



FALCON INVESTMENT
HOLDINGS
SOCIETE ANONYME

2003





Falcon Investment Holdings Société Anonyme

(Incorporated in Luxembourg)

R.C. Luxembourg No. B 39773

Directors

D.C. MARSHALL, *Chairman*, age 59

Mr Marshall has been a Director and Chairman of Falcon 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, Doctors Direct 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 64 †

Mr Barclay has been a Director of the Company since 1993. He is a Fellow of the Institute of Chartered Accountants in England and Wales and was Chief Executive of City Group P.L.C., Falcon's Secretaries, from 1980 until his retirement in October 1999. Over the last twenty years he has had extensive experience of the management, administration and development of listed companies in Zimbabwe, South Africa, Luxembourg and the United Kingdom. He is a non-executive director of Monteagle Holdings S.A. and Western Selection P.L.C.

C.P JOUSSE, B Econ. age 55

Mr Jousse has been a Director of Falcon since 1993. He is the chief executive of Conafex Holdings S.A. and was largely responsible for the reorganisation of that Group's agricultural interests. He resides in Zimbabwe and is a non-executive director of several companies outside of the Falcon group, which are listed on the Zimbabwe Stock Exchange.

J.M. ROBOTHAM, OBE, FCA, MSI, age 70 †

Mr Robotham has been a Director of Falcon since 1993. He resides in the United Kingdom; he is 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 a number of listed English companies including London Finance & Investment Group P.L.C. Marylebone Warwick Balfour Group Plc and Western Selection P.L.C.

† Member of the Audit Committee



Shareholder Information

Financial Calendar

Financial year end	30 th September 2003
Preliminary announcement of results	24 th December 2003
Annual General Meeting	26 th March 2004 at 3.00 p.m. 6 rue Adolphe Fischer, L-1520, Luxembourg
Half year	31 st March 2004
Half-year results announced	May 2004

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 9th January 2004, the latest practical date, are shown.

Luxembourg	US\$ 1.2
Johannesburg	R 10.0
Zimbabwe	Z\$ 2900

Group Offices

Luxembourg (Registered Office)

6 rue Adolphe Fischer,
L-1520 Luxembourg
(PO 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, Umhlanga 4320)
Tel.: +27 31 566 7600

Zimbabwe

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

United Kingdom

25 City Road,
London, EC1Y 1BQ
Tel: +44 20 7448 8950
E-mail: falcon@city-group.com

Registrars

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

Listing and Paying Agents

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

Transfer Agents

Europe

Capita Registrars
Northern House,
Woodsome Park, Fenay Bridge,
Huddersfield, HD8 0LA, U.K.
Tel: 0870 162 3131

South Africa

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

Zimbabwe

Syfrets Corporate and
Merchant Bank
Central Scrip Administration
5th Floor, 46 Speke Avenue,
(P.O. Box 2540) Harare
Tel: +263 4 757 535

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 2003

The highlight of this year has been the sale by our Chilean subsidiary of its iodine project for US\$13 million. The profit on this sale is US\$10 million before tax. Our Chilean subsidiary is now in the process of being wound up and we have so far received US\$3 million in Europe.

Our accounts include a profit of US\$2.5 million after Chilean taxes (35%), expenses and minorities, however there is still a degree of uncertainty regarding this figure. We are part way through an arbitration process regarding the interpretation of terms in the shareholders' agreement covering distributions to shareholders. We expect to receive an additional US\$1 million to US\$1.4 million depending on the outcome of this process which is due to be completed in 2004.

We are profoundly grateful to our loyal staff who continue to work admirably through these difficult times in Zimbabwe. Our gold mines continue to trade profitably despite the uncertain operating environment and hyperinflationary pressures. The mines produced 847kg of gold, a considerable decline (23%) from 1,093kg last year. However, the rise in the price of gold of US\$62 (19%) over the year, combined with (i) an improvement in the exchange rate used in converting part of the gold sale proceeds into Zimbabwe dollars and (ii) an increase in the proportion of the proceeds paid in US dollars, has meant that profits have increased considerably in Zimbabwe dollar terms. In view of the uncertain situation in Zimbabwe, we have maintained the carrying value of our investments in Zimbabwe at US\$130,000.

Gold is a major foreign currency earner for Zimbabwe but production has declined significantly over recent years. We expect that the Government of Zimbabwe will continue to manage the mechanism for the purchase of gold by the State in a manner which will enable the remaining gold miners to continue to operate.

Prospects

Zimbabwe

To the extent that results allow, we aim to preserve our infrastructure of both staff and equipment for as long as possible to be able to take advantage of opportunities as they may arise. Our subsidiary is unable to afford out of profits the reinvestment necessary to replace the reserves that we are mining. Sadly, this is reducing the future earnings potential of our mines.

Europe

We are investigating opportunities to re-invest the Group's cash in a well established and profitable business and hope to have a proposal to put before shareholders in the current year.

David C Marshall
Chairman

24th December 2003



Report of the Directors

FOR THE YEAR ENDED 30th SEPTEMBER 2003

The Directors submit their report and the audited financial statements for the year ended 30th September 2003.

PRINCIPAL ACTIVITIES

Falcon 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. Falcon's shares are listed on the Luxembourg, Johannesburg and Zimbabwe Stock Exchanges and are occasionally traded on the London Stock Exchange.

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 2003 were as below.

	Beneficial		Non-beneficial	
	2003	2002	2003	2002
A.R.C. Barclay	-	-	931,024*	931,024 *
C.P. Jousse	79	79	-	-
D.C. Marshall	-	-	946,090*†	931,024 *
J.M. Robotham	2,000	2,000	946,090*†	931,024 *

* These non-beneficial holdings arise because the individuals concerned are also directors of Monteagle.

† 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 30th September 2003 and the date of this report.

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:

	2003			2002
	Parent Company Directors fee	Other fees	Total	Total
	US\$000	US\$000	US\$000	US\$000
A R C Barclay	3	7	10	10
C P Jousse *	3	7	10	10
D C Marshall #	3	7	10	10
J M Robotham	3	7	10	10
Total	<u>12</u>	<u>28</u>	<u>40</u>	<u>40</u>

* 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 US\$10,000 for the year (2002 - US\$10,000) 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	%
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

Your Board proposes that 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 renew the general authority to issue ordinary shares of €1.25 for cash as and when suitable situations arise, subject to the limitations as set out in resolution 7 on the Notice of Meeting on page 23.

By Order of the Board,

CITY GROUP P.L.C.
Group Secretaries

24th December 2003



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 details of Directors' remuneration are set out in the Directors Report on pages 4 and 5.

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 parent company and the Group have adequate resources to continue in operational existence for the foreseeable future.



Consolidated Profit and Loss Account

FOR THE YEAR ENDED 30th SEPTEMBER

	Notes	2003 US\$000	2002 US\$000
Revenue	3	-	-
Operating costs		<u>(387)</u>	<u>(361)</u>
Operating loss before interest and taxation	3 & 4	<u>(387)</u>	<u>(361)</u>
Income from investment in Zimbabwean subsidiary – dividend		65	125
Interest received		11	11
Exchange gains/(losses)		<u>89</u>	<u>(4)</u>
Loss before exceptional item and taxation		<u>(222)</u>	<u>(229)</u>
Exceptional item	5	<u>10,108</u>	<u>(559)</u>
Profit/(Loss) before taxation		<u>9,886</u>	<u>(788)</u>
Tax charge on ordinary activities	6	<u>(3,199)</u>	<u>(33)</u>
Profit/(Loss) on ordinary activities after tax		<u>6,687</u>	<u>(821)</u>
Minority interests		<u>(4,341)</u>	<u>24</u>
Profit/(Loss) attributable to shareholders and retained for the year		<u>2,346</u>	<u>(797)</u>
Earnings/(Loss) per share US cents – basic	7	126c	(43c)
– headline		(11c)	(13c)

Consolidated Statement of Recognised Gains and Losses

FOR THE YEAR ENDED 30th SEPTEMBER

	2003 US\$000	2002 US\$000
Exchange differences on translation of the financial statements of foreign entities	<u>720</u>	<u>31</u>
Net gains not recognised in the income statement	720	31
Net profit/(loss) for the year	<u>2,346</u>	<u>(797)</u>
Total recognised gains/(losses) and movement in shareholders' funds	<u>3,066</u>	<u>(766)</u>
Opening shareholders' funds	<u>1,153</u>	<u>1,919</u>
Closing shareholders' funds	<u>4,219</u>	<u>1,153</u>

The notes on pages 10 to 17 form part of these financial statements.



Consolidated Balance Sheet

AT 30th SEPTEMBER

	Notes	2003 US\$000	2002 US\$000
Assets			
Non current assets			
Property, plant and equipment	8	-	1,722
Investments	9	<u>130</u>	<u>130</u>
		<u>130</u>	<u>1,852</u>
Current assets			
Accounts receivable	10	57	111
Cash and bank balances		<u>8,084</u>	<u>319</u>
		<u>8,141</u>	430
Current liabilities			
Accounts payable (falling due within one year)	11	<u>(2,477)</u>	<u>(272)</u>
Net current assets		<u>5,664</u>	<u>158</u>
Total assets less current liabilities		<u>5,794</u>	<u>2,010</u>
Capital and reserves			
Called up share capital (page 19, note (e))		2,060	2,060
Legal reserves	12	326	326
Retained earnings	13	<u>1,833</u>	<u>(1,233)</u>
Shareholders' funds		<u>4,219</u>	1,153
Minority interests		<u>1,575</u>	<u>857</u>
		<u>5,794</u>	<u>2,010</u>

Approved by the Board on 24th December 2003

D.C. MARSHALL
Chairman

The notes on pages 10 to 17 form part of these financial statements.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30th SEPTEMBER

	Notes	2003 US\$000	2002 US\$000
Cash flows from operating activities			
Cash generated/(used) by operations	14(a)	202	(435)
Interest received		11	11
Dividend received from Zimbabwean subsidiary		65	125
Taxation paid		(1,157)	(40)
Net cash outflows from operating activities		<u>(879)</u>	<u>(339)</u>
Investment activities			
Purchase of tangible assets		(12)	(90)
Net proceeds on disposal of tangible fixed assets		11,729	-
Net cash inflow/(outflow) from investment activities		<u>11,717</u>	<u>(90)</u>
Net cash inflow/(outflow) before financing activities		<u>10,838</u>	<u>(429)</u>
Financing activities			
Minority interests in Falcon de Chile		-	29
Dividend paid to outside shareholders		(3,705)	-
Net cash (outflow)/inflow from financing		<u>(3,705)</u>	<u>29</u>
Net increase/(decrease) in funds	14(c)	7,133	(400)
Net funds at start of year		319	721
Effect of foreign exchange rate changes		632	(2)
Net funds at end of year		<u>8,084</u>	<u>319</u>

The notes on pages 10 to 17 form part of these financial statements.



Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30th SEPTEMBER 2003

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 capital of the parent company is denominated in Euros, but in view of the international nature of the Group’s operations and, as allowed by Luxembourg law, the amounts shown in these consolidated financial statements are presented in United States dollars.

2. ACCOUNTING POLICIES

The principal accounting policies of the Group, which are set out below, have been applied consistently and comply with International Accounting 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 U.S. dollar 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; Falcon Gold Zimbabwe Limited based on the market value of that listed investment at 30th September 2002 and Olympus Gold Mines Limited at the book value of its net assets. In the Directors’ opinion, the current uncertainties in both the market and the exchange rates (which depreciated from Z\$720:US\$1 at 30th September 2002 to at least Z\$6,000:US\$1 at 30th September 2003) make it inappropriate to write back any of the provision made in previous years.

(c) Exploration and Development

Expenditure on mining claims, rights, shafts and development is charged to operating costs except when it is anticipated that recoveries of the expenditure will occur in future periods.

(d) 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.

2. ACCOUNTING POLICIES (continued)

(e) 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 U. S. dollars 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 applicable.

Differences on translation arising in changes in the United States dollar 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: US\$1 =

	Profit & Loss Account		Balance Sheet	
	2003	2002	2003	2002
Euro – €	0.915	1.086	0.858	1.012
Zimbabwe – Z\$	N/a	N/a	N/a	720.0
Chile – Chilean pesos	713.0	721.0	661.0	748.0

(f) Funds

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

(g) 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. The principal financial liabilities are bank overdrafts and accounts payable.



Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2003

3. SEGMENTAL REPORTING

Primary reporting format – business segments

The Group is organised on a worldwide basis into two business segments, which are also geographically distinct:

Gold mining three gold mines in Zimbabwe. One is owned 66.67% by the Group and 33.33% by (not consolidated) Monteagle Holdings S.A., and two are wholly owned by our 57.1% subsidiary Falcon Gold Zimbabwe Limited.

Iodine deposit a venture in Chile which was sold during the year.

Other operations of the Group include project costs, surplus on disposal of fixed assets and local head office costs.

There are no sales or other transactions between business segments. Segment assets consist of property, plant and equipment, inventories and receivables and exclude cash balances. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to property, plant and equipment.

Segmental analysis of results	2003 US\$000		2002 US\$000	
	Revenue	Result	Revenue	Result
Iodine development – Chile	-	(82)	-	(113)
Other operations	-	(305)	-	(248)
	<u>-</u>	<u>(387)</u>	<u>-</u>	<u>(361)</u>
Dividend from subsidiary		65		125
Interest received		11		11
Exchange gains/(losses)		89		(4)
Exceptional item		10,108		(559)
Profit/(Loss) before tax		<u>9,886</u>		<u>(788)</u>

Revenue excludes the proceeds of sales of fixed assets.

3. SEGMENTAL REPORTING (continued)

	Assets	Liabilities	Net assets/ (liabilities)	Capital expenditure	Depreciation charge
	US\$000	US\$000	US\$000	US\$000	US\$000
Segmental analysis of net assets – 30th September 2003					
Investment in gold mining – Zimbabwe	130	-	130	-	-
Iodine development – Chile	1	(277)	(276)	12	-
Other	3	(217)	(214)	-	-
Unallocated	8,137	(1,983)	6,154	-	-
Consolidated total	<u>8,271</u>	<u>(2,477)</u>	<u>5,794</u>	<u>12</u>	<u>-</u>

Segmental analysis of net assets – 30th September 2002

Investment in gold mining – Zimbabwe	130	-	130	-	-
Iodine development – Chile	1,725	(3)	1,722	90	-
Other	41	(269)	(228)	-	-
Unallocated	386	-	386	-	-
Consolidated total	<u>2,282</u>	<u>(272)</u>	<u>2,010</u>	<u>90</u>	<u>-</u>

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

	2003	2002
The average number of employees of the Group were:		
Management, including Directors	<u>4</u>	<u>4</u>

4. OPERATING PROFIT/(LOSS) BEFORE INTEREST AND TAXATION

	2003 US\$000	2002 US\$000
Operating profit/(loss) is stated after deducting:		
Provision against capitalised exploration expenditure	12	56
Related party fees:		
Administration	80	74

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 ITEM

	2003 US\$000	2002 US\$000
Profit on disposal of tangible fixed assets	10,108	-
Provision against investment in subsidiary (note 9)	-	(559)
	<u>10,108</u>	<u>(559)</u>



Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2003

6. TAXATION

	2003 US\$000	2002 US\$000
Corporation tax	1,886	-
Withholding tax	1,310	25
Capital tax	3	8
Charge for the period	<u>3,199</u>	<u>33</u>

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

Expected tax charge at statutory rates	1,886	-
Withholding taxes	1,310	25
Capital taxes	3	8
	<u>3,199</u>	<u>33</u>

The taxation charge of the Group companies includes taxes of general application and also taxes at special rates levied on particular forms of income.

7. EARNINGS/(LOSS) PER SHARE

	2003	2002
The earnings/(loss) per share is based on the result for the year attributable to members and the number of shares in issue	<u>126c</u>	<u>(43)c</u>
Headline loss per share, 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>(11)c</u>	<u>(13)c</u>

8. PROPERTY, PLANT AND EQUIPMENT

	2003 US\$000	2002 US\$000
Mining rights & developments		
Brought forward		
At cost	1,722	1,779
Translation differences	-	(91)
	<u>1,722</u>	<u>1,688</u>
Additions	12	90
Provisions	(12)	(56)
Disposals	(1,722)	-
	<u>-</u>	<u>34</u>
Net book value at 30th September	<u>-</u>	<u>1,722</u>

All of the tangible assets related to mining development assets located in Chile which were sold during the year.

9. INVESTMENTS

	2003 US\$000	2002 US\$000
Listed subsidiary – at fair value		
Brought forward	130	689
Fair value adjustment (note 5)	-	(559)
Balance carried forward	<u>130</u>	<u>130</u>

Unconsolidated subsidiaries

Listed

Falcon Gold Zimbabwe Limited

Owned 57.1%

Incorporated and operating in Zimbabwe

Activity – Gold mining

Profit 30th September 2003 – Z\$1,074,640,000 (2002 – Z\$27,372,000)

Capital & Reserves: 30th September 2003 – Z\$1,211,929,000 (2002 – Z\$137,289,000)

The market value of this investment at 30th September 2003 was Z\$12,694,000,000 (2002: Z\$95,205,000)

Unlisted

Olympus Gold Mines Limited

Owned 66.67%

Incorporated and operating in Zimbabwe

Activity – Gold mining

Profit 30th September 2003 – Z\$301,933,000 (2002 – Z\$3,802,000)

Capital & Reserves: 30th September 2003 – Z\$221,510,000 (2002 – negative Z\$423,000)

10. ACCOUNTS RECEIVABLE

	2003 US\$000	2002 US\$000
Due within one year:		
Taxation	53	67
Subsidiary companies	-	37
Other	4	7
	<u>57</u>	<u>111</u>

11. ACCOUNTS PAYABLE

	2003 US\$000	2002 US\$000
Amounts falling due within one year:		
Trade creditors	35	95
Taxation	1,983	-
Other	459	177
	<u>2,477</u>	<u>272</u>

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2003

12. LEGAL RESERVES

	2003 US\$000	2002 US\$000
Balance brought forward and carried forward:		
Parent company	130	130
Subsidiary company	196	196
	<u>326</u>	<u>326</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. A resolution to approve a transfer to increase the legal reserve to 10% of the parent company's share capital will be proposed at the Annual General Meeting. Distribution of this reserve is restricted.

13. RETAINED EARNINGS

	2003 US\$000	2002 US\$000
Balance brought forward	(1,233)	(467)
Exchange difference arising during year	720	31
	<u>(513)</u>	<u>(436)</u>
Profit/(Loss) for the year	2,346	(797)
Balance carried forward at 30 th September	<u>1,833</u>	<u>(1,233)</u>

14. NOTES TO CASHFLOW STATEMENT

	2003 US\$000	2002 US\$000
(a) Reconciliation of profit/(loss) before tax to net cash generated/(used) by operations		
Profit/(Loss) before tax	9,886	(788)
Net profit on sale of fixed assets	(10,108)	-
Provision against subsidiary charged	-	559
Provision against project expenditure	12	56
Dividend from subsidiary	(65)	(125)
Interest received	(11)	(11)
Net decrease/(increase) in working capital (refer to note 14b)	488	(126)
Cash generated/(used) by operations	<u>202</u>	<u>(435)</u>
(b) Net decrease/(increase) in working capital		
Decrease in accounts receivable	4	13
Increase (Decrease)/ in accounts payable	484	(139)
	<u>488</u>	<u>(126)</u>

14. NOTES TO CASHFLOW STATEMENT (continued)

(c) Analysis by currency of the funds as shown in the balance sheet

	2003	2002	Exchange movement	Cash flow movement
	US\$000	US\$000	US\$000	US\$000
United States dollars	1,034	300	-	734
Chilean pesos	4,955	9	631	4,315
Pounds sterling	2,095	10	1	2,084
Funds at end of year	8,084	319	632	7,133

15. CAPITAL COMMITMENTS

There was no capital expenditure authorised but not contracted at 30th September (2002 – 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

FALCON INVESTMENT HOLDINGS SOCIETE ANONYME

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th SEPTEMBER

	2003	2002	2003	2002
	€000	€000	Memo US\$000	Memo US\$000
INCOME				
Income from fixed assets	2,747	-	3,000	-
Income from current assets	97	2	106	2
Loss for the year	-	359	-	151
	<u>2,844</u>	<u>361</u>	<u>3,106</u>	<u>153</u>
EXPENSES				
Administration and other charges	168	166	183	153
Exchange gain	436	195	-	-
Exceptional costs and provision	1,194	-	1,305	-
Profit for the year	1,046	-	1,618	-
	<u>2,844</u>	<u>361</u>	<u>3,106</u>	<u>153</u>

BALANCE SHEET AT 30th SEPTEMBER

	Notes			
ASSETS				
Non current assets				
Investments	(c)	865	-	1,008
Loan to group company	(d)	-	1,582	-
				1,563
Current assets				
Amounts due from group companies		170	690	198
Prepayments and accrued income		2	1	3
Cash and bank balances		2,576	57	3,001
Loss for the year		-	359	-
		<u>3,613</u>	<u>2,689</u>	<u>4,210</u>
LIABILITIES				
Capital and Reserves				
Called up share capital	(e)	2,330	2,330	2,060
Legal reserve	(f)	143	143	130
Retained (loss)/profit	(g)	(228)	131	28
Profit for the year		1,046	-	1,618
Accounts payable (falling due within one year)	(h)	322	85	374
		<u>3,613</u>	<u>2,689</u>	<u>4,210</u>
				<u>2,453</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30th SEPTEMBER 2003

(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.

(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 Group’s consolidated accounts are presented in US dollars, which is considered the currency of measurement, and include share capital at the historic US dollar value. Memoranda columns in US dollars are included in the parent’s financial statements for information.

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

	2003	2002	2003	2002
	€000	€000	Memo US\$000	Memo US\$000
Subsidiaries (see note i.)				
Balance brought forward	-	-	-	-
Acquisitions	1,440	-	1,681	-
Addition	389	-	450	-
Exceptional provision	(964)	-	(1,123)	-
Balance 30 th September	<u>865</u>	<u>-</u>	<u>1,008</u>	<u>-</u>

(d) LOAN TO GROUP COMPANY

The loan to the wholly owned subsidiary, Falcon Mines Holdings S.A., which has been repaid, was unsecured, interest free and had no fixed repayment date

	<u>-</u>	<u>1,582</u>	<u>-</u>	<u>1,563</u>
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(e) SHARE CAPITAL

Authorised	Number	2003	2002	2003	2002
Shares of €1.25 each	4,000,000	5,000	5,000	3,686	3,686
Issued and fully paid					
As at 1 st October 2002 and					
30 th September 2003	1,864,026	<u>2,330</u>	<u>2,330</u>	<u>2,060</u>	<u>2,060</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2003

(f) LEGAL RESERVE

	2003	2002	2003	2002
	€000	€000	Memo	Memo
			US\$000	US\$000
Balance brought forward and carried forward	<u>143</u>	<u>143</u>	<u>130</u>	<u>130</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. A resolution to approve a transfer to increase the legal reserve to 10% of the parent company's share capital will be proposed at the Annual General Meeting. Distribution of this reserve is restricted.

(g) RETAINED (LOSS)/PROFIT

Balance brought forward	131	334	179	360
Loss of the preceding year	<u>(359)</u>	<u>(203)</u>	<u>(151)</u>	<u>(181)</u>
Balance carried forward	<u>(228)</u>	<u>131</u>	<u>28</u>	<u>179</u>

(h) ACCOUNTS PAYABLE

Falling due within one year:				
Other accounts payable and accruals	318	85	369	84
Amounts due to group companies	<u>4</u>	<u>-</u>	<u>5</u>	<u>-</u>
	<u>322</u>	<u>85</u>	<u>374</u>	<u>84</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 Falcon Investment 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

Owned 52.2%

(iii) Incorporated and operating in Chile Minera Falcon de Chile S.C.M.	Iodine deposit development
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(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 co-terminous with that of the Company.

Report of the Independent Auditors

TO THE SHAREHOLDERS OF FALCON INVESTMENT HOLDINGS SOCIETE ANONYME

Following our appointment at the Annual General Meeting of shareholders held on 28th March 2003, we have audited the accompanying consolidated balance sheet of Falcon Investment Holdings Société Anonyme as of 30th September 2003, and the related consolidated statements of income, and cash flows for the year then ended as set out on pages 7 to 17 and have read the report of the directors on pages 4 and 5. 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 2003, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting 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

24th December 2003



Report of the Commissaire

TO THE MEMBERS OF FALCON INVESTMENT HOLDINGS SOCIETE ANONYME

Following our appointment at the Annual General Meeting of shareholders held on 28th March 2003, we have audited the financial statements of Falcon Investment Holdings Société Anonyme for the year ended 30th September 2003 as set out on pages 18 to 20. 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 19, and give a true and fair view of the state of affairs of the Company at 30th September 2003, 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

24th December 2003

Notice of Meeting

FALCON INVESTMENT HOLDINGS SOCIETE ANONYME
R.C. LUXEMBOURG NO. B 39773

NOTICE is hereby given that the twelfth ANNUAL GENERAL MEETING of Falcon Investment Holdings Société Anonyme will be held at the offices of Maitland Management Services S.A., 6 rue Adolphe Fischer, L-1520, Luxembourg on 26th March 2004, 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 2003.
2. To receive and adopt the balance sheet of the Company at 30th September 2003 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 2003 and the consolidated profit and loss account for the year ended on that date.
4. To consider and approve an appropriation to legal reserve.
5. To grant discharge to the Directors and Commissaire in respect of the execution of their mandates to 30th September 2003.
6. To receive and act on the statutory nomination of the Directors, Auditors and Commissaire for a new term of one year.

SPECIAL BUSINESS

7. 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 ("JSE"), the Board of Directors of the Company general authority to issue ordinary shares of €1.25 each 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 Directors.

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

6 rue Adolphe Fischer,
Luxembourg
24th December 2003

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.

