**LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED**
**("the Group", "Liquid" or "Liquid Intelligent Technologies")**
**FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MAY 2022**

## A stable Q1 excluding the impact of FX movements

26 July 2022

Leading pan-African technology solutions group Liquid Intelligent Technologies, a business of Cassava Technologies, today announces its financial results for the first quarter ended 31 May 2022.

**Strategic highlights:**

- Further expansion of network coverage in DR Congo by bringing fibre optic services to additional key towns and cities along the Goma to Kinshasa route
- Continued growth of our Cloud and Cyber Security segment driven by adoption of new digital services by both our SME and large enterprise customers
- New Software Defined Network launched to provide fast, reliable, scalable and on-demand connectivity across Africa

**Financial highlights:**

- Cash generated from operations more than doubled year-on-year to USD 39.1 million (Q1 FY 2021-22: USD 19.4 million) due to improved working capital management
- Stable first quarter year-on-year with revenue of USD 143.0 million (Q1 FY 2021-22: USD 162.0 million) with the decline attributable entirely to a rapid depreciation of the local currency in Zimbabwe as well as other adverse FX movements
- Adjusted EBITDA[1] of USD 46.3 million (Q1 FY 2021-22: USD 59.1 million) impacted by the exchange rate impacts and one-off costs from loadshedding and floods in South Africa
- Net debt[2] at the end of the period was USD 833.9 million, giving a net debt to adjusted EBITDA[1,2,3] ratio of 2.91x against the - now lower - 4.0x covenant threshold

| Group financials | For the three-month period ended: | | |
|---|---|---|---|
| | 31 May 2022 (USDm) | 31 May 2021 (USDm) | YoY (%) |
| Revenue | 143.0 | 162.0 | (11.7) |
| Adjusted EBITDA | 46.3 | 59.1 | (21.7) |
| Cash generated from operations | 39.1 | 19.4 | 101.5 |
| Net Debt | 833.9 | 775.2 | 7.6 |
| Net Debt / adjusted EBITDA (x) | 2.91 | 3.26 | n/a |

[1] Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, impairment and amortisation, and is also presented having adjusted for the following items: restructuring costs, acquisition and other investment costs, net foreign exchange (loss)/gain, hyperinflation monetary gain and share of profit from associate.
[2] Net debt is defined as gross debt less unrestricted cash and cash equivalents.
[3] Adjusted EBITDA for the last twelve months.

**Group Chief Executive Officer, Nic Rudnick, commented:**
"It has been a steady first quarter which has, as we highlighted at the full year results, been impacted by currency headwinds in Zimbabwe. Excluding this and the impact of adverse exchange rates in South Africa, revenue and adjusted EBITDA were broadly flat year-on-year. It was particularly pleasing to see a material improvement in cash generation during the period.

Operationally, we have begun to connect new towns and cities in DRC as well as key residential areas in and around Kinshasa. We have continued to consolidate our branding with the launch of Liquid Home, our FTTH business in several countries. I am especially excited by the increased demand for our cloud and cyber security services validating our expansion into this new low capex segment."

**Group Chairman, Strive Masiyiwa, added:**
"In a period in which there has been increased levels of global volatility and a weakening of exchange rates across the continent the underlying Liquid business continued to perform well and delivered a relatively solid start to the year.

On behalf of the Board, I would like to take this opportunity to thank Kate for her long service and commitment. She has played a major role in strengthening the finance function as well as driving strategic change as part of major investment and capital raising projects. We wish her every success in her future endeavours.

Lorraine Harper, who has worked closely with Kate over the last three years as Group Financial Controller will become Interim CFO."

**Organisational changes**
To enhance execution and drive value, Liquid will move to operate through three business segments each headed by a business segment leader. The three business segments are Liquid Networks, Liquid Cloud & Cybersecurity and Liquid Dataport.

Nic Rudnick will transition to a new position as Deputy Chairman of Liquid with responsibility for corporate development and strategic partnerships that are designed to deliver growth for our stakeholders.

Hardy Pemhiwa, in his position as Cassava Technologies President & CEO, will assume overall responsibility as CEO for Liquid.

After three years as Liquid CFO, Kate Hennessy has informed the Board of her decision to step down and will leave the company at the end of September. Lorraine Harper, Group Financial Controller, will become the Interim Chief Financial Officer. Lorraine has been with Liquid for more than three years and has worked closely with Kate on all major finance and accounting initiatives within the business.

There will be an investor call at 14:15 BST today, further details can be found on our website.

**For further information please contact:**
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**About Liquid Intelligent Technologies**
Liquid Intelligent Technologies is a business of Cassava Technologies, a pan-African technology group present in more than 20 countries, mainly in sub-Saharan Africa. Liquid has firmly established itself as the leading provider of pan-African digital infrastructure with an extensive fibre broadband network covering more than 100,000 kms. Liquid Intelligent Technologies is also leveraging its digital network to provide Cloud and Cyber Security solutions through strategic partnerships with leading global players. Liquid Intelligent Technologies is a comprehensive technology solutions group that provides customised digital solutions to public and private sector enterprises and SMEs across the continent. https://www.liquid.tech/

**OPERATIONAL AND FINANCIAL REVIEW**

Liquid Intelligent Technologies is a technology and digital solutions provider across more than 20 countries primarily in Eastern, Southern and South Africa that serves carrier, enterprise and retail customers with high-speed, reliable connectivity and digital services. We have built Africa's largest independent fibre network of more than 100,000 kms.

**Key performance indicators (KPIs)**

The following table sets out the Group's key performance indicators:

| Key performance indicators | Q1 2021-22 | Q2 2021-22 | Q3 2021-22 | Q4 2021-22 | FY 2021-22 | Q1 2022-23 |
|---|---|---|---|---|---|---|
| Total fibre network (Kms) [1] | 100,017 | 100,402 | 100,629 | 101,724 | 101,724 | 102,559 |
| Average churn rate (%) [2] | 0.79% | 0.68% | 0.83% | 0.45% | 0.69% | 0.66% |
| Monthly recurring revenue (%) [3] | 93.0% | 88.8% | 95.0% | 85.0% | 90.0% | 89.6% |
| Total capacity on subsea assets (Gbps) [4] | 621 | 621 | 621 | 621 | 621 | 821 |

[1] Total fibre network in kilometres (incl. backbone, metro and FTTX) through which fibre is installed. Multiple kilometres of fibre cables or ducts within the same trench/overhead line are counted individually. Includes both owned and leased capacity through partnerships.
[2] Average churn rate represents the monthly recurring revenue that was lost during the month following a price reduction or termination of service due to disconnections, downgrades, price reduction and non–renewals, divided by the total revenue for the month.
[3] Monthly recurring revenue is the total of all recurring revenue usage in the period normalised into a monthly amount and expressed as a percentage of total revenue in the same period.
[4] Capacity, in gigabit per second, purchased by, activated by, or reserved for, Liquid Intelligent Technologies on subsea cables (incl. IRUs).

Our fibre network footprint reached 102,559 kilometres at the end of the first quarter, with the additional 835 kilometres of build largely focused on our key East to West route in the DRC.

As we continue to focus our attention on customer satisfaction and providing competitive propositions, churn remained low at 0.66% and declined year-on-year (Q1 FY 2021-22: 0.79%).

MRR remained broadly stable at 89.6%.

Subsea capacity increased by 200 Gbps to 821 Gbps largely reflecting increased capacity on the EASSy subsea cable.

**Segments**

**Network**

These revenue streams are at the core of the company and this segment includes revenue from all our owned and leased fibre infrastructure, including the long-haul Cape to Cairo, East to West and South Africa NLD (National Long Distance) routes.

**Digital Solutions**

Encompasses our Cloud and Cybersecurity products, as this segment grows it will include other complementary digital products.

**Data Technologies**

This segment includes revenue from agreements with subsea cable providers, hosting of landing stations and providing the gateway to large, global network provision agreements as well as network roaming and managed services revenue. In time this segment will expand to include other innovative technologies in Africa.

**Voice**

This segment is primarily revenue from international voice interconnects between mobile network operators and international telecom carriers.

**Revenue**

| Revenue per segment | For the three-month period ended: 31 May 2022 (USDm) | 31 May 2021 (USDm) | YoY (%) |
|---|---|---|---|
| Network | 92.1 | 108.0 | (14.7) |
| Digital Solutions | 16.1 | 15.2 | 5.9 |
| Data Technologies | 16.5 | 16.4 | 0.6 |
| Voice | 18.3 | 22.4 | (18.3) |
| **Total Revenue** | **143.0** | **162.0** | **(11.7)** |

Total revenue for the quarter was USD 143.0 million (Q1 FY 2021-22: USD 162.0 million) impacted by a weaker exchange rate in Zimbabwe which fell from ZWL$:USD 124.0:1 at the year end to 308.5:1 at 31 May. Strong performances in Rest of Africa helped to mitigate further exchange rate challenges in South Africa where the average ZAR:USD exchange rate for Q1 moved from 14.47 to 15.39 to give a broadly flat year-on-year revenue profile.

**Network**

Network revenue in Q1 at USD 92.1 million was down 14.7% on the same quarter of the prior year, (Q1 FY 2021-22: USD 108.0 million), however excluding Zimbabwe, it increased by 5.4%. Zambia saw an increase in FTTH and enterprise customers, a major contributor to the 11% increase in Rest of Africa Network revenue. The Zimbabwe reduction is due to both the weaker exchange rate and a lag in price rises which would typically help compensate currency devaluation.

**Digital Solutions**

Digital Solutions continues to grow steadily, up 5.9% on Q1 last year, to USD 16.1 million (Q1 FY 2021-22: USD 15.2 million), with customers ranging from government bodies to corporate enterprises and sales particularly strong in Rest of Africa and Rest of World. We are also expanding our network of re-sellers, allowing us to reach more end users.

**Data Technologies**

Data Technologies revenue in the first quarter was stable year-on-year at USD 16.5 million (Q1 FY 2021-22: USD 16.4 million) with consistent revenue streams from roaming and subsea services.

**Voice**

Voice revenue continues to follow the global trend away from traditional voice traffic resulting in revenue for Q1 dropping 18.3% to USD 18.3 million (Q1 FY 2021-22: USD 22.4 million). The focus on higher margin destinations has however led to a 250 basis points increase in the margin year-on-year.

## Gross Profit

| Gross Profit | For the three-month period ended: | | |
|---|---|---|---|
| | 31 May 2022 (USDm) | 31 May 2021 (USDm) | YoY (% / pp) |
| Revenue | 143.0 | 162.0 | (11.7) |
| Costs per quarterly financial statements | (41.7) | (43.1) | 3.2 |
| **Gross Profit** | **101.3** | **118.9** | **(14.8)** |
| Gross Profit Margin (%) | 70.8% | 73.4% | -2.6pp |

Although the weaker exchange rate in Zimbabwe contributed to the adverse movement in the revenue line, the mix of ZWL$ and USD denominated costs meant that the impact on cost of sales was partly mitigated. As a result, there was a 2.6pp decrease in the gross profit margin to 70.8% in the first quarter (Q1 FY 2021-22: 73.4%). Absolute gross profit for Q1 was USD 101.3 million (Q1 FY 2021-22: USD 118.9 million).

## Total Overheads and Other Income

| Total Overheads and Other Income | For the three-month period ended: | | |
|---|---|---|---|
| | 31 May 2022 (USDm) | 31 May 2021 (USDm) | YoY (%) |
| Other income | 0.6 | 0.9 | (33.3) |
| Selling, distribution and marketing costs | (1.9) | (2.5) | 24.0 |
| Expected credit loss provision | (0.9) | (4.3) | 79.1 |
| Administrative costs | (23.3) | (26.8) | 13.1 |
| Staff costs | (29.5) | (27.1) | (8.9) |
| **Total Overheads and Other Income** | **(55.0)** | **(59.8)** | **8.0** |
| % to Total Revenue | 38.5% | 36.9% | -1.5pp |

Total Overheads and Other Income for the quarter decreased by 8.0% to USD 55.0 million (Q1 FY 2021-22: USD 59.8 million). This reduction occurred in selling, distribution and marketing costs and administrative costs and was driven by cost optimisation across all categories of spend and a shift towards more online digital marketing. These cost savings offset the one-off costs incurred in South Africa resulting from the damage of flooding in Durban and increased back-up office power costs due to more frequent load shedding.

Bad debt costs reduced as our recent focus on collection activities saw greater recovery of customer receivables.

Staff costs increased by 8.9% due to inflation cost increases in South Africa and adverse exchange rate movements in Zambia.

### Adjusted EBITDA and Profit

| Adjusted EBITDA | For the three-month period ended: | | |
|---|---|---|---|
| | 31 May 2022 | 31 May 2021 | YoY |
| | (USDm) | (USDm) | (%) |
| **Adjusted EBITDA** | **46.3** | **59.1** | (21.7) |
| Depreciation, impairment and amortisation | (29.1) | (29.8) | 2.3 |
| **Operating Profit** | **17.2** | **29.3** | (41.3) |
| Restructuring costs | - | - | n/a |
| Acquisition and other investment costs | - | - | n/a |
| Interest income | 4.5 | 2.6 | 74.8 |
| Finance costs | (18.0) | (17.3) | (3.8) |
| Foreign exchange loss | (111.1) | (6.9) | (1,509.5) |
| Monetary Adjustment - IAS 29 | 43.2 | 16.9 | 155.7 |
| Share of profit of associate | - | - | n/a |
| **(Loss) / profit before tax** | **(64.1)** | **24.6** | **(360.4)** |
| Tax credit | 15.7 | 11.3 | 39.3 |
| **(Loss) / profit for the period** | **(48.3)** | **35.9** | **(234.6)** |

The combination of adverse exchange rate movements in Zimbabwe and the one-off costs described above resulted in an adjusted EBITDA for Q1 of USD 46.3 million (Q1 FY 2021-22: USD 59.1 million).

Depreciation, impairment and amortisation costs were lower year-on-year at USD 29.1 million (Q1 FY 2021-22: USD 29.8 million) largely as a result of weaker exchange rates.

Finance costs in the first quarter were broadly flat year-on-year reflecting the bond interest payments commencing in Q1 of the prior year.

The Q1 foreign exchange loss of USD 111.1 million (Q1 FY 2021-22: USD 6.9 million) was mainly driven by the Zimbabwe exchange rate movements. The ZWL$:USD exchange rate at 28 February 2022 was 124.0:1 against a rate of 308.5:1 at 31 May 2022. CPI moved over the same period from 4,483.06 to 6,662.17 resulting in a monetary adjustment of only USD 43.2 million for the quarter, leading to a net loss before tax for the period of USD 64.1 million (Q1 FY 2021-22: profit before tax USD 24.6 million).

### Cash generated from operations

| Cash flow | For the three-month period ended: | | |
|---|---|---|---|
| | 31 May 2022 | 31 May 2021 | YoY |
| | (USDm) | (USDm) | (%) |
| **Cash generated from operations** | **39.1** | **19.4** | 101.5 |
| Tax paid | (4.1) | (5.6) | 26.8 |
| **Net cash generated from operating activities** | **35.0** | **13.8** | **153.6** |
| Net cash used in investing activities | (24.7) | (15.0) | (64.7) |
| Net cash used in financing activities | (33.3) | (14.7) | (126.5) |
| **Net decrease in cash and cash equivalents** | **(23.0)** | **(15.9)** | **(44.7)** |

Cash generated from operations more than doubled year-on-year to USD 39.1 million (Q1 FY 2021-22: USD 19.4 million) due to a significant improvement in working capital.

Tax paid of USD 4.1 million (Q1 FY 2021-22: USD 5.6 million) is back to more normalised levels following the reduction in Zimbabwean taxable profits.

Net cash spent on investing activities in the quarter of USD 24.7 million (Q1 FY 2021-22: USD 15.0 million) and included the one-off payment for spectrum in South Africa as well as slightly increased build spend as we move further away from COVID restrictions.

Cash outflow under financing activity for the period was USD 33.3 million (Q1 FY 2021-22: USD 14.7 million) and covered a half year's bond interest and normal course of business lease payments.

**Capital investment and network developments**

Capital expenditure increased marginally year-on-year to USD 24.6 million (Q1 FY 2021-22: USD 16.0 million) with the additional investment year-on-year driven by the one-off payment for spectrum in South Africa.

**Gross and net debt**

| Gross and net debt | 31 May 2022 (USDm) |
|---|---|
| **Total Gross Debt** | **923.7** |
| Long term borrowings (incl interest accrued) | 805.8 |
| Short term portion of long-term borrowings (incl interest accrued) | 23.8 |
| Unamortised arrangement fees | 15.6 |
| Leases - LT | 53.5 |
| Leases - ST | 25.0 |
| **Less: Unrestricted cash** | **(89.8)** |
| **Net Debt** | **833.9** |
| **Last twelve months EBITDA** | **286.7** |
| **Last twelve months interest** | **73.5** |
| **Covenants:** | |
| Gross Debt / LTM EBITDA (x) | 3.22 |
| Net Debt / LTM EBITDA (x) | 2.91 |
| Interest / LTM EBITDA (x) | 3.90 |
| Debt Service Cover Ratio (DSCR) | 2.21 |

Liquidity remains a key focus, our cash balance outside of Zimbabwe remains stable with unrestricted cash at the end of Q1 of USD 89.8 million (FY 2021-22: USD 155.5 million).

Gross debt was lower at Q1 than the year end at USD 923.7 million (FY 2021-22: USD 956.6 million) as leases reduced through payment as well as exchange rate benefits. Taking into account the above cash position, net debt at the end of the quarter was USD 833.9 million, giving a net debt to EBITDA ratio of 2.91x, still comfortably within the now lower 4.0x threshold.

| | | |
|---|---|---|
| Strive Masiyiwa | Nic Rudnick | Kate Hennessy |
| Group Chairman | Chief Executive Officer | Chief Finance Officer |

**LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED**

(trading as)

LIQUID

INTELLIGENT TECHNOLOGIES

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE 3 MONTHS ENDED**

**31 MAY 2022**

**LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE 3 MONTHS ENDED 31 MAY 2022**

| | Notes | 3 months ended 31/05/2022 USD'000 (Unaudited) | 3 months ended 31/05/2021 USD'000 (Unaudited) |
|---|---|---|---|
| Revenue | 3 | 143,009 | 161,986 |
| Interconnect related costs | | (12,304) | (15,657) |
| Data and network related costs | | (39,275) | (36,335) |
| Other income | | 649 | 861 |
| Selling, distribution and marketing costs | | (1,937) | (2,475) |
| Expected credit loss provision | | (933) | (4,338) |
| Administrative expenses | | (13,444) | (17,922) |
| Staff costs | | (29,477) | (27,066) |
| Depreciation, impairment and amortisation | | (29,064) | (29,786) |
| **Operating profit** | | **17,224** | **29,268** |
| Restructuring costs | 4 | - | (22) |
| Acquisition and other investment costs | | - | (23) |
| Interest income | 5 | 4,515 | 2,583 |
| Finance costs | 6 | (17,969) | (17,297) |
| Foreign exchange loss | 2.2 | (111,078) | (6,903) |
| Hyperinflation monetary gain | 2.2 | 43,235 | 16,851 |
| Share of profits of associate | | 5 | 5 |
| **(Loss) / profit before taxation** | | (64,068) | 24,462 |
| Tax credit | 7 | 15,735 | 11,340 |
| **(Loss) / profit for the period** | | **(48,333)** | **35,802** |
| | | | |
| **Other comprehensive (loss) / income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Translation (loss) / gain on accounting for foreign entities | | (122,621) | 37,656 |
| Impact of foreign exchange on opening balance adjustment under hyperinflation accounting | 2.2.2 | 10,827 | 1,225 |
| **Total other comprehensive (loss) / income** | | (111,794) | 38,881 |
| | | | |
| **(Loss) / profit and other comprehensive income for the year** | | **(160,127)** | **74,683** |
| | | | |
| **(Loss) / profit attributable to:** | | | |
| Owners of the company | | (48,409) | 35,438 |
| Non-controlling interest | | 76 | 364 |
| | | **(48,333)** | **35,802** |
| | | | |
| **(Loss) / profit and other comprehensive income attributable to:** | | | |
| Owners of the company | | (160,195) | 74,267 |
| Non-controlling interest | | 68 | 416 |
| | | **(160,127)** | **74,683** |
| | | | |
| **Earnings per share** | | | |
| Basic (Cents per share) | 24 | (38.77) | 28.38 |

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MAY 2022

LIQUID
INTELLIGENT TECHNOLOGIES

| | Notes | 31/05/2022 USD'000 (Unaudited) | 28/02/2022 USD'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 8 | 124,848 | 129,182 |
| Intangible assets | 9 | 74,322 | 77,605 |
| Property, plant and equipment | 10 | 587,358 | 706,237 |
| Right-of-Use assets | 11 | 133,857 | 168,687 |
| Investment in associate | | 622 | 632 |
| Investments at Fair Value Through Other Comprehensive Income (FVTOCI) | 22 | 15,314 | 15,314 |
| Deferred tax assets | | 30,928 | 31,471 |
| Investments at amortised cost | | 14 | 35 |
| Long-term receivables from affiliated entities | 18 | 156,309 | 155,742 |
| Net derivative assets | 22 | 2,119 | 2,119 |
| Pre-commencement lease payments | | 39,350 | 33,000 |
| **Total non-current assets** | | 1,165,041 | 1,320,024 |
| | | | |
| **Current assets** | | | |
| Inventories | | 19,196 | 24,572 |
| Trade and other receivables | 13 | 239,611 | 237,944 |
| Taxation | | 3,261 | 3,344 |
| Cash and cash equivalents | 12 | 89,792 | 154,553 |
| Restricted cash and cash equivalents | 12 | 1,585 | 9,090 |
| **Total current assets** | | 353,445 | 429,503 |
| | | | |
| **Total assets** | | 1,518,486 | 1,749,527 |
| | | | |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | | 3,716 | 3,716 |
| Share premium | | 276,714 | 276,714 |
| Convertible preference shares | | 180,000 | 180,000 |
| (Accumulated losses) / retained earnings | | (25,258) | 23,151 |
| Foreign currency translation reserve | | (124,698) | (12,912) |
| **Total equity attributable to owners of the parent** | | 310,474 | 470,669 |
| Non-controlling interests | | 2,590 | 2,522 |
| **Total equity** | | 313,064 | 473,191 |
| | | | |
| **Non-current liabilities** | | | |
| Long term borrowings | 14 | 805,840 | 809,516 |
| Long term lease liabilities | 15 | 53,493 | 66,420 |
| Long-term payable to affiliated entities | 18 | 418 | 428 |
| Long-term provisions | | 8,004 | 8,239 |
| Deferred revenue | 17 | 64,994 | 68,565 |
| Deferred tax liabilities | | 10,685 | 47,763 |
| **Total non-current liabilities** | | 943,434 | 1,000,931 |
| | | | |
| **Current liabilities** | | | |
| Short term portion of long-term borrowing | 14 | 23,795 | 33,093 |
| Short term portion of long-term lease liabilities | 15 | 25,047 | 31,009 |
| Trade and other payables | 16 | 145,011 | 148,206 |
| Short-term provisions | | 35,736 | 33,408 |
| Deferred revenue | 17 | 25,615 | 24,433 |
| Taxation | | 6,784 | 5,256 |
| **Total current liabilities** | | 261,988 | 275,405 |
| | | | |
| **Total equity and liabilities** | | 1,518,486 | 1,749,527 |

Approved by the Board of Directors and authorised for issue on 25 July 2022.

Eric Venpin
Director

Mike Mpotien
Alternate Director to Gaetan Lan

**LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE 3 MONTHS ENDED 31 MAY 2022**

LIQUID INTELLIGENT TECHNOLOGIES

| | Notes | Share capital | Share premium | Convertible preference shares | Foreign currency translation reserve | (Accumulated losses) / retained earnings | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | USD'000 | USD'000 | USD | USD'000 | USD'000 | USD'000 | USD'000 |
| **At 1 March 2021 (Audited)** | | **3,716** | **276,714** | **180,000** | **(6,016)** | **(121,379)** | **2,001** | **335,036** |
| Profit on disposal of subsidiaries under common control | 25 | - | - | - | - | 86,032 | - | 86,032 |
| Profit and total comprehensive income for the year | | - | - | - | 38,829 | 35,438 | 416 | 74,683 |
| Profit for the period | | - | - | - | - | 35,438 | 364 | 35,802 |
| Impact of foreign exchange on opening balance adjustment under hyperinflation accounting | | - | - | - | 1,225 | - | - | 1,225 |
| Translation gain on accounting for foreign entities | | - | - | - | 37,604 | - | 52 | 37,656 |
| **At 31 May 2021 (Unaudited)** | | **3,716** | **276,714** | **180,000** | **32,813** | **91** | **2,417** | **495,751** |
| **At 1 March 2022 (Audited)** | | **3,716** | **276,714** | **180,000** | **(12,912)** | **23,151** | **2,522** | **473,191** |
| (Loss) / profit and total comprehensive (loss) / income for the year | | - | - | - | (111,786) | (48,409) | 68 | (160,127) |
| (Loss) / profit for the period | | - | - | - | - | (48,409) | 76 | (48,333) |
| Impact of foreign exchange on opening balance adjustment under hyperinflation accounting | | - | - | - | 10,827 | - | - | 10,827 |
| Translation loss on accounting for foreign entities | | - | - | - | (122,613) | - | (8) | (122,621) |
| **At 31 May 2022 (Unaudited)** | | **3,716** | **276,714** | **180,000** | **(124,698)** | **(25,258)** | **2,590** | **313,064** |

LIQUID INTELLIGENT TECHNOLOGIES

| | Notes | 3 months ended 31/05/2022 USD'000 (Unaudited) | 31/05/2021 USD'000 (Unaudited) |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| (Loss) / profit before tax | | (64,068) | 24,462 |
| Adjustments for: | | | |
| Depreciation, impairment and amortisation | | 29,064 | 29,786 |
| Bad debts (reversal) / provision | | (4,098) | 3,875 |
| Increase in provisions | | 4,414 | 6,958 |
| Foreign exchange loss | | 109,593 | 6,565 |
| Hyperinflation monetary gain | | (43,235) | (16,851) |
| Profit / (loss) on disposal of fixed assets | | 605 | (2) |
| Interest income | 5 | (4,515) | (2,583) |
| Finance costs | 6 | 17,969 | 17,297 |
| Share of profit from associate | | (5) | (5) |
| | | 45,724 | 69,502 |
| **Working capital changes:** | | | |
| Decrease / (increase) in inventories | | 499 | (970) |
| Increase in trade and other receivables | | (13,384) | (10,418) |
| Increase / (decrease) in trade and other payables | | 5,415 | (36,561) |
| Increase / (decrease) in deferred revenue | | 843 | (2,119) |
| Cash generated from operations | | 39,097 | 19,434 |
| Income tax paid | | (4,116) | (5,556) |
| *Net cash generated from operating activities* | | 34,981 | 13,878 |
| **Cash flows from investing activities:** | | | |
| Interest income | | 4,515 | 2,584 |
| Purchase of property, plant and equipment | 10 | (16,233) | (15,083) |
| Proceeds on disposal of property, plant and equipment | | 68 | 303 |
| Purchase of intangible assets | 9 | (8,370) | (835) |
| Proceeds on disposal of intangible assets | | - | 16 |
| (Increase) / decrease in other long-term receivables | | (4,194) | 13 |
| Pre-commencement lease payments | | (450) | - |
| Increase in long-term receivables from affiliated entities | | - | (1,990) |
| *Net cash used in investing activities* | | (24,664) | (14,992) |
| **Cash flows from financing activities:** | | | |
| Finance costs paid | | (23,867) | (5,884) |
| Decrease in lease liabilities | | (8,579) | (8,815) |
| Decrease in borrowings | | (880) | (797) |
| Increase in long-term payable to affiliated entities | | - | 748 |
| *Net cash used in financing activities* | | (33,326) | (14,748) |
| **Net decrease in cash and cash equivalents** | | (23,009) | (15,862) |
| Cash and cash equivalents at beginning of the period | | 163,643 | 172,638 |
| Translation of cash with respect to foreign subsidiaries | | (49,257) | 3,878 |
| **Cash and cash equivalents at end of the period** | 12 | **91,377** | **160,654** |
| **Represented by:** | | | |
| Cash and cash equivalents | 12 | 89,792 | 150,711 |
| Restricted cash and cash equivalents | 12 | 1,585 | 9,943 |
| | | **91,377** | **160,654** |

## 1. General information

Liquid Telecommunications Holdings Limited (trading as Liquid Intelligent Technologies), is a private company incorporated in Mauritius on the 26 January 2007 and is the holder of a Category 2 – Global Business Licence Company as from 29 January 2007, which was converted to a Global Business Company licence on 30 June 2021. Its registered office is situated at 10th floor, Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebene, Mauritius. The company's main activity is to carry on the business of a holding company in respect of subsidiary companies across Africa and certain other countries, whilst the group's business is to develop a global telecommunications and technology business with a focus on Africa. This has remained unchanged since the prior period.

These consolidated interim financial statements are presented in United States Dollars (USD) as this is the currency in which the majority of the group's transactions are denominated. The functional currencies of the subsidiaries are: United States Dollars, Mauritian Rupee, South African Rand, Pound Sterling, Zambian Kwacha, Kenyan Shilling, Ugandan Shilling, Rwandan Franc, Botswana Pula, Nigerian Naira, Tanzanian Shilling, United Arab Emirates Dirham and Zimbabwean dollar (ZWL$, equivalent to the Real Time Gross Settlement - "RTGS").

**Russia-Ukraine conflict**

On 24 February 2022, Russia invaded Ukraine in an internationally condemned act of aggression. This conflict is ongoing with a devastating impact on human life in the region. Globally the impact is being felt through increasing fuel prices, widening sanctions against Russia and its citizens and instability in the financial markets. The group continues to assess any potential impact on its business model for the financial year 2023 and onwards. It is likely that higher fuel costs will continue to be passed on globally by energy suppliers, product manufacturers and in logistics and transport services. The group continues to factor such price increases into its forward looking plans where possible.

## 2. Accounting policies

**Basis of preparation**

The condensed consolidated interim financial statements for the 3 months ended 31 May 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

### 2.1 Going concern

The directors have reviewed the consolidated cash flow projections of the group for the twelve months from the date of signing of the condensed consolidated interim financial statements. Taking into account the available cash position at 31 May 2022 and at the date of signing of the condensed consolidated interim financial statements, including the impact of the currency changes in Zimbabwe, the cash flow projections for the period (which include discretionary capital expenditure), the repayment of existing obligations and loan funding, the directors are satisfied that the group has access to adequate cash resources to settle obligations as they fall due. They also consider that the operations provide sufficient financial sustainability to enable the business to continue in existence for the foreseeable future.

In making their assessment, the directors have considered the potential impact of the COVID-19 pandemic, and the Russia-Ukraine conflict on the operations, business plan and cashflow for the financial year 2023, including the instability of financial markets, volatility of currency markets, particularly the South African Rand and the economic situation in Zimbabwe, inability of customers to pay and supply chain shortages. Even after assessing these factors, the directors consider the group has sufficient liquidity and headroom on its covenants.

The going concern assumption is supported by the following key considerations:

<u>Funding facilities</u>

The group is currently funded by a combination of equity, USD 620 million Senior Secured Notes (maturity September 2026), an undrawn USD 60 million Revolving Credit Facility ("RCF") (maturity March 2026), a USD 220 million equivalent South African Rand term loan (maturity March 2026) and USD 23.3 million of locally provided term loans (maturity in the financial year 2025) in Zambia, of which USD 6.5 million is outstanding at 31 May 2022.

<u>Cash position</u>

As at 31 May 2022, the group has an unrestricted cash position of USD 89.8 million (28 February 2022: USD 154.6 million). Of this amount, USD 36.9 million (28 February 2022: USD 80.3 million) is held in Zimbabwe. Following the continuing devaluation of the currency in Zimbabwe, the group has translated the ZWL$ denominated cash in Zimbabwe at the statement of financial position date at a ZWL$:USD exchange rate of 308.5:1 (28 February 2022: ZWL$:USD of 124.0:1). Cash held in Zimbabwe is used to locally fund operational expenses and capital expenditure.

<u>Operational performance</u>

For the period ended 31 May 2022, the group reported an operating profit of USD 17.2 million (31 May 2021: 29.3 million) and a net cash inflow from operating activities of USD 35.0 million (31 May 2021: USD 13.9 million). This demonstrates the group's ability to generate sufficient cash flow to enable it to support its underlying business operations and invest in new projects, even after taking into account the impact of the currency devaluation in Zimbabwe.

Based on the assessment made and for the reasons set out above, the directors are of the opinion that the adoption of the going concern assumption in the preparation of the condensed interim financial statements for the period ended 31 May 2022 is appropriate.

### 2.2 Zimbabwean currency and hyperinflation accounting

Following changes to the currency in Zimbabwe in February 2019, the economic conditions are now those of a hyperinflationary environment. As a result, local accounting bodies have determined that the principles of IAS 29 - *Financial Reporting in Hyperinflationary Economies* should be applied. The group has continued the application of hyperinflation accounting during the period ended 31 May 2022, with effect from 1 October 2018 for its Zimbabwean subsidiaries.

More details on the currency changes and the adoption of hyperinflation accounting are set out in note 2.2.1 and 2.2.2 below.

**2. Accounting policies (continued)**

**2.2 Zimbabwean currency and hyperinflation accounting (continued)**

**2.2.1 Zimbabwean currency**

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) directed all banks to ring-fence nostro foreign currency accounts (FCAs) by separating them into two categories; namely Nostro FCAs and RTGS FCAs. Authorities maintained that the US dollar represented in the RTGS system was at a 1:1 exchange ratio. On 20 February 2019, the RBZ announced that with effect from 22 February 2019, the RTGS would be recognised as an official currency and that an interbank foreign exchange market would be established to formalise trading in RTGS balances with other currencies. The official rate on launch was 2.5. The Zimbabwean currency is now denominated as the Zimbabwean Dollar (ZWL$).

During the quarter ended 31 May 2022, there has been further movement in the ZWL$:USD rate and the group has used a rate of ZWL$:USD 308.5:1 (28 February 2022: ZWL$:USD 124.0:1) to translate both the statement of profit or loss and the statement of financial position at 31 May 2022. Of the USD 111.1 million (31 May 2021: USD 6.9 million) of net foreign exchange loss in the consolidated statement of profit and loss, Zimbabwe contributed USD 117.7 million (31 May 2021: USD 7.5 million). The net foreign exchange loss arises mainly on the retranslation of USD denominated intra-group debt at the statement of financial position date.

**2.2.2 Hyperinflation accounting**

Local economic conditions in Zimbabwe have continued to react to the deterioration in the ZWL$:USD exchange rate. Over the course of the financial year ended 29 February 2020, the group observed that the conditions in Zimbabwe were indicative of a hyperinflationary economy. This was confirmed in a statement released on 11 October 2019 by the Public Accountants and Auditors Board ("PAAB"), which is mandated to regulate Auditing and Accounting standards in Zimbabwe. The PAAB advised that following broad market consensus within the Accounting and Auditing professions, the factors and characteristics to apply the financial reporting in IAS 29 - "Financial Reporting in Hyperinflationary Economies" in Zimbabwe had been met. Furthermore, the International Practices Task Force (“IPTF”) of the Centre of Audit Quality (“CAQ”) monitors inflation in certain countries and reported Zimbabwe’s three-year cumulative inflation rate as exceeding 100% in its 19 November 2019, 10 November 2020, 18 May 2021 and 6 November 2021 reports.

Based on these reports, the group has concluded that hyperinflation accounting is applicable to accounting periods ended on or after 1 July 2019. The group has applied hyperinflation accounting to all periods presented in these financial statements, effective from 1 October 2018. The impact of foreign exchange on opening balance adjustment under hyperinflation accounting of the Zimbabwe entities at 1 March 2022 of USD 10.8 million (31 May 2021: USD 1.2 million) have been recognised directly in the statement of comprehensive income.

The application of hyperinflationary accounting results in certain assets, liabilities, revenues and costs being reported in inflation adjusted terms as at 31 May 2022.

The restatement of balances in accordance with IAS 29 requires the use of a general price index that reflects changes in general purchasing power. The group has used the official published Zimbabwe Consumer Price Index (“CPI”) as the general price index. The gains on the net monetary position of USD 43.2 million (31 May 2021: USD 16.9 million) have been recognised in the consolidated statement of profit or loss through 'Hyperinflation monetary gain' based on a CPI of 6,662.17 (31 May 2021: 2,874.84).

In addition, IAS 29 requires the translation of the results at closing rate rather than average rate. The closing rate of ZWL$:USD 308.5:1 (28 February 2022: ZWL$:USD 124.0:1) has been used.

The comparative amounts in the consolidated financial statements have not been restated as the presentation currency of the group is that of a non-hyperinflationary economy.

The directors continue to monitor the economic conditions in Zimbabwe.

**2.3 Accounting policies**

The accounting policies applied by the group in the preparation of the condensed interim consolidated financial statements presented are in accordance with IFRS and are consistent with those applied by the group in the preparation of the consolidated financial statements for the year ended 28 February 2022.

**2.4 Critical accounting judgements and key sources of estimation uncertainty**

The significant accounting judgements and critical estimates applied by the group in the preparation of these condensed consolidated interim financial statements presented are in accordance with IFRS and are consistent with those applied by the group in the preparation of the consolidated financial statements for the year ended 28 February 2022. In addition, the following significant accounting judgements and critical estimates have also been made:

**Key judgements**

*Revenue Recognition*

In making their judgement, the directors considered the detailed criteria for the recognition of revenue set out in IFRS 15 *Revenue from Contracts with Customers* and whether the group had transferred control of the goods and rendered the services to the customer, which would result in the satisfaction of the performance obligation. The directors are satisfied that control has been transferred and that recognition of the revenue in the current period is appropriate.

*Contingent liabilities*

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or provision or disclosed as a contingent liability. Refer to note 26 for *Contingent liabilities* disclosure.

**2. Accounting policies (continued)**

**2.4 Critical accounting judgements and key sources of estimation uncertainty (continued)**

**Key estimates**

*Deferred taxation assets*

The group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Assessing the recoverability of deferred tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the group operates could limit the ability of the company to obtain tax deductions in future periods.

*Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value of the recoverable amount.

*Fair value measurement*

As described in our accounting policies on financial instruments, the fair value of our financial assets and financial liabilities, except for the derivative assets (explained below), are based on unobservable inputs which are not market dependent.

The group has recorded a fair value gain on derivative assets as at 31 May 2022. This financial instrument is classified under the level 2 of the fair value hierarchy which contains some elements of market data.

Further, the directors consider the financial assets and financial liabilities stated at amortised cost in the financial statements approximate their fair values. They are classified under level 3 of the fair value hierarchy.

As such, appropriate fair value measurement has been applied at 31 May 2022 and management estimates that the pandemic has a low to nil impact on the fair value measurements applied.

**3. Segment information**

The group's operating and reportable segments are based on geographical areas. The group's core business is situated within Africa and management has aggregated African countries where the individual country revenue, profit/loss before tax and assets fall below 10% of group total (Rest of Africa). The group also has other operations based outside of Africa which have been aggregated into a separate segment (Rest of the World).

The group categorises its revenue streams as shown below:

- Network - primarily revenue from long haul and metro networks;
- Digital solutions - primarily revenue from cloud services, managed services and cybersecurity services;
- Data technologies - primarily revenue from roaming services and other innovations and undersea assets;
- Voice traffic - primarily revenue from international voice interconnects between mobile network operators and international telecom carriers; and

The measure of reporting profit for each operating segment, which also represents the basis on which the Chief Operating Decision Maker reviews segment results, is Adjusted EBITDA.

Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, and impairment, and is also presented before recognising the following items:

- Restructuring costs
- Acquisition and other investment costs
- Net foreign exchange loss
- Hyperinflation monetary gain (see note 2.2.2)
- Share of profits of associate

A reconciliation of Operating profit, as shown in the consolidated statement of profit or loss, to Adjusted EBITDA (see above) is shown in *note 27.1 - Reconciliation.*

**3. Segment information (continued)**

The following is an analysis of the group's revenue and results by reportable segment for the 3 months ended 31 May 2022.

| | South Africa USD'000 | Zimbabwe USD'000 | Rest of Africa USD'000 | Rest of the World USD'000 | Central Administration Costs USD'000 | Eliminations USD'000 | Total USD'000 |
|---|---|---|---|---|---|---|---|
| Network | 34,116 | 24,996 | 29,232 | 19,053 | - | (15,243) | 92,154 |
| Digital Solutions | 9,680 | 2,654 | 2,444 | 5,088 | - | (3,744) | 16,122 |
| Data Technologies | 9,104 | 598 | 3,354 | 6,790 | - | (3,389) | 16,457 |
| Voice Traffic | 1,934 | 23 | 44 | 16,676 | - | (401) | 18,276 |
| Inter-segmental revenue | (1,998) | (144) | (1,941) | (18,694) | - | 22,777 | - |
| **Group External Revenue** | **52,836** | **28,127** | **33,133** | **28,913** | **-** | **-** | **143,009** |
| **Adjusted EBITDA** | 16,167 | 14,960 | 7,726 | 15,897 | (4,640) | (3,822) | 46,288 |
| Depreciation, impairment and amortisation | | | | | | | (29,064) |
| Interest income | | | | | | | 4,515 |
| Finance costs | | | | | | | (17,969) |
| Foreign exchange loss | | | | | | | (111,078) |
| Hyperinflation monetary gain | | | | | | | 43,235 |
| Share of profits of associate | | | | | | | 5 |
| **Loss before taxation** | | | | | | | **(64,068)** |
| Tax credit | | | | | | | 15,735 |
| **Loss for the period** | | | | | | | **(48,333)** |

The following is an analysis of the group's revenue and results by reportable segment for the 3 months ended 31 May 2021.

| | South Africa USD'000 | Zimbabwe USD'000 | Rest of Africa USD'000 | Rest of the World USD'000 | Central Administration Costs USD'000 | Eliminations USD'000 | Total USD'000 |
|---|---|---|---|---|---|---|---|
| Network | 36,533 | 44,245 | 26,367 | 7,259 | - | (6,458) | 107,946 |
| Digital Solutions | 10,107 | 3,378 | 1,373 | 1,877 | - | (1,513) | 15,222 |
| Data Technologies | 8,815 | 418 | 2,634 | 15,683 | - | (11,167) | 16,383 |
| Voice Traffic | 2,356 | 42 | 1 | 20,382 | - | (346) | 22,435 |
| Inter-segmental revenue | (1,675) | (286) | (1,806) | (15,717) | - | 19,484 | - |
| **Group External Revenue** | **56,136** | **47,797** | **28,569** | **29,484** | **-** | **-** | **161,986** |
| **Adjusted EBITDA** | 17,518 | 26,569 | 7,511 | 17,378 | (6,599) | (3,323) | 59,054 |
| Depreciation, impairment and amortisation | | | | | | | (29,786) |
| Restructuring costs | | | | | | | (22) |
| Acquisition and other investment costs | | | | | | | (23) |
| Interest income | | | | | | | 2,583 |
| Finance costs | | | | | | | (17,297) |
| Foreign exchange loss | | | | | | | (6,903) |
| Hyperinflation monetary gain | | | | | | | 16,851 |
| Share of profits of associate | | | | | | | 5 |
| **Profit before taxation** | | | | | | | **24,462** |
| Tax credit | | | | | | | 11,340 |
| **Profit for the period** | | | | | | | **35,802** |

## 4. Restructuring costs

| | 3 months ended | |
|---|---|---|
| | 31/05/2022 | 31/05/2021 |
| | USD'000 | USD'000 |
| | (Unaudited) | (Unaudited) |
| Redundancy costs | - | 20 |
| Legal fees | - | 2 |
| | **-** | **22** |

## 5. Interest income

| | 3 months ended | |
|---|---|---|
| | 31/05/2022 | 31/05/2021 |
| | USD'000 | USD'000 |
| | (Unaudited) | (Unaudited) |
| Interest received - bank / external | 347 | 836 |
| Interest received - inter-group (note 18) | 4,168 | 1,747 |
| | **4,515** | **2,583** |

## 6. Finance costs

| | 3 months ended | |
|---|---|---|
| | 31/05/2022 | 31/05/2021 |
| | USD'000 | USD'000 |
| | (Unaudited) | (Unaudited) |
| Interest on bank overdraft and loans | 7,148 | 6,076 |
| Finance cost on Senior Secured Notes | 8,525 | 8,241 |
| Finance arrangement fees amortised | 915 | 873 |
| Interest on lease liabilities | 1,347 | 2,068 |
| Interest paid - inter-group (note 18) | 34 | 39 |
| | **17,969** | **17,297** |

## 7. Taxation

| | 3 months ended | |
|---|---|---|
| | 31/05/2022 | 31/05/2021 |
| | USD'000 | USD'000 |
| | (Unaudited) | (Unaudited) |
| Current taxation | 4,547 | 4,384 |
| Deferred taxation credit | (22,362) | (17,728) |
| Withholding taxation | 2,080 | 2,004 |
| | **(15,735)** | **(11,340)** |

| | 3 months ended | |
|---|---|---|
| | 31/05/2022 | 31/05/2021 |
| | USD'000 | USD'000 |
| | (Unaudited) | (Unaudited) |
| (Loss) / profit before taxation | (64,068) | 24,462 |
| | | |
| Taxation at domestic rate for foreign subsidiaries in tax paying jurisdictions | (15,715) | (24,345) |
| Tax effect of non-deductible expenses | 4,373 | 17,227 |
| Tax effect of non-taxable income | (23) | (25) |
| Tax effect of foreign tax credit | (261) | (1,581) |
| Effect of tax losses not recognised as deferred tax assets | 77 | 734 |
| Tax effect of utilised unrecognised tax losses | (768) | (1,317) |
| Tax effect on IAS 29 adjustments | (5,498) | (4,037) |
| Withholding taxation | 2,080 | 2,004 |
| | **(15,735)** | **(11,340)** |

The company's Global Business Licence (category 2) was converted to a Global Business Company licence on 30 June 2021. Taxation is calculated at the rates prevailing in the respective jurisdictions:

| | | |
|---|---|---|
| Mauritius (tax credit of 80%, depending on type of income) | 15% | 15% |
| South Africa (27% for years ending on or after 31 March 2023) | 28% | 28% |
| Kenya | 30% | 30% |
| United Kingdom | 19% | 19% |
| Tanzania | 30% | 30% |
| Zambia | 35% | 35% |
| Zimbabwe | 25.75% | 25.75% |

## 8. Goodwill

| | 31/05/2022 USD'000 (Unaudited) | 28/02/2022 USD'000 (Audited) |
|---|---|---|
| **Cost** | | |
| Opening balance | 129,182 | 129,364 |
| Impairment* | - | (245) |
| Foreign exchange loss | (5,161) | (1,596) |
| Adjustments - IAS 29 | 827 | 1,659 |
| Closing balance | **124,848** | **129,182** |

Goodwill acquired in a business combination is allocated at acquisition to the Cash Generating Units (CGU's) that are expected to benefit from that business combination.

| | 31/05/2022 USD'000 (Unaudited) | 28/02/2022 USD'000 (Audited) |
|---|---|---|
| Liquid Telecommunications Limited | 2,850 | 2,850 |
| Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe* | 3,932 | 1,441 |
| Zimbabwe Online (Private) Limited* | - | 4,140 |
| Liquid Telecommunications Holdings South Africa (Pty) Limited | 110,281 | 112,966 |
| Liquid Telecommunications Zambia Limited | 2,201 | 2,201 |
| Raha Tanzania Holdings Limited | 5,584 | 5,584 |
| | **124,848** | **129,182** |

* Zimbabwe Online (Private) Limited is a 100% subsidiary of Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe and was merged into its parent on 1 March 2022 resulting in a reallocation of the goodwill.

Goodwill is tested at least annually for impairment. The recoverable amounts of the cash generating units (CGU) were determined based on the value in use calculations. The calculations mainly used cash flow projections based on financial budgets covering a three to five-year period.

*During the year ended 28 February 2022, the goodwill in Transaction Payment Solutions Indian Ocean Limited was found to be irrecoverable and has been impaired.

The following key assumptions were used for the value in use calculations:

• Growth rates: the group used steady growth rates to extrapolate revenues beyond the budget period cash flows. The average growth rates used ranged from 0.5% to 5.0%.

• Discount rates: discount rates ranged from 11.0% to 14.4%. The discount rates used reflect both time value of money and other specific risks relating to the relevant CGU and operating country.

LIQUID INTELLIGENT TECHNOLOGIES

**9. Intangible assets**

| | Operating Licence USD'000 | Computer Software USD'000 | Fibre Optical - IRU USD'000 | Customer Relationships USD'000 | Work in Progress USD'000 | Other Intangible Assets USD'000 | Total USD'000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| **At 1 March 2021 (Audited)** | 31,465 | 44,926 | 116,260 | 34,465 | 2,975 | 50,215 | 280,306 |
| Disposal of subsidiary | (62) | - | - | - | - | - | (62) |
| Additions during the year | 988 | 3,113 | 488 | - | 6,827 | 2,719 | 14,135 |
| Disposals during the year | - | (2,799) | (2,658) | - | (198) | - | (5,655) |
| Transfers | - | 846 | 121 | - | (846) | (121) | - |
| Reclassification | - | - | - | - | - | (372) | (372) |
| Transfers from Property, plant and equipment (note 10) | - | 1,050 | - | - | - | - | 1,050 |
| Write off | - | (4,633) | - | - | - | - | (4,633) |
| Foreign exchange differences | (2,347) | (878) | 740 | (163) | - | (432) | (3,080) |
| Adjustments - IAS 29 | 3,086 | 1,136 | - | - | - | - | 4,222 |
| Transfer to Right-of-Use assets (note 11) | - | - | (114,951) | - | - | - | (114,951) |
| **At 28 February 2022 (Audited)** | 33,130 | 42,761 | - | 34,302 | 8,758 | 52,009 | 170,960 |
| Purchases during the year | 7,273 | 885 | - | - | 212 | - | 8,370 |
| Transfers | - | 72 | - | - | (72) | - | - |
| Foreign exchange differences | (5,166) | (2,504) | - | (1,069) | - | (806) | (9,545) |
| Adjustments - IAS 29 | 1,515 | 596 | - | - | - | - | 2,111 |
| Transfer to Pre-commencement lease payments | - | - | - | - | (5,900) | - | (5,900) |
| **At 31 May 2022 (Unaudited)** | 36,752 | 41,810 | - | 33,233 | 2,998 | 51,203 | 165,996 |
| **Accumulated amortisation:** | | | | | | | |
| **At 1 March 2021 (Audited)** | 11,347 | 37,329 | 58,847 | 15,044 | - | 26,145 | 148,712 |
| Amortisation | 2,283 | 4,702 | 6,012 | 3,352 | - | 579 | 16,928 |
| Disposals during the year | - | (2,737) | - | - | - | - | (2,737) |
| Transfer to Right-of-Use assets (note 11) | - | - | (65,312) | - | - | - | (65,312) |
| Transfers to Property, plant and equipment (note 10) | - | - | (46) | - | - | - | (46) |
| Write off | - | (4,633) | - | - | - | - | (4,633) |
| Foreign exchange differences | (1,022) | (438) | 499 | (111) | - | (270) | (1,342) |
| Adjustments - IAS 29 | 1,290 | 495 | - | - | - | - | 1,785 |
| **At 28 February 2022 (Audited)** | 13,898 | 34,718 | - | 18,285 | - | 26,454 | 93,355 |
| Amortisation | 525 | 969 | - | 818 | - | 136 | 2,448 |
| Foreign exchange differences | (2,477) | (1,688) | - | (338) | - | (681) | (5,184) |
| Adjustments - IAS 29 | 741 | 314 | - | - | - | - | 1,055 |
| **At 31 May 2022 (Unaudited)** | 12,687 | 34,313 | - | 18,765 | - | 25,909 | 91,674 |
| **Carrying amount:** | | | | | | | |
| At 28 February 2022 (Audited) | 19,232 | 8,043 | - | 16,017 | 8,758 | 25,555 | 77,605 |
| At 31 May 2022 (Unaudited) | 24,065 | 7,497 | - | 14,468 | 2,998 | 25,294 | 74,322 |

**10. Property, plant and equipment**

| | Land and buildings USD'000 | Furniture and fittings USD'000 | Computer equipment USD'000 | Network equipment USD'000 | Motor vehicles USD'000 | Work in progress USD'000 | Fibre infrastructure USD'000 | Total USD'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | |
| **At 1 March 2021 (Audited)** | 21,540 | 12,252 | 33,812 | 95,560 | 11,399 | 57,933 | 1,087,506 | 1,320,002 |
| Disposal of subsidiaries | - | - | - | - | - | 1,043 | - | 1,043 |
| Additions during the year | 3 | 705 | 1,678 | 3,340 | 1,685 | 33,261 | 39,708 | 80,380 |
| Disposals during the year | (196) | (81) | (220) | (291) | (96) | (562) | (15,718) | (17,164) |
| Impairment | - | - | - | - | - | (322) | - | (322) |
| Transfers | 3 | 8 | 318 | 11,441 | - | (45,259) | 33,489 | - |
| Transfer to Intangible assets (note 9) | - | - | - | - | - | (1,050) | - | (1,050) |
| Transfer to/from inventory | - | - | (13) | (598) | - | 122 | (86) | (575) |
| Foreign exchange differences | (1,284) | (1,306) | (951) | (3,938) | (2,074) | (3,819) | (116,809) | (130,181) |
| Adjustments - IAS 29 | 1,698 | 506 | (1,547) | 3,288 | 2,237 | 4,255 | 150,964 | 161,401 |
| **At 28 February 2022 (Audited)** | 21,764 | 12,084 | 33,077 | 108,802 | 13,151 | 45,602 | 1,179,054 | 1,413,534 |
| Additions during the year | - | 39 | 353 | 999 | 202 | 5,456 | 8,788 | 15,837 |
| Disposals during the year | - | (43) | (64) | - | (29) | (45) | (1,279) | (1,460) |
| Transfers | - | 45 | (25) | 71 | - | (2,527) | 2,436 | - |
| Foreign exchange differences | (2,961) | (2,205) | (833) | (7,273) | (4,554) | (7,277) | (256,508) | (281,611) |
| Adjustments - IAS 29 | 834 | 379 | 80 | 1,558 | 1,533 | 2,166 | 79,323 | 85,873 |
| **At 31 May 2022 (Unaudited)** | 19,637 | 10,299 | 32,588 | 104,157 | 10,303 | 43,375 | 1,011,814 | 1,232,173 |
| **Accumulated depreciation** | | | | | | | | |
| **At 1 March 2021 (Audited)** | 7,342 | 9,675 | 28,646 | 88,170 | 8,575 | (2,257) | 500,225 | 640,376 |
| Depreciation | 377 | 1,226 | 4,175 | 8,818 | 1,562 | - | 65,270 | 81,428 |
| Disposals during the year | (11) | (62) | (165) | (263) | (34) | - | (12,538) | (13,073) |
| Write offs | - | - | (2) | - | - | - | - | (2) |
| Transfers | - | 2 | (2) | - | - | - | - | - |
| Transfer to Intangible assets (note 9) | - | - | - | - | - | - | 46 | 46 |
| Foreign exchange differences | (37) | (910) | (707) | (3,433) | (1,556) | - | (40,742) | (47,385) |
| Adjustments - IAS 29 | - | 130 | (1,687) | 2,950 | 1,343 | - | 43,171 | 45,907 |
| **At 28 February 2022 (Audited)** | 7,671 | 10,061 | 30,258 | 96,242 | 9,890 | (2,257) | 555,432 | 707,297 |
| Depreciation | 79 | 128 | 451 | 2,217 | 251 | - | 13,249 | 16,375 |
| Disposals during the year | - | (44) | (62) | - | (24) | - | (659) | (789) |
| Foreign exchange differences | (184) | (1,767) | (633) | (6,415) | (3,386) | - | (96,794) | (109,179) |
| Adjustments - IAS 29 | - | 390 | 20 | 1,558 | 1,123 | - | 28,020 | 31,111 |
| **At 31 May 2022 (Unaudited)** | 7,566 | 8,768 | 30,034 | 93,602 | 7,854 | (2,257) | 499,248 | 644,815 |
| **Carrying amount:** | | | | | | | | |
| At 28 February 2022 (Audited) | 14,093 | 2,023 | 2,819 | 12,560 | 3,261 | 47,859 | 623,622 | 706,237 |
| At 31 May 2022 (Unaudited) | 12,071 | 1,531 | 2,554 | 10,555 | 2,449 | 45,632 | 512,566 | 587,358 |

**11. Right-of-Use assets**

| | Land and buildings USD'000 | Furniture and fittings USD'000 | Network equipment USD'000 | Motor vehicles USD'000 | Fibre infrastructure USD'000 | Fibre Optical - IRU USD'000 | Total USD'000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| **At 1 March 2021 (Audited)** | 76,250 | 16 | 46,695 | 1,772 | 23,380 | - | 148,113 |
| Additions during the year | 25,489 | - | 11,584 | 534 | 15,643 | - | 53,250 |
| Disposals during the year | (1,572) | - | (17,565) | - | (4,145) | - | (23,282) |
| Foreign exchange differences | (6,682) | - | 2,638 | 37 | 81 | (171) | (4,097) |
| Adjustments - IAS 29 | 24,450 | - | - | - | - | - | 24,450 |
| Transfer from intangible assets (note 9) | - | - | - | - | - | 114,951 | 114,951 |
| **At 28 February 2022 (Audited)** | 117,935 | 16 | 43,352 | 2,343 | 34,959 | 114,780 | 313,385 |
| Additions during the year | 1,141 | - | 1,791 | - | 1 | - | 2,933 |
| Foreign exchange differences | (34,979) | - | 458 | (26) | (492) | (391) | (35,430) |
| Adjustments - IAS 29 | 49 | - | - | - | - | - | 49 |
| **At 31 May 2022 (unaudited)** | 84,146 | 16 | 45,601 | 2,317 | 34,468 | 114,389 | 280,937 |
| | | | | | | | |
| **Accumulated depreciation:** | | | | | | | |
| **At 1 March 2021 (Audited)** | 20,313 | - | 24,661 | 1,118 | 15,254 | - | 61,346 |
| Depreciation | 17,738 | - | 7,566 | 455 | 10,109 | - | 35,868 |
| Disposals during the year | (1,332) | - | (14,765) | - | (4,130) | - | (20,227) |
| Foreign exchange differences | (614) | - | 770 | 11 | 150 | (220) | 97 |
| Adjustments - IAS 29 | 2,302 | - | - | - | - | - | 2,302 |
| Transfer from intangible assets (note 9) | - | - | - | - | - | 65,312 | 65,312 |
| **At 28 February 2022 (Audited)** | 38,407 | - | 18,232 | 1,584 | 21,383 | 65,092 | 144,698 |
| Depreciation | 3,931 | - | 3,055 | 117 | 1,731 | 1,409 | 10,243 |
| Foreign exchange differences | (6,620) | - | 132 | (28) | (326) | (341) | (7,183) |
| Adjustments - IAS 29 | (678) | - | - | - | - | - | (678) |
| **At 31 May 2022 (unaudited)** | 35,040 | - | 21,419 | 1,673 | 22,788 | 66,160 | 147,080 |
| | | | | | | | |
| At 28 February 2022 (Audited) | 79,528 | 16 | 25,120 | 759 | 13,576 | 49,688 | 168,687 |
| | | | | | | | |
| At 31 May 2022 (unaudited) | 49,106 | 16 | 24,182 | 644 | 11,680 | 48,229 | 133,857 |

LIQUID INTELLIGENT TECHNOLOGIES

**12. Cash and cash equivalents, and restricted cash and cash equivalents**

| | 31/05/2022 USD'000 (Unaudited) | 28/02/2022 USD'000 (Audited) |
|---|---|---|
| Cash and bank balances | 89,619 | 154,121 |
| Money market deposits | 173 | 432 |
| Cash and cash equivalents | **89,792** | **154,553** |
| Restricted cash and cash equivalents | **1,585** | **9,090** |
| Total cash and cash equivalents | **91,377** | **163,643** |

The cash and cash equivalents are mainly denominated in USD, GBP, KES, ZAR and ZWL$ and are located in Mauritius, United Kingdom, Kenya, South Africa and Zimbabwe.

Cash and cash equivalents include USD 36.9 million (28 February 2022: USD 80.3 million) in Zimbabwe held in cash, short term deposits and similar instruments. These amounts have been translated at the rate of ZWL$:USD of 308.5:1 (28 February 2022: ZWL$:USD of 124.0:1). See *note 2.2 - Zimbabwean currency for more detailed disclosure on ZWL$.*

The group has restricted cash for the following purposes:

| | 31/05/2022 USD'000 (Unaudited) | 28/02/2022 USD'000 (Audited) |
|---|---|---|
| Guarantees | 1 | 7,501 |
| Customer deposits held | 1,584 | 1,589 |
| | **1,585** | **9,090** |

**13. Trade and other receivables**

| | 31/05/2022 USD'000 (Unaudited) | 28/02/2022 USD'000 (Audited) |
|---|---|---|
| Trade receivables | 116,230 | 129,411 |
| Affiliated entities (note 18) | 28,982 | 29,423 |
| Expected credit loss provision | (37,662) | (44,874) |
| **Total trade and affiliated entities receivables, net of expected credit loss provision** | **107,550** | **113,960** |
| Short-term inter-company receivables (note 18) | 40,213 | 46,307 |
| Sundry debtors | 39,069 | 41,834 |
| Deposits paid | 5,626 | 4,832 |
| Prepayments | 47,153 | 31,011 |
| | **239,611** | **237,944** |

Sundry debtors mainly include accrued income, VAT receivable and non-operating receivable.

The average credit period for the group is 30 days. In determining the recoverability of a trade receivable, the group makes use of forward-looking information and on the assumptions about risk and probability of default and expected loss rates. The group assesses the recoverability on both a collective and individual basis.

Before accepting any new customer, the group ascertains the creditworthiness and identity of the customer by means of an external credit scoring system and customer acceptance forms which are required to be filled in by any new customer. The creditworthiness of customers is reviewed throughout the period.

The receivable balances from affiliated entities and other related parties are unsecured, interest free and are repayable within six months.

The following table details the risk profile of trade receivables and affiliated entities receivables. Lifetime ECL on receivables are assessed individually.

| | | Past due | | | | |
|---|---|---|---|---|---|---|
| | Current USD'000 | 31 - 60 USD'000 | 61 - 90 USD'000 | 91 - 120 USD'000 | > 120 USD'000 | Total USD'000 |
| **At as 31 May 2022** | | | | | | |
| Trade and affiliated entities receivables - Gross | 31,686 | 23,999 | 14,356 | 40,851 | 34,320 | 145,212 |
| Lifetime ECL | 412 | 1,081 | 849 | 1,770 | 33,550 | 37,662 |
| Default rate | 1.3% | 4.5% | 5.9% | 4.3% | 97.8% | |
| **As at 28 February 2022** | | | | | | |
| Trade and affiliated entities receivables - Gross | 75,725 | 21,964 | 9,810 | 7,336 | 43,999 | 158,834 |
| Lifetime ECL | 2,787 | 3,005 | 919 | 1,604 | 36,559 | 44,874 |
| Default rate | 3.7% | 13.7% | 9.4% | 21.9% | 83.1% | |

The trade receivables and affiliated entities balances disclosed above include amounts that are past due at the end of the reporting period, but for which the group has not recognised an expected credit loss provision, because there has been no significant change in the assumptions about risk and probability of default and the amounts are still considered recoverable.

**14. Long term borrowings and short term portion of long-term borrowings**

| | 31/05/2022 USD'000 (Unaudited) | 28/02/2022 USD'000 (Audited) |
|---|---|---|
| **Long term borrowings:** | | |
| USD 620 million 5.5% Senior Secured Notes (i) | 607,669 | 606,973 |
| USD 220 million equivalent South African Rand term loan (ii) | 193,853 | 198,350 |
| Stanbic Bank of Zambia Limited (iii) | 4,318 | 4,193 |
| | **805,840** | **809,516** |
| **Short term portion of long term borrowings (including interest accrued):** | | |
| USD 620 million 5.5% Senior Secured Notes (i) | 8,525 | 17,050 |
| USD 220 million equivalent South African Rand term loan (ii) | 12,910 | 13,050 |
| Stanbic Bank of Zambia Limited (iii) | 2,159 | 2,795 |
| USD 60 million revolving credit facility (iv) | 201 | 198 |
| | **23,795** | **33,093** |

(i) On 22 February 2021, Liquid Telecommunications Financing Plc ("LTF") launched a tender offer for the USD 730 million 2022 Senior Secured Notes issued in 2017. The tender premium was 102.25 and any Notes not tendered were redeemed at par on 13 July 2021. The tender offer closed on 26 February with 76.55% of noteholders taking up the tender. Concurrent with the tender process, on 24 February 2021, Liquid Telecommunications Financing Plc announced the issue of USD 620 million of new 5.5 years Senior Secured Notes. Settlement for both transactions took place on 4 March 2021.

The new Senior Secured Notes bear interest, payable half yearly, at the rate of 5.5% and are payable at maturity in September 2026. The Notes are issued by Liquid Telecommunications Financing Plc and are guaranteed on a Senior Secured basis by: Liquid Telecommunications Holdings Limited, Liquid Telecommunications Operations Limited, Liquid Telecommunications Limited, Liquid Telecommunications Kenya Limited, Liquid Telecommunications Holdings South Africa (Pty) Limited, Liquid Telecommunications South Africa (Pty) Limited and Liquid Telecommunications Zambia Limited with various types of collateral. Such collateral includes (among other things): (i) share pledges and charges over assets, including bank accounts, (ii) assignment over present and future intercompany loans receivables and agreements (iii) assignment over receivables including trade debtors, intellectual property rights and insurances, and (iv) deed of hypothecation over trademarks.

(ii) On 25 February 2021, Liquid Telecommunications South Africa (Pty) Limited entered into a 5 year ZAR 3.3 billion term loan with the Standard Bank of South Africa Limited (acting through its corporate and investment banking division) and Standard Chartered Bank – Johannesburg branch. The term loan is split equally between an amortising tranche and a bullet repayment tranche, for which the interest rates are JIBAR plus 4.5% and 5.0% respectively. In June 2021, Liquid Telecommunications South Africa (Pty) Limited refinanced a portion of the term loan, amounting to ZAR 1.0 billion, with the International Finance Corporation with interest payable quarterly at JIBAR plus 5%.

(iii) Liquid Telecommunications Zambia Limited has USD 23.3 million (maturity in the financial year 2025) of term loans denominated in local currency (Zambian Kwacha). As at 31 May 2022, the outstanding balance on all term loans is USD 6.5 million. Liquid Telecommunications Holdings Limited guaranteed up to USD 13.0 million in aggregate of these facilities. The facility agreement also included a first ranking charge over certain assets including bank accounts and receivables of Liquid Telecommunications Zambia Limited. The facility bears interest at the rate of 23.5%. Capital and interest are repaid on a quarterly basis.

(iv) In addition to the USD 620 million 5.5% Senior Secured Notes and the USD 220 million equivalent South African Rand term loan, the group has a USD 60 million Revolving Credit Facility agreement between the company, JP Morgan Chase Bank N.A., London branch, Standard Finance (Isle of Man), Standard Chartered Bank (Mauritius) Limited and the Mauritius Commercial Bank Limited. The Revolving Credit Facility is secured and is guaranteed on a senior secured basis by, Liquid Telecommunications Operations Limited, Liquid Telecommunications Limited, Liquid Telecommunications Financing Plc, Liquid Telecommunications Kenya Limited, Liquid Telecommunications Holdings South Africa (Pty) Limited, Liquid Telecommunications South Africa (Pty) Limited and Liquid Telecommunications Zambia Limited. The obligations under the Revolving Credit Facility are secured equally and ratably with the Senior Secured Notes by first priority liens over the security. The Revolving Credit Facility facility is denominated in USD, bears interest at the rate of LIBOR plus 4.25%, subject to certain adjustments for the net leverage ratio and is to be utilised for general corporate purposes.

**15. Lease liabilities**

| | 31/05/2022 USD'000 (Unaudited) | 28/02/2022 USD'000 (Audited) |
|---|---|---|
| Long term portion of lease liabilities | 53,493 | 66,420 |
| Short term portion of lease liabilities | 25,047 | 31,009 |
| | **78,540** | **97,429** |

**16. Trade and other payables**

| | 31/05/2022 USD'000 (Unaudited) | 28/02/2022 USD'000 (Audited) |
|---|---|---|
| Trade accounts payable | 50,709 | 61,786 |
| Payable balance to affiliated entities (note 18) | 8,756 | 7,661 |
| Short-term inter-company payables (note 18) | 13,972 | 9,586 |
| Accruals | 56,460 | 51,833 |
| Staff payables | 3,662 | 3,813 |
| Transaction taxes due in various jurisdictions | 6,584 | 8,875 |
| Other short term payables | 4,868 | 4,652 |
| | **145,011** | **148,206** |

The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables for the first 60 days from the date of invoice. Thereafter, interest is generally charged at 2% per annum on the outstanding balance. The group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms.

The directors consider the carrying amount of trade and other payables to approximate their fair value.

**16. Trade and other payables (continued)**

Amount payable to affiliated entities and related company are unsecured, interest free and with no fixed date of repayment.

Accruals mainly relate to wholesale voice carrier amounts accrued for in the ordinary course of business and major capital expenditure for on-going fibre related projects.

**17. Deferred revenue**

| | 31/05/2022<br>USD'000<br>(Unaudited) | 28/02/2022<br>USD'000<br>(Audited) |
|---|---|---|
| Long term portion of deferred revenue | 64,994 | 68,565 |
| Short term portion of deferred revenue | 25,615 | 24,433 |
| | **90,609** | **92,998** |

Deferred revenue mainly relates to revenue billed in advance which includes deferred revenue on any Indefeasible-Rights-of-Use (IRU) that will be amortised over a period of 10 to 15 years, roaming services and other advance billings that will be amortised over a period of 1 to 3 years.

**18. Related party transactions and balances**

In addition to the subsidiary companies the following are related parties to the Liquid Telecommunications Holdings Limited group:

• Econet Wireless Private Limited (Zimbabwe), Econet Telecom Lesotho (Pty) Limited (Lesotho), Transaction Payment Solutions (Private) Limited (Zimbabwe), Econet South Africa (Pty) Limited, Steward Bank Limited, Cassava FinTech (Pty) Ltd, Distributed Power Africa Proprietary Limited, VAYA Africa Mauritius Ltd and Distributed Power Africa Limited and are referred to as "Econet Global related group companies";

• Africa Data Centres Holdings Limited (UK), African Data Centres (Pty) Limited (South Africa), Africa Data Centres SA Development (Pty) Limited (South Africa) and East Africa Data Centre Limited (Kenya) and are referred to as ''Africa Data Centres related group companies'';

• Liquid Technologies Infrastructure Finance SARL

• Liquid Intelligent Technologies Limited;

• Liquid Delta (Jersey) Limited; and

• Liquid Telecommunications (Jersey) Ltd.

The above companies have been disclosed as related parties due to their common control.

Transactions between the group and its subsidiaries, which are related parties of the group, have been eliminated on consolidation and are not disclosed in the group note. The transactions between related parties are entered into at arm's length in accordance with the group's transfer pricing policies. During the year, the group and company entered into the following trading transactions with related parties:

| | 3 months ended | |
|---|---|---|
| | 31/05/2022<br>USD'000<br>(Unaudited) | 31/05/2021<br>USD'000<br>(Unaudited) |
| **Sales of goods and services** | | |
| Econet Global related group companies | 16,661 | 27,890 |
| **Purchase of goods and services** | | |
| Econet Global related group companies | 5,637 | 5,869 |
| **Management fees paid** | | |
| Econet Global related group companies | 60 | 60 |
| **Management fees received** | | |
| Africa Data Centres related group companies | 542 | 239 |
| Econet Global related group companies | 62 | 18 |
| Liquid Intelligent Technologies Limited | 31 | - |
| | **635** | **257** |
| **Interest income** | | |
| Econet Global related group companies | 72 | 53 |
| Liquid Intelligent Technologies Limited | 26 | - |
| Africa Data Centres related group companies | 4,070 | 1,694 |
| | **4,168** | **1,747** |
| **Finance costs** | | |
| Liquid Technologies Infrastructure Finance SARL | 34 | 39 |
| **Administration fees paid** | | |
| DTOS Limited | 69 | 68 |

**18. Related party transactions and balances (continued)**

The group has the following balances at the period / year end:

| | 31/05/2022 USD'000 (Unaudited) | 28/02/2022 USD'000 (Audited) |
|---|---|---|
| **Short term intercompany receivables** | | |
| Africa Data Centres related group companies | 39,399 | 45,569 |
| Liquid Intelligent Technologies Limited | 7 | 7 |
| Econet Global related group companies | 807 | 731 |
| | **40,213** | **46,307** |
| **Short term intercompany payables** | | |
| Liquid Technologies Infrastructure Finance SARL | 11,992 | 6,704 |
| Liquid Telecommunications (Jersey) Ltd | 1,980 | 2,882 |
| | **13,972** | **9,586** |
| **Receivables balances from affiliated entities** | | |
| Econet Global Limited (Mauritius) | 4,999 | 4,999 |
| Liquid Technologies Infrastructure Finance SARL | 613 | 613 |
| Econet Global Related Group Companies | 17,569 | 19,063 |
| Liquid Delta (Jersey) Limited | 28 | 28 |
| Liquid Intelligent Technologies Limited | 251 | 180 |
| Liquid Telecommunications (Jersey) Ltd | 367 | - |
| Africa Data Centres related group companies | 5,155 | 4,540 |
| | **28,982** | **29,423** |
| **Payable balance to affiliated entities** | | |
| Econet Global related group companies | 2,931 | 4,429 |
| Africa Data Centres related group companies | 2,616 | 1,702 |
| Liquid Telecommunications (Jersey) Ltd | 1,677 | - |
| Liquid Intelligent Technologies Limited | 2 | - |
| Liquid Technologies Infrastructure Finance SARL | 1,530 | 1,530 |
| | **8,756** | **7,661** |
| **Long-term receivables from affiliated entities** | | |
| Africa Data Centres related group companies | 154,163 | 153,737 |
| Liquid Intelligent Technologies Limited | 2,146 | 2,005 |
| | **156,309** | **155,742** |
| **Long-term payable to affiliated entities** | | |
| Africa Data Centres related group companies | 418 | 428 |

**19. Capital commitments**

At 31 May 2022, the group was committed to making the following capital commitments:

| | 31/05/2022 USD'000 (Unaudited) | 28/02/2022 USD'000 (Audited) |
|---|---|---|
| Authorised and contracted | 33,893 | 33,001 |

The capital expenditure is to be financed from internal cash generation and existing funding facilities.

**20. Events after reporting date**

There have been no material events after reporting date which would have a material impact on the group.

**21. Dividend paid**

No dividend has been declared or paid in the 3 months period ended 31 May 2022 (31 May 2021: Nil).

**22. Fair value measurements recognised in the consolidated statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 USD'000 | Level 2 USD'000 | Level 3 USD'000 | Total USD'000 |
|---|---|---|---|---|
| **31 May 2022** | | | | |
| Investments at FVTOCI (i) | - | - | 15,314 | 15,314 |
| Net derivative assets (ii) | - | 3,998 | - | 3,998 |
| Total (unaudited) | **-** | **3,998** | **15,314** | **19,312** |

**22. Fair value measurements recognised in the consolidated statement of financial position (continued)**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 |
| **28 February 2022** | | | | |
| Investments at FVTOCI (i) | - | - | 15,314 | 15,314 |
| Net derivative assets (ii) | - | 3,998 | - | 3,998 |
| Total (Audited) | **-** | **3,998** | **15,314** | **19,312** |

(i) Investments at Fair Value Through Other Comprehensive Income (FVTOCI)

| | 31/05/2022 | 28/02/2022 |
|---|---|---|
| | USD'000 | USD'000 |
| | (Unaudited) | (Audited) |
| Opening balance | 15,314 | 23,814 |
| Disposal | - | (8,500) |
| Closing balance | **15,314** | **15,314** |

During the year ended 28 February 2022, following a strategic decision, the company disposed its shareholding in West Indian Ocean Cable Company Limited for USD 9.6 million. A gain on disposal of USD 1.1 million was recognised in the consolidated statement of profit or loss.

(ii) Net derivative assets

The following table details the group's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

The derivatives represent the fair value of the call options embedded within the terms of the Notes. The call options give the group the right to redeem the Notes at a date prior to the maturity date (4 September 2026), at a premium over the initial notional amount.

The options are fair valued using an option pricing model that is commonly used by market participants to value such options and makes the maximum use of market inputs, relying as little as possible on the group's specific inputs and making reference to the fair value of similar instruments in the market. Thus, it is considered a level 2 financial instrument in the fair value hierarchy of *IFRS 13 - Fair value measurement.*

The key assumptions used to estimate the fair value are:
1. the initial fair value of the Notes (being the issue price of 100% on the issue date);
2. the credit spread (implied from the issue price of the bond); and
3. the discount curve (3-month USD LIBOR).

| | Within 1 year | 1 to 2 years | 2 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| **Group - 31 May 2022** | | | | | |
| Net settled: Embedded derivatives | - | - | 3,998 | - | 3,998 |
| **Group - 28 February 2022** | | | | | |
| Net settled: Embedded derivatives | - | - | 3,998 | - | 3,998 |

| | 31/05/2022 | | 28/02/2022 | |
|---|---|---|---|---|
| | USD'000 | | USD'000 | |
| | (Unaudited) | | (Audited) | |
| | Derivatives | | Derivatives | |
| | Assets | Liabilities | Assets | Liabilities |
| Opening balance | 3,998 | (1,879) | 3,998 | (1,879) |
| Fair value change | - | - | - | - |
| Closing balance | **3,998** | **(1,879)** | **3,998** | **(1,879)** |
| Net settled : Embedded derivatives | **2,119** | | **2,119** | |

**23. Non-cash transactions**

In the current financial period, the non-cash portion of finance costs consists of USD 0.9 million (31 May 2021: USD 0.6 million) of amortised arrangement fees relating to the USD 620 million 5.5% Senior Secured Notes and USD 220 million equivalent South African Rand term loan. Accrued interest of USD 8.7 million (31 May 2021: USD 8.2 million) has been excluded from financing activities as at 31 May 2022.

**24. Earnings per share**

| | 3 months ended | |
|---|---|---|
| | 31/05/2022 USD'000 (Unaudited) | 31/05/2021 USD'000 (Unaudited) |
| Basic (loss) / profit per share (Cents per share) | (38.77) | 28.38 |

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| | 31/05/2022 USD'000 (Unaudited) | 31/05/2021 USD'000 (Unaudited) |
|---|---|---|
| (Loss) / profit attributable to owners of the company | (48,409) | 35,438 |

| | 31/05/2022 USD'000 (Unaudited) | 31/05/2021 USD'000 (Unaudited) |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic profit / (loss) per share for the period ended | 124,857,914 | 124,857,914 |

At 31 May 2022, the share capital of 3.7 million represents 124,857,914 ordinary shares (31 May 2021: 124,857,914 ordinary shares).

**25. Assets held for sale**

During the year ended 28 February 2021, the group has transferred the assets and liabilities of the Data centre line of business from the Liquid Group to the ADC group. The group entered into a sale agreeement with Africa Data Centre Holdings Limited (owned by Liquid Telecommunications (Jersey) Limited), which was completed on 4 March 2021, for the disposal of the ADC line of business carried out by the South African and Kenyan subsdiaries of the group for a consideration of USD 193.0 million.

A profit of USD 86.0 million arose on the disposal of the ADC assets, being the difference between the proceeds of disposal and the carrying amount of the subsidiary’s net assets and attributable goodwill upon the completion of the transaction in the subsequent reporting period. The profit has been disclosed in the consolidated statement of changes in equity.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

| | 31/05/2022 USD'000 | 31/05/2021 USD'000 |
|---|---|---|
| Assets classified as held for sale | | |
| Intangible assets | - | 21 |
| Property, plant and equipment | - | 106,917 |
| Right-of-Use assets | - | 9,785 |
| Inventories | - | 154 |
| Trade and other receivables | - | 2,865 |
| Foreign exchange | - | 7,096 |
| | - | 126,838 |
| Liabilities directly associated with assets classified as held for sale | | |
| Trade and other payables | - | 7,231 |
| Lease liabilities | - | 11,267 |
| Foreign exchange | - | 1,594 |
| | - | 20,092 |
| Net assets of disposal group | - | 106,746 |

**26. Contingent liabilities**

**Uncertain Tax Positions**

The group has a number of tax audits underway across the various jurisdictions in which it operates. These audits are routine and often involve discussion and negotiation with the relevant authorities. When assessing the potential outcome of these audits, the group uses judgement based on past experience, industry practice and advice from local tax advisers. Where the assessment finds that a tax liability is probable, a tax provision is made through current tax. Where the group considers it has a robust position, no tax provision is made, however, these positions are kept under review as the audit process progresses and in some or all cases, the outcome of the audit and discussions with the tax authorities may be different to that anticipated by the group.

**27. Reconciliation**

**27.1 Reconciliation of Operating profit to Adjusted EBITDA**

Below is a reconciliation of Operating profit, as shown in the consolidated statement of profit or loss, to Adjusted EBITDA reported in note 3 - *Segment information* .

| | 3 months ended | |
|---|---|---|
| | 31/05/2022 USD'000 (Unaudited) | 31/05/2021 USD'000 (Unaudited) |
| Operating profit | 17,224 | 29,268 |
| Add back: | | |
| Depreciation, impairment and amortisation | 29,064 | 29,786 |
| Adjusted EBITDA (note 3) | **46,288** | **59,054** |

**27. Reconciliation (continued)**

**Reconciliation of consolidated statement of profit or loss to management profit or loss**

The group has standardised its consolidated statement of profit or loss to comply with IAS 1 nature of expense method of presentation. The change resulted in reclassification from Data and network related costs to Administrative expenses.

A reconciliation of the consolidated statement of profit or loss and management profit or loss is included below:

| | Consolidated statement of profit or loss USD'000 (Unaudited) | Reclassification of network costs USD'000 (Unaudited) | Revised statement of profit or loss USD'000 (Unaudited) |
|---|---|---|---|
| **3 months ended 31 May 2022:** | | | |
| Revenue | 143,009 | - | 143,009 |
| Interconnect related costs | (12,304) | - | (12,304) |
| Data and network related costs | (39,275) | 9,878 | (29,397) |
| Gross Profit | 91,430 | 9,878 | 101,308 |
| Other income | 649 | - | 649 |
| Selling, distribution and marketing costs | (1,937) | - | (1,937) |
| Expected credit loss provision | (933) | - | (933) |
| Administrative expenses | (13,444) | (9,878) | (23,322) |
| Staff costs | (29,477) | - | (29,477) |
| Adjusted EBITDA | **46,288** | **-** | **46,288** |
| **3 months ended 31 May 2021:** | | | |
| Revenue | 161,986 | - | 161,986 |
| Interconnect related costs | (15,657) | - | (15,657) |
| Data and network related costs | (36,335) | 8,881 | (27,454) |
| Gross Profit | 109,994 | 8,881 | 118,875 |
| Other income | 861 | - | 861 |
| Selling, distribution and marketing costs | (2,475) | - | (2,475) |
| Expected credit loss provision | (4,338) | - | (4,338) |
| Administrative expenses | (17,922) | (8,881) | (26,803) |
| Staff costs | (27,066) | - | (27,066) |
| Adjusted EBITDA | **59,054** | **-** | **59,054** |

**28 Immediate, intermediate and ultimate holding companies**

The directors regard Liquid Telecommunications (Jersey) Limited, incorporated in Jersey, as the immediate holding company, Econet New Arx Limited as the intermediate holding company and Econet Global Limited as the ultimate holding company, both incorporated in Mauritius.