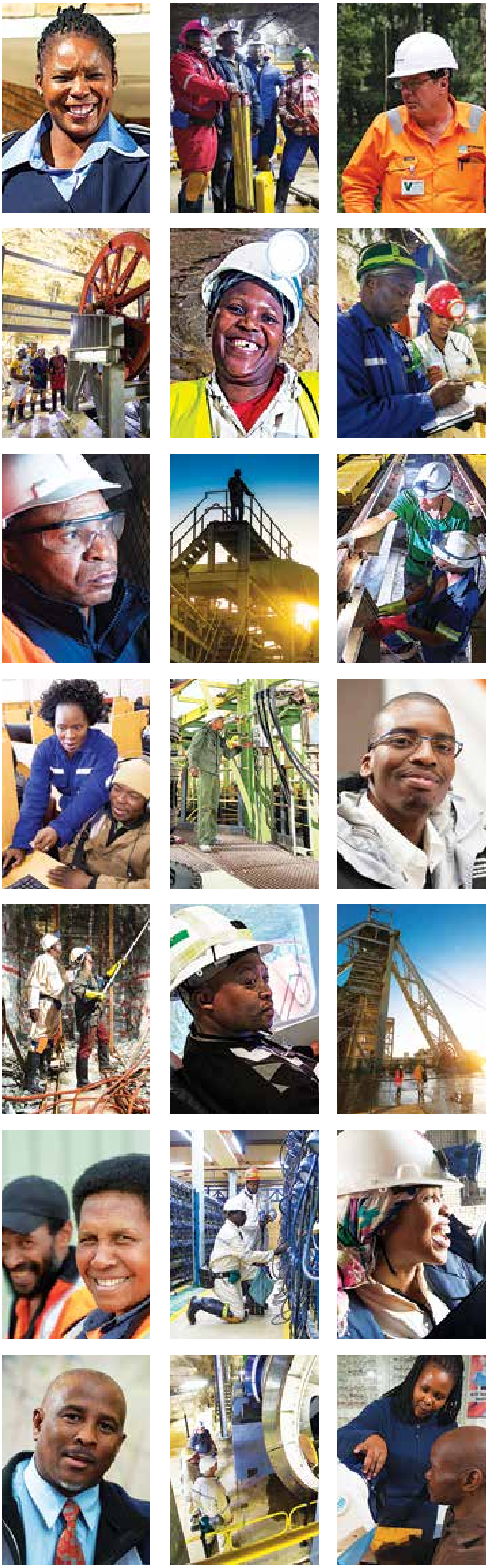

FINANCIAL REPORT 2014

HARMONY'S VALUES

Our values

are the core of all we do – they are part of our everyday actions and are built into the design of our business.

"We measure ourselves against these in everything we do and aim for."

SAFETY

No matter the circumstances, safety is our main priority

ACCOUNTABLE

We are all accountable for delivering on our commitments

ACHIEVEMENT

Achievement is core to our success

CONNECTED

We are all connected as one team

HONESTY

We uphold honesty in all our business dealings and communicate openly with stakeholders

A GUIDE TO OUR REPORTS 2014

This document, the Financial Report 2014 forms part of Harmony's 2014 suite of annual reports for the financial year from 1 July 2013 to 30 June 2014 (FY14). The primary report in this suite, the Integrated Annual Report 2014, is available as an interactive online report at www.harmony.co.za. Other reports in this suite are the Report to Shareholders 2014 (including the summarised financial statements) and Mineral Resources and Mineral Reserves 2014, which are both available as pdfs online.

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SUITE OF REPORTS 2014

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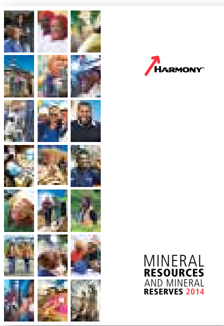
FINANCIAL REPORT 2014

REPORT TO SHAREHOLDERS, NOTICE OF MEETING AND SUMMARISED FINANCIAL STATEMENTS 2014



MINERAL RESOURCES AND MINERAL RESERVES 2014

ONLINE INTEGRATED ANNUAL REPORT 2014

DIRECTORS' STATEMENT OF RESPONSIBILITY

FINANCIAL STATEMENTS

The directors have pleasure in presenting the complete consolidated and company annual financial statements (collectively the annual financial statements) for the year ended 30 June 2014 and the summarised consolidated financial statements (included in the Report to Shareholders) for the same period. The annual financial statements were audited by PricewaterhouseCoopers Inc. who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The summarised consolidated financial statements are extracted from audited information, but are not themselves audited.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and IFRIC Interpretations (collectively IFRS), the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa.

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the company and its subsidiaries. The annual financial statements have been prepared by Harmony Gold Mining Company Limited's corporate reporting team, headed by Herman Perry. This process was supervised by the financial director, Frank Abbott. The directors take full responsibility for the preparation of the summarised report and the financial information has been correctly extracted from the underlying consolidated annual financial statements.

The directors are also responsible for the maintenance of effective systems of internal control which are based on established organisational structure and procedures. These systems are designed to provide reasonable assurance as to the reliability of the consolidated and company annual financial statements, and to prevent and detect material misstatements and loss.

Nothing has come to the attention of the board that caused it to believe that the systems of internal controls and risk management are not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The board's opinion is underpinned by the audit and risk committee's statement.

The annual financial statements have been prepared on a going concern basis and the directors believe that the company and group will continue to be in operation in the foreseeable future.

APPROVAL

The annual financial statements were approved by the board of directors and signed on its behalf by:

GP Briggs
Chief executive officer
Randfontein
South Africa

F Abbott
Financial director
Randfontein
South Africa

23 October 2014

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HARMONY GOLD MINING COMPANY LIMITED

We have audited the consolidated and separate financial statements of Harmony Gold Mining Company Limited set out on pages 4 to 129, which comprise the balance sheets as at 30 June 2014, and the income statements, statements of comprehensive income, statements of changes in shareholder's equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Harmony Gold Mining Company Limited as at 30 June 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.
Director: FJ Lombard
Registered Auditor
Sunninghill

23 October 2014

GROUP INCOME STATEMENTS

for the years ended 30 June 2014

SA rand				US dollar	
Restated 2013*	2014	*Figures in million*	Note	2014	Restated 2013*
		CONTINUING OPERATIONS			
15 902	**15 682**	Revenue		**1 515**	1 803
(16 448)	**(16 088)**	Cost of sales	5	**(1 549)**	(1 829)
(11 321)	**(11 888)**	Production costs		**(1 148)**	(1 283)
(2 001)	**(2 143)**	Amortisation and depreciation		**(207)**	(227)
(2 733)	**(1 439)**	Impairment of assets		**(135)**	(274)
(46)	**(274)**	Employment termination and restructuring costs		**(26)**	(5)
(347)	**(344)**	Other items		**(33)**	(40)
(546)	**(406)**	**Gross loss**		**(34)**	(26)
(465)	**(430)**	Corporate, administration and other expenditure		**(42)**	(53)
(127)	**(88)**	Social investment expenditure		**(9)**	(14)
(673)	**(458)**	Exploration expenditure		**(44)**	(76)
139	**30**	Profit on sale of property, plant and equipment	6	**3**	16
(350)	**(208)**	Other expenses (net)	7	**(20)**	(40)
(2 022)	**(1 560)**	**Operating loss**	8	**(146)**	(193)
–	**(109)**	Loss from associates	20	**(10)**	–
(88)	**7**	Profit on disposal/(impairment) of investments	18	**1**	(10)
173	**170**	Net gain on financial instruments	17	**16**	20
185	**220**	Investment income	9	**21**	21
(256)	**(277)**	Finance cost	10	**(27)**	(29)
(2 008)	**(1 549)**	**Loss before taxation**		**(145)**	(191)
(655)	**279**	Taxation	11	**27**	(69)
(2 663)	**(1 270)**	**Net loss from continuing operations**		**(118)**	(260)
		DISCONTINUED OPERATIONS			
314	**–**	Profit from discontinued operations	12	**–**	36
(2 349)	**(1 270)**	**Net loss for the year**		**(118)**	(224)
		Attributable to:			
(2 349)	**(1 270)**	Owners of the parent		**(118)**	(224)
–	**–**	Non-controlling interest		**–**	–
		(Loss)/earnings per ordinary share (cents)	13		
(616)	**(293)**	Loss from continuing operations		**(27)**	(60)
73	**–**	Earnings from discontinued operations		**–**	8
(543)	**(293)**	**Total loss**		**(27)**	(52)
		Diluted (loss)/earnings per ordinary share (cents)	13		
(616)	**(293)**	Loss from continuing operations		**(27)**	(60)
73	**–**	Earnings from discontinued operations		**–**	8
(543)	**(293)**	**Total diluted loss**		**(27)**	(52)

** The prior year's results have been restated due to a change in accounting policy. Refer to note 2.6 for details.*

These are the consolidated financial statements of Harmony Gold Mining Company Limited and its subsidiaries. For the separate financial statements of the company refer to pages 90 to 125.

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

GROUP STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 30 June 2014

SA rand				US dollar	
Restated 2013*	2014	*Figures in million*	Note	2014	Restated 2013*
(2 349)	**(1 270)**	Net loss for the year		**(118)**	(224)
737	**(140)**	Other comprehensive (loss)/income for the year, net of income tax		**(209)**	(666)
737	**(109)**	Items that may be reclassified subsequently to profit or loss		**(206)**	(666)
742	**(108)**	Foreign exchange translation (loss)/gain	24	**(206)**	(665)
(79)	**13**	Gain/(loss) on fair value movement of available-for-sale investments	24	**1**	(9)
88	**(14)**	Movement on available-for-sale investments recognised in profit or loss	24	**(1)**	10
(14)	**–**	Reversal of fair value movement on acquisition of associate	24	**–**	(2)
–	**(31)**	Items that will not be reclassified to profit or loss		**(3)**	–
–	**(38)**	Actuarial loss recognised during the year		**(4)**	–
–	**7**	Deferred taxation thereon		**1**	–
(1 612)	**(1 410)**	**Total comprehensive loss for the year**		**(327)**	(890)
		Attributable to:			
(1 612)	**(1 410)**	Owners of the parent		**(327)**	(890)
–	**–**	Non-controlling interest		**–**	–

* *The prior year's results have been restated due to a change in accounting policy. Refer to note 2.6 for details.*

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

GROUP BALANCE SHEETS

SA rand					US dollar		
Restated At 1 July 2012*	Restated At 30 June 2013*	At 30 June 2014	*Figures in million*	Note	At 30 June 2014	Restated At 30 June 2013*	Restated At 1 July 2012*
			ASSETS				
			Non-current assets				
32 760	32 732	**33 069**	Property, plant and equipment	14	**3 116**	3 279	3 992
2 196	2 191	**886**	Intangible assets	15	**84**	220	268
36	37	**42**	Restricted cash	16	**4**	4	4
1 842	2 054	**2 299**	Restricted investments	17	**217**	206	224
486	104	**81**	Deferred tax assets	11	**8**	10	59
–	109	**–**	Investments in associates	20	**–**	11	–
146	49	**4**	Investments in financial assets	18	**–**	5	18
58	57	**50**	Inventories	22	**5**	6	7
28	–	**–**	Trade and other receivables		**–**	–	3
37 552	37 333	**36 431**	**Total non-current assets**		**3 434**	3 741	4 575
			Current assets				
980	1 417	**1 534**	Inventories	22	**145**	142	119
1 245	1 162	**951**	Trade and other receivables	19	**90**	116	152
118	132	**110**	Income and mining taxes		**10**	13	14
–	–	**15**	Restricted cash	16	**1**	–	–
1 773	2 089	**1 829**	Cash and cash equivalents		**172**	209	216
4 116	4 800	**4 439**			**418**	480	501
1 423	–	**–**	Assets of disposal groups classified as held for sale		**–**	–	174
5 539	4 800	**4 439**	**Total current assets**		**418**	480	675
43 091	42 133	**40 870**	**Total assets**		**3 852**	4 221	5 250
			EQUITY AND LIABILITIES				
			Share capital and reserves				
28 331	28 325	**28 325**	Share capital	23	**4 035**	4 035	4 036
2 429	3 442	**3 539**	Other reserves	24	**(887)**	(701)	(65)
3 213	448	**(822)**	(Accumulated loss)/retained earnings		**(223)**	(105)	168
33 973	32 215	**31 042**	**Total equity**		**2 925**	3 229	4 139
			Non-current liabilities				
3 106	3 021	**2 680**	Deferred tax liabilities	11	**253**	303	378
1 865	1 997	**2 098**	Provision for environmental rehabilitation	25	**198**	200	227
177	194	**247**	Retirement benefit obligation	27	**23**	19	22
30	55	**95**	Other non-current liabilities	26	**9**	5	4
1 503	2 252	**2 860**	Borrowings	28	**270**	226	183
6 681	7 519	**7 980**	**Total non-current liabilities**		**753**	753	814
			Current liabilities				
313	286	**–**	Borrowings	28	**–**	28	38
1	4	**–**	Income and mining taxes		**–**	–	–
1 747	2 109	**1 848**	Trade and other payables	29	**174**	211	213
2 061	2 399	**1 848**			**174**	239	251
376	–	**–**	Liabilities of disposal groups classified as held for sale		**–**	–	46
2 437	2 399	**1 848**	**Total current liabilities**		**174**	239	297
43 091	42 133	**40 870**	**Total equity and liabilities**		**3 852**	4 221	5 250

* *The prior years' results have been restated due to a change in accounting policy. Refer to note 2.6 for details.*

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

GROUP STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

for the years ended 30 June 2014

Figures in million (SA rand)	Number of ordinary shares issued	Share capital	Share Premium	Retained earnings/ (accumu-lated loss)	Other reserves	Total
Note	23	23			24	
Balance – 30 June 2012 as previously reported*	431 564 236	216	28 115	3 307	2 444	34 082
Restatement for IFRIC 20	–	–	–	(94)	(15)	(109)
Restated balance – 30 June 2012	431 564 236	216	28 115	3 213	2 429	33 973
Issue of shares						
– Exercise of employee share options	225 654	–	1	–	–	1
– Shares issued to the Thlakanelo Employee Share Trust	3 500 000	–	–	–	–	–
Share-based payments	–	–	(7)	–	274	267
Net loss for the year*	–	–	–	(2 349)	–	(2 349)
Other comprehensive income for the year*	–	–	–	–	737	737
Option premium on BEE transaction	–	–	–	–	2	2
Share of retained earnings on acquisition on associate	–	–	–	19	–	19
Dividends paid [1]	–	–	–	(435)	–	(435)
Balance – 30 June 2013	435 289 890	216	28 109	448	3 442	32 215
Issue of shares						
– Exercise of employee share options	**535 557**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**237**	**237**
Net loss for the year	**–**	**–**	**–**	**(1 270)**	**–**	**(1 270)**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**(140)**	**(140)**
Balance – 30 June 2014	**435 825 447**	**216**	**28 109**	**(822)**	**3 539**	**31 042**
Figures in million (US dollar)						
Balance – 30 June 2012 as previously reported*	431 564 236	33	4 003	180	(64)	4 152
Restatement for IFRIC 20		–	–	(12)	(1)	(13)
Restated balance – 30 June 2012	431 564 236	33	4 003	168	(65)	4 139
Issue of shares						
– Exercise of employee share options	225 654	–	–	–	–	–
– Shares issued to the Thlakanelo Employee Share Trust	3 500 000	–	–	–	–	–
Share-based payments	–	–	(1)	–	30	29
Net loss for the year*	–	–	–	(224)	–	(224)
Other comprehensive loss for the year*	–	–	–	–	(666)	(666)
Share of retained earnings on acquisition of associate	–	–	–	2	–	2
Dividends paid [1]	–	–	–	(51)	–	(51)
Balance – 30 June 2013	435 289 890	33	4 002	(105)	(701)	3 229
Issue of shares						
– Exercise of employee share options	**535 557**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**23**	**23**
Net loss for the year	**–**	**–**	**–**	**(118)**	**–**	**(118)**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**(209)**	**(209)**
Balance – 30 June 2014	**435 825 447**	**33**	**4 002**	**(223)**	**(887)**	**2 925**

* *The prior years' results have been restated due to a change in accounting policy. Refer to note 2.6 for details.*

[1] *Dividends per share is disclosed under the earnings per share note. Refer to note 13.*

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

GROUP CASH FLOW STATEMENTS

for the years ended 30 June 2014

SA rand Restated 2013*	SA rand 2014	*Figures in million*	Note	US dollar 2014	US dollar Restated 2013*
		CASH FLOW FROM OPERATING ACTIVITIES			
3 466	**2 247**	Cash generated by operations	30	**218**	394
138	**139**	Interest received		**13**	16
(125)	**(121)**	Interest paid		**(12)**	(14)
(312)	**3**	Income and mining taxes refunded/(paid)		**–**	(33)
3 167	**2 268**	**Cash generated by operating activities**		**219**	363
		CASH FLOW FROM INVESTING ACTIVITIES			
–	**(6)**	Increase in restricted cash		**(1)**	–
–	**(24)**	Increase in amounts invested in environmental trusts		**(2)**	–
1 264	**–**	Proceeds on disposal of Evander, net of cash disposed	30	**–**	139
–	**51**	Proceeds on disposal of investments		**5**	–
(4)	**–**	Increase in amounts invested in social trust fund		**–**	(1)
(86)	**–**	Purchase of investment in associate		**–**	(9)
(5)	**(13)**	Additions to intangible assets		**(1)**	(1)
137	**–**	Proceeds on disposal of property, plant and equipment		**–**	16
(4 096)	**(2 648)**	Additions to property, plant and equipment		**(256)**	(464)
(2 790)	**(2 640)**	**Cash utilised by investing activities**		**(255)**	(320)
		CASH FLOW FROM FINANCING ACTIVITIES			
678	**612**	Borrowings raised		**60**	80
(333)	**(468)**	Borrowings repaid		**(44)**	(35)
1	**–**	Ordinary shares issued		**–**	–
2	**–**	Option premium on BEE transaction		**–**	–
(435)	**–**	Dividends paid		**–**	(50)
(87)	**144**	**Cash generated/(utilised) by financing activities**		**16**	(5)
26	**(32)**	**Foreign currency translation adjustments**		**(17)**	(45)
316	**(260)**	Net (decrease)/increase in cash and cash equivalents		**(37)**	(7)
1 773	**2 089**	Cash and cash equivalents – beginning of year		**209**	216
2 089	**1 829**	**Cash and cash equivalents – end of year**		**172**	209

* *The prior years' results have been restated due to a change in accounting policy. Refer to note 2.6 for details.*

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the years ended 30 June 2014

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 and Papua New Guinea (PNG).

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

The consolidated and company financial statements were authorised for issue by the board of directors on 23 October 2014.

2 ACCOUNTING POLICIES

BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the consolidated and company financial statements have been consistently applied in all years presented, except as stated under the heading 'Recent accounting developments'.

The financial statements of the group and company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and IFRIC Interpretations (collectively IFRS), the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listing Requirements and the Companies Act of South Africa.

RECENT ACCOUNTING DEVELOPMENTS

New standards, amendments to standards and interpretations to existing standards adopted by the group.

The effective dates below are for financial periods beginning on or after the given date.

The following standards or amendments to standards have become effective but had no impact on the results of the group:

Pronouncement	Title	Effective date
IFRS 1 (Amendment)	*First-time Adoption of IFRS* – Government loans	1 January 2013
IFRS 7 (Amendment)	*Financial Instruments: Disclosure* – asset and liability offsetting	1 January 2013
IFRS 10	*Consolidated Financial Statements*	1 January 2013
IFRSs	*Annual Improvements 2009 – 2011 Cycle*	1 January 2013

The following standards or amendments to standards have become effective and had an impact on the disclosure:

Pronouncement	Title	Effective date
IFRS 12	*Disclosures of Interests in Other Entities*	1 January 2013
IFRS 13	*Fair Value Measurement*	1 January 2013
IAS 27 (Revised 2011)	*Separate Financial Statements*	1 January 2013
IAS 28 (Revised 2011)	*Investments in Associates and Joint Ventures*	1 January 2013

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

2 ACCOUNTING POLICIES CONTINUED

RECENT ACCOUNTING DEVELOPMENTS CONTINUED

The following standards or amendments to standards have become effective and have affected the results of the group as discussed below:

Pronouncement	Title	Effective date
IFRS 11	*Joint Arrangements* There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The group only has joint arrangements in PNG, through its 50% interest in mining and exploration assets located in the Morobe province. These arrangements are classified as joint operations under IFRS 11. The joint operations were previously accounted for by proportional consolidation. The change in accounting policy has not had an impact on any previously reported numbers. The group now accounts for its interest in assets, liabilities, revenue and expenses of these unincorporated operations.	1 January 2013
IAS 19 (Revised)	*Employee Benefits* The standard includes a number of amendments to the accounting for defined benefit plans, including that actuarial gains and losses are now recognised in other comprehensive income (OCI). Actuarial gains and losses recognised in OCI will not be recycled to profit or loss. The impact for the group on prior periods was immaterial and the comparative periods were not restated.	1 January 2013
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine* The Interpretation clarifies that two types of benefits may accrue to an entity from stripping activity: 1) usable ore that can be used to produce inventory and 2) improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. Stripping assets that could not be attributed to an identifiable component of the ore body were written off to retained earnings on adoption of IFRIC 20. The application of IFRIC 20 resulted in transfers in and out of production costs ceasing, with an increase in the depreciation charge. Refer to note 2.6 for the effect on the group on applying IFRIC 20.	1 January 2013

New standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, the standards, amendments to standards 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 the group plans on adopting these standards, amendments to standards and interpretations on the dates when they become effective.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

2 ACCOUNTING POLICIES CONTINUED

RECENT ACCOUNTING DEVELOPMENTS CONTINUED

The following standards or amendments to standards are not expected to have an impact on the results of the group but will affect the disclosure in the financial statements:

Pronouncement	Title	Effective date
IAS 16 and IAS 38 (Amendments)	*Amendments to Property, Plant and Equipment and Intangible Assets* – Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 32 (Amendment)	*Financial Instruments: Presentation* – asset and liability offsetting	1 January 2014
IAS 36 (Amendment)	*Impairment of Assets* – Recoverable amount disclosures for non-financial assets	1 January 2014

The following standards or amendments to standards are not relevant to the group:

Pronouncement	Title	Effective date
IFRS 10, IFRS 12 and IAS 27 (Amendments)	*Amendments to Consolidated Financial Statements, Disclosures of Interests in Other Entities and Separate Financial Statements* – Investment entities	1 January 2014
IFRS 14	*Regulatory Deferral Accounts*	1 January 2016
IFRSs	*Annual improvements 2011-2013 Cycle*	1 July 2014
IAS 16 and IAS 41 (Amendments)	*Amendments to Property, Plant and Equipment and Agriculture* – Bearer plants	1 January 2016
IAS 19 (Amendments 2013)	*Employee Benefits* – Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 39 (Amendments)	*Financial instruments: Recognition and Measurement* – Novation of derivatives and continuation of hedge accounting	1 January 2014

The following standards, amendments to standards and interpretations to existing standards may possibly have an impact on the group:

Pronouncement	Title	Effective date
IFRS 9	*Financial Instruments* This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Hedge accounting The new requirements in IFRS 9 align hedge accounting more closely with risk management, and so should result in more 'decision-useful' information to users of financial statements. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Expected credit losses IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. The ECL model constitutes a change from the guidance in IAS 39 and seeks to address the criticisms of the incurred loss model which arose during the economic crisis. In practice, the new rules mean that entities will have to record a day 1 loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables).	1 January 2018

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

2 ACCOUNTING POLICIES CONTINUED

RECENT ACCOUNTING DEVELOPMENTS CONTINUED

Pronouncement	Title	Effective date
	IFRS 9 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables. Disclosures Extensive disclosures are required, including reconciliations from opening to closing amounts of the ECL provision, assumptions and inputs and a reconciliation on transition of the original classification categories under IAS 39 to the new classification categories in IFRS 9. The impact of the standard is currently being assessed by management.	
IFRS 10 and IAS 28 (Amendments)	*Amendments to Consolidated Financial Statements and Investments in Associates and Joint Ventures* These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The impact of the amendment is currently being assessed by management.	1 January 2016
IFRS 11 (Amendments)	*Joint arrangements* – Acquisitions of interests in joint operations Amends IFRS 11 to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*) to: Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with guidance in IFRS 11. Disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The impact of the amendment is currently being assessed by management.	1 January 2016
IFRS 15	*Revenue from contracts with customers:* Provides a single, principles based five-step model to be applied to all contracts with customers. 1. Identify the contract with the customer. 2. Identify the performance obligations in the contract. 3. Determine the transaction price. 4. Allocate transaction price to the performance obligation in the contracts. 5. Recognise revenue when (or as) the entity satisfies a performance obligation. The impact of the standard is currently being assessed by management.	1 January 2017

2 ACCOUNTING POLICIES CONTINUED

RECENT ACCOUNTING DEVELOPMENTS CONTINUED

Pronouncement	Title	Effective date
IFRSs	*Annual Improvements 2010-2012 Cycle* IFRS 2 – *Share-based payments* – Amends the definitions of 'vesting conditions' and 'market conditions' and adds definitions for 'performance conditions' and 'service conditions'. IFRS 3 – *Business combinations* – Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date. IFRS 8 – *Operating segments* – Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliation of segment assets only required if segment assets are reported regularly. IFRS 13 – *Fair value measurements* – Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusion only). IAS 16 and IAS 38 – *Property, plant and equipment and Intangible assets* – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount. IAS 24 – *Related party disclosures* – Clarify how payments to entities providing management services are to be disclosed. The impact of the annual improvements are currently being assessed by management.	1 July 2014
IFRSs	*Annual Improvements 2012-2014 Cycle* IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* – Addresses changes in methods of disposal. IFRS 7 – *Financial Instruments: Disclosures* – Addresses servicing contracts and the applicability of the amendments to IFRS 7 to condensed interim financial statements. IFRS 19 – *Employee Benefits* – Addresses related to regional market issues discount rates. IFRS 34 – *Interim Financial Reporting* – Addresses disclosure of information 'elsewhere in the interim financial report'.	1 January 2016
IAS 27 (Amendments)	*Separate Financial Statements* Amends IAS 27 to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The impact of the amendment is currently being assessed by management.	1 January 2016
IFRIC 21	*Levies* Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies: • The liability is recognised progressively if the obligating event occurs over a period of time. • If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The impact of the interpretation is currently being assessed by management.	1 January 2014

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

2 ACCOUNTING POLICIES CONTINUED

MEASUREMENT BASIS

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and cash-settled share-based payments.

ACCOUNTING POLICIES

Accounting policies are included in the relevant notes to the consolidated financial statements and have been highlighted in grey shading in the notes to the group financial statements. The accounting policies below are applied throughout the financial statements:

2.1 CONSOLIDATION

The group recognises that control is the single basis for consolidation for all types of entities in accordance with IFRS 10 – *Consolidated Financial Statements*.

The consolidated financial information includes the financial statements of the company, its subsidiaries, interest in associates and joint arrangements and structured entities. Where the group has no control over an entity, that entity is not consolidated.

Control

The group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the investee.

The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(i) Subsidiaries

Subsidiaries are entities over which the group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the group up until when that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

Investments in subsidiaries in the company's separate financial statements are accounted for at cost less impairment.

(ii) Associates

Associates are entities in which the group has significant influence, but not control, over operational and financial policies. This may be when there is a shareholding of between 20% and 50% of the voting rights or when significant influence can be otherwise demonstrated, for example where the group has the right of representation on the board of directors of the entity.

Investments in associates are accounted for by using the equity method of accounting, and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

2 ACCOUNTING POLICIES CONTINUED

2.1 CONSOLIDATION CONTINUED

(ii) Associates CONTINUED

When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

If an associate is acquired in stages, the cost of the associate is measured as the sum of the consideration paid for each purchase plus a share of investee's profits and other equity movements. Any acquisition-related costs are treated as part of the investment in associate. Any related goodwill is calculated at each stage of the acquisition based on the consideration paid and the share of fair value of net assets acquired at the date of each acquisition.

Where the previously held interest was classified as an available-for-sale financial instrument, any existing gains or losses recognised in the available-for-sale revaluation reserve are reversed through other comprehensive income. The cost basis of the investment is then further adjusted by including the group's share of profits after dividends, other comprehensive income and other equity movements relating to the previously held interest is accounted for in equity.

The carrying value of an associate is reviewed on a regular basis and, if 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 unless the transaction provides 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 arrangements

Joint arrangements are arrangements of which two or more parties have joint control and are contractually bound. The joint arrangement can either be a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have the right to the assets, and obligations for the liabilities, relating to the arrangement. These parties are called joint operators. A joint venture is a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

For interest in joint operations, the group includes its share of the joint operations' 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 operation that is attributable to the other joint operators. The group does not recognise its share of profits or losses from the joint operation that result from the purchase of assets by the group from the joint operation 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.

The group recognises its interest in a joint venture as an investment and accounts for it using the equity method of accounting.

(iv) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The accounting treatment for a structured entity will fall into one of the aforementioned categories (i to iii) depending on whether the group has control over that structured entity.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

2 ACCOUNTING POLICIES CONTINUED

2.2 FOREIGN CURRENCY TRANSLATION

(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 South African rand and US dollar for the benefit of local and international users. The company's separate financial statements are presented in its functional currency, being South African rand.

For translation of the rand financial statement items to US dollar, the average of R10.35 (2013: R8.82) per US$1 was used for income statement items (unless this average was not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case these items were translated at the rate on the date of the transactions) and the closing rate of R10.61 (2013: R9.98) per US$1 for asset and liability items. Equity items were translated at historic rates. The profit from discontinued operations for the 2013 financial year was translated at the average rate for the eight months (being the period that Evander was part of the group during 2013) of R8.55 per US$1.

The translation effect from rand to US dollar is included in other comprehensive income in the US$ financial statements.

References to "A$" refers to Australian currency, "R" to South African currency, "$" or "US$" to United States currency and "K" or "kina" to Papua New Guinean currency.

(ii) Transactions and balances

Foreign exchange gains and losses resulting from the settlement of foreign currency 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. Gains and losses recognised in the income statement are included in the determination of "other expenses (net)".

(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:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet while equity items are translated at historic rates;
- Income and expenses for each income statement are translated at average exchange rates (the rate on the date of the transaction is used if the average is not a reasonable rate for the translation of the transaction);
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

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 comprehensive income. When a foreign operation is sold or control is otherwise lost, exchange differences that were recorded in other comprehensive income are recognised in profit or loss in the period of the disposal or change in control.

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

2.3 REVENUE RECOGNITION

The group has determined that gold is its primary product and other metals produced as part of the extraction process are considered to be by-products of gold. Revenue arising from metal sales is only recognised when the significant risks and rewards of ownership have been transferred, neither continuing managerial involvement nor effective control over the metals sold has been retained, the amount of revenue and costs incurred can be measured reliably and it is probable that the economic benefits associated with the sale will flow to the group. These conditions are satisfied when the gold has been delivered in terms of the contract and the sales price fixed, as evidenced by the certificate of sale issued by the refinery. The sales price for the majority of the group's gold is based on the gold spot price according to the afternoon London bullion market fixing price for gold on the date the sale is concluded.

Revenue further excludes value-added tax. Revenues from silver and other by-product sales are credited to production costs as a by-product credit.

2 ACCOUNTING POLICIES CONTINUED

2.4 EXPLORATION EXPENDITURE

The group has elected to expense all exploration and evaluation expenditures until it is concluded that the project is technically feasible and commercially viable, and that future economic benefits are therefore probable. The information used to make that determination depends on the level of exploration as well as the degree of confidence in the ore body as set out below.

Exploration and evaluation expenditure on greenfield sites, being those where the group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until the technical and commercial viability of the project has been demonstrated usually through the completion of a final feasibility study. However, in certain instances, the technical and commercial viability of the deposit may be demonstrated at an earlier stage, for example where an extended feasibility study is conducted and the underlying feasibility study in respect of specific components of the mineral deposit has advanced to such a stage that significant commercially viable reserves has been established, and the other criteria for the recognition of an asset have been met.

Exploration and evaluation expenditure on brownfield sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the group is able to demonstrate that future economic benefits are probable through the completion of a feasibility study, after which the expenditure is capitalised as mine development cost. A 'feasibility study' consists of a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method 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 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 group to conclude that the project is technically feasible and commercially viable.

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. This information, when combined with existing knowledge of the mineral property already being mined or developed, allows the directors to conclude that the project is technically feasible and commercially viable.

2.5 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or when there is an indication of impairment.

Assets that are subject to amortisation are reviewed annually on 30 June for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement 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.

Fair value less costs to sell is generally determined by using discounted estimated after-tax 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, cash costs of production and capital expenditure, all based on life-of-mine plans. Future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. Refer to note 14 for detail.

The term "recoverable minerals" refers to the estimated amount of gold that will be obtained from reserves and resources 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

2 ACCOUNTING POLICIES CONTINUED

2.5 IMPAIRMENT OF NON-FINANCIAL ASSETS CONTINUED

In the case of mineral interests associated with other mine-related exploration potential 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.

Impairment losses on goodwill are recognised immediately in the income statement and are not reversed. The impairment testing is performed annually on 30 June or when events or changes in circumstances indicate that it may be impaired.

Non-financial assets other than goodwill that suffered an impairment are reviewed annually for possible reversal of the impairment at 30 June. Reversal of impairments is also considered when there is objective evidence to indicate that the asset is no longer impaired. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not higher than the carrying value that would have been determined had no impairment been recognised in prior years.

2.6 CHANGES IN ACCOUNTING POLICIES

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine* (IFRIC 20) which became effective for annual periods beginning on or after 1 January 2013, clarifies the requirements for accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue:

(i) usable ore that can be used to produce inventory; and

(ii) improved access to further quantities of material that will be mined in future periods.

Harmony has applied IFRIC 20 on a prospective basis from 1 July 2011 in compliance with the transitional requirements of IFRIC 20.

Harmony previously accounted for stripping costs incurred during the production phase to remove waste material by deferring these costs, which were then charged to production costs on the basis of the average life-of-mine stripping ratio.

A stripping activity asset shall be recognised if all of the following are met:

(i) it is probable that the future economic benefit (improved access to the orebody) associated with the stripping activity will flow to the entity;

(ii) the entity can identify the component of the orebody for which access has been improved; and

(iii) the cost relating to the stripping activity associated with that component can be measured reliably.

The stripping asset shall be depreciated over the expected useful life of the identified component of the orebody based on the units-of-production method.

Where there were no identifiable components of the orebody to which the predecessor asset relates, the asset was written off to retained earnings at the beginning of the earliest period presented. On 1 July 2011, an amount of R45 million (US$6.6 million) was written off to opening retained earnings.

2 ACCOUNTING POLICIES CONTINUED

2.6 CHANGES IN ACCOUNTING POLICIES CONTINUED

The comparative periods presented have been restated.

Reconciliation of the effect of the change in accounting standard:

Consolidated income statements

SA rand		US dollar
2013	*Figures in million*	2013
	Cost of sales	
	Production costs	
(11 400)	As previously reported	(1 292)
79	IFRIC 20 adjustment	9
(11 321)	Restated	(1 283)
	Amortisation and depreciation	
(1 942)	As previously reported	(220)
(59)	IFRIC 20 adjustment	(7)
(2 001)	Restated	(227)
	Other items	
(347)	As previously reported	(40)
–	IFRIC 20 adjustment	–
(347)	Restated	(40)
20	**Decrease in net loss for the period***	2

* *There is no material taxation effect on these items.*

Consolidated statements of comprehensive income

SA rand		US dollar
2013	*Figures in million*	2013
20	**Decrease in net loss for the period***	2
	Other comprehensive income for the period net of income tax	
	Foreign exchange translation	
749	As previously reported	(667)
(7)	IFRIC 20 adjustment	2
742	Restated	(665)
13	**Decrease in total comprehensive loss for the period***	4

* *There is no material taxation effect on these items.*

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

2 ACCOUNTING POLICIES CONTINUED

2.6 CHANGES IN ACCOUNTING POLICIES CONTINUED

Consolidated balance sheets

SA rand			US dollar	
2012	2013	*Figures in million*	2013	2012
		Non-current assets		
		Property, plant and equipment		
32 853	32 820	As previously reported	3 287	4 003
(93)	(88)	IFRIC 20 adjustment	(8)	(11)
32 760	32 732	Restated	3 279	3 992
		Current assets		
		Inventories		
996	1 425	As previously reported	143	121
(16)	(8)	IFRIC 20 adjustment	(1)	(2)
980	1 417	Restated	142	119
		Share capital and reserves		
		Other reserves		
2 444	3 464	As previously reported	(702)	(64)
(15)	(22)	IFRIC 20 adjustment [1]	1	(1)
2 429	3 442	Restated	(701)	(65)
		Retained earnings		
3 307	522	As previously reported	95	180
(94)	(74)	IFRIC 20 adjustment	10	(12)
3 213	448	Restated	105	168
(109)	(96)	**(Decrease)/increase in total equity**	11	(13)

[1] *Translation effect of the IFRIC 20 adjustments on foreign operations*

Consolidated cash flow statements

SA rand		US dollar
2013	*Figures in million*	2013
	Cash generated by operating activities	
2 855	As previously reported	328
312	IFRIC 20 adjustment	35
3 167	Restated	363
	Cash utilised by investing activities	
(2 478)	As previously reported	(285)
(312)	IFRIC 20 adjustment	(35)
(2 790)	Restated	(320)
–	**(Decrease)/increase in cash and cash equivalents**	–

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

2 ACCOUNTING POLICIES CONTINUED

2.6 CHANGES IN ACCOUNTING POLICIES CONTINUED

(Loss)/earnings per share

SA rand 2013		US dollar 2013
	Total basic and diluted (loss)/earnings per share (cents)	
(548)	As previously reported	(53)
5	IFRIC 20 adjustment	1
(543)	Restated	(52)
	Total headline earnings	
	Figures in million	
204	As previously reported	31
20	IFRIC 20 adjustment	2
224	Restated	33
	Total headline and diluted headline earnings per share (cents)	
47	As previously reported	7
5	IFRIC 20 adjustment	–
52	Restated	7

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the group and company financial statements are:

- Estimate of taxation – note 11;
- Gold mineral reserves and resources – note 14;
- Production start date – note 14;
- Impairment of assets – note 14;
- Impairment of goodwill – note 15;
- Estimate of exposure and liabilities with regard to rehabilitation costs – note 25;
- Estimate of employee benefit liabilities – note 27;
- Fair value of share-based payments – note 32;
- Assessment of contingencies – note 34.

Please refer to the specific notes for further information on the key accounting estimates and assumptions applied.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

4 FINANCIAL RISK MANAGEMENT

The group's financial instruments expose it to certain 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.

The group's financial assets and liabilities are set out below:

Figures in million (SA rand)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2014					
Restricted cash	**57**	**–**	**–**	**–**	**–**
Restricted investments	**415**	**–**	**1 086**	**798**	**–**
Investments in financial assets	**–**	**4**	**–**	**–**	**–**
Trade and other receivables	**694**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**1 829**	**–**	**–**	**–**	**–**
Borrowings	**–**	**–**	**–**	**–**	**2 860**
Other non-current liabilities	**–**	**–**	**–**	**–**	**22**
Trade and other payables	**–**	**–**	**–**	**–**	**540**
At 30 June 2013					
Restricted cash	37	–	–	–	–
Restricted investments	–	–	1 013	1 041	–
Investments in financial assets	–	49	–	–	–
Trade and other receivables	944	–	–	–	–
Cash and cash equivalents	2 089	–	–	–	–
Borrowings	–	–	–	–	2 538
Trade and other payables	–	–	–	–	642

Figures in million (US dollars)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2014					
Restricted cash	**5**	**–**	**–**	**–**	**–**
Restricted investments	**39**	**–**	**103**	**75**	**–**
Trade and other receivables	**65**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**172**	**–**	**–**	**–**	**–**
Borrowings	**–**	**–**	**–**	**–**	**270**
Other non-current liabilities	**–**	**–**	**–**	**–**	**2**
Trade and other payables	**–**	**–**	**–**	**–**	**50**
At 30 June 2013					
Restricted cash	4	–	–	–	–
Restricted investments	–	–	101	105	–
Investments in financial assets	–	5	–	–	–
Trade and other receivables	94	–	–	–	–
Cash and cash equivalents	209	–	–	–	–
Borrowings	–	–	–	–	254
Trade and other payables	–	–	–	–	64

4 FINANCIAL RISK MANAGEMENT CONTINUED

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 certain selected financial risks in close cooperation 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$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the R/US$ 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 an exchange rate in advance for the sale of its future gold production.

The group is exposed to foreign exchange risk arising from borrowings and cash denominated in a currency other than the functional currency of that entity. Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

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 that would affect profit or loss.

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Sensitivity analysis – borrowings		
		Rand against US$		
208	**286**	Increase by 10%	**27**	21
(208)	**(286)**	Decrease by 10%	**(27)**	(21)
9.98	**10.61**	**Closing rate**	**10.61**	9.98
		Sensitivity analysis – financial assets		
		Kina against A$		
5	**3**	Increase by 10%	**–**	1
(5)	**(3)**	Decrease by 10%	**–**	(1)
2.04	**2.28**	**Closing rate**	**2.28**	2.04
		US$ against Kina		
7	**4**	Increase by 10%	**–**	1
(7)	**(5)**	Decrease by 10%	**–**	(1)
0.92	**0.94**	**Closing rate**	**0.94**	0.92

(ii) Other price risk

The group is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets and fair value through profit or loss 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
A 1% increase in the share price of the available-for-sale investments at the reporting date, with all other variables held constant, would not have had a material impact on other comprehensive income for 2013 and 2014.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

4 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk CONTINUED

(ii) Other price risk CONTINUED

Certain of the restricted investments are linked to the Shareholder Weighted Top 40 index (SWIX 40) on the JSE. A 1% increase in the SWIX 40 index at the reporting date, with all other variables held constant, would have increased profit or loss by R3.8 million (US$0.4 million) (2013: R7.3 million (US$0.8 million)); an equal change in the opposite direction would have decreased profit or loss by R2.4 million (US$0.2 million) (2013: R4.6 million (US$0.5 million)).

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 others hedging arrangements to establish a price in advance for the sale of future gold production.

(iii) Interest rate risk

The group's interest rate risk arises mainly from long-term borrowings. The group has variable interest rate borrowings. Variable rate borrowings expose the group to cash flow interest rate risk. The group has not entered into interest rate swap agreements.

Sensitivity analysis – borrowings

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 2013.

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
(25)	**(29)**	Increase by 100 basis points	**(3)**	(3)
25	**29**	Decrease by 100 basis points	**3**	3

Interest rate risk arising from long-term borrowings is offset by cash, restricted cash and restricted investments held at variable rates.

Sensitivity analysis – financial assets

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 2013.

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
31	**34**	Increase by 100 basis points	**3**	4
(31)	**(34)**	Decrease by 100 basis points	**(3)**	(4)

(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. Refer to note 19 for management's assessment. 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

4 FINANCIAL RISK MANAGEMENT CONTINUED

(b) Credit risk CONTINUED

Cash and cash equivalents and restricted cash

Financial institutions' credit rating by exposure

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Credit rating		
151	**51**	AAA	**5**	15
359	**670**	AA+	**63**	36
685	**692**	AA [1]	**64**	69
455	**359**	AA- [1]	**34**	46
476	**114**	A+ [1]	**11**	47
2 126	**1 886**	**Cash and cash equivalents and restricted cash**	**177**	213
5	**–**	AA+	**–**	1
22	**37**	AA	**3**	2
10	**9**	AA-	**1**	1
–	**11**	A+	**1**	–
37	**57**	**Total restricted cash**	**5**	4

[1] *Includes restricted cash*

Restricted investments are held with financial institutions who have the following credit ratings: AAA Rnil (2013: R107 million (US$10.7 million)) AA+ R589 million (US$55.6 million) (2013: nil), AA R1 565 million (US$147.5 million) (2013: R1 879 million (US$188.3 million)), and A+ R98 million (US$9.3 million) (2013: R23 million (US$2.3 million)).

The social plan trust fund of R47 million (US$4.4 million) has been invested in unit trusts comprising shares in listed companies.

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 R4 879 million (US$459.8 million) as at 30 June 2014 (2013: R5 124 million (US$513.4 million)).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

4 FINANCIAL RISK MANAGEMENT CONTINUED

(c) Liquidity risk CONTINUED

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**
		2014		
22	**–**	Other non-current liabilities	**–**	**2**
		Borrowings		
–	**41**	Due between 0 to six months	**4**	**–**
–	**41**	Due between six to 12 months	**4**	**–**
2 883	**–**	Due between one to two years	**–**	**272**
–	**–**	Due between two to five years	**–**	**–**
–	**540**	Trade and other payables (excluding non-financial liabilities)	**50**	**–**
2 905	**622**		**58**	**274**
		2013		
		Borrowings		
–	204	Due between 0 to six months	21	–
–	193	Due between six to 12 months	20	–
214	–	Due between one to two years	–	22
2 110	–	Due between two to five years	–	212
–	642	Trade and other payables (excluding non-financial liabilities)	64	–
2 324	1 039		105	234

(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 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. In doing so, the group ensures it stays within the debt covenants agreed with lenders. The group may also adjust the amount of dividends paid, sell assets to reduce debt or schedule projects to manage the capital structure.

The group follows a conservative approach to debt and prefers to maintain low levels of gearing, as follows:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
2 089	**1 829**	Cash and cash equivalents	**172**	209
(2 538)	**(2 860)**	Borrowings	**(270)**	(254)
(449)	**(1 031)**	Net debt	**(98)**	(45)

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

4 FINANCIAL RISK MANAGEMENT CONTINUED

(e) Fair value determination for financial assets and liabilities

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

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

The table below presents the group's assets and liabilities that are measured at fair value by level (see list below) at 30 June 2014.

(1) Quoted prices (unadjusted) in active markets for identical assets (level 1);

(2) Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from other prices) (level 2);

(3) Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (level 3).

Assets	**Level 1**	**Level 2**	**Level 3**
Figures in million (SA rand)			
Available-for-sale financial assets [1]	**–**	**–**	**4**
Fair value through profit and loss [2]	**–**	**798**	**–**
Figures in million (US dollar)			
Available-for-sale financial assets [1]	**–**	**–**	**–**
Fair value through profit and loss [2]	**–**	**75**	**–**

The table below presents the group's assets and liabilities that are measured at fair value by level at 30 June 2013.

Assets	Level 1	Level 2	Level 3
Figures in million (SA rand)			
Available-for-sale financial assets [1]	44	–	5
Fair value through profit and loss [2]	–	1 041	–
Figures in million (US dollar)			
Available-for-sale financial assets [1]	4	–	1
Fair value through profit and loss [2]	–	105	–

[1] *Refer to note 18. Level 1 and 2 fair values are either directly or indirectly derived from actively trading shares on the JSE. Level 3 fair values have been valued by the directors by performing independent valuations on an annual basis.*

[2] *Level 2 fair values are directly derived from the Shareholders Weighted Top 40 index (SWIX 40) on the JSE, and are discounted at market interest rate. The fair value of R47 million (US$4.5 million) (2013: R45 million (US$4.5 million)) of the balance in 2014 is derived by reference to quoted prices of the shares held within the unit trust portfolio.*

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

5 COST OF SALES

SA rand			US dollar	
Restated 2013	2014	*Figures in million*	2014	Restated 2013
11 321	**11 888**	Production costs (a)	**1 148**	1 283
1 956	**2 092**	Amortisation and depreciation of mining assets	**202**	222
45	**51**	Amortisation and depreciation of assets other than mining assets (b)	**5**	5
(24)	**8**	Rehabilitation expenditure/(credit) (c)	**1**	(2)
68	**66**	Care and maintenance cost of restructured shafts	**6**	8
46	**274**	Employment termination and restructuring costs (d)	**26**	5
266	**270**	Share-based payments (e)	**26**	30
2 733	**1 439**	Impairment of assets (f)	**135**	274
37	**–**	Other (g)	**–**	4
16 448	**16 088**	**Total cost of sales**	**1 549**	1 829

(a) Production costs include mine production, transport and refinery costs, applicable general administrative costs, movement in inventories and ore stockpiles, ongoing environmental rehabilitation costs and transfers for stripping activities. Employee termination costs are included, except for employee termination costs associated with major restructuring and shaft closures, which are separately disclosed. Production costs, analysed by nature, consist of the following:

SA rand			US dollar	
Restated 2013	2014	*Figures in million*	2014	Restated 2013
7 312	**7 362**	Labour costs, including contractors	**711**	829
3 281	**3 282**	Consumables	**317**	372
1 711	**1 881**	Water and electricity	**182**	194
114	**115**	Insurance	**11**	13
207	**167**	Transportation	**16**	23
(214)	**(104)**	Change in inventory	**(10)**	(25)
(1 350)	**(1 437)**	Capitalisation of mine development costs	**(139)**	(153)
(312)	**(133)**	Stripping activities	**(13)**	(35)
(253)	**(231)**	By-product sales	**(22)**	(29)
217	**127**	Royalty expense	**12**	25
608	**859**	Other	**83**	69
11 321	**11 888**	**Total production costs**	**1 148**	1 283

(b) Amortisation and depreciation of assets other than mining assets includes the amortisation of intangible assets.

(c) For the assumptions used to calculate the rehabilitation costs, refer to note 25. This expense includes the change in estimate for the rehabilitation provision where an asset no longer exists as well as ongoing rehabilitation cost. For 2014, R53 million (US$5.1 million) (2013: R65 million (US$7.3 million)) was spent on rehabilitation.

(d) During 2013, the group's South African operations embarked on a programme whereby voluntary severance packages were offered to all employees while Hidden Valley underwent a significant restructuring process. This programme was concluded in June 2014.

(e) Refer to note 32 for details on the share-based payment schemes implemented by the group.

5 COST OF SALES CONTINUED

(f) Impairment of assets consists of the following:

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
–	**1 382**	Phakisa	**130**	–
27	**36**	Steyn 2 (Bambanani)	**3**	3
31	**21**	St Helena (Other – underground)	**2**	3
2 675	**–**	Hidden Valley	**–**	268
2 733	**1 439**	**Total impairment of assets**	**135**	274

During the 2014 year, an impairment of R1.38 billion (US$130.3 million) was recognised on Phakisa, following a change in the life-of-mine plan during the annual planning process. The change resulted after the completion of a feasibility study in the current year on the proposed decline shaft, which showed significant additional capital requirements. It was therefore decided not to proceed with the sinking of the decline shaft. The exclusion of the decline shaft from the life-of-mine plan resulted in a decrease in the reserves of Phakisa of 2 million ounces. The impairment comprises of R1.31 billion (US$123.1 million) goodwill and R75 million (US$7.1 million) mining assets. The recoverable amount of Phakisa is R4.26 billion (US$401.7 million) and has been determined on a fair value less costs to sell basis using the assumptions as set out in note 14. This is a fair value measurement, classified as level 3.

Impairments on Steyn 2 (R36 million) (US$3.4 million) (2013: R27 million (US$2.7 million)) and St Helena (R21 million) (US$2.0 million) (2013: R31 million (US$3.1 million)) were recognised following the decision not to mine these operations in future. The operations were impaired to the recoverable amount of Rnil (US$nil).

During the 2013 financial year, an impairment to the value of R2.68 billion (US$268.0 million) was recognised for Hidden Valley. This was due to the operation's poor performance at that stage and the reduction in the US dollar gold and silver prices.

For assumptions used to calculate the recoverable amounts, refer to note 14.

(g) Included in Other for the 2013 and 2014 financial years are amounts relating to inventory adjustments. Refer to note 22.

6 PROFIT ON SALE OF PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds of the sale with the carrying amount and are recognised in the income statement.

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
139	**30**	Profit on sale of property, plant and equipment	**3**	16

On 16 May 2014, the ground swap between Joel mine and Sibanye Gold Limited's (Sibanye) Beatrix mine was completed, resulting in a non-cash profit being recognised for the difference between carrying value of the Joel portion and the fair value of the Beatrix portion. Refer to note 26 for further detail.

For the 2013 financial year, R60 million (US$6.8 million) profit relates to the sale of the Merriespruit South mining right to Witwatersrand Consolidated Gold Resources Limited (Wits Gold). Also included is a profit of R15 million (US$1.7 million) for the sale of the Sir Albert Medical Centre and its pharmacy. The remaining profit is the sale of scrap material (including steel) from sites that are closed and being rehabilitated in the Free State.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

7 OTHER EXPENSES (NET)

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
330	**190**	Foreign exchange losses – net (a)	**18**	38
1	**21**	Bad debts provision expense	**2**	–
2	**–**	Bad debts written off	**–**	–
17	**(3)**	Other (income)/expenses – net	**–**	2
350	**208**	**Total other expenses (net)**	**20**	40

(a) Included in the total for 2014 is a loss of R155 million (US$15.0 million) (2013: R351 million (US$39.8 million)) related to the translation of the US dollar denominated loan into SA rand (refer to note 28) and a loss of R35 million (US$3.4 million) related to the Australasian intercompany loans not designated as forming part of the net investment of the group's international operations. The losses for 2013 from the US dollar loan were offset by the foreign exchange gains relating to the Australasian intercompany loans mentioned above.

8 OPERATING LOSS

The following have been included in operating loss:

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
23	**24**	**Auditors' remuneration**	**2**	2
		Made up as follows:		
		External		
19	**21**	Fees – current year	**2**	2
4	**3**	Fees – other services	**–**	–

9 INVESTMENT INCOME

ACCOUNTING POLICY

Interest income 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.

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

Cash flows from dividends and interest received are classified under operating activities in the cash flow statement.

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
185	**220**	Interest received	**21**	21
15	**21**	Loans and receivables	**2**	2
37	**61**	Held-to-maturity investments	**6**	4
120	**124**	Cash and cash equivalents	**12**	14
13	**14**	South African Revenue Services (SARS)	**1**	1
185	**220**	**Total investment income**	**21**	21

10 FINANCE COST

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Financial liabilities		
135	**124**	Borrowings	**12**	15
–	**5**	Other creditors and liabilities	**–**	–
135	**129**	Total finance cost from financial liabilities	**12**	15
		Non-financial liabilities		
17	**18**	Post-retirement benefits	**2**	2
118	**138**	Time value of money and inflation component of rehabilitation costs	**13**	14
11	**6**	South African Revenue Services (SARS)	**1**	1
146	**162**	Total finance cost from non-financial liabilities	**16**	17
281	**291**	Total finance cost before interest capitalised	**28**	32
(25)	**(14)**	Interest capitalised	**(1)**	(3)
256	**277**	**Total finance cost**	**27**	29

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation in 2014 was 3.4% (2013: 4.4%).

11 TAXATION

ACCOUNTING POLICY

Taxation is made up of 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 are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised on temporary differences existing at each reporting date between the tax base of all assets and liabilities and their carrying amounts. Substantively enacted tax rates are used to determine future anticipated effective tax rates which in turn are used in the determination of deferred taxation, 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. Deferred tax is charged to profit or loss, except where the tax relates to items recognised in other comprehensive income or directly in equity in which case the tax is also recognised in other comprehensive income or directly in equity. 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, unutilised 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 unutilised tax losses and unutilised capital allowances can be utilised. The recoverability of these assets is reviewed at each reporting date and adjusted if recovery is no longer probable.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, joint arrangements 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Interest received from and paid to the tax authorities is classified as investment income and finance cost on the income statement.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

11 TAXATION CONTINUED

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group is subject to income tax in several 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. Where the final tax outcome 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 regard 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 recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which the temporary differences are expected to reverse. At the group's South African operations, such average tax rates are directly impacted by the profitability of the relevant mine. The deferred tax rate is therefore based on the current estimate of future profitability of an operation when temporary differences will reverse, based on tax rates and tax laws that have been enacted at the balance sheet date. The future profitability of each mine, in turn, is determined by reference to the life-of-mine (LoM) plan for that operation. The LoM plan is influenced by factors as disclosed in note 14, which may differ from one year to the next and ultimately result in the deferred tax rate changing from one year to the next.

The taxation expense for the year is as follows:

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
		SA taxation		
324	**29**	Mining tax (a)	**3**	37
324	**56**	– current year	**5**	37
–	**(27)**	– prior year	**(2)**	–
(53)	**(5)**	Non-mining tax (b)	**(1)**	(6)
4	**15**	– current year	**1**	–
(57)	**(20)**	– prior year	**(2)**	(6)
(81)	**(334)**	Deferred tax (c)	**(32)**	(9)
(81)	**(334)**	– current year	**(32)**	(9)
190	**(310)**		**(30)**	22
		Foreign taxation		
		Deferred tax		
(83)	**31**	– current year (d)	**3**	(9)
548	**–**	– derecognition of deferred tax asset (e)	**–**	56
655	**(279)**	**Total taxation (credit)/expense**	**(27)**	69

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
		Taxation by type		
324	**29**	Mining tax [1]	**3**	37
(53)	**(5)**	Non-mining tax	**(1)**	(6)
384	**(303)**	Deferred tax	**(29)**	38
655	**(279)**		**(27)**	69

[1] The decrease in mining tax year on year is due to the lower profitability resulting from lower revenue and higher costs.

11 TAXATION CONTINUED

(a) Mining tax on gold mining income in South Africa is determined according to a formula, based on the taxable income from mining operations. 5% of total revenue is exempt from taxation while the remainder is taxable at a higher rate than non-mining income as a result of applying the gold mining formula. Prior to 1 April 2012, gold mining companies within the group that had elected to be exempt from Secondary Tax on Companies (STC) were taxed at higher rates than those that had not made the election. Dividend Tax (DT) was introduced on 1 April 2012 and replaced STC. With the introduction of DT, only one formula is applicable for mining tax on gold mining income.

All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss. 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.

(b) Non-mining income of mining companies and the income for non-mining companies are taxed at the statutory corporate rate of 28% (2013: 28%).

(c) The deferred 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 the balance sheet date. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year.

(d) Mining and non-mining income of Australian and PNG operations is taxed at a standard rate of 30%.

(e) The recovery of the deferred tax asset previously recognised for the Hidden Valley operation was deemed unlikely as there are insufficient estimated future taxable profits against which it could be utilised. As a result, it was derecognised on 30 June 2013.

INCOME AND MINING TAX RATES

During March 2012, the National Treasury of South Africa repealed the higher gold mining tax formula due to the introduction of Dividend Tax. As a result the rates applicable as of that date were 34% for mining income and 28% for non-mining income. There have been no subsequent changes.

Major items causing the group's income tax provision to differ from the South African mining statutory tax rate of 34% (2013: 34%) for continuing operations were:

SA rand			US dollar	
Restated 2013	**2014**	*Figures in million*	**2014**	Restated 2013
(683)	**(527)**	Tax on net loss from continuing operations at the mining statutory tax rate	**(49)**	(65)
284	**274**	Non-allowable deductions	**25**	32
–	**444**	Impairment of goodwill	**43**	–
(73)	**(49)**	Difference between effective mining tax rate and statutory mining rate on mining income	**(5)**	(8)
(1)	**(3)**	Difference between non-mining tax rate and statutory mining rate on non-mining income	**–**	–
(59)	**(115)**	Effect on temporary differences due to changes in effective tax rates [1]	**(11)**	(4)
(57)	**(47)**	Prior year adjustment	**(5)**	(6)
(461)	**(518)**	Capital allowance, sale of business and other rate differences [2]	**(50)**	(52)
548	**–**	Derecognition of deferred tax asset [3]	**–**	56
1 157	**262**	Deferred tax asset not recognised [4]	**25**	116
655	**(279)**	**Income and mining taxation**	**(27)**	69
33	**18**	**Effective income and mining tax rate (%)**	**19**	36

[1] The significant decreases in the deferred tax rates of Harmony Gold Mining Company Limited (Harmony) (26.4% to 13.4%) and ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited (Freegold) (22.9% to 20.3%) in 2014 is mainly due to the lower estimated profitability. In 2013, the significant decreases related to Freegold (24.3% to 22.9%) and Randfontein Estates Limited (Randfontein) (18.6% to 17.4%).

[2] This relates to the additional capital allowance that may be deducted from taxable income from mining operations in South Africa. A significant portion relates to Avgold Limited (Avgold), which has a 0% effective tax rate.

[3] Represents the derecognition of the previously recognised deferred tax asset in respect of tax losses for the Hidden Valley operation for which future taxable profits are no longer considered probable.

[4] This relates primarily to the Hidden Valley operation and represents tax losses and deductible temporary difference arising in the year for which future taxable profits are not considered probable.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

11 TAXATION CONTINUED

DEFERRED TAX

The analysis of deferred tax assets and liabilities is as follows:

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
(1 116)	**(993)**	Deferred tax assets	**(94)**	(111)
(986)	**(833)**	Deferred tax asset to be recovered after more than 12 months	**(79)**	(98)
(130)	**(160)**	Deferred tax asset to be recovered within 12 months	**(15)**	(13)
4 033	**3 592**	Deferred tax liabilities	**339**	404
1 692	**3 373**	Deferred tax liability to be recovered after more than 12 months	**318**	169
2 341	**219**	Deferred tax liability to be recovered within 12 months	**21**	235
2 917	**2 599**	**Net deferred tax liability**	**245**	293

Deferred tax liabilities and assets on the balance sheet as of 30 June 2014 and 30 June 2013 relate to the following:

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
4 033	**3 592**	Gross deferred tax liabilities	**339**	404
3 875	**3 572**	Amortisation and depreciation	**337**	389
124	**–**	Unrealised foreign exchange movements	**–**	12
34	**20**	Other	**2**	3
(1 116)	**(993)**	Gross deferred tax assets	**(94)**	(111)
(797)	**(624)**	Unredeemed capital expenditure	**(59)**	(79)
(158)	**(160)**	Provisions. Including non-current provisions	**(15)**	(16)
(161)	**(209)**	Tax losses	**(20)**	(16)
2 917	**2 599**	**Net deferred tax liability**	**245**	293
		Comprises:		
3 021	**2 680**	Net deferred tax liability	**253**	303
(104)	**(81)**	Net deferred tax asset	**(8)**	(10)

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

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
2 620	**2 917**	Balance at beginning of year	**293**	319
384	**(303)**	(Credit)/expense per income statement – continuing operations	**(29)**	38
(13)	**(7)**	Tax directly charged to other comprehensive income	**(1)**	(2)
(74)	**(8)**	Foreign currency translation	**(18)**	(62)
2 917	**2 599**	**Balance at end of year**	**245**	293

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

11 TAXATION CONTINUED

DEFERRED TAX CONTINUED

As at 30 June, the group had the following potential future tax deductions:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
21 261	**21 512**	Unredeemed capital expenditure available for utilisation against future mining taxable income [1]	**2 028**	2 130
2 118	**2 963**	Tax losses carried forward utilisable against mining taxable income [2]	**280**	212
2 396	**579**	Capital Gains Tax (CGT) losses available to be utilised against future CGT gains [3, 5]	**55**	240
6 709	**6 646**	As at 30 June, the group has not recognised the following deferred tax asset amounts relating to the above	**626**	672
		The unrecognised temporary differences are:		
18 063	**18 309**	Unredeemed capital expenditure [4]	**1 726**	1 810
1 430	**2 004**	Tax losses	**189**	143
2 396	**579**	CGT losses [3,5]	**55**	240

[1] Includes Avgold R11 096 million (US$1 046.2 million) (2013: R10 379 million (US$1 039.6 million)), Freegold R1 486 million (US$140.1 million) (2013: R1 657 million (US$166.0 million)), Randfontein R1 685 million (US$158.9 million) (2013:R1 534 million (US$153.7 million)) and Hidden Valley R7 214 million (US$680.2 million) (2013: R7 684 million (US$769.9 million)). These have an unlimited carry-forward period.

[2] These have an unlimited carry-forward period.

[3] The CGT losses relate to the gross CGT losses available to be utilised against future CGT gains.

[4] Relates to Avgold and Hidden Valley.

[5] The utilisation of the CGT losses for ARMgold/Harmony Joint Investment Company (Proprietary) Limited (InvestCo) of R2 billion (US$189.5 million) is considered to be remote and excluded from the CGT losses unrecognised temporary difference in 2014.

DIVIDEND TAX (DT)

A withholding tax of 15% on dividends (excluding a return of capital) and other distributions to the beneficial owners of shares (shareholders) became effective on 1 April 2012. DT is withheld by the company declaring the dividend or the withholding agent, unless specifically exempt. Foreign residents could qualify for an exemption or a reduced DT rate in terms of their relevant tax treaty. The withholding tax is a tax on the shareholder and if applicable will be withheld by the company and will reduce the amount paid to the shareholder.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

12 DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

ACCOUNTING POLICY

A non-current asset or disposal group (a business grouping of assets and their related liabilities) is designated as held for sale and stated at lower of carrying value and fair value less cost to sell, 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 are 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 reversal of impairment 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. Where an investment in associate is classified as held for sale, the group will no longer equity account for the investment.

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. No restatement of balance sheet comparative amounts is done.

The assets and liabilities of Evander Gold Mines Limited (Evander), a wholly owned subsidiary of Harmony Gold Mining Company Limited (Harmony), were classified as held for sale following the signing of a sale of shares and claims agreement on 30 January 2012. On 30 May 2012, Harmony announced the signing of a new sale of shares and claims agreement with Pan African Resources plc (Pan African).

All conditions precedent to the sale were fulfilled and the transaction was completed on 28 February 2013. The purchase consideration of R1.5 billion (US$170.0 million) was adjusted for distributions received prior to the effective date of R210 million (US$23.4 million). A group profit of R102 million (US$11.4 million) was recorded.

There were no assets or liabilities of the operations classified as held for sale at 30 June 2013 and 30 June 2014.

The analysis of the results and cash flows of discontinued operations are disclosed in the tables below:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Income statement		
874	–	Revenue	–	102
(585)	–	Cost of sales	–	(68)
(7)	–	Expenses – net	–	(1)
102	–	Profit on sale of investment in subsidiary	–	11
384	–	Profit from discontinued operations before tax	–	44
(70)	–	Taxation	–	(8)
314	–	**Profit for the year from discontinued operations**	–	36
		Cash flows		
274	–	Operating cash flows	–	32
1 124	–	Investing cash flows	–	123
1 398	–	**Total cash flows from discontinued operations**	–	155

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

13 (LOSS)/EARNINGS PER SHARE

BASIC (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.

2013	2014		2014	2013
435 290	**435 825**	Ordinary shares in issue ('000)	**435 825**	435 290
(733)	**(287)**	Adjustment for weighted number of ordinary shares in issue ('000)	**(287)**	(733)
434 557	**435 538**	Weighted number of ordinary shares in issue ('000)	**435 538**	434 557
(2 676)	**(2 326)**	Treasury shares ('000)	**(2 326)**	(2 676)
431 881	**433 212**	**Basic weighted average number of shares in issue ('000)**	**433 212**	431 881

SA rand			US dollar	
Restated 2013	2014	*Figures in million*	2014	Restated 2013
(2 663)	**(1 270)**	Net loss from continuing operations	**(118)**	(260)
314	**–**	Net profit from discontinued operations	**–**	36
(2 349)	**(1 270)**	**Total net loss attributable to shareholders**	**(118)**	(224)
(616)	**(293)**	Basic loss per share from continuing operations (cents)	**(27)**	(60)
73	**–**	Basic earnings per share from discontinued operations (cents)	**–**	8
(543)	**(293)**	**Total basic loss per share (cents)**	**(27)**	(52)

DILUTED (LOSS)/EARNINGS PER SHARE

For diluted (loss)/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.

2013	2014		2014	2013
431 881	**433 212**	Weighted average number of ordinary shares in issue ('000)	**433 212**	431 881
836	**1 503**	Potential ordinary shares ('000)	**1 503**	836
432 717	**434 715**	**Weighted average number of ordinary shares for diluted earnings per share ('000)**	**434 715**	432 717

SA rand			US dollar	
Restated 2013	2014	*Figures in million*	2014	Restated 2013
(616)	**(293)**	Diluted loss per share from continuing operations (cents)	**(27)**	(60)
73	**–**	Diluted earnings per share from discontinued operations (cents)	**–**	8
(543)	**(293)**	**Total diluted loss per share (cents)**	**(27)**	(52)

The inclusion of share options issued to employees, as potential ordinary shares, has a dilutive effect on the (loss)/earnings per share. The issue price and the exercise price include the fair value of any service to be supplied to the entity in the future under the share option or other share-based payment arrangement.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

13 (LOSS)/EARNINGS PER SHARE CONTINUED

HEADLINE EARNINGS PER SHARE

The calculation of headline earnings, net of tax, per share is based on the basic (loss)/earnings per share calculation adjusted for the following items:

SA rand			US dollar	
Restated 2013	2014	*Figures in million*	2014	Restated 2013
		Continuing operations		
(2 663)	**(1 270)**	Net loss	**(118)**	(260)
		Adjusted for:		
(139)	**(30)**	Profit on sale of property, plant and equipment	**(3)**	(16)
31	**6**	Taxation effect of profit on sale of property, plant and equipment	**1**	4
88	**(7)**	(Profit on disposal)/impairment of investments [1]	**(1)**	10
2 733	**1 439**	Impairment of assets	**135**	274
(38)	**(24)**	Taxation effect of impairment of assets	**(2)**	(4)
12	**114**	**Headline profit from continuing operations**	**12**	8
		Discontinued operations		
314	**–**	Net profit	**–**	36
		Adjusted for:		
(102)	**–**	Profit on sale of investment in subsidiary [1]	**–**	(11)
212	**–**	**Headline profit from discontinued operations**	**–**	25
224	**114**	**Total headline profit**	**12**	33

[1] *There is no taxation effect on these items.*

SA rand			US dollar	
Restated 2013	2014		2014	Restated 2013
3	**26**	Basic headline earnings per share from continuing operations (cents)	**2**	1
49	**–**	Basic headline earnings per share from discontinued operations (cents)	**–**	6
52	**26**	**Total basic headline earnings per share (cents)**	**2**	7
3	**26**	Diluted headline earnings per share from continuing operations (cents)	**2**	1
49	**–**	Diluted headline earnings per share from discontinued operations (cents)	**–**	6
52	**26**	**Total diluted headline earnings per share (cents)**	**2**	7

DIVIDENDS

ACCOUNTING POLICY

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

Cash flows from dividends paid are classified under financing activities in the cash flow statement.

No dividends were declared for the year ended 30 June 2014.

13 (LOSS)/EARNINGS PER SHARE CONTINUED

DIVIDENDS CONTINUED

On 13 August 2012, the board declared a dividend of 50 SA cents (US$6.2 cents) per share related to the year ended 30 June 2012. An interim dividend for the year ended 30 June 2013 of 50 SA cents (US$5.7 cents) was declared on 1 February 2013.

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
435	–	Dividend declared	–	51
100	–	Dividend per share (cents)	–	12

14 PROPERTY, PLANT AND EQUIPMENT

SA rand			US dollar	
Restated 2013	**2014**	*Figures in million*	**2014**	Restated 2013
24 858	**26 483**	Mining assets (a)	**2 495**	2 491
2 029	**1 024**	Mining assets under construction (b)	**97**	203
5 804	**5 425**	Undeveloped properties (c)	**511**	581
41	**137**	Other non-mining assets (d)	**13**	4
32 732	**33 069**	**Total property, plant and equipment**	**3 116**	3 279

(a) Mining assets

ACCOUNTING POLICY

Mining assets including mine development costs and mine plant facilities are initially recorded at cost, whereafter they are measured at cost less accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

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. 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.

The group's mineral use rights are enforceable regardless of whether proved or probable reserves have been established. In certain limited situations, the nature of use changes from an exploration right to a mining right upon the establishment of proved 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 proved and probable reserves and/or undeveloped mineral interests.

Depreciation

Depreciation of mining assets is computed principally by the units-of-production method over life-of-mine based on estimated quantities of economically recoverable proved and probable reserves, which can be recovered in future from known mineral deposits.

In most instances, proved and probable reserves provide the best indication of the useful life of the group's mines (and related assets). However, in some instances, proved and probable reserves may not provide a realistic indication of the useful life of the mine (and related assets). This may be the case, for example, where management is confident that further inferred resources will be converted into measured and indicated resources and if they are economically recoverable, they can also be classified as proved and probable reserves. Management is approaching economic decisions affecting the mine on this basis, but has chosen to delay the work required to designate them formally as reserves.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

(a) Mining assets CONTINUED

ACCOUNTING POLICY CONTINUED

In assessing which resources to include so as to best reflect the useful life of the mine, management considers resources that have been included in the life-of-mine plan. To be included in the life-of-mine plan, resources need to be above the cut-off grade set by management, which means that the resource can be economically mined and is therefore commercially viable. This consistent systematic method for inclusion in the life-of-mine plan takes management's view of the gold price, exchange rates as well as cost inflation into account. In declaring the resource, management would have had to obtain a specified level of confidence of the existence of the resource through drilling as required by the South African Code for Reporting Exploration Results, Mineral Resources and Mineral Reserves (SAMREC).

Additional confidence in the existence, commercial viability and economical recovery of such resources may be based on historical experience and available geological information, such as geological information obtained from other operations that are contiguous to the group's as well as where the group mines continuations of these other operations' orebodies and reefs. This is in addition to the drilling results obtained by the group and management's knowledge of the geological setting of the surrounding areas, which would enable simulations and extrapolations to be done with a reasonable degree of accuracy.

In instances where management is able to demonstrate the economic recovery of such resources with a high level of confidence, such additional resources, which may also include certain, but not all, of the inferred resources, as well as the associated future development costs of accessing those resources, are included in the calculation of depreciation. The future development costs are those costs that need to be incurred to access these inferred resources, for example the costs to complete a decline or level, which may include infrastructure and equipping costs. These amounts have been extracted from the cash flow projections for the life-of-mine plans.

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.

Impairment

Testing for impairment is done in terms of the group policy as discussed in note 2.5.

Stripping activities

The removal of overburden and other mine waste materials is often necessary during the initial development of a mine site, in order to access the mineral ore deposit. The directly attributable cost of this activity is capitalised in full within mining assets under construction, until the point at which the mine is considered to be capable of commercial production.

The removal of waste material after the point at which a mine is capable of commercial production is referred to as production stripping.

When the waste removal activity improves access to ore extracted in the current period, the costs of production stripping are charged to the income statement as operating costs in accordance with the principles of IAS 2 Inventories.

Where production stripping activity both produces inventory and improves access to ore in future periods the associated costs of waste removal are allocated between the two elements. The portion which benefits future ore extraction is capitalised within stripping and development capital expenditure. If the amount to be capitalised cannot be specifically identified it is determined based on the volume of waste extracted compared with expected volume for the identified component of the orebody. Components are specific volumes of a mine's orebody that are determined by reference to the life-of-mine plan.

In certain instances significant levels of waste removal may occur during the production phase with little or no associated production. The cost of this waste removal is capitalised in full.

All amounts capitalised in respect of waste removal are depreciated using the units-of-production method based on proved and probable ore reserves of the component of the orebody to which they relate.

The effects of changes to the life-of-mine plan on the expected cost of waste removal or remaining reserves for a component are accounted for prospectively as a change in estimate.

14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

(a) Mining assets CONTINUED

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – GOLD MINERAL RESERVES AND RESOURCES

Gold mineral reserves and resources 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 and resources, 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 and resources 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 and resources change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves and resources may change from year to year. Changes in the reserves and resources 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; and
- 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 proved and probable gold mineral reserves and resources is updated. Depreciation of mining assets is prospectively adjusted, based on these changes.

SENSITIVITY ANALYSIS – GOLD MINERAL RESERVES AND RESOURCES EFFECT ON DEPRECIATION

The group includes certain inferred resources in the denominator and future development costs in the numerator when performing the depreciation calculation for certain of its operations, where proved and probable reserves alone do not provide a realistic indication of the useful life of mine (and related assets). During the periods presented, this related to the Doornkop South Reef and Masimong shafts. Had the group only used proved and probable reserves in its calculations, depreciation for 2014 would have amounted to R2 252 million (US$217.6 million) (2013: R2 127 million (US$241.2 million)), compared with the reported totals of R2 143 million (US$207.0 million) (2013: R2 001 million (US$226.9 million)). The 2013 figures have been restated to include the effect of the application of IFRIC 20 (refer to note 2.6).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – 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); and
- The ability to sustain the ongoing production of gold.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

(a) Mining assets CONTINUED

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – IMPAIRMENT OF 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, market risk, asset specific risks and country risk in determining the fair value.

Key assumptions for the calculations of the mining assets' recoverable amounts are the gold price, marketable discount rates (costs to sell), exchange rates and the annual life-of-mine plans. In determining the gold price to be used, management assesses the long-term views of several reputable institutions on the gold price and based on this, derives the gold price. The life-of-mine plans are based on the proved and probable reserves as included in the Reserve Declaration, which are determined in terms of SAMREC and JORC, as well as resources where management has high confidence in the orebody and economical recovery of gold, based on historic and similar geological experience.

During the year under review, the group calculated the recoverable amounts (generally fair value less costs to sell) based on updated life-of-mine plans and the following gold price and exchange rate assumptions:

	2014	2013		
		Short term	Medium term	Long term
		Year 1	Year 2	Year 3+
US$ gold price per ounce	**1 300**	1 250	1 300	1 400
Exchange rate (R/US$)	**10.17**	9.95	9.57	8.89
Rand gold price (R/Kg)	**425 000**	400 000	400 000	400 000

During this year's planning and testing, we used a long-term gold price of US$1 300 per ounce, a silver price of US$21 per ounce and exchange rates of R10.17/US$ for South African operations and rates of A$0.92/US$ and PGK0.404/US$ for PNG. The post-tax real discount rate for Hidden Valley was 9.33% (2013: 8.52%) and the post-tax real discount rates for the South African operations ranged between 7.03% and 11.56% (2013: 6.21% and 10.20%), depending on the asset, were used to determine the recoverable amounts (generally fair value less costs to sell). 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 and reversals of impairments recorded.

Should management's estimate of the future not reflect actual events, further impairments may be identified.

Factors affecting the estimates include:

- Changes to proved and probable ore reserves;
- Economical recovery of resources;
- The grade of the ore reserves may vary significantly from time to time;
- Review of strategy;
- Unforeseen operational issues at the mines;
- Differences between actual commodity prices and commodity price assumptions;
- Changes in the discount rate and foreign exchange rates; and
- Changes in capital, operating mining, processing and reclamation costs.

14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

(a) Mining assets CONTINUED

SENSITIVITY ANALYSIS – IMPAIRMENT OF ASSETS

One of the most significant assumptions that influence the life-of-mine plans and therefore impairments is the expected commodity prices. A 10% decrease in the commodity price assumptions used in the models would have resulted in an additional impairment at 30 June 2014 for Kalgold of R23 million (US$2.2 million), Phakisa R1.0 billion (US$94.3 million), Target 1 R704 million (US$66.4 million) and Hidden Valley of R1.5 billion (US$141.4 million). This analysis assumes that all other variables remain constant.

The movement in the mining assets balance is as follows:

SA rand			US dollar	
Restated 2013	**2014**	*Figures in million*	**2014**	Restated 2013
		Cost		
36 473	**40 521**	Balance at beginning of year	**4 060**	4 444
–	**(65)**	Elimination of fully depreciated and impaired assets no longer in use	**(7)**	–
2 700	**2 356**	Additions	**227**	305
(51)	**(2)**	Disposals	**–**	(5)
82	**13**	Adjustment to rehabilitation asset	**1**	8
685	**1 561**	Transfers and other movements	**151**	78
632	**(16)**	Translation	**(251)**	(770)
40 521	**44 368**	**Balance at end of year**	**4 181**	4 060
		Accumulated depreciation and impairments		
10 855	**15 663**	Balance at beginning of year	**1 569**	1 323
–	**(65)**	Elimination of fully depreciated and impaired assets no longer in use	**(7)**	–
2 720	**132**	Impairment of assets	**13**	273
(2)	**(1)**	Disposals	**–**	–
1 963	**2 137**	Depreciation	**206**	223
127	**19**	Translation	**(95)**	(250)
15 663	**17 885**	**Balance at end of year**	**1 686**	1 569
24 858	**26 483**	**Net carrying value**	**2 495**	2 491

Included in the balance for mining assets is an amount of R458 million (US$43.2 million) (2013: R547 million (US$54.8 million)) for stripping activities. Depreciation of R201 million (US$19.4 million) (2013: R59 million (US$6.7 million)) was recorded for these activities.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

(b) Mining assets under construction

ACCOUNTING POLICY

At the group's surface mines, when it has been determined that a mineral property can be economically developed as a result of establishing proved 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. These costs include costs to further delineate the orebody and remove overburden to initially expose the orebody. 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. 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.

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

Exploration properties acquired are recognised in the balance sheet within development cost and are shown at cost less provisions for impairment determined in accordance with the group's accounting policy on impairment of non-financial assets.

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.

Capitalisation of pre-production costs ceases when commercial levels of production are reached. Commercial levels of production are discussed under "production start date" above.

The movement in the mining assets under construction balance is as follows:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Cost		
1 028	**2 029**	Balance at beginning of year	**203**	125
1 496	**233**	Additions	**23**	170
25	**14**	Finance costs capitalised [1]	**1**	3
(161)	**–**	Disposals	**–**	(18)
(458)	**(1 159)**	Transfers and other movements	**(112)**	(52)
99	**(93)**	Translation	**(18)**	(25)
2 029	**1 024**	**Balance at end of year**	**97**	203

[1] *The average capitalisation rate applied was 3.4% (2013: 4.4%).*

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

(c) Undeveloped properties

ACCOUNTING POLICY

Undeveloped properties are initially valued at the fair value of resources obtained through acquisitions. The carrying values 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.

The movement in the undeveloped properties balance is as follows:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Cost		
6 094	**5 817**	Balance at beginning of year	**582**	743
(297)	**(402)**	Transfers and other movements	**(39)**	(36)
20	**24**	Translation	**(31)**	(125)
5 817	**5 439**	**Balance at end of year**	**512**	582
		Accumulated depreciation and impairments		
–	**13**	Balance at beginning of year	**1**	–
13	**–**	Impairment of assets	**–**	1
–	**1**	Translation	**–**	–
13	**14**	**Balance at end of year**	**1**	1
5 804	**5 425**	**Net carrying value**	**511**	581

(d) Other non-mining assets

ACCOUNTING POLICY

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

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

(d) Other non-mining assets CONTINUED

The movement in the non-mining assets balance is as follows:

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
		Cost		
365	**387**	Balance at beginning of year	**39**	45
–	**(15)**	Elimination of fully depreciated and impaired assets no longer in use	**(2)**	–
33	**109**	Additions	**11**	4
(13)	**–**	Disposals	**–**	(1)
2	**–**	Transfers and other movements	**–**	–
–	**–**	Translation	**(3)**	(9)
387	**481**	**Balance at end of year**	**45**	39
		Accumulated depreciation and impairments		
344	**346**	Balance at beginning of year	**35**	42
–	**(15)**	Elimination of fully depreciated and impaired assets no longer in use	**(2)**	–
12	**13**	Depreciation	**1**	1
(10)	**–**	Disposals	**–**	(1)
–	**–**	Translation	**(2)**	(7)
346	**344**	**Balance at end of year**	**32**	35
41	**137**	**Net carrying value**	**13**	4

(e) Additional disclosure for leased assets

ACCOUNTING POLICY

The group leases certain property, plant and equipment. Leases of property, plant and equipment, where the group has substantially transferred 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 cost, and the capital repayment, which reduces the liability to the lessor. The corresponding rental obligations, net of finance charges, are included in non-current 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.

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
18	**–**	Carrying value of capitalised leased assets (included in mining assets and mining assets under construction)	**–**	2
36	**–**	Cost	**–**	4
(18)	**–**	Accumulated depreciation	**–**	(2)
–	**–**	**Finance lease additions**	**–**	–

There were no leased assets as at 30 June 2014 and none of the assets listed above have been pledged or otherwise committed as security for any liabilities.

15 INTANGIBLE ASSETS

ACCOUNTING POLICY

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:

Goodwill

Goodwill is an intangible asset with an indefinite useful life which is not amortised but tested for impairment on an annual basis, or when there is an indication of impairment. The excess of consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill on acquisition of subsidiaries, joint ventures and businesses is 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. 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.

Technology-based assets

Acquired computer software licences that require further internal development are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These technology-based assets are classified as intangible assets with a finite useful life. These assets are amortised on a straight-line basis over their estimated useful lives, which are reviewed annually, as follows:

- Computer software at 20% per year.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – IMPAIRMENT OF GOODWILL

Due to the wasting nature of mining assets and the finite life of a mine's reserves, the allocation of goodwill to a shaft will eventually result in an impairment charge for the goodwill. The group tests annually whether separately identifiable goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.5. These calculations use estimates as per note 14.

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
2 153	**846**	Goodwill (a)	**80**	216
38	**40**	Technology-based assets (b)	**4**	4
2 191	**886**	**Total intangible assets**	**84**	220

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

15 INTANGIBLE ASSETS CONTINUED

(a) Goodwill

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Cost		
2 373	**2 373**	Balance at beginning of year	**238**	290
–	**–**	Translation	**(14)**	(52)
2 373	**2 373**	**Balance at end of year**	**224**	238
		Accumulated amortisation and impairments		
220	**220**	Balance at beginning of year	**22**	27
–	**1 307**	Impairment for the year [1]	**123**	–
–	**–**	Translation	**(1)**	(5)
220	**1 527**	**Balance at end of year**	**144**	22
2 153	**846**	**Net carrying value**	**80**	216
		The net carrying value of goodwill has been allocated to the following cash-generating units:		
224	**224**	Bambanani	**21**	23
558	**581**	Tshepong [2]	**55**	56
1 330	**–**	Phakisa [1, 2]	**–**	133
41	**41**	Joel	**4**	4
2 153	**846**	**Net carrying value**	**80**	216

[1] The goodwill of Phakisa amounting to R1 307 million (US$123.2 million), was impaired on 30 June 2014 as the carrying value exceeds the fair value less costs to sell of the cash-generating unit. Refer to note 14 for details of the assumptions used in the impairment test.

[2] Certain resources were transferred from Phakisa to Tshepong, resulting in the related goodwill amounting to R23 million (US$2.2 million) being transferred from Phakisa to Tshepong.

(b) Technology-based assets

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Cost		
164	**169**	Balance at beginning of year	**17**	20
5	**13**	Additions	**1**	1
–	**–**	Translation	**(1)**	(4)
169	**182**	**Balance at end of year**	**17**	17
		Accumulated amortisation and impairments		
121	**131**	Balance at beginning of year	**13**	15
10	**11**	Amortisation charge for the year	**1**	1
–	**–**	Translation	**(1)**	(3)
131	**142**	**Balance at end of year**	**13**	13
38	**40**	**Net carrying value**	**4**	4

Technology-based assets include computer software and intellectual property which has been acquired and developed for the group. These assets are amortised over five years.

ACCOUNTING POLICY – FINANCIAL ASSETS (APPLICABLE TO NOTES 16, 17, 18 AND 19)

Financial assets are initially measured at fair value when the group becomes a party to their contractual arrangements, with the exception of loans and receivables which are recognised on origination date. 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 assets 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.

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 or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The group classifies financial assets as follows:

- **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. Loans and receivables include trade and other receivables (excluding VAT and prepayments), restricted cash and 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.
  - **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. 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.
- **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 the investment matures or 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. 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.

  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 considered impaired, the cumulative loss is removed from other reserves and recognised in the income statement. Subsequent increases in the fair value are recognised in equity as impairment losses recognised in the income statement are not reversed through the income statement.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

ACCOUNTING POLICY – FINANCIAL ASSETS CONTINUED

- **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 group assesses at the end of each reporting period whether there is objective evidence that a held-to-maturity investment is impaired as a result of an event.

  A portion of restricted investments held by the trust funds (refer to note 17) are classified as held-to-maturity investments.

- **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 or loss at inception. 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.

16 RESTRICTED CASH

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
37	**42**	**Non-current**	**4**	4
26	**33**	Environmental guarantees (a)	**3**	3
9	**9**	Lease security deposits	**1**	1
2	**–**	Cash management account	**–**	–
–	**15**	**Current**	**1**	–
–	**15**	Environmental rehabilitation (b)	**1**	–
37	**57**	**Total restricted cash**	**5**	4

(a) The amount relates to funds set aside to serve as collateral against guarantees made to the Department of Mineral Resources (DMR) in South Africa for environmental and rehabilitation obligations. Refer to note 25. A portion of the funds are held on call account and the rest is invested in money market funds.

(b) The amount relates to monies released from the environmental trusts as approved by the DMR. These funds may only be used for further rehabilitation.

17 RESTRICTED INVESTMENTS

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
2 009	**2 252**	Investments held by environmental trust funds (a)	**213**	201
45	**47**	Investments held by social trust funds (b)	**4**	5
2 054	**2 299**	**Total restricted investments**	**217**	206

(a) Environmental trust funds

The environmental trust funds consist of:

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
1 013	**1 086**	Held-to-maturity financial assets	**103**	101
–	**415**	Cash and cash equivalents (loans and receivables)	**39**	–
996	**751**	Fair value through profit or loss financial assets	**71**	100
2 009	**2 252**	**Total environmental trust funds**	**213**	201

17 RESTRICTED INVESTMENTS CONTINUED

(a) Environmental trust funds CONTINUED

ACCOUNTING POLICY

Contributions are made to the group's environmental 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. The trusts are consolidated into the group as the group exercises control of the trusts. The measurement of the investments held by the trust funds is dependent on their classification under financial assets. Income received and gains are treated in accordance with these classifications.

The environmental trust funds are irrevocable trusts under the group's control. Contributions to the trusts are invested in interest-bearing short-term and medium-term cash investments and equity-linked notes issued by commercial banks that provide guaranteed interest and additional interest or growth linked to the growth of the Shareholder Weighted Top 40 index (SWIX 40) of the JSE. The equity-linked notes are designated fair value through profit or loss investments and recorded at fair value whilst the interest-bearing short-term investments are classified either as held-to-maturity and recorded at amortised cost or as cash and cash equivalents and recorded at fair value. These investments provide for the estimated cost of rehabilitation at the end of the life of the group's mines. Income earned on the investments is retained in the funds and reinvested.

During 2013, a decision was made to diversify the credit risk concentration of the Nedbank equity-linked deposits. These funds were moved into short-term and medium-term fixed deposits with other banking institutions of good credit quality. These investments were classified as held-to-maturity investments at the time.

Reconciliation of the movement in the investments held by environmental trust funds:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
1 804	**2 009**	Balance at beginning of year	**201**	219
35	**66**	Interest income	**6**	4
170	**168**	Fair value gain	**16**	19
–	**(15)**	Withdrawal of funds	**(1)**	–
–	**(413)**	Equity-linked deposits matured	**(40)**	–
(798)	**–**	Disposal of equity-linked deposits	**–**	(91)
798	**(2)**	Acquisition of held-to-maturity investments	**–**	91
–	**415**	Net acquisition of cash and cash equivalents	**40**	–
–	**24**	Contributions made	**2**	–
–	**–**	Translation	**(11)**	(41)
2 009	**2 252**	**Balance at end of year**	**213**	201

(b) The social trust fund

The social trust fund is an irrevocable trust under the group's control. The group undertook 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 R18.5 million (US$2.7 million) was made during the 2004 year. Thereafter instalments of R3.5 million per annum were made with the final instalment 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 as to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

During 2013, the funds were moved into an investment that is exposed to the fair value changes in the market and the investment has been classified as fair value through profit or loss.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

17 RESTRICTED INVESTMENTS CONTINUED

(b) The social trust fund CONTINUED

Reconciliation of the movement in the investments held by the social trust fund:

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
38	**45**	Balance at beginning of year	**5**	5
4	**–**	Contributions made	**–**	1
3	**2**	Interest income	**–**	–
3	**2**	Fair value gain	**–**	1
(3)	**(2)**	Claims paid	**–**	–
–	**–**	Translation	**(1)**	(2)
45	**47**	**Balance at end of year**	**4**	5

18 INVESTMENTS IN FINANCIAL ASSETS

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
146	**49**	Balance at beginning of year	**5**	18
86	**–**	Additions (a)	**–**	9
(79)	**6**	Fair value movement of available-for-sale investments (a) (b)	**1**	(9)
(14)	**–**	Reversal of fair value movements on acquisition of associate (a)	**–**	(2)
(90)	**–**	Reclassification to investment in associates (a)	**–**	(9)
–	**(51)**	Disposals (b)	**(5)**	–
–	**–**	Translation	**(1)**	(2)
49	**4**	**Balance at end of year**	**–**	5
		The carrying amount consists of the following:		
		Available-for-sale financial assets:		
44	**–**	Investment in listed shares - Wits Gold (b)	**–**	4
5	**4**	Investment in unlisted shares (c)	**–**	1
49	**4**	**Total available-for-sale financial assets**	**–**	5

(a) At 1 July 2012, the group held a 1.8% interest in Rand Refinery (Proprietary) Limited (Rand Refinery) of R9 million (US$1.1 million), which was classified as an available-for-sale financial asset. The group purchased additional shares during 2013, taking the group's interest to just more than 10% and allowing for the appointment of a director to the Rand Refinery board. This resulted in the group being able to exercise a significant influence over the operations of Rand Refinery and as such the investment was classified as an investment in associates. Refer to note 20.

During 2013, an amount of R9 million (US$1.1 million) was recorded in the fair value reserve for the investment. On the acquisition of the associate, the cumulative fair value gains were reversed from the fair value reserve and the cost of the investment reclassified to investments in associates.

(b) Included in the amount for 2014 is a net increase in fair value of R7 million (US$0.7 million) for the investment in Wits Gold. During the December 2013 quarter, a cash offer for Wits Gold's entire share capital was made to all Wits Gold shareholders by Sibanye. Harmony accepted the offer and on 14 April 2014 a total consideration of R51 million (US$4.9 million) was received. The accumulated gain of R14 million (US$1.3 million) recognised in equity during the year was reclassified to the income statement, offsetting the impairment recognised during the year, resulting in a profit on disposal.

(c) These investments have been valued by the directors by performing independent valuations on an annual basis to ensure that no significant prolonged decline in the value of the investments has occurred.

19 TRADE AND OTHER RECEIVABLES

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Current		
		Financial assets:		
164	**147**	Trade receivables (gold)	**14**	16
170	**190**	Other trade receivables	**18**	17
(35)	**(59)**	Provision for impairment	**(6)**	(3)
299	**278**	Trade receivables – net	**26**	30
14	**4**	Loans to associates and joint arrangements (a)	**–**	1
603	**400**	Interest and other receivables (b)	**38**	60
28	**12**	Employee receivables	**1**	3
		Non-financial assets:		
60	**50**	Prepayments	**5**	6
158	**207**	Value added tax	**20**	16
1 162	**951**	**Total current trade and other receivables**	**90**	116
		Non-current assets		
		Financial assets:		
116	**116**	Loans to associates (c)	**11**	12
(116)	**(116)**	Provision for impairment (c)	**(11)**	(12)
–	**–**	**Total non-current trade and other receivables**	**–**	–

(a) The 2013 balance is due from the Morobe Mining Joint Ventures (MMJV) companies in PNG, for services and goods supplied in terms of the service level agreements entered into between the group and the joint arrangements.

(b) Included in the balance for the 2014 financial year is the self-insurance fund of R173 million (US$16.3 million) (2013: R323 million (US$32.4 million)). Included in the 2013 balance is an amount of R69 million (US$6.9 million) due from Evander.

Also included in interest and other receivables for the 2013 financial year is an amount of R17 million (US$1.7 million) owing by Pamodzi in terms of the asset purchase agreement, for rehabilitation trust funds to be released to the group. These funds were received in June 2014.

No impairment allowance is necessary in respect of any balances included in interest and other receivables as all amounts are classified as fully performing.

(c) The balance in 2014 comprises R116 million (US$10.9 million) (2013: R116 million (US$11.6 million)) owed by Pamodzi. Pamodzi was placed into liquidation during 2009 and the loan was provided in full. Harmony is a concurrent creditor in the Pamodzi Orkney liquidation.

The movement in the provision for impairment of trade receivables during the year was as follows:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
35	**35**	Balance at beginning of year	**3**	4
8	**28**	Impairment loss recognised	**3**	1
(6)	**(4)**	Reversal of impairment loss	**–**	(1)
(2)	**–**	Translation	**–**	(1)
35	**59**	**Balance at end of year**	**6**	3

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

19 TRADE AND OTHER RECEIVABLES CONTINUED

The movement in the provision of loans receivables during the year was as follows:

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
116	**116**	Balance at beginning of year	**12**	14
–	**–**	Translation	**(1)**	(2)
116	**116**	**Balance at end of year**	**11**	12

The ageing of trade receivables at the reporting date was:

SA rand			US dollar	
Impairment	Gross	*Figures in million*	Gross	Impairment
		30 June 2014		
–	**229**	Fully performing	**22**	**–**
–	**24**	Past due by 1 to 30 days	**2**	**–**
–	**4**	Past due by 31 to 60 days	**–**	**–**
–	**10**	Past due by 61 to 90 days	**1**	**–**
14	**16**	Past due by more than 90 days	**2**	**2**
45	**54**	Past due by more than 361 days	**5**	**4**
59	**337**		**32**	**6**
		30 June 2013		
–	249	Fully performing	25	–
–	20	Past due by 1 to 30 days	2	–
–	16	Past due by 31 to 60 days	1	–
–	6	Past due by 61 to 90 days	1	–
14	20	Past due by more than 90 days	2	1
21	23	Past due by more than 361 days	2	2
35	334		33	3

The ageing of loans receivable at the reporting date was:

SA rand			US dollar	
Impairment	Gross	*Figures in million*	Gross	Impairment
		30 June 2014		
–	**–**	Fully performing	**–**	**–**
–	**–**	Past due by 1 to 30 days	**–**	**–**
–	**–**	Past due by 31 to 60 days	**–**	**–**
–	**–**	Past due by 61 to 90 days	**–**	**–**
116	**116**	Past due by more than 361 days	**11**	**11**
116	**116**		**11**	**11**
		30 June 2013		
–	–	Fully performing	–	–
–	–	Past due by 1 to 30 days	–	–
–	–	Past due by 31 to 60 days	–	–
–	–	Past due by 61 to 90 days	–	–
116	116	Past due by more than 361 days	12	12
116	116		12	12

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

19 TRADE AND OTHER RECEIVABLES CONTINUED

Based on past experience, the group 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 group. Similarly, the other loans and receivables noted above, other than those provided for, are fully performing and considered to be a low credit risk.

During 2014 and 2013 there was no renegotiation of the terms of any receivable.

As at 30 June 2014 and 30 June 2013, there was no collateral pledged or held for any of the receivables.

20 INVESTMENTS IN ASSOCIATES

(a) Harmony acquired a 32.4% interest in Pamodzi on 27 February 2008, initially valued at R345 million (US$46.5 million). Pamodzi was listed on the JSE and had interests in operating gold mines in South Africa. Pamodzi was placed in liquidation in March 2009 and the trading of its shares on the JSE was suspended. As at 30 June 2014, the liquidation process has not been concluded. No financial information subsequent to 31 March 2009 is available and therefore no information has been disclosed.

(b) At 1 July 2012, the group held 1.8% of the shares of Rand Refinery. An additional 8.5% interest was purchased in three tranches during 2013, resulting in a total shareholding of 10.38% since 31 May 2013. Although the group holds less than 20% of the equity shares of Rand Refinery, the group is able to exercise significant influence by virtue of having a right to appoint a director on the board. The investment was previously accounted for as available-for-sale (refer to note 18 for further detail), but since the 10% shareholding was attained and with the right to appoint a director on the board, the investment has been accounted for as an associate. As part of the accounting for the acquisition, the group elected the cost method for step acquisitions (refer to note 2.1) and has reversed the cumulative fair value gains recognised in other reserves prior to the acquisition of the investment in associate. Offsetting this, the group has recognised its share of Rand Refinery's retained earnings for the previously held interest, which amounted to R19 million (US$2.1 million) in the 2013 financial year.

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
–	**109**	Balance at beginning of year	**11**	–
90	**–**	Reclassified from investment in financial assets	**–**	9
19	**–**	Share of retained earnings on acquisition of an associate	**–**	2
–	**(109)**	Share of losses (i)	**(10)**	–
–	**–**	Translation	**(1)**	–
109	**–**	**Balance at end of year**	**–**	11

(i) Harmony has equity accounted for its share of the profits and losses based on Rand Refinery's most recent available management accounts, adjusted for transactions that management deemed necessary to reflect the group's financial position.

One of the adjustments relate to the implementation of a new Enterprise Resource Planning (ERP) system at Rand Refinery on 1 April 2013 to conduct its financial and management accounting. Since the implementation of the ERP software, the customisation of the software has been problematic with the result that Rand Refinery has not been able to reconcile certain accounts at 30 September 2013 and therefore has not been able to finalise its annual financial statements for the year. Rand Refinery's management team is currently resolving the problems encountered with the ERP software and is in the process of investigating the transactions processed from 1 April 2013 on the ERP system to determine if any adjustments to their current financial records are required. Thus far a discrepancy has been noted between the actual inventory and the accounting records of approximately 87 000 ounces of gold. Due to the uncertainty surrounding the matter, Harmony has reflected its full share of the loss as an adjustment to the management accounts. Therefore, Harmony has recognised a R127 million (US$12.0 million) loss in the 2014 financial statements to account for its share of this discrepancy.

(ii) As a precautionary measure following the challenges experienced by the implementation of the software system, Rand Refinery's shareholders have extended Rand Refinery an irrevocable, subordinated loan facility of up to R1.2 billion (US$113.1 million), which can only be drawn down when there is confirmation that an actual loss has been recorded by Rand Refinery relating to the ERP Implementation. The facility, if drawn down, is convertible to equity after a period of two years. Harmony's maximum commitment in terms of this facility will be R140 million (US$13.2 million). Interest on the facility will be JIBAR plus a margin of 3.5%. The agreements relating to the facility were signed on 23 July 2014.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

20 INVESTMENTS IN ASSOCIATES CONTINUED

The results of Rand Refinery, and its aggregated assets (including goodwill) and liabilities, excluding management adjustments, are as follows as at 30 June 2014:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
464	**663**	Non-current assets	**62**	46
503	**1 419**	Current assets	**134**	50
389	**1 196**	Other current assets (excluding cash and cash equivalents)	**113**	39
114	**223**	Cash and cash equivalents	**21**	11
967	**2 082**	**Total assets**	**196**	96
53	**54**	Non-current liabilities	**5**	5
157	**926**	Current liabilities	**87**	16
210	**980**	**Total liabilities**	**92**	21
893	**850**	Revenue	**82**	101
240	**169**	Profit or loss from continuing operations	**16**	27
–	**(7)**	Other comprehensive income	**(1)**	–
240	**162**	Total comprehensive income	**15**	27
10%	**10%**	**Percentage interest held**	**10%**	10%

Rand Refinery's year end is 30 September.

21 INVESTMENT IN JOINT OPERATIONS

MOROBE MINING JOINT VENTURES (MMJV) PARTNERSHIP AGREEMENT (50%)

The group has a 50% interest in mining and exploration assets located in the Morobe province, PNG. Newcrest Mining Limited (Newcrest) owns the remaining 50% interest in these assets. The assets include the Hidden Valley mine and the Wafi-Golpu projects. This partnership was formed during the 2009 financial year through a range of transactions, which included Newcrest's purchase of a 30.01% participating interest and a further farm-in of an additional 19.99% participating interest in the assets. The total value of the transaction was estimated at US$530 million (R3 609 million) and was completed by 30 June 2009.

The following are the group's effective share of income, expenses, assets and liabilities, which are included in the 2014 consolidated financial statements:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
50%	**50%**		**50%**	50%
1 189	**1 434**	Revenue	**139**	135
(1 204)	**(1 090)**	Production costs	**(105)**	(137)
(15)	**344**	Production profit/(loss)	**34**	(2)
(2 675)	**–**	Impairment	**–**	(268)
(514)	**(387)**	Exploration expenditure	**(37)**	(58)
(387)	**(581)**	Other costs	**(56)**	(46)
(387)	**–**	Taxation expense	**–**	(36)
(3 978)	**(624)**	**Net loss**	**(59)**	(410)
4 971	**4 672**	Non-current assets	**440**	498
1 050	**932**	Current assets	**88**	105
883	**837**	Other current assets (excluding cash and cash equivalents)	**79**	88
167	**95**	Cash and cash equivalents	**9**	17
6 021	**5 604**	**Total assets**	**528**	603
247	**345**	Non-current liabilities	**32**	25
578	**242**	Current liabilities	**23**	58
825	**587**	**Total liabilities**	**55**	83

22 INVENTORIES

ACCOUNTING POLICY

Inventories, which include bullion on hand, gold in-process, gold in lock-up, ore stockpiles and consumables, are measured at the lower of cost and net realisable value. Net realisable value is assessed at each reporting date and is determined with reference to relevant market prices.

The cost of bullion, gold in-process and gold in lock-up is determined by reference to production cost, including amortisation and depreciation at the relevant stage of production. Ore stockpiles are valued at average production cost. Stockpiles and gold in lock-up are classified as non-current assets where the stockpile exceeds current processing capacity and where a portion of static gold in lock-up is expected to be recovered more than 12 months after balance sheet date.

Gold in-process inventories represent materials that are currently in the process of being converted to a saleable product. 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 or stockpile plus the in-process conversion costs, including the applicable depreciation relating to the process facility, incurred to that point in the process. Gold in-process includes gold in lock-up which is generally measured from the plants onwards. Gold in lock-up is expected to be extracted when plants are demolished at the end of their useful lives, which is largely dependent on the estimated useful life of the operations feeding the plants. 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. At the group's open pit operations, gold in-process represents production in broken ore form.

Consumables are valued at weighted average cost value after appropriate allowances for slow moving and redundant items.

SA rand			US dollar	
Restated 2013	**2014**	*Figures in million*	**2014**	Restated 2013
57	**50**	Gold in lock-up	**5**	6
696	**797**	Gold in-process, ore stockpiles and bullion on hand [1]	**75**	70
721	**737**	Consumables at weighted average cost	**70**	72
1 474	**1 584**	Total inventories	**150**	148
(57)	**(50)**	Non-current portion of gold in lock-up and gold in-process	**(5)**	(6)
1 417	**1 534**	**Total current portion of inventories**	**145**	142
		Included in the balance above is:		
151	**221**	Inventory valued at net realisable value	**21**	15

[1] *Included in the gold in-process, ore stockpiles and bullion on hand figure for the 2013 financial year is an IFRIC 20 adjustment of R8 million (US$0.8 million).*

During the 2014 financial year, a write-down of R7 million (US$0.7 million) (2013: R10 million (US$1.0 million)) was made for the net realisable value adjustment for gold in lock-up.

During the 2013 financial year, write-downs of R19 million (US$1.9 million) relating to certain stockpiles were made.

During the year, an increase of R15 million (US$1.4 million) (2013: reversal of R9 million (US$0.9 million)) to the provision for slow moving and redundant stock was made. The increase was primarily the result of additional redundant stock items being identified in PNG and taken into account. The reversal in 2013 was primarily the result of a process of improving stock management. The total provision at 30 June 2014 was R68 million (US$6.4 million) (2013: R53 million (US$5.3 million)).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

23 SHARE CAPITAL

ACCOUNTING POLICY

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.

The cost of treasury shares is eliminated against the share capital balance.

Authorised

1 200 000 000 (2013: 1 200 000 000) ordinary shares of 50 SA cents each.

Issued

435 825 447 (2013: 435 289 890) ordinary shares of 50 SA cents each. All issued shares are fully paid.

The Remuneration Report in the Integrated Annual Report (refer to Directors' emoluments) and note 32 set out details in respect of the share option scheme and shares held in trust for the employees of the group.

Share issues

Shares issued in the 2013 and 2014 financial years relate to the exercise of share options by employees. During August 2012, 3.5 million shares were issued to Tlhakanelo Trust, the vehicle used for the employee share ownership plan.

Treasury shares

Included in the total of issued shares is an amount of 335 shares held by Lydenburg Exploration Limited, a wholly owned subsidiary of the company.

During August 2012, 3.5 million shares were issued to the Tlhakanelo Trust. As the trust is controlled by the group, the shares are treated as treasury shares. During 2014, 828 921 (2013: 937 548) shares were exercised by employees and the remaining 1 733 531 shares are still held as treasury shares.

24 OTHER RESERVES

SA rand			US dollar	
Restated 2013	2014	*Figures in million*	2014	Restated 2013
2 633	**2 525**	Foreign exchange translation reserve (a)	**(1 010)**	(804)
(1)	**(2)**	Fair value movement of available-for-sale financial assets (b)	**–**	–
277	**277**	Equity component of convertible bond (c)	**41**	41
(381)	**(381)**	Acquisition of non-controlling interest in subsidiary (d)	**(57)**	(57)
1 041	**1 278**	Share-based payments (e)	**159**	136
(98)	**(98)**	Repurchase of equity interest (f)	**(13)**	(13)
(29)	**(60)**	Other (g)	**(7)**	(4)
3 442	**3 539**	**Total other reserves**	**(887)**	(701)

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

SA rand			US dollar	
Restated 2013	2014	*Figures in million*	2014	Restated 2013
1 891	**2 633**	Balance at beginning of year	**(804)**	(139)
729	**(108)**	Current year's foreign exchange movement	**(206)**	(667)
13	**–**	Tax on foreign exchange movement	**–**	2
2 633	**2 525**	**Balance at end of year**	**(1 010)**	(804)

24 OTHER RESERVES CONTINUED

(b) The balance of the fair value movement reserve represents the movement in the fair value of the available-for-sale financial assets. For details on the movement, refer to note 18.

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
4	**(1)**	Balance at beginning of year	**–**	1
(79)	**13**	Fair value movement – unrealised	**1**	(9)
–	**(14)**	Fair value movement – realised portion reclassified to profit or loss	**(1)**	–
88	**–**	Impairment recognised in profit or loss	**–**	10
(14)	**–**	Reversal of fair value movement on acquisition of associate	**–**	(2)
(1)	**(2)**	**Balance at end of year**	**–**	–

(c) On 24 May 2004, the group issued a convertible bond. The amount representing the value of the equity conversion component is included in other reserves, net of deferred income taxes. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods. The convertible bonds were repaid in 2009.

(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 Limited, 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$57 million), has been accounted for under other reserves.

(e) Share-based payments

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
767	**1 041**	Balance at beginning of year	**136**	106
251	**237**	Share-based payments expensed (i)	**23**	28
23	**–**	PhoenixCo option (ii)	**–**	2
1 041	**1 278**	**Balance at end of year**	**159**	136

(i) The group issues equity-settled instruments to certain qualifying employees under an employee share option scheme and employee share ownership plan (ESOP) 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 the 2014 financial year, the equity-settled share-based payment expense of R237 million (US$22.9 million) (2013: R251 million (US$28.4 million)) was charged to the income statement (refer to note 32 for more details).

(ii) On 20 March 2013, Harmony signed transaction and funding agreements to give effect to an empowerment transaction to dispose of 30% of its Free State based Phoenix tailings operation (Phoenix) to BEE shareholders (refer to note 32 for more details).

(f) On 19 March 2010, Harmony Gold Mining Company Limited concluded an agreement with African Vanguard Resources (Proprietary) Limited (AVRD), for the purchase of its 26% share of the mining titles of the Doornkop South Reef. The original sale of the 26% share in the mining titles was accounted for as an in-substance call option by AVRD over the 26% mineral right. The agreement to purchase AVRD's 26% interest during the 2010 financial year is therefore considered to be a repurchase of the option (equity interest). The 26% interest was transferred from AVRD to Harmony in exchange for Harmony repaying the AVRD Nedbank loan and the issue of 2 162 359 Harmony shares. The difference between the value of the shares issued of R152 million (US$20.5 million), the liability to the AVRD and transaction costs, have been taken directly to equity.

(g) Included in the 2014 financial year is an amount of R31 million (US$2.9 million) net of tax of R7 million (US$0.7 million) relating to an actuarial loss on post-retirement benefits recognised in other comprehensive income (refer to note 27 for more details).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

ACCOUNTING POLICY – PROVISIONS (APPLICABLE TO NOTES 25, 26 AND 27)

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 net present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The estimate takes into account the associated risks and uncertainties. The increase in the provision due to the passage of time is recognised as 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.

25 PROVISION FOR ENVIRONMENTAL REHABILITATION

ACCOUNTING POLICY

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 disturbances to date, the net present value of expected rehabilitation cost estimates is 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 cost 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. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, impairment is performed in accordance with the accounting policy dealing with impairments of non-financial assets. 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant judgement is applied in estimating ultimate rehabilitation cost that will be required in future to rehabilitate the group's mines. Ultimate cost may significantly differ from current estimates.

For the South African operations, management used an inflation rate of 6.50% (2013: 6.00%) 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 dependent on the shaft's life of mine and are as follows: for 12 months – 6.75% (2013: 5.30%); for one to five years – 7.75% (2013: 6.20%); for six to nine years – 8.00% (2013: 6.40%) and for ten years or more – 8.25% (2013: 7.25%) These estimates were based on recent yields determined on government bonds.

In calculating the rehabilitation liability in PNG for 2014, an inflation rate of 2.9% (2013: 2.5%) was used, together with a discount rate of 6.25% (2013: 6.80%).

The group's mining and exploration activities are subject to extensive environmental laws and regulations. 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.

25 PROVISION FOR ENVIRONMENTAL REHABILITATION CONTINUED

The following is a reconciliation of the total liability for environmental rehabilitation:

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
		Provision raised for future rehabilitation		
1 865	**1 997**	Balance at beginning of year	**200**	227
82	**13**	Change in estimate – Balance sheet	**1**	8
(89)	**(45)**	Change in estimate – Income statement	**(4)**	(9)
118	**138**	Time value of money and inflation component of rehabilitation costs	**13**	14
21	**(5)**	Translation	**(12)**	(40)
1 997	**2 098**	**Total provision for environmental rehabilitation**	**198**	200

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 undiscounted cost for the mines, in the current monetary terms, is approximately R3 004 million (US$283.1 million) (2013: R2 612 million (US$261.7 million)).

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
		Future net undiscounted obligation		
2 612	**3 004**	Ultimate estimated rehabilitation cost	**283**	262
(2 009)	**(2 252)**	Amounts invested in environmental trust funds (Refer to note 17)	**(213)**	(201)
603	**752**	**Total future net undiscounted obligation**	**70**	61

The group intends to finance the ultimate rehabilitation costs from the money invested in environmental trust funds as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure. The group has guarantees in place, some cash-backed, relating to some of the environmental liabilities. Refer to notes 16 and 34.

During 2013 and 2014, the group rehabilitated certain decommissioned operations in the Free State as part of its overall strategy of eliminating safety and health exposures and reducing environmental liability. Kalgold is currently working closely with the DMR to determine the best solution for rehabilitating certain of the pits that have been mined out.

26 OTHER NON-CURRENT LIABILITIES

ACCOUNTING POLICY

Refer to the accounting policy on provisions and note 32 for the accounting policy on share-based payments.

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
		Financial liabilities:		
–	**22**	Sibanye Beatrix ground swap royalty provision (a)	**2**	–
		Non-financial liabilities:		
13	**15**	ESOP share-based payment liability (b)	**1**	1
42	**58**	Other (c)	**6**	4
55	**95**	**Total other non-current liabilities**	**9**	5

(a) During 2014, Harmony and Sibanye entered into an agreement whereby the Joel mine exchanged two portions of its mining right for two portions of Sibanye's Beatrix mine's mining right, as well as acquiring two additional portions from Beatrix (sale portions). The transaction was completed in May 2014. The purchase consideration of the sale portions acquired by Joel is payable as a royalty of 3% on gold revenue generated from these two portions. The royalty liability recorded in 2014 is the net present value of 3% of future estimated gold revenue of the sale portions. Refer to note 14(a) for further details on the key assumptions for the calculation of the provision, which is based on the life-of-mine plan of Joel. Refer to note 6 for details on the profit recognised.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

26 OTHER NON-CURRENT LIABILITIES CONTINUED

(b) The liability relates to the cash-settled share-based payment transaction following the award of ESOP share appreciation rights (SARs) to qualifying employees through the Tlhakanelo Employee Share Trust. Refer to note 32 for more details.

(c) Included in Other is a provision of R57 million (US$5.4 million) (2013: R42 million (US$4.2 million)) relating to the pumping and treatment costs of fissure water in the Klerksdorp, Orkney, Stilfontein and Hartbeesfontein (KOSH) Basin. This provision was raised following the High Court's dismissal of Harmony's application to have a directive issued by the Department of Water Affairs (DWAF) in November 2005 set aside, as it relates to the Orkney operations, which were sold in 2008. The appeal application heard in November 2013 was unsuccessful and Harmony has consequently entered into separate negotiations with the claimants. Subsequent to year-end, Harmony made a payment to Simmer and Jack Investments (Pty) Limited amounting to R24 million (US$2.3 million) and a payment of R30 million (US$2.8 million) to AngloGold Ashanti Limited, the two claimants in the matter, as full and final settlement.

27 RETIREMENT BENEFIT OBLIGATION

ACCOUNTING POLICY

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 at the present value of the estimated future cash outflows using high quality corporate bond interest rates consistent with the terms and risks of the obligation. Actuarial gains and losses as a result of these valuations are recognised in other comprehensive income (OCI) at revaluation date. Actuarial gains and losses recognised in OCI will not be recycled to profit or loss. The future liability for current and retired employees and their dependants is accrued in full based on actuarial valuations obtained annually.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

An updated actuarial valuation is carried out at the end of each financial year. Assumptions used to determine the liability include a discount rate of 10.5%, 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 8.6% (2013: discount rate of 9.3%, 60 years and 7.3% inflation rate).

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

(a) 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 subsidiaries. The pension funds are multi-employer defined contribution industry plans. The group's liability is therefore limited to its monthly determined contributions.

The provident funds are funded on a "monetary 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 9.25% of gross salary and wages for the 2014 year (2013: 9%). The fund is a defined contribution plan.

The PNG Superannuation Act 2002 requires a compulsory employer contribution of 8.4% (2013: 8.4%) into an approved superannuation (pension) fund if an employee is appointed for a period of three months or more. The approved superannuation funds are defined contribution plans.

Substantially all the group's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the group for the 2014 financial year amounted to R494 million (US$47.7 million) (2013: R508 million (US$57.6 million)).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

27 RETIREMENT BENEFIT OBLIGATION CONTINUED

(b) Post-retirement benefits other than pensions

Harmony inherited a post-retirement medical benefit obligation, which existed at the time of the Freegold acquisition in 2002. The group's obligation in this regard is to pay a subsidy of 2% for every completed year of employment up to a maximum of 50% of total medical aid contributions, commencing on date of retirement. Should the employee die, either in service or after retirement, this benefit will transfer to his/her dependants. The medical aid tariffs are based on the Bestmed medical scheme (Bestmed) options. Effective 1 September 2013, Minemed was amalgamated with Bestmed medical scheme and the rates have been updated accordingly. Except for the pre-mentioned employees, Harmony has no other post-retirement obligation for the other group employees.

The liability is unfunded and will be settled out of cash and cash equivalents when it becomes due. The liability is based on an actuarial valuation conducted during the year ended 30 June 2014, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2015.

The principal actuarial assumptions used to determine the present value of unfunded obligations are discussed above. In addition the following was also considered:

- It is assumed that all Continuation and Widow Members (CAWMs) will remain on the current benefit option and income band. For employed members, post-employment contributions were assumed to be equal to the average payable for the current CAWMs membership;
- It is assumed that not all employed members will remain employed until retirement therefore estimated resignation and ill-health retirement rates are also taken into account;
- It is assumed that 90% of employed members will be married at retirement or earlier death and that wives are four years younger than their husbands. It is assumed that the only dependants will be spouses.

Through the post-employment medical plan, the group is exposed to a number of risks, the most significant of which are detailed below:

- **Change in bond yields:** A decrease in the bond yields will increase the plan liability.
- **Inflation risk:** The obligation is linked to inflation and higher inflation will lead to a higher liability.
- **Life expectancy:** The obligation is to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

The net actuarial loss for 2014 was as a result of the change in medical scheme from Minemed to Bestmed.

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
194	**247**	Present value of unfunded obligations	**23**	19
114	**149**	Current employees	**14**	11
80	**98**	Retired employees	**9**	8
		Movement in the liability recognised in the balance sheet:		
177	**194**	Balance at beginning of year	**19**	22
(6)	**(7)**	Contributions paid	**(1)**	(1)
4	**4**	Other expenses included in staff costs/current service cost	**–**	–
17	**18**	Finance cost	**2**	2
2	**38**	Net actuarial loss recognised during the year	**4**	–
–	**–**	Translation	**(1)**	(4)
194	**247**	**Balance at end of year**	**23**	19

The net actuarial loss has been recorded in other comprehensive income in the 2014 year.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

27 RETIREMENT BENEFIT OBLIGATION CONTINUED

(b) Post-retirement benefits other than pensions CONTINUED

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
		The net liability of the defined benefit plan is as follows:		
194	**247**	Present value of defined benefit obligation	**23**	19
–	**–**	Fair value of plan assets	**–**	–
194	**247**	**Balance at end of year**	**23**	19

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

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
3	**3**	Aggregate of service cost and finance cost	**–**	–
29	**36**	Defined benefit obligation	**3**	3
3	**3**	Aggregate of service cost and finance cost	**–**	–
24	**30**	Defined benefit obligation	**3**	2

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The analysis is performed on the same basis for 2013.

The group expects to contribute approximately R7.5 million (US$0.7 million) to the benefit plan in 2015.

The weighted average duration of the defined benefit obligation is 18.5 years.

ACCOUNTING POLICY – FINANCIAL LIABILITIES (APPLICABLE TO NOTES 28 AND 29)

Financial liabilities 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 liabilities, with the exception of financial liabilities classified at fair value through profit or loss. The subsequent measurement of financial liabilities is discussed below.

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

The group classifies financial liabilities as follows:

- **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. Any difference between proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

  Fees paid on the establishment of the loan facilities are capitalised as a pre-payment and amortised over the period of the facility to which it relates, to the extent it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is expensed.

  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** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables are classified as current liabilities if payment is due within a year or less. If not, they are presented as non-current liabilities.

28 BORROWINGS

Westpac Bank

In July 2007, Morobe Consolidated Goldfields entered into US dollar finance lease agreements with Westpac Bank for the purchase of mining fleet to be used on the Hidden Valley project. There is no debt covenant clause in the agreements. The repayments on the finance lease from Westpac Bank were completed in December 2013.

Nedbank Limited

On 11 December 2009, the company entered into a loan facility with Nedbank Limited, comprising a term facility of R900 million (US$119.4 million) and a revolving credit facility of R600 million (US$79.6 million). The facility was utilised to fund the acquisition of the Pamodzi Free State assets as well as the group's major capital projects and working capital requirements. Interest accrues on a day-to-day basis over the term of the loan at a variable interest rate. The outstanding amount on the term loan was settled in December 2013 by drawing against the new facility (discussed below).

On 30 November 2010, the company entered into an additional loan facility with Nedbank Limited, comprising a term facility of R500 million (US$70.1 million) and a revolving credit facility of R250 million (US$35.0 million). Interest terms are identical to the original facility. The repayment terms of the original revolving credit facility were amended to coincide with the repayment on the additional facility. The outstanding amount on the additional term loan was settled in December 2013 by drawing against the new facility (discussed below).

On 20 December 2013, the company entered into a loan facility with Nedbank Limited, comprising a revolving credit facility of R1 300 million (US$125.6 million). Interest accrues on a day-to-day basis over the term of the loan at a variable interest rate. R467 million (US$45.4 million) was drawn down during December 2013 to repay the outstanding amounts on the Nedbank term loans. The facility was repaid in March 2014, with the full amount being available at 30 June 2014.

Syndicated revolving credit facility

On 11 August 2011, the company entered into a loan facility which was jointly arranged by Nedbank Limited and FirstRand Bank Limited (acting through its Rand Merchant Bank division) (syndicate), comprising a US$300 million (R2 156 million) syndicated revolving credit facility. The facility is utilised to fund exploration projects in PNG. The facility attracts interest at LIBOR plus 260 basis points, which is payable quarterly.

Terms and debt repayment schedule at 30 June 2014:

	Interest charge	Repayment terms	Repayment date	Security
Syndicated (Secured loan – US$ revolving credit facility)	LIBOR plus 260 basis points, payable quarterly	Repayable on maturity	15 September 2015	Cession and pledge of operating subsidiaries' shares
Nedbank Limited (Secured loan – revolving credit facility)	3 month JIBAR plus 3.5%, payable quarterly	Repayable on maturity	23 December 2016	Cession and pledge of operating subsidiaries' shares

Debt covenants

The debt covenant tests for both the Nedbank Limited facility and syndicated revolving credit facility were renegotiated during December 2013 and are as follows:

- The group's interest cover ratio shall not be less than five (EBITDA [1]/Total interest).
- Current ratio shall not be less than one (current assets/current liabilities).
- Cash flow from operating activities shall be above R100 million for the six months prior to the evaluation date.
- Total net debt shall not exceed R3 billion plus the rand equivalent of US$300 million.
- Tangible Net Worth [2] to facilities outstanding ratio shall not be less than six times.

[1] EBITDA as defined in the agreement excludes unusual items such as impairment and restructuring cost.
[2] Tangible Net Worth is defined as total equity less intangible assets.

The debt covenant tests are performed on a quarterly basis. No breaches of the covenants were identified during the tests in the 2014 financial year.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

28 BORROWINGS CONTINUED

Interest-bearing borrowings

SA rand 2013	SA rand 2014	*Figures in million*	US dollar 2014	US dollar 2013
		Non-current borrowings		
–	**–**	Westpac Bank (secured finance lease)	**–**	–
3	**–**	Balance at beginning of year	**–**	–
(18)	**(3)**	Repayments	**–**	(2)
20	**4**	Net adjustments to current portion	**–**	2
(5)	**(1)**	Translation	**–**	–
155	**–**	Nedbank Limited (secured loan – term facilities)	**–**	16
458	**155**	Balance at beginning of year	**16**	56
(305)	**(458)**	Repayments	**(44)**	(33)
4	**2**	Amortisation of issue costs	**–**	1
(2)	**301**	Net adjustments to current portion	**30**	–
–	**–**	Translation	**(2)**	(8)
–	**(3)**	Nedbank Limited (secured loan – revolving credit facilities)	**–**	–
–	**–**	Balance at beginning of year	**–**	–
–	**467**	Draw down	**45**	–
–	**(467)**	Repayments	**(44)**	–
–	**(4)**	Issue cost	**–**	–
–	**1**	Amortisation of issue costs	**–**	–
–	**–**	Translation	**(1)**	–
2 097	**2 863**	Syndicated (secured loan – US$ revolving credit facility)	**270**	210
1 042	**2 097**	Balance at beginning of year	**210**	127
678	**612**	Draw down	**60**	80
17	**22**	Amortisation of issue costs	**2**	2
9	**(23)**	Net adjustments to current portion	**(2)**	1
351	**155**	Translation	**–**	–
2 252	**2 860**	**Total non-current borrowings**	**270**	226
		Current borrowings		
4	**–**	Current portion of the finance lease from Westpac Bank	**–**	–
303	**–**	Current portion of the loans from Nedbank Limited	**–**	30
(21)	**–**	Current portion of the loans from syndicate	**–**	(2)
286	**–**	**Total current borrowings**	**–**	28
2 538	**2 860**	**Total interest-bearing borrowings**	**270**	254
		The future minimum lease payments for Westpac Bank finance leases are:		
4	**–**	Due within one year	**–**	–
–	**–**	Due within one and two years	**–**	–
–	**–**	Due between two and five years	**–**	–
4	**–**		**–**	–
–	**–**	Future finance charges	**–**	–
4	**–**		**–**	–
		The maturity of borrowings is as follows:		
286	**–**	Current	**–**	28
155	**2 860**	Between one and two years	**270**	16
2 097	**–**	Between two and five years	**–**	210
2 538	**2 860**		**270**	254
		Undrawn committed borrowing facilities:		
850	**318**	Expiring within one year	**30**	85
899	**1 300**	Expiring after one year	**123**	90
1 749	**1 618**		**153**	175

28 BORROWINGS CONTINUED

Interest-bearing borrowings CONTINUED

	Effective rate 2014 %	Effective rate 2013 %
Westpac Bank	**1.9**	1.7
Nedbank Limited	**8.7**	8.7
Syndicated	**2.8**	2.7

29 TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

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

SA rand 2013	SA rand 2014	*Figures in million*	US dollar 2014	US dollar 2013
		Financial liabilities:		
580	**492**	Trade payables	**46**	58
62	**48**	Other liabilities	**4**	6
		Non-financial liabilities:		
345	**380**	Payroll accruals	**36**	35
323	**332**	Leave liabilities (a)	**31**	32
529	**306**	Shaft related accruals	**29**	53
210	**231**	Other accruals	**22**	21
13	**17**	ESOP share-based payment liability (b)	**2**	1
47	**42**	Value added tax	**4**	5
2 109	**1 848**	**Total trade and other payables**	**174**	211

(a) Leave liabilities

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:

SA rand 2013	SA rand 2014	*Figures in million*	US dollar 2014	US dollar 2013
303	**323**	Balance at beginning of year	**32**	37
(341)	**(348)**	Benefits paid	**(34)**	(39)
355	**356**	Total expense per income statement	**34**	40
6	**1**	Translation	**(1)**	(6)
323	**332**	**Balance at end of year**	**31**	32

(b) ESOP share-based payment liability

The liability relates to the cash-settled share-based payment transaction following the award of ESOP SARs to qualifying employees through the Tlhakanelo Employee Share Trust during the 2014 and 2013 financial years. Refer to note 32 for more details.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

30 CASH GENERATED BY OPERATIONS

SA rand			US dollar	
Restated 2013	2014	*Figures in million*	2014	Restated 2013
		All amounts disclosed include discontinued operations where relevant		
		Reconciliation of loss before taxation to cash generated by operations:		
(1 625)	**(1 549)**	Loss before taxation	**(145)**	(147)
		Adjustments for:		
2 001	**2 143**	Amortisation and depreciation	**207**	227
2 733	**1 439**	Impairment of assets	**135**	274
310	**270**	Share-based payments	**26**	35
(4)	**(7)**	Net decrease in provision for post-retirement benefits	**(1)**	–
(79)	**(45)**	Net decrease in provision for environmental rehabilitation	**(4)**	(9)
(139)	**(30)**	Profit on sale of property, plant and equipment	**(3)**	(16)
–	**109**	Loss from associates	**10**	–
88	**(7)**	Profit on disposal/(impairment) of investments	**(1)**	10
(192)	**(170)**	Net gain on financial instruments	**(16)**	(22)
(102)	**–**	Profit on sale of investment in subsidiary	**–**	(11)
(191)	**(220)**	Interest received	**(21)**	(22)
264	**277**	Finance cost	**27**	30
(182)	**(96)**	Inventory adjustments	**(9)**	(21)
347	**162**	Foreign exchange translation difference	**16**	39
2	**21**	Provision for bad debts	**2**	–
–	**45**	Exploration (amortisation and depreciation)	**4**	–
2	**9**	Other non-cash adjustments	**1**	1
		Effect of changes in operating working capital items		
174	**189**	Receivables	**18**	20
(209)	**(43)**	Inventories	**(4)**	(24)
268	**(250)**	Payables	**(24)**	30
3 466	**2 247**	**Cash generated by operations**	**218**	394

ADDITIONAL CASH FLOW INFORMATION

(i) The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received.

(ii) At 30 June 2014, R1 618 million (US$152.6 million) (2013: R1 749 million (US$175.1 million)) of borrowing facilities had not been drawn down and is therefore available for future operating activities and future capital commitments. Refer to note 28.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

(a) Acquisitions and disposals of investments/businesses

(i) Profit on sale of property, plant and equipment

During May 2014, the ground swap between Joel mine and Sibanye's Beatrix mine was completed, resulting in a non-cash profit being recognised for the difference between carrying value of the Joel portion and the fair value of the Beatrix portion.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

30 CASH GENERATED BY OPERATIONS CONTINUED

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014 CONTINUED

(a) Acquisitions and disposals of investments/businesses CONTINUED

(ii) Investments in financial assets

Refer to note 18(b) for details on the disposal of the Wits Gold investment.

(b) Principal non-cash transactions

Share-based payments (refer to note 32).

Joel/Sibanye group swap (refer to note 6).

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

(a) Acquisitions and disposals of investments/businesses

Disposal of Evander

The conditions precedent for the sale of Evander Gold Mine Limited were fulfilled and the transaction was completed on 28 February 2013. The purchase consideration of R1.5 billion (US$170.0 million) was adjusted for distribution received prior to the effective date of R210 million (US$23.4 million). Refer to note 12.

The aggregate fair values of assets and liabilities sold were:

SA rand			US dollar	
2013	2014	*Figures in million*	2014	2013
1 265	–	Property, plant and equipment	–	141
218	–	Funds set aside for environmental rehabilitation	–	24
95	–	Inventories	–	11
15	–	Trade and other receivables	–	2
30	–	Cash and cash equivalents	–	3
102	–	Profit on disposal	–	11
(178)	–	Environmental liability	–	(20)
(1)	–	Retirement benefit obligation and other provisions	–	–
(93)	–	Trade and other payables	–	(10)
(159)	–	Deferred tax liability	–	(18)
1 294	–	**Purchase consideration**	–	144
(30)	–	Cash and cash equivalents	–	(3)
–	–	Translation	–	(2)
1 264	–	**Total proceeds received in cash**	–	139

(b) Principal non-cash transactions

Share-based payments (refer to note 32).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

31 EMPLOYEE BENEFITS

ACCOUNTING POLICY

- **Pension, provident and medical benefit plans** are funded through annual contributions. The group pays fixed contributions into a separate entity in terms of the defined contribution pension, provident and medical plans which are charged to the income statement in the year to which they relate. The group's liability is limited to its monthly determined contributions and it has no further liability, legal or constructive, if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Refer to note 27 for details of the post-retirement medical benefit plan.
- **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 at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

	2014	2013
Number of permanent employees as at 30 June:		
South African operations	**28 991**	30 673
International operations [1]	**1 593**	1 729
Total number of permanent employees	**30 584**	32 402

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Aggregate earnings		
		The aggregate earnings of employees including directors were:		
6 574	**6 552**	Salaries and wages and other benefits	**633**	745
508	**494**	Retirement benefit costs	**48**	58
181	**182**	Medical aid contributions	**17**	21
7 263	**7 228**	**Total aggregated earnings [2]**	**698**	824

[1] The total number of employees in Australia, including the Brisbane office, at 30 June 2014 was 59 (2013: 101). The total for the international operations includes the MMJV employees.
[2] These amounts have been included in cost of sales, corporate expenditure and capital expenditure.

Remuneration for directors and executive management is fully disclosed in the Remuneration Report in the Integrated Annual Report (refer to Directors' Emoluments in the report).

During the 2014 financial year R270 million (US$26.1 million) (2013: R100 million (US$11.4 million)) was included in the payroll cost for termination costs. Termination costs include the cost relating to the voluntary retrenchment and restructuring process as well as retrenchments due to the shaft closures (refer to note 5).

The 2013 year amounts include Evander for the eight months it was part of the group.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 SHARE-BASED PAYMENTS

ACCOUNTING POLICY

The group operates the following employee share incentive plans:

- Equity-settled share-based payments plan where the group grants share options to certain employees in exchange for services received;
- Equity-settled and cash-settled employee share ownership plan.

Equity-settled share-based payments are measured at fair value that includes market performance conditions but excludes the impact of any service and non-market performance conditions of the equity instruments at the date of the grant. The 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, is 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.

Cash-settled share-based payments are measured at fair value. The liability is remeasured at each balance sheet date until the date of settlement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The fair value of options granted is being determined using either a binomial, Black-Scholes or a Monte Carlo valuation model. The significant inputs into the model are: vesting period, risk free interest rate, volatility, price on date of grant and dividend yield.

The total cost relating to share-based payments is made up as follows:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
266	**270**	Employee share-based payments	**26**	30
23	**–**	Other share-based payments	**–**	2
289	**270**	**Total share-based payments**	**26**	32

EMPLOYEE SHARE-BASED PAYMENTS

During the 2013 year, Harmony issued new awards under its 2012 employee share ownership plan (ESOP) to all employees other than management at the group's South African operations. The group also has the 2003 scheme and the 2006 share plan that are active. The objective of these schemes is to recognise the contributions of employees to the group's financial position and performance and to retain key employees.

The total cost relating to employee share-based payments is made up as follows:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
210	**111**	2012 employee share ownership plan (a)	**11**	24
100	**159**	2006 share plan (b)	**15**	11
(44)	**–**	Discontinued operations	**–**	(5)
266	**270**	**Total employee share-based payments included in cost of sales**	**26**	30

There was no cost for the 2003 scheme for the 2013 and 2014 years. Refer to (c) below for detail on the scheme.

The directors are authorised to issue up to 60 011 669 ordinary shares to participants who have received awards in accordance with Harmony's employee share incentive schemes.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS CONTINUED

Subsequent to the annual general meeting held on 1 December 2010, 1 039 794 ordinary shares have been issued in terms of the 2003 scheme and 21 565 935 share option awards have been granted in terms of the 2006 share plan. The Tlhakanelo Employee Share Trust is authorised to allocate 12 864 000 ordinary shares to the employee share ownership plan.

(a) 2012 employee share ownership plan

During August 2012, Harmony issued the first awards under its ESOP. The ESOP will see approximately 33 000 employees participating in a direct ownership of the company. The ESOP recognises the importance of the employees who sustain our business, promotes a shared common interest in delivering returns to all stakeholders and further enhances Harmony's black economic empowerment (BEE) status. The ESOP is overseen by the Tlhakanelo Employee Share Trust.

In terms of the ESOP rules, qualifying employees are offered one scheme share for every two share appreciation rights (SARs). In August 2012, all qualifying employees were awarded a minimum of 100 Scheme Shares and 200 SARs, with employees with service longer than 10 years receiving an additional 10%. Both the scheme shares and SARs vest in five equal portions on each anniversary of the award. At the annual general meeting on 28 November 2012, the shareholders authorised the acceleration of the vesting from August to March each year.

Future offers will be made to new qualifying employees, who have not previously received an offer during each year following the first allocation date. The number of scheme shares and SARs offered to new qualifying employees will reduce by one fifth on each anniversary of the first allocation date. During March 2014, new qualifying employees who have not previously received an offer were awarded 60 scheme shares and 120 SARs which will vest in three equal portions on each anniversary of the award (during March 2013, 80 scheme shares and 160 SARs vesting in four equal portions were awarded to new qualifying employees).

On the fifth anniversary of the first allocation date, any unallocated scheme shares and SARs will be distributed to all employees who participated in the ESOP and who are still employed with the company *pro rata* in accordance with the number of scheme shares previously allocated to the employees.

The scheme shares are accounted for as equity-settled.

The SARs incorporate a cash bonus with a minimum pay-out guarantee of R18 and a maximum pay-out ceiling of R32 per SAR over the vesting period. The SARs include an equity-settled portion as well as a cash-settled portion related to the cash bonus. The cash-settled portion has been recognised as a liability in the balance sheet (refer to note 26 and note 29), the fair value of which will be remeasured at each reporting date.

The total cost relating to the 2012 ESOP is made up as follows:

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		2012 employee share ownership plan		
150	**78**	Equity-settled	**8**	17
60	**33**	Cash-settled	**3**	7
210	**111**		**11**	24

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS CONTINUED

(a) 2012 employee share ownership plan CONTINUED

Activity on awards

Activity on awards outstanding	Scheme shares Number of awards	SARs Number of awards	Weighted average award price (SA rand)
For the year ended 30 June 2014			
Balance at beginning of year	**2 492 868**	**4 985 736**	**79.08**
Awards granted	**62 930**	**125 860**	**40.32**
Awards exercised	**(805 654)**	**(1 611 308)**	**79.24**
Awards forfeited	**(50 396)**	**(100 792)**	**76.50**
Balance at end of year	**1 699 748**	**3 399 496**	**77.65**
For the year ended 30 June 2013			
Balance at beginning of year	–	–	–
Awards granted	3 517 560	7 035 120	79.35
Awards exercised	(971 112)	(1 942 224)	80.03
Awards forfeited	(53 580)	(107 160)	79.54
Balance at end of year	2 492 868	4 985 736	79.08

List of awards granted but not yet exercised (listed by grant date)	Number of awards	Award price (SA rand)	Remaining life (years)
As at 30 June 2014			
Scheme shares			
8 August 2012 allocation	**1 569 848**	**n/a**	**2.7**
8 March 2013 allocation	**69 000**	**n/a**	**2.7**
15 March 2014 allocation	**60 900**	**n/a**	**2.7**
	1 699 748		
Share appreciation rights			
8 August 2012 allocation	**3 139 696**	**80.03**	**2.7**
8 March 2013 allocation	**138 000**	**56.35**	**2.7**
15 March 2014 allocation	**121 800**	**40.32**	**2.7**
	3 399 496		
Total awards granted but not yet exercised	**5 099 244**		

SA rand 2013	SA rand 2014	*Figures in million*	US dollar 2014	US dollar 2013
85	**59**	Gain realised by participants on awards traded during the year	**6**	9
85	**59**	Fair value of awards exercised during the year	**6**	9

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS CONTINUED

(a) 2012 employee share ownership plan CONTINUED

Measurement

The fair value of equity instruments granted during the year was valued using the Cox-Ross-Rubinstein binomial tree on the equity-settled portion of the SARs. The minimum pay-out guarantee is valued at net present value and the spot share price on grant date was used for the scheme shares.

(i) Assumptions applied at grant date for awards granted during the year

	Scheme shares	SARs
Price at date of grant (SA rand per share):		
8 August 2012 allocation	80.03	80.03
8 March 2013 allocation	56.35	56.35
15 March 2014 allocation	40.32	40.32
Risk-free interest rate:		
8 August 2012 allocation	n/a	5.38%
8 March 2013 allocation	n/a	5.35%
15 March 2014 allocation	n/a	6.90%
Expected volatility: *		
8 August 2012 allocation	n/a	32.40%
8 March 2013 allocation	n/a	37.33%
15 March 2014 allocation	n/a	34.94%
Expected dividend yield:		
for all allocations	n/a	1%
Minimum pay-out guarantee (SA rand per SAR):		
for all allocations	n/a	18.00 to 32.00
Vesting period (from grant date):		
8 August 2012 allocation	5 years	5 years
8 March 2013 allocation	4 years	4 years
15 March 2014 allocation	3 years	3 years

* 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.

(ii) Fair values used as a basis to recognise share-based cost

	SA rand per award		
	Scheme shares	SARs	Minimum pay-out guarantee
8 August 2012 allocation	79.53	3.30	16.70
8 March 2013 allocation	55.85	2.63	16.63
15 March 2014 allocation	39.82	2.09	16.07

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS CONTINUED

(a) 2012 employee share ownership plan CONTINUED

Measurement CONTINUED

(iii) Cash-settled liability

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Cash-settled liability		
13	**15**	Non-current	**1**	1
13	**17**	Current	**2**	1
26	**32**	**Total cash-settled liability**	**3**	2
		Movement in the cash-settled liability recognised in the balance sheet:		
–	**26**	Balance at beginning of year	**2**	–
60	**33**	IFRS 2 share-based payment charge for the year	**3**	7
(34)	**(27)**	Awards paid	**(3)**	(4)
–	**–**	Translation	**1**	(1)
26	**32**	**Balance at end of year**	**3**	2

(b) Options granted under the 2006 share plan

The 2006 share plan consists of share appreciation rights (SARs), performance shares (PS) and restricted shares (RS). The share plan is equity-settled.

Award	Vesting	Performance criteria
SARs	SARs will vest in equal thirds in year three, four and five, subject to the performance conditions having been satisfied. The SARs will have an expiry date of six years from the grant date and the offer price equals the closing market prices of the underlying shares on the trading date immediately preceding the grant.	The group's headline earnings per share must have grown since the allocation date by more than the South African Consumer Price Index (CPI).
PS	The PS will vest after three years from the grant date, if and to the extent that the performance conditions have been satisfied.	• 50% (senior management) or 70% (management) of the number of the rights awarded are linked to the annual gold production of the group in relation to the targets set annually. • 50% (senior management) or 30% (management) of the number of the rights awarded are linked to the group's performance in comparison to the South African Gold Index.
RS	The RS will vest after three years from grant date.	The participant is still employed within the group.

Termination of employees' participation in the share plan is based on "no fault" and "fault" definitions.

Fault	All unvested and unexercised SARs and all PS and RS not yet vested are lapsed and cancelled.
No fault	Accelerated vesting occurs and all unvested and unexercised share options are settled in accordance with the rules of the plan.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS CONTINUED

(b) Options granted under the 2006 share plan CONTINUED

Activity on share options

	SARs		PS	RS
Activity on options and rights granted but not yet exercised	**Number of options and rights**	**Weighted average option price (SA rand)**	**Number of rights**	**Number of rights**
For the year ended 30 June 2014				
Balance at beginning of year	**7 244 801**	**78.72**	**4 034 298**	**668 273**
Options and rights granted	**7 031 605**	**34.38**	**6 814 713**	**155 780**
Options and rights exercised	**(102 027)**	**33.18**	**(352 714)**	**(185 192)**
Options and rights forfeited and lapsed	**(1 951 654)**	**70.85**	**(1 372 539)**	**(9 805)**
Balance at end of year	**12 222 725**	**54.85**	**9 123 758**	**629 056**
For the year ended 30 June 2013				
Balance at beginning of year	6 333 626	83.91	2 701 001	411 686
Options and rights granted	2 165 186	69.46	2 184 695	296 838
Options and rights exercised	(449)	70.54	(183 198)	–
Options and rights forfeited and lapsed	(1 253 562)	88.85	(668 200)	(40 251)
Balance at end of year	7 244 801	78.72	4 034 298	668 273

	SARs		PS		RS	
Options and rights vested but not exercised at year end	**2014**	2013	**2014**	2013	**2014**	2013
Options and rights vested but not exercised	**2 117 574**	2 160 116	**–**	–	**–**	–
Weighted average option price (SA rand)	**78.40**	75.23	**n/a**	n/a	**n/a**	n/a

List of options and rights granted but not yet exercised (listed by grant date)	**Number of options and rights**	**Award price (SA rand)**	**Remaining life (years)**
As at 30 June 2014			
Share appreciation rights			
5 December 2008	**938 989**	**77.81**	**0.4**
16 November 2009	**1 393 819**	**77.28**	**1.4**
15 November 2010	**748 118**	**84.81**	**2.4**
15 November 2011	**775 333**	**104.79**	**3.4**
16 November 2012	**1 888 052**	**68.84**	**4.4**
15 November 2013	**6 478 414**	**33.18**	**5.4**
	12 222 725		
Performance shares			
15 November 2011	**886 733**	**n/a**	**0.4**
27 September 2012	**6 160**	**n/a**	**1.2**
16 November 2012	**1 879 911**	**n/a**	**1.4**
15 November 2013	**6 350 954**	**n/a**	**2.4**
	9 123 758		
Restricted shares			
15 November 2010 [1]	**127 766**	**n/a**	**2.4**
15 November 2011	**113 000**	**n/a**	**0.4**
27 September 2012	**30 802**	**n/a**	**1.2**
16 November 2012	**229 722**	**n/a**	**1.4**
15 November 2013 [1]	**127 766**	**n/a**	**2.4**
	629 056		
Total options and rights granted but not yet exercised	**21 975 539**		

[1] The 2010 restricted shares vested in November 2013. Restricted shares that were not exercised, partially or fully, at that time remain restricted for a further three years, but were supplemented by a matching grant of restricted shares. All restricted shares are then only settled after the end of a further three year period.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS CONTINUED

(b) Options granted under the 2006 share plan CONTINUED

Activity on share options CONTINUED

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
13	**18**	Gain realised by participants on options and rights traded during the year	**2**	1
13	**22**	Fair value of options and rights exercised during the year	**2**	1

Measurement

The fair value of equity instruments granted during the year was valued using the Monte Carlo simulation on the market-linked performance shares, Cox-Ross-Rubinstein binomial tree on the SARs and spot share price on grant date for the restricted shares.

(i) Assumptions applied at grant date for options and rights granted during 2013 and 2014

	SARs	Performance shares	Restricted shares
Price at date of grant (SA rand per share):			
27 September 2012 allocation	n/a	n/a	68.51
16 November 2012 allocation	67.60	n/a	67.60
15 November 2013 allocation	32.90	n/a	32.90
Risk-free interest rate:			
27 September 2012 allocation	n/a	5.30%	n/a
16 November 2012 allocation	5.97%	5.47%	n/a
15 November 2013 allocation	7.34%	6.80%	n/a
Expected volatility:*			
27 September 2012 allocation	n/a	39.90%	n/a
16 November 2012 allocation	37.22%	37.22%	n/a
15 November 2013 allocation	36.49%	51.25%	n/a
Expected dividend yield:			
27 September 2012 allocation	n/a	0.00%	0.00%
16 November 2012 allocation	1.00%	0.00%	0.00%
15 November 2013 allocation	1.50%	0.00%	0.00%
Vesting period (from grant date)			
for all allocations	5 years	3 years	3 years

* *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.*

In all cases, valuation date is the same as the allocation date.

(ii) Fair values used as a basis to recognise share-based cost

	SARs	**Performance shares**	**Restricted shares**
2014			
15 November 2013 allocation	**12.44**	**31.50**	**32.90**
2013			
27 September 2012 allocation	n/a	56.31	68.51
16 November 2012 allocation	25.48	58.04	67.60

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS CONTINUED

(c) Options granted under the 2003 scheme

A fifth of the options granted under the 2003 scheme are exercisable annually from the grant date with an expiry 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 options. The options are equity-settled.

On resignation and retirement, share options which have vested may be taken up at the employee's election before the last day of service. On death, the deceased estate has a period of twelve months to exercise these options.

Following the introduction of the 2006 share plan, no further options were granted for the 2003 options scheme and all options are vested.

Activity on share options

	2014		2013	
Activity on share options granted but not yet exercised	**Number of options**	**Weighted average option price (SA rand)**	Number of options	Weighted average option price (SA rand)
For the year ended 30 June				
Balance at beginning of year	**745 346**	**45.97**	829 559	49.43
Options exercised	**–**	**–**	(2 728)	39.00
Options forfeited and lapsed	**(130 870)**	**51.65**	(81 485)	81.48
Balance at end of year	**614 476**	**44.76**	745 346	45.97

List of options vested but not yet exercised (listed by grant date)	At 30 June 2014	Option price (SA rand)	Remaining life (years)
10 August 2004	**130 328**	66.15	0.1
26 April 2005	**484 148**	39.00	0.8
Total options vested but not yet exercised	**614 476**		

OTHER SHARE-BASED PAYMENTS

On 20 March 2013, Harmony signed transaction and funding agreements to give effect to an empowerment transaction to dispose of 30% of its Free State based Phoenix operation (Phoenix) to BEE shareholders, which includes a free-carry allocation of 5% to a community trust that has been created and is currently controlled by Harmony. The transaction closed on 25 June 2013, following the fulfilment of the last condition precedent. In terms of the agreements Phoenix was transferred to a newly incorporated subsidiary (PhoenixCo).

The awards to the BEE partners have been accounted for as in-substance options as the BEE partners will only share in the upside, and not the downside of their equity interest in PhoenixCo until the date the financing provided by Harmony is fully repaid. On this date the options will be exercised. The award of the options to the BEE partners is accounted for by the group as an equity-settled share-based payment arrangement. The in-substance options carry no vesting conditions and the fair value of the options of R23 million (US$2.3 million) has been expensed on the grant date, 25 June 2013 (included in Other expenses (net)).

A subscription price paid by the BEE shareholders of R2 million was received and has been recorded in other reserves as an option premium.

Measurement

The share-based cost was calculated using the Monte Carlo simulation. The fair value of the option is the difference between the expected future enterprise value of PhoenixCo and the expected loan balances at redemption date, and the present value of the trickle dividend determined in accordance with the cash flow waterfall per the signed transaction and funding arrangements.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 SHARE-BASED PAYMENTS CONTINUED

OTHER SHARE-BASED PAYMENTS CONTINUED

Measurement CONTINUED

The following assumptions were applied at grant date:

	2013
Business value (R'million)	450
Exercise price (R'million)	2
Risk-free interest rate	6.08%
Expected volatility*	37.33%
Expected dividend yield	8.04%
Vesting period (from grant date)	0 years
Equity value attributable to the BEE partners	25.00%
Expected redemption date	31 December 2020

* The volatility is measured in relation to a comparable listed company's share price volatility.

33 RELATED PARTIES

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had an interest, directly or indirectly, in any transaction from 1 July 2012 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. The remuneration of directors, prescribed officers and executive management is fully disclosed in the Remuneration Report in the Integrated Annual Report (refer to Directors' Emoluments in the report).

The following directors and prescribed officers own shares in Harmony at year-end:

	Number of shares	
Name of director/prescribed officer	**2014**	2013
Graham Briggs	**14 347**	14 347
Frank Abbott [1]	**139 500**	73 900
Ken Dicks	**20 000**	20 000
Andre Wilkens	**101 303**	101 303
Jaco Boshoff [2]	**n/a**	7 000
Johannes van Heerden	**6 500**	6 500

[1] Purchased 65 600 shares on 23 August 2013.
[2] Jaco Boshoff was a prescribed officer during 2013 only.

African Rainbow Minerals Limited (ARM) currently holds 14.6% of Harmony's shares. Patrice Motsepe, André Wilkens, Joaquim Chissano and Frank Abbott, who are directors of Harmony, are also directors of ARM.

All the production of the group's South African operations is sent to Rand Refinery in which Harmony holds a 10.38% interest. Refer to note 20.

During the 2013 financial year, Harmony sold its 100% interest in Evander. Refer to note 12.

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

33 RELATED PARTIES CONTINUED

SA rand 2013	SA rand 2014	Figures in million	US dollar 2014	US dollar 2013
		Sales and services rendered to related parties		
19	**18**	Joint operations	**2**	2
		Purchases and services acquired from related parties		
1	**19**	Associates	**2**	–
		Outstanding balances due by related parties [1]		
17	**–**	Associates	**–**	2
14	**4**	Joint operations	**–**	1
31	**4**	**Total**	**–**	3
		Outstanding balances due to related parties [1]		
17	**–**	Associates [2]	**–**	2

[1] Included under current receivables and current payables.
[2] Retained from the consideration for the Pamodzi FS acquisition pending the transfer of the rehabilitation trust funds. During June 2014, the transfer of the rehabilitation trust funds was made.

Refer to note 19 for detail on the items relating to the loans to associates and provisions raised against these loans. The outstanding balances from the related parties are not secured and there are no special terms and conditions that apply.

34 COMMITMENTS AND CONTINGENCIES

COMMITMENTS AND GUARANTEES

SA rand 2013	SA rand 2014	Figures in million	US dollar 2014	US dollar 2013
		Capital expenditure commitments		
184	**135**	Contracts for capital expenditure	**13**	18
232	**22**	Share of joint operation's contract for capital expenditure	**2**	23
1 545	**519**	Authorised by the directors but not contracted for	**49**	155
1 961	**676**	**Total capital commitments**	**64**	196

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

The group is contractually obliged to make the following payments in respect of operating leases for land and buildings:

SA rand 2013	SA rand 2014	Figures in million	US dollar 2014	US dollar 2013
12	**6**	Within one year	**1**	1
–	**3**	Between one year and five years	**–**	–
12	**9**	**Total commitments for operating leases**	**1**	1

Contractual obligations in respect of mineral tenement leases amount to R619 million (US$58.3 million) (2013: R326 million (US$32.6 million)). This includes R617 million (US$58.2 million) (2013: R308 million (US$30.8 million)) for the MMJV. For details on the group's finance leases, refer to note 14.

34 COMMITMENTS AND CONTINGENCIES CONTINUED

COMMITMENTS AND GUARANTEES CONTINUED

SA rand			US dollar	
2013	**2014**	*Figures in million*	**2014**	2013
		Guarantees [1]		
19	**21**	Guarantees and suretyships	**2**	2
345	**456**	Environmental guarantees [2]	**43**	35
364	**477**		**45**	37

[1] Guarantees and suretyships of R13 million (US$1.2 million) and environmental guarantees of R41 million (US$3.8 million) relating to the Evander group, which are in the process of being replaced by Pan African or cancelled, have been excluded.
[2] At 30 June 2014, R33 million (US$3.1 million) (2013: R26 million (US$2.6 million)) has been pledged as collateral for environmental guarantees in favour of certain financial institutions. Refer to note 16.

CONTINGENT LIABILITIES

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which the suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the group could be materially affected by the outcome of the litigation.

The following contingent liabilities have been identified:

(a) On 18 April 2008, Harmony Gold Mining Company Limited was made aware that it had been 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) and options with regards to certain of its business practices. Harmony retained legal counsel.

The company reached a mutually acceptable settlement with the plaintiff class and this settlement was found to be fair and reasonable and was approved by the United States District Court in November 2011. A single class member filed an appeal of the District Court's order approving the settlement. That appeal resulted in the United States Court of Appeals for the Second Circuit affirming the decision of the District Court on more than one occasion. The objecting plaintiff requested that the United States Supreme Court review the decision of the Second Circuit. Following the denial of the request for review of the case by the Supreme Court in May 2014, the case has been concluded. The settlement amount has been paid into escrow by the company's insurers and will be distributed to the plaintiffs once the administrative processes pertaining to the distribution have been completed.

(b) On 3 March 2011, judgment was handed down in the Constitutional Court, in the case of Mr Thembekile Mankayi v AngloGold Ashanti Limited (AGA) regarding litigation in terms of the Occupational Diseases in Mines and Works Act (ODIMWA). The judgement allows Mr Mankayi's executor to proceed with the case in the High Court of South Africa for damages because he had allegedly contracted tuberculosis and other respiratory diseases as a result of exposure to harmful dust while working on a gold mine. Should anyone bring similar claims against Harmony in future, those claimants would need to provide that silicosis was contracted while in the employment of the company and that it was contracted due to negligence on the company's part. The link between the cause (negligence by the company in exposing the claimant to harmful dust while in its employ) and the effect (the silicosis) will be an essential part of any case.

On 23 August 2012, Harmony and certain of its subsidiaries were served with court papers entailing an application by three of its former employees, requesting the South Gauteng High Court to certify a class for purposes of instituting a class action. In essence, the applicants want the court to declare them as suitable members representing a class of current and former mineworkers for purposes of instituting an action for relief and to obtain directions as to what procedure to follow in pursuing the relief required against Harmony and certain of its subsidiaries.

Similar applications were also brought against various other gold mining companies for similar relief.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

34 COMMITMENTS AND CONTINGENCIES CONTINUED

CONTINGENT LIABILITIES CONTINUED

On 8 January 2013, Harmony and certain of its subsidiaries, alongside other gold mining companies operating in South Africa (collectively the respondents), were served with another application to certify two classes of persons representing a class of current and former mine workers who work or have worked on gold mines owned and/or controlled by the respondents and who allegedly contracted silicosis and/or other occupational lung diseases, and another class of dependents of mine workers who have died of silicosis and who worked on gold mines owned and/or controlled by the respondents. The Harmony group filed notices of its intention to oppose both applications and instructed its attorneys to defend the claims. Following the receipt of the aforesaid application, Harmony was advised that there was a potential overlap between the application of 23 August 2012 and the application of 8 January 2013. After deliberation between the respondents' attorneys and the applicants' attorneys, it was resolved that the applicants' attorneys will consolidate the two applications, together with three other similar applications, and serve an amended application for consideration by the respondents. On 17 October 2013, the five certification applications were consolidated by Order of Court. It was agreed between the parties that the respondents have until 30 May 2014 to answer the allegations made in the consolidated application, and to state reasons why a class or classes should not be certified. On 30 May 2014, Harmony and certain of its subsidiaries served their answering affidavit on the applicants' attorneys. On 15 September 2014, the applicants' attorneys delivered their replying affidavit to the answering affidavit. The applicants' attorneys are also seeking to amend the relief sought in the consolidated application and to join further applicants to the present proceedings. The matter is presently ongoing.

On 3 May 2013, Harmony received a summons from Richard Spoor Attorneys on behalf of an employee. The plaintiff is claiming R25 million (US$2.4 million) in damages plus interest from Harmony and another mining company. The plaintiff alleges to have contracted silicosis with progressive massive fibrosis during the course of his employment. The plaintiff has undergone examinations and the results of these tests will be considered when they become available.

At this stage, and in the absence of a court decision on this matter, it is uncertain as to whether the company will incur any costs (except legal fees) related to silicosis claims in the near future. Due to the limited information available on any claims and potential claims and the uncertainty of the outcome of these claims, no estimation can be made for the possible obligation.

(c) On 1 December 2008, Harmony issued 3 364 675 Harmony shares to Rio Tinto Limited (Rio Tinto) for the purchase of Rio Tinto's rights to the royalty agreement entered into prior to our acquisition of the Wafi deposits in PNG. The shares were valued at R242 million (US$23 million) on the transaction date. An additional US$10 million in cash will be payable when the decision to mine is made. Of this amount, Harmony is responsible for paying the first US$6 million, with the balance of US$4 million being borne equally by the joint operators.

(d) The group may have a potential exposure to rehabilitate groundwater and radiation that may exist where the group has and/or continues to operate. The group has initiated analytical assessments to identify, quantify and mitigate impacts if and when (or as and where) they arise. Numerous scientific, technical and legal studies are underway to assist in determining the magnitude of the contamination and to find sustainable remediation solutions. The group has instituted processes to reduce future potential seepage and it has been demonstrated that Monitored Natural Attenuation (MNA) by the existing environment will contribute to improvement in some instances. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements. Should the group determine that any part of these contingencies require them being recorded and accounted for as liabilities, that is where they become estimable and probable, it could have material impact on the financial statements of the group.

(e) Due to the interconnected nature of mining operations in South Africa, any proposed solution for potential flooding and potential decant risk posed by deep groundwater needs to be a combined one, supported by all the mines located in these goldfields. As a result, the Department of Mineral Resources and affected mining companies are involved in the development of a regional mine closure strategy. Harmony operations have conducted a number of specialist studies and the risk of surface decant due to rising groundwater levels has been obviated at the entire Free State region and Kalgold. Therefore there is no contingency arising from these operations. Additional studies have been commissioned at Doornkop and Kusasalethu. In view of the limitation of current information for accurate estimation of a liability, no reliable estimate can be made for these operations.

(f) In terms of the sale agreements entered into with Rand Uranium, Harmony retained financial exposure relating to environmental disturbances and degradation caused by it before the effective date, in excess of R75 million (US$7.1 million) of potential claims. Rand Uranium is therefore liable for all claims up to R75 million (US$7.1 million) and retains legal liability. The likelihood of potential claims cannot be determined presently and no provision for any liability has been made in the financial statements.

(g) Legal proceedings commenced in December 2010 against the Hidden Valley mine in PNG over alleged damage to the Watut River (which runs adjacent to the Hidden Valley mine), alleged to have been caused by waste rock and overburden run-off from the mine. The damages sought by the plaintiffs were not specified. The defendants intend to defend the claims. No active steps have been taken by the plaintiffs in this proceeding for more than two years. It is not practicable to make any reasonable assessment of the prospects of the plaintiffs succeeding should they proceed with these claims, nor the potential liability of the defendants if the plaintiffs were to succeed. As a result, no provision has been recognised in the financial statements for this matter.

35 SUBSEQUENT EVENTS

(a) Rand Refinery

During July 2014, Harmony extended an irrevocable, subordinated loan facility to Rand Refinery. The facility, if drawn down, is convertible to equity after a period of two years. Harmony's maximum commitment in terms of this facility is R140 million (US$13.2 million). Refer to note 20 for further details.

(b) Target 3

During August 2014, Harmony announced its intention to place Target 3 on care and maintenance. This is due to the shaft having experienced a sustained period of cash flow losses resulting from the significant capital investment required to sustain operations. Additional development and equipping is required to access the South Block to sustain operations at Target 3 and, in particular the build-up of stoping on the Basal reef. While the South Block remains a valuable resource, Target 3 will be placed on care and maintenance once the requirements of a section 189 have been fulfilled.

As far as it is possible to do so, measures will be taken to minimise and/or avoid job losses. Consultation with the Department of Mineral Resources, the Matjhabeng Local Municipality and the Free State Provincial government has begun. Retrenchment costs are expected to be approximately R25 million (US$2.4 million).

(c) KOSH

Refer to note 26(c) for subsequent changes.

(d) White Rivers Exploration joint venture

Harmony has entered into an exploration joint venture with White Rivers Exploration Pty Limited (White Rivers). The exploration joint venture has been established to explore and develop potential gold resources at White Rivers' Beisa project and abutting exploration areas within Harmony's adjacent operations in the Free State.

36 GOING CONCERN

The financial statements are prepared on a going concern basis. In accordance with the solvency and liquidity test in terms of section 4 of the Companies Act, the board is of the opinion that the company has adequate resources and that:

- the company's assets, fairly valued, exceed its liabilities, fairly valued; and
- the company will be able to pay its debts as they become due in the ordinary course of business for the 12 months following 30 June 2014.

37 SEGMENT REPORT

ACCOUNTING POLICY

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The chief operating decision-maker has been identified as the executive committee.

The group has one main economic 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 or open pit mine managed by a single general manager and management team.

After applying the quantitative thresholds from IFRS 8, the reportable segments were determined as: Kusasalethu, Doornkop, Phakisa, Tshepong, Masimong, Target 1, Bambanani, Joel, Unisel, Target 3, Hidden Valley and Evander (classified as held for sale and discontinued operation for the year ended 30 June 2013). All other operating segments have been grouped together under all other surface operations.

When assessing profitability, the CODM considers the revenue and production costs of each segment. The net of these amounts is the production profit or loss. Therefore, production profit has been disclosed in the segment report as the measure of profit or loss. The CODM also considers capital expenditure when assessing the overall economic sustainability of each segment. The CODM, however, does not consider depreciation or impairment and therefore these amounts have not been disclosed in the segment report.

Segment assets consist of mining assets and mining assets under construction included under property, plant and equipment which can be attributed to the segment. Current and non-current group assets that are not allocated at a segment level form part of the reconciliation to total assets.

A reconciliation of the segment totals to the group financial statements has been included in note 38.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

37 SEGMENT REPORT CONTINUED

(SA rand)

	Revenue 30 June		Production cost 30 June		Production profit/(loss) 30 June	
	2014	2013	**2014**	Restated 2013	**2014**	Restated 2013
	R million		R million		R million	
CONTINUING OPERATIONS						
South Africa						
Underground						
Kusasalethu	**1 959**	1 213	**1 753**	1 484	**206**	(271)
Doornkop	**1 126**	1 615	**1 098**	1 042	**28**	573
Phakisa	**1 284**	1 103	**1 061**	982	**223**	121
Tshepong	**1 822**	1 887	**1 365**	1 427	**457**	460
Masimong	**1 171**	1 640	**983**	975	**188**	665
Target 1	**1 948**	1 794	**1 051**	937	**897**	857
Bambanani [3]	**1 279**	932	**681**	591	**598**	341
Joel	**995**	1 452	**668**	654	**327**	798
Unisel	**792**	825	**600**	567	**192**	258
Target 3	**609**	737	**557**	508	**52**	229
Surface						
All other surface operations	**1 263**	1 515	**981**	1 008	**282**	507
Total South Africa	**14 248**	14 713	**10 798**	10 175	**3 450**	4 538
International						
Hidden Valley	**1 434**	1 189	**1 090**	1 146	**344**	43
Total international	**1 434**	1 189	**1 090**	1 146	**344**	43
Total continuing operations	**15 682**	15 902	**11 888**	11 321	**3 794**	4 581
DISCONTINUED OPERATIONS						
Evander	**–**	874	**–**	533	**–**	341
Total discontinued operations	**–**	874	**–**	533	**–**	341
Total operations	**15 682**	16 776	**11 888**	11 854	**3 794**	4 922
Reconciliation of the segment information to the consolidated income statements and balance sheets (refer to note 38)	**–**	(874)	**–**	(533)		
	15 682	15 902	**11 888**	11 321		

[1] Capital expenditure for international operations excludes expenditure spent on Wafi-Golpu of R12 million (2013: R537 million).
[2] Production statistics are unaudited.
[3] Includes Steyn 2.

Mining assets 30 June		Capital expenditure [1] 30 June		Kilograms produced [2] 30 June		Tonnes milled [2] 30 June	
2014	Restated 2013	**2014**	2013	**2014**	2013	**2014**	2013
R million		R million		kg		000t	
3 616	3 435	**509**	420	**4 694**	2 740	**1 143**	711
3 386	3 378	**238**	285	**2 603**	3 631	**737**	1 008
4 590	4 547	**360**	337	**2 976**	2 434	**577**	512
3 941	3 877	**301**	310	**4 223**	4 154	**947**	1 040
1 060	989	**168**	171	**2 718**	3 616	**670**	868
2 770	2 704	**289**	331	**4 493**	3 967	**771**	717
841	882	**127**	119	**2 968**	2 083	**239**	211
450	290	**145**	160	**2 335**	3 228	**548**	611
663	656	**85**	78	**1 838**	1 813	**408**	446
542	457	**128**	145	**1 413**	1 626	**301**	323
473	250	**44**	250	**2 900**	3 438	**10 442**	10 082
22 332	21 465	**2 394**	2 606	**33 161**	32 730	**16 783**	16 529
3 602	3 858	**122**	506	**3 292**	2 644	**2 001**	1 844
3 602	3 858	**122**	506	**3 292**	2 644	**2 001**	1 844
25 934	25 323	**2 516**	3 112	**36 453**	35 374	**18 784**	18 373
–	–	**–**	140	**–**	1 955	**–**	390
–	–	**–**	140	**–**	1 955	**–**	390
25 934	25 323	**2 516**	3 252	**36 453**	37 329	**18 784**	18 763
14 936	16 810						
40 870	42 133						

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

37 SEGMENT REPORT CONTINUED

(US dollar)

	Revenue 30 June		Production cost 30 June		Production profit/(loss) 30 June	
	2014	2013	**2014**	Restated 2013	**2014**	Restated 2013
	US$ million		US$ million		US$ million	
CONTINUING OPERATIONS						
South Africa						
Underground						
Kusasalethu	**189**	137	**169**	168	**20**	(31)
Doornkop	**109**	183	**106**	118	**3**	65
Phakisa	**124**	125	**103**	111	**21**	14
Tshepong	**176**	214	**132**	162	**44**	52
Masimong	**113**	186	**95**	110	**18**	76
Target 1	**188**	203	**101**	106	**87**	97
Bambanani [3]	**124**	106	**66**	67	**58**	39
Joel	**96**	165	**64**	74	**32**	91
Unisel	**77**	93	**58**	64	**19**	29
Target 3	**59**	84	**54**	58	**5**	26
Surface						
All other surface operations	**122**	172	**95**	115	**27**	57
Total South Africa	**1 377**	1 668	**1 043**	1 153	**334**	515
International						
Hidden Valley	**138**	135	**105**	130	**33**	5
Total international	**138**	135	**105**	130	**33**	5
Total continuing operations	**1 515**	1 803	**1 148**	1 283	**367**	520
DISCONTINUED OPERATIONS						
Evander	**–**	102	**–**	63	**–**	39
Total discontinued operations	**–**	102	**–**	63	**–**	39
Total operations	**1 515**	1 905	**1 148**	1 346	**367**	559
Reconciliation of the segment information to the consolidated income statements and balance sheets (refer to note 38)	**–**	(102)	**–**	(63)		
	1 515	1 803	**1 148**	1 283		

[1] Capital expenditure for international operations excludes expenditure spent on Wafi-Golpu of US$1 million (2013: US$61 million).
[2] Production statistics are unaudited.
[3] Includes Steyn 2.

Mining assets 30 June		Capital expenditure [1] 30 June		Ounces produced [2] 30 June		Tons milled [2] 30 June	
2014	Restated 2013	**2014**	2013	**2014**	2013	**2014**	2013
US$ million		US$ million		oz		000t	
341	344	**49**	48	**150 916**	88 093	**1 260**	784
319	338	**23**	32	**83 687**	116 738	**812**	1 112
433	455	**35**	38	**95 680**	78 255	**636**	565
372	388	**29**	35	**135 772**	133 554	**1 044**	1 147
100	99	**16**	19	**87 385**	116 256	**739**	958
261	271	**28**	38	**144 453**	127 542	**851**	790
79	88	**12**	14	**95 424**	66 970	**263**	231
42	29	**14**	18	**75 072**	103 782	**604**	674
63	66	**8**	9	**59 093**	58 289	**450**	492
51	46	**13**	16	**45 429**	52 277	**331**	355
45	25	**4**	28	**93 236**	110 534	**11 516**	11 118
2 106	2 149	**231**	295	**1 066 147**	1 052 290	**18 506**	18 226
340	387	**12**	57	**105 840**	85 007	**2 207**	2 033
340	387	**12**	57	**105 840**	85 007	**2 207**	2 033
2 446	2 536	**243**	352	**1 171 987**	1 137 297	**20 713**	20 259
–	–	**–**	16	**–**	62 855	**–**	430
–	–	**–**	16	**–**	62 855	**–**	430
2 446	2 536	**243**	368	**1 171 987**	1 200 152	**20 713**	20 689
1 406	1 685						
3 852	4 221						

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

38 RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED INCOME STATEMENTS AND BALANCE SHEETS

SA rand			US dollar	
Restated 2013	2014	*Figures in million*	2014	Restated 2013
		Revenue from:		
874	–	Discontinued operations	–	102
		Production costs from:		
(533)	–	Discontinued operations	–	(63)
		Reconciliation of production profit to consolidated loss before taxation and discontinued operations		
16 776	**15 682**	Total segment revenue	**1 515**	1 905
(11 854)	**(11 888)**	Total segment production costs	**(1 148)**	(1 346)
4 922	**3 794**	Production profit	**367**	559
(341)	–	Less discontinued operations	–	(39)
4 581	**3 794**		**367**	520
(5 127)	**(4 200)**	Cost of sales items other than production costs	**(401)**	(546)
(1 956)	**(2 092)**	Amortisation and depreciation of mining assets	**(202)**	(222)
(45)	**(51)**	Amortisation and depreciation of assets other than mining assets	**(5)**	(5)
24	**(8)**	Rehabilitation (expenditure)/credit	**(1)**	2
(68)	**(66)**	Care and maintenance cost of restructured shafts	**(6)**	(8)
(46)	**(274)**	Employment termination and restructuring costs	**(26)**	(5)
(266)	**(270)**	Share-based payments	**(26)**	(30)
(2 733)	**(1 439)**	Impairment of assets	**(135)**	(274)
(37)	–	Other	–	(4)
(546)	**(406)**	Gross loss	**(34)**	(26)
(465)	**(430)**	Corporate, administration and other expenditure	**(42)**	(53)
(127)	**(88)**	Social investment expenditure	**(9)**	(14)
(673)	**(458)**	Exploration expenditure	**(44)**	(76)
139	**30**	Profit on sale of property, plant and equipment	**3**	16
(350)	**(208)**	Other expenses (net)	**(20)**	(40)
(2 022)	**(1 560)**	Operating loss	**(146)**	(193)
–	**(109)**	Loss from associate	**(10)**	–
(88)	**7**	Profit on disposal/(impairment) of investments	**1**	(10)
173	**170**	Net gain on financial instruments	**16**	20
185	**220**	Investment income	**21**	21
(256)	**(277)**	Finance costs	**(27)**	(29)
(2 008)	**(1 549)**	**Loss before taxation and discontinued operations**	**(145)**	(191)

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

38 RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED INCOME STATEMENTS AND BALANCE SHEETS CONTINUED

Reconciliation of total segment assets to consolidated assets includes the following:

SA rand			US dollar	
Restated 2013	**2014**	*Figures in million*	**2014**	Restated 2013
		Non-current assets		
7 409	**7 135**	Property, plant and equipment	**670**	743
2 191	**886**	Intangible assets	**84**	220
37	**42**	Restricted cash	**4**	4
2 054	**2 299**	Restricted investments	**217**	206
104	**81**	Deferred tax asset	**8**	10
109	**–**	Investments in associates	**–**	11
49	**4**	Investments in financial assets	**–**	5
57	**50**	Inventories	**5**	6
		Current assets		
1 417	**1 534**	Inventories	**145**	142
1 162	**951**	Trade and other receivables	**90**	116
132	**110**	Income and mining taxes	**10**	13
–	**15**	Restricted cash	**1**	–
2 089	**1 829**	Cash and cash equivalents	**172**	209
16 810	**14 936**		**1 406**	1 685

COMPANY INCOME STATEMENTS

for the years ended 30 June 2014

		SA rand	
Figures in million	Note	**2014**	2013
Revenue		**2 483**	3 395
Cost of sales	1	**(2 493)**	(2 652)
Production costs		**(2 023)**	(2 163)
Amortisation and depreciation		**(277)**	(362)
Impairment of assets		**(36)**	(27)
Employment termination and restructuring costs		**(42)**	(6)
Other items		**(115)**	(94)
Gross (loss)/profit		**(10)**	743
Corporate, administration and other expenditure		**(50)**	(45)
Social investment expenditure		**(19)**	(43)
Exploration expenditure		**(3)**	(12)
Profit on sale of property, plant and equipment	2	**–**	336
Other expenses (net)	3	**(183)**	(541)
Operating (loss)/profit	4	**(265)**	438
Profit on sale of investment in subsidiaries	18	**–**	711
Impairment of investments in subsidiaries	12	**(756)**	(666)
Impairment of investments in associates	13	**(86)**	–
Net gain on financial instruments	11	**28**	29
Investment income	5	**473**	517
Finance cost	6	**(165)**	(168)
(Loss)/profit before taxation		**(771)**	861
Taxation	7	**207**	(41)
Net (loss)/profit for the year		**(564)**	820

These are the separate financial statements of Harmony Gold Mining Company Limited. For the group financial statements refer to pages 4 to 89.

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

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 30 June 2014

		SA rand	
Figures in million	Note	**2014**	2013
Net (loss)/profit for the year		**(564)**	820
Other comprehensive loss for the year, net of income tax		**(3)**	–
Actuarial loss recognised during the year*		**(4)**	–
Deferred tax thereon*		**1**	–
Total comprehensive (loss)/income for the year		**(567)**	820

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

* These items in other comprehensive loss will not be reclassified to profit or loss.

COMPANY BALANCE SHEETS

		SA rand	
Figures in million	Note	At 30 June 2014	At 30 June 2013
ASSETS			
Non-current assets			
Property, plant and equipment	8	**2 576**	2 552
Intangible assets	9	**40**	38
Restricted cash	10	**32**	26
Restricted investments	11	**402**	355
Investments in subsidiaries	12	**25 044**	24 943
Investments in associates	13	**–**	86
Investments in financial assets	14	**4**	5
Inventories	16	**15**	14
Loans to subsidiaries	12	**257**	–
Trade and other receivables	17	**102**	–
Total non-current assets		**28 472**	28 019
Current assets			
Loans to subsidiaries	12	**2 098**	1 826
Inventories	16	**193**	169
Trade and other receivables	17	**522**	705
Income and mining taxes		**45**	110
Cash and cash equivalents		**1 646**	1 811
Total current assets		**4 504**	4 621
Total assets		**32 976**	32 640
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	19	**28 325**	28 325
Other reserves	20	**887**	706
Accumulated loss		**(2 015)**	(1 451)
Total equity		**27 197**	27 580
Non-current liabilities			
Deferred tax liabilities	7	**185**	377
Provision for environmental rehabilitation	21	**486**	455
Retirement benefit obligation	22	**31**	25
Other non-current liabilities	23	**111**	78
Borrowings	24	**2 860**	2 252
Total non-current liabilities		**3 673**	3 187
Current liabilities			
Borrowings	24	**–**	282
Trade and other payables	25	**716**	693
Loans from subsidiaries	12	**1 390**	898
Total current liabilities		**2 106**	1 873
Total equity and liabilities		**32 976**	32 640

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

COMPANY STATEMENTS OF CHANGES IN SHAREHOLDER EQUITY

for the years ended 30 June 2014

Figures in million (SA rand)	Number of ordinary shares issued	Share capital	Share Premium	Accumulated loss	Other reserves	Total
Note		19			20	
Balance – 30 June 2012	431 564 236	216	28 115	(1 836)	516	27 011
Issue of shares						
– Exercise of employee share options	225 654	–	1	–	–	1
– Shares issued to the Thlakanelo Employee Share Trust	3 500 000	–	–	–	–	–
Share-based payments	–	–	(7)	–	190	183
Net profit for the year	–	–	–	820	–	820
Other comprehensive income for the year	–	–	–	–	–	–
Dividends paid [1]	–	–	–	(435)	–	(435)
Balance – 30 June 2013	**435 289 890**	**216**	**28 109**	**(1 451)**	**706**	**27 580**
Issue of shares						
– Exercise of employee share options	**535 557**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**184**	**184**
Net loss for the year	**–**	**–**	**–**	**(564)**	**–**	**(564)**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Balance – 30 June 2014	**435 825 447**	**216**	**28 109**	**(2 015)**	**887**	**27 197**

[1] Dividends per share is disclosed under the earnings per share note. Refer to note 13 of the group financial statements.

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

COMPANY CASH FLOW STATEMENTS

for the years ended 30 June 2014

		SA rand	
Figures in million	Note	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	26	**324**	1 111
Interest received		**184**	153
Dividends received		**264**	342
Interest paid		**(116)**	(118)
Income and mining taxes refunded/(paid)		**81**	(151)
Cash generated by operating activities		**737**	1 337
CASH FLOW FROM INVESTING ACTIVITIES			
Increase in restricted cash		**(6)**	–
Additions to intangible assets		**(13)**	(5)
Increase in loans to subsidiaries		**(720)**	(1 745)
Aquisition of available-for-sale financial assets		**–**	(86)
Increase in restricted investments		**(8)**	–
Proceeds on disposal of investment in subsidiary		**–**	1 294
Proceeds on disposal of property, plant and equipment		**–**	88
Increase in amounts invested in the social trust fund		**–**	(4)
Additions to property, plant and equipment		**(301)**	(447)
Cash utilised by investing activities		**(1 048)**	(905)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings raised		**612**	678
Borrowings repaid		**(466)**	(315)
Ordinary shares issued		**–**	1
Dividends paid		**–**	(435)
Cash generated/(utilised) by financing activities		**146**	(71)
Net (decrease)/increase in cash and cash equivalents		**(165)**	361
Cash and cash equivalents – beginning of year		**1 811**	1 450
Cash and cash equivalents - end of year		**1 646**	1 811

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the years ended 30 June 2014

ACCOUNTING POLICIES

The accounting policies applied in the company financial statements are consistent with the group accounting policies. Refer to note 2 of the group financial statements as well as the relevant notes for the detailed discussions.

1 COST OF SALES

	SA rand	
Figures in million	**2014**	2013
Production costs (a)	**2 023**	2 163
Amortisation and depreciation of mining assets	**239**	330
Amortisation and depreciation of assets other than mining assets (b)	**38**	32
Rehabilitation expenditure (c)	**22**	5
Care and maintenance cost of restructured shafts	**50**	57
Employment termination and restructuring costs (d)	**42**	6
Share-based payments (e)	**45**	48
Impairment of assets (f)	**36**	27
Other (g)	**(2)**	(16)
Total cost of sales	**2 493**	2 652

(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. Employee termination costs are included except for employee termination costs associated with major restructuring and shaft closures, which are separately disclosed. Production costs, analysed by nature, consist of the following:

	SA rand	
Figures in million	**2014**	2013
Labour costs, including contractors	**1 249**	1 321
Consumables	**437**	498
Water and electricity	**311**	335
Insurance	**14**	17
Transportation	**41**	41
Change in inventory	**3**	(24)
Capitalisation of mine development costs	**(214)**	(219)
Royalty expense	**21**	74
Other	**161**	120
Total production costs	**2 023**	2 163

(b) Amortisation and depreciation of assets other than mining assets relates to the following:

Figures in million	**2014**	2013
Other non-mining assets	**2**	1
Intangible assets	**11**	10
Amortisation of issue costs	**25**	21
Total amortisation and depreciation of assets other than mining assets	**38**	32

(c) For the assumptions used to calculate the rehabilitation costs, refer to note 25 of the group financial statements. This expense includes the change in estimate for the rehabilitation provision where an asset no longer exists as well as ongoing rehabilitation costs. During 2014, rehabilitation costs incurred amounted to R23 million (2013: R45 million).

(d) During 2013, the group's South African operations embarked on a programme whereby voluntary severance packages were offered to all employees. This programme was concluded in June 2014.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

1 COST OF SALES CONTINUED

(e) Refer to note 28 for details on the share-based payments schemes implemented by the company.

(f) An impairment on Steyn 2 of R36 million (2013: R27 million) was recognised following the decision not to mine this operation in future. The operation was impaired to the recoverable amount of Rnil.

For assumptions used to calculate the recoverable amount, refer to note 14 of the group financial statements.

(g) Included in Other for the 2013 and 2014 financial years are amounts relating to inventory adjustments. Refer to note 16.

2 PROFIT ON SALE OF PROPERTY, PLANT AND EQUIPMENT

	SA rand	
Figures in million	**2014**	2013
Profit on sale of property, plant and equipment	–	336

There was no profit on sale of property, plant and equipment for the year ended 30 June 2014.

On 20 March 2013 Harmony signed transaction and funding agreements to give effect to an empowerment transaction to dispose of 30% of its Free State based Phoenix operation (Phoenix) to BEE shareholders, which includes a free-carry allocation of 5% to a community trust that has been created and is currently controlled by Harmony. In terms of the transactions, Harmony sold Phoenix to a newly incorporated subsidiary, PhoenixCo for a total purchase consideration of R450 million (on loan account). The sale of Phoenix to PhoenixCo is considered to have commercial substance as Harmony's future cash flows are expected to change as a result of the transaction. As such, the total profit on sale of property, plant and equipment for 2013 includes R240 million profit from the sale of Phoenix. The transaction closed on 25 June 2013, following the fulfilment of the last condition precedent.

The awards to the BEE partners have been accounted for as in-substance options as the BEE partners will only share in the upside, and not the downside, of their equity interest in PhoenixCo until the date the financing provided by Harmony is fully repaid. On this date the options will be exercised. The award of the options to the BEE partners is accounted for by the company as a cash-settled share-based payment arrangement as the company has not granted an option over its own equity instruments. The award is accounted for as an equity-settled share-based payment arrangement in the group financial statements. The in-substance options carry no vesting conditions and the fair value of the options of R23 million has been capitalised to the investment in subsidiary on the grant date, 25 June 2013. Subsequent remeasurement of the cash-settled share-based payment amounted to R38 million on 30 June 2014. Refer to note 23.

Also included in the total for 2013 is R60 million for the sale of the Merriespruit South mining right to Wits Gold. The remaining profit for the year relates to proceeds from the sale of scrap material (including steel) from sites that are closed and being rehabilitated.

3 OTHER EXPENSES (NET)

	SA rand	
Figures in million	**2014**	2013
Foreign exchange losses – net (a)	**155**	341
Bad debts provision expense (b)	**12**	187
Other expenses – net (c)	**16**	13
Total other expenses (net)	**183**	541

(a) Included in the total for 2014 is a loss of R155 million (2013: R351 million) related to the translation of the US dollar denominated loan into SA rand. Refer to note 24.

(b) Included in the total for 2014 is a provision of R6 million (2013: R201 million) for the loan to African Rainbow Minerals Gold Limited following the impairment of the investment in subsidiary in 2013, as well as a provision of R5 million (2013: R19 million reversal) for the loan to Armgold/Harmony Joint Investment Company (Proprietary) Limited (Investment Company). Refer to note 12 for more detail.

(c) Included in other expenses (net) for 2014 is a provision for pumping and treatment costs amounting to R15 million (2013: R16 million) relating to the KOSH Basin. Refer to note 23.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

4 OPERATING (LOSS)/PROFIT

The following have been included in operating (loss)/profit:

	SA rand	
Figures in million	**2014**	2013
Auditors' remuneration	**5**	4
Made up as follows:		
External		
Fees – current year	**4**	3
Fees – other services	**1**	1

5 INVESTMENT INCOME

	SA rand	
Figures in million	**2014**	2013
Interest received	**209**	175
Loans and receivables (a)	**81**	46
Held-to-maturity investments	**8**	7
Cash and cash equivalents	**115**	110
South African Revenue Services (SARS)	**5**	12
Dividend income (b)	**264**	342
Total investment income	**473**	517

(a) R16 million (2013: R31 million) relates to interest on-charged to Harmony's subsidiaries at an interest rate of prime plus 50 basis points.

(b) During the 2014 financial year, dividends of R250 million and R14 million were received from Avgold Limited and PhoenixCo respectively. These companies are subsidiaries of the company.

Dividends were received during the 2013 financial year from Evander Gold Mines Limited, a wholly owned subsidiary of the company up until 28 February 2013. Refer to note 18 for details.

6 FINANCE COST

	SA rand	
Figures in million	**2014**	2013
Financial liabilities		
Borrowings	**124**	134
Other creditors and liabilities	**2**	–
Loan from subsidiary (a)	**4**	–
Total finance cost from financial liabilities	**130**	134
Non-financial liabilities		
Post-retirement benefits	**2**	3
Time value of money and inflation component of rehabilitation costs	**33**	26
South African Revenue Services (SARS)	**–**	5
Total finance cost from non-financial liabilities	**35**	34
Total finance cost	**165**	168

(a) Relates to interest on outstanding net amounts received on behalf of PhoenixCo charged at overnight call money-market related interest rates. This loan cannot be offset against the amount owed for the purchase of the Phoenix operation. Refer to note 2 and 12 for further details.

7 TAXATION

	SA rand	
Figures in million	**2014**	2013
SA taxation		
Mining tax (a)	**(27)**	125
– current year	**–**	125
– prior year	**(27)**	–
Non-mining tax (b)	**11**	(67)
– current year	**11**	–
– prior year	**–**	(67)
Deferred tax (c)	**(191)**	(17)
– current year	**(191)**	(17)
Total taxation (credit)/expense	**(207)**	41

(a) Mining tax on gold mining income in South Africa is determined according to a formula, based on the taxable income from mining operations, net of any qualifying capital expenditure from mining operations. 5% of total mining revenue is exempt from taxation as a result of applying the gold mining formula while the balance is taxed at 34%. 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.

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

(c) The deferred 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 the balance sheet date. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year.

INCOME AND MINING TAX RATES

The tax rate remained unchanged for the 2014 and 2013 years.

Major items causing the income statement provision to differ from the mining statutory tax rate of 34% were:

	SA rand	
Figures in million	**2014**	2013
Tax on net (loss)/profit at the mining statutory tax rate	**(262)**	293
Non-allowable deductions/non-taxable income	**28**	(319)
Impairment of investments in subsidiaries (non-allowable deductions)	**257**	226
Effect on temporary differences due to changes in effective tax rate [1]	**(180)**	(49)
Difference between non-mining tax rate and statutory mining rate on non-mining income	**(2)**	–
Difference between effective mining tax rate and statutory mining rate on mining income	**(21)**	(43)
Prior year adjustment	**(27)**	(67)
Income and mining taxation	**(207)**	41
Effective income and mining tax rate	**27%**	5%

[1] *The deferred tax rate used for the 2014 financial year was 13.4% (2013: 26.4%)*

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

7 TAXATION CONTINUED

DEFERRED TAX

The analysis of deferred tax assets and liabilities is as follows:

	SA rand	
Figures in million	**2014**	2013
Deferred tax assets	**(45)**	(74)
Deferred tax asset to be recovered after more than 12 months	**(30)**	(38)
Deferred tax asset to be recovered within 12 months	**(15)**	(36)
Deferred tax liabilities	**230**	451
Deferred tax liability to be recovered after more than 12 months	**154**	448
Deferred tax liability to be recovered within 12 months	**76**	3
Net deferred tax liability	**185**	377

The deferred tax liabilities and assets on the balance sheet as of 30 June 2014 and 30 June 2013, relate to the following:

	SA rand	
Figures in million	**2014**	2013
Gross deferred tax liabilities	**230**	451
Amortisation and depreciation	**228**	448
Other	**2**	3
Gross deferred tax assets	**(45)**	(74)
Provisions, including non-current provisions	**(44)**	(74)
Other	**(1)**	–
Net deferred tax liability	**185**	377

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

	SA rand	
Figures in million	**2014**	2013
Balance at beginning of year	**377**	394
Total charge per income statement	**(191)**	(17)
Tax directly charged to other comprehensive income	**(1)**	–
Balance at end of year	**185**	377

As at 30 June 2014, the company has a capital gains tax (CGT) loss of R230 million (2013: R230 million) available for deduction against future mining taxable income and capital gains. CGT losses are only utilisable against future capital gains. The loss amount at 30 June 2013 arose when the uncertainty around the tax position on certain prior year transactions was resolved.

As at 30 June 2014 and 2013, the company had recognised all deferred tax assets in the determination of the net deferred tax liability, except for the CGT loss.

DIVIDEND TAX (DT)

A withholding tax of 15% on dividends (excluding a return of capital) and other distributions to the beneficial owners of shares (shareholders) became effective on 1 April 2012. DT is withheld by the company declaring the dividend or the withholding agent, unless specifically exempt. Foreign residents could qualify for an exemption or a reduced DT rate in terms of their relevant tax treaty. The withholding tax is a tax on the shareholder and if applicable will be withheld by the company and will reduce the amount paid to the shareholder.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

8 PROPERTY, PLANT AND EQUIPMENT

	SA rand	
Figures in million	**2014**	2013
Mining assets (a)	**2 552**	2 144
Mining assets under construction (b)	**–**	–
Undeveloped properties (c)	**–**	402
Other non-mining assets (d)	**24**	6
Total property, plant and equipment	**2 576**	2 552
(a) Mining assets		
Cost		
Balance at beginning of year	**4 862**	4 601
Additions [1]	**283**	304
Disposals [2]	**(1)**	(51)
Adjustment to rehabilitation asset	**(1)**	8
Transfers [3]	**402**	–
Balance at end of year	**5 545**	4 862
Accumulated depreciation and impairments		
Balance at beginning of year	**2 718**	2 373
Disposals	**–**	(12)
Impairment of assets	**36**	27
Depreciation [4]	**239**	330
Balance at end of year	**2 993**	2 718
Net carrying value	**2 552**	2 144
(b) Mining assets under construction		
Cost		
Balance at beginning of year	**–**	20
Additions	**–**	141
Disposals [2]	**–**	(161)
Balance at end of year	**–**	–
(c) Undeveloped properties		
Cost		
Balance at beginning of year	**402**	402
Transfers [3]	**(402)**	–
Balance at end of year	**–**	402
(d) Other non-mining assets		
Cost		
Balance at beginning of year	**42**	40
Additions	**20**	2
Balance at end of year	**62**	42
Accumulated depreciation and impairments		
Balance at beginning of year	**36**	35
Depreciation	**2**	1
Balance at end of year	**38**	36
Net carrying value	**24**	6

[1] Includes R26 million (2013: R31 million) attributable to Doornkop JV. Refer to note 15.
[2] Refers to the disposal of the Phoenix operations in 2013. Refer to note 2.
[3] Unisel undeveloped properties were transferred to mining assets as the distributable resources are available to mine.
[4] Includes R25 million (2013: R15 million) attributable to Doornkop JV. Refer to note 15.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

9 INTANGIBLE ASSETS

	SA rand	
Figures in million	**2014**	2013
Cost		
Balance at beginning of year	**169**	164
Additions	**13**	5
Balance at end of year	**182**	169
Accumulated amortisation and impairments		
Balance at beginning of year	**131**	121
Amortisation charge for the year	**11**	10
Balance at end of year	**142**	131
Net carrying value	**40**	38

Technology-based assets include computer software and intellectual property which has been acquired and developed for the company. These assets are amortised over five years.

10 RESTRICTED CASH

	SA rand	
Figures in million	**2014**	2013
Environmental guarantees	**32**	26

The amount relates to funds set aside to serve as collateral against guarantees made to the Department of Mineral Resources (DMR) in South Africa for environmental and rehabilitation obligations. Refer to note 21. A portion of the funds is held on call account and the rest is invested in money market funds.

11 RESTRICTED INVESTMENTS

	SA rand	
Figures in million	**2014**	2013
Investments held by environmental trust fund (a)	**355**	310
Held-to-maturity financial assets	**162**	158
Cash and cash equivalents (loans and receivables)	**78**	–
Fair value through profit or loss financial assets	**115**	152
Investments held by social trust fund (b)	**47**	45
Total restricted investments	**402**	355

(a) Environmental trust fund

The environmental trust fund is an irrevocable trust under the company's control. Contributions to the trust are invested in interest-bearing short-term and medium-term cash investments and medium-term equity-linked notes issued by commercial banks that provide guaranteed interest and additional interest or growth linked to the growth of the Shareholder Weighted Top 40 index (SWIX 40) of the JSE. The equity-linked notes are designated fair value through profit or loss investments and recorded at fair value whilst the interest-bearing short-term investments are classified either as held-to-maturity and recorded at amortised cost or as cash and cash equivalents and recorded at fair value. These investments provide for the estimated cost of rehabilitation at the end of the life of the company's mines. Income earned on the investments is retained in the funds and reinvested.

During 2013, a decision was made to diversify the credit risk concentration of the Nedbank equity-linked deposits. These funds were moved into short-term and medium-term fixed deposits with other banking institutions of good credit quality. These investments were classified as held-to-maturity investments at the time.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

11 RESTRICTED INVESTMENTS CONTINUED

(a) Environmental trust fund CONTINUED

Reconciliation of the movement in the investments held by environmental trust fund:

	SA rand	
Figures in million	**2014**	2013
Balance at beginning of year	**310**	279
Interest income	**10**	5
Fair value gain	**26**	26
Equity-linked deposits matured	**(63)**	–
Disposal of equity-linked deposits	**–**	(120)
(Disposal)/acquisition of held-to-maturity investments	**(15)**	120
Net acquisition of cash and cash equivalents	**78**	–
Contributions made	**9**	–
Balance at end of year	**355**	310

(b) Social trust fund

The social trust fund is an irrevocable trust under the company's control. The company undertook 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 R18.5 million was made during the 2004 year. Thereafter instalments of R3.5 million per annum were made with the final instalment 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 as to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

During 2013, the funds were moved into an investment that is exposed to the fair value changes in the market and the investment has been classified as fair value through profit or loss.

Reconciliation of the movement in the investments held by the social trust fund:

	SA rand	
Figures in million	**2014**	2013
Balance at beginning of year	**45**	38
Contributions made	**–**	4
Interest income	**2**	3
Fair value gain	**2**	3
Claims paid	**(2)**	(3)
Balance at end of year	**47**	45

12 INVESTMENTS IN SUBSIDIARIES AND LOANS TO/FROM SUBSIDIARIES

	SA rand	
Figures in million	**2014**	2013
Shares at cost less impairment (a)	**25 044**	24 943
Loans to subsidiaries (b) (i)	**2 355**	1 826
Gross non-current loan to subsidiary (b)(i)	**257**	–
Gross current loans to subsidiary companies (b)(i)	**3 745**	3 461
Provision for irrecoverable loans (b)(ii)	**(1 647)**	(1 635)
Loans from subsidiaries	**(1 390)**	(898)
	26 009	25 871

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

12 INVESTMENTS IN SUBSIDIARIES AND LOANS TO/FROM SUBSIDIARIES CONTINUED

Refer to Annexure A on page 126 for a detailed listing of the company's investments in subsidiaries and the loans to and from these companies. The recoverable amount of investments in subsidiaries has been determined on the fair value less costs to sell model, by comparing the future expected cash flows from subsidiaries, represented by the net investment, with the subsidiaries' net asset value.

(a) (i) At 30 June 2014, Harmony tested the recoverability of its investments in subsidiaries. The carrying value of its investment in African Rainbow Minerals Gold Limited (ARMgold) exceeded ARMgold's net asset value by R756 million (2013: R666 million). The recoverable amount of the net assets was determined using the fair value less costs to sell method and historical cost. Refer to note 14 of the group financial statements for the assumptions used in the calculation.

(ii) The loan to Harmony Gold (Australia) (Proprietary) Limited (Harmony Australia) was capitalised as part of the company's net investment in Harmony Australia through the issue of 206.7 million (2013: 313.7 million) Harmony Australia ordinary shares valued at R694 million (2013: R2 069 million).

(iii) The amounts relating to the share-based payment expense for the subsidiary companies' employees have been recognised as a capital contribution. Refer to note 28. Any amount recharged to the subsidiaries is offset against the capital contribution.

(iv) Management has commenced with the liquidation of various South African subsidiaries in the group. Refer to Annexure A on page 126 for more details.

(v) On 28 February 2013, the sale of Harmony's investment in Evander Gold Mines Limited (Evander) to Pan African Resources plc (Pan African) for R1.5 billion less certain distributions made by Evander was concluded.

(b) (i) Included in loans to subsidiaries is a loan to Business Venture Investments No 1692 (Proprietary) Limited (PhoenixCo) of R333 million (2013: R450 million). The non-current portion of this loan is R257 million. Refer to note 2 for details on the Phoenix transaction.

(ii) There were no reversals recorded against the provision for irrecoverable loans during the 2014 financial year. During 2013, a reversal of R19 million was recorded against the provision for the irrecoverable loan to ARMgold/Harmony Joint Investment Company (Proprietary) Limited (Investment Company). R12 million was provided for on the loans to subsidiaries in 2014. R201 million was provided for the loan to ARMgold in 2013.

13 INVESTMENTS IN ASSOCIATES

(a) Harmony acquired 32.4% of Pamodzi when the group sold the Orkney operation on 27 February 2008 in exchange for a consideration of 30 million Pamodzi shares, initially valued at R345 million. Pamodzi was placed in liquidation in March 2009 and the trading of its shares on the JSE was suspended. The company had historically recognised accumulated impairments of R345 million reducing the carrying value of the investment to Rnil. Refer to the group financial statements note 20 for further detail.

Refer to note 17 for detail of loans and receivables provided for by the company.

(b) The company acquired 8.5% interest in Rand Refinery (Proprietary) Limited (Rand Refinery) in three tranches during 2013. The company indirectly holds a total shareholding of 10.38%. Through its total shareholding the company is able to exercise significant influence by virtue of having a right to appoint a director on the board. The investment was previously accounted for as available-for-sale (refer to note 14 for further detail), but since the 10% shareholding was attained and with the right to appoint a director on the board, the investment has been accounted for as an associate. As a result of the challenges following the implementation of a new ERP system and the discrepancy related to the inventory balance, the investment has been written down to Rnil. Refer to note 20 of the group financial statements for further details.

The movement during the year is as follows:

	SA rand	
Figures in million	**2014**	2013
Balance at beginning of year	**86**	–
Impairment recognised	**(86)**	–
Reclassified from investment in financial assets	**–**	86
Total investments in associates	**–**	86

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

14 INVESTMENTS IN FINANCIAL ASSETS

Figures in million	SA rand 2014	2013
Available-for-sale financial assets		
Balance at beginning of year	**5**	5
Additions (a)	**–**	86
Reclassification to investment in associate (a)	**–**	(86)
Fair value adjustments	**(1)**	–
Balance at end of year	**4**	5

These shares are all unlisted and 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.

(a) During the 2013 year, the company invested R86 million in Rand Refinery resulting in a direct holding of 8.5%. This holding, together with Avgold's holding of 1.9% resulted in the group being able to exercise a significant influence over the operations of Rand Refinery and as such the investment was classified as an investment in associate. Refer to note 13.

15 INVESTMENT IN JOINT OPERATIONS

DOORNKOP JV AGREEMENT

During the 2010 financial year, Harmony and Randfontein Estates Limited, a subsidiary of Harmony, entered into a joint venture agreement for the operation of the Doornkop mine following Harmony's purchase of a 26% interest in the Doornkop mining right from African Vanguard Resources (Proprietary) Limited (AVRD) for a purchase consideration of R398 million. As consideration the company repaid the outstanding balance of R244 million of the AVRD Nedbank loan, as well as issued shares to AVRD valued at R151 million. In terms of the sales agreement, 975 419 consideration shares were to be held in escrow until 1 May 2014. The final share certificate for these shares was released to AVRD on 25 August 2014. The agreement to purchase AVRD's 26% interest is considered to be a repurchase of a call option (equity interest). The difference between the value of the shares issued, the settlement of the AVRD Nedbank loan and transaction costs, has been taken directly to equity.

Harmony recognised the cost of the mineral rights as part of property, plant and equipment. During the 2014 financial year, depreciation of R7 million (2013: R9 million) was recorded for this asset. The joint venture agreement entitles the company to a 16% share of the production profit or loss of the Doornkop mine. During the 2014 financial year, this amounted to a profit of R4 million (2013: profit of R91 million). In addition, ongoing capital expenditure (OCD), as defined by the joint venture agreement, amounted to R26 million (2013: R31 million). Depreciation on OCD amounted to R18 million for 2014 (2013: R6 million).

The following are the company's effective share of income, expenses, assets and liabilities, which are included in the 2014 financial statements:

Figures in million	SA rand 2014	2013
Revenue	**180**	258
Production costs	**(176)**	(167)
Depreciation	**(25)**	(15)
Operating (loss)/profit	**(21)**	76
Non-current assets	**452**	451
Total assets	**452**	451

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

16 INVENTORIES

	SA rand	
Figures in million	**2014**	2013
Gold in lock-up	**15**	14
Gold in-process and bullion on hand	**42**	45
Consumables at weighted average cost	**151**	124
Total inventories	**208**	183
Non-current portion of gold in lock-up	**(15)**	(14)
Total current portion of inventories	**193**	169
Included in the balance above is:		
Inventory valued at net realisable value	**27**	14

During the 2014 financial year, a R1 million revaluation (2013: R13 million) was made for the net realisable value adjustment for gold in lock-up.

During 2013 a reversal of R8 million was made to the provision for slow moving and redundant stock, resulting primarily from a process of improving stock management. The total provision at 30 June 2014 was R9 million (2013: R9 million).

17 TRADE AND OTHER RECEIVABLES

	SA rand	
Figures in million	**2014**	2013
Current		
Financial assets:		
Trade receivables (gold)	**125**	141
Other trade receivables	**20**	18
Provision for impairment	**(6)**	(6)
Trade receivables – net	**139**	153
Interest and other receivables (a)	**318**	508
Employee receivables	**13**	28
Other loans receivable (b)	**40**	–
Non-financial assets:		
Prepayments	**12**	16
Total current trade and other receivables	**522**	705
Non-current assets		
Financial assets:		
Loans to associates (c)	**116**	116
Other loans receivable (b)	**102**	–
Provision for impairment (c)	**(116)**	(116)
Total non-current trade and other receivables	**102**	–

(a) Included in the balance for the 2014 financial year is the self-insurance fund of R173 million (2013: R323 million). Included in the 2013 financial year balance is an amount of R69 million due from Evander.

(b) These loans relate to the funding given to the BEE partners to purchase their portion of the Business Venture Investments No 1692 (Proprietary) Limited (PhoenixCo). Refer to note 28 for further details.

(c) Included in the 2014 balance is a loan of R116 million (2013: R116 million) owed by Pamodzi. Pamodzi was placed into liquidation during March 2009 and the loan was provided for in full. The company is a concurrent creditor in the Pamodzi Orkney liquidation.

17 TRADE AND OTHER RECEIVABLES CONTINUED

The movement in the provision for impairment of trade receivables during the year was as follows:

Figures in million	SA rand 2014	2013
Balance at beginning of year	**6**	5
Impairment loss recognised	**3**	2
Reversal of impairment loss	**(3)**	(1)
Balance at end of year	**6**	6

The movement in the provision of loans receivables during the year was as follows:

Figures in million	SA rand 2014	2013
Balance beginning and end of year	**116**	116

The ageing of trade receivables at the reporting date was:

Figures in million	SA rand Gross	Impairment
30 June 2014		
Fully performing	**133**	**–**
Past due by 1 to 30 days	**3**	**–**
Past due by 31 to 60 days	**3**	**–**
Past due by 61 to 90 days	**–**	**–**
Past due by more than 90 days	**3**	**3**
Past due by more than 361 days	**3**	**3**
	145	**6**
30 June 2013		
Fully performing	142	–
Past due by 1 to 30 days	4	–
Past due by 31 to 60 days	4	–
Past due by 61 to 90 days	1	–
Past due by more than 90 days	5	3
Past due by more than 361 days	3	3
	159	6

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

17 TRADE AND OTHER RECEIVABLES CONTINUED

The ageing of loans receivable at the reporting date was:

	SA rand	
Figures in million	**Gross**	**Impairment**
30 June 2014		
Fully performing[1]	**142**	**–**
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	**–**	**–**
Past due by more than 361 days	**116**	**116**
	258	**116**
30 June 2013		
Fully performing	–	–
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	–	–
Past due by more than 361 days	116	116
	116	116

[1] Other loans receivable of R40 million are included under current.

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. Similarly, the loans and receivables noted above, other than those that have been provided for, are fully performing and considered to be a low risk. The company does not hold any collateral in respect of these receivables.

During the 2014 and 2013 years there was no renegotiation of the terms of any receivable.

18 PROFIT ON SALE OF INVESTMENT IN SUBSIDIARIES

The assets and liabilities of Evander Gold Mines Limited (Evander), a wholly owned subsidiary of Harmony Gold Mining Company Limited (Harmony), were classified as held for sale following the signing of a sale of shares and claims agreement on 30 January 2012. On 30 May 2012, Harmony announced the signing of a new sale of shares and claims agreement with Pan African.

All conditions precedent to the sale were fulfilled and the transaction was completed on 28 February 2013. The purchase consideration of R1.5 billion was adjusted for distributions received prior to the effective date of R210 million. A profit of R711 million was recorded.

19 SHARE CAPITAL

Authorised

1 200 000 000 (2013: 1 200 000 000) ordinary shares of 50 SA cents each.

Issued

435 825 447 (2013: 435 289 890) ordinary shares of 50 SA cents each. All issued shares are fully paid.

The Remuneration Report in the Integrated Annual Report (refer to Directors' Emoluments in the report) and note 28 set out details in respect of the share option scheme and shares held in trust for the employees of the company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

19 SHARE CAPITAL CONTINUED

Share issues

Shares issued in the 2013 and 2014 financial years relate to the exercise of share options by employees. During August 2012, 3.5 million shares were issued to Tlhakanelo Trust, the vehicle used for the employee share ownership plan.

Treasury shares

Included in the total of issued shares is an amount of 335 shares held by Lydenburg Exploration Limited, a wholly owned subsidiary of the company.

During August 2012, 3.5 million shares were issued to the Tlhakanelo Trust. As the trust is controlled by the group, the shares are treated as treasury shares. During 2014, 828 921 (2013: 937 548) shares were exercised by employees and the remaining 1 733 531 shares are still held as treasury shares.

20 OTHER RESERVES

	SA rand	
Figures in million	**2014**	2013
Fair value movement of available-for-sale financial assets	**(1)**	(1)
Repurchase of equity interest (a)	**3**	3
Equity component of convertible bond (b)	**277**	277
Share-based payments (c)	**611**	427
Other (d)	**(3)**	–
Total other reserves	**887**	706

(a) The sale of 26% of the AVRD mining titles resulted in a R3 million repurchase of a call option (equity interest) by the company. Refer to note 24 of the group financial statements.

(b) Refer to note 24 of group financial statements.

(c) Share-based payments

	SA rand	
Figures in million	**2014**	2013
Balance at beginning of year	**427**	237
Share-based payments expensed (i)	**39**	39
Subsidiary employees share-based payments (ii)	**145**	151
Balance at end of year	**611**	427

(i) Refer to note 32 in the group financial statements as well as note 28 in the company's financial statements. During the year, the equity-settled share-based payment expense of R39 million (2013: R39 million) was charged to the income statement.

(ii) Awards offered to employees providing services related to their employment in the group resulted in an increase in investment in subsidiaries. Refer to note 12.

(d) The amount relates to an actuarial loss of R3 million, net of tax of R1 million, on post-retirement benefits recognised in other comprehensive income.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

21 PROVISION FOR ENVIRONMENTAL REHABILITATION

The company's mining and exploration activities are subject to extensive environmental laws and regulations. The company 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	
Figures in million	**2014**	2013
Provision raised for future rehabilitation		
Balance at beginning of year	**455**	461
Change in estimate – Balance sheet	**(1)**	8
Change in estimate – Income statement	**(1)**	(40)
Time value of money and inflation component of rehabilitation costs	**33**	26
Total provision for environmental rehabilitation	**486**	455

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 undiscounted cost for the mines is approximately R582 million (2013: R560 million). Refer to note 25 of the group financial statements for estimations and judgements used in the calculation.

	SA rand	
Figures in million	**2014**	2013
Future net undiscounted obligation		
Ultimate estimated rehabilitation cost	**582**	560
Amounts invested in environmental trust fund (Refer to note 11)	**(355)**	(310)
Total future net undiscounted obligation	**227**	250

The company intends to finance the ultimate rehabilitation costs from the money invested with environmental trust fund, ongoing contributions, as well as the proceeds on sale of assets and gold in lock-up from plant clean-up at the time of mine closure. The company has guarantees, some cash-backed, in place relating to some of the environmental liabilities. Refer to note 10 and 30.

22 RETIREMENT BENEFIT OBLIGATION

	SA rand	
Figures in million	**2014**	2013
Retirement benefit obligation	**31**	25

Pension and provident funds: Refer to note 27(a) of the group financial statements. Funds contributed by the company for the 2014 financial year amounted to R121 million (2013: R122 million).

Post-retirement benefits other than pensions: Refer to note 27(b) of the group financial statements for a discussion of the obligation, risks and assumptions used. The disclosure below relates to the company only.

22 RETIREMENT BENEFIT OBLIGATION CONTINUED

Figures in million	SA rand 2014	2013
Present value of unfunded obligations	**31**	25
Current employees	**22**	17
Retired employees	**9**	8
Movement in the liability recognised in the balance sheet:		
Balance at beginning of year	**25**	24
Contributions paid	**(1)**	(1)
Other expenses included in staff costs/current service costs	**1**	1
Finance cost	**2**	3
Net actuarial loss/(gain) recognised during the year	**4**	(2)
Balance at end of year	**31**	25

The net actuarial loss has been recorded in other comprehensive income in the 2014 year.

Figures in million	SA rand 2014	2013
The net liability of the defined benefit plan is as follows:		
Present value of defined benefit obligation	**31**	25
Fair value of plan assets	**–**	–
Balance at end of year	**31**	25

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

Figures in million	SA rand 2014	2013
Effect of a 1% increase on:		
Aggregate of service cost and finance cost	**–**	–
Defined benefit obligation	**5**	4
Effect of a 1% decrease on:		
Aggregate of service cost and finance cost	**–**	–
Defined benefit obligation	**4**	3

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The analysis is performed on the same basis for 2013.

The company expects to contribute approximately R2 million to the plan in 2015.

The weighted average duration of the defined benefit obligation is 18.5 years.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

23 OTHER NON-CURRENT LIABILITIES

	SA rand	
Figures in million	**2014**	2013
Non-financial liabilities:		
PhoenixCo share-based payment liability (a)	**38**	23
ESOP share-based payment liability (b)	**16**	13
Other (c)	**57**	42
Total other non-current liabilities	**111**	78

(a) The liability relates to the disposal of an equity interest of PhoenixCo to BEE shareholders by Harmony on 25 June 2013. The award to the BEE partners has been accounted for as in-substance options, as the BEE partners will only share in the upside, and not the downside, of their equity interest in PhoenixCo until the date the financial assistance provided by Harmony is fully paid. The award of the options to the BEE partners is accounted for as a cash-settled share-based payment arrangement in the company. Refer to note 2 and 28 for details.

(b) The liability relates to the cash-settled share-based payment transaction following the award of ESOP SARs to qualifying employees through the Tlhakanelo Employee Share Trust. Refer to note 28 for more details.

(c) Included in Other is a provision of R57 million (2013: R42 million) relating to the pumping and treatment costs of fissure water in the KOSH Basin. This provision was raised following the High Court's dismissal of Harmony's application to have a directive issued by the Department of Water Affairs (DWAF) in November 2005 set aside, as it relates to the Orkney operations, which were sold in 2008. The appeal application heard in November 2013 was unsuccessful and Harmony has consequently entered into separate negotiations with the claimants. Subsequent to year-end, Harmony made a payment to Simmer and Jack Investments (Pty) Limited amounting to R24 million and a payment of R30 million to AngloGold Ashanti Limited, the two claimants in the matter, as full and final settlement.

24 BORROWINGS

Nedbank Limited

On 11 December 2009, the company entered into a loan facility with Nedbank Limited, comprising a term facility of R900 million and a revolving credit facility of R600 million. The facility was utilised to fund the acquisition of the Pamodzi Free State assets as well as the group's major capital projects and working capital requirements. Interest accrues on a day-to-day basis over the term of the loan at a variable interest rate. The outstanding amount on the Nedbank Term loan was settled in December 2013 by drawing against the new facility (discussed below).

On 30 November 2010, the company entered into an additional loan facility with Nedbank Limited, comprising a term facility of R500 million and a revolving credit facility of R250 million. Interest terms are identical to the original facility. The repayment terms of the original revolving credit facility were amended to coincide with the repayment on the new facility. The outstanding amount on the Nedbank Term loan was settled in December 2013 by drawing against the new facility (discussed below).

On 20 December 2013, the company entered into a loan facility with Nedbank Limited, comprising a revolving credit facility of R1 300 million. Interest accrues on a day-to-day basis over the term of the loan at a variable interest rate. R467 million was drawn down during December 2013 to repay the outstanding amounts on the Nedbank term loans. The facility was repaid in March 2014, with the full amount being available at 30 June 2014.

Syndicated revolving credit facility

On 11 August 2011, the company entered into a loan facility which was jointly arranged by Nedbank Limited and FirstRand Bank Limited (acting through its Rand Merchant Bank division) (syndicate), comprising a US$300 million (R2 156 million) syndicated revolving credit facility. The facility is utilised to fund exploration projects in PNG. The facility attracts interest at LIBOR plus 260 basis points, which is payable quarterly.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

24 BORROWINGS CONTINUED

Terms and debt repayment schedule at 30 June 2014:

	Interest charge	Repayment terms	Repayment date	Security
Syndicated (Secured loan – US$ revolving credit facility)	LIBOR plus 260 basis points, payable quarterly	Repayable on maturity	15 September 2015	Cession and pledge of operating subsidiaries' shares
Nedbank Limited (Secured loan – revolving credit facility	3 month JIBAR plus 3.5%, payable quarterly	Repayable on maturity	23 December 2016	Cession and pledge of operating subsidiaries' shares

Debt covenants

The debt covenant tests for both the Nedbank Limited facility and syndicated revolving credit facility were renegotiated during December 2013 and are as follows:

- The group's interest cover ratio shall not be less than five (EBITDA [1]/Total interest).
- Current ratio shall not be less than one (current assets/current liabilities).
- Cash flow from operating activities shall be above R100 million for the six months prior to the evaluation date.
- Total net debt shall not exceed R3 billion plus the rand equivalent of US$300 million.
- Tangible Net Worth [2] to facilities outstanding ratio shall not be less than six times.

[1] EBITDA as defined in the agreement excludes unusual items such as impairment and restructuring cost.
[2] Tangible Net Worth is defined as total equity less intangible assets.

The debt covenant tests are performed on a quarterly basis. No breaches of the covenants were identified during the tests in the 2014 financial year.

Interest-bearing borrowings

	SA rand	
Figures in million	**2014**	2013
Non-current borrowings		
Nedbank Limited (secured loan – term facilities)	**–**	155
Balance at beginning of year	**155**	458
Repayments	**(458)**	(305)
Amortisation of issue costs	**2**	4
Net adjustments to current portion	**301**	(2)
Nedbank Limited (secured loan – revolving credit facilities)	**(3)**	–
Balance at beginning of year	**–**	–
Draw down	**467**	–
Repayments	**(467)**	–
Issue cost	**(4)**	–
Amortisation of issue costs	**1**	–
Syndicated (secured loan – US$ revolving credit facility)	**2 863**	2 097
Balance at beginning of year	**2 097**	1 042
Draw down	**612**	678
Amortisation of issue costs	**22**	17
Net adjustments to current portion	**(23)**	9
Translation	**155**	351
Total non-current borrowings	**2 860**	2 252
Current borrowings		
Current portion of the loans from Nedbank Limited	**–**	303
Current portion of the loans from syndicate	**–**	(21)
Total current borrowings	**–**	282
Total interest-bearing borrowings	**2 860**	2 534

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

24 BORROWINGS CONTINUED

Interest-bearing borrowings CONTINUED

	SA rand	
Figures in million	**2014**	2013
The maturity of borrowings is as follows:		
Current	**–**	282
Between one to two years	**2 860**	155
Between two to five years	**–**	2 097
	2 860	2 534
Undrawn committed borrowing facilities:		
Expiring within one year	**318**	850
Expiring after one year	**1 300**	899
	1 618	1 749

	Effective rate	
	2014 %	2013 %
Nedbank Limited	**8.7**	8.7
Syndicated	**2.8**	2.7

25 TRADE AND OTHER PAYABLES

	SA rand	
Figures in million	**2014**	2013
Financial liabilities:		
Trade payables	**127**	116
Other liabilities	**15**	14
Non-financial liabilities:		
Payroll accruals	**241**	204
Leave liabilities (a)	**73**	76
Shaft related accruals	**17**	47
Other accruals	**185**	176
ESOP share-based payment liability (b)	**17**	13
Value added tax	**41**	47
Total trade and other payables	**716**	693

(a) Leave liabilities

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:

	SA rand	
Figures in million	**2014**	2013
Balance at beginning of year	**76**	73
Benefits paid	**(79)**	(77)
Total expense per income statement	**76**	80
Balance at end of year	**73**	76

(b) ESOP share-based payment liability

The liability relates to the cash-settled share-based payment transaction following the award of ESOP SARs to qualifying employees through the Tlhakanelo Employee Share Trust during the 2014 and 2013 financial years. Refer to note 28 for more details.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

26 CASH GENERATED BY OPERATIONS

	SA rand	
Figures in million	**2014**	2013
Reconciliation of (loss)/profit before taxation to cash generated by operations:		
(Loss)/profit before taxation	**(771)**	861
Adjustments for:		
Amortisation and depreciation	**277**	362
Impairment of assets	**36**	27
Share-based payments	**45**	39
Decrease in provision for post-retirement benefits	**(1)**	(3)
Net decrease provision for environmental rehabilitation	**(1)**	(40)
Profit on sale of property, plant and equipment	**–**	(336)
Impairment of investments in subsidiaries	**756**	666
Impairment of investments in associates	**86**	–
Net gain on financial instruments	**(28)**	(29)
Profit on sale of investment in subsidiary	**–**	(711)
Dividends income	**(264)**	(342)
Interest received	**(209)**	(175)
Finance cost	**165**	168
Inventory adjustments	**1**	(24)
Other provisions	**16**	16
Provision for doubtful debts expense	**12**	185
Foreign exchange translation differences	**155**	352
Other non-cash adjustments	**(30)**	(20)
Effect of changes in operating working capital items		
Receivables	**102**	62
Inventories	**(26)**	13
Payables	**3**	40
Cash generated by operations	**324**	1 111

ADDITIONAL CASH FLOW INFORMATION

(i) The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received.

(ii) At 30 June 2014, R1 618 million (2013: R1 749 million) of borrowing facilities had not been drawn down and is therefore available for future operating activities and future capital commitments. Refer to note 24.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

(a) Acquisitions and disposal of investments/businesses

There were no acquisitions and disposals of investments/businesses in the 2014 financial year.

(b) Principal non-cash transactions

Share-based payments (refer to note 28).
Capitalisation of the Harmony Australia intercompany loan (refer to note 12).
Investment in subsidiaries arising from share-based payments (refer to note 12).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

26 CASH GENERATED BY OPERATIONS CONTINUED

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

(a) Acquisitions and disposal of investments/businesses

Disposal of Evander

The conditions precedent for the sale of Evander Gold Mine Limited were fulfilled and the transaction was completed on 28 February 2013.

The purchase consideration of R1.5 billion was adjusted for distributions received prior to the effective date of R210 million. Refer to note 18.

The aggregate fair values of assets and liabilities sold were:

	SA rand
Figures in million	2013
Investment in Evander Gold Mine Limited	583
Profit on sale	711
Proceeds received in cash	1 294

(b) Principal non-cash transactions

Share-based payments (refer to note 28).
Capitalisation of the Harmony Australia intercompany loan (refer to note 12).
Investment in subsidiaries arising from share-based payments (refer to note 12).

27 EMPLOYEE BENEFITS

	SA rand	
Figures in million	**2014**	2013
Aggregate earnings		
The aggregate earnings of employees including directors were:		
Salaries and wages and other benefits	**1 449**	1 447
Retirement benefit costs	**121**	122
Medical aid contributions	**44**	43
Total aggregated earnings*	**1 614**	1 612
Number of permanent employees as at 30 June	**6 288**	7 309

* *These amounts have been included in cost of sales, corporate expenditure and capital expenditure.*

Remuneration for directors and executive management is fully disclosed in the remuneration report in the Integrated Annual Report (refer to Directors' Emoluments in the report). During the 2014 financial year R47 million (2013: R17 million) was included in the payroll cost for termination costs. Termination costs include the costs relating to the voluntary retrenchment process as well as retrenchments due to shaft closures (refer to note 1).

28 SHARE-BASED PAYMENTS

Share-based payments are made up as follows:

	SA rand	
Figures in million	**2014**	2013
Employee share-based payments	**45**	48
Other share-based payments	**15**	23
Total share-based payments	**60**	71

28 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS

During the 2013 year, Harmony issued new awards under its 2012 employee share ownership plan (ESOP) to all employees other than management at the group's South African operations. The company also has the 2003 scheme and the 2006 share plan that are active. The objective of these schemes is to recognise the contributions of employees to the group's financial position and performance and to retain key employees.

The total cost relating to employee share-based payments is made up as follows:

	SA rand	
Figures in million	**2014**	2013
2012 employee share ownership plan (a)	**19**	33
2006 share plan (b)	**26**	15
Total employee share-based payments included in cost of sales	**45**	48

There was no cost for the 2003 scheme in the 2013 and 2014 years. Refer to (c) below for detail on the scheme.

(a) 2012 employee share ownership plan

Refer to note 32 of the group financial statements for the information relating to the 2012 ESOP. The following information relates specifically to the company.

The total cost relating to employee share-based payments arising from ESOP is made up as follows:

	SA rand	
Figures in million	**2014**	2013
2012 employee share ownership plan		
Equity-settled	**13**	24
Cash-settled	**6**	9
	19	33

Activity on awards

	Scheme shares	SARs	
Activity on awards outstanding	**Number of awards**	**Number of awards**	**Weighted average award price (SA rand)**
For the year ended 30 June 2014			
Balance at beginning of year	**558 058**	**1 116 116**	**79.00**
Awards granted	**11 460**	**22 920**	**40.32**
Awards exercised	**(170 762)**	**(341 524)**	**79.20**
Awards forfeited	**(10 920)**	**(21 840)**	**75.68**
Intercompany transfer of employees	**(30 410)**	**(60 820)**	
Balance at end of year	**357 426**	**714 852**	**77.71**
For the year ended 30 June 2013			
Balance at beginning of year	–	–	–
Awards granted	722 080	1 444 160	79.23
Awards exercised	(154 680)	(309 360)	80.03
Awards forfeited	(9 342)	(18 684)	79.22
Balance at end of year	558 058	1 116 116	79.00

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

28 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS CONTINUED

(a) 2012 employee share ownership plan CONTINUED

Activity on awards CONTINUED

List of awards granted but not yet exercised (listed by grant date)	Number of awards	Award price (SA rand)	Remaining life (years)
As at 30 June 2014			
Scheme shares			
8 August 2012 allocation	**329 886**	**n/a**	**2.7**
8 March 2013 allocation	**16 440**	**n/a**	**2.7**
15 March 2014 allocation	**11 100**	**n/a**	**2.7**
	357 426		
Share appreciation rights			
8 August 2012 allocation	**659 772**	**80.03**	**2.7**
8 March 2013 allocation	**32 880**	**56.35**	**2.7**
15 March 2014 allocation	**22 200**	**40.32**	**2.7**
	714 852		
Total awards granted but not yet exercised	**1 072 278**		

Measurement

	SA rand	
Figures in million	**2014**	2013
Cash-settled liability		
Non-current	**16**	13
Current	**17**	13
Total cash-settled liability	**33**	26

	SA rand	
Figures in million	**2014**	2013
Gain realised by participants on awards traded during the year	**10**	13
Fair value of awards exercised during the year	**10**	13

28 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS CONTINUED

(b) Options granted under the 2006 share plan

Refer to note 32 of the group financial statements for the information relating to the 2006 share plan. The following information relates specifically to the company.

	SARs		PS	RS
Activity on options and rights granted but not yet exercised	**Number of options and rights**	**Weighted average option price (SA rand)**	**Number of rights**	**Number of rights**
For the year ended 30 June 2014				
Balance at beginning of year	**4 052 601**	**78.58**	**2 483 363**	**476 367**
Options and rights granted	**3 374 060**	**33.64**	**3 990 361**	**104 831**
Options and rights exercised	**(70 042)**	**33.18**	**(241 770)**	**(151 944)**
Options and rights forfeited and lapsed	**(1 040 859)**	**71.99**	**(832 289)**	**–**
Balance at end of year	**6 315 760**	**56.16**	**5 399 665**	**429 254**
For the year ended 30 June 2013				
Balance at beginning of year	3 383 111	82.75	1 548 720	279 135
Options and rights granted	1 036 140	69.49	1 255 649	203 965
Options and rights exercised	(449)	70.54	(142 508)	–
Options and rights forfeited and lapsed	(351 510)	95.19	(295 638)	–
Intercompany transfer of employees	(14 691)	–	117 140	(6 733)
Balance at end of year	4 052 601	78.58	2 483 363	476 367

	SARs		PS		RS	
Options and rights vested but not exercised at year end	**2014**	2013	**2014**	2013	**2014**	2013
Options and rights vested but not exercised	**1 238 118**	1 354 369	**–**	–	**–**	–
Weighted average option price (SA rand)	**78.40**	75.30	**n/a**	n/a	**n/a**	n/a

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

28 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS CONTINUED

(b) Options granted under the 2006 share plan CONTINUED

List of options and rights granted but not yet exercised (listed by grant date)	Number of options and rights	Award price (SA rand)	Remaining life (years)
As at 30 June 2014			
Share appreciation rights			
5 December 2008	**569 089**	**77.81**	**0.4**
16 November 2009	**786 336**	**77.28**	**1.4**
15 November 2010	**434 416**	**84.81**	**2.4**
15 November 2011	**413 841**	**104.79**	**3.4**
16 November 2012	**925 827**	**68.84**	**4.4**
15 November 2013	**3 186 251**	**33.18**	**5.4**
	6 315 760		
Performance shares			
15 November 2011	**546 908**	**n/a**	**0.4**
27 September 2012	**6 160**	**n/a**	**1.2**
16 November 2012	**1 112 275**	**n/a**	**1.4**
15 November 2013	**3 734 322**	**n/a**	**2.4**
	5 399 665		
Restricted shares			
15 November 2010[1]	**82 569**	**n/a**	**2.4**
15 November 2011	**81 000**	**n/a**	**0.4**
27 September 2012	**30 802**	**n/a**	**1.2**
16 November 2012	**152 314**	**n/a**	**1.4**
15 November 2013[1]	**82 569**	**n/a**	**2.4**
	429 254		
Total options and rights granted but not yet exercised	**12 144 679**		

[1] The 2010 restricted shares vested in November 2013. Restricted shares that were not exercised, partially or fully, at that time remain restricted for a further three years, but were supplemented by a matching grant of restricted shares. All restricted shares are then only settled after the end of a further three year period.

Figures in million	2014	2013
Gain realised by participants on options and rights traded during the year	**13**	10
Fair value of options and rights exercised during the year	**15**	10

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

28 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS CONTINUED

(c) Options granted under the 2003 scheme

Refer to note 32 of the group financial statements for the information relating to the 2003 scheme. The following information relates specifically to the company.

Activity on share options granted but not yet exercised	2014 Number of options	2014 Weighted average option price (SA rand)	2013 Number of options	2013 Weighted average option price (SA rand)
For the year ended 30 June				
Balance at beginning of year	**512 714**	**47.96**	534 369	49.08
Options exercised	**–**	**–**	–	–
Options forfeited and lapsed	**(124 138)**	**52.12**	(21 655)	75.67
Balance at end of year	**388 576**	**46.63**	512 714	47.96

List of options vested but not yet exercised (listed by grant date)	At 30 June 2014	Option price (SA rand)	Remaining life (years)
10 August 2004	**109 220**	66.15	0.1
26 April 2005	**279 356**	39.00	0.8
Total options vested but not yet exercised	**388 576**		

OTHER SHARE-BASED PAYMENTS

Refer to note 32 of the group financial statements and note 2 for the information relating to the PhoenixCo transaction and the related share-based payment. The following information relates specifically to the company.

The award of the options to the BEE partners is accounted for by the company as a cash-settled share-based payment arrangement, as the company is settling the transaction in PhoenixCo's shares and not its own equity instruments.

The cash-settled share-based payment has been recognised as a liability in the balance sheet, the fair value of which will be remeasured at each reporting date. Any changes in fair value are recognised against the company's investment in PhoenixCo.

At 30 June 2014, the carrying value of the liability is R38 million (2013: R23 million). Refer to note 23.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

29 RELATED PARTIES

Refer to note 33 in the group financial statements for a discussion on related parties. The services rendered to the subsidiary companies relate primarily to general administration and financial functions.

	SA rand	
Figures in million	**2014**	2013
Sales and services rendered to related parties		
Direct subsidiaries	**12 837**	12 674
Indirect subsidiaries	**512**	540
Total	**13 349**	13 214
Purchases and services acquired from related parties		
Direct subsidiaries	**7**	–
Outstanding balances due by related parties		
Direct associates (a)	**–**	7
Direct subsidiaries	**2 355**	1 826
Total	**2 355**	1 833
Outstanding balances due to related parties		
Direct associates (b)	**–**	17
Direct subsidiaries	**827**	395
Indirect subsidiaries	**563**	503
Total	**1 390**	915

(a) The amount in the 2013 year has been included in trade and other receivables and was received in June 2014. Refer to note 17.

(b) The amount in the 2013 year, which has been included in trade and other payables, relates to the acquisition of the President Steyn assets from Pamodzi FS and was payable when certain conditions are fulfilled. The conditions precedent were fulfilled in June 2014 and the amount was paid.

All the production of the company is sent to Rand Refinery in which Harmony holds a 10.38% interest. Refer to note 13.

The loans are unsecured and interest-free and there are no special terms and conditions that apply.

Annexure A contains a full list of the loans to and from subsidiaries. Refer to note 12 for details of provisions made against these loans.

30 COMMITMENTS AND CONTINGENCIES

	SA rand	
Figures in million	**2014**	2013
Capital expenditure commitments		
Contracts for capital expenditure	**24**	23
Authorised by the directors but not contracted for	**36**	61
Total capital commitments	**60**	84

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

	SA rand	
Figures in million	**2014**	2013
Guarantees		
Guarantees and suretyships	**12**	10
Environmental guarantees	**251**	221
	263	231

At 30 June 2014, R32 million (2013: R26 million) has been pledged as collateral for environmental guarantees in favour of certain financial institutions. Refer to note 10.

Refer to note 34 of the group financial statements for a discussion on contingent liabilities.

31 SUBSEQUENT EVENTS

(a) Rand Refinery

During July 2014, Harmony extended an irrevocable, subordinated loan facility to Rand Refinery. The facility, if drawn down, is convertible to equity after a period of two years. Harmony's maximum commitment in terms of this facility is R140 million. Refer to note 13 for further details.

(b) KOSH

Refer to note 23(c) for details of events subsequent to balance sheet date.

32 FINANCIAL RISK MANAGEMENT

The company's financial instruments 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 certain selected financial risks in close cooperation with the company'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 investments of excess liquidity.

The company's financial assets and liabilities are set out below:

Figures in million (SA rand)	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2014					
Restricted cash	**32**	**–**	**–**	**–**	**–**
Restricted investments	**78**	**–**	**162**	**162**	**–**
Investments in financial assets	**–**	**4**	**–**	**–**	**–**
Loans to subsidiaries	**2 355**	**–**	**–**	**–**	**–**
Trade and other receivables	**612**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**1 646**	**–**	**–**	**–**	**–**
Borrowings	**–**	**–**	**–**	**–**	**2 860**
Loans from subsidiaries	**–**	**–**	**–**	**–**	**1 390**
Trade and other payables	**–**	**–**	**–**	**–**	**142**
At 30 June 2013					
Restricted cash	26	–	–	–	–
Restricted investments	–	–	158	197	–
Investments in financial assets	–	5	–	–	–
Loans to subsidiaries	1 826	–	–	–	–
Trade and other receivables	689	–	–	–	–
Cash and cash equivalents	1 811	–	–	–	–
Borrowings	–	–	–	–	2 534
Loans from subsidiaries	–	–	–	–	898
Trade and other payables	–	–	–	–	130

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk

(i) Foreign exchange risk

The company has certain investments in foreign operations, where net assets are exposed to foreign currency translation risk. There is also foreign exchange risk arising from borrowings denominated in a currency other than the functional currency of that entity. In addition, foreign exchange risk arises from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the R/US$ 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 an exchange rate in advance for the sale of its future gold production.

The company has reviewed its foreign currency exposure on financial assets and financial liabilities as at 30 June 2014 and 2013 and has identified the following sensitivities for a change of 10% in the exchange rate that would affect profit or loss.

	SA rand	
Figures in million	**2014**	2013
Sensitivity analysis – borrowings		
Rand against US$		
Increase by 10%	**286**	208
Decrease by 10%	**(286)**	(208)
Closing rate	**10.61**	9.98

(ii) Other price risk

The company is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets and fair value through profit or loss 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
Certain of the restricted investments are linked to the Shareholder Weighted Top 40 Index (SWIX 40) on the JSE. A 1% increase in the SWIX 40 index at the reporting date, with all other variables held constant, would have increased profit or loss by R0.6 million (2013: R1.5 million); an equal change in the opposite direction would have decreased profit or loss by R0.4 million (2013: R1.1 million).

A 1% increase in the share price of the available-for-sale investments at the reporting date, with all other variables held constant, would not have had a material impact on other comprehensive income for 2013 and 2014.

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) Interest rate risk

The company's interest rate risk arises mainly from long-term borrowings. The company has variable interest rate borrowings. Variable rate borrowings expose the company to cash flow interest rate risk. The company has not entered into interest rate swap agreements.

Sensitivity analysis – borrowings
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 2013.

	SA rand	
Figures in million	**2014**	2013
Increase by 100 basis points	**(29)**	(25)
Decrease by 100 basis points	**29**	25

32 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk CONTINUED

(iii) Interest rate risk CONTINUED

Interest rate risk arising from long-term borrowings is offset by cash, restricted cash and restricted investments held at variable rates.

Sensitivity analysis – financial assets

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 2013.

	SA rand	
Figures in million	**2014**	2013
Increase by 100 basis points	**19**	20
Decrease by 100 basis points	**(19)**	(20)

(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.

Cash and cash equivalents and restricted cash

Financial institutions' credit rating by exposure:

	SA rand	
Figures in million	**2014**	2013
Credit rating		
AAA	**51**	151
AA+ [1]	**670**	359
AA [1]	**641**	639
AA-	**205**	218
A+ [1]	**111**	470
Cash and cash equivalents and restricted cash	**1 678**	1 837
AA+	**–**	4
AA	**21**	22
A+	**11**	–
Total restricted cash	**32**	26

[1] Includes restricted cash

Restricted investments are held with financial institutions who have the following credit ratings: AAA Rnil (2013: R61 million), AA+ R231 million (2013: nil) and AA R124 million (2013: R249 million).

The social plan trust fund of R47 million has been invested in unit trusts comprising shares in listed companies.

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 R2 692 million as at 30 June 2014 (2013: R2 881 million).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 FINANCIAL RISK MANAGEMENT CONTINUED

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

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):

Figures in million (SA rand)	Current	More than 1 year
2014		
Borrowings	**–**	–
Due between 0 to six months	**41**	–
Due between six to 12 months	**41**	–
Due between one to two years	**–**	2 883
Due between two to five years	**–**	–
Trade and other payables (excluding non-financial liabilities)	**142**	–
	224	2 883
2013		
Borrowings		
Due between 0 to six months	**200**	–
Due between six to 12 months	**193**	–
Due between one to two years	**–**	214
Due between two to five years	**–**	2 110
Trade and other payables (excluding non-financial liabilities)	**130**	–
	523	2 324

(d) Capital risk management

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

The company manages and makes adjustments to the capital structure, which consists of debt 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. In doing so, the group ensures it stays within the debt covenants agreed with lenders. The company may also adjust the amount of dividends paid, sell assets to reduce debt or schedule projects to manage the capital structure.

The group follows a conservative approach to debt and prefers to maintain low levels of gearing, as follows:

	SA rand	
Figures in million	**2014**	2013
Cash and cash equivalents	**1 646**	1 811
Borrowings	**(2 860)**	(2 534)
Net debt	**(1 214)**	(723)

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

(e) Fair value determination of financial assets and liabilities

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the years ended 30 June 2014

32 FINANCIAL RISK MANAGEMENT CONTINUED

(e) Fair value determination of financial assets and liabilities CONTINUED

The table below presents the company's assets and liabilities that are measured at fair value by level (see list below) at 30 June 2014.

(1) Quoted prices (unadjusted) in active markets for identical assets (level 1);

(2) Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from other prices) (level 2);

(3) Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (level 3).

Assets	**Level 1**	**Level 2**	**Level 3**
Figures in million (SA rand)			
Available-for-sale financial assets [1]	**–**	**–**	**4**
Fair value through profit and loss [2]	**–**	**162**	**–**

The table below presents the company's assets and liabilities that are measured at fair value by level at 30 June 2013.

Assets	Level 1	Level 2	Level 3
Figures in million (SA rand)			
Available-for-sale financial assets [1]	–	–	4
Fair value through profit and loss [2]	–	197	–

[1] Refer to note 14. Level 3 fair values have been valued by the directors by performing independent valuations on an annual basis.

[2] Level 2 fair values are directly derived from the Shareholders Weighted Top 40 index (SWIX 40) on the JSE, and are discounted at market interest rate. The fair value of R47 million (2013: R45 million) of the balance in 2014 is derived by reference to quoted prices of the shares held within the unit trust portfolio.

33 GOING CONCERN

The financial statements are prepared on a going concern basis. In accordance with the solvency and liquidity test in terms of section 4 of the Companies Act, the board is of the opinion that the company has adequate resources and that:

- the company's assets, fairly valued, exceed its liabilities, fairly valued; and
- the company will be able to pay its debts as they become due in the ordinary course of business for the 12 months following 30 June 2014.

ANNEXURE A

STATEMENT OF GROUP COMPANIES AT 30 JUNE 2014

Company	Country of incor-poration	Status	Issued share capital R'000	Effective group interest 2014 %	Effective group interest 2013 %	Cost of investment by holding company 2014 Rm	Cost of investment by holding company 2013 Rm	Loans from/(to) holding company 2014 Rm	Loans from/(to) holding company 2013 Rm
Direct subsidiaries:									
Dormant									
Authentic Beverage (Proprietary) Limited	(a)	Ω	#	**100**	100	**–**	–	**–**	–
Coreland Property Development Company (Proprietary) Limited	(a)		#	**100**	100	**–**	–	**–**	–
Coreland Property Investment (Proprietary) Limited	(a)		#	**100**	100	**–**	–	**–**	–
Coreland Property Management (Proprietary) Limited	(a)		#	**100**	100	**–**	–	**–**	–
Harmony Engineering (Proprietary) Limited	(a)	@	#	**100**	100	**2**	2	**(4)**	(4)
Harmony Gold (Management Services) (Proprietary) Limited	(a)	@	#	**100**	100	**–**	–	**–**	–
Harmony Gold (Marketing) (Proprietary) Limited	(a)	Ω	#	**100**	100	**–**	–	**–**	–
Harmony Gold Limited	(d)		#	**100**	100	**–**	–	**–**	–
Musuku Benefication Systems (Proprietary) Limited	(a)	@	#	**100**	100	**–**	–	**–**	–
Unisel Gold Mines Limited	(a)		23 136	**100**	100	**89**	89	**(89)**	(89)
Virginia Salvage (Proprietary) Limited	(a)	@	#	**90**	90	**–**	–	**–**	–
Exploration									
Lydenburg Exploration Limited	(a)		42 792	**100**	100	**103**	103	**(106)**	(106)
Gold mining									
African Rainbow Minerals Gold Limited	(a)		96	**100**	100	**5 659**	6 416	**–**	–
ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited	(a)		20	**100**	100	**153**	86	**(211)**	(16)
Avgold Limited	(a)		6 827	**100**	100	**6 978**	6 955	**(363)**	(134)
Randfontein Estates Limited	(a)		19 882	**100**	100	**1 407**	1 363	**2 018**	1 367
Business Venture Investments No 1692 (Proprietary) Limited (PhoenixCo) [1]	(a)		5 996	**100**	100	**43**	27	**305**	430
Investment holding									
ARMgold/Harmony Joint Investment Company (Proprietary) Limited	(a)		#	**100**	100	**–**	–	**–**	–
Harmony Gold Australia (Proprietary) Limited	(c)		9 782 868	**100**	100	**10 283**	9 579	**1**	**–**
West Rand Consolidated Mines Limited	(a)		17 967	**100**	100	**321**	321	**(26)**	(26)

ANNEXURE A CONTINUED

STATEMENT OF GROUP COMPANIES AT 30 JUNE 2014 CONTINUED

Company	Country of incor-poration	Status	Issued share capital R'000	Effective group interest 2014 %	Effective group interest 2013 %	Cost of investment by holding company 2014 Rm	Cost of investment by holding company 2013 Rm	Loans from/(to) holding company 2014 Rm	Loans from/(to) holding company 2013 Rm
Mining-related services									
Harmony Pharmacies (Proprietary) Limited	(a)		#	**100**	100	**–**	–	**3**	9
Property holding and development									
La Riviera (Proprietary) Limited	(a)		#	**100**	100	**–**	–	**–**	–
Indirect subsidiaries: Dormant									
Harmony Gold Offshore (Proprietary) Limited	(c)		293	**100**	100	**–**	–	**–**	–
Aurora Custodians (Proprietary) Limited	(c)		#	**100**	100	**–**	–	**–**	–
Aurora Gold (WA) (Proprietary) Limited	(c)		163 115	**100**	100	**–**	–	**–**	–
Aurora Gold Administration (Proprietary) Limited	(c)		293	**100**	100	**–**	–	**–**	–
Aurora Gold Australia (Proprietary) Limited	(c)		58	**100**	100	**–**	–	**–**	–
Aurora Gold Finance (Proprietary) Limited	(c)		#	**100**	100	**–**	–	**–**	–
Aurora Gold Limited	(c)		685 006	**100**	100	**–**	–	**–**	–
Aurora Gold Services (Proprietary) Limited	(c)		#	**100**	100	**–**	–	**–**	–
Australian Ores & Minerals (Proprietary) Limited	(c)		8 766	**100**	100	**–**	–	**–**	–
Carr Boyd Minerals (Proprietary) Limited	(c)		402 414	**100**	100	**–**	–	**–**	–
Clidet No. 804 (Proprietary) Limited	(a)		#	**100**	100	**–**	–	**–**	–
Harmony Gold Securities (Proprietary) Limited	(c)		#	**100**	100	**–**	–	**–**	–
Harmony Gold WA (Proprietary) Limited	(c)		#	**100**	100	**–**	–	**–**	–
Harmony Precision Casting Company (Proprietary) Limited	(a)	@	358	**100**	100	**–**	–	**–**	–
Loraine Gold Mines Limited	(a)		#	**100**	100	**–**	–	**–**	–
Middelvlei Development Company (Proprietary) Limited	(a)		#	**100**	100	**–**	–	**–**	–
New Hampton Goldfields Limited	(c)		196 248	**100**	100	**–**	–	**–**	–

ANNEXURE A CONTINUED

STATEMENT OF GROUP COMPANIES AT 30 JUNE 2014 CONTINUED

Company	Country of incor-poration	Status	Issued share capital R'000	Effective group interest 2014 %	Effective group interest 2013 %	Cost of investment by holding company 2014 Rm	Cost of investment by holding company 2013 Rm	Loans from/(to) holding company 2014 Rm	Loans from/(to) holding company 2013 Rm
Potchefstroom Gold Areas Limited	(a)		8 407	**100**	100	**–**	–	**–**	–
Potchefstroom Gold Holdings (Proprietary) Limited	(a)		2	**100**	100	**–**	–	**–**	–
Remaining Extent and Portion 15 Wildebeestfontein (Proprietary) Limited	(a)	@	#	**90**	90	**–**	–	**–**	–
South Kal Mines (Proprietary) Limited	(c)		6	**100**	100	**–**	–	**–**	–
Swaziland Gold (Proprietary) Limited	(b)		#	**100**	100	**–**	–	**–**	–
Vadessa (Proprietary) Limited	(c)		#	**100**	100	**–**	–	**–**	–
Venda Gold Mining Company (Proprietary) Limited	(a)	Ω	#	**100**	100	**–**	–	**–**	–
Harmony Gold No.1 Limited	(e)		#	**100**	100	**–**	–	**–**	–
Exploration									
Harmony Gold (Exploration) (Proprietary) Limited	(a)		10	**100**	100	**–**	–	**(3)**	(3)
Harmony Gold (PNG) Exploration Limited	(e)		#	**100**	100	**–**	–	**–**	–
Morobe Exploration Limited	(e)		1 104	**100**	100	**–**	–	**–**	–
Harmony Gold Exploration – Philippines Inc.	(f)		#	**100**	100	**–**	–	**–**	–
Gold mining									
Harmony Gold PNG Limited	(e)		#	**100**	100	**–**	–	**–**	–
Kalahari Goldridge Mining Company Limited	(a)		1 275	**100**	100	**6**	2	**(560)**	(500)
Investment									
Abelle Limited	(c)		488 062	**100**	100	**–**	–	**–**	–
Aurora Gold (Wafi) (Proprietary) Limited	(c)		#	**100**	100	**–**	–	**–**	–
Harmony Gold Operations Limited	(c)		405 054	**100**	100	**–**	–	**–**	–
Mineral right investment									
Morobe Consolidated Goldfields Limited	(e)		#	**100**	100	**–**	–	**–**	–
Wafi Mining Limited	(e)		#	**100**	100	**–**	–	**–**	–
Property and development									
Quarrytown Limited	(a)		#	**100**	100	**–**	–	**–**	–
Mining-related services									
Harmony Gold (PNG Services) (Proprietary) Limited	(c)		#	**100**	100	**–**	–	**–**	–
Harmony Gold Morobe Province Services Limited	(e)		#	**100**	–	**–**	–	**–**	–
Total						**25 044**	24 943	**965**	928
Total investments								**26 009**	25 871

ANNEXURE A CONTINUED

STATEMENT OF GROUP COMPANIES AT 30 JUNE 2014 CONTINUED

Company	Country of incor-poration	Status	Issued share capital R'000	Effective group interest 2014 %	Effective group interest 2013 %	Cost of investment by holding company 2014 Rm	Cost of investment by holding company 2013 Rm	Loans from/(to) holding company 2014 Rm	Loans from/(to) holding company 2013 Rm
Joint operations – indirect:									
Morobe Exploration Services Limited	(e)		$	**50**	50	**–**	–	**–**	–
Hidden Valley Services Limited	(e)		$	**50**	50	**–**	–	**–**	–
Wafi Golpu Services Limited	(e)		$	**50**	50	**–**	–	**–**	–
Morobe Mining JV Services (Australia) (Proprietary) Limited	(c)		$	**50**	–	**–**	–	**–**	–

For its interest in joint operations, the group includes its share of the joint operation's individual income and expenses, assets and liabilities in the relevant components of the financial statements on a line-by-line basis.

Company	Country of incor-poration	Status	Issued share capital R'000	Effective group interest 2014 %	Effective group interest 2013 %	Cost of investment by holding company 2014 Rm	Cost of investment by holding company 2013 Rm	Loans from/(to) holding company 2014 Rm	Loans from/(to) holding company 2013 Rm
Associate company – direct:									
Gold mining									
Pamodzi Gold Limited	(a)	Ω	30	**32**	32	**–**	–	**–**	–
Associate company – indirect:									
Mining-related services									
Rand Refinery	(a)		786	**10**	10	**–**	86	**–**	–

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 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.

[1] *The balance of the loan of R305 million comprises a loan from holding company of R333 million and a loan to holding company of R28 million. These loans have not been offset in the company's financial statements and the gross amounts have been included in loans to subsidiaries and loans from subsidiaries, respectively.*
\# *Indicates issued share capital of R1 000 or less*
Ω *In final stages of liquidation order*
@ *Liquidation process commenced*
$ *Indicates a share in the joint venture's capital assets*
(a) Incorporated in the Republic of South Africa
(b) Incorporated in Swaziland
(c) Incorporated in Australia
(d) Incorporated in the Isle of Man
(e) Incorporated in Papua New Guinea
(f) Incorporated in the Philippines

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

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GP Briggs (chief executive officer)
F Abbott (financial director)
HE Mashego (executive director)
FFT De Buck*^ (lead independent director)
JA Chissano*[1]^
KV Dicks*^
Dr DS Lushaba*^
KT Nondumo*^
VP Pillay*^
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TRADING SYMBOLS

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New York Stock Exchange, Inc: HMY
Berlin Stock Exchange: HAM1

Registration number: 1950/038232/06
Incorporated in the Republic of South Africa
ISIN: ZAE 000015228

FORWARD-LOOKING STATEMENTS

Private Securities Litigation Reform Act

Safe Harbour Statement

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the safe harbour created by such sections. These statements may be identified by words such as "expects", "looks forward to", "anticipates", "intends", "believes", "seeks", "estimates", "will", "project" or words of similar meaning. All statements other than those of historical facts included in this report are forward-looking statements, including, without limitation, (i) estimates of future earnings, and the sensitivity of earnings to the gold and other metals prices; (ii) estimates of future gold and other metals production and sales, (iii) estimates of future cash costs; (iv) estimates of future cash flows, and the sensitivity of cash flows to the gold and other metals prices; (v) statements regarding future debt repayments; (vi) estimates of future capital expenditures; and (vii) estimates of reserves, and statements regarding future exploration results and the replacement of reserves. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, gold and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, project cost overruns, as well as political, economic and operational risks in the countries in which we operate and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors (such as availability of credit or other sources of financing), see the Company's latest Annual Report on Form 20-F which is on file with the Securities and Exchange Commission, as well as the Company's other SEC filings. The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this report, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

www.harmony.co.za

FINANCIAL
REPORT 2014