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AME - African Media Entertainment - Reviewed Results For The 17 Month 23 Jun 2009

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African Media Entertainment Limited
(Incorporated in the Republic of South Africa)
(Registration number 1926/008797/06)
Share code: AME & ISIN: ZAE000055802
("AME" or "the group")

REVIEWED RESULTS
for the 17 month period ended 31 March 2009

CONSOLIDATED INCOME STATEMENTS

	% change	Pro Forma Unaudited 12 months to 31 March 2009 R`000	Pro Forma Unaudited 12 months to 31 March 2008 R`000
Revenue	(6)	150 894	160 920
Cost of sales		(46 418)	(53 289)
Gross profit		104 476	107 631
Operating expenses		(72 220)	(70 382)
Operating profit	(13)	32 256	37 249
Finance income		7 174	5 417
Finance cost		(438)	(448)
Loss from associate companies		(619)	(441)
Net profit before taxation	(8)	38 373	41 777
Taxation		(10 768)	(13 539)
SA normal taxation		(10 975)	(11 862)
Deferred tax		2 487	(267)
Secondary tax on companies		(2 280)	(1 410)
Profit for the period	(2)	27 605	28 238
Attributable to:			
Minority interest		3 978	4 120
Equity holders of the company	(2)	23 627	24 118
Earnings per share (cents)	(2)	276,7	282,4
Headline earnings per share (cents)	(2)	277,1	281,8
Diluted earnings per share (cents)	(3)	272,4	279,6
Diluted headline earnings per share (cents)	(2)	272,8	279,0
Weighted average number of shares in issue (000`s)		8 539	8 539
Diluted average number of shares in issue (000`s)		8 674	8 626
Headline earnings reconciliation			
Profit attributable to equity holders		23 627	24 118
Loss/(profit) on disposal of fixed assets		36	(51)
Profit on disposal of investments		-	(2)
Headline earnings		23 663	24 065

	Reviewed 17 months to 31 March 2009 R`000	Audited 12 months to 31 October 2007 R`000
Revenue	216 386	141 101
Cost of sales	(66 550)	(39 166)
Gross profit	149 836	101 935
Operating expenses	(100 542)	(63 260)
Operating profit	49 294	38 675
Finance income	9 678	4 656
Finance cost	(517)	(455)
Loss from associate companies	(1 900)	(325)
Net profit before taxation	56 555	42 551
Taxation	(15 901)	(13 664)
SA normal taxation	(16 355)	(11 634)
Deferred tax	2 734	(620)
Secondary tax on companies	(2 280)	(1 410)
Profit for the period	40 654	28 887
Attributable to:		
Minority interest	6 257	5 028
Equity holders of the company	34 397	23 859
Earnings per share (cents)	402,8	279,4
Headline earnings per share (cents)	403,2	278,8
Diluted earnings per share (cents)	396,6	276,6
Diluted headline earnings per share (cents)	397,0	276,0
Weighted average number of shares in issue (000`s)	8 539	8 539
Diluted average number of shares in issue (000`s)	8 674	8 626

Headline earnings reconciliation

Profit attributable to equity holders	34 397	23 859
Loss/(profit) on disposal of fixed assets	36	(51)
Profit on disposal of investments	-	(2)
Headline earnings	34 433	23 806

CONSOLIDATED BALANCE SHEETS

Reviewed Audited	31 March 2009 R`000	31 October 2007 R`000
Assets		
Non-current assets	53 793	41 308
Property, plant and equipment	15 457	6 184
Investment in associate	1 645	1 172
Goodwill	30 431	30 426
Deferred taxation	6 260	3 526
Current assets	84 813	84 135
Trade receivables	29 991	38 721
Other receivables	1 204	1 248
Cash and cash equivalents	53 618	44 166
Total assets	138 606	125 443
Equity and liabilities		
Total equity	86 546	68 705
Non-current liabilities	1 173	1 081
Operating lease accrual	923	675
Interest-bearing borrowings	250	406
Current liabilities	50 887	55 657
Trade payables	15 529	24 216
Other payables	13 987	10 927
Dividend payable	17 257	17 257
Operating lease accrual and interest-bearing borrowings	476	404
Taxation	3 638	2 853
Total equity and liabilities	138 606	125 443

STATEMENTS OF CHANGES IN EQUITY

R`000 R`000	Reviewed 31 March 2009	Audited 31 October 2007
Issued capital		
Balance at beginning of period	8 628	8 628
Consolidation of share trust	(89)	(89)
Balance at end of period	8 539	8 539
Share premium		
Balance at beginning of period	32 356	32 356
Consolidation of share trust	(447)	(447)
Balance at end of period	31 909	31 909
Retained profit		
Balance at beginning of period	22 662	16 060
Profit for the period	34 397	23 859
Dividend	(17 256)	(17 257)
Balance at end of period	39 803	22 662
Non-distributable reserve		
Balance at beginning of period	861	172
Share-based payment expense	747	689
Balance at end of period	1 608	861
Minorities		
Balance at beginning of period	4 734	4 207
Share of dividend	(5 902)	(4 303)
Change in shareholding	(402)	(198)
Share of profit	6 257	5 028
Balance at end of period	4 687	4 734
Total capital and reserves	86 546	68 705

CONSOLIDATED CASH FLOW STATEMENTS

2009 2007	Reviewed 31 March R`000	Audited 31 October R`000
Cash generated by operating activities	50 891	41 819
Net interest received	9 160	3 264
Taxation paid	(17 850)	(13 637)
Increase/(decrease) in working capital	2 469	(2 005)
Cash flows from operating activities	44 670	29 441
Dividends paid	(17 257)	-
Cash flows from investing activities	(12 738)	(4 821)
Cash flows from financing activities	(5 223)	(4 303)
Net increase in cash and cash equivalents	9 452	20 317
Cash and cash equivalents at beginning of period	44 166	23 849
Cash and cash equivalents at end of period	53 618	44 166

COMMENTARY

Basis of preparation

These reports have been prepared in accordance with the group`s accounting policies that comply with International Financial Reporting Standards and on a basis consistent with the policies and methods of computation as used in the Annual Financial Statements for the year ended 31 October 2007.

Change of year end and review by auditors

The financial year end of AME was changed to 31 March at the Annual General Meeting held on 7 May 2008. The results for the seventeen months to 31 March 2009 have been reviewed by our auditors, PKF Inc. and their unqualified report is available for inspection at the company`s registered address. Comparative 12 month figures for the year ended 31 March 2009 and the year ended 31 March 2008 are presented for information purposes only. These figures have not been audited and no opinion is expressed on these by the auditors.

Financial results

Due to the change in year end the periods reviewed and audited are not comparable. The growth in earnings of the radio stations during the first twelve months of the year was not sustained in the last five months. National advertising revenues declined during the last five months whilst local advertising revenues showed some growth. Revenue for the period was R216,4 million with a profit of R40,7 million.

The group generated R50,9 million in cash from its operating activities during the 17 month period of which R8,4 million has been invested in the acquisition of new office premises in Johannesburg and R3,6 million in equipment. After paying tax of R17,9 million and a dividend of R17,3 million, the group ended the year with cash resources of R53,6 million.

The profit attributable to ordinary shareholders amounted to R34,4 million (2007: R23,9 million) with earnings per share of 402,8 cents (2007: 279,4 cents). Headline earnings per share were 403,2 cents (2007: 278,8 cents).

The prior period`s comparatives for revenue, cost of sales, operating expenses and finance income have been restated due to the reclassification of certain revenue and expense items that had previously been netted off. The profit for the prior period remains unchanged.

Supplementary information for the 12 months to 31 March

The income statements for the 12 months ended 31 March 2009 and 31 March 2008 have been presented for information purposes. These income statements each contain one peak season and make comparison more meaningful.

Revenue declined by 6% year on year mainly on the National Sales as a result of the general decline in the economy impacting adversely on national advertisers.

Gross profit declined by 2,9% year on year due to additional costs being incurred in setting up a sales infrastructure for Radio Northwest, Capricorn Radio and M-Power Radio.

Net finance income grew to R7,2 million, increasing by R1,8 million over the prior year.

The loss from associates including M-Power FM, which went live in Mpumalanga during December 2007, is in line with expectations.

The profit attributable to ordinary shareholders amounted to R23,6 million (2008: R24,1 million) with earnings per share of 276,7 cents (2008: 282,4 cents). Headline earnings per share were 277,1 cents (2008: 281,1 cents).

Algoa FM

The decline in the economy impacted negatively on national advertising revenues. Local revenue increased marginally and profit after tax improved over the previous period. The automotive industry has long been and continues to be the most important advertising category in the footprint of Algoa FM. The sharp decline in vehicle sales and the resultant decline in adspend has had a negative impact on advertising demand.

Algoa FM`s latest Radio Audience Measurement Survey listenership figures reflect a year on year growth of 4,3% from 799 000 to 834 000.The All Media Product Survey (AMPS) pegs Algoa FM at 3% of the total radio universe, which makes it the 9th biggest commercial station in South Africa, by listenership.

The station joined forces with both GMSA and Primedia to promote anti-crime initiatives in its broadcast footprint. To-date, both i-Patrol and Crime Line have proved to be successful projects and are well supported by the station`s audience.

Major marketing events and branding opportunities over the reporting period included Algoa FM`s involvement in the Specsavers Ironman, MTN Splash Festival, Spar Ladies Race and the media sponsorship of the Chevrolet Warriors cricket franchise.

Algoa FM received its newly converted Sound Broadcasting Licence agreement from ICASA during this period.

OFM

Despite further growth in audience to 578 000 (past seven days), the economic climate negatively affected national advertising revenues which was partially offset by direct sales. However, with a tight focus on cost control, OFM improved its profit after tax compared to the previous period.

A new lineup was launched in February, with the addition of a number of new faces, including popular and controversial TV talk-show host Rian van Heerden. The re-imaging and new look playlist was generally welcomed.

Direct sales have remained strong and good growth in revenue was seen from the digital products team: WOMF now contributes around 3% of net revenue, and triple digit growth has been seen on all other digital channels. The team recently began web construction as a venture. The collapse of the motor car sales industry negatively affected OFM Wheels. Playon.co.za continues to receive plaudits from users and advertisers and Redstar Talent has attracted and retained a number of well-known performers, and now needs to expand its offering into event management and sports management to take advantage of the established brand.

The OFM brand continued to receive good national (and international) exposure with its media sponsorship of the Cheetahs, Griquas (Vodacom Cup Champions 09), Leopards (promoted to Currie Cup Premier Division) and the Griffons (Currie Cup 1st Div Champions 08). The Eagles played in two finals, and were second on the Supersport log.

OFM also received its newly converted Sound Broadcasting Licence agreement from ICASA during this period.

United Stations

Specialist media sales house United Stations incurred a loss for the 17 month period to 31 March 2009 mainly as a result of the significant investments in taking new radio stations on board. This, combined with the general decline in advertising spending which started to contract mid-year 2008 overshadowed some noteworthy successes. United Stations achieved several major goals that have positioned the company well to tackle what promises to continue to be difficult trading conditions for the remainder of 2009.

The major investment in manpower and infrastructure is now complete and there are signs across all the advertising platforms that the operating environment is slowly improving. These improvements along with the consistent ability to outperform both the industry and the portfolio of markets, as well as exciting opportunities to monetise the station`s online presence point to more profitable months ahead.

RadioHeads
RadioHeads is a team of radio specialists offering radio skills specifically in the provision of Branded Content, Station Imaging, Creative and Campaign management and Direct Response Radio solutions. The company continues to improve its business and once again reflected a profit.
RadioHeads' focus is to maximise the efficacy of radio for the benefit of advertisers and during this time of economic downturn the company has much to offer in creating radio advertising solutions on an incredibly efficient marketing medium.
RadioHeads is extremely well positioned at present and looks forward to a strong rebound in the run up to 2010 and the inevitable recovery of the economy.
Dividends
A dividend of R2 per share (2007: R2) was declared in respect of the period under review and was paid to shareholders registered on 9 April 2009. Cash resources are retained to fund organic growth opportunities that may arise from new primary radio licences.
Prospects
Given the prevailing weak economic environment and low business confidence, the Board is of the view that the trading environment over the next twelve months remains challenging.
By order of the Board
ACG Molusi Chairman
23 June 2009
Johannesburg
African Media Entertainment Limited
(Incorporated in the Republic of South Africa)
(Registration number1926/008797/06)
Share code: AME   ISIN: ZAE000055802
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Directors
ACG Molusi (Chairman)*, Z Lacob*, MJ Prinsloo*
N Sooka*, W Tshuma*   *Independent non-executive
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