AFRICA CELLULAR TOWERS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2000/027374/06)
JSE code: ATR ISIN: ZAE000088084
("ACTOWERS" or "the company" or "the Group")

AUDITED CONDENSED FINANCIAL RESULTS

FOR THE YEAR ENDED 28 FEBRUARY 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months February 2010 R'000	Audited 12 months February 2009 R'000
Revenue	227 390	505 408
Gross profit	2 951	99 631
Other income	7 537	1 645
Operating expenses	(74 674)	(71 717)
Trading (loss)/profit	(64 186)	29 559
(Loss)/profit on foreign exchange differences	(25 489)	35 315
Profit on sale of property, plant and equipment	174	145
Income from available for sale accounted investment	278	–
Impairment of investment (1)	(5 000)	–
Impairment of goodwill (1)	(6 194)	–
Operating (loss)/profit before interest, taxation, depreciation and amortisation	(100 417)	65 019
Depreciation and amortisation	(6 038)	(4 934)
(Loss)/profit before interest and taxation	(106 455)	60 085
Net interest received	13 123	12 612
(Loss)/profit before taxation	(93 332)	72 697
Taxation	1 069	(21 438)
(Loss)/earnings attributable to ordinary shareholders	(92 263)	51 259
Other comprehensive income		
(Loss)/earnings attributable to ordinary shareholders	(92 263)	51 259
Exchange differences arising on translation of foreign operations	(16 334)	(7 722)
Financial assets available for sale	(244)	114
Total comprehensive (loss)/income for the year	(108 841)	43 651
Reconciliation of headline earnings:		
(Loss)/earnings attributable to ordinary shareholders	(92 263)	51 259
Adjusted for:		
Profit on sale of property, plant and equipment	(174)	(145)
Profit on disposal of other financial instruments	(278)	–
Impairment of goodwill (1)	11 194	–
Headline (loss)/earnings attributable to ordinary shareholders	(81 521)	51 114
Weighted average shares in issue ('000)	356 055	261 889
Fully diluted weighted average shares in issue ('000) (2)	356 055	267 409
(Loss)/earnings per share (cents)	(25,9)	19,6
Headline (loss)/earnings per share (cents)	(22,9)	19,5
Fully diluted (loss)/earnings per share (cents)	(25,9)	19,2
Fully diluted headline (loss)/earnings per share (cents)	(22,9)	19,1

Notes:
(1) Impairment of goodwill of R11,2 million relating to JK Shelters (Pty) Ltd's net asset value in the holding company's financial statements.
(2) No dilution in the weighted average number of shares in issue as a result of the average value of the share options being higher than the average market price of the ordinary shares, resulting in no options being exercised during the year.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 12 months February 2010 R'000	Audited 12 months February 2009 R'000
ASSETS		
Non-current assets	73 667	87 753
Property, plant and equipment	50 692	48 035
Goodwill	22 032	33 227
Intangible assets	69	366
Deferred taxation	874	6 125
Current assets	264 544	400 675
Inventories	47 849	43 019
Other financial assets	166	1 572
Current tax receivable	4 218	–
Construction contracts and receivables	63 671	87 881
Trade and other receivables	88 141	158 338
Cash and cash equivalents	60 499	109 865
Total assets	338 211	488 428
EQUITY AND LIABILITIES		
Equity and reserves	276 999	384 321
Share capital	219 153	217 633
Reserves	(24 123)	(7 544)
Retained earnings	81 969	174 232
Non-current liabilities	24 286	26 204
Installment sale obligation	17 689	19 649
Mortgage bond	6 597	6 555
Current liabilities	36 926	77 903
Current taxation payable	2 761	15 481
Current portion of installment sale obligation	6 111	7 447
Trade and other payables	28 050	54 964
Current portion of mortgage bond	4	11
Total equity and liabilities	338 211	488 428
Shares in issue at year end ('000)	370 287	369 887
Net asset value per share (cents)	74,8	103,9
Net tangible asset value per share (cents)	68,8	94,8

CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

	Share capital and premium R'000	Foreign currency translation reserve R'000	Revaluation reserve R'000	Retained earnings R'000	Total equity R'000
Balance 1 March 2008	82 467	(67)	130	122 973	205 503
Changes in equity:					
Share capital issued	10	–	–	–	10
Share premium	133 238	–	–	–	133 238
Total comprehensive income for the year	–	(7 721)	114	51 259	43 651
Share-based payment reserve	1 918	–	–	–	1 918
Balance at 28 February 2009	217 633	(7 788)	244	174 232	384 321
Changes in equity:					
Share-based payment reserve	1 519	–	–	–	1 519
Total comprehensive income for the year	–	(16 334)	(244)	(92 263)	(108 841)
Balance at 28 February 2010	219 152	(24 122)	–	81 969	276 999

CONDENSED GROUP CASH FLOW STATEMENTS

	Audited 12 months February 2010 R'000	Audited 12 months February 2009 R'000
Cash flows utilised by operating activities	(35 422)	(13 298)
Cash flows utilised by investing activities	(3 245)	(3 904)
Cash flows utilised by financing activities	(10 699)	126 990
Change in cash and cash equivalents	(49 366)	109 788
Cash and cash equivalents at beginning of the year	109 865	77
Cash and cash equivalents at end of the year	60 499	109 865

SEGMENTAL REPORTING

	Audited 12 months February 2010 R'000	Audited 12 months February 2009 R'000
Gross revenue		
Cellular Towers	192 157	417 545
Power Lines	4 555	15 516
Equipment Shelters	13 635	74 464
Fibre Optics	17 043	–
Inter segment eliminations	–	(2 117)
	227 390	505 408
Trading (loss)/profit		
Cellular Towers	(47 245)	21 678
Power Lines	(3 653)	(2 609)
Equipment Shelters	(9 742)	10 490
Fibre Optics	(3 546)	–
	(64 186)	29 559
(Loss)/profit before interest and taxation		
Cellular Towers	(86 181)	45 482
Power Lines	(5 600)	(2 667)
Equipment Shelters	(11 127)	17 270
Fibre Optics	(3 547)	–
	(106 455)	60 085
Depreciation and impairment		
Cellular Towers	(4 627)	(4 630)
Power Lines	(975)	(58)
Equipment Shelters	(436)	(246)
Fibre Optics	–	–
	(6 038)	(4 934)

OVERVIEW

ACTOWERS experienced significant challenges and tough trading conditions during the year ended 28 February 2010. As a result, ACTOWERS' financial results for the year were well below the Board's expectations. The results were impacted mainly by both external and internal factors that, inter alia, included the ongoing global economic recession, the strength of the South African currency and losses incurred on certain installation contracts in Africa.

As a result of the global economic crisis, most international cellular operators held back on planned capital expansions and roll-outs, especially into Africa. Exacerbating this, the company also observed a significant shift in the cellular market to one where cellular operators are more inclined to share tower sites than build their own new tower sites. The roll-out of the anticipated Eskom projects was also postponed as a result of Eskom's financial position during this year, which in turn negatively impacted the company's Power Lines Division.

FINANCIAL RESULTS

At 28 February 2009, the South African currency peaked at around R10,00 to the US Dollar, compared to a strengthening of the Rand for most of the financial year to a range of between R7,30 and R7,60 to the US Dollar. As the majority of ACTOWERS' revenue is derived from export contracts that are US Dollar denominated, the strong South African currency resulted in significant losses on foreign exchange differences to the amount of R25,5 million. During the 2009 financial year, the weaker Rand sheltered ACTOWERS' revenue against the effect of the decrease in the steel price, but as a result of the strength of the Rand as well as the decrease in the steel price during 2010, the impact on Group revenue has been unusually adverse as can be seen in revenue decreasing by 55% from R505,4 million in 2009 to R227,4 million.

During the year under review, a number of cellular installation contracts as well as fibre optic contracts were completed at lower than expected profits, or losses in some cases. This led to the reversal of income accrued in prior periods and the writing off of work-in-progress and amounts outstanding. As a result, gross profit decreased by 97% to R2,9 million (2009: R99,6 million), resulting in the gross profit margin declining from 19,7% to 1,3% in the financial period. The decline in the gross profit margin is attributable mainly to the explanations given above and the same factors that influenced the drop in revenue. As a result of projects being cancelled or delayed, ACTOWERS also experienced greater competition in the market which increased pressure on operating margins. In order to safeguard the company against future losses on contracts, the company has formed a Risk Committee, Forex Committee as well as a Tender Committee to assess country risk, customer risk and ensure correct pricing of tenders.

ACTOWERS reported a trading loss of R64,2 million for the year ended 28 February 2010 compared to a trading profit of R29,6 million in the comparative financial year. Increased operating expenses were incurred to position and enable the company to secure future opportunities in the Cellular Towers, Power Lines and Fibre Optic Divisions. The Group has also improved its systems and controls and is now ISO9001 compliant.

The operating loss of R100,4 million (2009: Operating profit of R65,0 million) has substantially been impacted by the loss on foreign exchange differences totaling R25,5 million. Of the R25,5 million loss on foreign exchange differences, R11,0 million relates to unrealised losses. For the year ended 28 February 2009, a profit on foreign exchange differences of R35,3 million was recorded, which illustrates the severe impact of currency fluctuations on the results for the current financial period. The Group recently introduced a more comprehensive foreign exchange policy to reduce the risk of losses, because of foreign exchange fluctuations. In addition the Group expects the South African based revenue to increase as a proportion to exports.

Taking the Group's performance in consideration, management has taken various pro-active and corrective actions to reduce the risk to the Group. Organisational restructuring and a review of the business model in the various divisions were performed and are being implemented.

The company wrote–off bad debts to the value of R4,9 million during the year and increased the doubtful debt provision by R11,8 million.

Although the African debtors remain a challenge for the company, trade debtors declined from R150,9 million at 28 February 2009 to R79,5 million at 28 February 2010, a drop of 47%. The doubtful debt provision increased to R43 million at 28 February 2010. The company has therefore either written-off or provided for all of the long outstanding disputed debtors except for those where collection is considered realistic. The amount not provided for on the long outstanding disputed debtors reported on previously, amounts to R16,4 million.

As a result of the losses incurred by JK Shelters, goodwill derived from the acquisition of JK Shelters, was impaired by R11,2 million.

DIVISIONAL REVIEW

Cellular Towers Division

As explained above, the performance of the Cellular Towers Division was impacted by lower sales volumes, the stronger Rand, the weak steel price, the completion of loss-making installation contracts, and the withdrawal from certain risky installation contracts. As a result, revenue for this division decreased by 54% to R192,2 million (2009: R417,5 million) and the trading profit of R21,7 million for the comparable period changed to a loss position of R47,2 million. The strategy for this division is being reviewed to address changing market conditions.

Power Lines Division

The Power Lines Division reported revenue of R4,5 million (2009: R15,5 million), which translated into a trading loss of R3,7 million (2009: R 2,6 million). This division is yet to reach its full potential, and its results have been negatively impacted by delays in Eskom projects. The Power Lines Division has been mandated on smaller, but specialised power line installation projects, as well as building test towers for other customers. Important milestones have been achieved and in March 2010, this division was awarded its first full turnkey contract with Eskom.

Equipment Shelters Division

This division delivered disappointing results for the financial period with revenue decreasing by 82% to R13,6 million (2009: R74,5 million) and trading profit dropping from R10,5 million in 2009 to a trading loss of R9,7 million in the current financial period, mainly as a result of a decrease in demand caused by the economic slowdown which led to operators delaying projects. The strategy of this division is currently being reviewed. New product ranges are being introduced. Changes to management of this division have also been introduced and the board is confident that these changes will significantly enhance the prospects of this division.

Fibre Optics Division

The company has expanded its product offering to the fibre optic market by introducing services to install fibre optic links in South Africa and also in other sub-Saharan countries. For the financial period this division reported revenue of R17,0 million and an operating loss of R3,5 million. The loss was a result of, inter alia, a decision to withdraw from a project where severe country risk exists.

PROSPECTS

ACTOWERS is expecting tough economic trading conditions to prevail in the year ahead. Notwithstanding certain challenges such as the low steel price, strong Rand and a competitive environment, ACTOWERS is experiencing an increase in enquiries in both the cellular and power lines industries, Eskom's World Bank Loan is enabling Eskom to release certain projects previously put on hold and new product developments by the Group, the Group is doing its best to address internal issues and appointing qualified managers to ensure that losses are contained.

As mentioned in the 2010 interim results announcement, the environmental approvals for the galvanizing plant have been received, but in light of the current economic climate, all major capital expenditure has been placed on hold until market conditions improve.

DIVIDEND

In line with its policy, the Group will not pay a dividend for the 2010 year. It is ACTOWERS' long term intention to pay dividends and the existing policy will be reconsidered in light of market conditions and anticipated cash requirements for the Group.

BASIS OF PRESENTATION

Statement of compliance:

The audited condensed consolidated results for the year have been prepared in accordance with the framework concepts and the measurement requirements of International Financial Reporting Standards (“IFRS”), the disclosure requirements of IAS 34: Interim Financial Reporting, the AC500 standards as issued by the Accounting Practices Board and its successor, the JSE Listings Requirements and in the manner required by the Companies Act 61, 1973, as amended. The accounting policies and method of measurement and recognition applied in preparation of the audited consolidated annual financial statements are consistent with those applied in the Group's annual financial statements for the year ended 28 February 2009, which comply with IFRS.

Audit opinion

The auditors, SAB&T Inc., have issued an unmodified audit opinion on the Group's financial statements for the year ended 28 February 2010. The audit was conducted in accordance with International Standards on Auditing. A copy of their audit report is available for inspection at the company's registered office. These audited condensed annual financial statements have been derived from the Group audited annual financial statements and are consistent in all material respects.

On behalf of the board

CJJ KRÜGER
Chief Executive Officer

J DE VILLIERS
Financial Director

CORPORATE INFORMATION

Independent Non-Executive Directors : MM Patel, MM Potgieter

Non-executive Director: V Nkonyeni

Executive Directors: CJJ Krüger (Chairman and Chief Executive Officer); DM van Staden; J de Villiers (Financial Director)

Registration number: 2000/027374/06

Registered address: 10 Tennyson Drive, Tulisa Park, Johannesburg

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Transfer Secretaries: Computershare Investor Services (Pty) Limited

Designated Adviser: Vunani Corporate Finance

These results and an overview of ACTOWERS are available at www.africacellular.co.za.