

# HALOGEN

Holdings Société Anonyme

**ANNUAL REPORT 2006**

## CONTENTS

---

	Page
Directors	1
Shareholder Information	2
Chairman's Review	3
Consolidated Profit and Loss Account and Consolidated Statement of Recognised Gains and Losses	4
Consolidated Balance Sheet	5
Consolidated Cash Flow Statement	6
Notes to the Consolidated Financial Statements	7
Financial Statements of the Parent Company	13
Notes to the Financial Statements of the Parent Company	14
Report of the Directors	16
Corporate Governance, Internal Financial Control, Directors' Responsibilities and Going Concern	18
Report of the Independent Auditors	19
Report of the Statutory Auditor	20
Notice of Annual General Meeting	21
Proxy Form	Enclosed

# Halogen Holdings Société Anonyme

(Incorporated in Luxembourg)

R.C. Luxembourg No. B 39773

---

## Directors

D.C. MARSHALL, *Chairman*, age 62

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 Marshall 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 67 †

Mr Barclay joined the board in 1993. He is a Chartered Accountant and a director of Marshall 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 office and corporate secretary.

C.P. JOUSSE, B Econ. age 58

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 73 †

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 Marshall 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 <sup>th</sup> September 2006
Preliminary announcement of results	20 <sup>th</sup> December 2006
Annual General Meeting	30 <sup>th</sup> March 2007 at 3.00 p.m. 6 rue Adolphe Fischer, L-1520, Luxembourg
Half-year	31 <sup>st</sup> March 2007
Half-year results announced	May 2007

---

## 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 19<sup>th</sup> December 2006, the latest practical date, are shown.

Luxembourg	US\$ 1.13
Johannesburg	R 10.55
Zimbabwe	Z\$ 13,000

---

## 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

1<sup>st</sup> 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  
4<sup>th</sup> Floor, Batanai Gardens,  
Cnr. First Street/Jason Moyo  
Avenue, Harare  
Tel: +263-4 766180

---

## Independent Auditors and Statutory Auditor

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 30<sup>th</sup> SEPTEMBER 2006

---

The results for the year ended 30<sup>th</sup> September 2006 are attached.

During the year we considered investing in a number of different companies in the UK. None of these possibilities came to fruition either because the vendors were not prepared to accept what we considered to be a reasonable valuation, or because the business did not meet sufficient of our investment criteria and was therefore considered to be too risky.

We are actively investigating ways in which shareholder value can be released from our investments in gold mines in Zimbabwe. In the meantime the mines are operating on a hand to mouth basis as a result of the compulsory purchase of gold production by the Government of Zimbabwe at below world market prices. We are endeavouring to maintain the infrastructure to preserve value for the future.

Administration costs remain under control and have been minimised as far as possible within the constraints of a Luxembourg listing. The loss for the year was £80,000 (2005: £94,000).

## **Outlook**

We are constantly reviewing investment proposals and expect that in due course we will be able to identify a suitable opportunity. In the meantime cash balances are invested in UK money markets to maximise income.

**David C Marshall**  
Chairman

20<sup>th</sup> December 2006

## Consolidated Profit and Loss Account

FOR THE YEAR ENDED 30 <sup>th</sup> SEPTEMBER	Notes	2006 £000	2005 £000
Operating costs		(168)	(172)
Operating loss before interest and taxation	4	(168)	(172)
Interest	4	75	92
Exchange gains/(losses)	2(d)	19	(10)
Loss before taxation		(74)	(90)
Tax charge on ordinary activities	5	(6)	(4)
<b>Loss attributable to shareholders and retained for the year</b>		<b>(80)</b>	<b>(94)</b>
Loss per share (GB pence)	6	(4)p	(5)p
Headline loss per share (GB pence)		(4)p	(5)p

## Consolidated Statement of Recognised Gains and Losses

FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER

FOR THE YEAR ENDED 30 <sup>th</sup> SEPTEMBER		2006 £000	2005 £000
Exchange differences on translation of financial statements and net losses not recognised in the income statement	11 & 12	3	(13)
Prior years' unclaimed dividends forfeited		-	19
Net loss for the year		(80)	(94)
Total recognised losses and movement in shareholders' funds		(77)	(88)
Opening shareholders' funds		2,042	2,130
Closing shareholders' funds		1,965	2,042

The notes on pages 7 to 12 form part of these financial statements.

# Consolidated Balance Sheet

AT 30 <sup>th</sup> SEPTEMBER	Notes	<b>2006</b> <b>£000</b>	2005 £000
<b>Assets</b>			
<b>Non current assets</b>			
Investments	7	<u>72</u>	<u>72</u>
<b>Current assets</b>			
Accounts receivable	8	17	3
Cash and bank balances		<u>1,924</u>	<u>2,066</u>
		<b>1,941</b>	<b>2,069</b>
<b>Current liabilities</b>			
Accounts payable (falling due within one year)	9	<u>(48)</u>	<u>(99)</u>
Net current assets		<u>1,893</u>	<u>1,970</u>
Total assets less current liabilities		<u><b>1,965</b></u>	<u><b>2,042</b></u>
<b>Capital and reserves</b>			
Called up share capital (page 14, note (d))		<b>1,090</b>	1,090
Legal reserves	10	<b>213</b>	213
Exchange reserve	11	<b>221</b>	215
Retained earnings	12	<u>441</u>	<u>524</u>
<b>Shareholders' funds</b>		<u><b>1,965</b></u>	<u><b>2,042</b></u>

Approved by the Board on 20<sup>th</sup> December 2006

**D.C. MARSHALL**  
Chairman

The notes on pages 7 to 12 form part of these financial statements.

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 <sup>th</sup> SEPTEMBER	Notes	2006 £000	2005 £000
<b>Cash flows from operating activities</b>			
Cash used by operations	13(a)	(240)	(187)
Interest received		101	118
Taxation paid		(6)	(4)
Net cash outflows from operating activities		<u>(145)</u>	<u>(73)</u>
<b>Investment activities</b>			
Liquidation of subsidiary		–	402
Net cash outflow from investment activities		<u>–</u>	<u>402</u>
Net cash (outflow)/inflow before financing activities		<u>(145)</u>	<u>329</u>
<b>Financing activities</b>			
Net cash outflow from financing		<u>–</u>	<u>–</u>
<b>Net (decrease)/increase in funds</b>	13(c)	(145)	329
<b>Net funds at start of year</b>		2,066	1,750
Effect of foreign exchange rate changes	13(c)	3	(13)
<b>Net funds at end of year</b>		<u>1,924</u>	<u>2,066</u>

The notes on pages 7 to 12 form part of these financial statements.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER 2006

---

## 1. GENERAL

The Company is incorporated as a “société anonyme” with holding company status in the Grand Duchy of Luxembourg under the law of 31<sup>st</sup> July 1929, as amended. 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, as adopted in the EU, 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) 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 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*

The results of the Zimbabwean operations are not consolidated as the Group's interests no longer fall within the IAS 27 definition of control as it does not have the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities. Furthermore, their inclusion would not be material to the Group results. Dividends from Zimbabwean subsidiaries are included in the consolidated profit and loss account at the £ value when 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 is provided where there is a current intention to remit such earnings.

### (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.

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. Zimbabwe dollar assets are converted at a rate which, in the Directors' opinion, is appropriate.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER 2005

## 2. ACCOUNTING POLICIES (continued)

Differences on translation arising in changes in the £ 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	
	2006	2005	2006	2005
Euro – €1 =	<b>£0.81</b>	£0.69	<b>£0.79</b>	£0.68
United States Dollar – US\$1 =	<b>£0.55</b>	£0.54	<b>£0.54</b>	£0.56

### (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 nominal 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 Marshall 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.

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

### 3. SEGMENTAL REPORTING (continued)

	Assets £000	Liabilities £000	Net assets £000
<b>Segmental analysis of net assets – 30<sup>th</sup> September 2006</b>			
Investment in gold mining – Zimbabwe	72	-	72
Central operations	17	(48)	(31)
Unallocated	1,924	-	1,924
Consolidated total	<u>2,013</u>	<u>(48)</u>	<u>1,965</u>
<b>Segmental analysis of net assets – 30<sup>th</sup> September 2005</b>			
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>

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

	2006	2005
The average number of employees of the Group were:		
Management, including Directors	<u>4</u>	<u>4</u>

### 4. OPERATING LOSS BEFORE TAXATION

	2006 £000	2005 £000
Operating loss is stated after deducting:		
Related party fees	54	55
Interest paid	(26)	(26)
Interest received	101	118

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. TAXATION

Capital tax	<u>6</u>	<u>4</u>
-------------	----------	----------

A reconciliation of the expected tax charge is not applicable because the companies are not liable to taxes other than capital taxes.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER 2005

## 6. LOSS PER SHARE

The loss per share is based on the result for the year attributable to members and the number of shares in issue.

<b>2006</b>	2005
<b>(4)p</b>	(5)p
<u>          </u>	<u>          </u>

Headline loss per share, is based on the result attributable to shareholders excluding exceptional items, net of tax, and the average number of shares in issue

<b>(4)p</b>	(5)p
<u>          </u>	<u>          </u>

## 7. INVESTMENTS

	<b>2006</b>	2005
	<b>£000</b>	£000
<b>Listed subsidiary</b> – at fair value		
Brought forward and carried forward	<b>72</b>	72
	<u>          </u>	<u>          </u>

### Unconsolidated subsidiaries

#### Listed

#### Falcon Gold Zimbabwe Limited

Owned 57.1%

Incorporated and operating in Zimbabwe

Activity – Gold mining

Profit 30<sup>th</sup> September 2006 – Z\$227,403,000 (2005 – Z\$8,409,000)

Capital & Reserves: 30<sup>th</sup> September 2006 – Z\$248,181,000 (2005 – Z\$12,134,000)

The market value of this investment at 30<sup>th</sup> September 2006 was Z\$6,981,000 (2005 – Z\$7,616,400)

#### Unlisted

#### Olympus Gold Mines Limited

Owned 66.67%

Incorporated and operating in Zimbabwe

Activity – Gold mining

Profit 30<sup>th</sup> September 2006 – Z\$9,615,000 (2005 – loss Z\$1,733,155)

Capital & Reserves: 30<sup>th</sup> September 2006 – Z\$9,431,000 (2005 – deficit Z\$544,155)

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

During the year, the Zimbabwean government re-denominated its currency by the removal of the last three digits from its bills. The comparative amounts shown above have been restated to reflect this.

## 8. ACCOUNTS RECEIVABLE

Due within one year:

Other	<b>17</b>	3
	<u>          </u>	<u>          </u>
	<b>17</b>	3
	<u>          </u>	<u>          </u>

---

**9. ACCOUNTS PAYABLE**

	<b>2006</b>	2005
	<b>£000</b>	£000
Amounts falling due within one year:		
Trade creditors	3	54
Other	45	45
	<u>48</u>	<u>99</u>

**10. LEGAL RESERVE**

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. Consequently the directors are no longer required to make transfers to legal reserve. Distribution of this reserve is restricted.

**11. EXCHANGE RESERVE**

Balance brought forward	215	206
Arising during year	6	9
	<u>221</u>	<u>215</u>

**12. RETAINED EARNINGS**

Balance brought forward	524	621
Exchange difference arising during year	(3)	(22)
Prior years' unclaimed dividends forfeited	-	19
	<u>521</u>	<u>618</u>
Loss for the year	(80)	(94)
	<u>441</u>	<u>524</u>

**13. NOTES TO CASH FLOW STATEMENT**

<b>(a) Reconciliation of loss before tax to net cash generated/(used) by operations</b>		
Loss before tax	(74)	(90)
Interest received	(101)	(118)
Net (increase)/decrease in working capital (refer to note 13(b))	(65)	21
	<u>(240)</u>	<u>(187)</u>

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER 2005

## 13. NOTES TO CASH FLOW STATEMENT (continued)

	<b>2006</b>	2005		
	<b>£000</b>	£000		
<b>(b) Net (increase)/decrease in working capital</b>				
Increase in accounts receivable	(14)	(17)		
(Decrease)/Increase in accounts payable	(51)	38		
	<u>(65)</u>	<u>21</u>		
 <b>(c) Analysis by currency of the funds as shown in the balance sheet</b>				
	<b>2006</b>	2005	Exchange	Cash flow
	<b>£000</b>	£000	movement	movement
			£000	£000
United States Dollars	14	(736)	3	747
Pounds Sterling	1,910	2,802	-	(892)
Funds at end of year	<u>1,924</u>	<u>2,066</u>	<u>3</u>	<u>(145)</u>

## 14. CAPITAL COMMITMENTS

There was no capital expenditure authorised but not contracted at 30<sup>th</sup> September 2006 (2005 – nil).

## 15. CONSOLIDATION

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

## 16. 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 30<sup>th</sup> SEPTEMBER

	<b>2006</b>	2005
	<b>£000</b>	£000
<b>INCOME</b>		
Income from current assets	<b>101</b>	118
Exchange gains	<b>15</b>	-
<b>Loss for the year</b>	<b>106</b>	104
	<u><b>222</b></u>	<u>222</u>
<b>EXPENSES</b>		
Administration and other charges	<b>118</b>	131
Exchange losses	-	10
Exceptional provision and costs	<b>104</b>	81
	<u><b>222</b></u>	<u>222</u>

## BALANCE SHEET AT 30<sup>th</sup> SEPTEMBER

	<b>2006</b>	2005
	<b>£000</b>	£000
	Notes	
<b>ASSETS</b>		
<b>Financial fixed assets</b>		
Investments	(c) -	-
<b>Current assets</b>		
Amounts due from group companies	<b>74</b>	86
Prepayments and accrued income	<b>3</b>	3
Cash and bank balances	<b>1,919</b>	2,056
<b>Loss for the year</b>	<b>106</b>	104
	<u><b>2,102</b></u>	<u>2,249</u>
<b>LIABILITIES</b>		
<b>Capital and Reserves</b>		
Called up share capital	(d) <b>1,090</b>	1,090
Legal reserve	(e) <b>109</b>	109
Exchange reserve	(f) <b>176</b>	175
Retained profit	(g) <b>682</b>	786
<b>Accounts payable (falling due within one year)</b>	(h) <b>45</b>	89
	<u><b>2,102</b></u>	<u>2,249</u>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER 2006

## (a) GENERAL

The company is incorporated as a “société anonyme” with holding company status in the Grand Duchy of Luxembourg under the Law of 31<sup>st</sup> July 1929, as amended.

## (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) Financial fixed assets

Investments in subsidiaries 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 Group’s consolidated accounts are presented in Pounds Sterling, which is considered the currency of measurement following the approval of the resolution at the AGM on 24<sup>th</sup> March 2005. Share capital is included converted to a Pound Sterling value on that date.

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

	2006 £000	2005 £000
Investments in subsidiaries at cost	3,364	3,364
Provisions against investments	<u>(3,364)</u>	<u>(3,364)</u>
	<u>-</u>	<u>-</u>

## (d) SHARE CAPITAL

### Authorised

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

### Issued and fully paid

As at 1 <sup>st</sup> October 2005 and 30 <sup>th</sup> September 2006	1,864,026	<u>1,090</u>	<u>1,090</u>
------------------------------------------------------------------------	-----------	--------------	--------------

## (e) LEGAL RESERVE

Balance brought forward and 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. As the reserves have now reached this limit 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 30<sup>th</sup> SEPTEMBER 2006

## (f) EXCHANGE RESERVE

	2006 £000	2005 £000
Balance brought forward	175	186
Movement during the year	1	(11)
Balance carried forward	<u>176</u>	<u>175</u>

## (g) RETAINED PROFIT

Balance brought forward	786	871
Exchange difference	-	(5)
Loss of the preceding year	(104)	(99)
Dividends forfeited	-	19
Balance carried forward	<u>682</u>	<u>786</u>

## (h) ACCOUNTS PAYABLE

Falling due within one year:		
Amounts due to Group companies	5	-
Other accounts payable and accruals	40	89
	<u>45</u>	<u>89</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 of Falcon Mines Holdings Société Anonyme 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 coterminous with that of the Company.

# Report of the Directors

FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER 2006

---

The Directors submit their report and the audited financial statements for the year ended 30<sup>th</sup> September 2006.

## 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 through a wholly owned subsidiary, Falcon Mines Holdings Société Anonyme. 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 30<sup>th</sup> September 2006 were as below.

	Beneficial		Non-beneficial	
	2006	2005	2006	2005
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*†

\* These non-beneficial holdings arise because the individuals concerned are also directors of Marshall Mont eagle Holdings S.A.

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

There were no changes in Directors' interests between 30<sup>th</sup> September 2006 and the date of this report.

# Report of the Directors (continued)

FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER 2006

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:

	2006			2005
	Parent company directors fee £000	Other fees £000	Total £000	Total £000
A.R.C. Barclay	2	6	8	8
C.P. Jousse *	2	6	8	8
D.C. Marshall #	2	6	8	8
J.M. Robotham	2	6	8	8
Total	8	24	32	32

\* 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 (2005 – £8,000) 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 following holdings represented 5% and over of the issued share capital of the Company:

	Shares	%
Marshall Monteaule 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.

## INDEPENDENT AND STATUTORY AUDITORS

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 10<sup>th</sup> 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 6 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

20<sup>th</sup> December 2006

# **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 Halogen is the parent holding company of the Group, its 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 16 and 17.

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 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 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 appointment at the Annual General Meeting of shareholders held on 31<sup>st</sup> March 2006, we have audited the accompanying consolidated balance sheet of Halogen Holdings Société Anonyme as of 30<sup>th</sup> September 2006, and the related consolidated statements of income, and cash flows for the year then ended as set out on pages 4 to 12 and have read the report of the directors on pages 16 and 17. 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. For the reasons stated in note 2(b) to the consolidated financial statements the Board of Directors of the Company has decided not to consolidate the results of the Zimbabwean subsidiaries but to include them as investments under International Accounting Standard 39. 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 30<sup>th</sup> September 2006 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

20<sup>th</sup> December 2006

# Report of the Statutory Auditor

TO THE MEMBERS OF HALOGEN HOLDINGS SOCIETE ANONYME

---

Following our appointment at the Annual General Meeting of shareholders held on 31<sup>st</sup> March 2006, we have audited the financial statements of Halogen Holdings Société Anonyme for the year ended 30<sup>th</sup> September 2006 as set out on pages 13 to 15. 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 14, and give a true and fair view of the state of affairs of the Company at 30<sup>th</sup> September 2006, 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

20<sup>th</sup> December 2006

# 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 30<sup>th</sup> March 2007, at 3.00 p.m. for the following purposes:

1. To receive and adopt the reports of the Directors, Independent Auditors and Statutory Auditor for the year ended 30<sup>th</sup> September 2006.
2. To receive and adopt the balance sheet of the Company at 30<sup>th</sup> September 2006 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 30<sup>th</sup> September 2006 and the consolidated profit and loss account for the year ended on that date.
4. To grant discharge to the Directors and Statutory Auditor in respect of the execution of their mandates to 30<sup>th</sup> September 2006.
5. To receive and act on the statutory nomination of the Directors, Independent Auditors and Statutory Auditor for a new term of one year.

## SPECIAL BUSINESS

6. To give, in terms of the Law of 10<sup>th</sup> 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

20<sup>th</sup> December 2006

---

## 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.
- 

## 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.



# Halogen Holdings Société Anonyme

Registered Office: 6 rue Adolphe Fischer, L-1520, Luxembourg  
(R.C. Luxembourg No. B39773)

## Proxy for Annual General Meeting

Form of proxy for the Annual General Meeting of shareholders to be held at the offices of Maitland Luxembourg S.A., 6 rue Adolphe Fischer, L-1520, Luxembourg on 30<sup>th</sup> March 2007 and at any adjournment thereof.

The undersigned being the holder of ..... shares in the Company hereby appoints as his special attorney at the above mentioned meeting the chairman of the meeting or ..... to whom he gives all powers to represent him at the said meeting, to take part in all deliberations and to vote in his name according to the instructions set out below and to perform all acts necessary to give effect to the resolutions contained in the agenda as follows:-

No.	Resolution	For	Against	Abstention
1.	To receive and adopt the reports of the Directors, Independent Auditors and Statutory Auditor for the year end 30 <sup>th</sup> September 2006.			
2.	To receive and adopt the balance sheet of the Company at 30 <sup>th</sup> September 2006 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 30 <sup>th</sup> September 2006 and the consolidated profit and loss account for the year ended on that date.			
4.	To grant discharge to the Directors and Statutory Auditor in respect of the execution of their mandates to 30 <sup>th</sup> September 2006.			
5.	To receive and act on the statutory nomination of the Directors, Independent Auditors and Statutory Auditor for a new term of one year.			
	<b>SPECIAL BUSINESS</b>			
6.	To give the Directors general authority to issue shares for cash, subject to certain limits, to persons other than shareholders.			

### Notes

- (i) 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 corporation being a shareholder of the Company may execute a form of proxy under the hand of a duly authorised officer.
- (ii) 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.
- (iii) Shareholders should indicate with a cross (X) in the space provided above how they wish their votes to be cast. In the absence of specific instructions, their special attorney may vote as he thinks fit.
- (iv) In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority is determined by the order in which the names stand in the Register of members in respect of joint holdings.

Name of registered shareholder .....

Address .....

Signature .....

(Please add before your signature, in your own handwriting, the words "Good for Proxy")



