

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”)

Overview

- Revenue up 54.8% to R505.4 million
- Headline earnings up 13.6% to R51.1 million
- Headline earnings per share up 10.4% to 19.52 cents
- Net tangible asset value per share up 46.8% to 94.82 cents
- Improvement of 35% in debtors days from 167 days to 109 days
- Successful placement of ordinary shares with TisoGroup
- Empowerment shareholding in ACTOWERS now at 25.1%

AUDITED CONDENSED FINANCIAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2009

Condensed Group Income Statements

	Audited 12 months February 2009 R'000	Audited 12 months February 2008 R'000
Revenue	505 408	326 572
Gross profit	99 631	88 198
Other income	37 105	14 868
Operating costs ⁽¹⁾	(71 717)	(36 585)
Earnings before interest, taxation, depreciation and amortisation (“EBITDA”)	65 019	66 481
Depreciation	(4 934)	(2 216)
Profit before interest and taxation	60 085	64 265
Net interest received	12 612	5 156
Profit before taxation	72 697	69 421
Taxation	(21 438)	(24 396)
Earnings attributable to ordinary shareholders	51 259	45 025
Reconciliation of headline earnings:		
Earnings attributable to ordinary shareholders	51 259	45 025
Adjusted for:		
Profit on sale of property, plant and equipment	(145)	(13)
Headline earnings attributable to ordinary shareholders	51 114	45 012
Weighted average shares in issue on which earnings per share are based ⁽²⁾ ('000)	261 889	254 658
Fully diluted weighted average shares in issue ('000)	267 409	260 195
Earnings per share (cents)	19.57	17.68
Headline earnings per share (cents)	19.52	17.68
Fully diluted earnings per share (cents)	19.17	17.30
Fully diluted headline earnings per share (cents)	19.11	17.30

Notes:

- (1) Operating costs include an additional provision against doubtful debts of R18.7 million (2008: R13.4 million) and a bad debt write-off of R10 million.
- (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 Group Balance Sheets

	Audited February 2009 R'000	Audited February 2008 R'000
ASSETS		
Non-current assets	87 753	62 876
Property, plant and equipment	48 035	27 877
Goodwill	33 227	33 227
Intangible assets	366	55
Deferred taxation	6 125	1 717
Current assets	400 675	222 608
Inventories	43 019	33 785
Other financial assets	1 572	1 023
Construction contracts and receivables	87 881	27 753
Trade and other receivables	158 338	154 786
Cash and cash equivalents	109 865	5 261
Total assets	488 428	285 484
EQUITY AND LIABILITIES		
Equity and liabilities		
Equity and reserves	384 321	205 503
Share capital	217 633	82 467
Reserves	(7 544)	63
Retained earnings	174 232	122 973
Non-current liabilities	26 204	12 082
Installment sale obligation	19 649	12 082
Mortgage bond	6 555	-
Current liabilities	77 903	67 899
Current taxation payable	15 481	19 702
Current portion of long-term liabilities	7 458	3 182
Trade and other payables	54 964	39 832
Bank overdraft	-	5 183
Total equity and liabilities	488 428	285 484
Shares in issue at period end ('000)	369 887	266 820
Net asset value per share (cents)	103.90	77.02
Net tangible asset value per share (cents)	94.82	64.57

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 2007	47 882	-	66	77 948	125 896
Changes in equity:					
Share capital issued	2 457				2 457
Share premium	32 128				32 128
Share-based payment reserve					
Revaluation of financial assets			64		64
Foreign currency translation		(67)			(67)
Profit for the year				45 025	45 025
Balance 29 February 2008	82 467	(67)	130	122 973	205 503
Changes in equity:					
Share capital issued	1 928				1 928
Share premium	133 238				133 238
Revaluation of financial assets			114		114
Foreign currency translation		(7 721)			(7 721)
Profit for the year				51 259	51 259
Balance at 28 February 2009	217 633	(7 788)	244	174 232	384 321

Condensed Group Cash Flow Statements

	Audited 12 months February 2009 R'000	Audited 12 months February 2008 R'000
Cash flows from operating activities	(15 901)	(40 055)
Cash flows from investing activities	(3 904)	(25 385)
Cash flows from financing activities	129 593	4 638
Change in cash and cash equivalents	109 788	(60 802)
Cash and cash equivalents at beginning of year	77	60 879
Cash and cash equivalents at end of year	109 865	77

Note:

Cash and cash equivalents at 28 February 2009 includes cash balances of R127.6 million (2008: R5.3 million) and a bank overdraft of R18.6 million (2008: R5.2 million)

Segmental Reporting

	Audited 12 months February 2009 R'000	Audited 12 months February 2008 R'000
Gross revenue		
Cellular towers	417 545	285 575
Power lines	15 516	
Equipment shelters	74 464	58 471
Inter segment eliminations	(2 117)	(17 474)
	505 408	326 572
Profit before interest and taxation		
Cellular towers	47 599	67 534
Power lines	(2 667)	
Equipment shelters	17 270	14 205
Inter segment eliminations	(2 117)	(17 474)
	60 085	64 265
Depreciation		
Cellular towers	(4 630)	(2 002)
Power lines	(58)	
Equipment shelters	(246)	(214)
	(4 934)	(2 216)

OVERVIEW

The major global event of the last year has been the deterioration of the world economy as a consequence of *inter alia*, the sub-prime crisis and credit crunch that emanated from the United States of America. Whilst ACTOWERS believe that the sectors in which the company operate in have been impacted less than many others, there have been spillover effects and the slowdown in capital expenditure in the telecommunications industry. The South African rand has also weakened considerably against the US Dollar and the Euro. Despite this economic downturn, the company increased its sales from R326.6 million for the 2008 financial year to R505.4 million in the 2009 financial year. The company has also been successful in entering the power lines business with its first project having been completed.

ACTOWERS successfully concluded its empowerment transaction with Tiso Telecom, a subsidiary of TisoGroup (Pty) Limited ("TisoGroup"), in February 2009, in terms of which Tiso Telecom acquired a 25.1% interest in ACTOWERS for a total consideration of R116 million. Vuyisa Nkonyeni, an executive director of TisoGroup, joined the board of ACTOWERS as a non-executive director and has already made a valuable contribution to the company.

The Power Lines division has been established and with the introduction of Tiso Telecom, can now tender for contracts as a lead, turn-key provider, complying with all the relevant requirements for parastatal contracts. This division has tendered for contracts for several hundred million rands, and has been short listed on substantial tenders. This division successfully completed its first construction contract as lead contractor in April 2009 and has already achieved revenue of R15.5 million in its first year of operation.

The company expanded its product offering to the Optic Fiber market by introducing services to install Optic Fiber links in South Africa and also in other Sub-Saharan countries. This division is expected to be a major income contributor for the 2010 financial year with a confirmed order book amounting to approximately R35 million.

On the downside, the price of steel (which contributes approximately 70% to 85% of the total input costs of the lattice towers), peaked in the third quarter of 2008 and has since then decreased significantly to current levels. The impact of this fluctuation in the steel price had a negative impact on the gross profit margin of the company, because it has not been able to pass the higher price of steel on hand to its customers in the latter part of the 2009 financial year, when the steel price declined

significantly. The steel price has stabilised since March 2009 and the fluctuations in the steel price are not as significant as that experienced in 2008. The impact on the contract values and gross profit margins of the company should therefore not be as significant as it has been in the 2009 financial year. The world-wide economic crisis also had an effect on payments from customers. The repatriation of foreign currency (US\$) from certain smaller African countries has proved to be a challenge.

The company reviewed its credit policies and procedures in the past year, focusing on tightening the terms and conditions of its manufacturing and supply contracts with regard to specifically the acceptance, performance and payment terms of the contracts. Some of the changes that were implemented include only shipping products on the receipt of acceptable Letters of Credit, more favorable payment terms staggered on various milestones and no new work for long outstanding and problem accounts. These changes resulted in improved working capital management with regard to new contracts and debtors, as can be seen from the improvement in debtors' days.

On old historic debt (the vast majority of which relate to only one customer), decisive steps were taken to improve the as yet unresolved issues. To this extent, the company collected R42.9 million of the long outstanding debtors during the 2009 financial year. Senior management has had a series of meetings with senior management of the customer in question, including meetings at their Head Office and the various relevant African countries. Management has decided to make substantial provisions and write-offs against this debtor, but is still vigorously working on resolving this matter as soon as possible, and are confident of collecting the long outstanding debt. If the actions taken by management do not have a positive outcome, management will commence legal action to resolve these matters.

FINANCIAL RESULTS

Revenue increased by 54.8% from R326.6 million in 2008 to R505.4 million for the 2009 financial year.

Gross profit increased to R99.6 million (2008: R88.2 million), with gross profit margins decreasing from 27.0% to 19.7% in 2009. The decrease in gross profit margins can mainly be attributed to a number of factors, the most important being:

- The decrease in the steel price – normally the company only acquires steel on confirmed orders. However, with the material increase in the steel price in the first half of the financial year, the company increased its stock pile of steel in an effort to reduce the impact of increasing steel price on contracts. The sudden decline in the steel price during the latter part of the financial year meant that the company was not able to pass the higher price of the stock on hand to its customers, and consequently its gross profit margin decreased. The company has reduced its stock pile of steel at the higher prices and gross profit margin should return to more acceptable levels in the forthcoming financial year;
- Letter of Credit – As a result of the company's policy not to ship towers without a Letter of Credit from the customer, a few substantial contracts were cancelled by certain customers after the company had already manufactured the towers. These towers had to be sold to other customers at lower prices as a consequence of the decrease in the steel price;
- African operations - the company incurred losses in some of the African installation operations in the latter part of the financial year due to mainly to, escalating costs in the African countries and delays experienced in the sign-off on projects by the customers as a result of political instabilities, in particular Chad at the beginning of the financial year and Madagascar at the end of the 2009 financial year. The profits derived from the African installation operations were consequently lower than anticipated; and
- Manufacturing expenses – Increased costs were incurred to establish capacity, know-how and the staff complement for the manufacturing and installation of power line components.

EBITDA decreased by 2.2% to R65.0 million (2008: R66.5 million) for the 2009 year end. EBITDA margins decreased to 12.86% (2008: 20.4%) mainly as a result of bad debt written-off to the amount of R10 million, and an increase in the provision for doubtful debts to R31.3 million (2008: R15.6 million).

Other income mainly relates to foreign exchange gains of R35.5 million (2008: R13.5 million) of which R21.0 million is unrealised foreign exchange profits at year end.

During the reporting period the group acquired three adjacent stands in the Midvaal Municipality area, close to the R59 highway, for a consideration of R7 million. These stands are being developed and earmarked to house the galvanizing plant as soon as the environmental approval process is completed. These stands will also be utilised as a packing and dispatching area for towers after they have been galvanized. Stringing equipment for the Power Line division was acquired during the year and this will ensure that ACTOWERS can now provide the full turn-key solution for manufacturing, construction and stringing of power lines.

Trade debtors have remained largely unchanged at R150.9 million at 28 February 2009 (2008: R149.3 million) included in trade and other receivables, but the debtors have reduced significantly from 167 days in 2008 to 109 days in 2009. This amount allows for a doubtful debt provision of R31.3 million (2008: R15.6 million).

Construction contracts were reclassified from inventory and disclosed separately to improve disclosure. Construction contracts increased to R87.8 million (2008: R27.8 million), as a result of large contracts entered into during the year nearing completion at year end. Subsequent to year end, material progress was made on the completion and sign-off of the construction contracts.

BASIS OF PREPARATION OF THE AUDITED RESULTS

Statement of compliance

The audited condensed financial statements comprise a consolidated balance sheet at 28 February 2009, a consolidated income statement, consolidated statement of changes in equity and summarised consolidated cash flow statement for the year ended 28 February 2009. The audited condensed financial statements 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 ("JSE") Listings Requirements and the Companies Act 61 of 1973, as amended.

The accounting policies applied for the year are consistent with those of the prior year.

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 2008 financial year from R121.6 million to R88.2 million, and the gross profit margin from 37.2% to 27.0%. Operating costs decreased from R72.2 million to R36.6 million; and.
- Construction contracts were reclassified from inventory and trade and other payables to improve disclosure. The net effect of this reclassification on the relevant items of the 2008 balance sheet is to reduce inventories from R75.4 million to R33.8 million, to reduce trade and other payables from R53.4 million to R39.8 million, and to reflect construction contracts and receivables of R27.8 million.

CHANGE OF AUDITORS

On 16 March 2009, the board appointed SAB&T Incorporated ("SAB&T") as the company's auditors to ensure compliance with the JSE Listings Requirements which require all listed companies to appoint auditors registered with the JSE.

AUDITED RESULTS

SAB&T Incorporated have audited the annual financial statements of the company for the year ended 28 February 2009 and their unqualified audit opinion is available for inspection at the company's registered office.

POST-BALANCE SHEET EVENTS

There have been no significant events between 28 February 2009 and the date of this report.

PROSPECTS

ACTOWERS experienced a decline in orders during the latter part of the 2009 financial year in both lattice towers and equipment shelters, as a result of the global economic turmoil, as well as the larger mobile operators consolidating and restructuring operations. The company has however since year end, seen an increase in enquiries, some of which have resulted in supply only profitable orders. Indications are that the global downturn has not affected the telecoms industry as much as was anticipated. ACTOWERS has taken proactive steps and is offering operators lower cost rapid deployment sites and has also designed new technology for saving operating costs per site, The new products have been well received by operators and this should have a positive effect on turnover. The company has a strong order book for the supply and installation of lattice towers to well into the second half of the current financial year, and have tendered on several large contracts on which it is reasonable certain of being successful. .

The expansion of the company's business into the installation of optic fiber links in South Africa and Sub-Saharan Africa has been well received since February 2009 and this expansion is expected to be a major contributor to group revenue and profits for the 2010 financial year.

Power Lines has established itself and has been successful in receiving a number of orders for the manufacturing and installation of electrical pylons, and has also tendered for various contracts as main contractor. Eskom has however delayed the roll-out of transmission line projects and is only expected to continue with its roll-out plan towards the end of 2009. There are however opportunities in neighbouring countries such as Namibia, Botswana and Zimbabwe for the construction and supply of transmission lines, and ACTOWERS has been invited to tender on these opportunities.

ACTOWERS is continuously considering various acquisition opportunities to expand its business into related industries.

DIVIDEND POLICY

In line with its policy, the group will not pay a dividend for the 2009 year. It is ACTOWERS' long term intention to pay dividends and the existing policy will be reconsidered as its rate of growth slows and in light of market conditions and anticipated cash requirements for the business.

STATEMENT ON GOING CONCERN

The condensed financial statements have been prepared on the going-concern basis since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

CHANGES TO THE BOARD OF DIRECTORS

On 19 February 2009 Vuyisa Nkonyeni was appointed by the board of directors of the company ("the board") as a non-executive director following the investment by Tiso Telecom in ACTOWERS. Vuyisa is the chairman of the Remuneration Committee of the board and a member of the Risk Committee.

Martin Potgieter was appointed by the board as an independent non-executive director on 3 March 2009. He is a member of the Remuneration Committee, the Audit Committee and the Risk Committee.

Mitesh Patel was appointed by the board on 9 September 2008 as an independent non-executive director, chairman of both the Audit Committee and Risk Committee and is a member of the Remuneration Committee.

Following these appointments, the board comprises three executive directors and three non-executive directors of which two are independent.

The company would like to welcome the new directors to the board and also thank them for the valuable contributions they have already made to the company since their respective appointments.

On behalf of the board

C J J Krüger
Managing Director
25 May 2009

J de Villiers
Financial Director

CORPORATE INFORMATION

Independent non-executive directors : M Patel, M Potgieter

Non-executive director: V Nkonyeni

Executive directors: C J J Krüger (Chairman and Managing Director); DM van Staden; J de Villiers

Registration number: 2000/027374/06

Registered address: 10 Tennyson Drive, Tulisa Park, Johannesburg

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Company secretary: Premium Corporate Consulting Services (Pty) Limited

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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.