



## Conafex Holdings Société Anonyme

Interim Report

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## Conafex Holdings Société Anonyme

(Incorporated in Luxembourg R.C. No. B 17789)

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

19th May 2006

Dear Shareholder

### Results for the half year ended 28th February 2006

#### Profile

Conafex is an African agri-resource group listed on the Luxembourg and Johannesburg stock exchanges and takes strategic and private equity stakes in businesses focused on horticulture, niche and value added agriculture.

#### Group Reconstruction

Shareholders approved the capital reconstruction and other matters at the Annual General Meeting held on 24th February 2006. In summary approval was granted for:

- a provision against the carrying value of the remaining Zimbabwe investments and as a consequence a reduction in Conafex's share capital;
- the issue of shares for cash to persons other than shareholders;
- the distribution *in specie* of the Zimbabwe investments held in an unlisted holding company, ZRC Limited, to Conafex shareholders on a one for one basis;
- the granting of options over 3.5 million Conafex shares to ZRC Limited;
- the issue of warrants to Conafex shareholders on a one for three basis; and
- the issue of shares to a trust for the benefit of employees.

#### Trading Update

Due to the seasonality of the main businesses in which Conafex has invested, a high proportion of the income accrues in the second half of the year. Trading has been difficult for the export oriented businesses with the exception of the Grassroots Group, which has full export order book for its oven dried fruit and phyto-medicinals. During the period Conafex increased its stake in Grassroots to 30.96%.

#### Financial

An operating loss before tax was incurred of US\$215,000 (2005 – operating profit US\$84,000) and a loss attributable to shareholders of US\$289,000 (2005 – profit US\$168,000) for the six month period ending 28th February 2006.

#### Prospects

In the past Conafex's ability to grow was impeded by its exposure to Zimbabwe. Following the aforementioned reconstruction, all Conafex's investments and assets are now located outside of Zimbabwe. This, together with an imminent private placement of shares for cash, will assist the group in fulfilling its strategy of growth by acquisition of agri-related businesses and improve the liquidity of its shares.

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## **Dividend**

As is customary, your Directors do not propose to pay a dividend at the interim stage.

M W BURRELL  
*Chairman*

**Directors:** M.W. Burrell (Chairman), C. Barrow, D.C. Marshall, W.H. Marshall, The Hon C.A. Pearson  
**Chief Executive Officer:** C.P. Jousse

### **Group Offices**

#### **Luxembourg (Registered Office)**

6 rue Adolphe Fischer,  
L-1520 Luxembourg  
(PO Box 1361, L-1013 Luxembourg)  
Tel: +352 4045051

#### **South Africa**

1st Floor, Kildare House,  
The Oval, 1 Oakdale Road,  
Newlands 7700, Cape Town  
Tel: +27 21 683 1510

#### **United Kingdom**

30 City Road,  
London, EC1Y 2AG  
Tel: +44 20 7448 8950

### **Transfer Agents**

#### **Europe**

Capita Registrars  
The Registry, 34 Beckenham Road,  
Beckenham, Kent, BR3 4TU  
United Kingdom  
Tel. 0870 162 3131

#### **South Africa**

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

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Half years ended 28th February 2006 Unaudited US\$000	28th February 2005 Unaudited US\$000	Year ended 31st August 2005 Audited US\$000
Group Revenue, including share of associate		2,529	4,213	4,514
Less revenue of associate		(929)	(930)	(2,002)
Revenue		1,600	3,283	2,512
Operating costs		(1,846)	(3,394)	(2,751)
Operating loss		(246)	(111)	(239)
Share of associated companies results		55	51	164
Dividend income from Zimbabwean subsidiary		6	7	7
Other dividends receivable		–	–	13
Interest receivable		28	5	90
Exchange (losses)/gains		(27)	202	38
Interest paid and similar charges		(31)	(70)	(99)
(Loss)/Profit on ordinary activities before exceptional items and tax		(215)	84	(26)
Exceptional items	3	(15)	193	(1,778)
(Loss)/Profit before tax	2	(230)	277	(1,804)
Taxation on ordinary activities		(72)	(103)	(168)
(Loss)/Profit after tax		(302)	174	(1,972)
Minority Interests		13	(6)	(7)
(Loss)/Profit attributable to shareholders		(289)	168	(1,979)
Dividend per share (US cents)		–	–	–
(Loss)/Profit per share (US cents)	4	(20)c	12c	(148)c
Headline (loss)/profit per share (US cents)	4	(19)c	4c	(8)c
<b>Reconciliation of headline earnings per share</b>				
Basic (loss)/earnings per share (US cents)		(20)c	12c	(148)c
Less exceptional items, net of tax and minority interests (US cents)		1c	(8)c	140c
Headline (loss)/earnings per share (US cents)		(19)c	4c	(8)c
<b>STATEMENT OF CHANGES IN EQUITY</b>				
		US\$000	US\$000	US\$000
Fair value adjustment of investments		(129)	158	237
Dividend <i>in specie</i> /Unclaimed dividends in respect of prior years now forfeit		(14)	–	10
Exchange differences on translation of the financial statements of foreign entities		6	56	45
Net (loss)/gain not recognised in the income statement		(137)	214	292
Net (loss)/profit for the period		(289)	168	(1,979)
Total recognised (losses)/gains and change in shareholders' funds		(426)	382	(1,687)
Shareholders' funds at start of period		3,261	4,948	4,948
Shareholders' funds at end of period		2,835	5,330	3,261

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**CONSOLIDATED GROUP BALANCE SHEET**

	Notes	28th February 2006 Unaudited US\$000	28th February 2005 Unaudited US\$000	31st August 2005 Audited US\$000
<b>Non current assets</b>				
Property, plant and equipment		167	59	41
Goodwill		182	–	–
Intangibles		17	–	–
Investments	5	1,627	3,759	1,992
		<u>1,993</u>	<u>3,818</u>	<u>2,033</u>
<b>Current assets</b>				
Inventories		706	237	146
Accounts receivable		768	2,115	446
Cash		1,130	227	1,419
		<u>2,604</u>	<u>2,579</u>	<u>2,011</u>
<b>Current liabilities</b>				
Accounts payable (falling due within one year)		(1,392)	(980)	(702)
<b>Net current assets</b>				
		<u>1,212</u>	<u>1,599</u>	<u>1,309</u>
<b>Accounts payable in more than one year</b>				
Deferred taxation		(56)	–	–
		<u>9</u>	<u>–</u>	<u>–</u>
<b>Total assets less current liabilities</b>				
		<u>3,158</u>	<u>5,417</u>	<u>3,342</u>
<b>Capital and reserves</b>				
Called up share capital		2,172	8,130	8,130
Other reserves		91	91	452
Retained earnings		572	(2,891)	(5,321)
<b>Shareholders' funds</b>				
Minority interests		323	87	81
		<u>3,158</u>	<u>5,417</u>	<u>3,342</u>

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**CONSOLIDATED CASH FLOW STATEMENT**

	Half years ended <b>28th February 2006 Unaudited US\$000</b>	28th February 2005 Unaudited US\$000	Year ended 31st August 2005 Audited US\$000
<b>Operating activities</b>			
Cash generated/(used) by operations	<b>37</b>	(254)	(321)
Interest paid	<b>(30)</b>	(70)	(99)
Taxation paid	<b>(97)</b>	(58)	(181)
<b>Net cash outflow from operating activities</b>	<b>(90)</b>	(382)	(601)
<b>Investment activities</b>			
Purchase of tangible assets	<b>(16)</b>	(69)	(2)
Purchase of investments	<b>-</b>	(477)	(589)
Acquisition of subsidiaries/further parts of minority interests	<b>(395)</b>	(76)	(76)
Proceeds on disposal of investment in joint venture	<b>-</b>	-	1,820
Interest received and other income	<b>28</b>	5	103
Dividends received from Zimbabwean subsidiary	<b>6</b>	7	7
<b>Net cash inflow/(outflow) from investment activities</b>	<b>(377)</b>	(610)	1,263
<b>Net cash outflow before financing</b>	<b>(467)</b>	(992)	662
<b>Financing</b>			
Increase in long term debt	<b>7</b>	-	-
Dividends paid to minorities	<b>-</b>	-	(2)
Dividends paid to shareholders	<b>-</b>	-	-
<b>Net decrease in funds</b>	<b>(460)</b>	(992)	660
Net funds at start of period	<b>1,283</b>	631	631
Effect of foreign exchange rate changes	<b>(30)</b>	36	(8)
<b>Net funds at end of period</b>	<b>793</b>	(325)	1,283

## NOTES

1. The results and the cash flow statement for the half year ended 28th February 2006 and the balance sheet at that date, which are unaudited, have been prepared on the basis of accounting policies adopted for the year ended 31st August 2005, and comply with International Financial Reporting Standards in all respects, and with Luxembourg legal requirements.

2. The analysis of results is as follows:-

	Half years ended			
	28th February 2006 US\$000		28th February 2005 US\$000	
	Revenue	Result	Revenue	Result
South Africa	1,013	(43)	2,682	104
United Kingdom	525	19	553	28
Luxembourg and other	62	(222)	48	(243)
	<u>1,600</u>	<u>(246)</u>	<u>3,283</u>	<u>(111)</u>
Share of associated companies	929	55	930	51
	<u>2,529</u>	<u>(191)</u>	<u>4,213</u>	<u>(60)</u>
Dividend from Zimbabwean subsidiary		6		7
Interest received		28		5
Interest paid		(31)		(70)
Exchange gains		(27)		202
Exceptional items		(15)		193
Profit/(Loss) before tax		<u>(230)</u>		<u>277</u>

3. The exceptional item in the current period is the costs arising in connection with the capital restructuring, goodwill on acquisitions, less profits on disposals of non current assets by a subsidiary. The exceptional item in the prior year was the profit arising from the disposal of the joint venture, less goodwill arising on acquisitions, project costs and the provision for diminution in the remaining value of the investment in the Zimbabwean subsidiary.

4. (Loss)/Earnings per share are based on the net results attributable to members and 1,448,038 shares in issue. The comparative figures have been adjusted to reflect the cancellation of three out of every four shares following the capital restructuring approved at the Annual General Meeting on 24th February 2006. Headline earnings per share are based on the result attributable to shareholders excluding exceptional items, net of minority interests and tax, where applicable.

5. The investments are stated at fair value.

6. There was capital expenditure of US\$16,000 during the period (2005 – US\$69,000). There were no material capital expenditure commitments at 28th February 2006 (2005 – nil).

