

A N N U A L R E P O R T 2 0 0 4

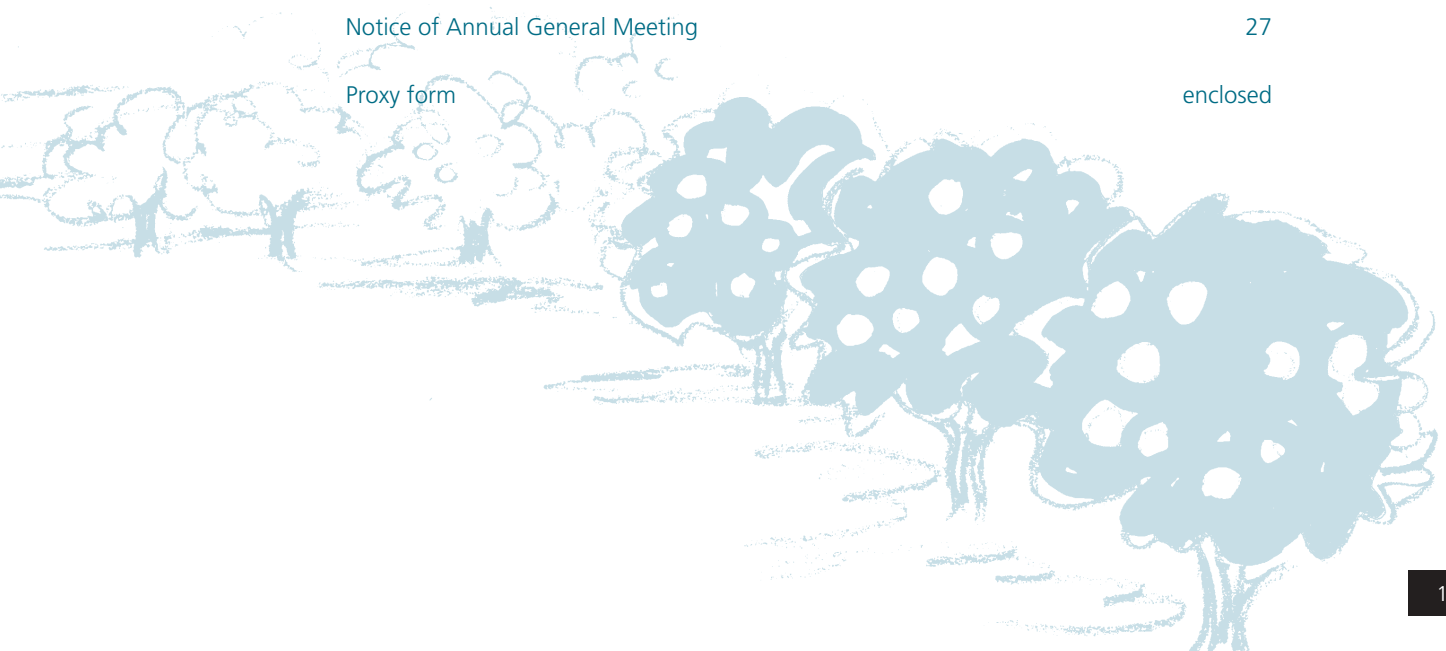






# C O N T E N T S

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MW BURRELL, AGE 67 † \*  
*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 and 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 74  
*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 until March 2001 he was the chairman of the Tea Research Foundation in Malawi for 14 years. In addition, he holds a number of directorships in various institutions and corporations.

D.C. MARSHALL, AGE 60 † \*  
*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 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 Falcon Investment Holdings S.A.. He is non-executive chairman of Doctors Direct plc and a non-executive director of Marylebone Warwick Balfour Group plc and Finsbury Food Group plc.

W.H. MARSHALL, AGE 34  
*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.

THE HONOURABLE  
C.A. PEARSON, AGE 48  
*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.

#### **CHIEF EXECUTIVE**

C.P. JOUSSE, AGE 56  
*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 Harare 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

**Financial Calendar**

Financial year end	31 August 2004
Preliminary announcement of results	29 November 2004
Annual General Meeting	25 February 2005 at 3.30pm 6 rue Adolphe Fischer, L-1520, Luxembourg
Half year	28 February 2005
Announcement of half-year results	May 2005

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**Share Information**

The Company has 5,420,152 shares in issue. The shares are listed on the following stock exchanges and the respective share prices at 30 November 2004, the latest practical date, are shown below.

Luxembourg	US\$ 1.80
Johannesburg	ZAR 10.50

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**Group offices****Luxembourg (Registered Office)**

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

**South Africa**

11 Sunbury Park, La Lucia 4051  
Durban  
(P.O. Box 4126, The Square, Umhlanga 4021)  
Tel: +27 31 566 7600

**Zimbabwe**

215 Fife Avenue/10<sup>th</sup> Street,  
Harare (P.O. Box 2733, Harare)  
Tel: +263 4 704949  
E mail: conafex@ecoweb.co.zw

**United Kingdom**

25 City Road,  
London, EC1Y 1BQ  
Tel: +44 20 7448 8950  
E mail: conafex@city-group.com

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**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

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**South Africa**

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

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**Auditors and Commissaire**

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 YEAR ENDED 31 AUGUST 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**
- Accord Services, the tea packing business in the United Kingdom, had a satisfactory year and continues to grow a client base requiring high quality and personalised packaging solutions.
  - Coffee Tea and Chocolate Company (Pty) Limited ('CTC'), based in Cape Town and acquired in November 2003, performed well ahead of expectations. CTC packs, brands and markets black and herbal teas and coffee to all the leading supermarket chains in South Africa. CTC benefited from the strong rand as raw materials are mainly imported from the rest of Africa.
  - Cape Natural Tea Products (Pty) Limited, the herbal tea processing and marketing business based in Cape Town, had a disappointing year. The main reasons were higher cost of rooibos tea following two poor agricultural seasons in the Western Cape, price resistance from export customers exacerbated by the strong rand and an exceptional write-off of stock.
  - Intertrading Limited 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 them internationally via sea and air freight. It also provides freight forwarding and logistics services for the export of perishable agricultural cargo to European markets. Conafex acquired a 17.5% interest in November 2003 in concert with Katopé International who acquired a similar stake. In common with other exporters Intertrading had a tough twelve months to 31 August 2004 due to the strong rand, intense competition in international markets and write-offs in respect of discontinued grain trading operations. The stake in Intertrading is currently treated as an investment and as such only dividend receipts are recognized in the Conafex income statement.
  - Operations in Zimbabwe enjoyed a good agricultural season from a production standpoint but the unrealistic exchange rates applied to export crops impaired margins and also adversely affected the pricing of locally consumed crops through the distortion of import parity pricing.

**FINANCIAL** The Group incurred a pre tax loss on ordinary activities of US\$51,000 (2003 - loss US\$ 346,000) before exceptional items. However the impairment provision against possible losses arising from the compulsory acquisition of the Group's agricultural estates in Zimbabwe, referred to below, resulted in a loss attributable to shareholders of US\$6,483,000 (2003 - profit of US\$680,000).

In accordance with practice adopted in the 2002 financial year, earnings emanating from Zimbabwe are no longer consolidated and the Group's financial results include only United States dollar receipts from Zimbabwe. The Group's wholly owned subsidiary in Zimbabwe, Zimcor Limited, achieved a profit after tax of Z\$4.2 billion (US\$748,000 at the official year end rate of US\$1 = Z\$5,611). Dividends are remittable from Zimbabwe and have been received albeit through a protracted process.

**Z I M B A B W E** A Cautionary Notice published on 17 August 2004 advised shareholders that the Government of Zimbabwe had compulsorily acquired two of the Group's agricultural estates namely Highbury and Trelawney Estates. In compliance with the law, all farming operations ceased within the stipulated forty-five day period. The process of selling all moveable assets will commence shortly. Conafex has accepted the Zimbabwe Government's right and need to acquire land for resettlement purposes and no legal challenge has been made despite the fact that the Zimbabwe Foreign Investment Committee approved the purchase of Highbury Estate in 1987. Conafex expects the Government of Zimbabwe to adhere to statute and settle compensation in a timely and fair and reasonable manner.

**D I V I D E N D** As a result of the provision made against the investments in Zimbabwe, the Company is unable to pay a dividend for the year ended 31 August 2004.

**P R O S P E C T S** The Conafex Group has been in a transitional phase since it was reorganised in 1998. The initial dependence on Zimbabwe has been substituted with a more balanced portfolio of investments now concentrated in South Africa. The recently announced acquisition of a 26.86% stake in Grassroots Group (Pty) Limited adds a further exciting dimension to niche and value-added agriculture. Your directors have decided that the time is not opportune to increase its holding in Intertrading and will therefore not exercise its call option over an additional 15.56% of the shares. We are very pleased with the investment in Intertrading and the manner in which the executive team have operated under very difficult trading conditions. There is no intention to dispose of our stake, which is deemed strategic, and we will continue to add value where we can and in concert with our co-shareholders Katopé International Société Anonyme.

MARK BURRELL

**Chairman**

29 November 2004



## CONSOLIDATED PROFIT

## AND LOSS ACCOUNT

	Notes	Year ended 31 August 2004 US\$000	11 months ended 31 August 2003 US\$000
Group revenue including share of associates	3	4,247	1,238
Less share of revenue of associates		(271)	(500)
Revenue		3,976	738
Operating costs		(4,152)	(1,094)
Operating loss	3	(176)	(356)
Share of associated companies' results		(26)	11
Income from investment in Zimbabwean subsidiary – dividend		131	-
Dividend receivable		14	-
Interest receivable		58	1
Exchange gains		103	22
Interest paid and similar charges		(155)	(24)
Loss on ordinary activities before exceptional items and tax		(51)	(346)
Exceptional items	5	(6,379)	1,040
(Loss)/Profit before tax and minority interests	3	(6,430)	694
Taxation on ordinary activities	6	(44)	(10)
(Loss)/Profit after tax before minority interests		(6,474)	684
Minority interests		(9)	(4)
(Loss)/Profit attributable to shareholders of the group		(6,483)	680
(Loss)/Earnings per share US cents	7	(120)c	13c
Headline loss per share	7	(2)c	(7)c



## CONSOLIDATED STATEMENT OF

## RECOGNISED GAINS AND LOSSES

	Year ended 31 August 2004 US\$000	11 month ended 31 August 2003 US\$000
Exchange differences on translation of the financial statements of foreign entities	41	49
Fair value adjustment (note 11)	(195)	-
Dividend paid in respect of prior year	(163)	-
Net (losses)/gains not recognised in the income statement	(317)	49
Net (losses)/gains for the year	(6,483)	680
Total recognised (losses)/gains and change in shareholders' funds	(6,800)	729
Opening shareholders' funds	11,748	11,019
Closing shareholders' funds	4,948	11,748

The notes on pages 9 to 17 form part of these financial statements



# CONSOLIDATED

## BALANCE SHEET

AT 31 AUGUST

### Assets

#### Non current assets

Property, plant and equipment  
Negative goodwill  
Intangibles  
Investments

#### Current assets

Inventories  
Accounts receivable  
Cash and bank balances

#### Current liabilities

Accounts payable falling due within one year

Net current assets

#### Total assets less current liabilities

#### Non current liabilities

Accounts payable falling due after more than one year

#### Capital and reserves

Called up share capital (page 19, note (d))  
Other reserves  
Retained earnings

Shareholders' funds  
Minority interests

Notes	2004 US\$000	2003 US\$000
8	124	109
9	-	(58)
10	296	269
11	3,056	9,000
	<b>3,476</b>	9,320
12	571	502
13	1,460	1,071
	<b>1,099</b>	2,642
	<b>3,130</b>	4,215
14(a)	(1,540)	(1,552)
	<b>1,590</b>	2,663
	<b>5,066</b>	11,983
14(b)	-	(100)
	<b>5,066</b>	11,883
	<b>8,130</b>	8,130
15	91	2,609
16	(3,273)	1,009
	<b>4,948</b>	11,748
	<b>118</b>	135
	<b>5,066</b>	11,883

Approved by the board on 30 November 2004

M.W. Burrell  
Chairman

D.C. Marshall  
Director

The notes on pages 9 to 17 form part of these financial statements



## CASH FLOW STATEMENT

	Notes	Year ended 31 August 2004 US\$000	11 month ended 31 August 2003 US\$000
<b>Cash Flows from operating activities</b>			
Cash utilised by operations	17 (d)	(792)	(29)
Interest paid		(155)	(2)
Taxation paid		(38)	(5)
<b>Net cash outflow from operating activities</b>		<b>(985)</b>	<b>(36)</b>
<b>Investment activities</b>			
Purchase of tangible assets		(56)	(23)
Purchase of investments		(796)	(180)
Disposal of tangible assets		-	39
Investment in joint venture		-	(871)
Further acquisition of minority interest		(73)	(16)
Disposal of investments		-	2,952
Dividends received from Zimbabwean subsidiary		131	-
Interest received and other investment income		72	1
<b>Net cash (outflow)/inflow from investment activities</b>		<b>(722)</b>	<b>1,902</b>
<b>Net cash (outflow)/inflow before financing</b>		<b>(1,707)</b>	<b>1,866</b>
<b>Financing</b>			
Dividend paid to minorities		(3)	-
Dividends paid to shareholders		(163)	-
<b>Net (decrease)/increase in funds</b>		<b>(1 873)</b>	<b>1,866</b>
Net funds at start of period	17	2,510	643
Effect of foreign exchange rate changes		(6)	1
<b>Net funds at end of period</b>	17	<b>631</b>	<b>2,510</b>

The notes on pages 9 to 17 form part of these financial statements



# NOTES TO THE CONSOLIDATED

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2004

### 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 international nature of the Group's operations, and as permitted by Luxembourg law, the amounts shown in these consolidated financial statements are presented in United States dollars.

### 2. ACCOUNTING POLICIES

General: 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 on the going concern basis.

#### (b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its non-Zimbabwean 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 non-Zimbabwean subsidiaries acquired or disposed of during the year 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.

Dividends from Zimbabwean subsidiaries are included in the Consolidated Profit and Loss Account at the United States dollar value received. Dividends declared but not yet received have not been accrued. Investments in Zimbabwean subsidiaries are included in the Consolidated Balance Sheet at fair value in accordance with IAS 39, based on a valuation of the subsidiary's fixed assets and the book value of its remaining net assets translated at Z\$8,000/US\$1 (2003: Z\$6,000/US\$1).

#### (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 non-Zimbabwean associates, which are accounted for as investments. The results of associates acquired during the year are included from the date of acquisition. The results of associates disposed of during the year are included up to the date of disposal. The carrying value of associates in the Consolidated Balance Sheet comprise the fair value on acquisition plus the Group share of post acquisition undistributed reserves and revaluations of fixed assets of associates. Provision is made against cost, when, in the opinion of the Directors, there has been a permanent decline in value.

Dividends from Zimbabwean associates are included in the Consolidated Profit and Loss Account at the United States dollar value received. Dividends declared but not yet received have not been accrued.

#### (d) Joint Ventures

Joint ventures, where the Group has joint, but not majority, control over an entity, are accounted for on a proportionate consolidation basis. Joint ventures entered into during the year 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 assets.

#### (e) 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.

#### (f) Intangible Fixed Assets

Trade marks are included at cost and are reviewed annually for impairment.

#### (g) 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.

#### (h) Revenue

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

#### (i) 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.



# NOTES TO THE CONSOLIDATED

## FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2004

### (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 United States dollars 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 United States dollar 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: US\$1 =

	Profit & Loss Account		Balance Sheet	
	2004	2003	2004	2003
Euro - €	<b>0.850</b>	1.086	<b>0.823</b>	1.098
Zimbabwe dollar - Z\$	<b>N/a</b>	2,542	<b>8,000</b>	6,000
South African rand - ZAR	<b>6.633</b>	8.169	<b>6.656</b>	7.330
Pounds sterling - £	<b>0.560</b>	0.625	<b>0.556</b>	0.632

### (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 the investments in subsidiaries and associates, cash and bank balances and the accounts receivable. The latter two are stated at their nominal value. Investments in subsidiaries, associates, joint ventures, quoted investments and trade marks are stated in accordance with accounting policy notes 2(b), (c) (d), (e) and (f).

#### *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.



# NOTES TO THE CONSOLIDATED

## FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2004

### 3. SEGMENTAL REPORTING

#### Primary reporting format – geographical segments

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

South Africa	herbal tea processing and marketing through our associate and the joint venture.
Zimbabwe	general agriculture and horticulture and property and investment holding
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. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to property, plant and equipment.

Segmental analysis of results	2004 US\$000		2003 US\$000	
	Revenue	Result	Revenue	Result
South Africa	3,175	286	417	6
Zimbabwe	-	(6,313)	-	-
United Kingdom	943	(1)	592	(101)
Luxembourg and other	129	(422)	229	790
	<u>4,247</u>	<u>(6,450)</u>	<u>1,238</u>	<u>695</u>
Exchange gains		103		22
Dividend receivable		14		-
Interest received		58		1
Interest paid		(155)		(24)
(Loss)/Profit before tax		<u>(6,430)</u>		<u>694</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 US\$000	Liabilities US\$000	Net assets/ (liabilities) US\$000	Capital expenditure US\$000	Depreciation charge US\$000
<b>Segmental analysis of net assets - 31 August 2004</b>					
South Africa	2,789	(641)	2,148	10	26
Zimbabwe §	2,016	-	2,016	-	-
United Kingdom	64	(85)	(21)	46	28
Luxembourg	638	(340)	298	-	-
Unallocated *	1,099	(474)	625	-	-
Consolidated total	<u>6,606</u>	<u>(1,540)</u>	<u>5,066</u>	<u>56</u>	<u>54</u>

#### Segmental analysis of net assets - 31 August 2003

South Africa	1,874	(991)	883	-	-
Zimbabwe §	8,460	-	8,460	-	-
United Kingdom	73	(80)	(7)	23	31
Luxembourg	482	(344)	138	-	-
Unallocated *	2,646	(237)	2,409	-	-
Consolidated total	<u>13,535</u>	<u>(1,652)</u>	<u>11,883</u>	<u>23</u>	<u>31</u>

§ The reduction in the assets in Zimbabwe reflects a provision in the current year following the Zimbabwe Government's compulsory acquisition of the Group's agricultural estates.

\* 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 YEAR ENDED 31 AUGUST 2004

### 4. REVENUE, OPERATING PROFIT AND EMPLOYEES

Operating loss is stated after (adding)/deducting

Inventories consumed  
Depreciation

Staff costs, including share of joint venture, excluding directors and unconsolidated subsidiary :-

Salaries and wages  
Social security costs  
Pension costs

Related party fees

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.

The number of employees of the Group, including those of the un-consolidated Zimbabwean subsidiary, at the end of the period were:

Production, farming and manual  
Management, including Directors

	2004 US\$000	2003 US\$000
	(69)	5
	54	31
	787	118
	21	12
	29	17
	74	74
	2004	2003
	951	963
	24	15
	975	978
	2004 US\$000	2003 US\$000
	-	1,155
	65	(115)
	(6,444)	-
	(6,379)	1,040
	8	19
	-	(13)
	8	1
	28	-
	44	7
	-	3
	44	10
	(23)	3
	28	-
	8	19
	31	(15)
	-	3
	44	10

### 5. EXCEPTIONAL ITEMS

Surplus on disposals of investments  
Release/(Impairment) of goodwill  
Provision for diminution in value of investment in Zimbabwean subsidiary

### 6. TAXATION

Capital tax - current period  
- prior period adjustment  
Corporation tax - current period  
Withholding tax

Share of associated companies

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

Expected tax (credit)/charge at statutory rates  
Withholding taxes  
Capital taxes  
Permanent differences  
Share of associated companies

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.



# NOTES TO THE CONSOLIDATED

## FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2004

### 7. (LOSS)/EARNINGS PER SHARE

Based on the (losses)/profits attributable to shareholders of the Company and a weighted average number of shares in issue during the period - 5,420,152 (2003 - 5,420,152).

Adjustments for:  
Exceptional items, less taxation  
Minority interests

Headline losses per share are based on the results for the period attributable to shareholders, excluding exceptional items, net of minority interests and tax.

### 8. PROPERTY PLANT AND EQUIPMENT

#### At cost or valuation

Brought forward at 1 September  
Translation difference  
Acquisition - subsidiary  
- joint venture  
Additions  
Disposals

Carried forward at 31 August - at cost

#### Depreciation

Brought forward at 1 September  
Translation difference  
Acquired - subsidiary  
Charge for the period  
Disposals

Carried forward at 31 August

Net book value 31 August

Rates of depreciation on a straight line basis:

Plant and equipment	20%
Fixtures and fittings	15-20%
Office equipment	20-33%

### 9. GOODWILL

Brought forward at 1 September  
Arising on acquisition of majority interest in associate  
Amortised in period  
Negative goodwill arising

### 10. INTANGIBLE ASSETS

Trade marks – Joint Venture  
Balance brought forward  
Acquired  
Translation difference

Balance carried forward

The trade marks relate to hot beverage brands which the directors consider to have an indefinite lifespan. Consequently, they have not been amortised.

2004	2003
(120)c	13c
(118)c	(20)c
-	-
(2)c	(7)c
2004 US\$000	2003 US\$000
306	-
40	-
-	288
-	64
56	23
-	(69)
402	306
197	-
27	-
-	196
54	31
-	(30)
278	197
124	109
(58)	-
-	115
65	(115)
(7)	(58)
-	(58)
269	-
-	269
27	-
296	269



# NOTES TO THE CONSOLIDATED

## FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2004

### 11. INVESTMENTS

	Listed Companies US\$000	Unlisted Associated Companies US\$000	Other Unlisted Companies US\$000	Zimbabwean Subsidiary Company US\$000	2004 Total US\$000	2003 Total US\$000
Brought forward at 1 September						
Cost	16	360	180	11,134	11,690	16,658
Impairment provisions	-	-	-	(2,690)	(2,690)	(5,875)
	16	360	180	8,444	9,000	10,783
Translation adjustment	-	25	-	-	25	16
	16	385	180	8,444	9,025	10,799
Change in interest	-	-	-	-	-	(184)
Additions	796	-	-	-	796	180
Deferred consideration released/disposals	-	(100)	-	-	(100)	(1,797)
Fair value adjustments	(195)	-	-	-	(195)	-
Impairment provision	-	-	-	(6,444)	(6,444)	-
Share of result for the period, net of tax	-	-	-	-	-	2
- translation	-	(26)	-	-	(26)	-
Carried forward at 31 August	617	259	180	2,000	3,056	9,000
Market value of listed investments at 31 August	617				617	34
Directors' valuation of unlisted investments at 31 August		259	180	2,000	2,439	8,984
<b>Analysis of net book value:</b>						
Intertrading Limited					590	-
Ariston Holdings Limited					27	16
Zimcor Limited					2,000	8,444
Other					439	540
					3,056	9,000

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 following investments are included in the above Group figures.

#### Listed

#### Equity accounted:

#### Unlisted

Cape Natural Tea Products (Pty) Limited  
Incorporated and operating in South Africa  
Activity – Herbal tea processing and marketing  
Loss: 30 June 2004 ZAR308,000 (2003 - profit - ZAR204,000)  
Reserves: 30 June 2004 ZAR1,969,000 (2002 - ZAR2,328,000)

#### Unconsolidated subsidiary

Zimcor Limited  
Incorporated and operating in Zimbabwe  
Activity – General agriculture and horticulture  
Profit: 31 August 2004 - Z\$4,221,838,000 (2003 - Z\$1,121,416,000)  
Reserves: 31 August 2004 - Z\$10,940,456,000 (2003 including revaluations - Z\$50,664,000,000)

Group percentage  
of equity held

2004	2003
38%	38%
100%	100%



## NOTES TO THE CONSOLIDATED

## FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2004

**12. INVENTORIES**

Raw materials  
Finished goods

2004 US\$000	2003 US\$000
201	164
370	338
<b>571</b>	<b>502</b>

**13. ACCOUNTS RECEIVABLE**

Trade debtors  
Other debtors  
Taxation  
  
Prepayments and accrued income

1,282	553
79	499
-	2
<b>1,361</b>	<b>1,054</b>
99	17
<b>1,460</b>	<b>1,071</b>

**14. ACCOUNTS PAYABLE****a) Amounts falling due within one year:**

Bank overdrafts  
Trade creditors  
Other creditors  
Taxation  
Zimbabwean subsidiary  
Accruals

468	132
763	1,028
42	106
5	2
2	1
260	283
<b>1,540</b>	<b>1,552</b>

**b) Amounts falling due after more than one year:**

Deferred consideration

-	100
---	-----

The conditions for payment of deferred consideration, provided for on the purchase of the Group's 38% interest in Cape Natural Tea Products (Pty.) Limited, were not met and the provision has been released.

**15. OTHER RESERVES****Special reserve arising on capital reduction**

Balance brought forward  
Arising on capital reduction  
Released to retained earnings

2,573	-
-	2,573
<b>(2,573)</b>	<b>-</b>

Balance carried forward

-	2,573
---	-------

Following shareholder approval at the Annual General Meeting held on 27 February 2004, the Special Reserve was released to Retained Earnings.

**Legal Reserves**

Balance brought forward and carried forward  
Transfer in respect of prior year

36	36
55	-
<b>91</b>	<b>36</b>

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 year. Distribution of this reserve is restricted.

Total Other Reserves

<b>91</b>	<b>2,609</b>
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# NOTES TO THE CONSOLIDATED

## FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2004

### 16. RETAINED EARNINGS

	2004 US\$000	2003 US\$000
Balance brought forward	1,009	(5,760)
Exchange difference	41	49
Transfer from special reserve	2,573	-
Transfer from share capital on capital reduction	-	6,040
Transfer to legal reserve in respect of prior year	(55)	-
Dividend paid in respect of prior year	(163)	-
Fair value adjustment	(195)	-
(Loss)/profit for the year	(6,483)	680
Balance carried forward	(3,273)	1,009

### 17. NOTES TO CASH FLOW STATEMENT

#### (a) Reconciliation of profit before tax to cash generated/(utilised) by operations

(Loss)/Profit before tax	(6,430)	694
Adjustments for items not involving cash flow		
Provisions	6,379	115
Share of associated companies results	26	(11)
Income from investments and loans	(203)	(1)
Interest paid	155	2
Depreciation	54	31
Exchange	-	26
Profit on disposal of tangible assets and investments	-	(1,155)
Outflow from operations before working capital changes	(19)	(299)
Net (increase)/decrease in working capital (refer to note 17b)	(773)	270
Cash utilised by operations	(792)	(29)

#### (b) Net (increase)/decrease in working capital

(Increase)/Decrease in inventories	(17)	8
Increase in debtors	(289)	(107)
(Decrease)/Increase in creditors	(467)	369
	(773)	270

#### (c) Analysis of funds

	2004 US\$000	2003 US\$000	Exchange Movement US\$000	Cash Flow Movement US\$000
Cash at bank and in hand	1,099	2,642	7	(1,550)
Bank overdrafts (note 14)	(468)	(132)	(13)	(323)
	631	2,510	(6)	(1,873)

#### (d) Analysis by currency of the funds as shown in the balance sheet

United States dollars	574	2,588	-	(2,014)
Euros	1,317	-	-	1,317
South African rand	(1,315)	(129)	(13)	(1,173)
Pounds sterling	55	51	7	(3)
	631	2,510	(6)	(1,873)

### 18. CREDIT RISK

Concentrations of credit risk consist principally of the investments in Zimbabwe and in temporary cash investments. 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(d).



# NOTES TO THE CONSOLIDATED

## FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2004

### 19. GROUP COMMITMENTS

The Group had no material commitments under non-cancellable operating leases, nor for authorised capital expenditure contracted. (2003 - nil) other than those arising from the joint venture detailed in note 20.

### 20. OPERATING LEASE COMMITMENTS

The Group's 50% share of the lease commitments of the joint venture.

Future operating lease charges for premises and office equipment:

Payable within one year

Premises

Office equipment

Payable not later than five years

Premises

Office equipment

Payable after more than five years

Premises

Total commitments

2004 US\$000	2003 US\$000
49	42
-	2
49	44
198	182
-	1
198	183
531	-
778	227

### 21. CONTINGENCIES

The Company has given a general deed of suretyship in the form of a deposit of US\$48,200 for the bank facilities of Cape Natural Tea Products (Pty) Limited.

### 22. CONSOLIDATION

These financial statements do not consolidate the results of our interests in Zimbabwe (see note 2).

### 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 that 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.

### 24. POST BALANCE SHEET EVENT

On 12 October 2004, the Group announced the acquisition of a 26.86% stake in Grassroots Group (Pty.) Limited with effect from 1 October 2004. The consideration for the acquisition was ZAR2.76 million, which may be reduced or increased according to the results of the company for its year ended 31 October 2004.



# FINANCIAL STATEMENTS

## OF THE PARENT COMPANY

### PROFIT AND LOSS ACCOUNT

#### INCOME

Income from non-current assets  
Exceptional income – profit on disposal

#### Loss for the year

#### EXPENSES

Administration and other charges  
Interest payable  
Exceptional charge – investment provision

#### Profit for the period

### BALANCE SHEET

at 31 August

#### ASSETS

##### Non-current assets

Investments

##### Current assets

Accounts receivable  
Cash and bank balances

#### Loss for the year

#### LIABILITIES

##### Capital and Reserves

Called up share capital  
Legal reserve  
Special reserve  
Retained earnings

Accounts payable falling due within one year

#### Profit for the period

	Year ended 31 August 2004 US\$000	11 months ended 31 August 2003 US\$000
	345	485
	-	1,055
	<b>6,624</b>	-
	<b>6,969</b>	1,540
	460	453
	65	-
	<b>6,444</b>	-
	-	1,087
	<b>6,969</b>	1,540
	<b>2004 US\$000</b>	<b>2003 US\$000</b>
	<b>2,769</b>	8,613
	<b>1,351</b>	842
	<b>1,057</b>	2,596
	<b>6,624</b>	-
	<b>11,801</b>	12,051
	<b>8,130</b>	8,130
	<b>91</b>	36
	-	2,573
	<b>3,247</b>	-
	<b>11,468</b>	10,739
	<b>333</b>	225
	-	1,087
	<b>11,801</b>	12,051

Notes

(c)

(d)

(e)

(f)

(g)

(h)

The Notes on pages 19 and 20 form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

FOR THE YEAR ENDED 31 AUGUST 2004

## (a) GENERAL

The Company is incorporated as a société anonyme, with financial holding company status under the Law of 31 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 generally accepted accounting practices 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. Dividends from certain subsidiaries are subject to exchange control.

### (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 ASSET INVESTMENTS

### Movements in non-current asset investments

	Subsidiaries See (i) below US\$000	Listed investment companies US\$000	Unlisted investment US\$000	2004 Total US\$000	2003 Total US\$000
Cost brought forward	14,322	16	150	14,488	16,134
Impairment provision	(5,875)	-	-	(5,875)	(5,875)
	8,447	16	150	8,613	10,259
Addition at cost	-	795	-	795	-
Impairment provision	(6,444)	-	-	(6,444)	-
Mark to market adjustments	-	(195)	-	(195)	-
Loan capitalised	-	-	-	-	150
Disposal	-	-	-	-	(1,796)
Balance carried forward	2,003	616	150	2,769	8,613

## (d) SHARE CAPITAL

Authorised:

36,000,000 shares of US\$1.50

54,000 54,000

Balance brought forward

8,130 16,743

Capital reduction :

Transfer to special reserve (note f)

- (2,573)

Transfer to retained earnings (note g)

- (6,040)

5,420,152 issued and fully paid shares of US\$1.50

8,130 8,130

Following shareholder approval at the Annual General Meeting on 28 March 2003, the share capital was consolidated on the basis of one new share of US\$1.50 each for every 2.11875 shares of no par value previously held.

## (e) LEGAL RESERVE

Balance brought forward

36 36

Transfer from retained earnings of previous year

55 -

91 36

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 year. Distribution of this reserve is restricted.



# NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

FOR THE YEAR ENDED 31 AUGUST 2004

## (f) SPECIAL RESERVE

Balance brought forward  
Transfer from share capital (note d)  
Transfer from retained earnings

Balance carried forward

## (g) RETAINED EARNINGS

Balance brought forward  
(Profit)/Loss of the preceding year  
Dividend paid  
Transfer from share capital  
Transfer from special reserve  
Transfer to legal reserve  
Fair value adjustment

## (h) ACCOUNTS PAYABLE

Amounts due to group companies  
Other

## (i) 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.

(i) Incorporated in British Virgin Islands and operating internationally:  
Conafex International Finance Limited

(ii) Incorporated in Jersey, Channel Islands and operating internationally:  
Conafex Africa Holdings Limited

The following South African company is a 100% subsidiary of Conafex Africa Holdings Limited:  
Africa's Best 279 Limited (trading as Conafex Cape Holdings)

The investments in the following South African companies, both of which have a year end of 30 June, are held by Conafex Cape Holdings:

Cape Natural Tea Products (Pty) Limited - 38% interest - associated company  
Coffee Tea & Chocolate Company (Pty) Limited - 50% interest – joint venture

(iii) Incorporated and operating in England and Wales:  
Conafex Holdings (UK) Limited

The following is a 64% subsidiary of Conafex Holdings (UK) Limited  
Accord Services Limited

All subsidiaries have year ends co-terminous with that of the Company.

As explained in note 2 to the consolidated financial statements, the following Zimbabwean companies are subsidiaries of Conafex Holdings Société Anonyme and have not been consolidated.

(i) Incorporated and operating in Zimbabwe:  
Zimcor Limited

The following are 90% owned subsidiaries of Zimcor Limited:

Highbury Estate Limited  
Trelawney Estate (Private) Limited  
Kent Estate (Private) Limited

2004 US\$000	2003 US\$000
2,573	-
-	2,573
(2,573)	-
-	2,573
-	15
1,087	(6,055)
(163)	-
-	6,040
2,573	-
(55)	-
(195)	-
3,247	-
224	148
109	77
333	225

### Principal activities:

Management services

Investment holding

Investment holding

Herbal tea processor  
Coffee and tea exporter

Investment holding

Specialist tea-packer

General agriculture and  
horticulture

Farming property  
Farming property  
Farming property



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 AUGUST 2004

The Directors submit their report and the audited financial statements for the year ended 31 August 2004.

## 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 Securities Exchange South Africa.

## RESULTS

A loss of US\$6,483,000 was recorded for the year, after exceptional items, tax and minority interests, compared to a profit of US\$680,000 for the previous eleven month period. Results for the year include a provision of US\$6,444,000 against the carrying value of investments in Zimbabwe. In 2003 the Group disposed of a subsidiary, the sole asset of which was an investment in Ariston Holdings Limited, and the profit of US\$1,155,000 was included in exceptional items. The Group still holds a 11.13% interest in Ariston, both directly and through its Zimbabwean subsidiary. The loss per share is 120 US cents, compared to earnings of 13 US cents per share in 2003. A detailed review of the Group operations is made in the Chairman's Review.

## EXCEPTIONAL ITEMS

These include a provision of US\$6,444,000 against the carrying value of investments in Zimbabwe and in the previous year the profit on disposal referred to above.

## DIVIDEND

The directors are unable to recommend the payment of a dividend for the year ended 31 August 2004, as the Company does not have sufficient reserves.

## DIRECTORS

A list of the present Directors of the Company is shown on page 2. 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 year, excluding those arising through Monteagle Holdings S.A., were as follows.

	31 August 2004		31 August 2003	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
M.W. Burrell	-	-	-	-
C. Barrow	<b>1,381,946</b>	-	1,381,946	-
D.C. Marshall	-	<b>122,020 *</b>	-	122,020*
W.H. Marshall	-	-	-	-
C.A. Pearson	-	<b>398,894 *</b>	178,410	-

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



# R E P O R T O F T H E D I R E C T O R S

FOR THE YEAR ENDED 31 AUGUST 2004

( c o n t i n u e d )

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

		2004			2003
Parent Company Directors' fee		Other fees	Total	Total	
US\$000		US\$000	US\$000	US\$000	
M W Burrell	Non-executive	3	17	20	
C Barrow	Non-executive	3	12	15	
D C Marshall †	Non-executive	3	12	15	
W H Marshall §	Non-executive	3	12	15	
C A Pearson	Non-executive	3	12	15	
<b>Total</b>		<b>15</b>	<b>65</b>	<b>80</b>	

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 US\$15,000 for the year (2003 - US\$15,000) 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 US\$15,000 for the year (2003 - US\$15,000) to his primary employer, the Monteagle Group.

## S U B S T A N T I A L I N T E R E S T S

At the date of this report, the following holdings represented 5% and over of the issued share capital of the Company:

	Shares	%
Monteagle Holdings S.A.	3,275,028	60.42
Barato Limited	1,381,946	25.50

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.

## A U D I T O R S A N D C O M M I S S A I R E

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

## A R T I C L E S O F I N C O R P O R A T I O N

Your Board proposes that in terms of the Law of 10 August 1915 on commercial companies, as amended, and the Listing Requirements of the JSE Securities Exchange South Africa, the general authority of the board of Directors and the Company to issue ordinary shares of US\$1.50 each for cash as and when suitable situations arise, subject to the limitations as set out in resolution 6 on the Notice of Meeting on page 27, be renewed.

The Board also proposes to renew, for a further five years, the authority to issue new shares (up to the limit of the Company's authorised share capital), on the basis that such new shares can be issued without the shareholders of the Company having any preferential subscription right

At present there are no plans to make any issues of shares, however the Board believes that the renewal of these authorities will give it flexibility for any future share issues that may be required in the future.

By order of the Board,

**CITY GROUP P.L.C.**  
Group Secretaries

30 November 2004



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 D.C. Marshall, Mr. W.H. 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 year 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 year, 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 year and of the respective results for that year. 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.

G O I N G  
C O N C E R N

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





Following our re-appointment at the Annual General meeting of shareholders held on 27 February 2004 we have audited the accompanying consolidated balance sheet of Conafex Holdings Société Anonyme as of 31 August 2004, and the related consolidated statements of income, and cash flows for the twelve months then ended as set out on pages 6 to 17 and have read the report of the directors on pages 21 and 22. 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.

#### **Matter of emphasis**

Without expressing a qualification on our opinion, we draw your attention to the provision of US\$6,444,000 made against the investment in Zimcor Limited referred to in notes 5 and 11 to the financial statements and in the Report of the Directors leaving a value of US\$2,000,000 on this investment at 31 August 2004.

Whilst we consider the provision to be conservatively calculated, the ultimate realisable value of the investment is dependent upon the economic and political situation that exists in Zimbabwe.

#### **Basis of opinion**

Zimbabwe continued to experience a deterioration of its economic and political climate during the year under consideration and is recognised as being hyperinflationary for the purposes of financial reporting. A number of different official and unofficial exist between the Zimbabwean dollar and other currencies. The Board of Directors of the Company has decided not to consolidate of the Zimbabwean subsidiary and associated company but to include them as investments under International Accounting Standard deals with the recognition and measurement of financial assets. As independent auditors, we agree with this treatment.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of 31 August 2004, and of the results of its operations and its cash flows for the year 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.

Réviseurs d'entreprises

15-17 avenue Gaston Diderich, L-1420 Luxembourg

#### **K. Horsburgh**

Partner

30 November 2004



## REPORT OF THE COMMISSAIRE

Following our re-appointment at the Annual General meeting of shareholders held on 27 February 2004 we have audited the financial statements of Conafex Holdings Société Anonyme for the year ended 31 August 2004 as set out on pages 18 to 20. 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 31 August 2004 and the results of its operations for the year then ended.

AGN Horsburgh & Co.

Réviseurs d'entreprises

15-17 avenue Gaston Diderich, L-1420 Luxembourg

**K. Horsburgh**

Partner

30 November 2004



## 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 25 February 2005 at 3.30 p.m. for the following purposes:-

1. To receive and adopt the reports of the Directors, Auditors and Commissaire for the year ended 31 August 2004.
2. To receive and adopt the balance sheet of the Company at 31 August 2004 and the profit and loss account for the year ended on that date.
3. To receive and adopt the consolidated balance sheet of the Group at 31 August 2004 and the consolidated profit and loss account for the year ended on that date.
4. To grant discharge to the Directors and Commissaire in respect of the execution of their mandates to 31 August 2004.
5. To receive and act on the statutory nomination of the Directors, Auditors and Commissaire for a new term of one year.

### Special Business

6. To give, in terms of the Law of 10 August 1915 on commercial companies, as amended, and the Listings Requirements of the JSE Securities Exchange South Africa, 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.
7. To renew for a period of five years, with effect from the date of the publication in the Mémorial, Recueil Spécial des Sociétés et Associations of the deed dated 25 February 2005, and on the basis of a report of the board of directors of the Company, as required by the Law of 10 August 1915 on commercial companies, as amended, the authority granted to the directors pursuant to Article 7 of the Articles of Incorporation to increase the issued share capital within the limits of the authorised capital and to amend the Articles of Incorporation so as to enable such new shares to be issued without the shareholders of the Company having any preferential subscription right.

**By order of the Board,**

**CITY GROUP P.L.C.**  
**Group Secretaries**

6 rue Adolphe Fischer,  
Luxembourg.  
30 November 2004

### 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 2004 (Pty.) Limited, whose addresses can be found on page 2 of this report, of any change of address.









### Proxy for Annual General Meeting

Form of proxy for the Annual General Meeting of shareholders to be held at the offices of Maitland Luxembourg S.A., 6 rue Adolphe Fischer, Luxembourg on Friday 25 February 2005 and at any adjournment thereof.

The undersigned being the holder of ..... shares in the Company hereby appoints as his special attorney at the above mentioned meeting the chairman of the meeting or .....to whom he gives all powers to represent him at the said meeting, to take part in all deliberations and to vote in his name according to the instructions set out below and to perform all acts necessary to give effect to the resolutions contained in the agenda as follows:-

No.	Resolution	For	Against	Abstention
1.	To receive and adopt the reports of the Directors, Auditors and Commissaire for the year ended 31 August 2004.			
2.	To receive and adopt the balance sheet of the Company at 31 August 2004 and the profit and loss account for the year ended on that date.			
3.	To receive and adopt the consolidated balance sheet of the Group at 31 August 2004 and the consolidated profit and loss account for the year ended on that date.			
4.	To grant discharge to the Directors and Commissaire in respect of the execution of their mandates to 31 August 2004.			
5.	To receive and act on the statutory nomination of the Directors, Auditors and Commissaire for a new term of one year.			

**Special Business**

6.	To give the directors a general authority to issue shares to persons other than shareholders			
7.	To renew for a period of five years the directors' authority to issue shares			

**Notes**

- (i) 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 corporation being a shareholder of the Company may execute a form of proxy under the hand of a duly authorised officer.
- (ii) 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.
- (iii) Shareholders should indicate with a cross (X) in the space provided above how they wish their votes to be cast. In the absence of specific instructions their special attorney may vote as he thinks fit.
- (iv) 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 members in respect of joint holdings.

Name of registered shareholder .....

Address .....

Signature .....

(Please add before your signature, in your own handwriting, the words 'Good for Proxy')