



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

27th May 2005

Dear Shareholder

Results for the half year ended 28th February 2005

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.

Overview

- On 12th January 2005, it was announced that Conafex had accepted an unsolicited but conditional offer to acquire its 50% interest in The Coffee, Tea & Chocolate Company ("CTC"). The CTC stake was acquired on 19th November 2003. All conditions were satisfied in February 2005 and the purchase price together with interest was settled on 1st April 2005. In simple terms and including our share of profits since acquisition, we have realised a gain before tax of US\$543,000 (R3,992,392) on a cost of US\$1,114,000 (R7,165,763).
- Intertrading continues to trade in a tough economic environment caused mainly by the strong Rand and its financial results reflect this situation. Intertrading is export-driven with most of its turnover earned in First World currencies. Conafex acquired a 17.5% interest in this South African listed company on 4th November 2003. In April 2005, Katopé International Société Anonyme, Conafex's concert partner, made an offer to minority shareholders and jointly with Conafex has secured control of Intertrading.
- Cape Natural Tea Products, an herbal tea processor based in Cape Town experienced a poor year as it reorients itself to focus more on the local market until the Rand weakens which will allow a reasonable margin on the export market.
- Accord Tea Services, which provides unique and premium quality packaging solutions in the United Kingdom, continues to perform well in their niche market.
- The acquisition of a 26.86% in Grassroots Group (Pty) Limited with effect from 1st October 2004 was announced on 12th October 2004. The Grassroots Group, based in Cape Town, is uniquely positioned as a leader in the field of aromatic and medicinal plants indigenous to South Africa. It is structured into five divisions specialising in essential oils, plant propagation, medical plants, honeybush tea, and harvesting, drying and packaging of natural products. Most of the group's products are exported. Grassroots exceeded the earnings on which the purchase was based and a final tranche of US\$39,000 (approximately R241,500) was settled bringing the total purchase consideration to US\$500,000 (approximately R3 million). The Group share of earnings from Grassroots for the five months to February were US\$61,000.
- All operations in Zimbabwe have ceased. The value of Conafex's interests was written down in the previous financial period and the Group's substantial "trapped" funds in Zimbabwe are mainly invested in assets which provide a hedge against inflation and currency erosion. There has been no progress in the settlement of compensation by the Zimbabwe Government for the two compulsorily acquired estates and moveable agricultural assets thereon. The Embassy of Belgium, who acts for Luxembourg interests in Zimbabwe, continues to play an active and supportive role in the best interests of the Group.

Financial

Profit before tax amounted to US\$277,000 (2004 – loss US\$54,000) including an exceptional item of US\$193,000, arising mainly from the profit on the sale of CTC. The profit attributable to shareholders amounted to US\$168,000 (2004 – loss US\$68,000).

In accordance with past practice earnings from Zimbabwe are no longer consolidated and therefore the financial results only recognise United States dollar receipts from that country.

Prospects

Prospects remain positive as a high proportion of Conafex's activities are now located outside of Zimbabwe. Conafex is continuing to seek investment opportunities within its strategy of export-oriented horticulture, niche and value added agriculture in the African region.

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

Zimbabwe (Regional Headquarters)

215 Fife Avenue/10th Street,
(P.O. Box 2733),
Harare

South Africa

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La Lucia Ridge Office Estate
La Lucia 4051, Durban

United Kingdom

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London, EC1Y 1BQ

Transfer Agents

Europe

Capita Registrars
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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

	Notes	Half years ended 28th February 2005 Unaudited US\$000	29th February 2004 Unaudited US\$000	Year ended 31st August 2004 Audited US\$000
Group Revenue, including share of associate		4,213	1,671	4,247
Less revenue of associate		(930)	(91)	(271)
Revenue		3,283	1,580	3,976
Operating costs		(3,394)	(1,723)	(4,152)
Operating loss		(111)	(143)	(176)
Share of associated companies results		51	11	(26)
Dividend income from Zimbabwean subsidiary		7	–	131
Other dividends receivable		–	–	14
Interest receivable		5	5	58
Exchange gains		202	111	103
Interest paid and similar charges		(70)	(49)	(155)
Profit/(Loss) on ordinary activities before exceptional items and tax		84	(65)	(51)
Exceptional items	3	193	11	(6,379)
Profit/(Loss) before tax	2	277	(54)	(6,430)
Taxation on ordinary activities		(103)	(7)	(44)
Profit/(Loss) after tax		174	(61)	(6,474)
Minority Interests		(6)	(7)	(9)
Profit/(Loss) attributable to shareholders		168	(68)	(6,483)
Dividend per share (US cents)		–	–	–
Profit/(Loss) per share (US cents)	4	3c	(1)c	(120)c
Headline profit/(loss) per share (US cents)	4	1c	(1)c	(2)c
Reconciliation of headline earnings per share				
Basic earnings/(loss) per share (US cents)		3c	(1)c	(120)c
Less exceptional items, net of tax and minority interests (US cents)		(2)c	–	(118)c
Headline earnings/(loss) per share (US cents)		1c	(1)c	(2)c
STATEMENT OF CHANGES IN EQUITY				
		US\$000	US\$000	US\$000
Fair value adjustment		158	–	(195)
Goodwill arising		–	50	–
Dividend paid in respect of prior year		–	–	(163)
Exchange differences on translation of the financial statements of foreign entities		56	(16)	41
Net gain/(loss) not recognised in the income statement		214	34	(317)
Net profit/(loss) for the period		168	(68)	(6,483)
Total recognised gains/(losses) and change in shareholders' funds		382	(34)	(6,800)
Shareholders' funds at start of period		4,948	11,748	11,748
Shareholders' funds at end of period		5,330	11,714	4,948

CONSOLIDATED GROUP BALANCE SHEET

	28th February 2005 Unaudited US\$000	29th February 2004 Unaudited US\$000	31st August 2003 Audited US\$000
	Notes		
Fixed assets			
Tangible fixed assets	59	138	124
Negative goodwill	–	(54)	–
Intangible assets	–	295	296
Investments	5 3,759	9,821	3,056
	3,818	10,200	3,476
Current assets			
Inventories	237	635	571
Accounts receivable	2,115	884	1,460
Cash	227	1,567	1,099
	2,579	3,086	3,130
Current liabilities			
Accounts payable (falling due within one year)	(980)	(1,454)	(1,540)
Net current assets	1,599	1,632	1,590
Total assets less current liabilities	5,417	11,832	5,066
Capital and reserves			
Share capital	8,130	8,130	8,130
Special reserve	–	2,573	–
Other reserves	91	36	91
Retained earnings	(2,891)	975	(3,273)
Assets attributable to shareholders	5,330	11,714	4,948
Minority interests	87	118	118
	5,417	11,832	5,066

CONSOLIDATED CASH FLOW STATEMENT

	Half years ended 28th February 2005 Unaudited US\$000	29th February 2004 Unaudited US\$000	Year ended 31st August 2004 Audited US\$000
Operating activities			
Cash utilised in operations	(254)	(619)	(792)
Interest paid	(70)	(49)	(155)
Taxation paid	(58)	(17)	(38)
Net cash outflow from operating activities	(382)	(685)	(985)
Investment activities			
Purchase of tangible assets	(69)	(38)	(56)
Purchase of investments	(477)	(793)	(796)
Acquisition of part of minority interest	(76)	(73)	(73)
Disposal of investments	–	–	–
Interest received and other income	5	118	72
Dividends received from Zimbabwean subsidiary	7	–	131
Net cash outflow from investment activities	(610)	(786)	(722)
Net cash outflow before financing	(992)	(1,471)	(1,707)
Financing			
Dividends paid to minorities	–	–	(3)
Dividends paid to shareholders	–	–	(163)
Net decrease in funds	(992)	(1,471)	(1,873)
Net funds at start of period	631	2,510	2,510
Effect of foreign exchange rate changes	36	(7)	(6)
Net funds at end of period	(325)	1,032	631

Note

The proceeds of US\$1,820,000 on the disposal of the interest in The Coffee, Tea & Chocolate Company were received on 1st April 2005.

NOTES

1. The results and the cash flow statement for the half year ended 28th February 2005 and the balance sheet at that date, which are unaudited, have been prepared on the basis of accounting policies adopted for the period to 31st August 2004, 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 2005 US\$000		29th February 2004 US\$000	
	Revenue	Result	Revenue	Result
South Africa	2,682	104	1,053	54
United Kingdom	553	28	477	21
Luxembourg and other	48	(243)	50	(218)
	<u>3,283</u>	<u>(111)</u>	<u>1,580</u>	<u>(143)</u>
Share of associated companies	930	51	91	11
	<u>4,213</u>	<u>(60)</u>	<u>1,671</u>	<u>(132)</u>
Dividend from Zimbabwean subsidiary		7		–
Interest received		5		5
Interest paid		(70)		(49)
Exchange gains		202		111
Exceptional items		193		11
Profit/(Loss) before tax		<u>277</u>		<u>(54)</u>

3. The exceptional item in the current period is the profit arising from the disposal of the joint venture, less goodwill arising on acquisitions and costs in relation to potential acquisitions. The exceptional item in the prior year was the provision for diminution in value of the investment in the Zimbabwean subsidiary, net of goodwill arising on an acquisition.

4. Earnings/(loss) per share are based on the net result attributable to members and the 5,420,152 shares in issue. Headline earnings/(loss) 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\$69,000 during the period (2004 – US\$38,000). There were no capital expenditure commitments as at 28th February 2005 (29th February 2004 – nil).

