

HALOGEN

Holdings Société Anonyme

(formerly Falcon Investment Holdings Société Anonyme)

ANNUAL REPORT 2005

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Halogen Holdings Société Anonyme

(Incorporated in Luxembourg)

R.C. Luxembourg No. B 39773

Directors

D.C. MARSHALL, *Chairman*, age 61

Mr Marshall has been a Director and Chairman of Halogen since 1993. He resides in South Africa, where he has extensive interests in listed trading, financial and property companies. In recent years he has taken a leading role in the re-organisation and development of medium sized listed companies in the U.K. and overseas. He is the chief executive of Monteagle Holdings S.A. and a non-executive director of Conafex Holdings S.A. He is also chairman of a number of listed English and South African companies, including Creston plc, London Finance & Investment Group P.L.C., Western Selection P.L.C. and Marshalls Limited. He is a non-executive director of Finsbury Food Group plc and Marylebone Warwick Balfour Group Plc.

A.R.C. BARCLAY, FCA age 66 †

Mr Barclay joined the board in 1993. He is a Chartered Accountant and a director of Monteagle Holdings S.A. and Western Selection P.L.C. Between 1980 and 1999 he was chief executive of City Group P.L.C., Halogen's administrative and corporate secretary.

C.P. JOUSSE, B Econ. age 57

Mr Jousse has been a Director of Halogen since 1993. He is the chief executive of Conafex Holdings S.A., and was largely responsible for the reorganisation of that Group's investments in Zimbabwe and the diversification into South Africa. He resides in South Africa and is a non-executive director of several listed companies outside of the Halogen group.

J.M. ROBOTHAM, OBE, FCA, MSI age 72 †

Mr Robotham has been a Director of Halogen since 1993. He resides in the United Kingdom; he is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Securities Institute and associated with J.M. Finn & Co., a firm of London stockbrokers. He is the chairman of Monteagle Holdings S.A. and a director of London Finance & Investment Group P.L.C. and Western Selection P.L.C.

† Member of the Audit Committee

Shareholder Information

Financial Calendar

Financial year end	30 th September 2005
Preliminary announcement of results	21 st December 2005
Annual General Meeting	31 st March 2006 at 3.00 p.m. 6 rue Adolphe Fischer, L-1520, Luxembourg
Half-year	31 st March 2006
Half-year results announced	May 2006

Share Information

The Company has 1,864,026 shares in issue. The shares are listed on the following stock exchanges and the respective share prices as at 16th December 2005, the latest practical date, are shown.

Luxembourg	US\$ 1.1
Johannesburg	R 10.0
Zimbabwe	Z\$ 136,000

Group Offices

Luxembourg (Registered Office)

6 rue Adolphe Fischer,
L-1520 Luxembourg
(P.O. Box 1361, L-1013 Luxembourg)
Tel.: +352 40 25 051

South Africa

11 Sunbury Park,
La Lucia 4051, Durban
(P.O. Box 4126, The Square, 4021)
Tel.: +27 31 566 7600

Zimbabwe

1st Floor, KPMG House,
133 Josiah Tongogara Street,
Bulawayo
Tel: +263 9 76826

United Kingdom

30 City Road,
London, EC1Y 2AG
Tel: +44 20 7448 8950
E-mail: Halogen@city-group.com

Registrars

Maitland Luxembourg S.A.
6 rue Adolphe Fischer,
L-1520, Luxembourg,
(P.O. Box 1361, L-1013 Luxembourg)

Listing and Paying Agents

Dexia-Banque Internationale à Luxembourg
69 route d'Esch,
L-1470, Luxembourg

Transfer Agents

Europe

Capita Registrars
The Registry,
34 Beckenham Road,
Beckenham,
Kent, BR3 4TU, U.K.
Tel: 0870 162 3131

South Africa

Computershare Investor Services
2004 (Pty.) Limited
70 Marshall Street,
Johannesburg, 2001,
(P.O. Box 61051, Marshalltown 2107)
Tel: +27 11 370 5000

Zimbabwe

Syfrets Corporate and
Merchant Bank
Financial Services
P.O. Box 2540
4th Floor, Batanai Gardens,
Cnr. First Street/Jason Moyo
Avenue, Harare
Tel: +263-4 766180

Auditors and Commissaire

AGN Horsburgh & Co.
Registered Auditors
15-17 avenue Gaston Diderich
L-1420, Luxembourg

Principal Bankers

Credit Suisse (Luxembourg) S.A.
56 Grand Rue,
L-1660, Luxembourg

Chairman's Review

OF THE YEAR ENDED 30th SEPTEMBER 2005

The results for the year ended 30th September 2005 are attached. Regrettably, there is little to add to my interim statement sent to shareholders in June.

The loss after tax for the year has declined to £94,000 from £503,000 last year. Last years results included the final costs and taxes relating to the disposal of our iodine interests in Chile. As a result of this loss, net assets per share have declined from £1.14 to £1.10.

We continue to investigate potential acquisitions, but have not yet found one that meets our investment criteria. The main investment criteria are: a well established, profitable, cash generative UK business with a competent management team in place.

Our gold mines in Zimbabwe continue to operate despite the cash flow problems arising from the hyperinflation in that country. Our thanks go to all our staff working in these very difficult circumstances. We do not expect any remittances from Zimbabwe in the foreseeable future, and our aim is to preserve as much as possible of the infrastructure in anticipation of an eventual improvement in the operating environment.

At last year's Annual General Meeting, shareholders approved a change in reporting currency to Sterling and consequently these accounts are reported in Sterling. Prior year comparative figures have been restated in Sterling and include unrealised exchange gains and losses on current assets and liabilities expressed in foreign currencies as if Sterling had been the reporting currency throughout the prior year.

Outlook

We are continually examining new investment opportunities, but will not be rushed into making an ill-considered investment. We will advise shareholders as soon as there are any significant developments.

David C Marshall
Chairman

21st December 2005

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 30 th SEPTEMBER	Notes	2005 £000	2004 £000
Operating costs		(172)	(177)
Operating loss before interest and taxation	4	(172)	(177)
Interest	4	92	83
Exchange losses		(10)	(75)
Loss before exceptional item and taxation		(90)	(169)
Exceptional items	5	-	(153)
Loss before taxation		(90)	(322)
Tax charge on ordinary activities	6	(4)	(181)
Loss on ordinary activities after tax		(94)	(503)
Minority interests		-	115
Loss attributable to shareholders and retained for the year		(94)	(388)
Loss per share (GB pence)	7	(5)p	(21)p
Headline loss per share (GB pence)	7	(5)p	(9)p

Consolidated Statement of Recognised Gains and Losses

FOR THE YEAR ENDED 30th SEPTEMBER

FOR THE YEAR ENDED 30 th SEPTEMBER		2005 £000	2004 £000
Exchange differences on translation of the financial statements and net losses not recognised in the income statement	12 & 13	(13)	(22)
Prior years' unclaimed dividends forfeited		19	-
Net loss for the year		(94)	(388)
Total recognised losses and movement in shareholders' funds		(88)	(410)
Opening shareholders' funds		2,130	2,540
Closing shareholders' funds		2,042	2,130

The notes on pages 7 to 13 form part of these financial statements.

Consolidated Balance Sheet

AT 30 th SEPTEMBER	Notes	2005 £000	2004 £000
Assets			
Non current assets			
Investments	8	<u>72</u>	<u>72</u>
Current assets			
Accounts receivable	9	3	388
Cash and bank balances		<u>2,066</u>	<u>1,750</u>
		2,069	2,138
Current liabilities			
Accounts payable (falling due within one year)	10	<u>(99)</u>	<u>(80)</u>
Net current assets		<u>1,970</u>	<u>2,058</u>
Total assets less current liabilities		<u>2,042</u>	<u>2,130</u>
Capital and reserves			
Called up share capital (page 15, note (d))		1,090	1,090
Legal reserves	11	213	213
Exchange reserve	12	215	206
Retained earnings	13	<u>524</u>	<u>621</u>
Shareholders' funds		<u>2,042</u>	<u>2,130</u>

Approved by the Board on 23rd December 2005

D.C. MARSHALL
Chairman

The notes on pages 7 to 13 form part of these financial statements.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 th SEPTEMBER	Notes	2005 £000	2004 £000
Cash flows from operating activities			
Cash used by operations	14(a)	(187)	(611)
Interest received		118	83
Taxation paid		(4)	(1,094)
Net cash outflows from operating activities		<u>(73)</u>	<u>(1,622)</u>
Investment activities			
Liquidation of subsidiary		402	(1,063)
Arbitration settlement		-	(166)
Net cash inflow/(outflow) from investment activities		<u>402</u>	<u>(1,229)</u>
Net cash inflow/(outflow) before financing activities		<u>329</u>	<u>(2,851)</u>
Financing activities			
Dividends paid to outside shareholders		-	(262)
Net cash outflow from financing		<u>-</u>	<u>(262)</u>
Net increase/(decrease) in funds	14(c)	329	(3,113)
Net funds at start of year		1,750	4,867
Effect of foreign exchange rate changes	14(c)	(13)	(4)
Net funds at end of year		<u>2,066</u>	<u>1,750</u>

The notes on pages 7 to 13 form part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30th SEPTEMBER 2005

1. GENERAL

The Company is incorporated as a “société anonyme” with holding company status in the Grand Duchy of Luxembourg under the law of 31st July 1929, as amended. The Company changed its name on 24th March 2005. The capital of the parent company is denominated in euros. Following shareholder approval at the 2005 AGM, in view of the intended investment in the United Kingdom and, as allowed by Luxembourg law, the amounts shown in these consolidated financial statements are presented in pounds sterling (“£”).

2. ACCOUNTING POLICIES

The principal accounting policies of the Group, which are set out below, have been applied consistently and comply with International Financial Reporting Standards in all respects and with Luxembourg legal requirements.

(a) Basis of Preparation

The consolidated financial statements are prepared under the historical cost convention and on the going concern basis.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings (all of which are companies) operating outside Zimbabwe, being those companies in which the Group, directly or indirectly, has an interest of more than one-half of the voting rights and is able to exercise control over the operations. Separate disclosure is made of minority interests.

The results of non-Zimbabwean subsidiaries acquired during the year are included from the date of acquisition and for those subsidiaries disposed of during the year up to the date of disposal. On acquisition, the purchase consideration is allocated over fair values of net tangible assets. All inter-group transactions and balances are eliminated on consolidation.

Investments in Zimbabwean companies

Dividends from Zimbabwean subsidiaries are included in the consolidated profit and loss account at the pound sterling value received. Dividends declared but not yet received have not been accrued. The investments in Zimbabwean companies are included in the consolidated balance sheet at fair value, in accordance with IAS 39.

(c) Taxation

Tax payable on distributions to the Company from the retained earnings of subsidiaries or associates is provided where there is a current intention to remit such earnings.

Deferred taxation is provided at current rates using the balance sheet liability method. Full provision is made for all temporary differences between the taxation base of assets and the liabilities and their balance sheet carrying values. Assets are not raised in respect of deferred taxation on assessed losses unless it is probable that future taxable income will be available against which the deferred tax asset can be realised in the foreseeable future.

(d) Foreign Currencies

All exchange gains and losses on settlement of foreign currency transactions or the translation of monetary assets and liabilities at year-end exchange rates are included in the profit and loss account of the relevant Group company.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2005

2. ACCOUNTING POLICIES (continued)

On consolidation, profit and loss accounts of companies expressed in a currency other than £ are translated at average rates of exchange for the year. Balance sheets are translated at the rates of exchange at the end of the year. Zimbabwe dollar income is converted at the exchange rate ruling on the date of receipt in hard currency.

Differences on translation arising in changes in the pound sterling value of overseas net assets held at the beginning of the accounting period to that at the end of the period are shown as a movement on reserves. The exchange gain or loss arising from the difference in rates used for profit and loss and balance sheet purposes is also taken to reserves.

The rates used are:

	Profit & Loss Account		Balance Sheet	
	2005	2004	2005	2004
Euro – €1 =	£0.69	£0.68	£0.68	£0.69
United States dollar – US\$1 =	£0.54	£0.56	£0.56	£0.55

(e) Funds

For the purposes of the cash flow statement, funds comprise cash in hand and deposits held at call with banks.

(f) Financial Instruments

Financial Assets

The principal financial assets are the investments in subsidiaries and the cash, bank balances and accounts receivable. Investments are stated at the values as set out in note 2(b) and other financial assets at fair values.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into.

3. SEGMENTAL REPORTING

Primary reporting format – business segments

The Group is an investment holding company with central operations and investments in Zimbabwean gold mines.

The gold mining operations are not consolidated (as explained in note 2(b)) and a segmental analysis of results is not required.

There are no sales or other transactions between the business segments which are geographically distinct.

In Zimbabwe the Group has interests in three gold mines. One is owned 66.67% by the Group and 33.33% by Monteagle Holdings S.A., and two are wholly owned by our 57.1% subsidiary Falcon Gold Zimbabwe Limited.

Central operations of the Group include project costs and local head office costs.

3. SEGMENTAL REPORTING (continued)

Unallocated assets include cash balances and taxation, liabilities include taxation payable and borrowings. There was no capital expenditure in either year.

	Assets £000	Liabilities £000	Net assets £000
Segmental analysis of net assets – 30th September 2005			
Investment in gold mining – Zimbabwe	72	-	72
Central operations	3	(99)	(96)
Unallocated	2,066	-	2,066
Consolidated total	<u>2,141</u>	<u>(99)</u>	<u>2,042</u>
Segmental analysis of net assets – 30th September 2004			
Investment in gold mining – Zimbabwe	72	-	72
Central operations	388	(80)	308
Unallocated	1,750	-	1,750
Consolidated total	<u>2,210</u>	<u>(80)</u>	<u>2,130</u>

Unallocated assets and liabilities comprise cash balances, taxation and borrowings.

	2005	2004
The average number of employees of the Group were:		
Management, including Directors	<u>4</u>	<u>4</u>

4. LOSS BEFORE TAXATION

	2005 £000	2004 £000
The loss before taxation is stated after deducting:		
Related party fees:		
Administration	55	51
Project fees	-	7
Interest paid	(26)	-
Interest received	118	83

Related party fees arise from the provision of consultancy and administration services to group companies by European companies, which, through Board representation and/or shareholdings, are classified as related parties.

5. EXCEPTIONAL ITEMS

	2005 £000	2004 £000
Profit on non-refundable deposit/option	-	39
Arbitration settlement	-	(166)
Expenditure on aborted projects	-	(26)
	<u>-</u>	<u>(153)</u>

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2005

6. TAXATION

Corporation tax		
Current year	-	-
Prior year adjustment – re exceptional profit on disposal	-	178
Capital tax	4	3
	<u>4</u>	<u>3</u>
Charge for the period	<u>4</u>	<u>181</u>

Reconciliation of the expected tax charge of Group companies to the actual tax charge is as follows:

Expected tax charge at statutory rates	-	-
Prior year adjustment	-	178
Capital taxes	4	3
	<u>4</u>	<u>3</u>
	<u>4</u>	<u>181</u>

7. LOSS PER SHARE

	2005	2004
The loss per share is based on the result for the year attributable to members and the number of shares in issue.	<u>(5)p</u>	<u>(21)p</u>

Headline loss per share, is based on the result attributable to shareholders excluding exceptional items, net of minority interests and tax, and the average number of shares in issue	<u>(5)p</u>	<u>(9)p</u>
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8. INVESTMENTS

	2005	2004
	£000	£000
Listed subsidiary – at fair value		
Brought forward	72	78
Translation difference	-	(6)
	<u>72</u>	<u>72</u>
Carried forward	<u>72</u>	<u>72</u>

Unconsolidated subsidiaries

Listed

Falcon Gold Zimbabwe Limited

Owned 57.1%

Incorporated and operating in Zimbabwe

Activity – Gold mining

Profit 30th September 2005 – Z\$8,409,000,000 (2004 – Z\$2,513,000,000)

Capital & Reserves: 30th September 2005 – Z\$12,134,000,000 (2004 – Z\$3,725,000,000)

The market value of this investment at 30th September 2005 was Z\$7,616,400,000 (2004 – Z\$25,380,000,000)

8. INVESTMENTS (continued)

Unlisted

Olympus Gold Mines Limited

Owned 66.67%

Incorporated and operating in Zimbabwe

Activity – Gold mining

Loss 30th September 2005 – Z\$1,733,155,000 (2004 – profit Z\$967,490,000)

Capital & Reserves: 30th September 2005 – deficit Z\$544,155,000 (2004 – Z\$1,089,000)

The investments in Zimbabwean companies are included in the consolidated balance sheet at fair value, in accordance with IAS 39.

9. ACCOUNTS RECEIVABLE

	2005 £000	2004 £000
Due within one year:		
Liquidation proceeds	-	385
Other	3	3
	<u>3</u>	<u>388</u>

10. ACCOUNTS PAYABLE

Amounts falling due within one year:

Trade creditors	54	2
Other	45	78
	<u>99</u>	<u>80</u>

11. LEGAL RESERVES

	2005 £000	2004 £000
Balance brought forward	213	173
Transfer from retained earnings	-	40
Balance carried forward – parent	109	109
– subsidiary	104	104
	<u>213</u>	<u>213</u>

Luxembourg law requires that an appropriation of at least 5% of a Luxembourg company's own annual distributable profits be made to legal reserve until such time as the reserve attains 10% of its issued share capital. As the reserves have now reached this limit the directors are no longer required to make transfers to legal reserve. Distribution of this reserve is restricted.

12. EXCHANGE RESERVE

Balance brought forward	206	173
Arising during year	9	33
Balance carried forward	<u>215</u>	<u>206</u>

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2005

13. RETAINED EARNINGS

Balance brought forward	621	1,104
Exchange difference arising during year	(22)	(55)
Prior years' unclaimed dividends forfeited	19	-
Transfer to legal reserve	-	(40)
	<u>618</u>	<u>1,009</u>
Loss for the year	(94)	(388)
Balance carried forward at 30 th September	<u>524</u>	<u>621</u>

14. NOTES TO CASH FLOW STATEMENT

	2005	2004		
	£000	£000		
(a) Reconciliation of loss before tax to net cash generated/(used) by operations				
Loss before tax	(90)	(322)		
Arbitration settlement	-	166		
Interest received	(118)	(83)		
Net decrease/(increase) in working capital (refer to note 14(b))	21	(372)		
Cash used by operations	<u>(187)</u>	<u>(611)</u>		
(b) Net decrease/(increase) in working capital				
Increase in accounts receivable	(17)	(154)		
Increase/(Decrease) in accounts payable	38	(218)		
	<u>21</u>	<u>(372)</u>		
(c) Analysis by currency of the funds as shown in the balance sheet				
	2005	2004	Exchange	Cash flow
	£000	£000	movement	movement
			£000	£000
United States dollars	(736)	(618)	(13)	(105)
Pounds sterling	2,802	2,368	-	434
Funds at end of year	<u>2,066</u>	<u>1,750</u>	<u>(13)</u>	<u>329</u>

15. CAPITAL COMMITMENTS

There was no capital expenditure authorised but not contracted at 30th September 2005 (2004 – nil).

16. CONSOLIDATION

These financial statements do not consolidate the results of our interests in Zimbabwe (see note 2).

17. FINANCIAL RISK MANAGEMENT

Credit risk management

Concentration of credit risk consists principally of accounts receivable and cash at bank. At the year-end the Directors do not consider there to be any significant concentration of credit risk which has not been adequately provided for.

Fair value of financial instruments

The carrying amounts of the accounts receivable and liabilities reported in the balance sheet approximate their fair values at the year-end.

Financial Statements

HALOGEN HOLDINGS SOCIETE ANONYME

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th SEPTEMBER

	2005	2004
	£000	£000
INCOME		
Income from fixed assets	-	39
Income from current assets	118	68
Loss for the year	104	99
	<u>222</u>	<u>206</u>
EXPENSES		
Administration and other charges	131	82
Exchange loss	10	22
Exceptional provision against subsidiary	81	77
Exceptional costs	-	25
	<u>222</u>	<u>206</u>

BALANCE SHEET AT 30th SEPTEMBER

	Notes		
ASSETS			
Non current assets			
Investments	(c)	-	2
Current assets			
Amounts due from group companies		86	84
Prepayments and accrued income		3	390
Cash and bank balances		2,056	1,745
Loss for the year		104	99
		<u>2,249</u>	<u>2,320</u>
LIABILITIES			
Capital and Reserves			
Called up share capital	(d)	1,090	1,090
Legal reserve	(e)	109	109
Exchange reserve	(f)	175	186
Retained profit	(g)	786	871
Accounts payable (falling due within one year)	(h)	89	64
		<u>2,249</u>	<u>2,320</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30th SEPTEMBER 2005

(a) GENERAL

The company is incorporated as a “société anonyme” with holding company status in the Grand Duchy of Luxembourg under the Law of 31st July 1929, as amended. The Company changed its name on 24th March 2005.

(b) ACCOUNTING POLICIES

The principal accounting policies of the Company, which are set out below, comply with Luxembourg law, regulations and generally accepted accounting practices and have been consistently followed.

(i) Fixed Asset Investments

Listed and unlisted investments are stated at cost less amounts written off, where, in the opinion of the Directors, a permanent decline in value has arisen.

(ii) Dividends

Dividends are accounted for when received, other than dividends from subsidiaries, which are accounted for when the Directors are confident that the dividend will be paid. Dividends from certain subsidiaries are subject to exchange control.

(iii) Foreign Currencies

The share capital of the company was issued in US Dollars on incorporation and later converted to euros. The accounts are presented in Pounds Sterling, which is considered the currency of measurement following the approval of the resolution at the AGM on 24th March 2005. Share capital is included, converted on that date, to a Pound Sterling value.

Foreign exchange losses and realised gains on settlement of foreign currency transactions or on the translation of monetary assets and liabilities at year-end exchange rates are accounted for through the profit and loss account.

(c) INVESTMENTS

	2005	2004
	£000	£000
Subsidiaries (see note (i))		
Balance brought forward	2	522
Provision/(Disposal)	(2)	(520)
Balance 30 th September	<u>-</u>	<u>2</u>

(d) SHARE CAPITAL

Authorised

Number

Euros 5,000,000 represented by 4,000,000 Shares of €1.25 each

Issued and fully paid

As at 1st October 2004 and 30th September 2005 – 1,864,026 shares

1,090

1,090

(e) LEGAL RESERVE

Balance brought forward	109	69
Transfer in respect of preceding year	-	40
Balance carried forward	<u>109</u>	<u>109</u>

Luxembourg law requires that an appropriation of at least 5% of a Luxembourg company's own annual distributable profits be made to legal reserve until such time as the reserve attains 10 % of its issued share capital. Consequently the directors are no longer required to make further transfers from retained earnings to legal reserve. Distribution of this reserve is restricted.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2005

(f) EXCHANGE RESERVE

	2005 £000	2004 £000
Balance brought forward	186	48
Movement during the year	(11)	138
Balance carried forward	<u>175</u>	<u>186</u>

(g) RETAINED PROFIT

Balance brought forward	871	318
Exchange difference	(5)	(35)
(Loss)/Profit of the preceding year	(99)	628
Dividends forfeited	19	-
Transfer to legal reserve	-	(40)
Balance carried forward	<u>786</u>	<u>871</u>

(h) ACCOUNTS PAYABLE

Falling due within one year:		
Other accounts payable and accruals	<u>89</u>	<u>64</u>

Under the terms of its Articles of Incorporation, the Company is empowered to borrow from banks and shareholders only.

(i) SUBSIDIARIES

(a) The following companies, which are the principal active subsidiaries of Halogen Holdings Société Anonyme, have been consolidated into the financial statements of the Group:

Wholly-owned

	Principal activities
(i) Incorporated in Luxembourg and operating internationally Falcon Mines Holdings Société Anonyme	Investment holding
(ii) Incorporated in British Virgin Islands and operating internationally Falcon International Finance Limited	Management services

(b) The following subsidiaries have not been consolidated into the financial statements of the Group:

(i) Incorporated and operating in Zimbabwe Falcon Gold Zimbabwe Limited (owned 57.1%)	Gold mining
(ii) Olympus Gold Mines Limited (owned 66.67%)	Gold mining

All subsidiaries have accounting periods co-terminous with that of the Company.

Report of the Directors

FOR THE YEAR ENDED 30th SEPTEMBER 2005

The Directors submit their report and the audited financial statements for the year ended 30th September 2005.

PRINCIPAL ACTIVITIES

Halogen is incorporated as a société anonyme in the Grand Duchy of Luxembourg with holding company status. Its activities in Luxembourg comprise the function of central supervision and control of the Group's mining interests. These interests include the Group's investment in Falcon Gold Zimbabwe Limited ("Falgold"), a 57.1 % owned subsidiary, and in Olympus Gold Mines Limited, a 66.67% owned subsidiary. Halogen's shares are listed on the Luxembourg, Johannesburg and Zimbabwe Stock Exchanges.

Copies of the accounts of Falcon Gold Zimbabwe Limited, which is listed on the Zimbabwe Stock Exchange, can be obtained from any of the Group offices shown on page 2.

OPERATING REVIEW

Details of the operations of the Group are set out in the Chairman's Review.

DIVIDEND

The Directors do not propose to pay a dividend for the year.

DIRECTORS

A list of the present Directors of the Company is shown on page 1. In accordance with the Articles of Incorporation, all the Directors retire at the forthcoming Annual General Meeting and stand for re-election.

The share interests of the Directors who held office during the year ended 30th September 2005 were as below.

	Beneficial		Non-beneficial	
	2005	2004	2005	2004
A.R.C. Barclay	-	-	931,024*	931,024*
C.P. Jousse	79	79	-	-
D.C. Marshall	-	-	946,090*†	946,090*
J.M. Robotham	2,000	2,000	946,090*†	946,090*

* Of these non-beneficial holdings 931,024 shares arise because the individuals concerned are also directors of Monteagle Holdings S.A.

† Mr. Marshall and Mr. Robotham are also directors and trustees of other entities that hold shares in the Company.

There were no changes in Directors' interests between 30th September 2005 and the date of this report.

Report of the Directors (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2005

The remuneration paid to, or receivable by, the Directors, all of whom are non-executive, for the year and the previous year are as follows:

	2005			2004
	Parent company directors fee £000	Other fees £000	Total £000	Total £000
A.R.C. Barclay	2	6	8	9
C.P. Jousse *	2	6	8	9
D.C. Marshall #	2	6	8	9
J.M. Robotham	2	6	8	9
Total	8	24	32	36

* Mr. Jousse's earnings have been ceded to Conafex Holdings S.A., a company of which he is Chief Executive.

Mr. Marshall ceded his fees of £8,000 for the year (2004 – £9,000) to an overseas company which supplies his services and in which none of the directors are beneficially interested.

Other than shown above, no other payments or benefits were paid to, or receivable by, the Directors.

SUBSTANTIAL INTERESTS

At the date of this report, the Company has been informed of the following holdings representing 5% and over of the issued share capital of the Company:

	Shares	%
Monteagle Holdings S.A.	931,024	49.95
Messina Investments Limited	138,516	7.43
Mr. R. Turner	133,231	7.15

The Company has not been notified, as required by Luxembourg Law, of any other shareholdings that exceeded or fell below the thresholds of 10%, 20%, 33.33%, 50% or 66.66% in the capital of the Company.

AUDITORS AND COMMISSAIRE

AGN Horsburgh & Co are willing to continue as the Auditors and Commissaire of the Company and a resolution will be proposed at the Annual General Meeting for their re-appointment as such.

ARTICLES OF INCORPORATION

Authority to issue shares – In terms of the Law of 10th August 1915 on commercial companies, as amended, and the Listings Requirements of the JSE Securities Exchange South Africa, the Board of Directors of the Company proposes to renew the general authority to issue shares for cash as and when suitable situations arise, subject to the limitations as set out in resolution 9 in the Notice of Meeting.

At present there are no plans to make any issues of shares, however the Board believes that the renewal of these authorities will give it flexibility for any future share issues that may be required

By Order of the Board,

CITY GROUP P.L.C.
Group Secretaries

23rd December 2005

Corporate Governance, Internal Financial Control, Directors' Responsibilities and Going Concern

CORPORATE GOVERNANCE

The Directors have reviewed the Company's compliance with the requirements of the King Report on Corporate Governance, which applies to all companies listed on the Johannesburg Stock Exchange.

As the parent holding company of the Group, the Directors have adopted procedures within the context of the Company and the financial and human resources currently available to the Group.

The Board comprises Mr D.C. Marshall, the Chairman, Mr A.R.C. Barclay, Mr C.P. Jousse, and Mr. J.M. Robotham, who are all non-executive Directors. The Audit Committee comprises Mr Barclay and Mr Robotham and their report on internal financial control is set out below. Details of the Directors' interests in the Company and of their remuneration are set out in the Directors Report on pages 15 and 16.

The Board meets regularly and through an executive committee retains full and effective control over the Group. The nomination of Directors is a matter for the entire Board and there is therefore no nomination committee. Each Director is required to retire every year in accordance with the Articles of Incorporation and Luxembourg law and re-appointment is not automatic.

INTERNAL FINANCIAL CONTROL

The Group's system of internal financial control is established to provide for the safeguarding of the Group's assets, the maintenance of proper accounting records and the reliability of financial information. Such a system of control can provide only reasonable and not absolute assurance against material misstatement or loss. Procedures are established which are designed to provide an effective system of internal financial control including the segregation of duties and management authorisation and review. In addition, the Company safeguards its interests in the Group by appointing directors to the Boards of subsidiary companies.

The Audit Committee meets periodically to review accounting, auditing, internal control and related matters of the Group. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of the controls, procedures and systems has occurred during the year under review. The Audit Committee has reported to the Directors that the Auditors concur with the statements above on internal financial control.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation, integrity and objectivity of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year, and of the respective results for that year. The Directors consider that appropriate accounting policies have been used and applied consistently, reasonable and prudent judgements have been made and accounting standards applicable to the operations of the Company and of the Group have been followed.

The Directors are responsible for maintaining accounting records in accordance with Luxembourg law and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, and detect and prevent fraud and other irregularities.

GOING CONCERN

The accounts have been prepared on the going concern basis since the Directors are satisfied that the parent company and its consolidated subsidiaries have adequate resources to continue in operational existence for the foreseeable future.

Report of the Independent Auditors

TO THE SHAREHOLDERS OF HALOGEN HOLDINGS SOCIETE ANONYME

Following our re-appointment at the Annual General Meeting of shareholders held on 24th March 2005, we have audited the accompanying consolidated balance sheet of Halogen Holdings Société Anonyme as of 30th September 2005, and the related consolidated statements of income, and cash flows for the year then ended as set out on pages 4 to 13 and have read the report of the directors on pages 17 and 18. These consolidated financial statements and the report of the directors are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to confirm the consistency of the report of the directors with the consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion, which is presented below.

Basis of opinion

Zimbabwe continued to experience a deterioration of its economic and political climate during the year under consideration and in addition it is recognised as being hyperinflationary for the purposes of financial reporting. A number of different official and unofficial exchange rates exist between the Zimbabwean dollar and other currencies. The Board of Directors of the Company has decided not to consolidate the results of the Zimbabwean subsidiary and associated company but to include them as investments under International Accounting Standard 39, which deals with the recognition and measurement of financial assets. As independent auditors, we agree with this treatment.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of 30th September 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The report of the Directors is in agreement with these consolidated financial statements.

AGN HORSBURGH & CO.
Réviseur d'entreprises
15-17 avenue Gaston Diderich, L-1420 Luxembourg

K. Horsburgh
Partner

23rd December 2005

Report of the Commissaire

TO THE MEMBERS OF HALOGEN HOLDINGS SOCIETE ANONYME

Following our re-appointment at the Annual General Meeting of shareholders held on 24th March 2005, we have audited the financial statements of Halogen Holdings Société Anonyme for the year ended 30th September 2005 as set out on pages 14 to 16. The contents of these financial statements are the responsibility of the Board of Directors. Our responsibility is, on the basis of our audit, to express an opinion on these financial statements.

We conducted our audit in accordance with International Standards on Auditing, which require that we plan and perform the audit to obtain a reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, the assessment of the accounting principles used and significant estimates made by management, and the evaluation of the overall financial statements' presentation. We consider that our procedures form a reasonable basis to express our opinion presented below.

In our opinion these financial statements which conform with legal requirements, have been prepared in accordance with the accounting policies set out on page 15, and give a true and fair view of the state of affairs of the Company at 30th September 2005, and of the result of its operations, for the year then ended.

We propose that you approve these financial statements at the next Annual General Meeting of the Company.

AGN HORSBURGH & CO.
Réviseur d'entreprises
15-17 avenue Gaston Diderich, L-1420 Luxembourg

K. Horsburgh
Partner

23rd December 2005

Notice of Meeting

HALOGEN HOLDINGS SOCIETE ANONYME

R.C. LUXEMBOURG NO. B 39773

NOTICE is hereby given that the fourteenth ANNUAL GENERAL MEETING of Halogen Holdings Société Anonyme will be held at the offices of Maitland Luxembourg S.A., 6 rue Adolphe Fischer, L-1520, Luxembourg on Friday 31st March 2006, at 3.00 p.m. for the following purposes:

1. To receive and adopt the reports of the Directors, Auditors and Commissaire for the year ended 30th September 2005.
2. To receive and adopt the balance sheet of the Company at 30th September 2005 and the profit and loss account for the year ended on that date.
3. To receive and adopt the consolidated balance sheet of the Group at 30th September 2005 and the consolidated profit and loss account for the year ended on that date.
4. To grant discharge to the Directors and Commissaire in respect of the execution of their mandates to 30th September 2005.
5. To receive and act on the statutory nomination of the Directors, Auditors and Commissaire for a new term of one year.

SPECIAL BUSINESS

6. To give, in terms of the Law of 10th August 1915 on commercial companies, as amended, and the Listings Requirements of the JSE Securities Exchange South Africa, the Board of Directors of the Company general authority to issue ordinary shares in the share capital of the Company for cash as and when suitable situations arise, subject to the following limitations:
 - that this authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting and is renewable at the next annual general meeting;
 - that issues in the aggregate in any one year may not exceed 10% of the number of shares of that class of the Company's issued share capital, including instruments which are compulsorily convertible into shares of that class, provided further that such issues shall not in aggregate in any three-year period exceed 15% of the Company's issued share capital of that class, including instruments which are compulsorily convertible into shares of that class; and
 - that in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares in question, as determined over the 30 days prior to the date that the price of the issue is determined or agreed by the Board of Directors.

By order of the Board,
CITY GROUP P.L.C.
Group Secretaries

6 rue Adolphe Fischer,
Luxembourg

23rd December 2005

Notes:

- (i) The resolutions will be validly adopted without any quorum requirements by a majority of the shares present or represented at the meeting.
 - (ii) **A proxy form is enclosed with this document. You are requested to complete and return the form whether or not you intend to attend the Annual General Meeting.**
 - (iii) In terms of Article 24.4 of the Company's Articles of Incorporation, a shareholder may appoint a proxy who need not be a shareholder of the Company. Any company being a shareholder of the Company may execute a form of proxy under the hand of a duly authorised officer.
 - (iv) To be effective, the form of proxy, duly completed, must arrive at the registered office of the Company not less than forty-eight hours before the time fixed for the meeting. Proxies sent to the office of a transfer agent for forwarding to the Company, at shareholders' risk, must be received by the transfer agent not less than seven days before the meeting.
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Change of Address

Members are requested to advise their relevant transfer agents, whose address can be found on page 2 of this report, of any change of address.

