

REVIEWED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed 6 months August 2010 R'000	Reviewed 6 months August 2009 R'000	Audited 12 months February 2010 R'000
Revenue	102 739	149 752	227 390
Gross (loss)/profit	(23 368)	19 152	2 951
Other income	3 697	984	7 537
Operating expenses	(50 908)	(30 879)	(74 674)
Trading loss	(70 579)	(10 743)	(64 186)
Loss on foreign exchange differences	(7 256)	(19 103)	(25 489)
Gain on disposal of fixed assets	–	19	174
Income from available for sale accounted investment	–	–	278
Impairment of investment	–	–	(5 000)
Impairment of goodwill ⁽¹⁾	(7 532)	(6 194)	(6 194)
Operating loss before interest, taxation, depreciation and amortisation	(85 367)	(36 021)	(100 417)
Depreciation and amortisation	(3 041)	(2 459)	(6 038)
Loss before interest and taxation	(88 408)	(38 480)	(106 455)
Net interest received/(paid)	2 111	(7 623)	13 123
Loss before taxation	(86 297)	(46 103)	(93 332)
Taxation	2 681	(2 151)	1 069
Loss attributable to ordinary shareholders	(83 616)	(48 254)	(92 263)
Other comprehensive income			
Loss attributable to ordinary shareholders	(83 616)	(48 254)	(92 263)
Exchange differences arising on translation of foreign operations	(1 917)	(16 561)	(16 334)
Available for sale financial assets	–	34	(244)
Other comprehensive loss for the year (net of tax)	(1 917)	(16 527)	(16 578)
Total comprehensive loss for the year	(85 533)	(64 781)	(108 841)
Reconciliation of headline earnings:			
Loss attributable to ordinary shareholders	(83 616)	(48 254)	(92 263)
Adjusted for:			
Profit on sale of property, plant and equipment	–	(19)	(174)
Profit on disposal of other financial instruments	–	–	(278)
Impairment of goodwill	7 532	6 194	11 194
Headline loss attributable to ordinary shareholders	(76 084)	(42 079)	(81 521)
Weighted average shares in issue on which earnings per share are based ('000)	356 055	356 055	356 055
Fully diluted weighted average shares in issue ('000)	356 055	357 950	356 055
Loss per share (cents)	(23,5)	(13,6)	(25,9)
Headline loss per share (cents)	(21,4)	(11,8)	(22,9)
Fully diluted loss per share (cents)	(23,5)	(13,5)	(25,9)
Fully diluted headline loss per share (cents)	(21,4)	(11,8)	(22,9)

Notes:

Impairment of goodwill of R7,5 million relating to JK Shelters (Pty) Limited to below the net asset value.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed August 2010 R'000	Reviewed August 2009 R'000	Audited February 2010 R'000
ASSETS			
Non-current assets	78 314	84 939	73 667
Property, plant and equipment	54 013	52 402	50 692
Goodwill	14 500	27 032	22 032
Intangible assets	86	214	69
Other financial assets	6 110	-	-
Deferred taxation	3 605	5 291	874
Current assets	171 040	336 596	264 544
Inventories	40 977	34 688	47 849
Other financial assets	166	1 019	166
Current tax receivable	6 161	-	4 218
Construction contracts and receivables	26 284	88 481	63 671
Trade and other receivables	56 326	123 175	88 141
Cash and cash equivalents	41 126	89 233	60 499
Total assets	249 354	421 535	338 211
EQUITY AND LIABILITIES			
Equity and reserves	191 902	320 221	276 999
Share capital	219 589	218 315	219 153
Reserves	(26 040)	(24 072)	(24 123)
Retained earnings	(1 647)	125 978	81 969
Non-current liabilities	22 534	29 306	24 286
Instalment sale obligation	15 941	23 385	17 689
Mortgage bond	6 593	5 921	6 597
Current liabilities	34 918	72 008	36 926
Current taxation payable	2 101	9 115	2 761
Current portion of instalment sale obligation	4 965	3 454	6 111
Trade and other payables	27 848	59 435	28 050
Current portion of mortgage bond	4	4	4
Total equity and liabilities	249 354	421 535	338 211
Shares in issue at period end ('000)	370 287	370 287	370 287
Net asset value per share (cents)	51,8	86,5	74,8
Net tangible asset value per share (cents)	47,9	79,1	68,8

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 2009	217 633	(7 788)	244	174 232	384 321
Changes in equity:					
Share capital issued	-	-	-	-	-
Share-based payment reserve	682	-	-	-	682
Total comprehensive loss for the year	-	(16 562)	34	(48 254)	(64 782)
Balance 31 August 2009	218 315	(24 350)	278	(125 978)	320 221
Balance 1 March 2010	219 152	(24 122)	-	81 969	276 999
Changes in equity:					
Share capital issued	-	-	-	-	-
Share-based payment reserve	437	-	-	-	437
Total comprehensive income for the year	-	(1 917)	-	(83 616)	(85 533)
Balance at 31 August 2010	219 589	(26 040)	-	(1 647)	191 902

CONDENSED GROUP CASH FLOW STATEMENTS

	Reviewed 6 months August 2010 R'000	Reviewed 6 months August 2009 R'000	Audited 12 months February 2010 R'000
Cash flows from operating activities	1 433	(12 184)	(35 422)
Cash flows from investing activities	(12 629)	(6 432)	(3 245)
Cash flows from financing activities	(8 177)	(2 016)	(10 699)
Change in cash and cash equivalents	(19 373)	(20 632)	(49 366)
Cash and cash equivalents at beginning of period	60 499	109 865	109 865
Cash and cash equivalents at end of period	41 126	89 233	60 499

Note:

Cash and cash equivalents at 31 August 2010 include cash balances of R62,1 million and a bank overdraft of R21,0 million

SEGMENTAL REPORTING

	Reviewed 6 months August 2010 R'000	Reviewed 6 months August 2009 R'000	Audited 12 months February 2010 R'000
Gross revenue			
Cellular Towers	65 364	129 480	192 157
Power Lines	24 471	6 523	4 555
Equipment Shelters	2 879	8 666	13 635
Fibre Optics	10 025	5 083	17 043
Inter segment eliminations	–	–	–
	102 739	149 752	227 390
Trading loss			
Cellular Towers	(49 371)	(3 319)	(47 245)
Power Lines	1 612	2 234	(3 653)
Equipment Shelters	(7 438)	(7 406)	(9 742)
Fibre Optics	(15 382)	(2 252)	(3 546)
	(70 579)	(10 743)	(64 186)
Loss before interest and taxation			
Cellular Towers	(64 727)	(21 984)	(86 181)
Power Lines	913	1 742	(5 600)
Equipment Shelters	(9 152)	(15 986)	(11 127)
Fibre Optics	(15 442)	(2 252)	(3 547)
	(88 408)	(38 480)	106 455
Depreciation and impairment			
Cellular Towers	(2 055)	(1 789)	(4 627)
Power Lines	(698)	(492)	(975)
Equipment Shelters	(228)	(6 372)	(436)
Fibre Optics	(60)	–	–
	(3 041)	(8 653)	(6 038)

OVERVIEW

The past six months ended 31 August 2010 ("interim period") was again an exceptionally difficult and challenging period for ACTOWERS. The major influences on our business, namely the health of the global and local economy, the performance of the Rand against the US Dollar, the lack of volumes through our factory and revenue-generating cellular tower installation projects as well as having to complete historic loss-making cellular tower and fibre optic contracts, impacted our results negatively during the reported interim period.

The demand for the supply of cellular tower infrastructure has declined and the cellular market is currently favouring low cost sites and even concluding site sharing contracts to counter the recessionary effect on this market. A positive factor is that the anticipated roll-out of Eskom projects has started to materialise, as seen in the more than satisfactory increase in revenue reported by the Power Lines Division.

ACTOWERS has been able to reduce its dependence on African-based revenue derived from exports as the Rand continues to remain strong against the US Dollar. The Rand closed at R7,34 to the US Dollar at 31 August 2010 (31 August 2009: Closing price of R7,79 to the US Dollar).

FINANCIAL RESULTS

Revenue decreased by 31,4% from R149,8 million in 2009 to R102,7 million, mainly as a result of fewer cellular tower and equipment shelter contracts, the strong Rand against the US Dollar and lower volume through-put in our factory.

Gross profit of R19,2 million for the interim period ended 31 August 2009 decreased to a gross loss position of R23,4 million for the current interim period. The gross loss can be attributed mainly to the following factors:

- The overall low revenue and factory through-put compared to the fixed factory cost structures in the Cellular Towers and Equipment Shelters Divisions;
- The high cost structures of having a presence in the various African countries compared to the low revenue generated from cellular installation contracts;
- The strength of the South African currency. Although foreign exchange losses are reported separately in the Statement of Comprehensive Income, the strong Rand also had an effect on the gross profit. The effect of the currency fluctuations between the date of quoting and the date of invoicing is reflected in the gross loss. Furthermore, a big component of the costs incurred for the cellular installations in Africa is incurred in Rand, while the majority of the income is in US Dollar;
- The Cellular Towers and Fibre Optics Divisions have also completed a number of loss-making contracts in South Africa and various African countries. The reason for loss-making contracts can be attributed to escalating costs, overruns on contracts and sign-off procedures with clients.

The trading loss of R70,6 million reported for the interim period is substantially lower than the trading loss of R10,7 million reported in the comparative 2009 period. Increased restructuring expenses were incurred. The operating loss of R85,4 million (31 August 2009: operating loss of R36,0 million) was impacted by a loss on foreign exchange differences totalling R7,3 million and an impairment of goodwill on the JK Shelters investment of R7,5 million. The investment of JK Shelters has been impaired to below its net asset value.

The net interest received position is R2,1 million compared to a net interest paid position of R7,6 million for the comparable interim period.

Trade Debtors decreased to R50,1 million at 31 August 2010 (31 August 2009: R114,7 million). Debtor days have decreased from 128 days at 28 February 2010 to 89 days at 31 August 2010, primarily as a result of lower revenue. A doubtful debt provision of R16,9 million was raised for the interim period.

The statement of financial position reflects a 30,4% decrease in the net tangible asset value from 68,8 cents as at 28 February 2010 to 47,9 cents. Total capital expenditure (capex) for the six months amounted to R6,2 million, the majority spend related to power line equipment. Future capex spend is dependent on new power lines projects being awarded. The Group may require funding to purchase new power line equipment, however, where possible, the Power Lines Division will factor in the cost of additional equipment in the tender amount. Should this not be viable, external funding will have to be sourced from our bankers.

Cash generated by operations, before working capital, was a negative R71,4 million, with a net positive movement in working capital of R72,8 million during the period. The net cash movement for the six months was an outflow of R19,4 million.

DIVISIONAL REVIEW

Cellular Towers Division

The Cellular Towers Division's performance was impacted by lower sales volumes, the strong Rand and the completion of loss-making projects in various African countries. As a result, revenue for this Division decreased by 49,5% to R65,4 million (2009: R129,5 million) and the trading loss position increased to R49,4 million. These results were also impacted by high overhead cost structures in countries with low revenue and overruns on certain installation projects. We are addressing all these issues by implementing stricter controls on project

management in Africa. Africa remains a challenging environment and opportunities are being assessed within the borders of South Africa and other stable countries in Africa. The steel price had less of an influence on this Division's results for the interim period due to the significantly lower volume through-put in the factory. The steel price closed at R6,460 per ton on 31 August 2010 (31 August 2009: R6,825 per ton), a decline of 5,4%. The below-cost steel imports from China and India continue to negatively impact the competitiveness of the steel construction industry. We are also assessing the business model of the Cellular Towers Division going forward.

Power Lines Division

The significant revenue growth of 275,2% reported by the Power Lines Division to R24,5 million from R6,5 million in the corresponding 2009 interim period, is a direct testimony that we have established ourselves in the power lines market. A trading profit of R1,6 million and a trading profit margin of 6,6% were reported. The lower profit margin is attributable to the lower than average margin on the Komati-Ash project and head office expenses allocated to this Division. Since February 2010, this Division was awarded the Komati-Ash, Camden-Sol-Zeus 400kV line, Watershed Mmbatho 88kV line and 400kV Medupi Line – Section H contracts, totalling approximately R112 million. Except for the Komati-Ash contract that has already been completed, the contract periods for these lines vary between six months and 12 months.

Equipment Shelters Division

This Division again delivered disappointing results for the interim period with revenue decreasing by 66,8% to R2,9 million (31 August 2009: R8,7 million). The trading loss was R7,4 million, the same as the prior interim period. The interim results mirrored the trends experienced by the Cellular Towers Division. The managerial changes and change in product offerings have not filtered through in this period's results.

Fibre Optics Division

Revenue increased by 97,2% to R10,0 million for the 2010 interim period off a low base in August 2009. Despite the increase in revenue, a trading loss amounting to R15,4 million was incurred as a result of higher than expected installation expenses. Although ACTOWERS identified the fibre optic market as a potential area of expansion, we found this market highly competitive due to low barriers to entry. We took a decision to close this Division on 26 August 2010 and are currently completing existing projects. Should the pricing structures and margins improve on fibre optic contracts, we will reassess the viability of re-entering the fibre optics market.

PROSPECTS

We do not foresee a marked improvement in trading conditions in the short to medium term for the Cellular Towers and Equipment Shelters Divisions. In light of the disappointing results, we have appointed a turnaround strategist to assist management in assessing new business strategies, existing business models and the viability of each of the Group's Divisions in order to return the Group to profitability.

Since May 2010, we have made significant changes to management, restructured each Division to improve business operations, implemented cost-cutting initiatives and improved risk assessment procedures. We are confident that we will see the benefits of these initiatives in the next 18 months.

We are excited about the prospects and growth of the Power Lines Division as we are seeing an increase in projects in the power lines industry. This Division is well structured and equipped to tender for up to 400kV power line projects.

ACTOWERS is facing a variety of challenges and all efforts are being made by management to find a strategy that will protect shareholder value.

BOARD CHANGES

On 1 June 2010, Nick van der Mescht was appointed as Operations Director of ACTOWERS. David van Staden, an existing Executive Director, was appointed Sales and Marketing Director of the Group.

Effective 1 October 2010, Jacques de Villiers, who previously fulfilled the role of Financial Director, was appointed as Chief Executive Officer ("CEO") of the Group. Chris Krüger retained his role as Executive Chairman of ACTOWERS.

A candidate for the position of Financial Director is currently being evaluated and will be announced in due course. Jacques will fulfil the role of CEO and Financial Director until the appointment of the new Financial Director is announced. To assist Jacques during this interim period, the Board has appointed the current Financial Manager, Redik du Toit, as the Interim Chief Financial Officer of the Group with effect from Friday, 1 October 2010.

BASIS OF PREPARATION OF THE REVIEWED INTERIM RESULTS

Statement of compliance

The reviewed interim results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") and the presentation and disclosure requirements of IAS 34, the JSE Limited Listings Requirements and the Companies Act 61 of 1973, as amended. The auditors have

followed the guidance provided in the International Standard on Review Engagements (ISRE) 2410 and Review Financial Statements of Interim Financial Information Performed.

Significant accounting policies

The same accounting policies, presentation and methods of computation, which are in terms of IFRS, have been followed in these reviewed interim results as were applied in the preparation of the Group's financial statements for the year ended 28 February 2010.

Basis of measurement

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value.

Review opinion

SAB&T has reviewed the financial results for the six months ended 31 August 2010 and their unqualified review opinion is available for inspection at the company's registered office.

DIVIDEND POLICY

In line with Group policy and having regard to the loss incurred, the Group will not pay a dividend for the interim period ended 31 August 2010. The dividend policy will be reviewed on a continuous basis.

STATEMENT ON GOING CONCERN

The reviewed financial results for the six months ended 31 August 2010 have been prepared on the going concern basis. The Group is busy with an aggressive restructuring process. The directors believe that the Group is technically solvent, but the Group will need additional funding to perform on current and future contracts. The directors will explore various options available to secure necessary funding to ensure that the Group has adequate resources in place.



C J J KRÜGER

Executive Chairman

17 November 2010



J DE VILLIERS

Chief Executive Officer

CORPORATE INFORMATION

Independent Non-Executive Director: MM Patel

Non-Executive Directors: V Nkonyeni and MM Potgieter

Executive Directors: CJJ Krüger (Chairman); J de Villiers (Chief Executive Officer), NWJ van der Mescht; DM van Staden

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Transfer Secretaries: Computershare Investor Services (Pty) Limited

Designated Adviser: Vunani Corporate Finance

These results and results presentation are available on the company's website www.africacellular.co.za.