



Holdings Société Anonyme
Annual Report 2006

CONTENTS

	Page
Group Directors	1
Shareholder Information	2
Chairman's Review	3
Consolidated Profit and Loss Account	5
Consolidated Statement of Recognised Gains and Losses	6
Consolidated Balance Sheet	7
Consolidated Cash Flow Statement	8
Notes to the Consolidated Financial Statements	9
Financial Statements of the Parent Company	21
Notes to the Financial Statements of the Parent Company	22
Report of the Directors	25
Corporate Governance, Internal Financial Control, Directors' Responsibilities and Going Concern	27
Report of the Independent Auditor	28
Report of the Statutory Auditor	29
Notice of Annual General Meeting	30
Proxy Form	enclosed

Group Directors

Group Directors

M.W. BURRELL, Age 69 † * *Non-Executive Chairman*

Mr. Burrell read engineering at Cambridge University and joined Pearson plc in 1963 and retired in May 1997. He was development director on the main board for 11 years and during that time he helped transform Pearson from a diversified conglomerate into a media company. He is currently chairman of Millbank Financial Services Limited. He was High Sheriff for West Sussex 2002/03; is now a Deputy Lieutenant for West Sussex and is a member of the Court of The University of Sussex. Mr. Burrell was appointed a Director and Chairman of Conafex in 1999.

C. BARROW, OBE, Age 76 *Non-Executive Director*

Mr. Barrow resides in Malawi and served as a member of the Malawi Parliament for seven years after Independence. He has over 50 years' experience in the tea industry and, for 14 years, until March 2001 he was the chairman of the Tea Research Foundation in Malawi. In addition, he holds a number of directorships in various institutions and corporations.

D.C. MARSHALL, Age 62 † * *Non-Executive Director*

Mr. Marshall has been a Director of Conafex since 1982. He resides in South Africa, where he has extensive interests in listed trading, financial and property companies. He is the chief executive of Marshall Monteagle Holdings S.A. and is chairman of a number of listed companies, including London Finance & Investment Group P.L.C., Western Selection P.L.C., Creston plc and Halogen Holdings S.A. He is a non-executive director of Marylebone Warwick Balfour Group plc and Finsbury Food Group plc.

A.S. HAGGIE, Age 55 *Non-Executive Director*

Mr. Haggie was appointed a Director with effect from 1st October 2006 and lives in South Africa. He has a degree in Mechanical Engineering from University of Cape Town and an MBA from INSEAD. He has held executive positions in a range of private and listed businesses in Zimbabwe and South Africa. He is currently a non-executive director of several companies in South Africa.

THE HONOURABLE C.A. PEARSON, Age 50 *Non-Executive Director*

Mr. Pearson resides in the United Kingdom where he has considerable business experience and extensive commercial and agricultural investments. He is a director of several companies in the United Kingdom and has had a strong association with Africa and the Conafex Group in particular over many years.

W.H. MARSHALL, Age 36 *Non-Executive Director*

Mr. Marshall was educated in South Africa and trained in the United Kingdom. He resides in South Africa and is a director of a number of operating and investment companies in South Africa and the United Kingdom. He has extensive experience in international trade, marketing, shipping and trade finance-related operations. Mr. Marshall is responsible within the Conafex Group for the further development and growth of regional and international business. Mr. Marshall resigned as a director with effect from 30th September 2006.

Chief Executive

C.P. JOUSSE, Age 58 *Chief Executive*

Mr. Jousse, after graduating from the University of Natal, has been employed within the Group in various capacities since 1970. He was largely responsible for the reorganisation of the Group's investments in Zimbabwe and the diversification into South Africa. He resides in South Africa and is a non-executive director of several listed companies outside of the Conafex group.

† Member of the Audit Committee

* Member of the Remuneration Committee

Shareholder Information

Financial Calendar

Financial period-end	30 th September 2006
Preliminary announcement of results	30 th November 2006
Annual General Meeting	30 th March 2007 at 3.30 p.m.
Half year	31 st March 2007
Announcement of half-year results	May 2007

Share Information

The Company has 1,872,484 shares in issue. The shares are listed on the following stock exchanges and the respective share prices at 20th December 2006, the latest practical date, are shown below.

Luxembourg	US\$ 0.43
Johannesburg	SAR 3.01

Group Offices

Luxembourg (Registered Office)

6 rue Adolphe Fischer
L-1520 Luxembourg
(P.O. Box 1361, L-1013 Luxembourg)
Tel: +352 404505-1

South Africa

1st Floor, Kildare House
The Oval, 1 Oakdale Road
Newlands 7700, Cape Town

United Kingdom

30 City Road
London EC1Y 2AG
Tel: +44 20 7448 8950
E-mail: conafex@city-group.com

Registrars

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

Listing and Paying Agents

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

Transfer Agents

Europe

Capita Registrars
The Registry, 34 Beckenham Road
Beckenham, Kent
BR3 4TU
Tel: 0870 162 3131
E-mail: shareholder.services@capitaregistrars.com

South Africa

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

Independent Auditor and Statutory Auditor

AGN Horsburgh & Co.
Registered Auditors
15-17 avenue Gaston Diderich
L-1420 Luxembourg

Principal Bankers

Credit Suisse (Luxembourg) S.A.
56 Grand Rue
L-1660 Luxembourg

Chairman's Review

FOR THE PERIOD ENDED 30th SEPTEMBER 2006

Group Profile

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

Corporate Activity

As described in last year's Report and Accounts, we fully provided against all investments in Zimbabwe. Simultaneously we transferred ownership of those assets to an unlisted company, ZRC Limited, and the shares in ZRC Limited were then distributed to shareholders as a dividend *in specie*.

Once the doubt over valuation of any legacy interest in Zimbabwe had been removed we raised additional funding from two new investors of R6,335,000 (US\$955,000) at R14.93 (US\$2.25) per share to support future growth.

The strategic decision has been taken to concentrate investment in businesses in Southern Africa in which we can add value and where we can have significant influence.

Following on from this decision it is appropriate that the reporting currency should be changed to South African Rands, and so these Group Accounts have been prepared in South African Rands.

We have sold our small minority stake in Rose Blooms of Zambia Limited at a small profit because it had become apparent that we would not be able to exert significant influence.

On 16th August 2006 it was announced that Conafex had acquired 25% of the issued share capital and loan accounts of Simply Cereal (Pty) Limited for R50 and R4,846,900 respectively. Simply Cereal produces and markets in South Africa a quality range of breakfast cereals, mueslis and cereal snack bars.

Overview

- Cape Natural Tea Products, the herbal tea processing and marketing subsidiary maintained its earnings in a highly competitive environment with little relief from the strong rand.
- The Grassroots Group, which exports most of its natural lifestyle and health products, is accounted for as an associate and turned in an excellent performance particularly from phyto medicinals.
- Accord Services, our subsidiary in the United Kingdom similarly showed good growth and made a valuable contribution.
- Kenya Highlands Seeds suffered reduced sales caused by the drought in East Africa during the early part of the agricultural season but was profitable.
- In its first year as a subsidiary, our coffee company Global Coffee Exports Limited put in a solid performance and continues to trade roast, ground and soluble coffee. Subsequent to the year end a small roasting facility in Cape Town has been acquired with potential for meaningful growth.
- Our investment in JSE listed Intertrading Limited has been a disappointment and the company is being reorganised to enable it to return to profitability.

Financial

The Group made a loss attributable to shareholders of R2,907,000 (2005 – loss R12,299,000) for the 13 month period. The loss includes an exceptional item of R1,856,000, related mainly to the cost of the reduction in capital mentioned above and an allotment of shares to a Conafex Employee Share Benefit Trust.

Dividend

As a result of the losses incurred the company is unable to pay a dividend for the 13 month period ending 30th September 2006.

Prospects

We expect the underlying businesses within the Conafex group to continue to show growth in the year ahead. However to realise their potential these embryonic businesses in which we have invested will undoubtedly require significant plough-back of any surpluses. We will continue the process of disposing of any non-core businesses and will seek opportunities within South Africa for further expansion and acquisitions.

Mark Burrell
Chairman

30th November 2006

Consolidated Profit and Loss Account

		Period ended 30th September 2006 R000	Year ended 31st August 2005 R000
Group revenue including share of associates	3	45,012	28,054
Less share of revenue of associates		(16,212)	(12,442)
Revenue		28,800	15,612
Operating costs		(30,795)	(17,097)
Operating loss		(1,995)	(1,485)
Share of associated companies' results		2,255	1,019
Income from investment in Zimbabwean subsidiary – dividend		41	44
Dividend receivable		68	81
Interest receivable		342	559
Exchange (losses)/gains		(63)	236
Interest paid and similar charges		(359)	(615)
Profit/(Loss) on ordinary activities before exceptional items and tax		289	(161)
Exceptional items	5	(1,856)	(11,050)
Loss before tax and minority interests	3	(1,567)	(11,211)
Taxation on ordinary activities	6	(1,072)	(1,044)
Loss after tax before minority interests		(2,639)	(12,255)
Minority interests		(268)	(44)
Loss attributable to shareholders of the Group		(2,907)	(12,299)
Loss per share SA cents	7	(189)c	(908)c
Headline loss per share SA cents	7	(69)c	(52)c

The notes on pages 9 to 20 form part of these financial statements.

Consolidated Statement of Recognised Gains and Losses

	Period ended 30th September 2006 R000	Year ended 31 st August 2005 R000
Exchange differences on translation of the financial statements of foreign entities (note 2 (j))	1,935	(1,206)
Proceeds of new shares issued, net of costs	6,335	–
Fair value adjustment of investments (note 10)	(2,572)	1,528
Dividend forfeit in respect of prior year	–	64
	5,698	386
Net loss for the period	(2,907)	(12,299)
Total recognised gains/(losses) and change in shareholders' funds	2,791	(11,913)
Opening shareholders' funds	21,022	32,935
Closing shareholders' funds	23,813	21,022

The notes on pages 9 to 20 form part of these financial statements.

Consolidated Balance Sheet

	Notes	30 th September 2006 R000	31 st August 2005 R000
Assets			
Non current assets			
Intangible assets	8	1,501	–
Property, plant & equipment	9	1,913	264
Investments	10	9,270	12,841
		<u>12,684</u>	<u>13,105</u>
Current assets			
Inventories	11	5,787	941
Accounts receivable	12	14,517	2,876
Cash and bank balances		2,557	9,147
		<u>22,861</u>	<u>12,964</u>
Current liabilities			
Accounts payable falling due within one year	13	(8,380)	(4,525)
Net current assets		<u>14,481</u>	<u>8,439</u>
Total assets less current liabilities			
		27,165	21,544
Creditors due after more than one year		(273)	–
Deferred taxation		(180)	–
		<u>26,712</u>	<u>21,544</u>
Capital and reserves			
Called up share capital	14	21,819	52,411
Share premium account		1,390	–
Other reserves	15	707	2,914
Retained earnings	16	(103)	(34,303)
Shareholders' funds		<u>23,813</u>	<u>21,022</u>
Minority interests		2,899	522
		<u>26,712</u>	<u>21,544</u>

Approved by the Board on 22nd December 2006

M.W. BURRELL
Chairman

D.C. MARSHALL
Director

The notes on pages 9 to 20 form part of these financial statements.

Consolidated Cash Flow Statement

		Period ended 30th September 2006 R000	Year ended 31st August 2005 R000
Cash Flows from operating activities			
Cash utilised by operations	17(a)	(6,328)	(1,995)
Interest paid		(358)	(615)
Taxation paid		(693)	(1,125)
Net cash outflow from operating activities		<u>(7,379)</u>	<u>(3,735)</u>
Investment activities			
Purchase of tangible assets		(614)	(12)
Disposal of investments		353	(3,661)
Acquisition of loan notes in Simply Cereal		(4,847)	–
Proceeds on disposal of investments		1,160	11,310
Acquisition of minority interest in Cape Natural Tea Products		(1,293)	–
Further acquisition of minority interest in Accord Tea Services		(609)	(472)
Dividends received from Zimbabwean subsidiary		41	44
Interest received and other investment income		543	640
Net cash (outflow)/inflow from investment activities		<u>(5,266)</u>	<u>7,849</u>
Net cash (outflow)/inflow before financing		(12,645)	4,114
Financing			
Proceeds of new shares issued, net of costs		6,335	–
Dividend paid to minorities		–	(12)
Net cash inflow from financing		<u>6,335</u>	<u>(12)</u>
Net (decrease)/increase in funds		(6,310)	4,102
Net funds at start of period	17(c)	8,271	4,200
Effect of foreign exchange rate changes		39	(31)
Net funds at end of period	17(c)	<u>2,000</u>	<u>8,271</u>

The notes on pages 9 to 20 form part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE PERIOD ENDED 30th SEPTEMBER 2006

1. GENERAL

The Company is incorporated as a société anonyme, with financial holding company status under the Law of 31st July 1929, as amended, in the Grand Duchy of Luxembourg. In view of the nature of the Group's operations, and as permitted by Luxembourg law, the amounts shown in these consolidated financial statements are presented in South African Rand.

2. ACCOUNTING POLICIES

The principal accounting policies of the Group, which are set out below, have been applied consistently and comply with International Financial Reporting Standards in all respects and with Luxembourg legal requirements.

(a) Basis of Preparation

The consolidated financial statements are prepared under the historical cost convention, as modified in accordance with IFRS, on the going concern basis.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings (all of which are companies), being those companies in which the Group, directly or indirectly, has an interest of more than one-half of the voting rights and is able to exercise control over the operations. Separate disclosure is made of minority interests.

The results of subsidiaries acquired or disposed of during the period are included from the date of acquisition or up to the date of disposal, respectively. On acquisition, the purchase consideration is allocated over the fair values of net tangible assets. All inter-group transactions and balances are eliminated on consolidation.

Investments in Zimbabwean companies

The Group interests in Zimbabwe were distributed to shareholders by way of a dividend *in specie* during the year. The results of the Zimbabwean operations were not consolidated as the Group's interests no longer fall within the IAS 27 definition of control as it does not have the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities. Furthermore, their inclusion would not be material to the Group results.

(c) Associated Companies

An associated company is one in which the Group's interest is considered to be long term, is substantial and which the Group does not have control but over which it is able to exercise a significant influence, having due regard to the disposition of the other shareholdings. The Consolidated Profit and Loss Account includes the Group's share of the results (equity accounting) of associates, which are accounted for as investments. The results of associates acquired during the period are included from the date of acquisition. The results of associates disposed of during the period are included up to the date of disposal. The carrying value of associates in the Consolidated Balance Sheet comprises the fair value on acquisition plus the Group share of post acquisition undistributed reserves. Provision is made against cost, when, in the opinion of the Directors, there has been a permanent decline in value.

(d) Quoted Investments

Quoted investments are stated at market value. Unrealised gains and losses on quoted investments are included in the Consolidated Statement of Recognised Gains and Losses and in Retained Earnings.

2. ACCOUNTING POLICIES (continued)

(e) Intangible Fixed Assets

Goodwill is reviewed annually for any impairment, consequently it is not amortised. Trade marks held in the joint venture were included at cost and were reviewed annually for impairment.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for the cost of storage, obsolete and slow moving items.

(g) Revenue

Revenue comprises the value receivable for the sale of goods. Revenue is stated after eliminating any sales within the Group.

(h) Taxation

Tax payable on distributions to the company from the retained earnings of subsidiaries or associates is provided for where there is a current intention to remit such distributions.

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 liabilities and their balance sheet carrying values. Assets are not raised in respect of the 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.

(i) Options

The company accounts for the costs associated with options granted to employees under IFRS 2 and creates reserves for such costs. The options in issue at the start of the year were waived during the year and the reserve released to retained earnings.

(j) 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 Rand are translated at average rates of exchange for the period. Balance sheets are translated at the rates of exchange at the end of the period. Differences on translation arising in changes from the beginning of the accounting period in the Rand value of net assets expressed in other currencies are shown as a movement in reserves. The exchange gain or loss arising from the difference in rates used for profit and loss and balance sheet purposes are also taken to reserves.

The rates used are: R1 =

	Profit & Loss Account		Balance Sheet	
	2006	2005	2006	2005
Euro – €	0.123	0.126	0.103	0.126
United States dollar – US\$	0.151	0.161	0.129	0.155
Pounds sterling – £	0.084	0.087	0.069	0.086

Notes to the Consolidated Financial Statements (continued)

FOR THE PERIOD ENDED 30th SEPTEMBER 2006

2. ACCOUNTING POLICIES (continued)

(k) 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, net of bank overdrafts. In the balance sheet, bank overdrafts are included in accounts payable.

(l) Financial instruments

Financial Assets

The principal financial assets are investments in subsidiaries and associates, cash and bank balances and accounts receivable. The latter two are stated at their nominal value. Intangible assets, investments in subsidiaries, associates, joint ventures and quoted investments are stated in accordance with accounting policy notes 2(b), (c), (d) and (e).

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.

3. SEGMENTAL REPORTING

Primary reporting format – geographical segments

The Group is organised on a worldwide basis in distinct geographical areas:

South Africa	the production, processing and marketing of natural, health and lifestyle products
United Kingdom	sourcing, packaging and marketing of quality teas
Luxembourg	the non-trading, registered office of the parent company

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

3. SEGMENTAL REPORTING (continued)

Segmental analysis of results	2006 R000		2005 R000	
	Revenue	Result	Revenue	Result
South Africa	31,830	2,352	19,912	3,406
Zimbabwe	–	41	–	(12,386)
United Kingdom and Jersey	12,779	293	6,663	62
Luxembourg and other	403	(4,241)	1,479	(2,554)
	<u>45,012</u>	<u>(1,555)</u>	<u>28,054</u>	<u>(11,472)</u>
Exchange (losses)/gains		(63)		236
Dividend receivable		68		81
Interest received		342		559
Interest paid		(359)		(615)
Loss before tax		<u>(1,567)</u>		<u>(11,211)</u>

Revenue excludes the proceeds of sales of fixed assets. Sales revenue is based on the country in which the order is received. It would not be materially different if based on the country in which the customer is located.

	Assets R000	Liabilities R000	Net assets/ (liabilities) R000	Capital Expenditure R000	Depreciation Charge R000
Segmental analysis of net assets – 30th September 2006					
South Africa	20,427	(3,541)	16,886	161	264
United Kingdom and Jersey	5,316	(1,568)	3,748	453	153
Luxembourg	7,240	(2,426)	4,814	–	–
Unallocated *	2,562	(1,298)	1,264	–	–
Consolidated total	<u>35,545</u>	<u>(8,833)</u>	<u>26,712</u>	<u>614</u>	<u>417</u>
Segmental analysis of net assets – 31st August 2005					
South Africa	6,530	(45)	6,485	–	50
United Kingdom	2,417	(638)	1,779	13	192
Luxembourg	7,974	(2,346)	5,628	–	–
Unallocated *	9,148	(1,496)	7,652	–	–
Consolidated total	<u>26,069</u>	<u>(4,525)</u>	<u>21,544</u>	<u>13</u>	<u>242</u>

* Unallocated assets and liabilities are cash balances, taxation and borrowings

Secondary Format

No business segmental information is provided as the Group operations arise from one business sector.

Notes to the Consolidated Financial Statements (continued)

FOR THE PERIOD ENDED 30th SEPTEMBER 2006

4. REVENUE, OPERATING LOSS & EMPLOYEES

	2006	2005
	R000	R000
Operating loss is stated after deducting		
Inventories consumed	4,846	75
Depreciation	417	242
Staff costs, including share of joint venture, excluding directors and unconsolidated subsidiary		
Salaries and wages	3,175	3,971
Social security costs	25	131
Pension costs	20	180

The key management team of C.P. Jousse, O.H. Marshall, D.J. de Villiers and P.M. Webber received total remuneration of R1,354,000 in the thirteen month period.

At the end of the period there were 11 managerial and 30 administration and production (2005 – 6 managerial and 10 administration and production) employees of the Group, including directors, excluding those of the associates.

Related party fees	671	640
--------------------	------------	-----

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 ITEMS

Surplus on disposal of investments	5	1,995
Surplus on sale of tangible fixed assets	47	–
Costs of capital reduction	(586)	–
Costs of establishing an Employee Benefit Trust	(1,110)	–
Project costs	–	(311)
Impairment of goodwill	(212)	(199)
Provision for diminution in value of investments in Zimbabwe	–	(12,535)
Exceptional items	<u>(1,856)</u>	<u>(11,050)</u>

6. TAXATION

	2006	2005
	R000	R000
Capital tax – current period	86	75
Corporation tax – current period	195	695
Withholding tax	18	19
	<u>299</u>	<u>789</u>
Share of associated companies' tax	773	255
	<u>1,072</u>	<u>1,044</u>

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

Expected tax charge at statutory rates	288	415
Withholding taxes	18	19
Capital taxes	86	75
Permanent differences	(93)	280
Share of associated companies	773	255
	<u>1,072</u>	<u>1,044</u>

The taxation charge of the Group companies includes not only taxes of general application, but also taxes at special rates levied on particular forms of income.

7. LOSS PER SHARE

	2006	2005
Based on the loss attributable to shareholders of the Company and the weighted average number of shares in issue during the period – 1,536,518 (2005 adjusted for share consolidation – 1,355,038).	<u>(189)c</u>	<u>(908)c</u>
Adjustments for:		
Exceptional items, less taxation	<u>(120)c</u>	<u>(856)c</u>
Headline losses per share are based on the results for the period attributable to shareholders, excluding exceptional items, net of minority interests and tax.	<u>(69)c</u>	<u>(52)c</u>

8. INTANGIBLE ASSETS

	2006	2005
	R000	R000
(a) Goodwill arising on consolidation		
Balance brought forward	–	–
Arising on acquisition of controlling interest	1,501	–
Balance carried forward	<u>1,501</u>	<u>–</u>
(b) Trade marks – Joint Venture		
Balance brought forward	296	269
Disposal of Joint Venture	(296)	–
Translation difference	–	27
Balance carried forward	<u>–</u>	<u>296</u>

Notes to the Consolidated Financial Statements (continued)

FOR THE PERIOD ENDED 30th SEPTEMBER 2006

9. PROPERTY PLANT & EQUIPMENT

	2006	2005
	R000	R000
At cost or valuation		
Brought forward at 1 st September	2,063	2,676
Translation difference	518	(26)
Acquired	1,408	–
Additions	614	13
Disposals	(24)	(600)
Carried forward at 30 th September – at cost	<u>4,579</u>	<u>2,063</u>
Depreciation		
Brought forward at 1 st September	1,799	1,850
Translation difference	474	(35)
Charge for the period	417	242
Disposals	(24)	(258)
Carried forward at 30 th September	<u>2,666</u>	<u>1,799</u>
Net book value 30 th September	<u>1,913</u>	<u>264</u>

Rates of depreciation on the straight-line basis:

Plant and equipment	20%
Fixtures & fittings	20%
Office equipment	25%

10. INVESTMENTS

	Listed Companies R000	Unlisted Associated Companies R000	Other Unlisted Companies R000	Zimbabwean Subsidiary Company R000	2006 Total R000	2005 Total R000
Brought forward at 1 st September						
Cost	5,129	6,059	1,386	60,798	73,372	82,437
Fair value adjustments	267	–	–	–	267	(1,298)
Impairment provisions	–	–	–	(60,798)	(60,798)	(60,798)
	5,396	6,059	1,386	–	12,841	20,341
Translation adjustment	1,102	(122)	46	–	1,026	(946)
	6,498	5,937	1,432	–	13,867	19,395
Additions	–	1,293	–	–	1,293	3,661
Deferred consideration released/disposals	–	(3,452)	(1,160)	–	(4,612)	–
Fair value adjustment	(2,572)	–	–	–	(2,572)	1,528
Impairment provision	–	–	–	–	–	(12,535)
Share of result for the period, net of tax	–	1,422	–	–	1,422	774
Dividends received	–	(135)	–	–	(135)	(10)
Translation	–	7	–	–	7	28
Carried forward at 30 th September	3,926	5,072	272	–	9,270	12,841
Market value of listed investments at 30 th September	3,926				3,926	5,396
Directors' valuation of unlisted investments at 30 th September		5,072	272	–	5,344	7,445
Analysis of net book value:						
Intertrading Limited					3,926	5,396
Grassroots Group Holdings (Pty.) Limited					5,026	3,636
Other					318	3,809
					9,270	12,841

The impairment provisions have been made against the initial costs of the investments in Zimbabwe in accordance with the historical cost convention accounting policy of the Group. The provisions reflect the Directors valuation of the investments.

Notes to the Consolidated Financial Statements (continued)

FOR THE PERIOD ENDED 30th SEPTEMBER 2006

10. INVESTMENTS (continued)

The following investments are included in the above Group figures.

Group percentage
of equity held
2006 2005

Equity accounted:

Unlisted

Grassroots Group Holdings (Pty.) Limited	30.96%	26.86%
Incorporated and operating in South Africa		
Activity – Natural health lifestyle products		
Profit for the period to 30 th September 2006 R4,733,200		
Reserves: 30 th September 2006 R17,980,400		

11. INVENTORIES

2006 2005
R000 R000

Finished goods	5,787	941
----------------	-------	-----

12. ACCOUNTS RECEIVABLE

Associated companies	1,540	–
Loan notes	4,847	–
Trade debtors	5,967	1,566
Other debtors	1,460	1,167
Taxation recoverable	5	–
	13,819	2,733
Prepayments and accrued income	698	143
	14,517	2,876

13. ACCOUNTS PAYABLE

Amounts falling due within one year:

Associated companies	1,120	–
Bank overdrafts	557	877
Trade creditors	4,284	832
Other creditors	845	819
Taxation	115	632
Accruals	1,459	1,365
	8,380	4,525

14. SHARE CAPITAL

	2006	2005
	R000	R000
Authorised: US\$54,000,000 represented by 36,000,000 Shares of US\$1.50		
Issued and fully paid		
5,420,152 Shares of US\$1.50	52,411	54,116
– Translation adjustment	2,844	(1,705)
(4,065,114) Shares cancelled on capital reduction	(39,305)	–
517,446 Shares issued in respect of share placing & employee benefit trust	5,869	=
	<u>21,819</u>	<u>52,411</u>

15. OTHER RESERVES**(a) Options Reserve**

Balance brought forward	2,327	2,327
Released on waiver	(2,327)	–
	<u>–</u>	<u>2,327</u>

Options granted to employees in previous years were waived during the year and the reserve released to retained earnings.

(b) Legal Reserves

Balance brought forward	587	606
Exchange arising during year	120	(19)
	<u>707</u>	<u>587</u>

Luxembourg law requires that an appropriation of at least 5% of the Company's own annual distributable profit be made to legal reserve until such time as the reserve attains 10% of the issued share capital. Consequently the directors are not required to transfer to legal reserve from the retained loss for the period. Distribution of this reserve is restricted.

Total other reserves	<u>707</u>	<u>2,914</u>
----------------------	-------------------	--------------

16. RETAINED EARNINGS

Balance brought forward	(34,303)	(24,190)
Exchange difference	(1,869)	601
Transfer from share capital	38,074	–
Transfer from special reserve	1,147	–
Transfer from options reserve	2,327	–
Dividend forfeit in respect of prior years	–	64
Fair value adjustment	(2,572)	1,521
Loss for the period	(2,907)	(12,299)
	<u>(103)</u>	<u>(34,303)</u>

Notes to the Consolidated Financial Statements (continued)

FOR THE PERIOD ENDED 30th SEPTEMBER 2006

17. NOTES TO CASH FLOW STATEMENT

	2006	2005		
	R000	R000		
(a) Reconciliation of loss before tax to cash generated/(utilised) by operations				
Loss before tax	(1,567)	(11,211)		
Adjustments for items not involving cash flow				
Provisions	212	12,535		
Share of associated companies' results	(2,255)	(1,019)		
Cost of EBT shares issued	924	–		
Income from investments and loans	(451)	(683)		
Interest paid	358	615		
Depreciation	417	242		
Profit on disposal of fixed assets	(5)	(1,995)		
Outflow from operations before working capital changes	(2,367)	(1,516)		
Net increase in working capital (refer to note 16(b))	(3,961)	(479)		
Cash utilised by operations	(6,328)	(1,995)		
(b) Net decrease/(increase) in working capital				
Decrease/(Increase) in inventories	(1,797)	(75)		
Increase in debtors	(4,861)	(690)		
Increase/(Decrease) in creditors	2,697	286		
	(3,961)	(479)		
(c) Analysis of funds				
	2005	Exchange	Cash Flow	2006
	R000	Movement	Movement	R000
Cash at bank and in hand	9,147	39	(6,629)	2,557
Bank overdrafts (note 13)	(876)	–	319	(557)
	<u>8,271</u>	<u>39</u>	<u>(6,310)</u>	<u>2,000</u>
United States dollars	967	64	167	1,198
Euros	2,836	15	(2,207)	644
South African rand	(323)	–	(174)	(497)
Pounds sterling	4,791	(40)	(4,096)	655
	<u>8,271</u>	<u>39</u>	<u>(6,310)</u>	<u>2,000</u>

18. CREDIT RISK

Concentrations of credit risk consist principally of accounts receivable and cash at bank. Cash and cash equivalents include all cash balances and highly liquid deposits with maturity of three months or less and are maintained with high quality financial institutions. Surplus cash balances are placed on deposit at market rates. An analysis by currency is set out in Note 17(c).

19. COMPARATIVE AMOUNTS

The 2005 comparative amounts, previously expressed in United States Dollars, have been translated to South African Rand at the rates detailed in note 2(j).

20. GROUP COMMITMENTS

The Group had no material commitments under non-cancellable operating leases, or for authorised capital expenditure contracted. (2005 – nil).

21. OPERATING LEASE COMMITMENTS

	2006	2005
	R000	R000
The Group had the following lease commitments:		
Future operating lease charges for premises and office equipment:		
Payable within one year		
Premises	37	26
Payable not later than five years		
Premises	–	90
Total commitments	<u>37</u>	<u>116</u>

22. CONTINGENCIES

The Company has given a general deed of suretyship in the form of a deposit of R664,300 for the bank facilities of a subsidiary. In addition, the Company has pledged assets to cover a guarantee for a subsidiary company of R2,500,000.

23. 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 are their fair values at the year-end.

Financial Statements of the Parent Company

PROFIT AND LOSS ACCOUNT

	Period ended 30th September 2006 US\$000	Year ended 31st August 2005 US\$000
INCOME		
Income from non-current assets	16	259
Income from current assets	27	3
Loss for the period	640	2,475
	<u>683</u>	<u>2,737</u>
EXPENSES		
Administration and other charges	662	661
Interest payable	21	59
Exceptional charge – investments provision	–	2,017
	<u>683</u>	<u>2,737</u>

BALANCE SHEET

	30th September 2006 US\$000	31st August 2005 US\$000
	Notes	
ASSETS		
Non current assets		
Investments	(c) 543	1,024
Current assets		
Accounts receivable	2,108	630
Cash and bank balances	159	1,326
Loss for the period	640	2,475
	<u>3,450</u>	<u>5,455</u>
LIABILITIES		
Capital and Reserves		
Called up share capital	(d) 2,809	8,130
Share premium account	(e) 179	–
Legal reserve	(f) 91	91
Options reserve	(g) –	361
Retained earnings/(losses)	(h) 139	(3,491)
Sub-total	<u>3,218</u>	<u>5,091</u>
Accounts payable falling due within one year	(i) 232	364
	<u>3,450</u>	<u>5,455</u>

The notes on pages 22 to 24 form part of these financial statements.

Notes to the Financial Statements of the Parent Company

FOR THE PERIOD ENDED 30th SEPTEMBER 2006

(a) GENERAL

The Company is incorporated as a société anonyme, with financial holding company status under the Law of 31st July 1929, as amended, in the Grand Duchy of Luxembourg. As permitted by Luxembourg law, the amounts shown in these financial statements are presented in United States Dollars.

(b) ACCOUNTING POLICIES

The significant accounting policies of the Company, which are set out below, comply with Luxembourg law, regulations and International Financial Reporting Standards and have been consistently followed.

(i) Fixed Asset Investments

Unquoted investments are stated at cost less amounts written off, where, in the opinion of the Directors, a permanent decline in value has arisen.

Quoted investments are stated at market value. Unrealised profits and losses are not reflected in the profit and loss account but in retained earnings.

(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.

(iii) Foreign Currencies

Foreign exchange losses and gains realised 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) NON CURRENT ASSETS – INVESTMENTS

	Subsidiaries See (j) below US\$000	Listed investment companies US\$000	Unlisted Investment US\$000	2006 Total US\$000	2005 Total US\$000
Cost brought forward	14,322	795	185	15,302	15,283
Fair value adjustments	–	41	–	41	(195)
Impairment provision	(14,319)	–	–	(14,319)	(12,319)
	<u>3</u>	<u>836</u>	<u>185</u>	<u>1,024</u>	<u>2,769</u>
Addition at cost	–	–	–	–	35
Distribution*/Disposal	(14,319)	–	(150)	(14,469)	–
Impairment provision*	14,319	–	–	14,319	(2,017)
Fair value adjustments	–	(331)	–	(331)	237
Balance carried forward	<u>3</u>	<u>505</u>	<u>35</u>	<u>543</u>	<u>1,024</u>

* The Group investments in Zimbabwe were distributed to shareholders by way of a dividend *in specie*.

Notes to the Financial Statements of the Parent Company (continued)

FOR THE PERIOD ENDED 30th SEPTEMBER 2006

(d) SHARE CAPITAL

	2006 US\$000	2005 US\$000
Authorised: US\$54,000,000 represented by 36,000,000 shares of US\$1.50		
Issued and fully paid		
5,420,152 shares of US\$1.50	8,130	8,130
(4,065,114) shares cancelled on capital reduction	(6,097)	–
517,446 shares issued in respect of share placing & employee benefit trust	776	–
	<u>2,809</u>	<u>8,130</u>

(e) SHARE PREMIUM ACCOUNT

Premium arising on shares issued during the year	179	–
--	-----	---

(f) LEGAL RESERVE

Balance brought forward and carried forward	91	91
---	----	----

Luxembourg law requires that appropriations of at least 5% of the Company's own annual distributable profit be made to legal reserve until such time as the reserve attains 10% of the issued share capital. Consequently the directors are not required to transfer to legal reserve from the retained loss for the period. Distribution of this reserve is restricted.

(g) OPTIONS RESERVE

Balance brought forward	361	361
Released to retained earnings	(361)	–
Balance carried forward	<u>–</u>	<u>361</u>

Options granted to employees in previous years were waived during the year and the reserve released to retained earnings.

(h) RETAINED EARNINGS

Balance brought forward	(3,491)	2,886
Loss of the preceding period	(2,475)	(6,624)
Dividend forfeited	–	10
Transfer from special reserve	169	–
Transfer from share capital	5,906	–
Option reserve released	361	–
Fair value adjustment	(331)	237
	<u>139</u>	<u>(3,491)</u>

(i) ACCOUNTS PAYABLE

Amounts due to group companies	–	243
Other	232	121
	<u>232</u>	<u>364</u>

(j) SUBSIDIARIES

The following companies are the principal active subsidiaries of Conafex Holdings Société Anonyme and have been included in the consolidated financial statements of the Group.

	Principal activities
(i) Incorporated in British Virgin Islands and operating internationally: Conafex International Finance Limited	Management services
(ii) Incorporated in Jersey, Channel Islands and operating internationally: Conafex Africa Holdings Limited	Investment holding
The following South African company is a 100% subsidiary of Conafex Africa Holdings Limited Conafex Cape Holdings Limited	Investment holding
The investments in the following South African companies are held by Conafex Cape Holdings Cape Natural Tea Products (Pty) Limited – 52.37% interest – subsidiary company	Herbal tea processor
Grassroots Group Holdings (Pty) Limited – 30.96 % interest – associated company	Natural health lifestyle products
Simply Cereal (Pty) Ltd – 25% interest (31 st December year end)	Breakfast cereals and health food
(iii) Incorporated and operating in England and Wales: Conafex Holdings (UK) Limited	Investment holding
The following is a 88% subsidiary of Conafex Holdings (UK) Limited Accord Tea Services Limited	Specialist tea-packer

All subsidiaries have year-ends coterminous with that of the Company, except where stated otherwise.

Report of the Directors

FOR THE PERIOD ENDED 30th SEPTEMBER 2006

The Directors submit their report and the audited consolidated financial statements for the period ended 30th September 2006 which are expressed in South African Rand.

PRINCIPAL ACTIVITIES

The Company is incorporated as a société anonyme in the Grand Duchy of Luxembourg with financial holding company status. Its activities comprise the central management and control of the Group's investments in its operating subsidiaries, associates and other undertakings. The Company's shares are listed on the Luxembourg Stock Exchange and the JSE Limited.

RESULTS

A loss of R2,907,000 was recorded for the period, after exceptional items, tax and minority interests, compared to a loss of R12,299,000 for the previous year. Results for the period include the extraordinary items detailed below. The loss per share is 189 SA cents, compared to a loss of 908 SA cents per share in 2005. A detailed review of the Group operations is made in the Chairman's Review.

EXCEPTIONAL ITEMS

The exceptional item of R1,856,000, includes the cost of the reduction in capital mentioned above and an allotment of shares to a Conafex Employee Share Benefit Trust. In the previous period a provision of R12,535,000 against the carrying value of investments in Zimbabwe was included.

DIVIDEND

The directors are unable to recommend the payment of a dividend for the period ended 30th September 2006, as the Company does not have sufficient reserves.

DIRECTORS

A list of the present Directors of the Company is shown on page 1. In accordance with the Articles of Incorporation, all of 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 period, excluding those arising through Marshall Monteaule Holdings S.A., were as follows. The comparative figures for 2005 have been restated to reflect the share cancellation.

	30 th September 2006		31 st August 2005		Options
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
M.W. Burrell	—	—	—	—	—
C. Barrow	345,486	—	345,486	—	—
D.C. Marshall	—	30,505*	—	30,505*	—
W.H. Marshall	—	—	—	—	100,000
C.A. Pearson	—	97,099*	—	99,723*	—

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

Mr. W.H. Marshall resigned as a director of the Company with effect from 30th September 2006 in order to concentrate on his main business interests. In his place the Board elected Mr. A.S. Haggie as a director with effect from 1st October 2006.

DIRECTORS (continued)

At 30th September 2005, 1,100,000 shares were reserved against the exercise of options. On 23rd February 2006, the holders of the options agreed to waive their rights to these options which then lapsed. At the Annual General Meeting held on 28th February 2006, a resolution was proposed to introduce an employee benefit share trust and, with effect from 28th February 2006, the Conafex Employee Benefit Trust was established and now holds 93,000 Conafex Shares.

The remuneration paid to, or receivable by, the directors for the period and the previous year, is as follows:

		2006			2005
		Parent Company Directors fee R000	Other fees R000	Total R000	Total R000
M.W. Burrell	Non-executive	13	53	66	124
C. Barrow	Non-executive	13	40	53	93
D.C. Marshall †	Non-executive	13	40	53	93
W.H. Marshall §	Non-executive	13	40	53	93
C.A. Pearson	Non-executive	13	40	53	93
Total		<u>65</u>	<u>213</u>	<u>278</u>	<u>496</u>

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

† Mr. D.C. Marshall ceded his fees of R53,000 for the period (2005 – R93,000) to an overseas company which supplies his services and in which none of the directors are beneficially interested.

§ Mr. W.H. Marshall ceded his fees of R53,000 for the period (2005 – R93,000) to his primary employer, the Marshall Monteagle Group.

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 Holdings S.A.	818,757	43.72
Barato Limited	345,486	18.45
Maitland Nominees Limited	333,334	17.80
Banque Generale du Luxembourg, Clearstream Act	102,407	5.46

The Company has not been notified 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, as required by Luxembourg law.

INDEPENDENT AUDITOR AND STATUTORY AUDITOR

AGN Horsburgh & Co. are willing to continue as the Auditors and Statutory Auditor of the Company and a resolution will be proposed at the Annual General Meeting for their re-appointment as such.

By Order of the Board,

CITY GROUP P.L.C.
Group Secretaries

22nd December 2006

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 JSE Securities Exchange South Africa.

The Directors have adopted procedures within the context of the Conafex Group and the financial and human resources currently available to the Group.

The Board comprises the Chairman, Mr. M.W. Burrell, Mr. C. Barrow, Mr. A.S. Haggie, Mr D.C. Marshall and The Hon. C.A. Pearson, who are all non-executive Directors. The Audit Committee comprises Mr. Burrell and Mr. D.C. Marshall and their report on internal financial control is set out below. The Remuneration Committee comprises Mr. Burrell and Mr. D.C. Marshall. Details of the Directors' interests in the Company and of their remuneration are set out in the Report of the Directors.

The Board meets regularly and 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 for 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 and associated 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 period under review.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 period and of the respective results for that period. The Directors consider that appropriate accounting policies have been used and applied consistently, reasonable and prudent judgements have been made and accounting standards applicable to the operations of the Company and of the Group have been followed.

The Directors are responsible for maintaining accounting records in accordance with Luxembourg law and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, and detect and prevent fraud and other irregularities.

GOING CONCERN

The accounts have been prepared on the going concern basis since the Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Report of the Independent Auditor

Following our re-appointment at the Annual General meeting of shareholders held on 25th February 2006 we have audited the accompanying consolidated balance sheet of Conafex Holdings Société Anonyme as of 30th September 2006, and the related consolidated statements of income, and cash flows for the period then ended as set out on pages 5 to 20 and have read the report of the directors on pages 25 to 26. 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.

Without qualifying our opinion in any way, we draw your attention to the fact that the Directors have presented these financial statements in South African Rands rather than in United States Dollars. We have reviewed the translations of the current and comparative figures and are satisfied with this presentation.

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 2006, and of the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

The report of the Directors is in agreement with these consolidated financial statements.

AGN HORSBURGH & CO.
Réviseur d'entreprises
15-17 avenue Gaston Diderich, L-1420 Luxembourg

K. Horsburgh
Partner

22nd December 2006

Report of the Statutory Auditor

Following our re-appointment at the Annual General meeting of shareholders held on 25th February 2006 we have audited the financial statements of Conafex Holdings Société Anonyme for the period ended 30th September 2006 as set out on pages 22 to 24. These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards 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 believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give, in conformity with legal and regulatory requirements in Luxembourg, a true and fair view of the assets, liabilities and financial position of the company at 30th September 2006 and the results of its operations for the period then ended.

AGN HORSBURGH & CO.
Réviseur d'entreprises
15-17 avenue Gaston Diderich, L-1420 Luxembourg

K. Horsburgh
Partner

22nd December 2006

Notice of Annual General Meeting

NOTICE is hereby given that the twenty-third ANNUAL GENERAL MEETING of Conafex Holdings Société Anonyme will be held at the offices of Maitland Luxembourg S.A., 6 rue Adolphe Fischer, L-1520, Luxembourg on Friday 30th March 2007 at 3.30 p.m. for the following purposes:

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

SPECIAL BUSINESS

6. To give, in terms of the Law of 10th August 1915 on commercial companies, as amended, and the Listings Requirements of the JSE Limited, the Board of Directors of the Company general authority to issue ordinary shares of US\$1.50 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 year 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.

22nd December 2006

Notes:

1. **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.**
2. 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.
3. To be effective, the form of proxy, duly completed, must arrive at the registered office of the Company not less than forty-eight hours before the time fixed for the meeting. Proxies sent to the office of a transfer agent for forwarding to the Company at shareholders' risk must be received by the transfer agent not less than seven days before the meeting.

CHANGE OF ADDRESS

Shareholders are requested to advise the European transfer agents, Capita Registrars, or the South African transfer agents, Computershare Investor Services 2005 (Pty.) Limited, whose addresses can be found on page 2 of this report, of any change of address.

