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")

REVIEWED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed 6 months August 2009 R'000	Reviewed 6 months August 2008 R'000	Audited 12 months February 2009 R'000
Revenue	149 752	238 531	505 408
Gross profit	19 152	75 309	99 631
Other income	984	913	1 645
Operating expenses	(30 879)	(28 450)	(71 717)
Trading (loss)/profit	(10 743)	47 772	29 559
(Loss)/profit on foreign exchange differences	(19 103)	1 914	35 315
Gain on disposal of fixed assets	19	–	145
Impairment of goodwill[1]	(6 194)	–	–
Operating (loss)/profit before interest, taxation, depreciation and amortisation	(36 021)	49 686	65 019
Depreciation and amortisation	(2 459)	(2 241)	(4 934)
(Loss)/profit before interest and taxation	(38 480)	47 445	60 085
Net interest (paid)/received	(7 623)	7 708	12 612
(Loss)/profit before taxation	(46 103)	55 153	72 697
Taxation	(2 151)	(18 461)	(21 438)
(Loss)/earnings attributable to ordinary shareholders	(48 254)	36 692	51 259
OTHER COMPREHENSIVE INCOME			
Exchange differences arising on translation of foreign operations	(16 561)	21	(7 722)
Available for sale financial assets	34	27	114
Other comprehensive (loss)/income for the year (net of tax)	(16 527)	48	(7 608)
Total comprehensive (loss)/income for the year	(64 781)	36 740	43 651
Reconciliation of headline earnings:			
(Loss)/earnings attributable to ordinary shareholders	(48 254)	36 692	51 259
Adjusted for:			
Profit on sale of property, plant and equipment	(19)	–	(145)
Impairment of goodwill	6 194	–	–
Headline (loss)/earnings attributable to ordinary shareholders	(42 079)	36 693	51 114
Weighted average shares in issue on which earnings per share are based[2] ('000)	356 055	253 772	261 889
Fully diluted weighted average shares in issue ('000)	357 950	261 055	267 409
(Loss)/earnings per share (cents)	(13,6)	14,4	19,6
Headline (loss)/earnings per share (cents)	(11,8)	14,4	19,5
Fully diluted (loss)/earnings per share (cents)	(13,5)	14,1	19,2
Fully diluted headline (loss)/earnings per share (cents)	(11,8)	14,1	19,1

Notes:
(1) Impairment of goodwill of R6,2 million relating to JK Shelters (Pty) Limited to net asset value.
(2) The company placed 9 550 000 ordinary shares at 210 cents per share in August 2008 for cash with an international institution, and 92 733 300 ordinary shares at 125 cents per share with Tiso Telecom (Pty) Limited ("Tiso Telecom") on 16 February 2009.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed August 2009 R'000	Reviewed August 2008 R'000	Audited February 2009 R'000
ASSETS			
Non-current assets	84 939	72 272	87 753
Property, plant and equipment	52 402	35 713	48 035
Goodwill	27 032	33 227	33 227
Intangible assets	214	522	366
Other financial assets	–	1 093	–
Deferred taxation	5 291	1 717	6 125
Current assets	336 596	348 613	400 675
Inventories	34 688	67 682	43 019
Other financial assets	1 019	–	1 572
Construction contracts and receivables	88 481	52 096	87 881
Trade and other receivables	123 175	177 792	158 338
Cash and cash equivalents	89 233	51 043	109 865
Total assets	421 535	420 885	488 428
EQUITY AND LIABILITIES			
Equity and liabilities			
Equity and reserves	320 221	263 368	384 321
Share capital	218 315	103 591	217 633
Reserves	(24 072)	112	(7 544)
Retained earnings	125 978	159 665	174 232
Non-current liabilities	29 306	17 144	26 204
Installment sale obligation	23 385	11 504	19 649
Mortgage bond	5 921	5 640	6 555
Current liabilities	72 008	140 373	77 903
Loans from vendors	–	400	–
Current taxation payable	9 115	16 247	15 481
Current portion of installment sale obligation	3 454	3 741	7 447
Trade and other payables	59 435	119 094	54 964
Current portion of mortgage bond	4	891	–
Total equity and liabilities	421 535	420 885	488 428
Shares in issue at period end ('000)	370 287	276 722	369 887
Net asset value per share (cents)	86,5	100,0	103,9
Net tangible asset value per share (cents)	79,1	87,2	94,8

CONDENSED GROUP CASH FLOW STATEMENTS

	Reviewed 6 months August 2009 R'000	Reviewed 6 months August 2008 R'000	Audited 12 months February 2009 R'000
Cash flows from operating activities before working capital changes	45 569	34 058	(60 664)
Working capital movement	(57 753)	936	47 366
Cash flows from operating activities	(12 184)	34 994	(13 298)
Cash flows from investing activities	(6 432)	(2 623)	(3 904)
Cash flows from financing activities	(2 016)	18 595	126 990
Change in cash and cash equivalents	(20 632)	50 966	109 788
Cash and cash equivalents at beginning of period	109 865	77	77
Cash and cash equivalents at end of period	89 233	51 043	109 865

Note:
Cash and cash equivalents at 31 August 2009 include cash balances of R108,4 million (2008: R51,0 million) and a bank overdraft of R19,2 million (2008: R0,26 million).

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	6				6
Share premium	20 054				20 054
Share-based payment reserve	1 064				1 064
Revaluation of financial assets			27		27
Foreign currency translation		21			21
Profit for the year				36 692	36 692
Balance 31 August 2008	**103 591**	**(46)**	**157**	**159 665**	**263 367**
Balance 1 March 2009	**217 633**	**(7 788)**	**244**	**174 232**	**384 321**
Changes in equity:					
Share capital issued					
Share premium					
Share-based payment reserve	682				682
Revaluation of financial assets			34		34
Foreign currency translation		(16 562)			(16 562)
Profit for the year				(48 254)	(48 254)
Balance at 31 August 2009	**218 315**	**(24 350)**	**278**	**125 978**	**320 221**

SEGMENTAL REPORTING

	Reviewed 6 months August 2009 R'000	Reviewed 6 months August 2008 R'000	**Audited 12 months February 2009 R'000**
Gross revenue			
Cellular Towers	129 480	218 225	417 545
Power Lines	6 523	3 050	15 516
Equipment Shelters	8 666	37 667	74 464
Fibre Optics	5 083	–	–
Inter segment eliminations	–	(20 411)	(2 117)
	149 752	238 531	505 408
Trading (loss)/profit			
Cellular Towers	(3 319)	39 627	21 678
Power Lines	2 234	(1 511)	(2 609)
Equipment Shelters	(7 406)	9 656	10 490
Fibre Optics	(2 252)	–	–
	(10 743)	47 772	29 559
Profit before interest and taxation			
Cellular Towers	(21 984)	39 395	45 482
Power Lines	1 742	(1 545)	(2 667)
Equipment Shelters	(15 986)	9 595	17 270
Fibre Optics	(2 252)	–	–
	(38 480)	47 445	60 085
Depreciation and impairment			
Cellular Towers	(1 789)	(2 084)	(4 630)
Power Lines	(492)	(34)	(58)
Equipment Shelters	(6 372)	(123)	(246)
Fibre Optics	–	–	–
	(8 653)	(2 241)	(4 934)

OVERVIEW

This past six months, ended 31 August 2009 ("financial period"), have been the most challenging trading period in ACTOWERS' history. The results were impacted primarily by three major factors, namely the continued deterioration in the global and local economy, the strengthening of the Rand against the US Dollar and the continued decline in the steel price over the reported period.

Although the demand for the supply of cellular towers is still high in Africa, as evidenced by the growth in cellular users in the respective countries and international independent industry reports, cellular operators delayed issuing contracts for new projects due, inter alia, to the tightening of funding resources as a result of the global economic turmoil. ACTOWERS initially believed that the sectors in which the company operates would not be materially impacted by the global recession but unfortunately, this has not been the case and ACTOWERS experienced a decline in orders from cellular operators in Africa. The roll-out of the anticipated Eskom projects has also been postponed and this, in turn, impacted negatively on the company's Power Lines Division.

Approximately 98% of ACTOWERS' revenue is still derived from exports into Africa. The Rand at 28 February 2009 peaked at around R10,00 to the US Dollar. During the 2009 financial year, the weaker Rand sheltered ACTOWERS' revenue against the effect of the decrease in the steel price. However, the South African currency strengthened against the US Dollar during this period and dropped to around R7,25 to the US Dollar (a 27,5% movement) and at 31 August 2009 closed at around R7,80 to the US Dollar.

The steel price continued its decline and at 31 August 2009 steel traded at approximately R6 500 per ton (31 August 2008: R10 675 per ton). This represents a 39,1% decline in the steel price since 31 August 2008. As steel contributes approximately 60% to 70% of the total input costs of the lattice towers, the steel price is an important cost component for the Group.

These three factors contributed to the poor operational performance of the Group for the six months ended 31 August 2009.

FINANCIAL RESULTS

Revenue decreased by 37,2% from R238,5 million in 2008 to R149,8 million, mainly as a result of fewer cellular contracts, the stronger Rand against the US Dollar and the weaker steel price.

Gross profit decreased by 74,5% to R19,2 million (2008: R75,3 million), with gross profit margins declining from 31,6% to 12,8% in 2009. The decline in the gross profit margin can be attributed mainly to the increased competitive market and the weakening Rand against the US Dollar. As a result of projects being cancelled or delayed, ACTOWERS experienced greater competition in the market which put pressure on margins. Because suppliers of towers are experiencing pressure due to the amount of work available, supply terms (pricing and payment terms) have been dramatically adjusted by competitors which has put pressure on ACTOWERS' supply terms.

ACTOWERS reported a trading loss of R10,7 million for the six months ended 31 August 2009 compared to a trading profit of R47,8 million in the comparative 2008 period. Increased operating expenses were incurred to position and enable the company to secure opportunities in the Cellular Towers, Power Lines and Fibre Optic Divisions in future. The Group has also improved its systems and controls and is now ISO9001 compliant.

Following the trading loss, the operating loss of R36,0 million (2008: operating profit of R49,7 million) is substantially as a result of the loss on foreign exchange differences totalling R19,1 million mainly relating to the collection of debtors. Of the R19,1 million loss on foreign exchange differences, R16,1 million relates to unrealised losses. For the period ended 31 August 2008 and the year ended 28 February 2009, a respective profit on foreign exchange differences of R1,9 million and R35,3 million was recorded, which illustrates the severe impact of currency fluctuations on the results for the current financial period.

As a result of the losses incurred by JK Shelters, Goodwill that was derived from the acquisition of JK Shelters, was impaired by R6,2 million to the net asset value of JK Shelters.

Net finance charges changed from net interest received of R7,7 million to net interest paid of R7,6 million for the current financial period. The net interest paid position is as a result of the IFRS adjustments. The actual cash investment income amounted to R3,9 million and the actual cash interest payment amounted to R2,9 million. There is a R2,2 million tax charge for the six months ended 31 August 2009.

The long outstanding debtors remain a challenge and the company collected an additional R3,8 million of the long outstanding disputed debtors during the financial period. ACTOWERS has appointed an agent who has been tasked with managing the long outstanding disputed debtor position and positive results are expected. Trade debtors declined by 24% to R114,7 million at 31 August 2009 from R150,9 million at 28 February 2009. Debtor days have increased however from 109 days at the 2009 year end to 140 days at 31 August 2009, primarily as a result of lower revenue. The doubtful debt provision of R31,3 million raised at year end is regarded as sufficient and no further provisions have been made.

DIVISIONAL REVIEW

Cellular Towers Division

The Cellular Towers Division's performance was impacted by lower sales volumes, the stronger Rand and the weak steel price. As a result, revenue for this division decreased by 40,7% to R129,5 million (2008: R218,2 million) and trading profit decreased to a loss position of R3,3 million compared to a trading profit of R39,6 million for the comparable period.

Power Lines Division

The Power Lines Division reported revenue growth of 113,9% to R6,5 million from R3,1 million, which translates into a trading profit of R2,2 million for the financial period compared to a trading loss of R1,5 million in 2008. This division is yet to reach its full potential, however, its results have been negatively impacted as a result of the Eskom's project delays The Power Lines Division has been mandated on smaller, but specialised power line installation projects, as well as building test towers for other customers. The division has also undertaken sub-contractor projects to establish a credible track record in order to tender for large contracts going forward. Opportunities also exist to tender for contracts outside of South Africa.

Equipment Shelters Division

This division delivered extremely disappointing results for the financial period with revenue decreasing by 77,0% to R8,7 million (2008: R37,7 million) and trading profit dropping from R9,6 million in 2008 to a trading loss of R7,4 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 to determine the way forward.

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 R5,1 million and an operating loss of R2,3 million.

PROSPECTS

Tough economic trading conditions are expected to prevail in the year ahead and all indications are that the industries in which ACTOWERS operates will remain competitive in the near future which, in turn, will place ACTOWERS' results under pressure.

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.

ACTOWERS is well-placed to benefit from any improvement in both the telecommunications and power lines industries with its full turnkey offering of tower design, manufacture and installation solutions.

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 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 2009, except for the impact of the adoption of the Standards and Interpretations described below.

IAS 1 (revised 2007) *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

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

Reclassification of accounts
The following reclassification of accounts was made in the 2009 financial year, and the comparative results for the 2008 financial year have been restated accordingly. Both were made to improve disclosure.

- Following improved accounting and management reporting systems, certain operating expenses were reclassified from operating costs to cost of sales. The net effect of this reclassification was to reduce the reported gross profit for the six months ended 31 August 2008 from R88,2 million to R75,3 million, and the gross profit margin from 37,2% to 31,6%. Operating costs decreased from R41,9 million to R28,4 million; and
- Construction contracts were reclassified from inventory to construction contracts and receivables to improve disclosure. The net effect of this reclassification on the relevant items as at 31 August 2008 balance sheet is to reduce inventories from R119,7 million to R67,6 million, and to reflect construction contracts and receivables of R52,1 million.

Review opinion
SAB&T have reviewed the interim results for the six months ended 31 August 2009 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 2010 financial year. The dividend policy will be reviewed on a continuous basis.

STATEMENT ON GOING CONCERN
The reviewed interim results for the six months ended 31 August 2009 have been prepared on the going concern basis since the directors have every reason to believe that the Group has adequate resources in place to continue in operation for the foreseeable future.

WITHDRAWAL OF THE CAUTIONARY ANNOUNCEMENT
As a result of the release of these interim results for the six months ended 31 August 2009, the cautionary announcement set out in the SENS announcement, dated 13 October 2009, is hereby withdrawn.

CJJ Krüger
Managing Director

J de Villiers
Financial Director

11 November 2009

CORPORATE INFORMATION
Independent Non-executive Directors: MM Patel, MM Potgieter
Non-executive Director: V Nkonyeni
Executive Directors: CJJ Krüger (Chairman and Managing Director); DM van Staden; J de Villiers
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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.

Maxx Corporate Communications