

HALOGEN

Holdings Société Anonyme

INTERIM REPORT 2008

Halogen Holdings Société Anonyme
(Incorporated in Luxembourg. RC Number B39773)

Registered Office:
6 rue Adolphe Fischer,
L-1520, Luxembourg

30th June 2008

Dear Shareholder,

The results for the half-year ended 31st March 2008 are attached.

Our operating costs are driven by the need to comply with the requirements of the exchanges on which our shares are listed and also the cost of complying with the legal requirements in Luxembourg, the country in which the company is domiciled. Costs have increased slightly from the same period last year, mainly due to increased professional fees and the decrease in the value of sterling against the Euro. Most of the bills from our professional advisers are invoiced in Euros.

We have been taking professional advice on how we can restructure the group to mitigate compliance costs, and as a first step, following shareholder approval at the last AGM, we intend to give notice that the listing in Harare will be cancelled. The Harare section of the share register will then be merged with the section held by Capita Registrars. Shareholders on that branch of the register will be given due notice of the cancellation of the listing.

A trading update from our associated company, Heartstone Inns, is included below.

508,110 of the 621,586 May 2008 warrants to subscribe for shares in Halogen have been exercised, raising approximately £502,000 for the Group. The remainder of the warrants lapsed unexercised. In accordance with the authority granted at the EGM on 28th September 2007, 1,016,220 additional warrants will be issued to those subscribers, on the basis of 2 new warrants for every warrant exercised, with an exercise price of €1.25 and an exercise date of 31st May 2011.

At the AGM on 28th March 2008, the company's year end was changed to 31st March and the next report to shareholders will be an interim report for the period ending 30th September 2008. The next statutory accounts will be prepared for the 18 month period to 31st March 2009. The next AGM will be held on Friday 26th September 2009.

Prospects

We have seen a slow down in the rate at which Heartstone is managing to acquire additional pubs due to a scarcity of suitable pubs coming onto the market. If this continues, it will push back the date at which Heartstone will become consistently profitable.

We will continue to investigate opportunities to minimise operating costs for the Group, which might involve changes to the domicile of the group and further changes to the arrangements for trading Halogen shares.

David Marshall
Chairman

Overview

Throughout the period Heartstone continued to operate three (latterly four), high quality, food-led, rural pubs. Trading over the latter part of 2007 was in line with industry norms and sales over December were ahead 1% against 2006, a result with which we feel reasonably satisfied.

Since the beginning of 2008 we have started to feel the impact of consumers reigning in their spending. At this stage it is difficult to quantify the impact of the broader economic situation beyond saying that we are certainly experiencing a slowdown.

We continue to ensure that we keep a range of pub food staples at accessible price points and to fine tune our lead drinks prices to stay in line or below local competition. As freehold operators we are able to shop around to obtain the most favourable buying terms and we have been able to mitigate the impact of increases in some food and liquor input prices.

Acquisition of The Hare & Hounds

On the 10th January 2008, we completed the purchase of The Hare & Hounds in Devon. The acquisition of this single very large unit has more than doubled the pro forma turnover of the group. This unit was acquired for a total consideration of £2.8 million and comes with the benefit of planning consent for a substantial expansion of the trading space. We have inherited a strong local management team and the transition to Heartstone ownership was accomplished smoothly. The Hare & Hounds is a high-volume, food led, business, which specialises in carvery food, and it has built up a strong following on the back of its reputation for the high quality of its service and food. Trading since 10th January has been robust and we are satisfied that The Hare & Hounds is an excellent addition to the group. The unit is trading at its physical capacity at peak times and Heartstone is considering plans to build a restaurant extension in order to allow future sales growth.

Trading outlook

In common with the whole industry, like for like trading in April was poor, owing to a combination of general economic gloom, the timing of Easter bank holidays, and indifferent weather. May saw a strong recovery in sales which were broadly in line with 2007. July 2008 brings the first anniversary of the smoking ban in England, thus slightly easing the pressure on like for like sales. Given reasonable weather over the next few months (last year's having been exceptionally poor), we feel confident of strong trading in the summer.

Further Information

Further information on Heartstone and its pubs can be found on its web site:

www.heartstoneinns.co.uk

Heartstone has a 31st December year end and copies of its accounts to 31st December 2007 are available on application by e-mail to halogen@city-group.com

Unaudited consolidated group profit and loss account

	Half years ended 31st March 2008 £000	31 st March 2007 £000	Year ended 30 th September 2007 £000
Operating costs	<u>(103)</u>	<u>(85)</u>	<u>(187)</u>
Operating loss before interest and taxation	(103)	(85)	(187)
Interest	7	46	108
Exchange (losses)/gains	(11)	5	(4)
Share of results of associate	<u>(162)</u>	<u>-</u>	<u>(10)</u>
Loss before exceptional item and taxation	(269)	(34)	(93)
Exceptional item – profit on sale of subsidiary	-	1,672	1,317
(Loss)/Profit before taxation	<u>(269)</u>	1,638	1,224
Taxation	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
(Loss)/Profit after taxation and retained for the period	<u>(270)</u>	<u>1,636</u>	<u>1,221</u>
Reconciliation of headline loss per share			
(Loss)/Earnings per share (pence)	(13)p	88 p	65 p
Less exceptional item, net of tax and minority interests (pence)	-	(90)p	(70)p
Headline loss per share (pence)	<u>(13)p</u>	<u>(2)p</u>	<u>(5)p</u>

Consolidated Statement of recognised gains and losses and changes in equity

Net (loss)/profit for the period	(270)	1,636	1,221
Shares issued	-	-	136
Exchange differences	-	(6)	2
	<u>(270)</u>	<u>1,630</u>	<u>1,359</u>
Shareholders' funds at start of the period	3,324	1,965	1,965
Shareholders' funds at end of the period	<u>3,054</u>	<u>3,595</u>	<u>3,324</u>

Unaudited consolidated group balance sheet

	31st March 2008 £000	31 st March 2007 £000	30 th September 2007 £000
Non current assets			
Investments	<u>2,838</u>	<u>867</u>	<u>3,000</u>
Current assets			
Investment	-	-	178
Trade and other receivables	1	18	376
Cash and bank balances	<u>292</u>	<u>3,115</u>	<u>26</u>
	293	3,133	580
Current liabilities			
Accounts payable	<u>(77)</u>	<u>(405)</u>	<u>(256)</u>
Net current assets	<u>216</u>	<u>2,728</u>	<u>324</u>
Total assets, less current liabilities	<u>3,054</u>	<u>3,595</u>	<u>3,324</u>
Capital and Reserves			
Called up share capital	1,226	1,090	1,226
Legal resources	123	109	109
Exchange reserve	267	217	267
Revenue reserve	<u>1,438</u>	<u>2,179</u>	<u>1,722</u>
Shareholders' funds	<u>3,054</u>	<u>3,595</u>	<u>3,324</u>
Net assets per share	£1.51	£1.93	£1.65

Offices:

**Luxembourg
(Registered Office)**
6 rue Adolphe Fischer
L-1520
(PO Box 1361, L-1013)
Luxembourg

United Kingdom
30 City Road,
London,
EC1Y 2AG

South Africa
11 Sunbury Park,
La Lucia Ridge Office Estate,
La Lucia 4051, Durban

Transfer Agents

Europe
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU

South Africa
Computershare Investor Services
(Pty) Limited
70 Marshall Street,
Johannesburg, 2001
(P.O. Box 61051, Marshalltown 2107)

Zimbabwe
ZB Bank Limited
Central Scrip Administration
1st Floor, ZB Centre,
Cnr. Kwame Nkrumah/First Street,
Harare

Unaudited consolidated group cash flow statement

	Half years ended		Year ended
	31 st March 2008 £000	31 st March 2007 £000	30 th September 2007 £000
Operating activities			
Cash absorbed by normal trading activities	(117)	(74)	(342)
Interest received and other investment income	7	45	108
Taxation	-	(2)	(3)
	<u>(110)</u>	<u>(31)</u>	<u>(237)</u>
Investment activities			
Acquisition of interest associate	-	-	(3,010)
Proceeds on disposal of shares net of costs	376	-	-
Net proceeds on disposal of subsidiary	-	2,096	2,213
Less shares in Central African Gold plc as part of proceeds	-	(868)	(868)
Net cash inflow from investment activities	<u>376</u>	<u>1,228</u>	<u>(1,665)</u>
Net increase/(decrease) in funds	266	1,197	(1,902)
Net funds at start of period	26	1,924	1,924
Effect of foreign exchange rate changes	-	(6)	4
Net funds at end of period	<u>292</u>	<u>3,115</u>	<u>26</u>

Notes

1. Accounting Policy

The results and the cash flow statement for the half year ended 31st March 2008 are unaudited and comply with IAS 34 - Interim Financial Reporting. They have been prepared on the basis of accounting policies adopted in the accounts for the year ended 30th September 2007 which comply with International Financial Reporting Standards in all respects and Luxembourg law. The results for the year to 30th September 2007 are an abridged version of the Group's full accounts for that year, which have been filed with the relevant authorities.

2. Earnings/(Loss) per share

Earnings/(Loss) per share are based on the result and 2,019,362 shares in issue. Headline earnings are basic earnings adjusted for exceptional items.

3. Capital Expenditure

There was no capital expenditure during the period (2007 – nil) and there were no capital expenditure commitments at 31st March 2008 (2007 – nil).

4. Segmental analysis

A segmental analysis is not presented, there being no operating subsidiaries. The only segment not arising directly from central operations is the share of the results of the associated company.