Halogen Holdings P.L.C.

Report and Accounts

For the year ended

31st March 2011

Registered No. 5351276

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Directors

D.C. MARSHALL, *Chairman,* age 67

David Marshall has been a Director and Chairman of Halogen since 2005. 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 PLC. He is also chairman of a number of listed English and South African companies, including London Finance & Investment Group P.L.C., Western Selection P.L.C. and Merchant & Industrial Properties Limited. He is a non-executive director of Creston plc, Finsbury Food Group plc, MWB Group Holdings Plc and Northbridge Industrial Services plc.

E.J. BEALE, ACA, age 50

Edward Beale has been a Director of Halogen since 2007. He is the chief executive of City Group P.L.C., Halogen's administrative office and corporate secretaries. He is a Chartered Accountant and is a non-executive director of Western Selection P.L.C., Finsbury Food Group plc and Heartstone Inns Limited. He is a former Chairman of the Corporate Governance Committee of the Quoted Companies Alliance (a U.K. pressure group acting on behalf of smaller quoted companies) and a member of the Accounting Standards Board of the Financial Reporting Council (the UK's independent regulator responsible for promoting confidence in corporate reporting and governance).

L. H. MARSHALL, age 40

Lloyd Marshall has been a Director of Halogen since 2005. He is the finance director of Marshall Monteagle PLC. He is also a non-executive director of London Finance & Investment Group P.L.C., City Group P.L.C. and Heartstone Inns Limited. He was educated in South Africa and now resides in the U.K.

Shareholder Information

Financial Calendar

Financial period end	31st March 2011
Annual General Meeting	[ ] September at 10.00 a.m.
	30 City Road, London, EC1Y 2AG, U.K.

Registered Office and Registrars

30 City Road,
London, EC1Y 2AG
United Kingdom

Tel: +44 20 7448 8950
E-mail: Halogen@city-group.com

Independent Auditors

Steele Robertson Goddard
Statutory Auditors
28 Ely Place,
London, EC1N 6AA

Principal Bankers

HSBC Private Bank (UK) Limited
78 St James's Street
London SW1A 1JB

Chairman's Review

Group
Halogen Holdings P.L.C. ("Halogen") is an investment holding company with a substantial stake in Heartstone Inns Limited ("Heartstone"). The Company's operating costs, incurred to ensure regulatory compliance, are kept to a minimal level.

Heartstone
The directors of Heartstone reported on its performance in its annual report for the year ended 31st December 2010 as follows:

> *The principal activity of the company continued to be the management of five quality freehold managed public houses. Despite the depressed economic conditions in the UK and the continual flow of depressing business and licensed trade news the directors are delighted to report that the company grew like-for-like sales by 3.5% in the year and improved the annual result by £221,838.*
>
> *Whilst the company did not make any acquisitions during the year refurbishment projects were completed at three of the sites. The company benefited from these projects and from improvements in purchasing and operations with the result that all the company's public houses traded profitably during the year and achieved key performance indicators in line with industry norms, for example gross margins of 64%, direct staff costs of 34% and pub profits of 15% of sales were achieved. Turnover improved by £245,590 to £3,228,244 whilst the company's operating loss improved by £203,042 to £66,844.*
>
> *The company has cash resources of £348,630 at the year end and is not planning to make any further acquisitions in the near future.*
>
> *The directors of Heartstone believe that the quality, trading style and location of the company's public houses puts the company in a strong position to meet the challenges of the current market, the local competition, the ongoing impact of legislative changes and the continued pressure on direct costs and overheads.*

Since the year end Heartstone has received planning permission to extend the dining facilities at one of its public houses, replacing an old marquee that has to be removed by January 2012 with a purpose built structure and improving the kitchens and other facilities. Heartstone is in discussion with its bank and shareholders over its options for debt and equity funding of this development, which is likely to cost of the order of £700,000, and it is anticipated that we will have to contribute to that funding if we are not to be excessively diluted.

Funding
The banking environment is such that additional funding anticipated by Heartstone from the mortgaging of its public houses has not been forthcoming and Heartstone's shareholders have had to advance the company a loan of £50,000 to ensure that it remains comfortably within its banking covenants. The Company's share of this loan was £40,000 and the Company in turn has been required to borrow this amount from its principal shareholder Marshall Monteagle PLC ("Marshall Monteagle"). At 31st March 2011 the Company owed £124,000 to Marshall Monteagle, which is in excess of the £100,000 loan facility granted to the Company on 17th February 2010 for two years, bearing interest at £ Sterling LIBOR plus 3.5%.

To enable us to contribute towards the anticipated funding requirements of Heartstone, to repay our borrowings from Marshall Monteagle, and to provide funds for future operating expenses, the Board is requesting that shareholders approve a share issue to raise up to £502,431 convertible preference shares by way of an issue of 1 new convertible preference shares for every 5 ordinary shares held at a subscription price of £1.00 each, resulting in the issue of up to 502,431 new convertible preference shares. The convertible preference shares will pay an annual dividend at a rate equivalent to £ Sterling LIBOR plus 2%.

Shareholders may make an excess application for additional convertible preference shares in excess of their entitlement. Marshall Monteagle, the company's largest shareholder, has undertaken to put in an application for its entitlement and for excess shares so that the full amount of the offer will be raised.

For all shareholders other than Marshall Monteagle, the convertible preference shares will be convertible into 3 ordinary shares on 31st July 2016. Some of Marshall Monteagle's preference shares will convert into non-voting shares so that its percentage of voting rights in the Company does not increase.

Included in the mailing with these Reports and Accounts is an offer document providing more details of the process and the notice of the General Meeting at which shareholders will be asked to approve this fundraising.

Future

The trading results from Heartstone are encouraging. It is generating cash which is being used to reduce its borrowings. The company is also benefiting from managing a further four pubs which are owned by an EIS vehicle, and fees earned in this respect look likely to increase in the medium term. On the basis of current projections, Heartstone does not anticipate needing another fundraising.

D.C. Marshall
Chairman
15th August 2011

Report of the Directors

The Directors submit their report together with the accounts of the Company for the year ended 31st March 2011.

Activity and Business Review
The Company is an investment holding company and continues to hold the investment in Heartstone Inns Limited. A detailed review of the activities of the Company and its associate and principal risks and uncertainties is included in the Chairman's Review.

Dividend
The Directors do not recommend a dividend in respect of the year.

Financial Instruments
The only financial instrument of the Company is cash. The Company has no borrowings at 31st March 2011 other than that from Marshall Monteagle. The carrying amounts of the accounts receivable and liabilities reported in the Statement of Financial Position approximate their fair values at the year-end.

The only risks arising from the Company's financial instruments are interest rate risk. There is limited credit risk from monies held by independently rated banks. The Board reviews and agrees policies for managing both of these risks. The policies are summarised below.

Interest Rate Risk - The Company finances its operations through a mixture of share capital, share premium and reserves. The Company also has available a loan facility with Marshall Monteagle, in pounds sterling, at a floating rate of interest. The Company's policy is to keep any of its borrowings at floating rates of interest.

Market Price Risk - The Company is not exposed to market risk.

Liquidity Risk - The Company's policy is that any borrowings should be flexible and available over the medium term. The Company has been granted a £100,000 loan facility (extended to £124,000) for two years, at 3.5% over LIBOR, by its principal shareholder, Marshall Monteagle to cover anticipated liquidity requirements, expiring on 17th February 2012.

Principal Risks and Uncertainties
The associate is exposed to the uncertainties of reduced leisure spending and the threat of further adverse government legislation on the leisure industry.

Directors
The following served during the year:

Mr. D.C. Marshall
Mr. E.J. Beale
Mr. L.H. Marshall

The share interests at 31st March 2011 of the Directors who held office during the year were as below. During the year Mr. Beale acquired 7,083 shares and 14 warrants in the Company. There were no changes in Directors' share interests between the year end and the date of this report.

	Beneficial		Non-beneficial	
	2011	2010	**2011**	2010
D.C. Marshall	**-**	-	**1,177,420 ***	1,177,420 *
E.J. Beale	**7,083**	-	**-**	-
L.H. Marshall	**-**	-	**1,177,420 ***	1,177,420 *

* These non-beneficial holdings arise because the individuals concerned are directors of Marshall Monteagle PLC and/or directors and trustees of other entities that hold shares in the Company.

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

	2011	2010 Half year
	£	£
D C Marshall	**1,750**	667
E.J. Beale	**1,125**	667
L.H. Marshall	**1,125**	667
Total	**4,000**	2,000

Mr. D.C. Marshall ceded his fees of £1,750 for the year (2010 - £667) to an overseas company which supplies his services and in which none of the Directors are beneficially interested. Both Mr Beale and Mr L.H. Marshall cede their fees to their primary employer.

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

The Articles of Association do not require the Directors to retire annually.

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 Monteagle PLC	1,177,420	46.9
City Group Nominees Limited *	286,730	11.4
Mr. R. Turner	177,693	7.1
IFG Trust Company (Channel Islands) Ltd	155,336	6.2

* City Group Nominees Limited holds the shares of those former shareholders of Halogen Holdings S.A. who have not yet surrendered their shares in return for shares in the Company. Any shares not claimed by 22nd December 2014 will be sold for the benefit of the Company.

The company was under the control of its directors throughout the current and preceding year.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). In preparing those financial statements, the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

All the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of this information. The Directors are not aware of any audit information of which the auditors should be made aware.

Auditors

In accordance with Section 489 of the Companies Act 2006 a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of Steele Robertson Goddard as auditors to the Company.

By Order of the Board

City Group P.L.C.
Secretaries

30 City Road,
London, EC1Y 2AG
15th August 2011

Report of the independent auditors

To the members of Halogen Holdings P.L.C.

We have audited the financial statements of Halogen Holdings P.L.C. for the year ended 31st March 2011, which comprise the income statement, statement of changes in shareholders' equity, balance sheet, cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor
As described on page 5, the Company's directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (U.K. and Ireland). Those Standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on Financial Statements
In our opinion the financial statements:

- give a true and fair view, in accordance with IFRS's as adopted by the EU, of the state of the Company's affairs at 31st March 2011 and of the loss for the year then ended;
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Haydn Wood BA ACA (Senior Statutory Auditor)
For and on behalf of Steele Robertson Goddard,
Chartered Accountants and Statutory Auditors
London, United Kingdom

15th August 2011

Comprehensive Income Statement

For the year ended 31st March 2011	Notes	**2011** **£000**	2010 Restated (Note 2) £000
Operating Income		**-**	-
Administrative expenses		**(16)**	(11)
Interest payable		**(4)**	-
Operating loss		**(20)**	(11)
Share of result of associated undertaking - normal		**(184)**	(649)
Loss on ordinary activities before taxation		**(204)**	(660)
Tax on result of ordinary activities		**-**	-
Loss on ordinary activities after taxation for the financial year attributable to members		**(204)**	(660)
Capital contribution received		**-**	1,500
Total Comprehensive income		**(204)**	840
Basic loss per share	**3**	**(8)p**	(26)p

Statement of Changes in Shareholders' Equity

	Ordinary share capital £000	Share premium account £000	Warrant reserve £000	Share of undistributed results of subsidiaries & associates £000	Retained realised profits & losses £000	Total shareholders' equity £000
Year ended 31st March 2010						
Balances at 1st April 2009	**50**	**-**		**(533)**	**-**	**(483)**
Total Comprehensive Income (restated)	-	-		(649)	1,489	840
Total income and expense for the year	**-**	**-**		**(649)**	**1,489**	**840**
New shares issued for cash	50					50
Acquisition shares issued	26	1,763	88			1,877
Total transactions with shareholders for the year	**76**	**1,763**	**88**	**-**	**-**	**1,927**
Balances at 31st March 2010	**126**	**1,783**	**88**	**(1,182)**	**1,489**	**2,284**
Year ended 31st March 2011						
Balances at 1st April 2010	**126**	**1,763**	**88**	**(891)**	**1,489**	**2,575**
Prior year adjustment (note 2)	**-**	**-**	**-**	**(291)**	**-**	**(291)**
Revised balances	**126**	**1,763**	**88**	**(1,182)**	**1,489**	**2,284**
Total Comprehensive Income	-	-	-	(184)	(20)	(204)
Total income and expense for the year	**-**	**-**	**-**	**(184)**	**(20)**	**(204)**
Total transactions with shareholders for the year	**-**	**-**	**-**	**-**	**-**	**-**
Balances at 31st March 2011	**126**	**1,763**	**88**	**(1,366)**	**1,469**	**2,080**

Statement of Financial Position

Halogen Holdings P.L.C.
Registered No. 5351276

at 31st March	**Notes**	**2011**	2010 Restated (Note 2)
		£000	£000
Non-current Assets			
Investment	**5**	**2,151**	2,335
Current Assets			
Accounts receivable	**6**	**53**	12
Bank balance and deposits		**2**	21
		55	33
Current Liabilities			
Accounts payable: falling due within one year	**7**	**(126)**	(84)
Net Current Liabilities		**(71)**	(51)
Total Assets less Current Liabilities	**4**	**2,080**	2,284
Capital and Reserves			
Called up share capital	**9**	**126**	126
Share premium account	**10**	**1,763**	1,763
Warrants reserve	**11**	**88**	88
Share of undistributed profits and losses of subsidiaries and associates	**2**	**(1,366)**	(1,182)
Company's retained realised profits and losses		**1,469**	1,489
		2,080	2,284

Approved by the Board on 15th August 2011

L.H. Marshall
Director

Statement of Cash Flows

For the year ended 31st March	Notes	**2011 £000**	2010 £000
Cash flows from operating activities			
Net cash (absorbed)/generated by operations	14	**(25)**	61
Investing activities			
Non-current asset loan advanced		**(40)**	-
Net cash flows from investment activities		**(40)**	-
Financing			
Share capital issued		**-**	1,927
Capital contribution received		**-**	1,500
Loan advanced by associated company/repaid to parent		**46**	(3,467)
Net cash flows from financing activities		**46**	(40)
(Decrease)/Increase in cash	14	**(19)**	21
Cash and cash equivalents at the beginning of the year		**21**	-
Cash and cash equivalents at the end of the year		**2**	21

1. Accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), issued by the International Accounting Standards Board (IASB) and adopted by the European Union. The principal accounting policies, which are set out below, have been applied consistently and comply with International Financial Reporting Standards, as adopted in the EU, in all respects.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The most significant estimates related to unquoted investments, which, due to uncertainty, were valued at cost less impairment provisions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision in future periods if applicable. The most significant techniques for estimation are described in the accounting policies below. These policies have been applied consistently to all of the years presented, unless otherwise stated.

At the date of authorisation of these financial statements the IASB and the IFRIC have issued new standards and interpretations and amended or revised standards, to be applied to financial statements with periods commencing either on or after 1st April 2011. The Company has not opted for early adoption for those which have been endorsed by the EU and the Directors do not expect that the adoption of these, where applicable, would have a material impact on the Company's financial statements in the period of initial application

(i) These accounts include the Company share of the undistributed profits of its associated companies ("equity accounting"). Results of associates are included from their effective date of acquisition to their effective dates of disposal.

(ii) All borrowing costs are recognised in the income statement in the year in which they are incurred.

(iii) Financial assets are classified by category, depending on the purpose for which the asset was acquired. The Company's accounting policy is as follows:

   a) Investments in associated companies. An investment is equity accounted when it meets the definition of an associate under IAS 28, i.e. that the investor has a significant influence.

   b) Trade and other receivables. The carrying amounts approximate to their fair values, the transactions giving rise to these balances arising in the normal course of trade and standard industry terms.

(iv) The charge for taxation is based on the taxable profit for the year. Taxable profit differs from net profit, as reported in the income statement, because it excludes items of income and expense that are never taxable or deductible and items which are taxable or deductible in other years.

   Deferred taxation is provided on the full liability method, at tax rates that are expected to apply, for timing differences arising between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Taxation charges or recoveries are recognised in the income statement, or directly to equity when related to items recognised directly to equity.

2. PRIOR YEAR RESTATEMENT

Prior to the group reorganisation in the previous year the Company, being a subsidiary of an EC company, was not required to equity account for its investment in Heartstone Inns Limited ("Heartstone") and carried the investment at cost. The Company's share of Heartstone's results is now brought in to these accounts.

The Directors have reviewed the share of losses of Heartstone brought to account and decided that the fund raising costs charged by Heartstone to it share premium account should also be brought into account. This results in a prior year adjustment which increased by £291,000 the share of losses previously reported.

	Prior to change	Following change
A summary of the effects on the individual line items of this restatement for the year ended 31st March 2010 is as follows :		
Income Statement – extracts		
Share of result of associated undertaking	**(358)**	(649)
Loss before and after taxation	**(369)**	(660)
Statement of financial position – extracts		
Non-current asset – investment	**2,626**	2,335
Total assets less current liabilities	**2,575**	2,284
Share of losses of subsidiaries and associates	**(891)**	(1,182)
Total shareholders' equity	**2,575**	2,284

3. LOSS PER SHARE

	2011	2010
Loss per share are based on the loss on ordinary activities after taxation of £204,000 (2010 - £660,000) and on 2,512,154 (2010 – 2,512,514) shares being the weighted average of number of shares in issue during the year.	**8p**	26p

4. COMPREHENSIVE INCOME

a) Segmental reporting - *Primary reporting format – business segments*

The Company is an investment holding company with central operations and holds an investment in an associated company which operates country pubs in the U.K. A segmental analysis is not presented, there being no operating subsidiaries.

b) Employees

The average number of employees of the Company were:		
Management, including Directors	**3**	3

c) Administrative expenses

Administrative expenses include audit fees of £3,000 (2010 - £3,000).

5. INVESTMENT

	£000	£000
Associated company		
Balance at start of year	**3,517**	3,010
Acquisition during year – at cost	**-**	507
	3,517	3,517
Company share of results		
At start of year	**(1,182)**	(533)
Share for the year	**(184)**	(358)
Prior year adjustment (note 2)	**-**	(291)
Cumulative share	**(1,366)**	(1,182)
	2,151	2,335

In previous years the Company, being a subsidiary of an EC company, was not required to equity account for its investment in Heartstone Inns Limited ("Heartstone") and carried the investment at cost. Following the group reorganisation, the Company's share of Heartstone's results is now brought in to these accounts, as shown above.

On 13th August 2007 the Company acquired a substantial interest in Heartstone, a company incorporated and operating in England and Wales with a 31st December financial year end. In August 2008 the Company exercised an option to acquire further shares at a cost of £500,000. Heartstone is the owner and manager of a growing chain of U.K. country pubs. The business plan reflects that a certain level of acquisitions would be required before a break even point was reached. Progress of acquisitions has been slower than anticipated but the estate has grown from two to five and trading results for the year ended 31st December 2010 were better than budget. A limiting factor to growth at present is the general state of the credit market but at this stage the Board do not believe that the investment has been impaired and a fair value is not required to be assessed under IAS 39.

The Company holds 49.99% of Heartstone's 1,754,545 Ordinary 10p shares and all of their 2,304,545 A Ordinary 10p non-voting shares. The investment is therefore classified as an associated undertaking and is equity accounted in these financial statements. Extracts from Heartstone's audited reports are given below.

Year ended 31st December	**2010**	2009
	£000	£000
Turnover	**3,228**	2,983
Loss before and after tax	**(234)**	(456)
Fixed assets	**6,093**	6,325
Net current (liabilities)/assets	**(202)**	(190)

6. ACCOUNTS RECEIVABLE

Prepayments and accrued income	**1**	1
Loan to associate	**40**	-
Other debtors	**12**	11
	53	12

7. ACCOUNTS PAYABLE – amounts falling due within one year

Other creditors – Marshall Monteagle	**124**	**78**
Trade creditors	**-**	**2**
Accruals	**2**	**4**
	126	**84**

8. EQUITY

The following describes the nature and purpose of each component within equity:-

	Description and purpose
Share capital	Nominal value of issued share capital
Share premium	Amount subscribed for share capital in excess of nominal value.
Share of undistributed profits and losses of associates	The Company's share of cumulative post-acquisition gains and losses of associates recognised in the income statement.
Realised profits and losses	Realised profits of the Company less realised losses and unrealised losses other than on investments.

Capital disclosures in respect of IAS1 are set out in the Directors' Report.

9. SHARE CAPITAL

	2011 £000	2010 £000
Authorised		
4,000,000 ordinary shares of 5p each	**200**	200
Issued		
2,512,154 ordinary shares of 5p each	126	126

10. SHARE PREMIUM ACCOUNT

	2011	2010
Premium on acquisition shares - brought forward and carried forward	**1,763**	1,763

11. WARRANTS RESERVE

	2011	2010
Arising on 985,584 warrant units issued at 102p brought forward and carried forward	**88**	88

At the year end there were 985,584 warrants to subscribe for shares (2010 – 985,584) outstanding. Each Warrant gave the holder the right to subscribe for one share of 5p each in the Company at a fixed price of 85p each on 31st May 2011. On that date no Warrants were exercised, resulting in no new shares being issued, and the remaining unexercised Warrants lapsed and ceased to be of any value. On 31st May 2011 the balance of £88,000 in respect of unexercised warrants has been transferred to the Profit and Loss Account.

12. RELATED PARTY DISCLOSURES

The Directors are also directors of City Group P.L.C. ("CGL"). CGL provides office, accounting and secretarial services to the Company and other companies. The fees are established at an arm's length basis. During the year under review the Company paid secretarial and management fees of £4,000 (2010 - £4,000 p.a.) and £2,000 (2010 - £2,000 p.a.) for acting as the share registrar. (In 2010 the Company also paid fees of £10,000 in connection with the reorganisation). At 31st March 2011 £11,154 was due from CGL (2010 – £11,154).

12. RELATED PARTY DISCLOSURES (continued)

On 17th February 2010 the Company entered into a loan agreement expiring on 17th February 2012 whereby Marshall Monteagle agreed to lend up to £100,000 to the Company at an interest rate of 3.5% over Sterling LIBOR. At 31st March 2011 this loan facility was fully used and the Company has borrowed a further £24,000 from Marshall Monteagle on which it is paying interest at the same rate.

13. GOING CONCERN

The Company has received assurances from its largest shareholder, Marshall Monteagle that Marshall Monteagle will continue to provide the Company with borrowing facilities on commercial terms to enable payment of the Company's normal operating costs.

14. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of loss before tax to net cash generated/(used) by operations

	2011 £000	2010 £000
Loss before and after tax	**(204)**	(660)
Share of losses of associate	**184**	649
Net decrease in working capital (refer to note 14(b))	**(5)**	72
Cash generated by operations	**(25)**	61

(b) Net decrease in working capital		
Increase in accounts receivable	**(1)**	(12)
Increase in accounts payable	**(4)**	84
	(5)	72

(c) The funds as shown in the Balance Sheet of £2,000 are held in pounds sterling.

15. FINANCIAL INSTRUMENTS

The Directors' Report provides an explanation of the role that financial instruments have had during the period in creating or changing the risks the Company faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving the objectives that have been followed during the year. The Company monitors its performance against these objectives on a continuous basis.

The categories of financial instruments used by the Company are –

Financial assets		
Loans and receivables		
Trade and other receivables	**53**	12
Cash at bank	**2**	21
Financial liabilities		
Other		
Trade and other payables	**126**	84
Bank overdrafts	**-**	-

Notice of Annual General Meeting

NOTICE is hereby given that the ANNUAL GENERAL MEETING of Halogen Holdings P.L.C. (the "Company") will be held at the offices of City Group P.L.C., 30 City Road, London, EC1Y 2BQ on Friday 9th September 2011 at 10.30 a.m. for the following purposes:-

1. To receive the Directors' Report and Accounts for the year ended 31st March 2011.
2. To re-appoint the auditors Steele Robertson Goddard and to authorise the Directors to fix their remuneration.

By Order of the Board,

30 City Road,
London EC1Y 2AG.

CITY GROUP P.L.C.
Secretaries

15th August 2011

Notes

- A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf.
- A proxy need not be a member of the Company.
- A form of proxy is enclosed. To be valid it should be completed and returned so as to reach the Secretaries, City Group P.L.C. at 30 City Road, London, EC1Y 2AG, U.K. not less than 48 hours before the time for the meeting. Completion of a form of proxy does not preclude a member from subsequently attending and voting in person.
- The register of directors' shareholdings will be available for inspection by members at the registered office of the Company during usual business hours on any weekday (public holidays excepted), from the date of this notice until the date of the annual general meeting and at the place of the meeting, from 9.15 a.m. until the conclusion thereof.

Change of Address

Members are requested to advise the Registrars, whose address can be found on page 1 of any change of address.

Halogen Holdings P.L.C.

FORM OF PROXY

I/we ....……………........…..

of ....…...……………..................

...........................…...…………….....................................

being (a) member(s) of the above-named Company hereby appoint the chairman of the meeting, failing whom

....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday 9th September 2011 and at any adjournment thereof.

I/We hereby authorise and instruct my/our proxy to vote as indicated below on the resolutions to be proposed at such meeting. Unless otherwise directed the proxy will vote or abstain from voting as he thinks fit.

RESOLUTIONS	**For**	**Against**	**Abstain**
1. To adopt the reports and accounts.			
2. To re-appoint the auditors and to authorise the Directors to fix their remuneration			

Dated ....………............2011. Signature...........………..

NOTES

1. This proxy must be lodged with City Group P.L.C., 30 City Road, London, EC1Y 2AG, United Kingdom not later than 48 hours before the time of the meeting together, if appropriate, with the power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority.
2. In the case of a corporation this proxy should be given under its Common Seal or, if none, should be signed by the attorney or officer duly authorised.
3. 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 Shareholders in respect of the joint holding.
4. If it is desired to appoint a proxy any person other than the chairman of the meeting, the name and address of such person should be inserted in the relevant place, reference to the chairman deleted, and the alteration initialled.
5. A proxy need not be a shareholder.