



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

7th May 2004

Dear Shareholder

Results for the half year ended 29th February 2004

Profile

Conafex is a pan-African agri-resource group listed on the Luxembourg and Johannesburg stock exchanges and focused on horticulture, niche and value added agriculture.

Overview

- Conafex made two significant and strategic acquisitions during the period under review.
 - On 4th November 2003, Conafex announced it had acquired 17.5% of the issued share capital of Intertrading Limited for US\$754,000, effective from 31st October 2003. Intertrading is an agri-service and marketing company listed on the JSE Securities Exchange South Africa that procures Southern African fresh fruit, vegetables and macadamia nuts and markets the produce internationally. It also provides freight forwarding and logistic services for the export of perishable cargo to foreign destinations. In concert with an international associate, who simultaneously acquired 17.5% of Intertrading, there will be substantial synergies to be realised by Intertrading through the joint shareholding relationship. Conafex has a call option over a further 15.6% of the issued share capital exercisable at any time, but no later than 30th November 2004, at a strike price of 60 cents per share (South African).
 - We also announced on 19th November 2003 the purchase of a 50% stake in the Coffee, Tea and Chocolate Company (Pty) Limited (CTC), based in Cape Town for US\$871,000. CTC is a well-established and dynamic business that adds value to primary agricultural produce, mainly black and herbal teas and coffee, through packaging and branding into leading retail chains in South Africa. CTC benefits from the strong rand as a high proportion of its raw materials are imported from the rest of Africa.
- Cape Natural Tea Products, a herbal tea processor based in Cape Town experienced a slow six months and suffered from the unusually strong rand. A high proportion of its turnover is generated from exports to Europe and Japan. The cost of raw materials remains high in the face of unprecedented demand for South African herbal teas which continues to outstrip supply.
- Accord Services, which provides unique and premium quality tea packaging solutions in the United Kingdom experienced normal trading conditions.
- Operations in Zimbabwe enjoyed an average rainfall season but agricultural commodity prices translated at the artificial exchange rate in a hyper-inflationary environment are significantly eroding the group's ability to sustain normal levels of production.

Financial

The full impact of the recent acquisitions mentioned above has not been fully incorporated in the six-month period under review. CTC has been treated on a joint venture basis in respect of four trading months results only and Intertrading has been treated solely as an investment for the time being.

The Conafex Group balance sheet has strengthened following the disposal of Barato Holdings announced in March 2003 with US\$1.57m cash on deposit, of which US\$1.3m is held in Euros and, with the weakening of the US dollar, this has generated exchange gains of US\$0.1m. A loss however of US\$68,000 was incurred after tax and exceptional items for the six-month period ending 29th February 2004.

In accordance with the practice first adopted in the 2002 financial year, earnings from Zimbabwe are no longer consolidated and therefore the financial results include only United States dollar receipts from Zimbabwe.

Prospects

The Conafex Group has been in a transitional process since its formation in 1998 when it was solely dependant on its assets in Zimbabwe. The Group now has a more balanced portfolio of investments with a strong and exciting growth prospects from its recent acquisitions in South Africa. CTC, in particular, is performing ahead of expectations.

Conafex will continue to seek investment opportunities with a preference to South Africa but within its strategy of focused export orientated horticulture, niche and value-added agriculture.

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
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London, EC1Y 1BQ

Transfer Agents

Europe

Capita Registrars
Northern House, Woodsome Park
Fenay Bridge, Huddersfield, HD8 0LA
United Kingdom
Tel. 0870 162 3131

South Africa

Computershare 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		Period ended
	Notes	29th February 2004 Unaudited US\$000	31st March 2003 Unaudited US\$000	31st August 2003 Audited US\$000
Group Revenue, including share of associate		1,671	412	1,238
Less revenue of associate		(91)	(214)	(500)
Revenue		1,580	198	738
Operating costs		(1,723)	(385)	(1,094)
Operating loss		(143)	(187)	(356)
Share of associated company's results		11	(22)	11
Interest receivable		5	1	1
Exchange gains		111	6	22
Interest paid and similar charges		(49)	(7)	(24)
Loss on ordinary activities before exceptional items and tax	2	(65)	(209)	(346)
Exceptional items	3	11	1,073	1,040
(Loss)/Profit before tax		(54)	864	694
Taxation on ordinary activities		(7)	(11)	(10)
(Loss)/Profit after tax		(61)	853	684
Minority Interests		(7)	–	(4)
(Loss)/Profit attributable to shareholders		(68)	853	680
Dividend per share (US cents)		–	–	–
(Loss)/Profit per share (US cents)	4	(1)c	16c	13c
Headline loss per share (US cents)	4	(1)c	(4)c	(7)c

Reconciliation of headline earnings per share

Basic (loss)/earnings per share (US cents)	(1)c	16 c	13 c
Less exceptional items, net of tax and minority interests (US cents)	–	(20)c	(20)c
Headline loss per share (US cents)	(1)c	(4)c	(7)c

STATEMENT OF CHANGES IN EQUITY

	US\$000	US\$000	US\$000
Goodwill arising	50	–	–
Exchange differences on translation of the financial statements of foreign entities	(16)	40	49
Net gain not recognised in the income statement	34	40	49
Net (loss)/profit for the period	(68)	853	680
Total recognised (losses)/profits and change in shareholders' funds	(34)	893	729
Shareholders' funds at start of period	11,748	11,019	11,019
Shareholders' funds at end of period	11,714	11,912	11,748

CONSOLIDATED GROUP BALANCE SHEET

	29th February 2004 Unaudited US\$000	31st March 2003 Unaudited US\$000	31st August 2003 Audited US\$000
	Notes		
Fixed assets			
Tangible fixed assets	138	54	109
Negative goodwill	(54)	–	(58)
Intangible assets	295	–	269
Investments	5 9,821	11,781	9,000
	<u>10,200</u>	<u>11,835</u>	<u>9,320</u>
Current assets			
Inventories	635	135	502
Debtors	884	117	1,071
Cash	1,567	402	2,642
	<u>3,086</u>	<u>654</u>	<u>4,215</u>
Current liabilities			
Creditors (falling due within one year)	(1,454)	(344)	(1,552)
	<u>1,632</u>	<u>310</u>	<u>2,663</u>
Net current assets			
	<u>11,832</u>	<u>12,145</u>	<u>11,983</u>
Total assets less current liabilities			
Non-current liabilities			
Creditors (falling due after more than one year)	–	(100)	(100)
Provisions for liabilities and charges			
Deferred taxation	–	(2)	–
	<u>11,832</u>	<u>12,043</u>	<u>11,883</u>
Capital and reserves			
Share capital	8,130	8,130	8,130
Special reserve	2,573	2,573	–
Other reserves	36	36	2,609
Retained earnings	975	1,173	1,009
	<u>11,714</u>	<u>11,912</u>	<u>11,748</u>
Assets attributable to shareholders			
Minority interests	118	131	135
	<u>11,832</u>	<u>12,043</u>	<u>11,883</u>

CONSOLIDATED CASH FLOW STATEMENT

	Half years ended 29th February 2004 Unaudited US\$000	31st March 2003 Unaudited US\$000	Period ended 31st August 2003 Audited US\$000
Operating activities			
Cash utilised in operations	(619)	(214)	(29)
Interest paid	(49)	(7)	(2)
Taxation paid	(17)	(7)	(5)
Net cash outflow from operating activities	(685)	(228)	(36)
Investment activities			
Purchase of tangible assets	(38)	–	(23)
Net proceeds on disposal of tangible assets	–	32	39
Purchase of investments	(793)	(30)	(180)
Investment in joint venture	–	–	(871)
Acquisition of part of minority interest	(73)	(16)	(16)
Disposal of investments	–	–	2,952
Interest received and other income	116	1	1
Dividends received from associates	2	–	–
Net cash (outflow)/inflow from investment activities	(786)	(13)	1,902
Net (decrease)/increase in funds	(1,471)	(241)	1,866
Net funds at start of period	2,510	643	643
Effect of foreign exchange rate changes	(7)	–	1
Net funds at end of period	1,032	402	2,510

NOTES

1. The results and the cash flow statement for the half year ended 29th February 2004 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 2003, and comply with International Accounting Standards in all respects, and with Luxembourg legal requirements. The Company's year end was changed in 2003 to 31st August, following shareholder approval at the AGM held in that year. The comparative results shown in this statement are therefore for the six months to 31st March 2003.

2. The analysis of results is as follows:-

	29th February 2004 US\$000		Half years ended 31st March 2003 US\$000	
	Revenue	Result	Revenue	Result
South Africa	1,053	54	-	-
United Kingdom *	477	21	157	(1)
Luxembourg and other	50	(218)	41	(186)
	<u>1,580</u>	<u>(143)</u>	198	(187)
Share of associated company *	91	11	214	(22)
	<u>1,671</u>	<u>(132)</u>	<u>412</u>	<u>(209)</u>
Interest received		5		1
Interest paid		(49)		(1)
Exchange gains		111		-
Exceptional items		11		1,073
(Loss)/Profit before tax		<u>(54)</u>		<u>864</u>

*Accord Services Limited was included as an associated company up to the acquisition of a controlling interest in January 2003.

- The exceptional item is the net write off of goodwill on the acquisition of a further interest in Accord Services Limited and the Joint Venture. In the previous periods the exceptional items were the adjustment to reverse a proportion of the fair value provisions against that part of the investment in Ariston which was sold in May 2003.
- Earnings per share are based on the net profit attributable to members and the 5,420,152 shares in issue. Headline earnings per share are based on the result attributable to shareholders excluding exceptional items, net of minority interests and tax, where applicable.
- The investments are stated at fair value.
- There was capital expenditure of US\$38,000 during the period (2003 – nil). There were no material capital expenditure commitments as at 29th February 2004 (31st March 2003 – nil).

