the issue of R149 million (US$20 million) Harmony shares and R18 million (US$2 million) in cash.

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		16 Property, plant and equipment (continued)		
		(c) Additional disclosures		
		Leased assets		
–	266	Carrying value of capitalised leased assets (included in mining assets under construction)	34	–
–	291	Cost	37	–
–	(25)	Accumulated depreciation	(3)	–
–	253	Finance lease additions	35	–

17 Intangible assets

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Goodwill		
		Cost		
2 375	2 375	Balance at beginning of year (a)	337	331
–	(3)	Disposal (b)	–	–
–	–	Translation	(33)	6
2 375	2 372	Balance at end of year	304	337
		Accumulated impairment		
105	105	Balance at beginning of year	15	15
–	105	Impairment loss (c)	13	–
–	–	Translation	(1)	–
105	210	Balance at end of year	27	15
2 270	2 162	Net book value	277	322
		Computer software		
		Cost		
–	42	Balance at the beginning of year (d)	6	–
42	21	Acquired during the year (e)	3	7
–	–	Translation	(1)	–
42	63	Balance at end of year	8	7
		Accumulated amortisation		
–	5	Balance at the beginning of year	1	–
5	11	Amortisation charge for the year	2	1
–	–	Translation	(1)	–
5	16	Balance at end of year	2	1
37	47	Net book value	6	6
2 307	2 209	Total net book value	283	328

(a) The opening carrying value of goodwill consists of an amount of R2 372 million (US$330 million) relating to the acquisition of ARMgold on 22 September 2003 and the balance related to the acquisition of MP Britz Pharmacy and H Taute Pharmacy by Healthshare Health Solutions (Pty) Ltd.

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		17 Intangible assets (continued)		
		The net book value amount of goodwill has been allocated to the each of the cash generating units as follows:		
224	224	Bambanani	29	32
1 073	558	Tshepong	72	152
815	1 330	Phakisa	170	116
158	50	Other	6	22
2 270	2 162		277	322

During the 2008 financial year, a resource transfer took place between Tshepong and Phakisa and an adjustment was made to the related goodwill.

(b) On 1 January 2008, Harmony Gold Mining Company Limited sold its investment in Healthshare Health Solutions (Pty) Ltd and the related goodwill was derecognised.

(c) The impairment of goodwill relates to goodwill allocated to other underground segments. The related mining assets have also been impaired. Refer to note 5(e).

(d) The opening net book value relates to the development of the Oracle ERP software implemented in December 2006.

(e) The amount above relates to additional development costs for the Oracle ERP software during the year.

18 Restricted investments

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Investments held by:		
1 395	1 603	Environmental trust funds (a)	206	198
37	36	Social Trust Fund (b)	5	5
1 432	1 639	Total restricted investments	211	203
(59)	(174)	Reclassified as non-current assets held for sale	(23)	(8)
1 373	1 465		188	195

(a) The environmental trust funds are irrevocable trusts under the Group's control. Contributions to the trust are invested primarily in interest-bearing short-term investments. The costs 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 restricted in use and may only be used to fund the Group's approved rehabilitation costs.

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007

18 Restricted investments (continued)

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Reconciliation of the movement in the Environmental Trust Fund:		
1 287	1 391	Opening balance	197	180
112	152	Interest accrued	21	16
–	(29)	Disposal of business	(4)	–
12	89	Contributions made	11	2
(16)	–	Reimbursement of costs incurred	–	(2)
–	–	Translation	(19)	2
1 395	1 603	Closing balance	206	198
(59)	(174)	Non-current assets held for sale	(23)	(8)
1 336	1 429		183	190

(b) The social trust fund is an irrevocable trust under the Group's control. The Group has undertaken to donate over a period of 10 years to The Harmony Gold Mining Group Social Plan Trust in terms of an agreement signed on 3 November 2003. An initial donation of R19 million (US$2.7 million) was made during the 2004 year. The balance will be donated in instalments of R3.5 million per annum with the final instalments to be made in 2013. The purpose of the Trust is to fund the social plan to reduce the negative effects of restructuring on the Group's workforce, to put measures in place to ensure that the technical and life skills of the Group's workforce are developed and to develop the Group's workforce in such a manner to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Reconciliation of the movement in the Social Trust Fund:		
30	37	Opening balance	5	4
4	4	Contributions made	1	1
3	3	Interest accrued	–	–
–	(8)	Claims paid	(1)	–
37	36	Closing balance	5	5

19 Investment in financial assets

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
984	2 544	Beginning of the year	361	137
2 176	135	Additions	20	309
(368)	(2 567)	Disposals	(362)	(50)
(357)	(60)	Mark-to-market	(8)	(50)
111	33	Profit/loss on non-derivative financial instrument (refer note 9)	5	16
(2)	(16)	Translation	(7)	–
2 544	69		9	362
(2 484)	–	Reclassified as current assets	–	(353)
(5)	(2)	Reclassified as non-current assets held for sale	–	(1)
55	67	End of the year	9	8

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		19 Investment in financial assets (continued)		
		The carrying amount consists of the following:		
		Available-for-sale financial assets		
50	–	Investment in Clidet No. 700 (Pty) Ltd (a)	–	7
5	2	Investment in Alloy Resources (b)	–	1
1 433	–	Investment in Gold Fields Limited (c)	–	204
–	62	Investment in Dioro Exploration NL (d)	8	–
5	5	Investment in other unlisted shares (e)	1	1
1 493	69		9	213
(2 484)	–	Reclassified as current assets	–	(353)
(5)	(2)	Reclassified as non-current assets held for sale	–	(1)
(996)	67	Total available-for-sale financial assets	9	(141)
		At fair value through profit and loss		
1 051	–	Investment in African Rainbow Minerals Limited (f)	–	149
55	67		9	8

(a) On 11 December 2006, Harmony subscribed to 50 000 cumulative redeemable participating preference shares in Clidet No 700 (Proprietary) Limited (Clidet 700) for R50 million (US$7.1 million). The purchase consideration was paid on 3 January 2007. Clidet 700 used these funds to purchase 4 106 667 ordinary shares in Pamodzi Gold Limited (Pamodzi), which listed on the JSE Limited (JSE) on 11 December 2006. Clidet 700 has ceded the Pamodzi shares to Harmony as security for the amounts owing in terms of the redemption of the preference shares. The preference shares may be redeemed after 1 May 2009 by Clidet 700, or after three years and one day from the issue date by Harmony. Dividends are accumulated and are payable on the redemption date, if not paid before.

The preference shares were redeemed on 10 April 2008 for R57 million (US$7.3 million).

(b) On 3 April 2006, Big Bell Gold Operations (Pty) Ltd, a subsidiary of Harmony Gold (Australia) (Proprietary) Limited, received 5 000 000 shares, valued at A$0.20 per share, in Alloy Resources, as partial consideration for the sale of Comet tenements. The market value of the investment was R2 million (US$0.3 million) (A$0.05 per share) on 30 June 2008 (2007: R4.5 million (US$0.6 million) (A$0.15 per share)), resulting in a decrease of R2.5 million (US$0.3 million) for the year (2007: R0.5 million), which was reflected as other comprehensive income. This investment has now been included in non-current assets held for sale.

(c) On 8 December 2006, the Group received 15 745 079 ordinary shares in Gold Fields (GFI), issued at R135.02 per share, in exchange for its interest in Western Areas. This was in terms of the offer by Gold Fields to exchange every 100 Western Areas shares held for 35 Gold Fields shares. 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.

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007

19 Investment in financial assets (continued)

The Group disposed of 1 150 000 shares for R143 million (US$19.7 million) in four transactions between 26 January 2007 and 12 February 2007. The total cost of these shares was R155.3 million (US$21.4 million), resulting in a realised loss of R12.3 million (US$1.7 million). During May and June 2007, a further 1 500 000 shares with a cost of R202.5 million (US$28.3 million) were disposed of for R179.6 million (US$25.1 million), resulting in a realised loss of R22.9 million (US$3.2 Million). After this transaction, the Group still held 7 348 079 shares in Gold Fields, after taking into account the 5 747 000 shares pledged to RMB Morgan Stanley (RMB) in terms of the financing. See note 28(f) in this regard.

On the 24 August 2007, the Group entered into an agreement with RMB to sell the remaining GFI ordinary shares at R100 per ordinary share, resulting in a realised loss of R35.02 (US$4.84) per share. The proceeds of R1 310 million (US$182.9 million) were used to settle the Randfontein redeemable preference shares issued to RMB on 5 April 2007, as well as the RMB financing. See note 28.

(d) On 5 December 2007, the Group concluded an agreement with Dioro Exploration NL (Dioro) to sell its South Kal operation (Australia) in exchange for 11 428 571 shares in Dioro, constituting an investment of 17.6%. At that date the shares were valued at R135 million (US$18.9 million) being A$1.75 (R11.80) per share. The shares are listed on the Australian Securities Exchange. At year end the shares were valued at A$0.74 (R5.77), resulting in R58 million (US$8.1 million) being recognised in other comprehensive income, net of tax.

(e) Investments are held in various shares of unlisted industry-related companies. These investments have been valued by the directors by performing independent valuations on an annual basis to ensure that no permanent impairment in the value of the investments has occurred. During the financial year under review, the group did not receive any income from these investments (2007: Nil).

(f) During the 2005 financial year, the Group transferred its remaining 13.68% of the investment in ARM to the ARM Broad-Based Economic Empowerment Trust (the ARM Trust) for an aggregate cash consideration of R829.8 million ($132.1 million), representing a price of R29 per ARM share.

Notes to the group financial statements (continued)

For the years ended 30 June

19 Investment in financial assets (continued)

The acquisition of the shares by the ARM Trust was financed through two term loan facilities with Nedbank Limited (Nedbank). The first term loan facility of R473.6 million ($75.4 million) previously contained a put option whereby Nedbank could have put the loan to the Company in the event of default by the ARM Trust. The Company was also entitled, at any time up to the facilities discharge date, to call the loan and "step into the shoes of Nedbank as the lender". During the 2006 financial year, this put and call option was replaced by a guarantee from Harmony to the value of R367 million ($54.0 million), plus interest accrued at the applicable funding rate. On the same date, the Company received an indemnity from ARM to the value of 50% of the Company's liability under the guarantee. The second term loan facility amounting to R356.2 million ($56.7 million) continued to be collateralised by the underlying ARM shares in the ARM Trust. Nedbank is entitled to force the trust to sell the shares if the market price of the ARM shares decrease to a certain level.

For accounting purposes, the Company did not account for the transfer of the shares to the ARM Trust as a sale. This is because the previous put and call option on the first term loan facility, as well as the guarantee, resulted in the majority of the risks not being transferred away from Harmony, and the 13.68% investment therefore continued to be accounted for as "available-for-sale". Harmony also considered the appropriate accounting for the fact that, in terms of the stated objective of the ARM Trust, the upside on appreciation of the ARM shares legally belongs to the intended beneficiaries of the ARM Trust and therefore limited the increase in fair value of the shares to its obligations under the Nedbank loans.

On 28 September 2007, the guarantee to Nedbank was cancelled and, as a result, Harmony has no further obligation to Nedbank. The investment in ARM and the associated Nedbank loans have been de-consolidated from that date.

20 Investments in associates

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
1 909	7	Opening carrying amount	1	266
(1 890)	–	Disposal of share in associate (a)	–	(268)
7	–	Joint venture becoming associate (c)	–	1
–	345	Shares acquired at cost (d)	46	–
	(34)	Elimination of unrealised profits	(5)	–
(19)	(78)	Share of loss after tax	(11)	(3)
–	(95)	Impairment of share in associate	(12)	–
–	–	Foreign currency translation reserve	–	5
7	145	Total investments in associates	19	1

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007

20 Investments in associates (continued)

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		The carrying amount consists of the following:		
1	–	Village Main Reef Gold Mining Company Ltd (b)	–	–
6	–	Orpheo (c)	–	1
–	145	Pamodzi Gold Limited (d)	19	–
7	145	Total investments in associates	19	1

(a) On 9 March 2006, the Group acquired a 29.2% interest in the issued share capital of Western Areas (44 985 939 shares) through its subsidiary, the ARMgold/Harmony Joint Investment Company Pty Ltd, for a total cost of R2 012 million (US$321.4 million). Western Areas was listed on the JSE Limited, with interests in operating gold mines in South Africa.

On 8 December 2006, the Group disposed of its interest in Western Areas in exchange for Gold Fields ordinary shares. This was in terms of an offer by Gold Fields whereby every 100 Western Areas was exchanged for 35 Gold Fields shares. The Group received 15 745 079 Gold Fields shares for its 44 985 939 Western Areas shares. The net profit on the transaction was R236 million (US$34.7 million), calculated after the investment was reduced by the share of post-acquisition loss of R123 million (US$18.1 million).

(b) On 21 June 2006, Harmony acquired 37.8% of the issued share capital of Village Main Reef Gold Mining Company (1934) Limited at a total cost of R0.5 million (US$0.07 million). The equity stake was purchased from African Rainbow Minerals Limited at a price of 20 cents per share (US$3 cents per share). Village is listed on the JSE Limited in the gold sector and has been dormant for some time without any operating mines.

At 30 June 2008, the fair value of the investment was R0.7 million (US$0.09 million), calculated on a share price of 30 cents (US$: 4 cents) per share.

During the 12 months to June 2008, the Group did not recognise its share of losses from the associate. This unrecognised share amounted to R0.6 million (US$0.08 million)

The unaudited summarised aggregated financial information for the twelve months ended 30 June 2008 is as follows:

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
100%	100%		100%	100%
–	–	Revenue	–	–
–	(1)	Net loss	–	–
5	5	Total assets	1	1
3	5	Total equity and liabilities	1	–

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007

20 Investments in associates (continued)

(c) During 2007, the Group disposed of 17% of its share in Orpheo by Harmony (Pty) Limited (Orpheo), which had been accounted for as a joint venture. After the transaction, the Group held a 33% interest in Orpheo.

The Group originally purchased its 50% share for R5 million (US$0.7 million). The consideration for the disposal was R1.7 million (US$0.2 million) and the fair value of the portion disposed was R1.5 million (US$0.2 million), resulting in a R0.2 million (US$0.03 million) profit.

At 30 June 2008, the fair value of the investment was evaluated by management. It was determined that the carrying value exceeded the fair value and an impairment of R0.5 million (US$0.06 million) was recognised.

During the 12 months ended 30 June 2008, the Group's share of post-acquisition profit was R0.3 million (US$0.04 million)

The unaudited summarised financial information for the twelve months ended 30 June 2008 is as follows:

2007	2008	Figures in million	2008	2007
100%	100%		100%	100%
6	7	Revenue	1	1
1	1	Net profit	–	–
5	6	Total assets	1	1
3	5	Total liabilities	1	–

(d) On 27 February 2008, Pamodzi Gold Limited (Pamodzi) bought the Orkney operations from the Harmony Group for a consideration of 30 000 000 Pamodzi shares. This resulted in Harmony owning 32.4% of Pamodzi. On the purchase date the value of the investment was R11.50 per share (US$1.54 per share) resulting in R345 million (US$46.5 million) investment. Pamodzi is listed on the JSE and has interests in operating gold mines in South Africa.

As at 30 June 2008, the fair value of the investment was calculated at R145 million (US$18.6 million) (R4.85 per share)(US$0.62 per share). The carrying value exceeded the fair value and as a result, an impairment of R95 million (US$12.3 million) was recognised. During the four months to June 2008, the Group's share of the post acquisition losses was a loss of R77 million (US$10.6 million).

For the years ended 30 June

SA RAND		Figures in million	US DOLLAR	
2007	2008		2008	2007

20 Investments in associates (continued)

Pamodzi has a 31 December year-end and the latest audited financials are for the year ended 31 December 2007. The unaudited financial information of Pamodzi (100%) for the period since acquisition of the investment on the 27 February 2008 to June 2008 and as at 30 June 2008 as follows:

SA RAND 2008 100%		US DOLLAR 2008 100%
414	Revenue	57
(536)	Production costs	(74)
(122)	Operating loss	(17)
(246)	Net loss	(34)
1 671	Non-current assets	214
166	Current assets	21
1 837	Total assets	235
1 327	Current liabilities	170
239	Non-current liabilities	31
1 566	Total liabilities	201

21 Investment in joint venture

The Group held a joint venture interest in Healthshare Health Solutions (Pty) Ltd (45%). The interest in Healthshare was acquired on 20 December 2005. On 1 January 2008, the Group disposed of its interest to the remaining shareholders of Healthshare and derecognised its share in assets and liabilities. A loss of R2 million (US$0.3 million) was recognised.

For the six-month period ending 31 December 2007 the Group's share of the joint venture profit amounted to R3 million (US$0.4 million).

22 Trade and other receivables

SA RAND 2007	SA RAND 2008		US DOLLAR 2008	US DOLLAR 2007
		Current		
		Financial assets:		
80	235	Trade receivables (gold)	30	11
150	340	Other trade receivables	44	20
(24)	(132)	Provision for impairment	(17)	(3)
206	443	Trade receivables – net	57	28
–	75	Interest and other receivables	9	–
54	24	Employee receivables	3	8
114	2	Insurance claims receivable	–	16
32	–	Deferred consideration for sale of Buffalo Creek (a)	–	5
		Non-financial assets:		
33	36	Prepayments	5	5
479	295	Value added tax	38	68
918	875	Total current trade and other receivables	112	130

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		22 Trade and other receivables (continued)		
		Non-current		
		Financial assets:		
67	152	Loans receivables (b)	20	10
(13)	(15)	Provision for impairment	(2)	(2)
54	137	Total non-current trade and other receivables	18	8

(a) On 31 March 2006, the Group disposed of the entire share capital of Buffalo Creek for R106 million (US$17.2 million). The last instalment of the receivable was settled in cash on 30 September 2007.

(b) Loans comprise various loans, which have been valued by the directors. These loans are unsecured with interest charged at prime. These loans are due within two years. Included in this balance is R103 million (US$13.2 million) owed by Pamodzi.

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		The movement in the provision for impairment of trade receivables during the year was as follows:		
13	24	Balance at 1 July	3	2
11	108	Impairment loss recognised	14	1
24	132	Balance at 30 June	17	3
		The movement in the provision for impairment of loans receivables during the year was as follows:		
–	13	Balance at 1 July	2	–
13	4	Impairment loss recognised	1	2
–	(2)	Loans written off during the year	(1)	–
13	15	Balance at 30 June	2	2

Impairment	Gross		Gross	Impairment
		The ageing of trade and other receivables at the reporting date was:		
		30 June 2008		
–	395	Fully performing	51	–
–	26	Past due by 1 to 30 days	3	–
–	2	Past due by 31 to 60 days	–	–
–	4	Past due by 61 to 90 days	1	–
132	148	Past due by more than 90 days	19	17
132	575	Balance at 30 June 2008	74	17
		30 June 2007		
–	160	Fully performing	23	–
–	9	Past due by 1 to 30 days	1	–
–	1	Past due by 31 to 60 days	–	–
–	27	Past due by 61 to 90 days	3	–
24	33	Past due by more than 90 days	5	3
24	230	Balance at 30 June 2007	32	3

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
Impairment	Gross	**22 Trade and other receivables (continued)**	Gross	Impairment
		The ageing of loans receivables at the reporting date was:		
		30 June 2008		
–	137	Fully performing	18	–
–	–	Past due by 1 to 30 days	–	–
–	–	Past due by 31 to 60 days	–	–
–	–	Past due by 61 to 90 days	–	–
15	15	Past due by more than 90 days	2	2
15	152	Balance at 30 June 2008	20	2
		30 June 2007		
–	54	Fully performing	8	–
–	–	Past due by 1 to 30 days	–	–
–	–	Past due by 31 to 60 days	–	–
–	–	Past due by 61 to 90 days	–	–
13	13	Past due by more than 90 days	2	2
13	67	Balance at 30 June 2007	10	2

Trade receivables that are less than 90 days past due are not considered to be impaired.

Based on past experience, the Group believes that no impairment allowance is necessary in respect of fully performing trade receivables as the amount relates to customers that have a good track record with the Group.

The Group holds the Deelkraal surface assets as collateral for the balance outstanding on the sale of these assets to Ogoerion Construction CC (included in trade receivables above). The balance of R50 million (US$6.4 million) was impaired during the 2008 financial year.

Management expect to recover the full amount outstanding on loans receivable.

During 2008 and 2007, there was no renegotiation of the terms of any receivable, other than as discussed above.

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
		23 Inventories		
165	203	Gold in lock-up	26	23
341	131	Gold in-process and bullion on hand	17	49
236	359	Stores and materials at weighted average cost	46	33
742	693	Total inventories	89	105
		Gold in-process at the following operations is valued at net realisable value:		
28	–	Free State	–	4
77	–	Evander	–	11
87	–	Freegold	–	12
92	–	Target	–	13
284	–	Gold in-process carried at net realisable value	–	40

Gold in-process includes immaterial amounts of stockpile inventories.

During the year, R10 million (US$1.4 million) (2007: R6 million (US$0.8 million)) was provided for slow moving and obsolete stock. The total provision for 2008 was R23 million (US$3.3 million) (2007: R14 million (US$1.9 million)).

24 Restricted cash

2007	2008	Figures in million	2008	2007
274	–	Rand Merchant Bank margin call account (a)	–	39
10	–	Security deposits (b)	–	2
–	78	Cash Management Account (c)	10	–
(274)	–	Reclassified as current	–	(39)
(5)	–	Reclassified as non-current assets held for sale	–	(1)
5	78	Total restricted cash	10	1

(a) In terms of the financing agreement with Rand Merchant Bank, R274 million (US$39 million) was placed in a security deposit account with Rand Merchant Bank. Refer to note 28 (f).

(b) The amount was held in respect of security deposits on mining tenements.

(c) The amount relates to funds set aside by the International operations for performance bonds related to guarantees for environmental obligations.

25 Cash and cash equivalents

2007	2008	Figures in million	2008	2007
714	415	Cash at bank and deposits on call	53	101
(3)	(2)	Non-current asset held for sale	–	–
711	413		53	101
(220)	–	Overdraft facilities	–	(31)
491	413	Total cash and cash equivalents	53	70

All deposits are on twenty-four hour call.

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007

26 Share capital

Authorised

1 200 000 000 (2007: 1 200 000 000) ordinary shares of 50 cents each

10 958 904 (2007: 10 958 904) redeemable convertible preference shares of 50 cents each

Issued

403 253 756 (2007: 399 608 384) ordinary shares of 50 cents each

The unissued shares are under the control of the directors until the forthcoming annual general meeting. The Directors' Report and note 35 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 10% of the issued share capital in any one financial year. This is in terms of the annual general meeting of shareholders on 26 November 2007. The general authority is subject to the Listings Requirements of the JSE Securities Exchange South Africa and the Companies Act no 61 of 1973 of South Africa, as amended.

27 Other reserves

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Other reserves comprises:		
(111)	575	Foreign exchange translation reserve (a)	(216)	30
(335)	(39)	Mark-to-market of available-for-sale financial instruments (b)	(2)	(44)
277	277	Equity component of convertible bond (c)	41	41
(381)	(381)	Acquisition of non-controlling interest in subsidiary (d)	(57)	(57)
232	275	Deferred share-based payments (e)	42	36
(31)	(31)	Other	(4)	(4)
(349)	676	**Total other reserves**	(196)	2
		The different categories are made up as follows:		
		Foreign exchange translation reserve		
(316)	(111)	At the beginning of the year	30	(57)
205	686	Current year's foreign exchange movement	(246)	87
(111)	575	**At the end of the year**	(216)	30
		Mark-to-market of available-for-sale financial assets		
(7)	(335)	At the beginning of the year	(44)	2
29	335	Realised portion reclassified through profit or loss	47	4
(357)	(67)	Mark-to-market – unrealised	(9)	(50)
–	28	Deferred tax asset	4	–
(335)	(39)	At the end of the year	(2)	(44)

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
		27 Other reserves (continued)		
		Equity component of convertible bond		
277	277	At the beginning/end of the year	41	41
		Acquisition of non-controlling interest in subsidiary		
(381)	(381)	At the beginning/end of the year	(57)	(57)
		Deferred share-based payments		
187	232	At the beginning of the year	36	30
45	43	Share-based payments expensed	6	6
232	275	At the end of the year	42	36
		Other reserves		
(31)	(31)	At the beginning/end of the year	(4)	(4)

(a) The movement of the foreign exchange translation reserve represents the cumulative translation effect of the Group's off-shore operations. The US dollar amounts includes the translation effect from rand to US dollar.

(b) The balance of the mark-to-market reserve represents the movement in the fair value of the available-for-sale financial assets. For details on the movement, refer to note 19.

(c) On 24 May 2004, the Group issued a convertible bond. As a result, an amount representing the value of the equity conversion component is included in other reserves, net of deferred tax. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods. Refer to note 28 (a) for more detail.

(d) 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 non-controlling interests. The excess of the purchase price of R579 million (US$86.5 million) (A$123 million) over the carrying amount of non-controlling interest acquired, amounting to R381 million (US$55 million), has been accounted for under other reserves.

(e) The Group issues equity-settled instruments to certain qualifying employees under an Employee Share Option Scheme to purchase shares in the Company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instruments at the date of the grant. Share-based payments are expensed over the vesting period, based on the Group's estimate of the shares that are expected to eventually vest. During 2008 a share-based payment expense of R43 million (US$5.9 million) (2007: R45 million (US$6.3 million) was charged to the income statement. (Refer to note 35 for more detail)

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		28 Borrowings		
		Unsecured borrowings		
1 541	–	Convertible unsecured fixed rate bonds (a)	–	219
1 700	1 700	Principal amount	218	241
(277)	(277)	Equity conversion component, net of deferred tax liability	(41)	(41)
(60)	(60)	Deferred tax liability	(9)	(9)
1 363	1 363	Liability component on initial recognition	168	191
195	271	Unwinding of time value of money portion	40	29
(17)	(8)	Less: amortised bond issue costs	(1)	(2)
–	–	Translation	1	1
1 541	1 626		208	219
–	(1 626)	Less: current portion	(208)	–
32	32	Africa Vanguard Resources (Proprietary) Limited (b)	4	5
1 573	32	Total unsecured long-term borrowings	4	224
		Secured borrowings		
170	–	Nedbank Limited (c)	–	24
170	194	Liability amount	25	24
–	(194)	Less: current portion	(25)	–
–	–	Nedbank Limited (d)	–	–
601	–	Liability amount	–	85
(601)	–	Less: current portion	–	(85)
–	–	Nedbank Limited (e)	–	–
450	–	Liability amount	–	64
(450)	–	Less: current portion	–	(64)
–	–	Rand Merchant Bank (f)	–	–
752	–	Liability amount	–	107
(752)	–	Less: current portion	–	(107)
–	–	Rand Merchant Bank (g)	–	–
550	–	Liability amount	–	78
(550)	–	Less: current portion	–	(78)
–	–	Rand Merchant Bank (h)	–	–
500	–	Liability amount	–	71
(500)	–	Less: current portion	–	(71)
–	–	Westpac Bank (i)	–	–
2	–	Liability amount	–	–
(2)	–	Less: current portion	–	–
–	210	Westpac Bank (j)	27	–
–	258	Liability amount	33	–
–	(48)	Less: current portion	(6)	–
–	–	Nedbank Limited (k)	–	–
–	2 000	Principal amount	256	–
–	(11)	Less: amortised issue costs	(1)	–
–	1 989		255	–
–	(1 989)	Less: current portion	(255)	–
170	210	Total secured long-term borrowings	27	24
1 743	242	Total long-term borrowings	31	248
2 855	3 857	Total current portion of borrowings	494	405
4 598	4 099	Total borrowings	525	653

Notes to the group financial statements (continued)

For the years ended 30 June

28 Borrowings (continued)

(a) On 21 May 2004, Harmony issued an international unsecured fixed rate convertible bond in an aggregate principal amount of R1 700 million (US$251.9 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 five 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. 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 initial conversion price is R121 per ordinary share subject to certain standard anti-dilutive provisions such as a rights offering, that are designed to maintain the value of the conversion option. 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 other reserves net of deferred 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 (defined as bonds, notes, debentures, loan stock or other securities which are tradable on a securities market) 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 (US$1.2 million) (2007: R9 million (US$1.2 million) for amortisation of the bond issue costs.

(b) The loan to Africa Vanguard Resources (Doornkop) (Proprietary) Limited (AVRD) from its holding company African Vanguard Resources (Proprietary) Limited remained unchanged from the previous year. In 2005 AVRD borrowed an additional R18 million (US$2.3 million) to service working capital commitments. This increased the initial loan of R14 million (US$1.8million) to R32 million (US$4.1 million). The loan is unsecured and interest free, with no fixed terms of repayment over the short term. Refer to note 28 (c).

(c) On 30 July 2003, AVRD entered into a term loan facility of R140 million (US$19.1 million) with Nedbank Limited for the purpose of partially funding AVRD's purchase of an undivided 26% share of the Mining titles, to be contributed to the Doornkop South Reef project. Interest at a variable rate equal to JIBAR plus 2% shall be repayable to the extent that AVRD received a portion of the profit from the project. 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 2008 amounted to R30 million (US$4.1 million) (2007: R16 million (US$2.2 million).

The facility from Nedbank to AVRD is guaranteed by Harmony and certain of its subsidiaries. As a result of this guarantee and other factors, the Company is required to consolidate AVRD and has therefore included the loans from Nedbank and Africa Vanguard Resources (Proprietary) Limited in its consolidated borrowings.

(d) On 15 April 2005, the ARM Empowerment Trust (the Trust) entered into term loan facility of R474 million (US$75.4 million) with Nedbank Limited for the purpose of funding the balance of the Trust's acquisition of the shares the Company held in ARM. The loan bears interest, compounded monthly, at a rate of JIBAR plus 1.5% per annum. Interest capitalised during the year ended 30 June 2008 amounted to R18 million (US$2.5 million) (2007: R62 million (US$8.6 million)) (Refer to note 12). On 28 September 2007, the Trust guarantee was cancelled by Nedbank and consequently Harmony has no further obligation to Nedbank in this regard. The ARM investment and associated Nedbank loans was deconsolidated from this date. Refer to note 19 (c).

(e) On 15 April 2005, the Trust entered into a second term loan facility of R356 million (US$56.7 million) with Nedbank Limited for the purpose of funding the Trust's partial acquisition of the shares the Company held in ARM (Refer note 19 (c)). The loan bears interest, compounded monthly, at a rate of JIBAR plus 1.5% per annum. Interest capitalised during the year ended 30 June 2008 amounted to R15 million (US$2.1 million) (2007: R49 million (US$6.8 million) (Refer to note 12). The loan is repayable on the fifth anniversary of the advance date. On 28 September 2007, the loan was deconsolidated as per note 28 (d).

(f) During March 2007, the Group entered into a financing agreement with RMB. In terms of the financing agreement, 5 747 000 Gold Fields ordinary shares were pledged as security. The financing amounted to R752 million (US$103.4 million). Of this amount, R600 million (US$82.3 million) was used to repay a portion of the term loan obtained in March 2006.

For the years ended 30 June

28 Borrowings (continued)

Interest is payable to RMB at a rate equal to the SAFEX Financial Derivatives overnight deposit rate (SAFEX overnight rate) plus 35 basis points.

The Group placed a 20% deposit of the notional amount with RMB in an initial margin account for any change in the Gold Fields share price below the reference price of R130.88 per share. Interest is payable by RMB to the Group at the SAFEX overnight rate less 15 basis points.

On 24 August 2007, the Group entered into an agreement to sell its Gold Fields ordinary shares for a consideration of R1.3 billion (US$185 million). The proceeds were used to settle the Randfontein redeemable preference shares issued to RMB in April 2007, as well as the financing arranged with RMB in March 2007. Refer to note 28 (g).

(g) During April 2007, Randfontein Estates Limited (Randfontein) (a wholly owned subsidiary of Harmony) issued 55 000 000 cumulative, floating rate, redeemable preference shares to RMB for R550 million (US$75.4 million). R400 million (US$54.9 million) of the consideration was used to repay a portion of the term loan obtained in March 2006. The obligation to redeem the preference shares is secured by the cession of shares in Gold Fields in a ratio of 1.5:1.

The preference shares are redeemable on the date that falls three years and a day after the issue date, but may be redeemed by Randfontein at any time before this date. The amount to be redeemed is the issue price together with any accumulated dividends and dividends that have been declared but not paid.

The first dividend date is 1 March 2008. The dividend rate is variable and is set out as follows:

- for the period from the issue date until 31 August 2007, the variable dividend rate is equal to 35% of the prime rate;
- for the period from 1 September 2007 until 29 February 2008, the variable dividend rate is equal to 50% of the prime rate;
- on 1 March 2008, the variable dividend rate is equal to 83% of the prime rate.

In August 2007, the preference shares were redeemed as per note 28(f).

(h) On 29 June 2007, RMB advanced R500 million (US$68.6 million) in terms of a short term bridging loan. The loan became due on 31 July 2007 along with interest, calculated at the rate equal to the SAFEX Overnight rate plus 2.4%. In the event that Harmony elected to extend the loan facility until 30 September 2007, the interest would be calculated at the rate equal to the SAFEX overnight rate plus 3.6% during the extension period.

On 29 September 2007, the short term bridging loan from RMB was repaid. Refer to note 28 (k) for details on the funds utilised.

(i) On 27 June 2007, the Group entered into an overdraft facility agreement with Westpac Bank for the Papua New Guinea operations. The limit is Kina 3 million (US$0.9 million) and interest is payable at 9.45%. In August 2007, the facility was repaid and then cancelled.

(j) During July 2007, Morobe Consolidated Goldfields entered into a finance lease agreement with Westpac Bank for the purchase of mining fleet to be used on the Hidden Valley project.

Interest is charged at US – LIBOR plus 1.25% per annum. Interest is accrued monthly and lease instalments are repayable quarterly terminating 30 June 2013. The mining fleet financed is used as security for these loans.

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		28 Borrowings (continued)		
		The future minimum lease payments are as follows:		
–	57	Due within one year	7	–
	58	Due between one and two years	7	
–	170	Due between two and five years	23	–
–	285		37	–
–	(27)	Future finance charges	(4)	–
–	258		33	–

(k) On 28 September 2007, Harmony Gold Mining Company Limited entered into a term loan facility of R2 billion (US$283.9 million) with Nedbank Limited, for the purpose of partially funding capital expenditure in respect of projects, as well as to repay the short term bridging loan amounting to R500 million (US$68.6 million) (refer to note 28 (h)). Interest accrues on a day to day basis over the term of the loan at a variable interest rate, which is fixed for three month periods, equal to the JIBAR plus 2.75% plus banking costs. The loan is repayable on 29 December 2008 and interest is repayable every quarter commencing on 28 September 2007.

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		The exposure of the Group's borrowings to changes in interest rate and contractual repricing is as following:		
170	210	Variable rate	27	24
2 855	3 857	Current	494	405
1 541	–	Between 1 to 2 years	–	219
–	–	Between 2 to 5 years	–	–
32	32	Over 5 years	4	5
4 598	4 099	Total borrowings	525	653
3.7%	5.1%	Variable rate	5.1%	3.7%
62.2%	94.1%	Current	94.1%	62.1%
33.4%	0.0%	Between 1 to 2 years	0.0%	33.5%
0.0%	0.0%	Between 2 to 5 years	0.0%	0.0%
0.7%	0.8%	Over 5 years	0.8%	0.7%
100.0%	100.0%	Total borrowings	100.0%	100.0%
		The maturity of borrowings is as follows:		
2 855	3 857	Current	494	405
1 711	50	Between 1 to 2 years	6	243
–	160	Between 2 to 5 years	21	–
32	32	Over 5 years	4	5
4 598	4 099	Total borrowings	525	653

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007

28 Borrowings (continued)

The effective interest rates at the balance sheet date were as follows:

	2008 %	2007 %
Convertible unsecured fixed rate bonds (a)	10.0	10.0
Africa Vanguard Resources (Proprietary) Limited (b)	0.0	0.0
Nedbank Limited (c)	13.4	11.9
Nedbank Limited (d)*	0.0	9.5
Nedbank Limited (e)*	0.0	10.0
Rand Merchant Bank (f)*	0.0	9.4
Rand Merchant Bank (g)*	0.0	4.6
Rand Merchant Bank (h)*	0.0	12.7
Westpac Bank (i)*	0.0	9.5
Westpac Bank (j)	4.1	0.0
Nedbank Limited (k)	14.5	0.0

* Loan repaid in full

Other borrowings

The level of Harmony's borrowing powers, as determined by its Articles of Association, shall not, except with the consent Harmony's general meeting, exceed 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 non-controlling interests in subsidiary companies and provisions for deferred taxation) and any share premium accounts of the company and its subsidiaries. At year end, total borrowings amounted to R4 099 million (US$525 million) (2007: R4 598 million (US$652 million).

29 Provision for environmental rehabilitation

The Group's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. The Group has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. The following is a reconciliation of the total liability for environmental rehabilitation:

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Provision raised for future rehabilitation		
860	1 349	Opening balance	192	120
(29)	(115)	Disposal of assets	(16)	(4)
373	91	Change in estimate – Balance sheet	12	53
(9)	11	Change in estimate – Income statement	1	(1)
119	154	Inflation present value adjustment and time value of money component	22	17
35	33	Foreign currency translation adjustments	(15)	7
1 349	1 523	Closing balance	196	192
(257)	(394)	Provision associated with non-current assets held for sale	(51)	(36)
1 092	1 129		145	156

Notes to the group financial statements (continued)

For the years ended 30 June

29 Provision for environmental rehabilitation (continued)

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 R2 102 million (US$269 million) (2007: R1 941 million (US$276 million)). Refer to note 3.4 for the estimations and judgements used in the calculations.

Included in the charge to the income statement is an amount R40 million (US$6 million) (2007: R65 million (US$9 million)) relating to the time value of money.

Future net obligations

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
1 941	2 102	Ultimate estimated rehabilitation cost	269	276
(1 395)	(1 603)	Amounts invested in environmental trust funds (note 18)*	(206)	(198)
546	499	Total future obligations	63	78

The Group intends to finance the ultimate rehabilitation costs from the money invested with 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.

* This includes amounts related to assets held for sale.

30 Provision for other liabilities and charges

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Non-current		
107	130	Retirement benefit obligation (Refer to note 33)	17	15
17	14	Other	1	3
124	144	Closing balance	18	18

31 Trade and other payables

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Financial liabilities		
618	675	Trade payables	86	88
53	61	Other liabilities	8	8
		Non-financial liabilities		
465	282	Payroll accruals	37	65
241	214	Leave liabilities	27	34
120	128	Shaft related accruals	16	17
147	159	Other accruals	21	21
118	44	Value added tax	6	17
50	96	Taxation	12	7
1 812	1 659	Total trade and other payables	213	257

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
		31 Trade and other payables (continued)		
		Leave liability		
		Employee entitlements to annual leave are recognised on an ongoing basis. An accrual 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:		
221	258	At the beginning of the year	36	31
(184)	(286)	Benefits paid	(38)	(26)
–	5	Foreign currency translation adjustments	(1)	–
221	255	Total expense per income statement	32	31
258	232		29	36
(17)	(18)	Reclassified as non-current assets held for sale	(2)	(2)
241	214	At the end of the year	27	34

32 Cash generated by operations

The following represents a reconciliation of profit before taxation to cash generated by operations from continuing and discontinued operations. Details regarding cash flows from discontinued operations are presented in note 14.

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
727	256	Profit before taxation	33	90
		Adjustments for:		
1 172	896	Amortisation and depreciation	123	163
268	280	Impairment of assets	36	38
(41)	6	Loss/(gain) on financial instruments	1	(6)
(183)	(110)	Profit on sale of mining assets	(15)	(25)
(13)	9	Net increase/(decrease) in provision for post retirement benefits	1	(2)
(9)	16	Net increase/(decrease) in provision for environmental rehabilitation	2	(1)
19	78	Loss from associates	11	3
–	95	Impairment of investment in associate	12	–
45	43	Share-based payments	6	6
(111)	(33)	Fair value of non-derivative financial instruments	(4)	(15)
25	459	Loss on sale of listed investments	63	3
(236)	–	Profit on sale of investment in associate	–	(33)
(21)	(33)	Dividends received	(5)	(3)
(183)	(273)	Interest received	(38)	(25)
226	417	Interest paid – cash	57	31
254	140	Interest paid – non cash	19	35
(576)	–	Cost on closure of hedge positions	–	(80)
(101)	2	Other non cash transactions	–	(15)
		Effect of changes in operating working capital items:		
(212)	(76)	Receivables	4	(27)
(198)	(41)	Inventories	7	(30)
369	(153)	Accounts payable and accrued liabilities	(45)	57
1 221	1 978	Cash generated by operations	268	164

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND	Figures in million	US DOLLAR
	32 Cash generated by operations (continued)	
	Additional cash flow information	
	The income and mining taxes paid in the statement of cash flow represents actual cash paid.	
	Acquisitions and disposals of subsidiaries/businesses:	
	For the year ended June 2008	
	On 6 December 2007, the Group disposed of its assets and liabilities in South Kal Mine to Dioro. The aggregate fair value of the assets and liabilities sold were:	
337	Property, plant and equipment	50
23	Consumables	3
21	Shares	3
(55)	Rehabilitation liability	(8)
(81)	Loss on disposal	(12)
245	Disposal proceeds	36
(118)	Proceeds received by way of shares	(18)
127	Proceeds received in cash	18
	On 27 February 2008, the Group disposed of its assets and liabilities in its Orkney operations to Pamodzi Gold Limited. The aggregate fair value of assets and liabilities sold were:	
291	Property, plant and equipment	38
28	Rehabilitation trust fund	4
(13)	Leave liability	(2)
(60)	Provision for environmental rehabilitation liability	(7)
99	Profit on disposal	13
345	Disposal proceeds	46
(345)	Proceeds received by way of shares	(46)
–	Cash and cash equivalent at disposal	–

The principal non-cash transactions for the year were the acquisition of the PNG royalty agreement (refer note 16), share-based payments (refer note 35) and the purchase of assets under finance lease. (Refer note 16 and 28).

For the years ended 30 June

SA RAND	Figures in million	US DOLLAR

32 Cash generated by operations (continued)

For the year ended June 2007

On 28 May 2007, the Group disposed of 17% of its 50% share in Orpheo to AngloGold Ashanti Limited. The aggregate fair value of the assets acquired and liabilities assumed, and subsequently disposed of, were :

SA RAND	Figures in million	US DOLLAR
1	Inventories	–
6	Property, plant and equipment	1
(5)	Investment in associate	(1)
(1)	Accounts payable and accrued liabilities	–
1	Total purchase price	–
(1)	Proceeds received by way of accounts receivable	–
–	Cash and cash equivalents at disposal	–

The principal non-cash transactions for the year were the share-based payments (refer note 35) and the disposal of the investment in associate in Western Areas (note 8).

33 Retirement benefit obligations

Pension and provident funds: The Group contributes to several pension and provident funds governed by the Pension Funds Act, 1956 for the employees of its South African operations. 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 SGS were set at a minimum of 9% of gross salary and wages for the 2008 year (2007: 9%).

Substantially all the Group's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the Group for the 2008 financial year amounted to R338 million (US$46.5 million) (2007: R301 (US$41.8) million).

Notes to the group financial statements (continued)

For the years ended 30 June

33 Retirement benefit obligations (continued)

Post-retirement benefits other than pension: 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 R71 million (US$9.8 million) for 2008 and R64 million (US$8.9 million) for 2007.

With the exception of some Freegold employees included from date of acquisition, no post-retirement benefits are available to other current 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.

Assumptions used to determine the liability relating to the Minemed medical scheme included, a discount rate of 12%, 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 9.80%. It is also assumed that all members will retire at the age of 60 and will remain on the current benefit option.

The liability is based on an actuarial valuation conducted during the year ended 30 June 2008, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2009.

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
107	130	Present value of unfunded obligations	17	15
		Movement in the liability recognised in the balance sheet		
107	107	Opening balance as previously stated	15	15
(2)	(3)	Contributions paid	–	–
4	4	Other expenses included in staff costs/current service cost	1	1
10	10	Interest cost	1	1
(12)	12	Net actuarial loss/(gains) recognised during the year	2	(2)
–	–	Foreign currency translation reserve	(2)	–
107	130	Balance at the end of the year	17	15

For the years ended 30 June

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
		33 Retirement benefit obligations (continued)		
		The principal actuarial assumptions used for accounting purposes were:		
9.0%	12.0%	Discount rate	12.0%	9.0%
6.3%	9.8%	Healthcare inflation rate	9.8%	6.3%
60	60	Normal retirement age	60	60
		The history of the defined benefit plan is as follows:		
107	130	Present value of defined benefit obligation	17	15
–	–	Fair value of plan assets	–	–
107	130	Net liability	17	15

The present value of defined benefit obligation was R89 million (US$13.3 million) in 2005 and R10 million (US$1.6 million) in 2004.

The effect of a one percentage point increase (and decrease) in the assumed medical cost trend rates for 2008 is as follows:

1% Increase/ decrease	1% Increase/ decrease		1% Increase/ decrease	1% Increase/ decrease
		Effect on:		
3	3	Aggregate of service cost and interest cost	–	–
19	23	Defined benefit obligation	3	3

The Group expects to contribute approximately R3 million (US$0.4 million) to its benefit plan in 2009.

34 Employee benefits

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Number of permanent employees as at 30 June:		
		South African operations*	36 839	41 118
		International operations**	871	466
		Total	37 710	41 584
		Aggregate earnings:		
		The aggregate earnings of employees including directors were:		
3 152	4 242	Salaries and wages and other benefits	584	432
301	338	Retirement benefit costs	47	42
67	71	Medical aid contributions	10	9
3 520	4 651	Total aggregate earnings	641	483

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

* The number of employees attributable to the discontinued operations was 3 618 (2007: 6 313).

** The total number of employees at Australian operations at 30 June 2008 was 873 (2007: 695). Of this total, two employees (2007: 229) were attributable to the discontinued operations.

Notes to the group financial statements (continued)

For the years ended 30 June

35 Share option scheme

The Group currently has the 2001, 2003 schemes and the 2006 share plan that are still active. The objective of these schemes is to recognise the contributions of senior staff to the Group's financial position and performance and to retain key employees.

The options granted under the 2001 and 2003 schemes

A fifth of the options granted under the 2001 and 2003 schemes are exercisable annually from the grant date with an expire date of 10 years from the grant date. The offer price of these options equalled the closing market price of the underlying shares on the trading date immediately preceding the granting of the options.

On resignation and retirement, share options which have not yet vested will lapse and share options which have vested may be taken up at the employee's election before the last day of service. Payment of shares forfeited will therefore not be required. On death, all options vest immediately and the deceased estate has a period of twelve months to exercise these options.

Following the introduction of the 2006 share plan, no further options are expected to be allocated under these two schemes.

Number of share options relating to the 2001 and 2003 option schemes	2008	2007
Share options granted	28 442 420	28 442 420
Exercised	17 249 668	15 485 536
Vested but not exercised	1 792 796	1 843 156
Unvested	2 735 443	6 286 513
Forfeited and lapsed	6 664 513	4 827 215
Vesting periods of unvested options:		
Within one year	1 367 722	2 186 819
One to two years	1 367 721	2 049 847
Two to three years	–	2 049 847
Total number of unvested options	2 735 443	6 286 513

There was no movement on options granted regarding the 2001 and 2003 option schemes.

Activity on share options granted but not yet exercised	Shares	Weighted average option price (SA Rand)
For the year ended 30 June 2007		
Balance at beginning of year	12 543 207	49.38
Options exercised	(2 627 249)	51.82
Options forfeited and lapsed	(1 786 289)	50.37
Closing balance	8 129 669	48.38
For the year ended 30 June 2008		
Balance at beginning of year	8 129 669	48.38
Options exercised	(1 764 132)	49.16
Options forfeited and lapsed	(1 837 298)	45.77
Closing balance	4 528 239	49.14

The details pertaining to share options issued and exercised by directors during the year are disclosed in the directors report.

For the years ended 30 June

35 Share option scheme (continued)

List of options granted but not yet exercised (listed by grant date)	At 30 June 2008	Option price (SA Rand)	Remaining life (years)
24 April 2001	21 000	36.50	2.8
20 November 2001	221 260	49.60	3.4
23 September 2002	33 768	66.00	4.2
27 March 2003	261 000	91.60	4.7
10 August 2004	1 066 713	66.15	6.1
26 April 2005	2 924 498	39.00	6.8
Total option granted but not yet exercised	4 528 239		

The number of shares held by the Harmony Share Trust at year end amounted to 107 400 (2007: 109 400). This trust is considered to be an SPE and is therefore consolidated in accordance with the Group's accounting policies.

List of options granted but not yet vested (listed by grant date)	2008	2007
23 September 2002	–	35 371
27 March 2003	–	101 600
10 August 2004	817 660	1 763 665
26 April 2005	1 917 783	4 385 877
Total options granted but not yet vested	2 735 443	6 286 513

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
287	163	Average market price options traded during the year	22	40
521	297	Average fair value of share options vested during the year	41	72
39	3	Share-based payments	–	5

	Option allocation		
	27 March 2003	10 August 2004	26 April 2005
The share-based payments are calculated using the binomial valuation model based on the following assumptions at grant date:			
Price at date of grant (SA rand per share)	91.60	66.15	39.00
Risk-free interest rate:	11.6%	9.9%	8.4%
Expected volatility:	45.0%	40.0%	35.0%
Expected dividend yield:	0.0%	0.0%	0.0%
Vesting period:	5 years	5 years	5 years

Share-based payments are measured at the fair value of the equity instruments at the date of the grant. The cost is expensed over the vesting period, based on the Group's estimate of the options that are expected to eventually vest.

The only vesting conditions for the 2001 and 2003 schemes is that the employees should be in the employment of the Group.

The volatility measured at the standard deviation of expected share price returns were based on statistical analysis of daily share prices over the last three years before grant date.

Notes to the group financial statements (continued)

For the years ended 30 June

35 Share option scheme (continued)

The shares granted under the 2006 share plan

The 2006 share plan consist of both performance shares (PS) and share appreciation rights (SARs). The PS will vest after three years from the grant date, if and to the extent that the performance conditions have been satisfied. The SARs will vest in equal thirds in years 3, 4 and 5 after grant date, subject to the performance conditions having been satisfied. The SARs have an expiry date of 6 years from the grant date and the offer price equals the closing market price of the underlying shares on the trading date immediately preceding the grant.

The aggregate number of shares which may be allocated to the share plan on any day, when added to the total number of unexercised SARs, unvested performance shares, and restricted shares which have been allocated for SARs and PS, and any other employee share scheme operating by the company, shall not exceed 14% of the number of issued ordinary shares of the company from time to time. On 30 June 2008, 1 512 101 PS and 3 164 619 SARs had been allocated to participating employees.

Termination of employees is based on "No Fault" and "Fault" definitions.

In the case of share appreciation rights, if employment is terminated for No Fault reasons, then the value of the appreciation in all unvested and unexercised SARs is settled in shares or cash as at the date of termination of employment, after the deduction of any tax payable.

In the case of performance shares, if employment is terminated for No Fault reasons, then

- First the maximum number conditionally awarded is pro-rated for the time period until the termination date;
- Then this adjusted number is reduced to a third on the assumption that Harmony's performance was a median one with one third vesting;
- And then settled in cash or shares after the deduction of any tax payable.

In either case, if employment is terminated for “Fault” reasons, all unvested and un-exercised SARs and all PS not yet vested are lapsed and cancelled.

Number of shares relating to the 2006 share plan at 30 June	2008	2007
Shares granted	4 676 720	1 481 107
Unvested	4 236 938	1 468 510
Performance shares	1 341 444	538 516
Share appreciation rights	2 895 494	929 994
Share forfeited	439 782	12 597
Performance shares	170 658	–
Share appreciation rights	269 124	12 597
Vesting periods of unvested shares:		
One to two years	603 399	–
Two to three years	1 932 502	848 514
Three to four years	965 165	309 998
Four to five years	735 872	309 998
Total number of unvested shares	4 236 938	1 468 510

For the years ended 30 June

35 Share option scheme (continued)

Activity on PS and SARs granted but not yet exercised	Shares	Weighted average share price (SA Rand)
For the year ended 30 June 2007		
Opening balance		
Performance shares	–	N/A
Share appreciation rights	–	–
Options granted	1 481 107	
Performance shares	538 516	N/A
Share appreciation rights	942 591	112.64
Options lapsed	(12 597)	
Performance shares	–	N/A
Share appreciation rights	(12 597)	112.64
Closing balance	1 468 510	
Performance shares	538 516	N/A
Share appreciation rights	929 994	112.64
For the year ended 30 June 2008		
Opening balance	1 468 510	
Performance shares	538 516	N/A
Share appreciation rights	929 994	112.64
Options granted	3 195 613	
Performance shares	973 586	N/A
Share appreciation rights	2 222 027	71.19
Options lapsed	(427 185)	
Performance shares	(170 658)	N/A
Share appreciation rights	(256 527)	110.27
Closing balance	4 236 938	
Performance shares	1 341 444	N/A
Share appreciation rights	2 895 494	81.04

List of shares granted but not yet exercised (listed by grant date)	At 30 June 2008	Strike price (SA Rand)	Remaining life (years)
Performance shares			
15 November 2006	374 106	n/a	1.4
15 November 2007	955 030	n/a	2.4
7 March 2008	12 308	n/a	2.7
Share appreciation rights			
15 November 2006	687 880	112.64	4.4
15 November 2007	2 161 460	70.54	5.4
7 March 2008	46 154	102.00	5.7
Total option granted but not yet exercised	4 236 938		

None of the allocations for the 2006 share plan have vested yet.

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
6	39	Share-based payments	5	1

Notes to the group financial statements (continued)

For the years ended 30 June

35 Share option scheme (continued)

The share-based cost is calculated using the Monte Carlo simulation, based on the following assumptions at grant date.

	Performance shares	SARs
Price at date of grant (SA rand per share)		
– 15 November 2006 share allocation	n/a	112.64
– 15 November 2007 share allocation	n/a	70.54
– 7 March 2008 share allocation	n/a	102.00
Risk-free interest rate:		
– 15 November 2006 share allocation	9.6%	8.8%
– 15 November 2007 share allocation (valuation date 21 December 2007)	10.8%	9.8%
– 15 November 2007 share allocation (valuation date 21 April 2008)	11.7%	10.7%
– 7 March 2008 share allocation	11.0%	10.4%
Expected volatility*:		
– 15 November 2006 share allocation	34.7%	26.4%
– 15 November 2007 share allocation (valuation date 21 December 2007)	46.3%	35.1%
– 15 November 2007 share allocation (valuation date 21 April 2008)	49.5%	41.7%
– 7 March 2008 share allocation	50.5%	54.5%
Expected dividend yield:		
– 15 November 2006 share allocation	0.0%	0.0%
– 15 November 2007 share allocation (valuation date 21 December 2007)	0.0%	0.0%
– 15 November 2007 share allocation (valuation date 21 April 2008)	0.0%	0.0%
– 7 March 2008 share allocation	0.0%	0.0%
Vesting period (from grant date):		
– 15 November 2006 share allocation	3 years	5 years
– 15 November 2007 share allocation	3 years	5 years
– 7 March 2008 share allocation	3 years	5 years

Share-based payments are measured at the fair value of the equity instruments at the date of the grant. The cost is expensed over the vesting period, based on the Group's estimate of the options that are expected to eventually vest.

The performance criteria imposed for the performance shares by the Board and which must be satisfied before settlement of any performance shares are linked to the Company's Total Shareholders Return (TSR) in comparison to the Philadelphia XAU index of international gold and precious metal mining companies (50%) and the JSE Gold Mining index (50%).

The following performance criteria was imposed per the Harmony (2006) Share Plan which must be satisfied before the settlement of any share appreciation rights:

- that the Group's headline earnings per share have grown since the allocation date by a minimum of CPIX plus 3%;
- that the Group's performance has since the allocation date been a satisfactory achievement in terms of the Company's sustainability index.

* The volatility is measured as an annualised standard deviation of historical share price returns, using an exponentially weighted moving average (EWMA) model, with a lambda of 0.99. The volatility is calculated on the grant date, and takes into account the previous three years of historical data.

For the years ended 30 June

36 Related parties

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had interest, direct or indirectly, in any transaction since 1 July 2007 or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, other than as stated below.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Directors' remuneration is fully disclosed in the Directors' report.

African Rainbow Minerals Limited (ARM) currently holds 16% of Harmony's shares. Patrice Motsepe, Andre Wilkens and Frank Abbott are directors of ARM.

On 27 February 2008, the Group sold its Orkney assets to Pamodzi in exchange for shares, whereby it obtained an interest of 32.4% and Pamodzi became an associate (refer to note 20). Subsequent to this, Harmony provided goods and services to Pamodzi at cost plus an applicable margin as set out in the service level agreement. The balance of the unsecured loan at 30 June 2008 was R103 million (US$13.2 million). The terms of the loan are being renegotiated, with payment expected within two years. Interest is charged at prime rate; however should an event of default occur the rate will be prime plus 2% from then.

The Group sold its 45% joint venture in Healthshare Health Solutions (Pty) Ltd on the 1 January 2008, (refer to note 21).

A list of the major shareholders can be found on page 266.

A list of the Group's subsidiaries, associates and joint ventures has been included in Annexure A.

37 Commitments and contingencies

SA RAND			US DOLLAR	
2007	2008	Figures in million	2008	2007
		Capital expenditure commitments		
352	1 164	Contracts for capital expenditure	149	50
1 881	1 720	Authorised by the directors but not contracted for	221	267
2 233	2 884	**Total capital commitments**	370	317
		This expenditure will be financed from existing resources and where appropriate borrowings.		
		Contingent liabilities		
18	18	Guarantees and suretyships	2	3
129	171	Environmental guarantees	22	18
147	189		24	21

Notes to the group financial statements (continued)

For the years ended 30 June

37 Commitments and contingencies (continued)

Contingent liability

On 18 April 2008, Harmony Gold Mining Company Limited was made aware that it has been named or may be named as a defendant in a lawsuit filed in the US District Court in the Southern District of New York on behalf of certain purchasers and sellers of Harmony's American Depositary Receipts (ADRs). Harmony has retained legal counsel, who will advise Harmony on further developments in the US. It is currently too early in the proceedings to estimate if there will be a financial effect, or what the effect might be.

38 Third year balance sheet

As discussed in note 2.1, the Group adopted the requirements of IAS 23 (Revised) in the current year by retroactively adjusting prior year financial statements. The following represents the Group's balance sheet as at 1 July 2006 – the beginning of the earliest comparative period – in accordance with the requirements on IAS 1 (Revised).

SA RAND 2006	Figures in million	US DOLLAR 2006
	Assets	
	Non-current assets	
23 399	Property, plant and equipment (a)	3 263
2 270	Intangible assets	316
255	Restricted cash	36
1 319	Restricted investments	184
984	Investments in financial assets	137
1 909	Investments in associates	266
1 393	Deferred income tax	194
61	Trade and other receivables	8
31 590	Total non-current assets	4 404
	Current assets	
666	Inventories	93
735	Trade and other receivables	103
27	Income and mining taxes	4
651	Cash and cash equivalents	91
2 079	Total current assets	291
33 669	**Total assets**	4 695

For the years ended 30 June

SA RAND 2006	Figures in million	US DOLLAR 2006
	38 Third year balance sheet (continued)	
	Equity and liabilities	
	Share capital and reserves	
25 489	Share capital	3 732
(271)	Other reserves	(45)
(1 956)	Accumulated loss	(438)
23 262	Total equity	3 249
	Non-current liabilities	
2 591	Borrowings	361
3 719	Deferred income tax-net (b)	518
630	Derivative financial instruments	87
860	Provision for environmental rehabilitation	120
123	Provisions for other liabilities and charges	17
7 923	Total non-current liabilities	1 103
	Current liabilities	
1 478	Trade and other payables	204
1 006	Borrowings	139
2 484	Total current liabilities	343
33 669	**Total equity and liabilities**	4 695

(a) The opening balance of assets under construction (included in Property, Plant and Equipment) increased by R57 million (US$8.9 million). The interest capitalised for 2006 amounted to R23 million (US$3.6 million).

(b) Deferred tax liability increased by R17 million (US$2.7 million).

39 Subsequent events

Village Main Reef

On 11 July 2008, Harmony sold its 37.8% share in Village Main Reef Gold Mining Company (1934) Limited for R1.1 million to To The Point Investments. Z B Swanepoel, Harmony's previous Chief Executive Officer, is a director and founder of To The Point Investments.

PNG Partnership agreement

On 22 April 2008 Morobe Consolidated Goldfields Limited and Wafi Mining Limited, subsidiaries of Harmony Gold (Australia) Pty Ltd entered into a Master Purchase and Farm-in Agreement with Newcrest Mining Limited (Newcrest). This agreement provides for Newcrest to purchase a 30.01% Participating Interest (Stage 1) and a further buy-out of an additional 19.99% Participating Interest in Harmony's Papua New Guinea (PNG) gold and copper assets.

On 16 July 2008 the conditions precedent were finalised, which included regulatory and statutory approvals by the PNG Government. Stage 1 Completion has now taken place with an effective date of 31 July 2008. Total consideration for Stage 1 completion of US$229 million was received during August 2008, of which US$50 million was placed in a jointly controlled Escrow account. This amount was subsequently released to Harmony following confirmation of approval of an exploration licence during September 2008 by the PNG Mining Authorities.

Notes to the group financial statements (continued)

For the years ended 30 June

39 Subsequent events (continued)

Sale of Mount Magnet

Harmony announced on 8 November 2007 that it had signed a letter of intent with Monarch Gold Mining Company for the sale of its Mount Magnet operations for A$65 million. On 8 July 2008 Harmony further announced a revision to the deal and an extension of the period in which the conditions precedent is to be met. Subsequent to this announcement Harmony was advised that Monarch had placed itself in voluntary administration.

On 1 August 2008, the Administrator indicated that Monarch would not proceed with the proposed purchase and consequently the purchase agreement was terminated. Harmony received from Monarch a deposit of A$5 million of which A$2.5 million has been refunded and A$2.5 million has been recorded as revenue. Harmony has resumed management of the operation and has re-commenced the sale process. The assets are now under care and maintenance.

The price in the binding purchase agreement with Monarch was considered to be the best evidence of the fair value less cost to sell of the Mount Magnet operations at 30 June 2008. Due to the significant changes in economic circumstances that occurred after 1 July 2008, including the availability and cost of funding to any potential buyer, management obtained an external indicative valuation for the selling price of the Mt Magnet operations in October 2008. This external valuation indicated that the fair value less costs to sell decreased by an estimated R152 million (US$18.3 million) in the period subsequent to 30 June 2008. As a result, Harmony recognised additional impairments of its Mount Magnet operations in the September 2008 quarter.

40 Segment report

The Group early adopted IFRS 8 – Operating Segments in the 2008 financial year, the standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting to the chief operating decision maker (CODM).

The Group has only one product, being gold. In order to determine operating and reportable segments, management reviewed various factors, including geographical location as well as managerial structure. It was determined that an operating segment consists of a shaft or a group of shafts managed by a single general manager and management team.

After applying the quantitative thresholds from the standard, the reportable segments were determined as:

> Tshepong, Phakisa, Bambanani, Masimong, Target, Doornkop, Elandskraal, Evander operations, Virginia operations, Cooke operations (held for sale and discontinued) and Papua New Guinea. All other operating segments have been grouped together under other – underground and other – surface, together with their classification as either continuing or discontinued.

The comparative segment reports have been restated for these changes.

When assessing profitability, the CODM considers the revenue and production costs of each segment. The net of these amounts is the cash operating profit or loss. Therefore, cash operating profit has been disclosed in the segment report as the measure of profit or loss.

The CODM does not consider depreciation or impairment and therefore these amounts have not been disclosed in the segment report.

Segment assets consist of mining assets which can be attributed to the shaft or group of shafts. Items such as trade and other receivables and investments in financial assets are not allocated at a shaft level and therefore form part of the reconciliation to total assets.

A reconciliation of the segment totals to the Group financial statements has been included in note 41.

For the years ended 30 June

Segment report 2008

	Revenue Rm	Production cost Rm	Cash operating profit Rm	Mining assets Rm	Capital expenditure Rm	Kilograms*	Tonnes milled* t'000
Continuing operations							
South Africa							
Underground							
Tshepong	1 621	906	715	3 157	195	8 495	1 495
Phakisa	28	17	11	2 444	293	131	31
Bambanani	932	741	191	762	107	4 945	827
Doornkop	258	225	33	2 128	349	1 373	448
Elandsrand	964	751	213	2 370	318	4 934	890
Target	503	374	129	2 147	256	2 644	622
Masimong	698	637	61	733	114	3 657	809
Evander operations	1 402	916	486	1 023	242	7 466	1 312
Virginia operations	1 488	1 308	180	831	152	7 786	2 130
Other operations	416	376	40	230	43	2 164	485
Surface							
Other operations	900	422	478	153	150	4 632	8 637
Total South Africa	9 210	6 673	2 537	15 978	2 219	48 227	17 686
International							
Papua New Guinea	–	–	–	4 521	1 428	–	–
Total international	–	–	–	4 521	1 428	–	–
Total continuing operations	9 210	6 673	2 537	20 499	3 647	48 227	17 686
Discontinued operations							
Cooke operations	1 406	887	519	667	162	7 348	3 541
Other operations	857	781	76	515	146	5 039	1 827
Total discontinued operations	2 263	1 668	595	1 182	308	12 387	5 368
Total Harmony operations	11 473	8 341	3 132	21 681	3 955	60 614	23 054
Reconciliation of segment data to consolidated financial statements (refer note 41):	(2 263)	(1 668)		15 061			
	9 210	6 673		36 742			

* Production statistics are unaudited.

Notes to the group financial statements (continued)

For the years ended 30 June

Segment report 2008

	Revenue US$m	Cash operating cost US$m	Cash operating profit US$m	Mining assets US$m	Capital expenditure US$m	Ounces*	Tons milled* t'000
Continuing operations							
South Africa							
Underground							
Tshepong	223	125	98	404	27	273 119	1 649
Phakisa	4	2	2	312	40	4 212	34
Bambanani	128	102	26	98	15	158 985	912
Doornkop	35	31	4	273	48	44 143	494
Elandsrand	133	103	30	304	44	158 631	981
Target	69	51	18	275	35	85 006	686
Masimong	96	88	8	94	16	117 575	892
Evander operations	193	127	66	131	33	240 037	1 447
Virginia operations	204	180	24	107	20	250 324	2 349
Other operations	58	52	6	29	6	69 574	535
Surface							
Other operations	126	57	69	19	19	148 921	9 524
Total South Africa	1 269	918	351	2 046	303	1 550 527	19 503
International							
Papua New Guinea	–	–	–	580	197	–	–
Total international	–	–	–	580	197	–	–
Total continuing operations	1 269	918	351	2 626	500	1 550 527	19 503
Discontinued operations							
Cooke operations	194	123	71	86	22	236 242	3 906
Other operations	115	107	8	66	20	162 007	2 014
Total discontinued operations	309	230	79	152	42	398 249	5 920
Total Harmony operations	1 578	1 148	430	2 778	542	1 948 776	25 423
Reconciliation of segment data to consolidated financial statements (refer note 41):	(309)	(230)		1 932			
	1 269	918		4 710			

* Production statistics are unaudited.

For the years ended 30 June

Segment report 2007

	Revenue Rm	Production cost Rm	Cash operating profit Rm	Mining assets Rm	Capital expenditure Rm	Kilograms*	Tonnes milled* t'000
Continuing operations							
South Africa							
Underground							
Tshepong	1 460	807	653	3 114	188	9 919	1 654
Phakisa	–	–	–	2 131	227	–	–
Bambanani	902	831	71	737	125	6 129	1 164
Doornkop	263	181	82	1 739	270	1 784	541
Elandsrand	895	738	157	2 102	238	6 056	1 013
Target	657	380	277	2 023	121	4 430	820
Masimong	681	596	85	554	109	4 602	974
Evander operations	1 088	816	272	1 005	204	7 322	1 511
Virginia operations	1 232	1 049	183	474	135	8 303	2 274
Other operations	478	371	107	198	38	3 149	675
Surface							
Other operations	381	252	129	465	120	2 646	4 155
Total South Africa	8 037	6 021	2 016	14 542	1 775	54 340	14 781
International							
Papua New Guinea	–	–	–	2 244	526	–	–
Total international	–	–	–	2 244	526	–	–
Total continuing operations	8 037	6 021	2 016	16 786	2 301	54 340	14 781
Discontinued operations							
Cooke operations	1 114	846	268	505	191	7 565	2 110
Other operations	1 566	1 294	272	875	303	10 697	3 821
Total discontinued operations	2 680	2 140	540	1 380	494	18 262	5 931
Total Harmony operations	10 717	8 161	2 556	18 166	2 795	72 602	20 712
Reconciliation of segment data to consolidated financial statements (refer note 41):	(2 680)	(2 140)		18 173			
	8 037	6 021		36 339			

* Production statistics are unaudited.

Notes to the group financial statements (continued)

Segment report 2007

	Revenue US$m	Production cost US$m	Cash operating profit US$m	Mining assets US$m	Capital expenditure US$m	Ounces*	Tons milled* t'000
Continuing operations							
South Africa							
Underground							
Tshepong	203	112	91	442	26	318 887	1 824
Phakisa	–	–	–	303	32	–	–
Bambanani	126	115	11	105	17	197 060	1 283
Doornkop	37	25	12	247	38	57 364	597
Elandsrand	124	103	21	299	33	194 710	1 117
Target	91	53	38	287	16	142 433	904
Masimong	95	82	13	79	15	147 958	1 074
Evander operations	151	113	38	143	28	235 443	1 667
Virginia operations	172	147	25	67	19	266 948	2 507
Other operations	65	51	14	28	6	104 507	770
Surface							
Other operations	52	35	17	66	17	81 761	4 557
Total South Africa	1 116	836	280	2 066	247	1 747 071	16 300
International							
Papua New Guinea	–	–	–	320	73	–	–
Total international	–	–	–	320	73	–	–
Total continuing operations	1 116	836	280	2 386	320	1 747 071	16 300
Discontinued operations							
Cooke operations	154	118	36	72	19	243 219	2 327
Other operations	219	180	39	125	42	343 908	4 213
Total discontinued operations	373	298	75	197	61	587 127	6 540
Total Harmony operations	1 489	1 134	355	2 583	381	2 334 198	22 840
Reconciliation of segment data to consolidated financial statements (refer note 41):	(373)	(298)		2 577			
	1 116	836		5 160			

* Production statistics are unaudited.

41 Reconciliation of segment information to consolidated income statements and balance sheet

The "reconciliation of segment data to consolidated financials" line item in the segment reports are broken down in the following elements, to give a better understanding of the differences between the income statement, balance sheet and the segment report.

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		Revenue from:		
2 680	2 263	Discontinued operations	309	373
		Production costs from:		
2 140	1 668	Discontinued operations	230	298
		Reconciliation of cash operating profit to consolidated loss before taxation and discontinued operations:		
10 717	11 473	Total segment revenue	1 578	1 489
(8 161)	(8 341)	Total segment production costs	(1 148)	(1 134)
2 556	3 132	Cash operating profit	430	355
(540)	(595)	Less discontinued operations	(79)	(75)
2 016	2 537		351	280
(666)	(1 511)	Cost of sales items other than production costs	(204)	(93)
(734)	(772)	Amortisation and depreciation of mining properties, mine development cost and mine plant facilities	(106)	(102)
(29)	(74)	Amortisation and depreciation of other than mining properties, mine development cost and mine plant facilities (b)	(11)	(4)
47	(12)	Provision/(reversal of provision) for rehabilitation cost	(1)	6
(56)	(74)	Care and maintenance cost of restructured shafts	(10)	(8)
–	(212)	Employment termination and restructuring costs	(29)	–
(41)	(42)	Share-based payments	(6)	(6)
134	(316)	Impairment/(reversal of impairment) of assets	(40)	19
13	(9)	Provision for post retirement benefits	(1)	2
1 350	1 026		147	187
(226)	(228)	Corporate, administration and other expenditure	(31)	(31)
(194)	(205)	Exploration expenditure	(28)	(27)
175	(90)	Other expenses/income	(15)	25
1 105	503	Operating profit	73	154
(19)	(78)	Loss from associate	(11)	(3)
236	–	Profit on sale of investment in associate	–	33
–	(95)	Impairment of investment in associate	(12)	–
–	(2)	Loss on sale of investment in joint venture	–	–
111	33	Fair value of non-derivative financial instruments	5	15
(35)	(459)	Loss on sale of listed investments	(63)	(5)
–	(1)	Impairment of investments	–	–
188	282	Investment income	39	27
(454)	(514)	Finance cost	(70)	(65)
1 132	(331)	(Loss)/profit before taxation and discontinued operations	(39)	156

Notes to the group financial statements (continued)

For the years ended 30 June

SA RAND 2007	SA RAND 2008	Figures in million	US DOLLAR 2008	US DOLLAR 2007
		41 Reconciliation of segment information to consolidated income statements and balance sheet (continued)		
		Reconciliation of total segment assets to consolidated assets includes the following:		
		Non-current assets		
7 248	7 057	Property, plant and equipment not allocated to a segment	906	1 026
2 307	2 209	Intangible assets	283	328
5	78	Restricted cash	10	1
1 373	1 465	Restricted investments	188	195
55	67	Investment in financial assets	9	8
7	145	Investments in associates	19	1
1 521	1 485	Deferred tax asset	190	216
54	137	Trade and other receivables	18	8
		Current assets		
742	693	Inventories	89	105
2 484	–	Investment in financial assets	–	353
918	875	Trade and other receivables	112	130
66	82	Income and mining taxes	11	9
274	–	Restricted cash	–	39
711	413	Cash and cash equivalents	53	101
408	355	Non-current assets classified as held for sale excluding mining assets	44	57
18 173	15 061		1 932	2 577

Tshepong, South Africa

Target, South Africa

Elandsrand, South Africa

Company income statements

For the years ended 30 June

Figures in million	NOTE	SA RAND 2008	SA RAND 2007
Revenue		2 423	2 011
Cost of sales	1	(2 403)	(1 986)
Production costs		(2 041)	(1 710)
Amortisation and depreciation		(272)	(202)
Employment termination and restructured shafts		(73)	–
Other costs		(17)	(74)
Gross profit		20	25
Corporate, administration and other expenditure		(52)	(50)
Other expenses – net	2	(39)	(2)
Operating loss	3	(71)	(27)
Impairment of investment in associate	11	(200)	–
Investment income	4	465	41
Finance costs	5	(471)	(265)
Loss before taxation		(277)	(251)
Taxation	6	(52)	(24)
Net loss for the period		(329)	(275)

Company statements of other comprehensive income

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007
Net loss for the period	(329)	(275)
Other comprehensive loss for the period, net of income tax	–	–
Total comprehensive loss for the period	(329)	(275)

The accompanying notes are an integral part of these financial statements.

Company balance sheets

For the years ended 30 June

Figures in million	NOTE	SA RAND 2008	SA RAND 2007
Assets			
Non-current assets			
Property, plant and equipment	7	1 772	1 695
Intangible assets	8	47	37
Restricted investments	9	226	184
Investments in financial assets	10	2	52
Investments in associates	11	146	1
Investments in subsidiaries	12	20 400	20 400
Trade and other receivables	14	134	20
Total non-current assets		22 727	22 389
Current assets			
Inventories	15	216	305
Trade and other receivables	14	7 603	6 281
Income and mining taxes		29	19
Cash and cash equivalents	16	200	522
Total current assets		8 048	7 127
Total assets		30 775	29 516
Equity and liabilities			
Share capital and reserves			
Share capital	17	25 899	25 663
Other reserves	18	403	392
Retained earnings		10	339
Total equity		26 312	26 394
Non-current liabilities			
Borrowings	19	–	1 541
Deferred tax	6	98	90
Provision for environmental rehabilitation	20	351	285
Provisions for other liabilities and charges	21	17	21
Total non-current liabilities		466	1 937
Current liabilities			
Trade and other payables	22	382	465
Borrowings	19	3 615	500
Bank overdraft	16	–	220
Total current liabilities		3 997	1 185
Total equity and liabilities		30 775	29 516

The accompanying notes are an integral part of these financial statements.

Company statements of changes in shareholders' equity

For the years ended 30 June

Figures in million (SA Rand)	Number of ordinary shares issued	Share capital	Share premium	Retained earnings	Other reserves	Total
Notes		17			18	
Balance – 30 June 2006	396 934 450	199	25 322	614	372	26 507
Issue of shares						
– Exercise of employee share options	2 673 934	1	137	–	–	138
Sale of excess shares in share trust	–	–	4	–	–	4
Deferred share-based payments	–	–	–	–	20	20
Total comprehensive income for the year	–	–	–	(275)	–	(275)
Balance – 30 June 2007	399 608 384	200	25 463	339	392	26 394
Issue of shares						
– Exercise of employee share options	1 786 213	1	86	–	–	87
– Exchange for PNG royalty*	1 859 159	1	148	–	–	149
Deferred share-based payments	–	–	–	–	11	11
Total comprehensive income for the year	–	–	–	(329)	–	(329)
Balance – 30 June 2008	403 253 756	202	25 697	10	403	26 312

* Refer to note 16 of the group financial statements for details.

The accompanying notes are an integral part of these financial statements.

Company cash flow statements

For the years ended 30 June

Figures in million	NOTE	SA RAND 2008	SA RAND 2007
Cash flow from operating activities			
Cash generated/(utilised) by operations	23	284	(250)
Interest received		96	29
Dividends received		24	12
Interest paid		(359)	(168)
Income and mining taxes (paid)/refund		(44)	6
Cash generated/(utilised) by operating activities		1	(371)
Cash flow from investing activities			
Amounts invested in environmental trusts		(26)	(8)
Decrease in restricted cash		–	1
Increase in intangible assets		(21)	(42)
Increase in loans to subsidiaries		(1 299)	(1 305)
(Increase)/decrease in other non-current investments		(68)	2 502
Proceeds on disposal of property, plant and equipment		2	2
Additions to property, plant and equipment		(278)	(276)
Cash (utilised)/generated by investing activities		(1 690)	874
Cash flow from financing activities			
Long-term borrowings raised		2 000	500
Long-term borrowings paid		(500)	(1 000)
Ordinary shares issued		87	142
Cash generated/(utilised) by financing activities		1 587	(358)
Net (decrease)/increase in cash and equivalents		(102)	145
Cash and equivalents – beginning of period		302	157
Cash and equivalents – end of period	16	200	302

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the company financial statements

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

1 Cost of sales

	2008	2007
Production costs (a)	2 041	1 710
Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	234	188
Amortisation and depreciation of assets other than mining properties, mine development costs and mine plant facilities (b)	37	14
(Reversal of provision)/provision for rehabilitation costs (c)	(1)	41
Care and maintenance cost of restructured shafts	9	–
Employment termination and restructuring costs (d)	73	–
Share-based payments	11	20
Impairment of assets (e)	–	13
Provision for post retirement benefits	(1)	–
Total cost of sales	2 403	1 986

(a) Production costs include mine production, transport and refinery costs, applicable general and administrative costs, movement in inventories and ore stockpiles and ongoing environmental rehabilitation costs. Ongoing employee termination costs are included, however employee termination costs associated with major restructuring and shaft closures are excluded. Production costs, analysed by nature, consist of the following:

	2008	2007
Labour costs, including contractors	1 366	1 249
Stores and materials	527	365
Water and electricity	160	149
Hospital costs	73	21
Changes in inventory	3	66
Capitalisation of mine development costs	(218)	(128)
By-products sales	(4)	(2)
Other	134	(10)
Total production cost	2 041	1 710

(b) Amortisation and depreciation of assets other than mining properties, mine development costs and mine plant facilities consist of the following:

	2008	2007
Intangible assets	11	5
Borrowings' issue costs	26	9
Total amortisation and depreciation	37	14

(c) For the assumptions used to calculate the rehabilitation costs, refer to note 3.4 of the Group financial statements.

(d) During the December 2007 quarter, a voluntary retrenchment process was initiated due to the Company's decision to decentralise central services and restructuring due to the cessation of Conops. This process had been completed by year-end.

(e) During the year ended 30 June 2008, the Company neither recorded on impairment nor reversed any of its previously recorded impairment at its operations. Refer to note 3.1 of the Group financial statements for the assumptions used in the impairment calculations.

During the year ended 30 June 2007, the Company recorded an impairment at its Free State operations relating to the Refinery when operations were ceased.

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

2 Other expenses – net

	2008	2007
Foreign exchange (losses)/gains – net	(4)	14
Profit on sale of property, plant and equipment (a)	2	2
Non-mining bad debts (b)	(19)	–
Unrecoverable claims (c)	(10)	–
Social trust expense	(4)	–
Other expenses – net	(4)	(18)
Total other expense – net	(39)	(2)

(a) Profit on sale of property, plan and equipment relates to scrap sales.

(b) Non-mining bad debts relates to impairment of trade receivables and loans.

(c) Unrecoverable claims relates to stale claims for Rand Mutual Assurance.

3 Operating loss

	2008	2007
The following have been included in operating loss:		
Auditors' remuneration	8	2
Fees – current year	4	2
Fees – prior year under provision	2	–
Fees – other services	2	–

4 Investment income

	2008	2007
Interest received	96	29
Loans and receivables	11	–
Held-to-maturity investments	19	14
Cash and cash equivalents	66	15
Dividend income on available-for-sale (a)	369	12
Total investment income	465	41

(a) Included in the amount for 2008 is the dividend in species declared by ARMGold, a wholly owned subsidiary of Harmony, of the shares held in Pamodzi Gold Limited, which ARMGold received as a consideration for its Orkney assets.

5 Finance costs

	2008	2007
Financial instruments		
Bank and short-term facilities	20	3
Convertible unsecured fixed-rate bonds	159	151
Nedbank Limited	215	–
Rand Merchant Bank	17	65
Other creditors	6	5
	417	224

Notes to the company financial statements (continued)

For the years ended 30 June

Figures in million	SA RAND 2008	2007
5 Finance costs (continued)		
Non-financial instruments		
South African Revenue Services (SARS)	19	12
Time value of money and inflation component of rehabilitation costs	35	29
	54	41
Total finance costs	471	265

6 Taxation

Figures in million	2008	2007
SA normal taxation		
Mining tax (a)		
– prior year	(44)	–
Non-mining tax (b)		
– prior year	–	(4)
Deferred tax (c)		
– Deferred tax	(8)	(20)
Total normal taxation	(52)	(24)

(a) Mining tax on gold mining income in South Africa is determined according to a formula, based on the taxable income from mining operations. The Company had made no election to be exempt from Secondary Tax on Companies (STC) and therefore is taxed at a lower rate.

All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss and accounting depreciation is eliminated when calculating the Company's mining taxable income. Excess capital expenditure is carried forward as unredeemed capital to be claimed from future mining taxable income.

The formula for determining the South African gold mining tax rate is:

$$Y = 34 - 170/X$$

$$(Y = 35 - 175/X \text{ for } 2007)$$

Where Y is the percentage rate of tax payable and X is the ratio of taxable income, net of any qualifying capital expenditure bears to mining income so derived, expressed as a percentage.

(b) Non-mining income is taxed at 28% (2007: 29%).

(c) The tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse. Depending on the profitability of the operations, the tax rate can consequently be significantly different from year to year.

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

6 Taxation (continued)

The taxation rates were changed in the 2008 year after an announcement of a reduction in the applicable rates by the Finance Minister in his annual budget speech in February 2008.

Major items causing the income tax provision to differ from the maximum mining statutory tax rate of 34% (2007: 35%) were:

	2008	2007
Tax on net income at the maximum mining statutory tax rate	101	88
Non-taxable income/non-allowable deductions	(178)	(94)
Effect on temporary differences due to changes in effective tax rates	69	(14)
Prior year adjustment – mining and non-mining tax	(44)	(4)
Income and mining taxation	(52)	(24)
Effective income and mining tax rate	17%	8%

Deferred tax liabilities and assets on the balance sheet as of 30 June 2008 and 30 June 2007, relate to the following:

	2008	2007
Deferred tax liabilities		
Gross deferred tax liability	178	225
Amortisation and depreciation	166	198
Product inventory not taxed	3	4
Convertible bonds	8	22
Other	1	1
Gross deferred tax assets	(80)	(135)
Unredeemed capital expenditure	(38)	(42)
Provisions, including non-current provisions	(29)	(33)
Tax losses	(13)	(60)
Net deferred tax liability	98	90

Movement in the net deferred tax liability recognised in the balance sheet is as follows:

	2008	2007
At the beginning of the year	90	70
Total charge per income statement	8	20
At the end of the year	98	90

The following amounts that will realise or be recovered in the next 12 months have been included in the deferred tax liabilities and assets:

	2008	2007
Deferred tax liabilities	4	6
Deferred tax assets	(10)	(13)
	(6)	(7)

As at 30 June 2008, the Company has unredeemed capital expenditure of R312 million (2007: R270 million) and tax losses carried forward of R108 million (2007: R387 million) available for deduction against future mining taxable income. These future deductions are utilisable against mining taxable income generated only from the Company's current mining operations and does not expire unless the Company ceases to trade for a period longer than one year.

As at 30 June 2008, the Company had recognised all deferred tax assets in the determination of the net deferred tax liability.

During the years ended 30 June 2008 and 2007, there was no tax charged directly to equity.

Notes to the company financial statements (continued)

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007
7 Property, plant and equipment		
Mining properties, mine development costs and mine plant facilities	1 362	1 258
Undeveloped properties	410	437
Other non-mining assets	–	–
Total property, plant and equipment	1 772	1 695
Mining properties, mine development costs and mine plant facilities		
Cost		
Balance at beginning of year	3 214	2 834
Additions	279	276
Adjustment to rehabilitation asset	32	104
Transfers and other movements	45	–
Balance at end of year	3 570	3 214
Accumulated depreciation		
Balance at beginning of year	1 956	1 759
Impairment of fixed assets	–	13
Depreciation for the year	234	184
Transfers and other movements	18	–
Balance at end of year	2 208	1 956
Net book value	1 362	1 258
Undeveloped property		
Cost		
Balance at beginning of year	467	467
Transfers and other movements	(57)	–
Balance at end of year	410	467
Accumulated depreciation		
Balance at beginning of year	30	25
Depreciation for the year	–	5
Transfers and other movements	(30)	–
Balance at end of year	–	30
Net book value	410	437
Other non-mining assets		
Cost		
Balance at beginning of year	28	28
Transfers and other movements	12	–
Balance at end of year	40	28
Accumulated depreciation		
Balance at beginning of year	28	28
Transfers and other movements	12	–
Balance at end of year	40	28
Net book value	–	–
Total net book value	1 772	1 695

For the years ended 30 June

Figures in million	SA RAND 2008	2007

8 Intangible assets

Computer software	2008	2007
Cost		
Balance at the beginning of year (a)	42	–
Additions during the year (b)	21	42
Balance at end of year	63	42
Accumulated depreciation		
Balance at the beginning of year	5	–
Amortisation charge for the year	11	5
Balance at end of year	16	5
Total net book value	47	37

(a) The opening net book value relates to the acquisition of the Oracle ERP software implemented in December 2006.

(b) The amount above relates to additional development costs for the Oracle ERP software during the year.

9 Restricted investments

Investments:	2008	2007
Environmental trust fund (a)	190	147
Social Trust Fund (b)	36	37
Total restricted investments	226	184

(a) The environmental trust fund is an irrevocable trust under the Company's control. Contributions to the trust are invested primarily in interest-bearing short-term and other investments. The costs 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 Company's mines. Income earned on the investments are restricted in use and may only be used to fund the Company's approved rehabilitation costs.

Reconciliation of the movement in the Environmental Trust Fund:	2008	2007
Opening balance	147	128
Interest accrued	17	11
Contributions made	26	8
Closing balance	190	147

(b) The social trust fund is an irrevocable trust under the Company's control. The Company has undertaken to donate 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. An initial donation of R19 million was made during the 2004 year. The balance will be donated in instalments of R3.5 million per annum with the final instalments to be made in 2013. 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 the effect of job losses and a decline in employment through turnaround or redeployment strategies.

Reconciliation of the movement in the Social Trust Fund:	2008	2007
Opening balance	37	30
Contributions made	4	4
Interest accrued	2	3
Claims paid	(7)	–
Closing balance	36	37

Notes to the company financial statements (continued)

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

10 Investment in financial assets

	2008	2007
Beginning of the year	52	2
Additions	–	50
Disposals	(50)	–
End of the year	2	52
The carrying amount consists of the following:		
Available-for-sale financial assets		
Investment in other unlisted shares (a)	2	2
Investment in Clidet No. 700 (Pty) Ltd (b)	–	50
	2	52

(a) Investments are held in various shares unlisted industry-related companies. These investments have been valued by the directors by performing independent valuations on an annual basis to ensure that no permanent impairment in the value of the investments has occurred. During the financial year under review, the Company did not receive any income from these investments (2007: Nil).

(b) On 11 December 2006, Harmony subscribed to 50 000 cumulative redeemable participating preference shares in Clidet No 700 (Proprietary) Limited (Clidet 700) for R50 million. The purchase consideration was paid on 3 January 2007. Clidet 700 used these funds to purchase 4 106 667 ordinary shares in Pamodzi Gold Limited (Pamodzi), which listed on the JSE Limited (JSE) on 11 December 2006. Clidet 700 has ceded the Pamodzi shares to Harmony as security for the amounts owing in terms of the redemption of the preference shares. The preference shares may be redeemed after 1 May 2009 by Clidet 700, or after three years and one day from the issue date by Harmony. Dividends are accumulated and are payable on the redemption date, if not paid before.

The preference shares were redeemed on 10 April 2008 for R57 million.

11 Investments in associates

	2008	2007
Opening carrying amount	1	1
Shares acquired at cost (a)	345	–
Impairment of share in associate	(200)	–
Total investments in associates	146	1
The carrying amount consists of the following:		
Pamodzi Gold Limited (a)	145	–
Village Main Reef Gold Mining Company Ltd (b)	1	1
Total investments in associates	146	1

(a) On 27 February 2008, Pamodzi Gold Limited (Pamodzi) bought the Orkney operations from ARMgold for a consideration of 30 000 000 Pamodzi shares. ARMgold declared these shares to Harmony as a dividend in species. This resulted in Harmony Gold Mining Company owning 32.4% of Pamodzi. On the purchase date the value of the investment was R11.50 per share resulting in R345 million investment. Pamodzi is listed on the JSE and has interests in operating gold mines in South Africa.

On 30 June 2008, the fair value of the investment was calculated at R145 million (R4.85 per share). The carrying value exceeded the fair value and as a result, an impairment of R200 million was recognised.

For the years ended 30 June

Figures in million	SA RAND 2008	2007

11 Investments in associates (continued)

Refer to note 20 of the Group financial statements for further details.

(b) On 21 June 2006, Harmony acquired 37.8% of the issued share capital of Village Reef Gold Mining Company (1934) Limited at a total cost of R0,5 million. The equity stake was purchased from African Rainbow Minerals Limited at a price of 20 cents per share. Village is listed on the JSE Limited in the gold sector and has been dormant for some time without any operating mines.

Refer to note 20 of the Group financial statements for further details.

12 Investments in subsidiaries

	2008	2007
Shares at cost (refer to Annexure A)	20 400	20 400
Total investments in subsidiaries	20 400	20 400

13 Investment in joint venture

The Company had a joint venture agreement with Healthshare Health Solutions (Pty) Ltd (45%).

On 1 January 2008, the Company disposed of its 45% interest in Healthshare to the remaining shareholders of Healthshare. The joint venture was disposed for a consideration of R100, the cost of which was R45, resulting in a profit of R55.

14 Trade and other receivables

	2008	2007
Current		
Financial assets:		
Trade receivables (gold)	236	72
Other trade receivables	10	3
Provision for impairment	(10)	(3)
Trade receivables – net	236	72
Interest and other receivables	33	–
Loans to subsidiaries (refer to Annexure A)	7 304	6 072
Employee receivables	25	44
Insurance claims receivable	1	9
Non-financial assets:		
Prepayments	4	84
Total current trade and other receivables	7 603	6 281
Non-current		
Financial assets:		
Loans receivables (a)	144	26
Provision for impairment	(14)	(10)
Loans receivables – net	130	16
Loan to Harmony Share Trust	4	4
Total non-current trade and other receivables	134	20

(a) Loans comprise various loans, which have been valued by the directors. These loans are unsecured with interest charged at prime. These loans are due within two years. Included in this balance is R103 million owed by Pamodzi.

Notes to the company financial statements (continued)

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

14 Trade and other receivables (continued)

	2008	2007
The movement in the provision for impairment of trade receivables during the year was as follows:		
Balance at 1 July	3	2
Impairment loss recognised	7	1
Balance at 30 June	10	3
The movement in the provision for impairment of loans receivable during the year was as follows:		
Balance at 1 July	10	–
Impairment loss recognised	4	10
Balance at 30 June	14	10

	Gross	Impairment
The ageing of trade and other receivables at the reporting date was:		
30 June 2008		
Fully performing	236	–
Past due by 1 to 30 days	–	–
Past due by 31 to 60 days	–	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	10	10
Balance at 30 June 2008	246	10
30 June 2007		
Fully performing	72	–
Past due by 1 to 30 days	–	–
Past due by 31 to 60 days	–	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	3	3
Balance at 30 June 2007	75	3
The ageing of loans receivable at the reporting date was:		
30 June 2008		
Fully performing	130	–
Past due by 1 to 30 days	–	–
Past due by 31 to 60 days	–	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	14	14
Balance at 30 June 2008	144	14
30 June 2007		
Fully performing	16	–
Past due by 1 to 30 days	–	–
Past due by 31 to 60 days	–	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	10	10
Balance at 30 June 2007	26	10

Trade receivables that are less than 90 days past due are not considered to be impaired.

Based on past experience, the Company believes that no impairment allowance is necessary in respect of fully performing receivables as the amount relates to customers that have a good track record with the Company.

The Company does not hold any collateral in respect of financial assets.

During the year 2008 and 2007 there was no renegotiation of the terms of any long-standing receivable, other than as discussed above.

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

15 Inventories

	2008	2007
Gold in-process and bullion on hand	25	28
Stores and materials at weighted average cost	191	277
Total inventories	216	305

Gold-in-process was valued at net realisable value in 2007.

16 Cash and cash equivalents

	2008	2007
Cash at bank and deposits on call	200	522
Overdraft facilities	–	(220)
Total cash and cash equivalents	200	302

All deposits are on twenty-four hour call.

17 Share capital

Authorised

1 200 000 000 (2007: 1 200 000 000) ordinary shares of 50 cents each

10 958 904 (2007: 10 958 904) redeemable convertible preference shares of 50 cents each

Issued

403 253 756 (2007: 399 608 384) ordinary shares of 50 cents each

The unissued shares are under the control of the directors until the forthcoming annual general meeting. The Director's Report and note 26 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 10% of the issued share capital in any one financial year. This is in terms of the annual general meeting of shareholders on 26 November 2007. The general authority is subject to the Listings Requirements of the JSE Limited and the Companies Act no 61 of 1973 of South Africa, as amended.

18 Other reserves

	2008	2007
Other reserves comprise:		
Equity component of convertible bond (a)	277	277
Deferred share-based compensation (b)	126	115
Total other reserves	403	392
Equity component of convertible bond		
At the beginning/end of the year	277	277
Deferred share-based payments		
At the beginning of the year	115	95
Share-based payments expensed	11	20
At the end of the year	126	115

(a) Equity component of convertible bond. Refer to note 27(c) in the Group financial statements.

(b) Equity component of convertible bond. Refer to note 27(e) in the Group financial statements.

Notes to the company financial statements (continued)

For the years ended 30 June

19 Borrowings

Figures in million	SA RAND 2008	SA RAND 2007
Unsecured borrowings		
Convertible unsecured fixed rate bonds (a)	–	1541
Principal amount	1 700	1 700
Equity conversion component, net of deferred tax liability	(277)	(277)
Deferred tax liability	(60)	(60)
Liability component on initial recognition	1 363	1 363
Unwinding of time value of money portion	271	195
Less: unamortised bond issue costs	(8)	(17)
	1 626	1 541
Less: current portion	(1 626)	–
Total unsecured long-term borrowings	–	1 541
Secured borrowings		
Rand Merchant Bank (b)	–	–
Liability amount	–	500
Less: current portion	–	(500)
Nedbank Limited (c)	–	–
Principal amount	2 000	–
Less: unamortised issue costs	(11)	–
	1 989	–
Less: current portion	(1 989)	–
Total secured long-term borrowings	–	–
Total long-term borrowings	–	1 541
Total current portion of borrowings	3 615	500
Total borrowings	3 615	2 041

(a) For details on the convertible bond, refer to note 28 (a) of the Group financial statements.

(b) For details on the RMB loan, refer to note 28 (h) of the Group financial statements.

(c) For details on the Nedbank loan, refer to note 28 (k) of the Group financial statements.

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

20 Provision for environmental rehabilitation

Provision raised for future rehabilitation	2008	2007
Opening balance	285	115
Change in estimate – Balance sheet	32	100
Change in estimate – Income statement	(1)	41
Inflation present value adjustment and time value of money component	35	29
	351	285

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the Company has estimated that, based on current environmental and regulatory requirements, the total cost for the mines, in current monetary terms, is approximately R428 million (2007: R387 million). Refer to note 3.4 of the Group consolidated financial statements for estimations and judgements used in the calculation.

Included in the charge to the income statement is an amount of R7 million (2007: R15 million) relating to the time value of money.

Future net obligations	2008	2007
Ultimate estimated rehabilitation cost	428	387
Amounts invested in environmental trust funds (refer to note 9)	(190)	(147)
Total future obligations	238	240

The Company intends to finance the ultimate rehabilitation costs from the money invested with 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.

21 Provision for other liabilities

Non-current	2008	2007
Retirement benefit obligation (refer to note 24)	3	4
Other	14	17
Closing balance	17	21

22 Trade and other payables

	2008	2007
Financial liabilities		
Trade payables	3	(138)
Other	18	51
Non-financial liabilities		
Payroll accruals	180	310
Leave liabilities	68	75
Shaft related accruals	76	44
Other accruals	6	5
Value added tax	31	118
Total trade and other payables	382	465

Notes to the company financial statements (continued)

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

22 Trade and other payables (continued)

Leave liability

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual 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:

Figures in million	2008	2007
At the beginning of the year	75	61
Benefits paid	(70)	(55)
Total expense per income statement	63	69
At the end of the year	68	75

23 Cash utilised by operations

Reconciliation of loss before taxation to cash utilised by operations:

Figures in million	2008	2007
Loss before taxation	(277)	(251)
Adjustments for:		
Amortisation and depreciation	271	202
Impairment of assets	–	13
Profit on sale of mining assets	(2)	(2)
Net decrease in provision for post retirement benefits	(1)	–
Net (decrease)/increase in provision for environmental rehabilitation	(1)	38
Impairment of associates	200	–
Share-based payments	11	20
Dividends received	(369)	(12)
Interest received	(96)	(29)
Interest paid – cash	359	168
Interest paid – non cash	112	97
Other non cash transactions	7	(11)
Effect of changes in operating working capital items:		
Receivables	(45)	(31)
Inventories	86	(58)
Accounts payable and accrued liabilities	29	(394)
Cash utilised by operations	284	(250)

24 Retirement benefit obligations

Pension and provident funds: The Company contributes to several pension and provident funds governed by the Pension Funds Act, 1946 for its employees. The pension funds are multi-employer industry plans. The Company'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.

Substantially all the Company's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the Company for the 2008 financial year amounted to R114 million (2007: R87 million).

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 Company 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 Company's contributions to these schemes on behalf of current employees amounted to R23 million for 2008 and R14 million for 2007.

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

24 Retirement benefit obligations (continued)

No post-retirement benefits are available to other current 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.

Assumptions used to determine the liability relating to the Minemed medical scheme included, a discount rate of 12%, 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 9.80%.It is also assumed that all members will retire at the age of 60 and will remain on the current benefit option.

The liability is based on an actuarial valuation conducted during the year ended 30 June 2008, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2009.

Figures in million	2008	2007
Present value of unfunded obligations	3	4
Movement in the liability recognised in the balance sheet		
Opening balance at beginning of year	4	4
Contributions paid	(1)	(1)
Interest cost	–	1
Balance at the end of the year	3	4
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	12.00%	9.00%
Healthcare inflation rate	9.80%	6.34%
Normal retirement age	60	60
The history of the defined benefit plan is as follows:		
Present value of defined benefit obligation	3	4
Fair value of plan assets	–	–
Net pension liability	3	4

The present value of defined benefit obligation was R4 million in 2006, R4 million in 2005 and R5 million in 2004.

The effect of a one percentage point increase (and decrease) in the assumed medical cost trend rates for 2008 is as follows:

	1% Increase/ decrease	1% Increase/ decrease
Effect on:		
Aggregate of service cost and interest cost	–	–
Defined benefit obligation	1	1

The Company expects to contribute approximately R0.57 million to its benefit plan in 2009.

Notes to the company financial statements (continued)

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

25 Employee benefits

	2008	2007
Number of permanent employees as at 30 June:		
Harmony Free State	10 970	13 138
Aggregate earnings:		
The aggregate earnings of employees including directors were:		
Salaries and wages and other benefits	1 206	980
Retirement benefit costs	96	87
Medical aid contributions	18	14
Total aggregate earnings	1 320	1 081

Directors' remuneration is fully disclosed in the Director's report on pages 143 to 145.

26 Share option scheme

The Group currently has the 2001 and 2003 schemes and the 2006 share plan that are still active. The objective of these schemes is to recognise the contributions of senior staff to the value added for the Group's financial position and performance and to retain key employees.

The options granted under the 2001 and 2003 schemes

Refer to the note 35 of the Group notes for the information relating to the 2001 and 2003 schemes, the following information relates specifically to the Company.

Number of share options relating to the 2001 and 2003 option schemes

	2008	2007
Share options granted	18 815 365	18 815 365
Exercised	12 143 025	11 319 186
Vested but not exercised	1 048 194	1 036 644
Unvested	1 362 435	3 052 423
Forfeited and lapsed	4 261 711	3 407 112
Vesting periods of unvested options granted:		
Within one year	681 217	1 074 057
One to two years	681 218	989 183
Two to three years	–	989 183
Total number of shares granted	1 362 435	3 052 423

For the years ended 30 June

26 Share option scheme (continued)

There was no movement on options granted regarding the 2001 and 2003 option schemes.

Activity on share options granted but not yet exercised	Shares	Weighted average option price (SA rand)
For the year ended 30 June 2007		
Balance at beginning of year	6 398 645	51.52
Options exercised	(1 254 146)	41.57
Options forfeited and lapsed	(1 055 432)	55.67
Closing balance	4 089 067	49.76
For the year ended 30 June 2008		
Balance at beginning of year	4 089 067	49.76
Options exercised	(823 839)	50.24
Options forfeited and lapsed	(854 599)	50.47
Closing balance	2 410 629	49.34

List of options granted but not yet exercised (listed by grant date)	At 30 June 2008	Option price (SA Rand)	Remaining life (years)
24 April 2001	17 000	36.50	2.8
20 November 2001	179 460	49.60	3.4
23 September 2002	31 508	66.00	4.2
27 March 2003	114 600	91.60	4.7
10 August 2004	595 877	66.15	6.1
26 April 2005	1 472 184	39.00	6.8
Total options granted but not yet exercised	2 410 629		

List of options granted but not yet vested (listed by grant date)	2008	2007
23 September 2002	–	28 272
27 March 2003	–	56 600
10 August 2004	427 591	1 016 228
26 April 2005	934 844	1 951 323
Total options granted but not yet vested	1 362 435	3 052 423

	SA RAND	
Figures in million	2008	2007
Average market price options traded during the year	76	137
Average fair value of share options vested during the year	149	110
Share-based payments recognised	1	18

Notes to the company financial statements (continued)

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

26 Share option scheme (continued)

The shares granted under the 2006 share plan
Refer to the note 35 of the Group notes for the information relating to the 2006 share plan, the following information relates specifically to the Company.

Figures in million	2008	2007
Number of shares relating to the 2006 share plan at 30 June		
Shares granted	2 494 753	743 889
Unvested	2 237 522	740 094
Performance shares	737 523	339 785
Share appreciation rights	1 499 999	400 309
Shares forfeited	257 231	3 795
Performance shares	131 888	–
Share appreciation rights	125 343	3 795
Vesting periods of shares granted:		
One to two years	304 535	–
Two to three years	1 027 375	473 222
Three to four years	500 000	133 436
Four to five years	405 612	133 436
Total number of shares granted	2 237 522	740 094

Activity on PS and SARs granted but not yet exercised	Number of shares	Weighted average option price (SA Rand)
For the year ended 30 June 2007		
Opening balance	–	
Performance shares	–	–
Share appreciation rights	–	–
Options granted	743 889	
Performance shares	339 785	N/A
Share appreciation rights	404 104	112.64
Options lapsed	(3 795)	
Performance shares	–	N/A
Share appreciation rights	(3 795)	112.64
Closing balance	740 094	
Performance shares	339 785	N/A
Share appreciation rights	400 309	112.64
For the year ended 30 June 2008		
Opening balance	740 094	
Performance shares	339 785	N/A
Share appreciation rights	400 309	112.64
Options granted	1 750 864	
Performance shares	529 626	N/A
Share appreciation rights	1 221 238	71.73
Options lapsed	(253 436)	
Performance shares	(131 888)	N/A
Share appreciation rights	(121 548)	111.12
Closing balance	2 237 522	
Performance shares	737 523	N/A
Share appreciation rights	1 499 999	79.46

For the years ended 30 June

26 Share option scheme (continued)

List of shares granted but not yet exercised (listed by grant date)	At 30 June 2008	Strike price (SA Rand)	Remaining life (years)
Performance shares			
15 November 2006	210 148	n/a	1.4
15 November 2007	515 067	n/a	2.4
7 March 2008	12 308	n/a	2.7
Share appreciation rights			
15 November 2006	283 160	112.64	4.4
15 November 2007	1 170 685	70.54	5.4
7 March 2008	46 154	102.00	5.7
Total options granted but not yet exercised	2 237 522		

None of the allocations for the 2006 share plan have vested yet.

	SA RAND 2008	SA RAND 2007
Share-based payments recognised	10	2

27 Commitments and contingencies

	2008	2007
Capital expenditure commitments		
Contracts for capital expenditure	2	2
Authorised by the directors but not contracted for	21	112
Total capital commitments	23	114

This expenditure will be financed from existing resources and where appropriate, borrowings.

	2008	2007
Contingent liabilities		
Environmental guarantees	28	28

28 Related parties

Refer to note 36 of the Group notes.

29 Subsequent events

Refer to note 39 of the Group notes.

Notes to the company financial statements (continued)

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

30 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk. The Company may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the rand/US$ exchange rate as all revenues are generated by gold sales denominated in US$. Harmony generally, does not enter into forward sales, derivatives or other hedging arrangements to establish a rand/US$ exchange rate in advance for the sale of its future gold production.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

During 2007 and 2008, the Company had no other significant exposure to foreign exchange risk.

For the years ended 30 June

Figures in million	SA RAND 2008	SA RAND 2007

30 Financial risk management (continued)

(a) Market risk (continued)

(ii) Other price risk

The Company is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). Harmony generally does not use any derivative instruments to manage this risk.

During 2007 and 2008, the Company's exposure to changes in market prices was not significant.

Commodity price sensitivity

The profitability of the Company's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of future gold production.

(iii) Cash flow and fair value Interest rate risk

The Company's interest rate risk arises mainly from long-term borrowings. The Company has both fixed and variable interest rate borrowings. Fixed rate borrowings expose the Company to fair value interest rate risk. Variable rate borrowings expose the Company to cash flow interest rate risk. The Company has not entered into interest rate swap agreements.

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

	2008	2007
Increase by 100 basis points	20	5
Decrease by 100 basis points	(20)	(5)

The above table excludes the fixed rate convertible bond. As it is accounted for at amortised cost, interest rate changes do not affect reported profit and loss.

Notes to the company financial statements (continued)

For the years ended 30 June

30 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations timeously. Financial instruments, which subject the Company to concentrations of credit risk, consist predominantly of restricted cash, restricted investments, trade and other receivables (excluding non-financial instruments) and cash and cash equivalents.

Exposure to credit risk on trade and other receivables is monitored on a regular basis. The credit risk arising from restricted cash, cash and cash equivalents and restricted investments is managed by ensuring amounts are only invested with financial institutions of good credit quality. The Company has policies that limit the amount of credit exposure to any one financial institution.

It is the policy of the Company to renegotiate credit terms with long-standing customers who have a good credit history with the Company. These customers are monitored on an ongoing basis to ensure that the customer remains within the renegotiated terms.

The Company's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R721 million as at 30 June 2008 (2007: R831 million).

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

In the ordinary course of business, the Company receives cash from its operations and is required to fund 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 Company is able to actively source financing at competitive rates.

The following are the contractual maturities of financial liabilities (including principal and interest payments):

	SA RAND	
Figures in million	Current	More than 1 year
2008		
Borrowings [(1)]	3 741	–
Trade and other payables (excluding non-financial instruments)	21	–
	3 762	–
2007		
Borrowings	583	1 783
Trade and other payables (excluding non-financial instruments)	(87)	–
Bank overdraft	220	–
	716	1 783

[(1)] R1 741 million is due between 6 to 12 months.

For the years ended 30 June

30 Financial risk management (continued)

(d) Fair value determination

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values.

The fair value of available-for-sale financial assets and derivative financial instruments are determined by reference to quoted market prices. The fair value of other non-current financial instruments are determined using a discounted cash flow model with market observable inputs, such as market interest rates.

	SA RAND	
Figures in million	Carrying value	Fair value
2008		
Financial assets		
Restricted investments	226	226
Investment in financial assets	2	2
Trade and other receivables	7 733	7 733
Cash and cash equivalents	200	200
	8 161	8 161
Financial liabilities		
Borrowings *	3 615	3 621
Trade and other payables	21	21
Bank overdraft	–	–
	3 636	3 642
2007		
Financial assets		
Restricted investments	184	184
Investment in financial assets	52	52
Trade and other receivables	6 217	6 217
Cash and cash equivalents	522	522
	6 975	6 975
Financial liabilities		
Borrowings *	2 041	2 240
Trade and other payables	(87)	(87)
Bank overdraft	220	220
	2 174	2 373

* Included under borrowings is a unsecured convertible fixed rate bond which had a fair value of R1 632 million being 96% of the nominal value of R1 700 million as at 30 June 2008 (2007: R1 740 million being 102.38% of the nominal value).

Annexure A

Statement of subsidiary companies

Company and description		Issued share capital R'000	Effective group interest 2008 %	Effective group interest 2007 %	Cost of investment by holding company 2008	Cost of investment by holding company 2007	Loans from/(to) holding company 2008	Loans from/(to) holding company 2007
					Figures in million			
Direct subsidiaries:								
Dormant companies:								
Clidet 726 (Pty) Ltd	(a)	#	100	–	–	–	–	–
Harmony Gold Ltd	(f)	#	100	100	–	–	–	–
Harmony Gold (Management Services) (Pty) Ltd	(a)	1	100	100	–	–	–	–
Harmony Gold Netherlands BV	(i)	#	100	100	–	–	–	–
Virginia Salvage (Pty) Ltd	(a)	2	90	90	–	–	–	–
Unisel Gold Mines Ltd	(a)	23 136	100	100	89	89	(89)	(80)
Exploration company:								
Harmony Gold Peru SA	(b)	2	100	100	6	6	–	–
Lydenburg Exploration Ltd	(a)	42 792	100	100	204	204	4	(10)
Gold mining companies:								
African Rainbow Minerals Gold Ltd	(a)	96	100	100	7 081	7 081	129	74
ArmGold/Harmony Freegold Joint Venture Company (Pty) Ltd	(a)	20	100	100	17	17	1 694	1 960
Avgold Ltd	(a)	6 827	100	100	6 935	6 935	217	66
Evander Gold Mines Ltd	(a)	39 272	100	100	545	545	(187)	30
Randfontein Estates Ltd	(a)	19 882	100	100	1 311	1 311	1 783	1 249
Investment holding companies:								
Harmony Gold Australia (Pty) Ltd	(c)	3 886 933	100	100	3 887	3 887	2 348	1 019
ARMgold/Harmony Joint Investment Company (Pty) Ltd	(a)	#	100	100	1	1	1 622	1 714
West Rand Consolidated Mines Ltd	(a)	17 967	100	100	321	321	(26)	(26)
Marketing companies:								
Authentic Beverage (Pty) Ltd	(a)	#	100	100	–	–	–	–
Harmony Gold (Marketing) (Pty) Ltd	(a)	#	100	100	–	–	56	58
Harmony Precious Metal Services SAS	(d)	62	100	100	–	–	–	–
Mining related services companies:								
Harmony Engineering (Pty) Ltd	(a)	#	100	100	3	3	(3)	(3)
Harmony HIV/Aids Company (Pty) Ltd	(a)	#	100	100	–	–	10	9
Musuku Benefication Systems (Pty) Ltd	(a)	#	100	100	–	–	32	39
Property holding companies:								
La Riviera (Pty) Ltd	(a)	#	100	100	–	–	–	–
Coreland Development Company (Pty) Ltd	(a)	#	100	100	–	–	–	–
Coreland Management Company (Pty) Ltd	(a)	#	100	100	–	–	2	–
Coreland Property Investment Company	(a)	#	100	100	–	–	–	–
Indirect subsidiaries:								
Dormant companies:								
Aurora Gold Finance Ltd	(c)	#	100	100	–	–	–	–
Aurora Gold Services (Pty) Ltd	(c)	#	100	100	–	–	–	–
Arai Liki Offshore (Pty) Ltd	(c)	293	100	100	–	–	–	–
Big Bell Gold Operations (Pty) Ltd	(c)	#	100	100	–	–	–	–
Bracken Mines Ltd	(a)	#	100	100	–	–	–	–
Garden Gully (Pty) Ltd	(c)	#	100	100	–	–	–	–
Garnkirk (Pty) Ltd	(c)	#	100	100	–	–	–	–
Jeanette Gold Mines Ltd	(a)	#	96	96	–	–	–	–
Aurora Custodians (Pty) Ltd	(a)	#	100	100				
Hampton Gold Mining Areas Ltd	(c)	#	100	100	–	–	–	–
Harmony Victoria (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	–	–	–	–
South Kal Mines (Pty) Ltd	(c)	6	100	100	–	–	–	–
Swaziland Gold (Pty) Ltd	(e)	#	100	100	–	–	–	–
Winkelhaak Mines Ltd	(a)	#	100	100	–	–	–	–

Statement of subsidiary companies (continued)

Company and description		Issued share capital R'000	Effective group interest 2008 %	Effective group interest 2007 %	Cost of investment by holding company 2008	Cost of investment by holding company 2007	Loans from/(to) holding company 2008	Loans from/(to) holding company 2007
					Figures in million			
Indirect subsidiaries: (continued)								
Exploration company:								
Harmony Gold (Exploration) (Pty) Ltd	(a)	10	100	100	–	–	(3)	–
Morobe Exploration Limited			100					
Gold mining companies:								
Buffalo Creek Mines (Pty) Ltd	(c)	#	–	100	–	–	–	–
Kalahari Goldridge Mining Company Ltd	(a)	1 275	100	100	–	–	(283)	(26)
Mt Magnet Gold NL	(c)	79 710	100	100	–	–	–	–
Investment holding companies:								
Abelle Ltd	(c)	488 062	100	100	–	–	–	–
Aurora Gold Ltd	(c)	685 006	100	100	–	–	–	–
Aurora Gold Australia (Pty)Ltd	(c)	58	100	100	–	–	–	–
Aurora Gold (WA) (Pty) Ltd	(c)	163 115	100	100	–	–	–	–
Harmony Gold (PNG Services) (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 Operations Ltd	(c)	405 054	100	100	–	–	–	–
Harmony Gold Securities (Pty) Ltd	(c)	#	100	100	–	–	–	–
Harmony Gold WA (Pty) Ltd	(c)	#	100	100	–	–	–	–
New Hampton Goldfields Ltd	(c)	196 248	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	–	–	(1)	(1)
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	–	–	–	–
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	–	–	–	–
Property holding companies:								
Evander Township Ltd	(a)	1 340	100	100	–	–	(1)	–
Evander Township Development Ltd	(a)	3	100	100	–	–	–	–
Quarrytown Ltd	(a)	#	100	100	–	–	–	–
Salt Holdings Ltd	(a)	60	100	100	–	–	–	–
Total					20 400	20 400	7 304	6 072
Total investments							27 770	26 323

Annexure A (continued)

Statement of subsidiary companies (continued)

Company and description		Issued share capital R'000	Effective group interest 2008 %	Effective group interest 2007 %	Cost of investment by holding company 2008	Cost of investment by holding company 2007	Loans from/(to) holding company 2008	Loans from/(to) holding company 2007
					Figures in million			
Joint venture company – direct:								
Healthshare Health Solutions (Pty) Ltd **	(a)	#	–	45	–	–	–	–
Joint venture company – indirect:								
Dormant company:								
MP Britz Pharmacy Pty Ltd [2]	(a)	#	–	45	–	–	–	–
H Taute Pharmacy Pty Ltd	(a)	#	–	45	–	–	–	–
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.								
Associate company – indirect:								
Gold mining company:								
Pamodzi Gold Limited	(a)	30	32	–	145	–	103	–
Mining related services company								
Orpheo by Harmony (Pty) Ltd	(a)	#	33	50	–	–	–	–
Village Main Reef Gold Mining Company Ltd †	(a)	758	38	38				

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.

† The investment in in Village Main Reef Gold Mining Company Ltd was sold subsequent to year-end for R1.1 million
\# 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
(i) Incorporated in the Netherlands

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