

COMMENT

In this report, commentary relates to historical cost data.

SALIENT FEATURES

- Turnover rises 288%.
- Volumes fall by 34%.
- Trading margins improve.
- Attributable income increases by 330%.

OVERVIEW

- The Company was unable to exploit reasonably strong demand for its products in the first quarter as a result of severe shortages of potable spirit and other essential imported raw materials.
- The effects of high and rising inflation resulted in a significant reduction in demand during the second quarter (particularly in December), when consumers diverted expenditure to essential goods and services.
- Sales volumes for the half year were 34% below those of the same period last year.
- In the circumstances, the Company has produced reasonable results. Net turnover grew by 288% to \$348 billion while margins were improved and overheads contained below average inflation levels for the period. Attributable income increased by 330% to \$117 billion while headline earnings per share rose to \$1 343.

LIQUIDITY AND CASH FLOW

- Reduced sales in the second quarter and on-going currency devaluations have had a negative impact on cash generation. The Company nevertheless remained cash positive.
- With inflation likely to move substantially higher, coupled with currency devaluation, the management of liquidity will become even more critical.
- Cash generated from operations amounted to \$152 billion. Of this \$123 billion was re-invested into working capital and \$14 billion into capital expenditure.

FUTURE PROSPECTS

- Disposable incomes will come under further pressure with the result that the next six months will be difficult.
- Despite these difficulties, the Company is in a sound position. It has strong brands, an excellent distribution network and a strong balance sheet.
- The Company will continue to invest in brand building and loyalty to position itself to benefit from any return to economic normality.

DIVIDEND

With inflation set to accelerate and with the continued uncertainties of demand patterns, the Board has deemed it prudent to preserve cash resources and pass the interim dividend.

BY ORDER OF THE BOARD

E A ENGLISH
SECRETARY
9th February 2006

DIRECTORATE

J S Mutizwa BSc (Hons) MBA (Chairman), *C Z Guyo BSc (Hons) MBA,
*MJ Hollingsworth B. Compt. CA (Z), *K G Jarvis BA DMS (Managing),
R H M Maunsell B. Bus. Sc., CA (SA), CA(Z), S V Rushwaya BSc (Soc),
V D Toros B.Eng (Mech), MBA, R G Whaits B.Sc (Eng), MBL

* Executive Directors

INCOME STATEMENTS

	INFLATION ADJUSTED			HISTORICAL		
	Unaudited 6 months ended 31st Dec 2005 \$m	Audited 12 months ended 30th June 2004 \$m	Audited 12 months ended 30th June 2005 \$m	Unaudited 6 months ended 31st Dec 2005 \$m	Audited 12 months ended 30th June 2004 \$m	Audited 12 months ended 30th June 2005 \$m
Net Turnover	542 655	709 570	1 341 685	347 674	89 537	214 952
Operating Results:						
Operating income (Note 2)	40 422	175 614	334 090	151 605	37 792	95 338
Finance income	27 142	15 898	48 041	16 657	2 122	9 222
Monetary loss	(76 647)	(34 669)	(114 975)			
(Loss)/Income before taxation	(9 083)	156 843	267 156	168 262	39 914	104 560
Taxation	21 605	(37 687)	(66 610)	(51 308)	(12 692)	(31 751)
Income attributable to shareholders	12 522	119 156	200 546	116 954	27 222	72 809
Weighted ordinary shares in issue (millions)	87	87	87	87	87	87
Earnings per share: (\$)						
Attributable earnings basis	144	1 370	2 305	1 344	313	837
Headline earnings basis	146	1 370	2 314	1 343	313	835
Cash equivalent earnings basis	(325)	1 138	2 076	1 332	325	866
Dividend per share : (\$)	-	344	735	-	50	150
Dividend cover	-	3.99	3.14	-	6.25	5.57

BALANCE SHEETS

	As at		As at		As at	
	31st Dec	30th June	31st Dec	30th June	31st Dec	30th June
ASSETS						
Non-Current Assets						
Property, plant, equipment and vehicles	393 633	392 136	409 331	29 982	7 528	15 814
Long term loans and investments	12 147	27 063	31 836	11 217	3 817	7 926
Deferred taxation asset	-	-	-	375	-	-
	405 810	419 199	441 167	41 574	11 345	23 740
Current Assets						
Inventories	246 196	204 469	248 727	158 135	22 999	50 400
Receivables	153 636	212 439	151 267	143 847	30 975	37 274
Cash and cash equivalents	32 016	149 828	78 250	32 016	21 846	20 054
	431 848	566 736	478 244	333 998	75 820	107 728
Total Assets	837 658	985 935	919 411	375 572	87 165	131 468
EQUITY AND LIABILITIES						
Capital and Reserves						
Shareholders' equity	521 010	608 380	630 643	197 016	47 483	88 711
Non-Current Liabilities						
Deferred taxation	138 092	109 261	125 448	-	563	901
Current Liabilities						
Payables	106 352	121 867	58 631	106 352	17 769	15 026
Taxation	72 204	146 427	104 690	72 204	21 350	26 830
	178 556	268 294	163 321	178 556	39 119	41 856
Total Liabilities	316 648	377 555	288 769	178 556	39 682	42 757
Total Equity and Liabilities	837 658	985 935	919 412	375 572	87 165	131 468
Ordinary shares in issue (Average) (millions)	87	87	87	87	87	87
Current ratio (:1)	2.42	2.11	2.93	1.87	1.94	2.57
Shareholders' equity per share (\$)	5 989	6 993	7 249	2 265	546	1 020
Middle market price (\$)	23 000	1 300	6 900	23 000	1 300	6 900

CASH FLOW STATEMENTS

	INFLATION ADJUSTED			HISTORICAL		
	Unaudited 6 months ended 31st Dec 2005 \$m	Audited 12 months ended 30th June 2004 \$m	Audited 12 months ended 30th June 2005 \$m	Unaudited 6 months ended 31st Dec 2005 \$m	Audited 12 months ended 30th June 2004 \$m	Audited 12 months ended 30th June 2005 \$m
Cash Flow						
Cash generated from trading after non-cash items	29 419	168 230	294 231	151 777	38 512	97 179
Changes in working capital	47 884	25 424	(20 887)	(122 982)	(13 674)	(50 117)
Cash generated from operating activities	77 303	193 654	273 344	28 795	24 838	47 062
Finance income	27 142	15 898	48 041	16 657	2 122	9 222
Income taxation paid	(86 445)	(40 087)	(123 817)	(7 211)	(867)	(14 108)
Cash inflow from operations	18 000	169 465	197 568	38 241	26 093	42 176
Dividend paid	(34 017)	(31 473)	(61 362)	(8 718)	(3 051)	(7 410)
Net cash flow from operations	(16 017)	137 992	136 206	29 523	23 042	34 766
Property, plant, equipment and vehicles (Note 3)	(19 076)	(35 725)	(100 749)	(14 339)	(4 532)	(13 939)
Movement in long term loans and investments	(11 210)	(11 488)	(16 263)	(3 291)	(2 390)	(6 499)
Net cash(outflows)/inflows from investment activities and operations	(46 303)	90 779	19 194	11 893	16 120	14 328
Financing Activities						
Decrease in short term borrowings	-	(57 241)	(57 238)	-	(5 550)	(5 550)
Decrease/(Increase) in cash and cash equivalents	46 234	(33 538)	38 044	(11 962)	(10 570)	(8 778)
Increase in share capital and share premium	69	-	-	69	-	-
Net financing required/(repaid)	46 303	(90 779)	(19 194)	(11 893)	(16 120)	(14 328)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						
Changes in share capital						
Share capital issued	69	-	-	69	-	-
Changes in non-distributable reserves						
Realised on disposal of land and buildings	-	-	-	-	-	(1)
Changes in distributable reserves						
Transfer from non-distributable reserves	-	-	-	-	-	1
Deferred tax arising on re-indexing	(88 207)	(34 175)	(63 413)	-	-	-
Net (losses)/gains not recognised in income statement	(88 138)	(34 175)	(63 413)	69	-	-
Income attributable to shareholders	12 522	119 156	200 546	116 954	27 222	72 809
Dividend	(34 017)	(31 473)	(61 362)	(8 718)	(3 051)	(7 410)
	(109 633)	53 508	75 771	108 305	24 171	65 399
Shareholders' equity at beginning of period	630 643	554 872	554 872	88 711	23 312	23 312
Shareholders' equity at end of period	521 010	608 380	630 643	197 016	47 483	88 711

NOTES

1 Accounting Policies:

Except as noted below, accounting policies applied are consistent with those used in the previous year.

In terms of the changes to IAS 16 "Property, Plant and Equipment", which became effective for the Company from 1 July 2005, residual values of property, plant and equipment are reassessed each year and, where the value exceeds the carrying amount of the asset, depreciation is no longer charged. Prior year figures have not been adjusted due to their immaterial values and the practical difficulties involved. As a result of this change in policy, the depreciation charge has been reduced by \$850 million in the historical financial statements. Historical earnings per share was increased by \$10 per share. There has been no change to the inflation adjusted financial statements.

The inflation adjusted financial statements have been drawn up using the historical restatement approach and are based on statutory records that are maintained under the historical cost convention. Appropriate adjustments to reflect changes in the purchasing power of the Zimbabwe Dollar have been made in accordance with International Accounting Standard 29, using the conversion factors derived from the Consumer Price Index (CPI) prepared by the Zimbabwe Central Statistical Office. The conversion factors used to restate the financial statements were as follows:

Date	Indices	Conversion factors
31 December 2005	48 205.6	1.000
30 June 2005	12 354.2	3.902
31 December 2004	7 028.7	6.858

	INFLATION ADJUSTED			HISTORICAL		
	Unaudited		Audited	Unaudited		Audited
	6 months ended 30th June	12 months ended 31st Dec	2005	6 months ended 30th June	12 months ended 31st Dec	2005
31st Dec	2005	2004	2005	2005	2004	2005
	\$m	\$m	\$m	\$m	\$m	\$m

2 Operating Income

This is stated after charging:

Depreciation	34 468	27 111	74 165	364	719	2 049
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3 Investment in Property, Plant, Equipment and Vehicles

Acquisitions of property, plant, equipment and vehicles

Realised on disposal	19 281	35 725	102 040	14 544	4 532	14 270
	(205)	-	(1 291)	(205)	-	(331)
	19 076	35 725	100 749	14 339	4 532	13 939

4 Commitments for Capital Expenditure

Contracted
Authorised by directors but not contracted

	44 577	1 179	-
	44 577	1 179	-

The capital expenditure is to be financed out of the Company's own resources and existing borrowing facilities.

5 Contingent Liabilities

The Company has no contingent liabilities.



African Distillers Limited

(Incorporated in Zimbabwe)



**DIRECTORS' STATEMENT IN
RESPECT OF UNAUDITED
RESULTS FOR THE SIX MONTHS
ENDED 31ST DECEMBER 2005**