



Holdings Société Anonyme
Annual Report 2007

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Conafex Holdings Société Anonyme

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

Group Directors

M.W. BURRELL, Age 70 † * *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 77 *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 55 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.

A.S. HAGGIE, Age 57 *Non-Executive Director*

Mr. Haggie 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.

D.C. MARSHALL, Age 63 † * *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 Finsbury Food Group plc, Marylebone Warwick Balfour Group plc and Northbridge Industrial Services plc.

THE HONOURABLE C.A. PEARSON, Age 51 *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 59 *Chief Executive*

Mr. Jousse resides in South Africa and is a non-executive director of several listed and unlisted companies outside of the Conafex group.

† Member of the Audit Committee

* Member of the Remuneration Committee

Shareholder Information

Financial Calendar

Financial year-end	30 th September 2007
Preliminary announcement of results	20 th December 2007
Annual General Meeting	28 th March 2008 at 3.30 p.m.
Half year	31 st March 2008
Announcement of half-year results	May 2008

Share Information

The Company has 2,549,131 shares in issue. The shares are listed on the following stock exchanges and the respective share prices at 22nd February 2008, the latest practical date, are shown below.

Luxembourg	US\$ 1.68
Johannesburg	ZAR 13.00

Group Offices

Luxembourg (Registered Office)

6 rue Adolphe Fischer
L-1520 Luxembourg
(P.O. Box 1361, L-1013 Luxembourg)
Tel: +352 402505 1

South Africa

18 Dacres Avenue
Epping 2
Cape Town
Tel: +27 21 534 2271

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 S.A.
69 route d'Esch
L-1470 Luxembourg

Transfer Agents

Europe

Capita Registrars
The Registry, 34 Beckenham Road
Beckenham, Kent
BR3 4TU

Tel: UK resident shareholders 0871 664 0300
Calls cost 10p per minute plus network extras
Non-UK resident shareholders +44 20 8639 3399

South Africa

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

Independent Auditors and Statutory Auditors

International Audit Services S.à R.L.
(formerly AGN Horsburgh & Co. S.à R.L.)
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 30th SEPTEMBER 2007

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 mentioned in the 2006 Annual Report, the strategic decision was taken to concentrate investment in businesses in Southern Africa. To this end the United Kingdom based tea-packing business, Accord Tea Services Limited, was sold for £250,000 (R3,345,000) during the year.

ZRC Limited, the company to which all Conafex's Zimbabwe interests were transferred in February 2006 exercised 676,647 of its 3,500,000 Options at a price of US\$1.89667 per share, being the average price of Conafex shares on the Luxembourg Stock Exchange for the three business days preceding the exercise on 27th September 2007. The subscription of new capital arising from the exercise amounted to US\$1,283,376 (R8,851,133). The Conafex shares were distributed to the ZRC shareholders by way of a dividend *in specie* in November 2007. The funds emanated from the disposal of some of the remaining assets in Zimbabwe.

Overview

Subsidiaries and Associates

The South African export businesses turned in a solid performance despite the less than favourable exchange rates, particularly the weak US dollar. The Grassroots Group's dried edible and decorative fruit divisions performed well but the phyto-medical and natural essential oil divisions experienced tough trading conditions in their respective export markets. The good rainy season increased demand for seed in Kenya and Kenya Highlands Seeds showed an improved performance despite the strengthening Kenyan shilling. Cape Natural Tea Products benefited from the abundant supply of its core product, rooibos tea, caused by a succession of better than normal rainy seasons after three successive years of drought. We added to the coffee trading business through the acquisition of a coffee roasting and packing enterprise in Cape Town, which included several well-known brands. This addition came in the last month of the financial year.

Investments

The investments in Simply Cereal and JSE listed Intertrading did not perform well and both companies are in the process of being reconfigured. It was announced recently that Conafex's concert partner in Intertrading, Katopé International, has been acquired by Univeg, a Belgium based group. Univeg is one of the largest fresh produce distributors in the world and the transaction requires regulatory approval.

Financial

The Group made a profit from ordinary activities of R2,165,000 (2006 – R289,000) and a loss attributable to shareholders after exceptional items of R2,979,000 (2006 – R2,907,000). In accordance with International Financial Reporting Standards and on a prudent conservative basis we have made a full provision against our investment loans by way of an exceptional charge of R4,954,000.

Chairman's Review (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2007

Directorate

I will be retiring as Chairman and a director of the Company at the forthcoming Annual General Meeting. Shortly after my appointment as your Chairman in 1999 your Group, together with most of the commercial farming sector in Zimbabwe, was subject to the compulsory acquisition of its agricultural properties by the Government in Zimbabwe without compensation. This action and the resultant turmoil effectively destroyed this highly productive sector of the economy and the prejudice to the asset and income base of Conafex, as well as to a considerable number of our skilled staff, is incalculable. I would like to thank my colleagues for their support and guidance during my tenure particularly during this turbulent time.

Dividend

As a result of the losses incurred the Company is unable to pay a dividend for the year ending 30th September 2007.

Prospects

Your directors are acutely aware that the present capital structure and the value of the underlying businesses do not justify the costs of Conafex maintaining its listings. As such the Company will be seeking a solution to resolve this matter and in all likelihood will delist from both exchanges at the earliest opportunity. Should we proceed with this the interests of minority shareholders will be safeguarded in accordance with stock exchange rules.

Mark Burrell
Chairman

28th February 2008

Consolidated Income Statement

		Year ended 30 th September 2007 R000	Period ended 30 th September 2006 R000
Group revenue including share of associates	3	43,536	45,012
Less share of revenue of associates		<u>(16,356)</u>	<u>(16,212)</u>
Revenue [discontinued activities R3,509,000 (2006 – R7,882,000)]		27,180	28,800
Operating costs		<u>(28,258)</u>	<u>(30,795)</u>
Operating loss	4	(1,078)	(1,995)
Share of associated companies' results		2,151	2,255
Income from investment in Zimbabwean subsidiary – dividend		–	41
Dividends receivable		393	68
Interest receivable		564	342
Exchange gains/(losses)		505	(63)
Interest paid and similar charges		<u>(370)</u>	<u>(359)</u>
Profit on ordinary activities before exceptional items and tax		2,165	289
Profit on discontinued activities before exceptional items and tax		225	478
Profit/(Loss) on continuing activities before exceptional items and tax		1,940	(189)
Exceptional items	5	<u>(4,069)</u>	<u>(1,856)</u>
Loss before tax and minority interests	3	(1,904)	(1,567)
Profit before tax on discontinued activities		225	478
Loss before tax on continuing activities		<u>(2,129)</u>	<u>(2,045)</u>
Taxation on ordinary activities	6	<u>(882)</u>	<u>(1,072)</u>
Loss after tax before minority interests		(2,786)	(2,639)
Minority interests		<u>(193)</u>	<u>(268)</u>
Loss attributable to shareholders of the Group		<u>(2,979)</u>	<u>(2,907)</u>
Loss per share SA cents	7	(159)c	(189)c
Headline earnings/(loss) per share SA cents	7	58c	(69)c

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

Consolidated Statement of Changes in Equity

	Ordinary share capital R000	Legal reserve* R000	Share premium account R000	Retained earnings R000	Total R000
FOR THE PERIOD ENDED 30th SEPTEMBER 2006					
Balance at start of period	52,411	587	2,327	(34,303)	21,022
Exchange differences on translation of the financial statements and net losses not recognised in the Income Statement	2,844	120	–	(1,869)	1,095
Capital reduction – shares cancelled and released, less costs, to retained earnings	(39,305)	–	–	39,221	(84)
Shares issued	5,869	–	1,390	–	7,259
Released on waiver	–	–	(2,327)	2,327	–
Fair value adjustment	–	–	–	(2,572)	(2,572)
Net loss for the period	–	–	–	(2,907)	(2,907)
Balances at end of period	<u>21,819</u>	<u>707</u>	<u>1,390</u>	<u>(103)</u>	<u>23,813</u>
FOR THE YEAR ENDED 30th SEPTEMBER 2007					
Balance at start of year	21,819	707	1,390	(103)	23,813
Exchange differences on translation of the financial statements and net losses not recognised in the Income Statement	(2,448)	(79)	(156)	375	(2,308)
Shares issued during year	7,000	–	1,851	–	8,851
Fair value adjustment	–	–	–	294	294
Net loss for the year	–	–	–	(2,979)	(2,979)
Balances at end of year	<u>26,371</u>	<u>628</u>	<u>3,085</u>	<u>(2,413)</u>	<u>27,671</u>

* Luxembourg law requires that an appropriation of at least 5% of a Luxembourg company's own annual distributable profit be made to legal reserve until such time as the reserve attains 10% of its 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.

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

Consolidated Balance Sheet

AT 30th SEPTEMBER

	Notes	2007 R000	2006 R000
Assets			
Non-current assets			
Intangible assets	8	1,482	1,501
Property, plant and equipment	9	4,266	1,913
Investments	10	11,098	9,270
		<u>16,846</u>	<u>12,684</u>
Current assets			
Inventories	11	8,895	5,787
Trade and other accounts receivable	12	6,770	14,517
Cash and bank balances		10,996	2,557
		<u>26,661</u>	<u>22,861</u>
Current liabilities			
Accounts payable falling due within one year	13	(13,381)	(8,380)
Net current assets		<u>13,280</u>	<u>14,481</u>
Total assets less current liabilities			
		30,126	27,165
Creditors due after more than one year		–	(273)
Deferred taxation		(125)	(180)
		<u>30,001</u>	<u>26,712</u>
Capital and reserves			
Called-up share capital	14	26,371	21,819
Share premium account		3,085	1,390
Legal reserve		628	707
Retained earnings		(2,413)	(103)
Shareholders' funds		<u>27,671</u>	<u>23,813</u>
Minority interests		2,330	2,899
		<u>30,001</u>	<u>26,712</u>

Approved by the Board on 28th February 2008

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

		Year ended 30 th September 2007 R000	Period ended 30 th September 2006 R000
Cash Flows from operating activities			
Cash generated/(utilised) by operating activities	15(a)	172	(6,328)
Interest paid		(370)	(358)
Taxation paid		(233)	(693)
Net cash outflow from operating activities		<u>(431)</u>	<u>(7,379)</u>
Investment activities			
Purchase of tangible assets		(3,004)	(614)
Proceeds on disposal of tangible fixed assets		198	353
Acquisition of loan notes in Simply Cereal		–	(4,847)
Proceeds on disposal of investments		2,990	1,160
Acquisition of minority interest in Cape Natural Tea Products		–	(1,293)
Further acquisition of minority interest in Accord Tea Services		(647)	(609)
Dividends received from Zimbabwean subsidiary		–	41
Interest received and other investment income		957	543
Net cash inflow/(outflow) from investment activities		<u>494</u>	<u>(5,266)</u>
Net cash inflow/(outflow) before financing		63	(12,645)
Financing			
Proceeds of new shares issued, net of costs		8,851	6,335
Decrease in long term debt		(273)	–
Net cash inflow from financing		<u>8,578</u>	<u>6,335</u>
Net increase/(decrease) in funds		8,641	(6,310)
Net funds at start of year	15(c)	2,000	8,271
Effect of foreign exchange rate changes		167	39
Net funds at end of year	15(c)	<u>10,808</u>	<u>2,000</u>

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30th SEPTEMBER 2007

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. The comparative amounts reflect the results for the thirteen months ended 30th September 2006.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), issued by the International Accounting Standards Board (IASB) and adopted by the European Union. The principal accounting policies of the Group, which are set out below, have been applied consistently and comply with Luxembourg legal requirements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The most significant estimates relate to unquoted investments, which, due to uncertainty, are valued at cost less impairment provisions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision in future periods if applicable. The most significant techniques for estimation are described in the accounting policies below. These policies have been applied consistently to all of the years presented, unless otherwise stated.

At the date of authorisation of these financial statements the IASB and IFRIC have issued the following standards, amendment to standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

IAS	Effective 1 st January 2007:
IAS 1	Presentation of Financial Statements – Financial Instruments, deriving from IFRS7
IFRS 7	Financial Instruments: Disclosures
	Effective 1 st January 2009:
IAS 23	(Amendment) Borrowing Costs
IFRS 8	Operating Segments (not endorsed by the EU at present)
IFRIC	None of which have been endorsed by the EU at present
	Effective 1 st January 2008:
IFRIC 12	Service Concession Arrangements
IFRIC 14	The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction
	Effective 1 st July 2008:
IFRIC 13	Customer Loyalty Programmes

The Directors do not anticipate that the adoption of these, where applicable, would have a material impact on the Company's financial statements in the period of initial application.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2007

2. ACCOUNTING POLICIES (continued)

(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 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 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.

(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 Income Statement 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 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 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.

(e) Intangible Fixed Assets

Goodwill is reviewed annually for any impairment, consequently it is not amortised.

(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.

2. ACCOUNTING POLICIES (continued)

(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) 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 Income Statement of the relevant Group company.

On consolidation, income statements of companies expressed in a currency other than Rand are translated at average rates of exchange for the year. Balance sheets are translated at the rates of exchange at the end of the financial year.

Differences on translation arising in changes from the beginning of the accounting year 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 income statement and balance sheet purposes are also taken to reserves.

The rates used are: R1 =

	Profit & Loss Account		Balance Sheet	
	2007	2006	2007	2006
Euro – €	0.105	0.123	0.102	0.103
United States Dollar – US\$	0.140	0.151	0.145	0.129
Pounds Sterling – £	0.071	0.084	0.071	0.069

(j) 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.

(k) 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. Investments in subsidiaries, associates, quoted investments and intangible assets 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.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2007

3. SEGMENTAL REPORTING

Primary reporting format – geographical segments

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

South Africa	herbal tea and coffee processing and marketing through our subsidiaries and associate.
United Kingdom	sold during the year – 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.

Segmental analysis of results	2007 R000		2006 R000	
	Revenue	Result	Revenue	Result
South Africa	32,376	(1,716)	31,830	2,352
Zimbabwe	–	–	–	41
United Kingdom and Jersey	11,160	1,290	12,779	293
Luxembourg and other	–	(2,570)	403	(4,241)
	<u>43,536</u>	<u>(2,996)</u>	<u>45,012</u>	<u>(1,555)</u>
Exchange gains/(losses)		505		(63)
Dividends receivable		393		68
Interest received		564		342
Interest paid		(370)		(359)
Loss before tax		<u>(1,904)</u>		<u>(1,567)</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 2007					
South Africa	26,070	(8,924)	17,146	2,981	255
United Kingdom and Jersey	134	(974)	(840)	23	61
Luxembourg	6,295	(3,098)	3,197	–	52
Unallocated *	11,008	(510)	10,498	–	–
Consolidated total	<u>43,507</u>	<u>(13,506)</u>	<u>30,001</u>	<u>3,004</u>	<u>368</u>

3. SEGMENTAL REPORTING (continued)

	Assets	Liabilities	Net assets/ (liabilities)	Capital Expenditure	Depreciation Charge
	R000	R000	R000	R000	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>

* 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.

4. OPERATING LOSS & EMPLOYEES

	2007 R000	2006 R000
Operating loss is stated after deducting		
Depreciation	368	417
Independent auditor's fees of the Company and its subsidiaries		
Audit related	76	113
Other	–	19
Staff costs		
Salaries and wages	3,771	3,175
Social security costs	13	25
Pension costs	22	20
and after crediting for inventories generated	3,108	4,846

The key management team of C.P. Jousse, O.H. Marshall and D.J. de Villiers received total remuneration of R1,333,000 in the year.

At the end of the year there were 12 managerial and 33 administration and production employees of the Group, including directors, excluding those of the associates (2006 – 11 managerial and 30 administration and production).

Related party transactions

Fees	–	671
Interest paid	38	–

Related party fees arose from the provision of consultancy and administration services to Group companies by European companies, and interest was paid on monies held on behalf of ZRC Limited. These companies, through board representation and/or shareholdings, are classified as related parties. There were no fees paid in the current year.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2007

5. EXCEPTIONAL ITEMS

	2007	2006
	R000	R000
Surplus on disposal of investments	946	5
(Deficit)/surplus on sale of tangible fixed assets	(5)	47
Costs of capital reduction	–	(586)
Costs of establishing an Employee Benefit Trust	–	(1,110)
Project costs	(56)	–
Provisions for impairment	(4,954)	(212)
Exceptional items	<u>(4,069)</u>	<u>(1,856)</u>

6. TAXATION

Capital tax – current year	46	86
Corporation tax – current year	255	195
Withholding tax	9	18
	<u>310</u>	<u>299</u>
Share of associated companies' tax	572	773
	<u>882</u>	<u>1,072</u>

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

Expected tax (credit)/charge at statutory rates	(674)	288
Withholding taxes	9	18
Capital taxes	46	86
Unrelieved losses	1,494	–
Permanent differences	(565)	(93)
Share of associated companies	572	773
	<u>882</u>	<u>1,072</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

	2007	2006
Based on the loss attributable to shareholders of the Company and the weighted average number of shares in issue during the year – 1,878,045 (2006 – 1,536,518)	<u>(159)c</u>	<u>(189)c</u>
Adjustments for:		
Exceptional items, less taxation	<u>(217)c</u>	<u>(120)c</u>
Headline profit/(loss) per share are based on the results for the year attributable to shareholders, excluding exceptional items, net of minority interests and tax.	<u>58c</u>	<u>(69)c</u>

8. INTANGIBLE ASSETS

	2007	2006
	R000	R000
Goodwill arising on consolidation		
Balance brought forward	1,501	–
Arising on (disposal)/acquisition	(19)	1,501
Balance carried forward	<u>1,482</u>	<u>1,501</u>

9. PROPERTY PLANT & EQUIPMENT

At cost or valuation

Brought forward at 1 st October/1 st September	4,579	2,063
Translation difference	(425)	518
Acquired	–	1,408
Additions	3,004	614
Disposals	(2,296)	(24)
Carried forward at 30 th September – at cost	<u>4,862</u>	<u>4,579</u>

Depreciation

Brought forward at 1 st October/1 st September	2,666	1,799
Translation difference	(345)	474
Charge for the year	368	417
Disposals	(2,093)	(24)
Carried forward at 30 th September	<u>596</u>	<u>2,666</u>
Net book value 30 th September	<u>4,266</u>	<u>1,913</u>

Rates of depreciation on the straight-line basis:

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

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2007

10. INVESTMENTS

	Listed Companies R000	Unlisted Associated Companies R000	Other Unlisted Companies R000	2007 Total R000	2006 Total R000
Brought forward at 1 st October					
Cost	6,181	3,003	272	9,456	12,574
Fair value adjustments	(2,255)	–	–	(2,255)	267
Share of accumulated profits	–	2,069	–	2,069	–
	3,926	5,072	272	9,270	12,841
Translation adjustment	(441)	144	(37)	(334)	1,026
	3,485	5,216	235	8,936	13,867
Additions	–	–	311	311	1,293
Reclassified/disposals	–	235	(235)	–	(4,612)
Fair value adjustment	294	–	–	294	(2,572)
Share of result for the year, net of tax	–	1,579	–	1,579	1,422
Dividends received	–	–	–	–	(135)
Translation	–	(22)	–	(22)	7
Carried forward at 30 th September	3,779	7,008	311	11,098	9,270
Market value of listed investments at 30 th September	3,779			3,779	3,926
Directors' valuation of unlisted investments at 30 th September		7,008	311	7,319	5,344
Analysis of net book value:					
Intertrading Limited				3,779	3,926
Grassroots Group (Pty.) Limited				6,571	5,026
Other				748	318
				11,098	9,270

The following investment is included in the above Group figures.

Group percentage
of equity held
2007 2006

Equity accounted:

Unlisted

Grassroots Group (Pty.) Limited	30.96%	30.96%
Incorporated and operating in South Africa		
Activity – Aromatic and medicinal plants		
Profit for the year to 30 th September 2007 R4,554,000 (2006 – R4,733,200)		
Reserves: 30 th September 2007 R26,518,000 (2006 – R17,980,400)		

11. INVENTORIES

	2007	2006
	R000	R000
Raw materials and consumables	4,033	2,865
Finished goods	4,862	2,922
	<u>8,895</u>	<u>5,787</u>

12. TRADE AND OTHER ACCOUNTS RECEIVABLE

Associated companies	1,453	1,540
Loan notes	–	4,847
Trade debtors	3,752	5,967
Other debtors	1,458	1,460
Taxation recoverable	15	5
	<u>6,678</u>	<u>13,819</u>
Prepayments and accrued income	92	698
	<u>6,770</u>	<u>14,517</u>

13. ACCOUNTS PAYABLE**Amounts falling due within one year:**

Associated companies	4,582	1,120
Bank overdrafts	188	557
Trade creditors	5,160	4,284
Other creditors	1,503	845
Taxation	242	115
Accruals	1,706	1,459
	<u>13,381</u>	<u>8,380</u>

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2007

14. SHARE CAPITAL

	2007 R000	2006 R000
Authorised:		
36,000,000 Shares of US\$1.50 – US\$54,000,000		
Issued and fully paid		
1,872,484 Shares of US\$1.50	21,819	52,411
– Translation adjustment	(2,448)	2,844
– Shares cancelled on capital reduction	–	(39,305)
– Shares issued in respect of share placing & employee benefit trust	–	5,869
676,647 Shares issued on exercise of options	7,000	–
2,549,131	26,371	21,819

On 27th September 2007, ZRC Limited exercised 676,647 of the 3,500,000 options over Conafex shares that it held. The options were exercised at a price of US\$1.8767 each, being the average price of Conafex shares on the Luxembourg Stock Exchange for the three business days preceding the exercise date. Shareholders approved the grant of options to ZRC at the Company's AGM held on 24th February 2006.

Warrants – there are 482,640 warrants in issue. Each warrant gives the holder the right to subscribe in cash for one share of US\$1.50 each in Conafex at a price of US\$2.41 on each date falling 28 days after the dispatch of the interim report and annual report of the Company for each of the years 2006 to 2009.

15. NOTES TO CASH FLOW STATEMENT

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

Loss before tax	(1,904)	(1,567)
Adjustments for items not involving cash flow		
Provisions	4,980	212
Share of associated companies results	(2,151)	(2,255)
Cost of EBT shares issued	–	924
Income from investments and loans	(957)	(451)
Interest paid	370	358
Depreciation	368	417
Profit on disposal of fixed assets	–	(5)
Inflow/(outflow) from operations before working capital changes	706	(2,367)
Net increase in working capital (refer to note 15(b))	(534)	(3,961)
Cash generated/(utilised) by operations	172	(6,328)

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

Increase in inventories	(3,108)	(1,797)
Decrease/(increase) in debtors	1,135	(4,861)
Increase in creditors	1,439	2,697
	(534)	(3,961)

15. NOTES TO CASH FLOW STATEMENT (continued)**(c) Analysis of funds**

	2006	Exchange Movement	Cash Flow Movement	2007
	R000	R000	R000	R000
Cash at bank and in hand	2,557	57	8,382	10,996
Bank overdrafts (note 13)	(557)	–	369	(188)
	<u>2,000</u>	<u>57</u>	<u>8,751</u>	<u>10,808</u>
United States dollars	1,198	(134)	3,494	4,558
Euros	644	245	(889)	–
South African rand	(497)	–	1,295	798
Pounds sterling	655	(54)	4,851	5,452
	<u>2,000</u>	<u>57</u>	<u>8,751</u>	<u>10,808</u>

16. 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 15(c).

17. GROUP COMMITMENTS

The Group had no material commitments under non-cancellable operating leases, or for authorised capital expenditure contracted (2006 – nil).

18. OPERATING LEASE COMMITMENTS

	2007	2006
	R000	R000
The Group had the following lease commitments:		
Future operating lease charges for premises and office equipment:		
Payable within one year		
Premises	<u>437</u>	<u>37</u>
Payable not later than five years		
Premises	<u>849</u>	<u>–</u>
Total commitments	<u>1,286</u>	<u>37</u>

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2007

19. 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.

20. 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

CONAFEX HOLDINGS SOCIETE ANONYME

INCOME STATEMENT

	Year ended 30 th September 2007 US\$000	Period ended 30 th September 2006 US\$000
INCOME		
Income from non-current assets	112	16
Income from current assets	92	27
Loss for the year	<u>168</u>	<u>640</u>
	<u>372</u>	<u>683</u>
EXPENSES		
Administration and other charges	362	662
Interest payable and similar charges	10	21
	<u>372</u>	<u>683</u>

BALANCE SHEET

At 30th September

	Notes	2007 US\$000	2006 US\$000
ASSETS			
Non-current assets			
Investments	(c)	596	543
Current assets			
Accounts receivable		2,291	2,108
Cash and bank balances		1,295	159
Loss for the year		<u>168</u>	<u>640</u>
		<u>4,350</u>	<u>3,450</u>
LIABILITIES			
Capital and Reserves			
Called up share capital	(d)	3,824	2,809
Share premium account	(e)	447	179
Legal reserve	(f)	91	91
Retained (losses)/earnings	(g)	(458)	139
Sub-total		<u>3,904</u>	<u>3,218</u>
Accounts payable falling due within one year	(h)	<u>446</u>	<u>232</u>
		<u>4,350</u>	<u>3,450</u>

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30th SEPTEMBER 2007

(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. The comparative amounts reflect the results for the thirteen months ended 30th September 2006.

(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 Income Statement.

(c) NON-CURRENT ASSETS – INVESTMENTS

	Subsidiaries See (j) below US\$000	Listed investment companies US\$000	Unlisted Investment US\$000	2007 Total US\$000	2006 Total US\$000
Cost brought forward	3	795	35	833	15,302
Impairment provision	–	–	–	–	*(14,319)
Fair value adjustments	–	(290)	–	(290)	41
	3	505	35	543	1,024
Addition at cost	–	–	45	45	–
Disposal	–	–	(35)	(35)	*(14,469)
Impairment provision	–	–	–	–	*14,319
Fair value adjustments (note (g))	–	43	–	43	(331)
Balance carried forward	3	548	45	596	543

* The Group investments in Zimbabwe were distributed in 2006 to shareholders by way of a dividend *in specie*.

(d) SHARE CAPITAL

	2007	2006
	US\$000	US\$000
Authorised:		
36,000,000 shares of US\$1.50	54,000	54,000
Issued and fully paid		
1,872,484 shares of US\$1.50	2,809	8,130
– shares cancelled on capital reduction	–	(6,097)
– shares issued in respect of share placing & employee benefit trust	–	776
676,647 shares issued on exercise of options	1,015	–
<u>2,549,131</u>	<u>3,824</u>	<u>2,809</u>

On 27th September 2007, ZRC Limited exercised 676,647 of the 3,500,000 options over Conafex shares that it held. The options were exercised at a price of US\$1.89667 each, being the average price of Conafex shares on the Luxembourg Stock Exchange for the three business days preceding the exercise date. Shareholders approved the grant of options to ZRC at the Company's AGM held on 24th February 2006.

Warrants – there are 482,640 warrants in issue. Each warrant gives the holder the right to subscribe in cash for one share of US\$1.50 each in Conafex at a price of US\$2.41 on each date falling 28 days after the dispatch of the interim report and annual report of the Company for each of the years 2006 to 2009.

(e) SHARE PREMIUM ACCOUNT

Balance brought forward	179	–
Premium arising on shares issued during the year	268	179
Balance carried forward	<u>447</u>	<u>179</u>

(f) LEGAL RESERVE

Balance brought forward and carried forward	<u>91</u>	<u>91</u>
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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.

(g) RETAINED EARNINGS

Balance brought forward	139	(3,491)
Loss of the preceding period	(640)	(2,475)
Transfer from special reserve	–	169
Transfer from share capital	–	5,906
Option reserve released	–	361
Fair value adjustment (note (c))	43	(331)
	<u>(458)</u>	<u>139</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2007

(h) ACCOUNTS PAYABLE

	2007	2006
	US\$000	US\$000
Amounts due to group companies	70	–
Other	376	232
	<u>446</u>	<u>232</u>

(i) 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.

(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 Jersey company is a 100% subsidiary of Conafex Africa Holdings Limited Coffee Roasters International Limited	Coffee roasting
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 Limited Cape Natural Tea Products (Pty) Limited – 52.37% interest – subsidiary company Global Coffee Exports Limited	Herbal tea processor Importer and distributor

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

Report of the Directors

FOR THE YEAR ENDED 30th SEPTEMBER 2007

The Directors submit their report and the audited financial statements for the year ended 30th September 2007.

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 R2,979,000 was recorded for the year, after exceptional items, tax and minority interests, compared to a loss of R2,907,000 for the previous period. Results for the year include the extraordinary items detailed below. The loss per share is 159 SA cents, compared to a loss of 189 SA cents per share in 2006. A detailed review of the Group operations is made in the Chairman's Review.

EXCEPTIONAL ITEMS

The exceptional item of R4,069,000 arises from an impairment provision against the investment and loan notes in Simply Cereal, following its poor performance during the year. In the previous period the exceptional item included the cost of the reduction in capital and an allotment of shares to a Conafex Employee Share Benefit Trust.

DIVIDEND

The directors are unable to recommend the payment of a dividend for the year ended 30th September 2007 as the Company does not have sufficient reserves.

DIRECTORS

In accordance with Article 10.7 of the Articles of Incorporation of Conafex, the Board of Directors recommends the new directors, whose details are set out below, for election as directors of Conafex by the Annual General Meeting for a further office period which shall expire at the next Annual General Meeting of Conafex to be held in 2009, unless being re-elected at the meeting. In accordance with Article 10.7 of the Articles of Incorporation of Conafex, the directors' recommendation of the new directors has been noted by a shareholder and has been accepted by the new directors pursuant to the Directors' Letter of Recommendation, which is set out on page 28.

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, with the exception of the Chairman, Mr. Burrell, and Mr. D.C. Marshall who have indicated that they wish to retire at the AGM.

1. Mr. C.P. Jousse, the Chief Executive of the Company, to be a director and Executive Chairman.
Chris 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.
2. Mr. L.H. Marshall, representing our largest shareholder, Marshall Monteagle Holdings S.A., to be a Director.
Lloyd Marshall (36) is a director of City Group P.L.C., Conafex's secretaries, and of Heartstone Investments Limited. He is responsible for banking and investment portfolio administration within the Monteagle Group and is a director of various subsidiary companies of that group in Europe, U.S.A. and South Africa.

Report of the Directors (continued)

FOR THE YEAR ENDED 30th SEPTEMBER 2007

3. Mr. O.H. Marshall, the Managing Director of our coffee roasting business, to be a Director.
Oliver Marshall (33) was educated in South Africa and is the managing director of Global Coffee and commercial director of the Conafex group. He has nine years experience in the coffee industry and is responsible for the growth of the Group's coffee manufacturing plant including the export and importation of all coffee related products.

	30 th September 2007		30 th September 2006	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
M.W. Burrell	–	–	–	–
C. Barrow	500,952	–	345,486	–
A.S. Haggie	91,189†	–	–	–
D.C. Marshall	–	44,232*	–	30,505*
C.A. Pearson	–	140,793*	–	97,099*

† These shares are owned by a trust of which Mr. Haggie is a beneficiary.

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

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

		2007	2006
		R000	R000
M.W. Burrell	Non-executive	36	66
C. Barrow	Non-executive	27	53
A.S. Haggie	Non-executive	–	–
D.C. Marshall †	Non-executive	36	53
W.H. Marshall	(Resigned 30th September 2006)	–	53
C.A. Pearson	Non-executive	27	53
Total		<u>126</u>	<u>225</u>

† Mr. D.C. Marshall ceded his fees of R36,000 for the year (2006 – R53,000) to an overseas company which supplies his services and in which none of the directors are beneficially interested.

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

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.	1,185,021	46.49
Barato Limited	500,952	19.65
Maitland Nominees Limited	333,334	13.08
Fortis Banque S.A. For Clearstream	148,487	5.82

ZRC Limited held 676,647 shares (26.54%) on 30th September 2007 on behalf of its shareholders. These shares were subsequently distributed by ZRC to its shareholders as a dividend *in specie* and, where applicable, these have been included in the figures shown above.

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 the Luxembourg Stock Exchange.

INDEPENDENT AUDITORS AND STATUTORY AUDITORS

Since the year end the Independent Auditors and Statutory Auditors, AGN Horsburgh & Co, changed their name to International Audit Services S.à R.L. and are willing to continue as the Independent Auditors and Statutory Auditors of the Company and a resolution will be proposed at the Annual General Meeting for their re-appointment as such.

SHARE CAPITAL

During the year, on 27th September 2007, ZRC Limited exercised 676,647 of the options over Conafex shares that were granted to it following shareholder approval at the Company's Annual General Meeting on 24th February 2006. Consequently 676,647 new shares of US\$1.50 each were issued to ZRC. Subsequent to the year end, on 26th November 2007, an EGM of ZRC's shareholders approved the distribution of these shares by means of a dividend *in specie* and that distribution was subsequently made.

SPECIAL BUSINESS

Authority to issue shares – 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 proposes to renew the general authority to issue shares for cash as and when suitable situations arise, subject to the limitations as set out in resolution 6 in the Notice of Meeting.

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

By Order of the Board,

CITY GROUP P.L.C.
Group Secretaries

28th February 2008

CONAFEX HOLDINGS

Société Anonyme
6, rue Adolphe Fischer
L-1520 Luxembourg
R.C.S. Luxembourg B 17789
(the “Company”)

DIRECTORS’ RECOMMENDATION

Pursuant to article 10.7 of the Articles of Incorporation of the Company (the “Articles”) we hereby recommend that the following persons be elected as Directors of the Company at the next Annual General Meeting of the Company in 2008 for an office period ending at the Annual General Meeting of the Company in 2009:

Mr. C.P. Jousse; Company Director; date of birth: 30th November 1948; place of birth: Bulawayo, Zimbabwe; address: 18 Dacres Avenue, Cape Town 7475, South Africa.

Mr. L.H. Marshall; Company Director; date of birth: 27th June 1971; place of birth: Durban, South Africa; address: 30 City Road, London, EC1Y 2AG.

Mr. O.H. Marshall; Company Director; date of birth: 14th November 1974; place of birth: Durban, South Africa; address: 18 Dacres Avenue, Cape Town 7475, South Africa

On behalf of the Board of Directors

A.S. Haggie

SHAREHOLDER’S DECLARATION

Pursuant to article 10.7 of the Articles of the Company the above recommendation is hereby noted by the undersigning Shareholder who is duly authorised to attend and vote at the Annual General Meeting in 2008.

Marshall Monteagle Holdings S.A.
Shareholder

DIRECTORS’ ACCEPTANCE

Pursuant to article 10.7 of the Articles of the Company we hereby accept the proposed appointments to the office of directors of the Company on the terms set out above.

C.P. Jousse

L.H. Marshall

O.H. Marshall

Corporate Governance, Internal Financial Control, Directors' Responsibilities and Going Concern

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 Limited.

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. Marshall and their report on internal financial control is set out below. The Remuneration Committee comprises Mr. Burrell and Mr. 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 FINANCIAL STATEMENTS

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.

GOING CONCERN

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.

Report of the Independent Auditors

TO THE SHAREHOLDERS OF CONAFEX HOLDINGS SOCIETE ANONYME

Report on the financial statements

Following our appointment at the Annual General Meeting of shareholders held on 30th March 2007, we have audited the accompanying consolidated financial statements of Conafex Holdings Société Anonyme which comprise the Consolidated Balance Sheet at 30th September 2007 and the Consolidated Income Statement, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement and a summary of significant policies and other explanatory notes.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Independent Auditors

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 as adopted by the Luxembourg Institut des Réviseurs d'Entreprises. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Independent Auditors, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Independent Auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the presentation.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Conafex Holdings Société Anonyme as at 30th September 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Report of the Directors, which is the responsibility of the Board of Directors, is consistent with the Consolidated Financial Statements.

International Audit Services S.à R.L.

Réviseurs d'Entreprises

15-17 avenue Gaston Diderich, L-1420 Luxembourg

K. Horsburgh

Partner

28th February 2008

Report of the Statutory Auditors

TO THE SHAREHOLDERS OF CONAFEX HOLDINGS SOCIETE ANONYME

Following our re-appointment at the Annual General Meeting of shareholders held on 30th March 2007 we have audited the Financial Statements of Conafex Holdings S.A. for the year ended 30th September 2007 as set out on pages 21 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 2007 and the results of its operations for the year then ended.

International Audit Services S.à R.L.
Réviseurs d'Entreprises
15-17 avenue Gaston Diderich, L-1420 Luxembourg

K. Horsburgh
Partner

28th February 2008

Notice of Annual General Meeting

CONAFEX HOLDINGS SOCIETE ANONYME

R.C. Luxembourg No. B 17789

NOTICE is hereby given that the twenty-sixth 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 28th March 2008 at 3.30 p.m. for the following purposes:

1. To receive and adopt the reports of the Directors, Independent Auditors and Statutory Auditors for the year ended 30th September 2007.
2. To receive and adopt the Balance Sheet of the Company at 30th September 2007 and the Income Statement for the year ended on that date.
3. To receive and adopt the Consolidated Balance Sheet of the Group at 30th September 2007 and the Consolidated Income Statement for the year ended on that date.
4. To grant discharge to the Directors, Independent Auditors and Statutory Auditors in respect of the execution of their mandates to 28th March 2008.
5. To receive and act on the statutory nomination of the Directors, Independent Auditors and Statutory Auditors for a new term of one year ending at the next AGM.

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.
7. To appoint Mr C.P. Jousse, Mr L.H. Marshall and Mr. O.H. Marshall as Directors of the Company.

By order of the Board,

CITY GROUP P.L.C.

Group Secretaries

28th February 2008

6 rue Adolphe Fischer,
Luxembourg.

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

