Company financial statements

2009

Company income statements

For the years ended 30 June

Figures in million	Note	SA rand 2009	SA rand 2008
Revenue		**3 538**	2 423
Cost of sales	1	**(2 756)**	(2 403)
Production costs		**(2 334)**	(2 041)
Amortisation and depreciation		**(363)**	(272)
Impairment of assets		**(52)**	–
Employment termination and restructured shafts		**(10)**	(73)
Other items		**3**	(17)
Gross profit		**782**	20
Corporate, administration and other expenditure		**(76)**	(52)
Exploration expenditure		**(9)**	–
Other expenses – net	2	**(125)**	(39)
Operating profit/(loss)	3	**572**	(71)
Impairment of investments in subsidiaries		**(7)**	–
Profit on sale of investment in associate		**1**	–
Impairment of investment in associate	12	**(145)**	(200)
Investment income	4	**211**	465
Finance costs	5	**(355)**	(471)
Profit/(loss) before taxation		**277**	(277)
Taxation	6	**(313)**	(52)
Net loss for the year		**(36)**	(329)

Company statements of comprehensive income

For the years ended 30 June

Figures in million	SA rand 2009	SA rand 2008
Net loss for the year	**(36)**	(329)
Other comprehensive loss for the period, net of income tax	**–**	–
Total comprehensive loss for the year	**(36)**	(329)
Attributable to:		
Owners of the parent	**(36)**	(329)
Non-controlling interest	**–**	–

These are the separate financial statements of Harmony Gold Mining Company Limited. For the group financial statements, refer to pages 191 to 281.

Company balance sheets

As at 30 June

Figures in million	Note	SA rand 2009	2008
Assets			
Non-current assets			
Property, plant and equipment	7	**1 769**	1 772
Intangible assets	8	**61**	47
Restricted cash	9	**112**	–
Restricted investments	10	**255**	226
Investments in financial assets	11	**8**	2
Investments in associates	12	**–**	146
Investments in subsidiaries	13	**21 764**	20 400
Loans to subsidiaries	13	**4 362**	7 897
Trade and other receivables	15	**64**	134
Total non-current assets		**28 395**	30 624
Current assets			
Inventories	16	**164**	216
Trade and other receivables	15	**323**	299
Income and mining taxes		**10**	29
Cash and cash equivalents	17	**1 513**	200
Total current assets		**2 010**	744
Total assets		**30 405**	31 368
Equity and liabilities			
Share capital and reserves			
Share capital	18	**28 091**	25 899
Other reserves	19	**425**	403
(Accumulated loss)/retained earnings		**(26)**	10
Total equity		**28 490**	26 312
Non-current liabilities			
Deferred income tax	6	**207**	98
Provision for environmental rehabilitation	20	**314**	351
Retirement benefit obligations and other provisions	21	**19**	17
Total non-current liabilities		**540**	466
Current liabilities			
Trade and other payables	22	**447**	382
Loans from subsidiaries	13	**928**	593
Borrowings	23		3 615
Total current liabilities		**1 375**	4 590
Total equity and liabilities		**30 405**	31 368

Company statements of changes in shareholders' equity

For the years ended 30 June

Figures in million (SA rand)	Number of ordinary shares issued	Share capital Rm	Share premium Rm	(Accum-ulated loss)/ retained earnings Rm	Other reserves Rm	Total Rm
Note		18			19	
Balance – 30 June 2007	**399 608 384**	200	25 463	339	392	26 394
Issue of shares			–			
– Exercise of employee share options	**1 786 213**	1	86	–	–	87
– Exchange for PNG Royalty [1]	**1 859 159**	1	148	–	–	149
Share-based payments	**–**	–	–	–	11	11
Total comprehensive loss for the year		–	–	(329)	–	(329)
Balance – 30 June 2008	**403 253 756**	202	25 697	10	403	26 312
Issue of shares						
– Exercise of employee share options	**1 322 964**	1	62	–	–	63
– Exchange for PNG Royalty [1]	**3 364 675**	2	240	–	–	242
– Capital raising [2]	**18 045 441**	8	1 879	–	–	1 887
Share-based payments		–	–	–	22	22
Total comprehensive loss for the year	**–**	–	–	(36)	–	(36)
Balance – 30 June 2009	**425 986 836**	213	27 878	(26)	425	28 490

[1] Refer to note 17 of the group financial statements for detail.

[2] Refer to note 18 for detail.

Company cash flow statements

For the years ended 30 June

Figures in million	Note	SA rand 2009	2008
Cash flow from operating activities			
Cash generated by operations	24	**1 248**	284
Interest received		**211**	96
Dividends received		**–**	24
Interest paid		**(266)**	(359)
Income and mining taxes paid		**(188)**	(44)
Cash generated by operating activities		**1 005**	1
Cash flow from investing activities			
Net increase in amounts invested in environmental trusts		**–**	(26)
Increase in restricted cash		**(112)**	–
Acquisition of intangible assets		**(38)**	(21)
Decrease/(increase) in loans to subsidiaries		**2 649**	(1 299)
Acquisition of other non-current investments		**(87)**	(67)
Proceeds on disposal of property, plant and equipment		**2**	2
Additions to property, plant and equipment		**(357)**	(279)
Cash generated/(utilised) by investing activities		**2 057**	(1 690)
Cash flow from financing activities			
Long-term borrowings raised		**–**	2 000
Long-term borrowings paid		**(3 700)**	(500)
Ordinary shares issued		**1 951**	87
Cash (utilised)/generated by financing activities		**(1 749)**	1 587
Net increase/(decrease) in cash and equivalents		**1 313**	(102)
Cash and equivalents – beginning of period		**200**	302
Cash and equivalents – end of period	17	**1 513**	200

Notes to the company financial statements

For the years ended 30 June

Figures in million	SA rand 2009	2008
1 Cost of sales		
Production costs (a)	**2 334**	2 041
Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	**294**	234
Amortisation and depreciation of assets other than mining properties, mine development costs and mine plant facilities (b)	**69**	37
Reversal of provision for rehabilitation costs (c)	**(46)**	(1)
Care and maintenance cost of restructured shafts	**19**	9
Employment termination and restructuring costs (d)	**10**	73
Share-based payments (e)	**22**	11
Impairment of assets (f)	**52**	–
Provision for post retirement benefits	**2**	(1)
Total cost of sales	**2 756**	2 403

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

	2009	2008
Labour costs, including contractors	**1 410**	1 366
Stores and materials	**549**	527
Water and electricity	**210**	160
Insurance	**55**	39
Transportation	**68**	26
Changes in inventory	**8**	3
Capitalisation of mine development costs	**(234)**	(218)
By-products sales	**(1)**	(4)
Other	**269**	142
Total production cost	**2 334**	2 041

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

	2009	2008
Intangible assets	**24**	11
Amortisation of issue costs	**45**	26
Total amortisation and depreciation	**69**	37

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

(d) During the December 2007 quarter, a voluntary retrenchment process was initiated due to the company's decision to decentralise central services and restructuring due to the cessation of Conops.

(e) Refer to note 27 for details on the share-based payments schemes operated by the company.

(f) During 2009, impairments were recognised, which resulted primarily from the revised business (life-of-mine) plans that were completed during the June quarter of each year. Included in the revised plans were increases in labour and electricity costs, which impacted negatively on the recoverable amount. The impaired shafts are also nearing the end of their lives. Impairment tests were performed as required by IAS 36, *Impairment of Assets*, and as a result these impairments were recorded. For assumptions used to calculate the recoverable amount, refer to note 3.1 of the group financial statements.

Notes to the company financial statements cont.

For the years ended 30 June

Figures in million	SA rand 2009	SA rand 2008
2 Other expenses – net		
Foreign exchange gain/(loss) – net (a)	**(139)**	4
Profit on sale of property, plant and equipment (b)	**(1)**	(2)
Bad debts provision expense (c)	**217**	19
Unrecoverable claims (d)	**–**	10
Bad debts written off (e)	**7**	–
Other expenses – net	**41**	8
Total other expenses – net	**125**	39

(a) Included in 2009 is R205 million exchange gains on the forward contract arranged by Harmony for the receipt of the proceeds for the Randfontein Cooke transaction. Refer to note 7(a)(ii) in the group financial statements.

Foreign exchange losses amounting to R66 million relates to the repayment of the intercompany loan by Harmony Gold (Australia) (Proprietary) Limited.

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

(c) The bad debts provision expense mainly relates to the provision for loans to associates and subsidiaries. Included in the total are provisions for the following loans:

Pamodzi Gold Limited: R116 million
Harmony Gold (Marketing) (Proprietary) Limited: R57 million
Harmony HIV/Aids Company (Proprietary) Limited: R10 million
Musuku Benefication Systems (Proprietary) Limited: R25 million

Refer to note 13 and 15.

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

(e) During the 2009 year, trade debt and loans of R7 million were written off as the company considered the debt irrecoverable.

3 Operating profit/(loss)

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

	2009	2008
Auditors' remuneration	**6**	8
External		
Fees – current year	**3**	2
Fees – prior year under provision	**1**	2
Fees – other services	**1**	2
Internal		
Fees – other services	**1**	2

4 Investment income

	2009	2008
Interest received	**211**	96
Loans and receivables	**21**	11
Held-to-maturity investments	**26**	19
Cash and cash equivalents	**164**	66
Dividend income on available for sale (a)	**–**	369
Total investment income	**211**	465

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

For the years ended 30 June

Figures in million	SA rand 2009	2008
5 Finance costs		
Financial liabilities		
Bank and short-term facilities	**22**	20
Convertible unsecured fixed rate bonds	**135**	159
Nedbank Limited	**175**	215
Rand Merchant Bank	**–**	17
Other creditors	**–**	6
Total finance costs from financial liabilities	**332**	417
Non-financial liabilities		
South African Revenue Services (SARS)	**–**	19
Time value of money and inflation component of rehabilitation costs	**23**	35
Total finance costs from non-financial liabilities	**23**	54
Total finance costs	**355**	471
6 Taxation		
SA normal taxation		
Mining tax (a)		
– current year	**57**	–
– prior year	**–**	44
Non-mining tax (b)		
– current year	**143**	–
– prior year	**4**	–
Deferred tax (c)		
– deferred tax	**109**	8
Total normal taxation	**313**	52

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

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

The formula for determining the South African gold mining tax rate for the 2008 and 2009 years is:

$$Y = 34 - 170/X$$

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

(b) Non-mining income is taxed at 28% (2008: 28%).

Notes to the company financial statements cont.

For the years ended 30 June

Figures in million	SA rand 2009	SA rand 2008

6 Taxation (continued)

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

Income and mining tax rates

The taxation rates were changed in the 2008 year after an announcement of a reduction in the applicable rates by the Finance Minister in his annual budget speech in February 2008. There was no change to the rates in the 2009 year.

Major items causing the income tax provision to differ from the maximum mining statutory tax rate of 34% (2008: 34%) were:

Figures in million	2009	2008
Tax on net income at the maximum mining statutory tax rate	**(128)**	101
Non-taxable income/non-allowable deductions	**(411)**	(178)
Effect on temporary differences due to changes in effective tax rate	**230**	69
Prior year adjustment – mining and non-mining tax	**(4)**	(44)
Income and mining taxation	**(313)**	(52)
Effective income and mining tax rate	**(113%)**	17%

Deferred tax liabilities and assets on the balance sheet as of 30 June 2009 and 30 June 2008, relate to the following:

Figures in million	2009	2008
Deferred tax		
Gross deferred tax liability	**243**	178
Amortisation and depreciation	**237**	166
Product inventory not taxed	**3**	3
Convertible bonds	**–**	8
Other	**3**	1
Gross deferred tax assets	**(36)**	(80)
Unredeemed capital expenditure	**(1)**	(38)
Provisions, including non-current provisions	**(35)**	(29)
Tax losses	**–**	(13)
Net deferred tax liability	**207**	98
Movement in the net deferred tax liability recognised in the balance sheet is as follows:		
Balance at beginning of year	**98**	90
Total charge per income statement	**109**	8
Balance at end of year	**207**	98

For the years ended 30 June

Figures in million	SA rand 2009	2008
6 Taxation (continued)		
The following amounts that will realise or be recovered in the next 12 months have been included in the deferred tax liabilities and assets:		
Deferred tax liabilities	**6**	4
Deferred tax assets	**(17)**	(10)
Net deferred tax asset	**(11)**	(6)

At 30 June 2009, the company has unredeemed capital expenditure of R6 million (2008: R312 million) and a nil tax loss (2008: R108 million) available for deduction against future mining taxable income. These future deductions are utilisable against mining taxable income generated only from the company's current mining operations and does not expire unless the company ceases to trade for a period longer than one year.

As at 30 June 2008 and 2009, the company had recognised all deferred tax assets in the determination of the net deferred tax liability.

During the years ended 30 June 2009 and 2008, there was no tax charged directly to equity.

Secondary Taxation on Companies

STC is a tax levied on South African companies at a rate of 10% with effect from 1 October 2007 (previously 12.5%) on dividends distributed.

Current and deferred tax are measured at the tax rate applicable to undistributed income and therefore only take STC into account to the extent that dividends have been received or paid.

On declaration of a dividend, the company includes the STC on this dividend in its computation of the income tax expense in the period of such declaration.

	2009	2008
Available STC credits at end of year	**273**	273

On 13 August 2009, the board of directors approved a final dividend for the 2009 financial year of 50 SA cents per share. The total dividend, paid on 21 September 2009, amounted to R213 million. As the STC credit exceeded the dividend no STC was payable on this declaration.

Notes to the company financial statements cont.

For the years ended 30 June

Figures in million	SA rand 2009	2008
7 Property, plant and equipment		
Mining properties, mine development costs and mine plant facilities	**1 355**	1 362
Undeveloped properties	**410**	410
Other non-mining assets	**4**	–
Total property, plant and equipment	**1 769**	1 772
Mining properties, mine development costs and mine plant facilities		
Cost		
Balance at beginning of year	**3 570**	3 214
Additions	**353**	279
Adjustment to rehabilitation asset	**(14)**	32
Transfers and other movements	**–**	45
Balance at end of year	**3 909**	3 570
Accumulated depreciation		
Balance at beginning of year	**2 208**	1 956
Impairment of fixed assets	**52**	–
Depreciation for the year	**294**	234
Transfers and other movements	**–**	18
Balance at end of year	**2 554**	2 208
Net book value	**1 355**	1 362
Undeveloped property		
Cost		
Balance at beginning of year	**410**	467
Transfers and other movements	**–**	(57)
Balance at end of year	**410**	410
Accumulated depreciation		
Balance at beginning of year	**–**	30
Transfers and other movements	**–**	(30)
Balance at end of year	**–**	–
Net book value	**410**	410
Other non-mining assets		
Cost		
Balance at beginning of year	**40**	28
Additions	**4**	–
Transfers and other movements	**–**	12
Balance at end of year	**44**	40
Accumulated depreciation		
Balance at beginning of year	**40**	28
Transfers and other movements	**–**	12
Balance at end of year	**40**	40
Net book value	**4**	–
Total net book value	**1 769**	1 772

For the years ended 30 June

Figures in million	SA rand 2009	SA rand 2008

8 Intangible assets

	2009	2008
Computer software		
Cost (a)		
Balance at the beginning of year	**63**	42
Additions during the year	**38**	21
Balance at end of year	**101**	63
Accumulated depreciation		
Balance at the beginning of year	**16**	5
Amortisation charge for the year	**24**	11
Balance at end of year	**40**	16
Total net book value	**61**	47

(a) The amount relates to the acquisition of the Oracle ERP software implemented in December 2006, as well as additional acquisition and implementation costs for Oracle ERP software during the year.

9 Restricted cash

	2009	2008
Environmental guarantees call account	**112**	–

The amount relates to funds set aside for guarantees made to the Department of Mineral Resources for environmental and rehabilitation obligations for certain subsidiaries.

10 Restricted investments

	2009	2008
Held-to-maturity financial assets:		
Investments held by Environmental Trust Fund (a)	**212**	190
Investments held by Social Trust Fund (b)	**43**	36
Total restricted investments	**255**	226

(a) The environmental trust fund is an irrevocable trust under the company's control. Contributions to the trust are invested primarily in interest-bearing short-term investments. The costs of these investments approximate their fair value. These investments provide for the estimated cost of rehabilitation during and at the end of the life of the company's mines. Income earned on the investments are restricted in use and may only be used to fund the company's approved rehabilitation costs.

Reconciliation of the movement in the Environmental Trust Fund:

	2009	2008
Balance at beginning of year	**190**	147
Interest accrued	**22**	17
Contributions made	**–**	26
Balance at end of year	**212**	190

Notes to the company financial statements cont.

For the years ended 30 June

Figures in million	SA rand 2009	SA rand 2008

10 Restricted investments (continued)

(b) The social trust fund is an irrevocable trust under the company's control. The Company has undertaken to donate over a period of 10 years to The Harmony Gold Mining Company Social Plan Trust in terms of an agreement signed on 3 November 2003. An initial donation of R 18.5 million was made during the 2004 year. The balance will be donated in installments of R 3.5 million per annum with the final installment to be made in 2013. The purpose of the Trust is to fund the social plan to reduce the negative effects of restructuring on the company's workforce, to put measures in place to ensure that the technical and life skills of the company's workforce are developed and to develop the company's workforce in such a manner to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

Figures in million	2009	2008
Reconciliation of the movement in the Social Trust Fund:		
Balance at beginning of year	**36**	37
Contributions made	**4**	4
Interest accrued	**4**	2
Claims paid	**(1)**	(7)
Balance at end of year	**43**	36

11 Investment in financial assets

Figures in million	2009	2008
Available-for-sale financial assets		
Balance at beginning of year	**2**	52
Additions	**6**	–
Disposals	**–**	(50)
Balance at end of year	**8**	2
The carrying amount consists of the following:		
Investment in unlisted shares	**8**	2

These investments have been valued by the directors by performing independent valuations on an annual basis to ensure that no permanent impairment in the value of the investments has occurred. The directors' valuation is consistent with the value stated above. During the financial year under review, the company did not receive any income from these investments (2008: Nil).

12 Investments in associates

Figures in million	2009	2008
Balance at beginning of year	**146**	1
Disposal of share in associate	**(1)**	–
Shares acquired at cost	**–**	345
Impairment of share in associate	**(145)**	(200)
Balance at end of year	**–**	146
The carrying amount consists of the following:		
Pamodzi Gold Limited (a)	**–**	145
Village Main Reef Gold Mining Company Ltd (b)	**–**	1
Total investments in associates	**–**	146

For the years ended 30 June

Figures in million	SA rand 2009	2008

12 Investments in associates (continued)

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

We recognised an impairment of R200 million at 30 June 2008, as a result of the decrease in the share price. On 30 September 2008, the carrying value exceeded the fair value and as a result, a further impairment of R145 million was recognised. On 30 June 2009, the fair value of the investment was calculated at R0 (2008: R145 million (R4.85 per share)).

Refer to note 22 of the group financial statements for further details.

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

On 10 July 2008, the company disposed of its interest in Village to To The Point Growth Specialists Investments 2 (Pty) Ltd for a consideration of R1.1 million.

Refer to note 22 of the group financial statements for further details.

13 Investments in subsidiaries

	2009	2008
Shares at cost (a)(b)	**21 764**	20 400
Loans to subsidiary companies (b)(c)	**4 362**	7 897
Loans from subsidiary companies	**(928)**	(593)
Total investments in subsidiaries	**25 198**	27 704

Refer to Annexure A on page 311 for a detailed listing of the company's investments in subsidiaries and the loans to and from these companies.

(a) As at 30 June 2009 the investments in Harmony Gold (Peru) and Harmony Gold (Isle of Man) were written off due to these companies being in liquidation. The investments had a carrying value of R6 million and R0.02 million respectively.

(b) Included in the balance of the investments as at 30 June 2009 is an amount related to the loan of R1 370 million from the company to Harmony Gold (Australia) (Proprietary) Limited (Harmony Australia) . The loan was capitalised as part of the company's net investment in Harmony Australia and 435.2 million ordinary shares were issued. The balance of this loan at 30 June 2008 was R3 887 million. During 2009, R1 019 million was repaid from the proceeds of the sale of PNG assets to Newcrest.

(c) During the 2009 year R94 million was provided as irrecoverable for loans to subsidiaries. These subsidiaries are dormant and will be liquidated in due course. Included in the balance are provisions raised for the following loans:

	2009	2008
Harmony Gold (Marketing) (Pty) Ltd	**25**	–
Musuku Benefication Systems (Pty) Ltd	**57**	–
Harmony HIV/AIDS Company (Pty) Ltd	**10**	–

Notes to the company financial statements cont.

2009

For the years ended 30 June

Figures in million	SA rand 2009	2008

14 Investment in joint venture

On 1 January 2008, the company disposed of its 45% interest in Healthshare Health Solutions (Proprietary) Limited (Healthshare) to the remaining shareholders of Healthshare. The joint venture was disposed for a consideration of R100, the cost of which was R45, resulting in a profit of R55. Refer to note 23(b) of the group financial statements

15 Trade and other receivables

Figures in million	2009	2008
Current		
Financial assets:		
Trade receivables (gold)	**245**	236
Other trade receivables (a)	**42**	10
Provision for impairment	**(17)**	(10)
Trade receivables – net	**270**	236
Interest and other receivables	**15**	33
Employee receivables	**20**	25
Insurance claims receivable	**3**	1
Non-financial assets:		
Prepayments	**15**	4
Total current trade and other receivables	**323**	299
Non-current		
Financial assets:		
Loans receivables (b)	**186**	144
Provision for impairment (c)	**(125)**	(14)
Loans receivables – net	**61**	130
Loan to Harmony Share Trust	**3**	4
Total non-current trade and other receivables	**64**	134

(a) Included in trade and other receivables is an amount of R68 million owed by Rand Uranium. Of this amount, R10 million is classified as current.

(b) Loans comprise various loans, which have been valued by the directors. Included in this balance is the loan of R116 million (2008: R103 million) owed by Pamodzi. The loan bore interest at prime rate until March 2009 when Pamodzi was placed into liquidation. Also included in this balance is a loan of R5 million (2008: R4 million) due from Ubuntu Small Scale Mining (Pty) Ltd (Ubuntu). The loan bears interest at prime less 3% with no fixed repayment terms.

(c) Included in this balance is the amount of R116 million (2008: R0) relating to the loan owed by Pamodzi. Also included in the balance is an amount of R5 million (2008: R4 million) relating to the loan owed by Ubuntu.

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

Figures in million	2009	2008
Balance at beginning of year	**10**	3
Impairment loss recognised	**8**	7
Receivables written off during the year	**(1)**	–
Balance at end of year	**17**	10

The movement in the provision for impairment of loans receivable during the year was as follows:

Figures in million	2009	2008
Balance at beginning of year	**14**	10
Impairment loss recognised	**117**	4
Loans written off during the year	**(6)**	–
Balance at end of year	**125**	14

For the years ended 30 June

15 Trade and other receivables

The ageing of trade receivables at the reporting date was:

30 June 2009	Gross	Impairment
Fully performing	250	–
Past due by 1 to 30 days	17	–
Past due by 31 to 60 days	1	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	9	7
Past due by more than 361 days	10	10
	287	17

30 June 2008	Gross	Impairment
Fully performing	236	–
Past due by 1 to 30 days	–	–
Past due by 31 to 60 days	–	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	5	5
Past due by more than 361 days	5	5
	246	10

The ageing of loans receivable at the reporting date was:

30 June 2009	Gross	Impairment
Fully performing	61	–
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	4	4
Past due by more than 361 days	121	121
	186	125

30 June 2008	Gross	Impairment
Fully performing	130	–
Past due by 1 to 30 days	–	–
Past due by 31 to 60 days	–	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	10	10
Past due by more than 361 days	4	4
Balance at 30 June 2008	144	14

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 financial assets.

During the year 2009 and 2008 there was no renegotiation of the terms of any receivable.

Notes to the company financial statements cont.

For the years ended 30 June

Figures in million	SA rand 2009	SA rand 2008

16 Inventories

	2009	2008
Gold-in-process and bullion-on-hand	**17**	25
Stores and materials at weighted average cost	**147**	191
Total inventories	**164**	216

17 Cash and cash equivalents

	2009	2008
Cash at bank and short-term deposits	**1 513**	200
Total cash and cash equivalents	**1 513**	200

18 Share capital

Authorised

1 200 000 000 (2008: 1 200 000 000) ordinary shares of SA 50 cents each

10 958 904 (2008: 10 958 904) redeemable convertible preference shares of SA 50 cents each

Issued

425 986 836 (2008: 403 253 756) ordinary shares of SA 50 cents each. All issued shares are fully paid.

Included in the total of issued shares is an amount of 2 314 shares held by Lydenburg Exploration Limited, a wholly-owned subsidiary of the company.

On 1 December 2008, Harmony issued 3 364 675 shares to Rio Tinto Limited. The Harmony shares were issued to cancel the Rio Tinto royalty rights over Wafi-Golpu in Papua New Guinea. The value of issued shares was R242 million (US$24 million) at R71.98 per share.

Harmony engaged in capital raising by issuing two tranches of shares following the resolution passed by shareholders at the Annual General Meeting held on 24 November 2008. The first tranche was issued into the open market between 25 November 2008 and 19 December 2008. In this tranche, 10 504 795 Harmony shares were issued at an average subscription price of R93.20, resulting in R979 million before costs being raised. The cost of the issue was R15 million or 1.5% of the value of shares issued.

A second tranche of shares was issued for cash into the open market between 10 February 2009 and 6 March 2009. This tranche consisted of 7 540 646 Harmony shares at an average subscription price of R124.45, resulting in R938 million before costs being raised. The cost of the issue was R15 million or 1.6% of the value of shares issued. The combined share issue amounts to R1.9 billion or 4.5% of the issued share capital as at 30 September 2008.

The unissued shares are under the control of the directors until the forthcoming annual general meeting. The Directors' Report and note 36 of the group financial statements set out details in respect of the share option scheme and shares held in trust for employees of the group.

The company has a general authority to purchase its shares up to a maximum of 10% of the issued share capital in any one financial year. This is in terms of the annual general meeting of shareholders on 24 November 2008. The general authority is subject to the Listings Requirements of the JSE Limited and the Companies Act No 61 of 1973 of South Africa, as amended.

For the years ended 30 June

Figures in million	SA rand 2009	2008

19 Other reserves

Other reserves comprises of:		
Equity component of convertible bond (a)	**277**	277
Share-based payments (b)	**148**	126
Total other reserves	**425**	403
Equity component of convertible bond		
Balance at beginning and end of year	**277**	277
Share-based payments		
At the beginning of the year	**126**	115
Share-based payments expensed (b)	**22**	11
Balance at end of year	**148**	126

(a) Equity component of convertible bond. Refer to note 28(c) in the group financial statements.

(b) Share-based payments. Refer to note 28(e) in the group financial statements.

20 Provision for environmental rehabilitation

The company's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. The 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:

Provision raised for future rehabilitation		
Balance at beginning of year	**351**	285
Change in estimate – Balance sheet	**(14)**	32
Change in estimate – Income statement	**(46)**	(1)
Inflation present value adjustment and time value of money component	**23**	35
Total provision for environmental rehabilitation	**314**	351

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the company has estimated that, based on current environmental and regulatory requirements, the total cost for the mines, in current monetary terms, is approximately R422 million (2008: R428 million). Refer to note 3.4 of the group financial statements for estimations and judgements used in the calculation.

Included in the charge to the income statement is an amount R6 million (2008: R7 million) relating to the time value of money.

Future net obligations		
Ultimate estimated rehabilitation cost	**422**	428
Amounts invested in environmental trust funds (refer to note 10)	**(212)**	(190)
Total future net obligations	**210**	238

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

Notes to the company financial statements cont.

For the years ended 30 June

Figures in million	SA rand 2009	2008
21 Retirement benefit obligations and other provisions		
Non-current		
Retirement benefit obligation (refer to note 25)	**5**	3
Other	**14**	14
Closing balance	**19**	17
22 Trade and other payables		
Financial liabilities		
Trade payables	**64**	3
Other liabilities	**10**	18
Non-financial liabilities		
Payroll accruals	**174**	180
Leave liabilities (a)	**81**	68
Shaft related accruals	**31**	76
Other accruals	**76**	6
Value added tax	**11**	31
Total trade and other payables	**447**	382

(a) Leave liability

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:

Figures in million	2009	2008
Balance at beginning of year	**68**	75
Benefits paid	**(76)**	(70)
Total expense per income statement	**89**	63
Balance at end of year	**81**	68

Figures in million	2009	2008
23 Borrowings		
Unsecured borrowings		
Convertible unsecured fixed rate bonds (a)	**–**	–
Principal amount	**–**	1 700
Equity conversion component, net of deferred tax liability	**–**	(277)
Deferred tax liability on initial recognition	**–**	(60)
Liability component on initial recognition	**–**	1 363
Unwinding of time value of money portion	**–**	271
Less: unamortised bond issue costs	**–**	(8)
	–	1 626
Less: current portion	**–**	(1 626)
Total unsecured long-term borrowings	**–**	–

For the years ended 30 June

Figures in million	SA rand 2009	2008
23 Borrowings		
Secured borrowings		
Nedbank Limited (b)	**–**	–
Principal amount	**–**	2 000
Less: unamortised issue costs	**–**	(11)
Less: current portion	**–**	(1 989)
Total secured long-term borrowings	**–**	–
Total long-term borrowings	**–**	–
Total current portion of borrowings	**–**	3 615
Total borrowings	**–**	3 615

(a) For details on the convertible bond, refer to note 29(a) of the group financial statements.

(b) For details on the Nedbank loan, refer to note 29(c) of the group financial statements.

24 Cash generated by operations

Reconciliation of profit/(loss) before taxation to cash generated by operations:

Figures in million	2009	2008
Profit/(loss) before taxation	**277**	(277)
Adjustments for:		
Amortisation and depreciation	**363**	271
Impairment of assets	**52**	–
Profit on sale of mining assets	**(1)**	(2)
Net increase/(decrease) in provision for post retirement benefits	**2**	(1)
Net decrease in provision for environmental rehabilitation	**(46)**	(1)
Impairment of associates	**145**	200
Impairment of investments in subsidiaries	**7**	–
Share-based payments	**22**	11
Profit on sale of investment in associate	**1**	–
Dividends received	**–**	(369)
Interest received	**(211)**	(96)
Interest paid	**355**	471
Provision for doubtful debts	**217**	19
Bad debts written off	**7**	–
Other non cash transactions	**(12)**	(12)
Effect of changes in operating working capital items:	**355**	*471*
Receivables	**(29)**	(45)
Inventories	**60**	86
Accounts payable and accrued liabilities	**39**	29
Cash generated by operations	**1 248**	284

Additional cash flow information

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

Notes to the company financial statements cont.

2009

For the years ended 30 June

Figures in million	SA rand 2009	2008

24 Cash generated by operations (continued)

Acquisitions and disposals of subsidiaries/businesses:

For the year ended June 2009

(a) Disposal of Village Reef Gold Mining Company (Village)

On 10 July 2008, the company disposed of its 37.8% interest in Village to To The Point Growth Specialists Investments 2 (Proprietary) Limited, for a consideration of R1.1 million. The investment in Village as at 30 June 2009 had a fair value of R0.7 million.

(b) The principal non-cash transactions for the year were the issue of shares to Rio Tinto for the acquisition of the Wafi Royalty on behalf of Harmony Australia (refer to note 18), the capitalisation of the Harmony Australia inter-company loan (see note 13(b)) and share-based payments (refer to note 27).

For the year ended June 2008

(a) There was neither acquisition nor disposal of subsidiary/business during the current financial year.

(b) The principal non-cash transactions for the year were the share-based payments (refer to note 27) and the issue of shares to Rio Tinto for the acquisition of the PNG Royalty on behalf of Harmony Australia.

25 Retirement benefit obligations

Pension and provident funds: The company contributes to several pension and provident funds governed by the Pension Funds Act, 1946 for its employees. The pension funds are multi-employer industry plans. The company's liability is limited to its annually determined contributions.

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

Substantially all the company's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the company for the 2009 financial year amounted to R125 million (2008 : R96 million).

Post-retirement benefits other than pensions: Most of the supervisory and managerial workers in South Africa participate in the Minemed medical scheme, as well as other medical schemes. The company contributes to these schemes on behalf of current employees and retired employees who retired prior to 31 December 1996 (Minemed scheme). The annual contributions for these retired employees are fixed. The company's contributions to these schemes on behalf of current employees amounted to R27 million for 2009 and R18 million for 2008.

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

Assumptions used to determine the liability relating to the Minemed medical scheme included, a discount rate of 10%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA "a mf" tables and a medical inflation rate of 7.8%.It is also assumed that all members will retire at the age of 60 and will remain on the current benefit option.

For the years ended 30 June

Figures in million	SA rand 2009	2008

25 Retirement benefit obligations (continued)

The liability is based on an actuarial valuation conducted during the year ended 30 June 2009, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2010.

	2009	2008
Present value of unfunded obligations	**5**	3
Movement in the liability recognised in the balance sheet:		
Balance at beginning of year	**3**	4
Contributions paid	**(1)**	(1)
Interest cost	**1**	–
Net actuarial loss recognised during the year	**2**	–
Balance at end of year	**5**	3
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	**10.00%**	12.00%
Healthcare inflation rate	**7.84%**	9.80%
Normal retirement age	**60**	60
The present value of the net liability of the defined benefit plan is as follows:		
Present value of defined benefit obligation	**5**	3
Fair value of plan assets	**–**	–
Net liability	**5**	3

The present value of defined benefit obligation was R4 million in 2007, R4 million in 2006 and R4 million in 2005.

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

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

The company expects to contribute approximately R0.11 million to its benefit plan in 2010.

26 Employee benefits

	2009	2008
Number of permanent employees as at 30 June:	**11 947**	10 970
Aggregate earnings:		
The aggregate earnings of employees including directors were:		
Salaries and wages and other benefits	**1 554**	1 206
Retirement benefit costs	**125**	96
Medical aid contributions	**27**	18
Total aggregate earnings	**1 706**	1 320

Directors' remuneration is fully disclosed in the Directors' report, on pages 176 to 188.

Notes to the company financial statements cont.

For the years ended 30 June

27 Share option scheme

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

The options granted under the 2001 and 2003 schemes

Refer to the note 36 of the group financial statements for the information relating to the 2001 and 2003 schemes, the following information relates specifically to the company.

Number of share options relating to the 2001 and 2003 option schemes:	Number of shares 2009	Number of shares 2008
Share options granted	**19 298 719**	18 815 365
Exercised	**13 091 469**	12 143 025
Vested but not exercised	**1 234 321**	1 048 194
Unvested	**602 667**	1 362 435
Forfeited and lapsed	**4 370 262**	4 261 711
Vesting periods of unvested options granted:		
Within one year	**602 667**	681 218
One to two years	**–**	681 218
Total number of unvested shares	**602 667**	1 362 436

No options were granted in the 2008 and 2009 years for the 2001 and 2003 option schemes.

Activity on share options granted but not yet exercised	Number of shares	Weighted average option price (SA rand)
For the year ended 30 June 2009		
Balance at beginning of year	**2 410 629**	**49.34**
Options exercised	**(948 444)**	**50.53**
Options forfeited and lapsed	**(108 551)**	**57.10**
Intercompany transfers of employees	**483 353**	
Balance at end of year	**1 836 987**	**47.54**
For the year ended 30 June 2008		
Balance at beginning of year	4 089 067	49.76
Options exercised	(825 839)	50.24
Options forfeited and lapsed	(854 599)	50.47
Balance at end of year	2 408 629	49.34

For the years ended 30 June

27 Share option scheme (continued)

List of options granted but not yet exercised (listed by grant date)	At 30 June 2009	Option price (SA rand)	Remaining life (years)
24 April 2001	**17 000**	36.50	1.8
20 November 2001	**156 501**	49.60	2.4
23 September 2002	**13 647**	66.00	3.2
27 March 2003	**32 900**	91.60	3.7
10 August 2004	**440 990**	66.15	5.1
26 April 2005	**1 175 949**	39.00	5.8
Total option granted but not yet exercised	**1 836 987**		

List of options granted but not yet vested (listed by grant date) (listed by grant date)	Number of shares 2009	Number of shares 2008
10 August 2004	**199 556**	427 591
26 April 2005	**403 111**	934 844
Total options granted but not yet vested	**602 667**	1 362 435

	SA rand	
Figures in million	2009	2008
Average market value of share options traded during the year	**49**	76
Average fair value of share options vested during the year	**75**	149
Share-based cost recognised	**1**	1

The shares granted under the 2006 share plan

Refer to note 36 of the group financial statements for the information relating to the 2006 share plan, the following information relates specifically to the company.

Number of shares relating to the 2006 share plan	Number of shares 2009	Number of shares 2008
Shares granted	**4 978 099**	2 494 753
Unvested	**4 536 526**	2 237 522
Performance shares	**2 012 382**	737 523
Share appreciation rights	**2 524 144**	1 499 999
Shares forfeited	**441 573**	257 231
Performance shares	**207 711**	131 888
Share appreciation rights	**233 862**	125 343
Vesting periods of shares granted:		
Within one year	**292 704**	–
One to two years	**984 755**	304 535
Two to three years	**2 140 230**	1 027 375
Three to four years	**753 272**	500 000
Four to five years	**365 565**	405 612
Total number of unvested shares	**4 536 526**	2 237 522

Notes to the company financial statements cont.

For the years ended 30 June

27 Share option scheme (continued)

Activity on PS and SARs granted but not yet exercised	2009 Number of shares	2009 Weighted average option price (SA rand)	2008 Number of shares	2008 Weighted average option price (SA rand)
For the year ended 30 June 2009				
Balance at beginning of year	2 237 522		740 094	
Performance shares	737 523	n/a	339 785	n/a
Share appreciation rights	1 499 999	79.46	400 309	112.64
Options granted	2 426 727		1 750 864	
Performance shares	1 316 659	n/a	529 626	n/a
Share appreciation rights	1 110 068	77.81	1 221 238	71.73
Options lapsed	(184 342)		(253 436)	
Performance shares	(75 823)	n/a	(131 888)	n/a
Share appreciation rights	(108 519)	80.34	(121 548)	111.12
Intercompany transfers of employees	56 619		–	
Performance shares	34 023		–	n/a
Share appreciation rights	22 596		–	–
Balance at end of year	4 536 526		2 237 522	
Performance shares	2 012 382	n/a	737 523	n/a
Share appreciation rights	2 524 144	78.68	1 499 999	79.46

List of shares granted but not yet exercised (listed by grant date)	At 30 June 2009	Strike price (SA rand)	Remaining life (years)
Performance shares			
15 November 2006	204 595	n/a	0.4
15 November 2007	496 630	n/a	1.4
7 March 2008	12 308	n/a	1.7
5 December 2008	1 298 849	n/a	2.4
Share appreciation rights			
15 November 2006	264 328	112.64	3.4
15 November 2007	1 116 970	70.54	4.4
7 March 2008	46 154	102.00	4.7
5 December 2008	1 096 692	77.81	5.4
Total option granted but not yet exercised	4 536 526		

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

Figures in million	SA rand 2009	SA rand 2008
Share-based cost recognised	21	10

For the years ended 30 June

Figures in million	SA rand 2009	2008
28 Commitments and contingencies		
Capital expenditure commitments		
Contracts for capital expenditure	**31**	2
Authorised by the directors but not contracted for	**196**	21
Total capital commitments	**227**	23

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

Contingent liabilities		
Environmental guarantees	**28**	28

Refer to note 38 in the group financial statements for a discussion on contingent liabilities.

29 Related parties

Material related party transactions were as follows:

Sales and services rendered to related parties		
Direct associates	**13**	46
Indirect associates	**218**	–
Direct subsidiaries	**8 087**	9 064
Indirect subsidiaries	**347**	342
Total sales and services rendered to related parties	**8 665**	9 452
Purchases and services acquired from related parties		
Indirect associates	**6**	–
Outstanding balances due by related parties		
Direct associates	**–**	103
Indirect associates	**58**	–
Direct subsidiaries	**3 861**	7 592
Indirect subsidiaries	**(427)**	(288)
Total outstanding balances to related parties	**3 492**	7 407

The loans are unsecured and interest-free, with the exception of the loan to Pamodzi.

Annexure A contains a full list of the loans to and form subsidiaries. Refer to note 15(c) for details of provisions made against these loans.

Notes to the company financial statements cont.

2009

For the years ended 30 June

30 Subsequent events

Refer to note 39 of the group financial statements.

31 Financial risk management

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

Risk management is carried out by a central treasury department (Company Treasury) under policies approved by the board of directors. Company Treasury identifies, evaluates and hedges financial risks in close co-operation 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 investment of excess liquidity.

The company's financial instruments are set out below:

Figures in rand million	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Financial liabilities at amortised cost
At 30 June 2009:				
Restricted cash	**112**	–	–	–
Restricted investments	–	–	**255**	–
Investments in financial assets	–	**8**	–	–
Loans to subsidiaries	**4 362**	–	–	–
Trade and other receivables	**372**	–	–	–
Cash and cash equivalents	**1 513**	–	–	–
Borrowings	–	–	–	**–**
Loans from subsidiaries	–	–	–	**928**
Trade and other payables	–	–	–	**74**
At 30 June 2008:				
Restricted cash	–	–	–	–
Restricted investments	–	–	226	–
Investments in financial assets	–	2	–	–
Loans to subsidiaries	7 897	–	–	–
Trade and other receivables	429	–	–	–
Cash and cash equivalents	200	–	–	–
Borrowings	–	–	–	3 615
Loans from subsidiaries	–	–	–	593
Trade and other payables	–	–	–	21

(a) Market risk

Foreign exchange risk

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

For the years ended 30 June

Figures in million	SA rand 2009	2008

31 Financial risk management (continued)

(a) Market risk (continued)

Foreign exchange risk (continued)

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

Sensitivity analysis

The company 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.

	2009	2008
Rand against US$		
Increase by ten percent	–	235
Decrease by ten percent	–	(235)
Closing rate	7.72	7.51

Other price risk

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

During 2008 and 2009, the company's exposure to changes in market prices was not significant

Commodity price sensitivity

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

Cash flow and fair value interest rate risk

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

Sensitivity analysis

A change of 100 basis points in interest rates during reporting period 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 2008.

	2009	2008
Increase by 100 basis points	7	20
Decrease by 100 basis points	(7)	(20)

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

Notes to the company financial statements cont.

For the years ended 30 June

31 Financial risk management (continued)

(b) Credit risk

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

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

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

The company's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R2 439 million as at 30 June 2009 (2008: R721 million).

(c) Liquidity risk

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

In the ordinary course of business, the company receives cash from its operations and is required to fund working cost 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 principle and interest payments):

	SA rand	
Figures in million	**Current**	**More than 1 year**
2009		
Borrowings	**–**	**–**
Trade and other payables (excluding non-financial liabilities)	**74**	**–**
	74	**–**
2008		
Borrowings [1]	3 741	–
Trade and other payables (excluding non-financial liabilities)	21	–
	3 762	–

[1] R1 769 million is due between 6 to 12 months.

(d) Fair value determination

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

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

The carrying values of financial assets and liabilities are assumed to approximate their fair value. The exception is the unsecured convertible fixed rate bond which had a fair value of R1 632 million (US$209.2 million) being 96% of the nominal value of R1 700 million for the year ended 30 June 2008.