LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
(“the Group” or “Liquid”)
FINANCIAL RESULTS FOR SECOND QUARTER ENDED 31 AUGUST 2020

Delivery on track as Liquid weathers the COVID storm

20 October 2020

Leading pan-African technology group Liquid, a subsidiary of Econet Global Limited, today announces its financial results for the second quarter ended 31 August 2020.

Highlights

- Commercialisation of our investment in South Sudan with our first major IRU contract signed in South Sudan for the Nimule to Juba route, cementing our presence in country.

- Wholesale data revenues produce consistent growth on prior Q2 at USD 81.5 million (Q2 2019-20: USD 78.8 million restated, USD 77.9 million as reported).

- Adjusted EBITDA at USD 54.4 million broadly flat year-on-year (Q2 2019-20: USD 54.9 million restated, USD 53.9 million as reported).

- Continued strong growth in cash generated from operations compared to the prior year, a 150.5% uplift at USD 55.6 million (Q2 2019-20: USD 22.2 million), resulting in a cash balance at the end of Q2 of USD 105.7 million (Q1 2020-21: USD 118.7 million). Both quarters include USD 40.0 million drawn on the RCF.

- Net operating costs down 10.8% on Q2 2019-20 at USD 41.4 million (Q2 2019-20: USD 46.4 million) driven by lower staff costs.

- Capex spend was USD 19.5 million, less than the same quarter last year (Q2 2019-20: USD 26.5 million), but expected to increase in the second half as lockdown restrictions ease and project activity resumes.

- Pre-IFRS 16 net debt at the end of the period was USD 687.9 million, a net debt to Adjusted EBITDA ratio of 3.33x still within the threshold of 4.25x. Post-IFRS 16 net debt was USD 796.3 million with a ratio of 3.26x.

	Q2 2020-21	Q2 2019-20	Change
	(USDm)	(USDm)	(%)
Revenue	179.9	187.5	(4.0)
Adjusted EBITDA[1]	54.4	54.9	(0.9)
Cash generated from operations	55.6	22.2	150.5
Net Debt[2]	796.3	755.3	5.4
Net Debt / adjusted EBITDA (x)	3.26	3.46	

[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.

The Q2 2019-20 figures in the above table and throughout this release, unless otherwise stated, have been restated for IAS 29 hyperinflation accounting. A reconciliation to the FY20 reported figures can be found in note 2.2.3 of the accompanying financials.

Chief Executive Officer, Nic Rudnick, commented:

"Liquid continues to demonstrate its resilience in these challenging times, with consistent delivery of financial results and new projects, despite exchange rates moving against us. We have delivered stable EBITDA and controlled our capex to ensure Liquid remains in a position of strength. We have been able to balance conservative resource management with targeted project delivery for maximum impact, against the backdrop of tough global economic and social conditions. The signing of our first IRU contract in South Sudan is testament to the ongoing investment we make in our partnerships, established for the long term, as well as our accelerated commercialisation of our assets in the ground.

It is clear that our products are more important to our customers than ever before and our evolving business proposition is well placed to satisfy their requirements. Liquid is pivoting to meet demand in the technology space alongside that for our traditional connectivity services. The extensive knowledge and understanding that our teams have of the industry, the geography and our customers, puts us in a unique position to offer tailored solutions ahead of our competitors."

Group Chairman, Strive Masiyiwa, added:

"As economies and businesses across the globe come to terms with the impact of the COVID-19 pandemic, I am pleased that Liquid has delivered a consistent performance with a solid set of results for the second quarter. As we evolve into a full-service technology company, building partnerships with other global technology leaders, we are expanding our eco-system to incorporate application and cloud-based services. The African cloud market is in its early growth stage, and Liquid is well positioned to capitalise on this opportunity.

We have made further progress towards driving value from our Data Centre business, by inserting a new group holding company on top of the existing group, allowing the new Data Centre Holding company and its assets to sit alongside the fibre business. The shareholders remain the same and continue to demonstrate full commitment to both parts of the business as we continue to build Africa's digital future."

There will be an investor call at 14:00 BST in order to present the results and answer questions. Please register on our website to gain access to the details for the call.

For further information please contact:
Mark Reynolds, Group Head of Investor Relations
D: +44 207 1016 210 **M:** +447468 846195 **E:** mark.reynolds@liquidtelecom.com

About Liquid Telecom

Liquid Telecom is a leading communications solutions provider across 13 countries primarily in Eastern, Southern and South Africa that serves mobile operators, carriers, enterprise, media and content companies and retail customers with high-speed, reliable connectivity, hosting and co-location and digital services. It has built Africa's largest independent fibre network, over 73,000km, and operates state-of-the-art data centres in Johannesburg, Cape Town and Nairobi, with a combined potential 19,000 square metres of rack space and 78 megawatts (MW) of power. This is in addition to offering leading cloud-based services, such as Microsoft Office365 and Microsoft Azure across our fibre footprint. Through this combined offering Liquid Telecom is enhancing customers' experience on their digital journey.

For more information, visit www.liquidtelecom.com

- Ends -

OPERATIONAL AND FINANCIAL REVIEW

Liquid Telecom is a leading communications solutions provider across 13 countries primarily in Eastern, Southern and South Africa that serves carrier, enterprise and retail customers with high-speed, reliable connectivity and cloud services. We have built Africa's largest independent fibre network, more than 73,000 kilometres, and operate state-of-the-art data centres in Johannesburg, Cape Town and Nairobi.

The Group has traditionally reported in four segments: Wholesale Data, Enterprise, Retail and Wholesale Voice and these are the segments used in the current quarter. However, in preparation for the transition to our new operating model, we have condensed our KPIs and will provide further detail on our new reporting structure in due course.

Wholesale Data

Our Wholesale Data division provides Global IP Transit and fibre connectivity to 2G, 3G, 4G and 5G mobile base stations across our extensive independent, self-owned fibre network and international leased lines. We cover a wide range of customers from international carriers to African mobile and public telecom operators and African Internet Service Providers (ISPs). We also help other ISPs reach more customers with attractive offers using our wholesale FTTH services whilst also monetising our open-access fibre network. In addition, we provide services to Mobile Network Operators (MNOs) where they can roam across our network, together with a range of wholesale cloud products, where we are a tier 1 and tier 2 supplier for Microsoft across Africa, as well as co-location services.

Enterprise

Our Enterprise segment provides solutions to large-scale corporate and governmental consumers of bandwidth with complex, multi-country connectivity, co-location, hosting and cloud services. Here, in partnering with leading software, content and internet service providers to package business service offerings, supported by our fibre local access networks and data centre facilities, we provide high-speed broadband, cloud and co-location services, Voice over Internet Protocol (VoIP) and global connectivity to small and medium sized enterprises and non-governmental organisations, as well as payment solutions to financial institutions through our Liquid Payments business. We also aim to expand our metro and "Fibre to the Business" (FTTB) networks with a view to driving multi-tenancy growth in the buildings enabled to use the fibre network. Complementary Very Small Aperture Terminal (VSAT) and fixed-wireless (point-to-point or point-to-multipoint) networks extend the reach of the network to connect remote locations.

Retail

Our Retail business connects households and small businesses through the provision of our FTTH through Gigabit Passive Optical Networks (GPON) and Fixed Wireless Access (FWA), primarily using 4G LTE technology. We believe that both FTTH and FWA, using our own infrastructure deployed in carefully selected areas, represents an important development opportunity for retail revenue growth with a focus on increasing our market share in the middle and top ends of the broadband internet service segment. Our retail customers now also have access to a range of digital services (Office365, Azure and laptop backups).

Wholesale Voice

We provide connectivity via fibre and satellite, in the voice market, into and out of Africa to national and international operators as well as African mobile network operators. Many destinations in Africa still offer regulated prices set at levels where margins are attractive for international voice carriers. Our ability to carry voice traffic on our own fibre network from international interconnection points for our customers to the nearest point of interconnection with local voice service providers is a major differentiator in an otherwise commoditised marketplace. In doing so, we can control the routing of the voice traffic, deliver high quality calls, avoid fraud schemes that are prevalent on the international voice transit market and provide a stable and reliable service for our customers.

Key performance indicators (KPIs)

The following table sets out the Group's key performance indicators for Q2 2020-21:

	(Q1) 2019-20	(Q2) 2019-20	(Q3) 2019-20	(Q4) 2019-20	FY 2019-20	(Q1) 2020-21	(Q2) 2020-21	FY 2020-21
Number of kilometres of fibre[1]	69,193	69,550	70,349	73,114	73,114	73,171	73,291	73,291
Wholesale data revenue[2]	41.8	78.8	104.6	125.9	351.1	75.2	81.5	156.7
Network customers[3]	76,013	85,817	107,320	128,747	128,747	137,386	148,807	148,807
Average churn rate[4]	1.08%	0.61%	0.83%	0.41%	0.73%	0.59%	1.48%	1.03%

[1] Total number of kilometres (including backbone, metro and FTTX) over which fibre is installed. Multiple fibre cables or ducts within the same trench are only counted once. Includes both owned and leased capacity through partnerships.
[2] Total Wholesale data revenue including roaming in USDm.
[3] Total number of Enterprise and retail customers. Note that Q3 and Q4 FY20 and Q1 FY21 customer numbers have been restated for a correction. This correction related to one country only in the Rest of Africa region.
[4] Average monthly 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.

Total fibre laid increased at a slower rate in the quarter as projects were impacted by COVID-19.

Wholesale data revenue increased 3.4% against Q2 of the prior year and is discussed in more detail below.

Of our network customers, the Retail base expanded in Q2 by 11,269 to 137,126 (Q1 2020-21: 125,857) as demand continued in East and Southern Africa for our LTE and GPON product set. Taking into account a correction to our Enterprise customer numbers (reduction of 343 to the Q1 reported figures), we saw this base stabilising, however, we did experience a spike in churn to 1.48%, due to a combination of non-renewal of certain contracts, price erosion and enforced service terminations, largely in South Africa. A task force has been established to investigate and address the root causes of churn.

Revenue

Revenue per segment	For the six-month period ended			For the three-month period ended		
	31-Aug-20	31-Aug-19	2020-21 vs 2019-20	31-Aug-20	31-Aug-19	2020-21 vs 2019-20
	(USDm)	(USDm)	(%)	(USDm)	(USDm)	(%)
Data and Other services	**271.8**	**259.0**	**4.9**	**132.3**	**149.5**	**(11.5)**
Wholesale data	156.7	120.6	29.9	81.5	78.8	3.4
Enterprise	95.8	123.0	(22.1)	43.8	63.3	(30.8)
Retail	19.3	15.4	25.3	7.0	7.4	(5.4)
Wholesale voice	**74.7**	**74.0**	**0.9**	**47.6**	**38.0**	**25.3**
Total Revenue	**346.5**	**333.0**	**4.1**	**179.9**	**187.5**	**(4.0)**

Second quarter revenues were down 4.0% on the prior year at 179.9 million (Q2 2019-20: 187.5 million) mainly due to adverse currency movements. A strong performance in the Rest of Africa segment, with revenue up by 47.6% has partially offset the decline. For the half, had the South African revenue been converted at the average rate used in last year's H1, there would have been a cUSD 20.0 million increase in revenue in South Africa rather than a cUSD 12.0 million decrease, an overall delta of cUSD 32.0 million to the published numbers.

Wholesale Data

A 3.4% year-on-year increase in Wholesale Data revenue to USD 81.5 million (Q2 2019-20: USD 78.8 million) was driven by our first dark fibre sale in South Sudan and the sale of an IRU in DRC. The activation of the second roaming contract in the previous quarter also contributes to the uplift on the prior year. The impact of these upsides is tempered by a deterioration in the South African Rand, with the YTD average rate declining from 14.44 in the prior year to 17.36 in the current year, contributing USD 15.6 million to the overall Q2 on Q2 decline in revenue.

Enterprise

Enterprise revenues fell in the quarter to USD 43.8 million (Q2 2019-20: USD 63.3 million), USD 18.3 million of which occurred in South Africa. There were three main contributing factors to this, each in roughly equal measure; firstly, weaker year-on-year exchange rates, secondly contract specific NRR in the prior Q2 and lastly, a spike in churn. The churn arose from a combination of contracts terminating on renewal and price erosion due to the economic challenges presented by the COVID-19 pandemic. The Enterprise business in Rest of Africa however, grew by almost 10%, showing continued strength across the region.

Retail

Retail sales continues to thrive, with over 11,000 customers added to the base in the period. Although Retail revenue at USD 7.0 million (Q2 2019-20: USD 7.4 million), was down on the prior year Q2 due to weaker exchange rates, the year to date performance of 25.6% growth vs the prior H1, reflects the true growing demand.

Wholesale Voice

The uplift in the voice revenue was due to an increase demand for voice services in the commercial sector and reduced reliance on VOIP applications by individuals. At USD 47.6 million, voice revenue was up 25.5% on the prior year (Q2 2019-20: USD 38.0 million), although margins remain low in the active jurisdictions.

Gross profit

Gross Profit	For the six-month period ended			For the three-month period ended		
	31-Aug-20	31-Aug-19	2020-21 vs 2019-20	31-Aug-20	31-Aug-19	2020-21 vs 2019-20
	(USDm)	(USDm)	(%)	(USDm)	(USDm)	(%)
Revenue	346.5	333.0	4.1	179.9	187.5	(4.1)
Costs per quarterly financial statements	(156.9)	(137.6)	(14.0)	(84.1)	(86.3)	2.5
Gross Profit	**189.6**	**195.4**	**(3.0)**	**95.8**	**101.2**	**(5.3)**
Gross Profit Margin (%)	**54.7**	**58.7**	**(4.0)pp**	**53.3**	**54.0**	**(0.7)pp**

Gross profit for the quarter was USD 95.8 million, down 5.3% (Q2 2019-20: 101.2 million). Gross profit margin was down 0.7pp at 53.3% (Q2 2019-20: 54.0%) due to the roaming contracts.

Total overheads and other income

Total Overheads and Other Income	For the six-month period ended			For the three-month period ended		
	31-Aug-20	31-Aug-19	2020-21 vs 2019-20	31-Aug-20	31-Aug-19	2020-21 vs 2019-20
	(USDm)	(USDm)	(%)	(USDm)	(USDm)	(%)
Other income	0.1	0.7	(85.7)	0.0	0.4	(100.0)
Selling, distribution and marketing costs	(10.1)	(4.5)	(124.4)	(5.0)	(2.5)	100.0
Administrative costs	(36.0)	(42.1)	14.5	(18.2)	(21.0)	13.3
Staff costs	(42.4)	(46.6)	9.0	(18.2)	(23.3)	21.9
Dividend received	0.3	0.0	n/a	0.0	0.0	n/a
Total overheads and Other income	**(88.1)**	**(92.5)**	**4.8**	**(41.4)**	**(46.4)**	**10.8**
% to Total Revenue	**(25.4)**	**(27.8)**	**2.4pp**	**(23.0)**	**(24.7)**	**1.7pp**

Significant cost savings across all overhead categories continue in Q2, with staff costs again contributing the largest reduction against the same period last year. As part of the change in operating model, transitioning the business to a more digital services and cloud-based offering, we initiated a restructuring in South Africa in the second quarter. Aligned to this were headcount reductions in East Africa and the UK. The full savings from this exercise will crystallise in the second half. Total overheads and other income for the second quarter were USD 41.4 million (Q2 2019-20: USD 46.4 million), a reduction of 10.8% on the prior year. Selling and distribution costs in the period were higher than the same period last year as the business made some additional provision for bad debts in light of the COVID-induced economic situation across all our territories.

Adjusted EBITDA and profit

Adjusted EBITDA	For the six-month period ended			For the three-month period ended		
	31-Aug-20	31-Aug-19	2020-21 vs 2019-20	31-Aug-20	31-Aug-19	2020-21 vs 2019-20
	(USDm)	(USDm)	(%)	(USDm)	(USDm)	(%)
Adjusted EBITDA	**101.5**	**102.9**	**(1.4)**	**54.4**	**54.9**	**(0.9)**
Depreciation, impairment and amortisation	(49.7)	(76.2)	34.8	(23.6)	(28.7)	17.8
Dividend received	(0.3)	-	n/a	-	-	n/a
Operating Profit	**51.5**	**26.7**	**92.9**	**30.8**	**26.2**	**17.6**
Dividend received	0.3	-	n/a	-	-	n/a
Restructuring costs	(4.9)	(0.5)	(880.0)	(4.9)	(0.1)	(8,974.1)
Acquisition and other investment costs	(0.1)	(0.3)	66.7	(0.1)	(0.2)	50.0
Interest income	1.0	1.8	44.4	0.4	0.9	55.6
Finance costs	(38.9)	(37.8)	(2.9)	(19.2)	(18.8)	(2.1)
Foreign exchange (loss) / gain	(303.5)	(263.2)	(15.3)	(192.5)	(136.3)	(41.2)
Monetary Adjustment - IAS 29	267.4	133.9	(99.7)	77.9	107.9	(27.8)
Share of profit of associate	-	-	n/a	-	-	n/a
Loss before tax	**(27.2)**	**(139.4)**	**80.5**	**(107.5)**	**(20.4)**	**428.2**
Tax credit/(expense)	(7.7)	26.0	(129.6)	6.1	2.1	(190.5)
Loss for the period	**(34.9)**	**(113.4)**	**69.2**	**(101.4)**	**(18.3)**	**(455.5)**

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, foreign exchange (loss)/gain, hyperinflation monetary gain and share of profit from associate.

Second quarter Adjusted EBITDA of USD 54.4 million was broadly flat on last year (Q2 2019-20: USD 54.9 million) as operating costs reduced to counter the drop in gross margin.

Depreciation, impairment and amortisation were lower by 17.8% at USD 23.6 million (Q2 2019-20: USD 28.7 million) as a result of currency movements.

Finance costs for the second quarter were up slightly on Q2 2019-20 at USD 19.2 million as USD 40.0 million of the RCF has been drawn throughout the current period.

Foreign exchange losses of USD 192.5 million (Q2 2019-20: USD 136.3 million), as in prior quarters, were predominantly non-cash and largely fell in Zimbabwe due to the translation of US Dollar trade payables and liabilities. This is partly offset by the monetary gain arising in Zimbabwe under hyperinflation accounting, using the August 2020 CPI of 2,124.97.

Cash generated from operations

Cashflow	For the six-month period ended			For the three-month period ended		
	31-Aug-20	31-Aug-19	2020-21 vs 2019-20	31-Aug-20	31-Aug-19	2020-21 vs 2019-20
	(USDm)	(USDm)	(%)	(USDm)	(USDm)	(%)
Cash generated from operations	**93.1**	**49.2**	**89.2**	**55.6**	**22.2**	**150.5**
Tax paid	(2.3)	(2.6)	11.5	(0.4)	(1.2)	66.7
Net cash from operating activities	**90.8**	**46.6**	**94.8**	**55.2**	**21.0**	**162.9**
Net cash used in investing activities	(38.7)	(55.8)	30.6	(17.6)	(25.6)	31.3
Net cash used in financing activities	(12.7)	55.4	(122.9)	(40.9)	(41.6)	1.7
Net increase/(decrease) in cash and cash equivalent	**39.4**	**46.2**	**(14.7)**	**(3.3)**	**(46.2)**	**92.9**

An improvement in the working capital position in the current period due to the collection of receivables drove a 150.5% year-on-year increase in cash generated from operations to USD 55.6 million (Q2 2019-20: USD 22.2 million). Whilst the collections have improved, all operating countries are seeing local signs of significant economic challenge and we continue to track the position closely.

Net cash used in investing activities was USD 17.6 million, down 31.3% on the same quarter last year (Q2 2019-20: USD 25.6 million). As in Q1, this was due to both tight control of capital expenditure alongside the slow-down of a small number of projects as a result of the COVID-19 pandemic. We have started to see signs of project recovery after the end of the quarter, following the easing of restrictions.

Net cash used in financing activities of USD 40.9 million (Q2 2019-20: USD 41.6 million) is after payment of the half yearly interest on the Senior Secured Notes and lease payments. In the 6 months to 31 August 2019, we recorded the inflow of the equity investment from CDC, resulting in positive net cash from financing activities.

Capital investment and network developments

Capex spend has again been limited in the second quarter as we carefully guarded the resources of the company. Q2 spend was USD 19.5 million (Q2 2019-20: USD 26.5 million). In this past quarter, we have focused on closing out those build projects that will generate revenue in the current financial year. Our focus now is on commercialisation of the network we have built already and laying new infrastructure to allow us to sell new products and services

Note that current capex spend in relation to the data centres is limited to projects on existing owned sites and does not relate to any new projects or acquisitions.

Gross and net debt

In accordance with our financing agreements, all covenant compliance is on a pre-IFRS 16 basis.

	Gross and Net Debt		
	31 Aug 2020 (Post IFRS 16)	IFRS 16 impact	31 Aug 2020 (Pre IFRS 16)
	(USDm)	(USDm)	(USDm)
Total Gross Debt	**900.6**	**(108.4)**	**792.2**
Long term borrowings including interest accrued	804.1	(71.5)	732.6
Short term portion of long-term borrowings	89.9	(36.9)	53.0
Unamortised arrangement fees	6.6	-	6.6
Less: Unrestricted cash	**104.3**	**-**	**104.3**
Net debt	**796.3**	**(108.4)**	**687.9**
Last twelve months EBITDA	**244.4**	**(38.1)**	**206.3**
Last twelve months interest	**79.5**	**(9.4)**	**70.1**
Covenants			
Gross debt / LTM EBITDA (x)	3.65	n/a	3.80
Net Debt / LTM EBITDA (x)	3.26	n/a	3.33
Interest / LTM EBITDA (x)	3.07	n/a	2.94

Gross debt for the purposes of the bond excludes accrued interest

The total cash balance at the end of the second quarter was USD 105.7 million (Q1 2020-21: USD 118.7 million), including USD 40.0 million drawn on the RCF. Cash is generated locally in the operations of each country and largely used to self-fund operational and capital expenditure, repay intercompany borrowings and service Group debt.

Post-IFRS 16 gross debt at 31 August 2020 was USD 900.6 million (Q1 2020-21: USD 891.2 million), with the reduction from the payment of the half yearly interest being offset by an increase in lease liabilities. Post-IFRS 16 net debt at the quarter end was USD 796.3 million (Q1 2020-21: USD 773.9 million).

The closing pre-IFRS 16 net debt to EBITDA ratio was steady at 3.33x, against a threshold of 4.25x. Interest cover was 2.94x against a requirement to exceed 2.5x. The gross debt ratio is an incurrence covenant only and at the quarter end was 3.80x, against a threshold of 3.75x.

The medium-term policy of the Group is to have a net debt to EBITDA ratio of between 2.0x and 3.0x.

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

20 October 2020

Deloitte.

7th-8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Report on review of Condensed Consolidated Interim Financial Statements

The Board of Directors
Liquid Telecommunications Holdings Limited

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Liquid Telecommunications Holdings Limited (the "Group") set out on pages 11 to 34 which comprise the condensed consolidated statement of financial position of the Group as at 31 August 2020 and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Liquid Telecommunications Holdings Limited for the six months ended 31 August 2020 is not prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting.

Deloitte.

Deloitte
Chartered Accountants
19 October 2020

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the 6 months and 3 months ended 31 August 2020

		6 months ended		3 months ended	
	Notes	**31/08/2020**	**31/08/2019**	**31/08/2020**	**31/08/2019**
		USD'000	**USD'000**	**USD'000**	**USD'000**
		(Reviewed)	**(Unreviewed)**	**(Unreviewed)**	**(Unreviewed)**
Revenue	3	346,541	333,017	179,901	187,503
Interconnect related costs		(60,665)	(62,423)	(37,927)	(32,195)
Data and network related costs		(111,064)	(94,240)	(53,664)	(64,033)
Other income		91	703	7	436
Selling, distribution and marketing costs		(10,075)	(4,540)	(4,937)	(2,511)
Administrative expenses		(21,230)	(22,993)	(10,733)	(11,074)
Staff costs		(42,431)	(46,646)	(18,249)	(23,262)
Depreciation, impairment and amortisation		(49,664)	(76,220)	(23,569)	(28,702)
Operating profit		**51,503**	**26,658**	**30,829**	**26,162**
Dividend received		292	-	-	-
Restructuring costs	4	(4,916)	(460)	(4,916)	(14)
Acquisition and other investment costs		(70)	(335)	(49)	(211)
Interest income	5	955	1,768	375	901
Finance costs	6	(38,937)	(37,801)	(19,243)	(18,812)
Foreign exchange loss	2.2	(303,477)	(263,152)	(192,477)	(136,213)
Hyperinflation monetary gain*	2.2	267,394	133,886	77,924	107,876
Share of profits / (loss) of associate		2	8	1	(4)
Loss before taxation		(27,254)	(139,428)	(107,556)	(20,315)
Tax (expense) / credit	7	(7,653)	26,023	6,129	2,124
Loss for the period		**(34,907)**	**(113,405)**	**(101,427)**	**(18,191)**
Other comprehensive (loss) / profit					
Items that may be reclassified subsequently to profit or loss:					
Translation (loss) / profit on accounting for foreign entities		(52,246)	(76,794)	15,309	(31,189)
Impact of application of Hyperinflation accounting on opening balances	2.2.2	7,932	59,602	2,160	12,752
Other comprehensive (loss) / profit for the period		(44,314)	(17,192)	17,469	(18,437)
Total comprehensive loss for the period		**(79,221)**	**(130,597)**	**(83,958)**	**(36,628)**
(Loss) / Profit attributable to:					
Owners of the company		(35,221)	(113,457)	(101,564)	(18,219)
Non-controlling interest		314	52	137	28
		(34,907)	**(113,405)**	**(101,427)**	**(18,191)**
Total comprehensive (loss) / profit attributable to:					
Owners of the company		(79,492)	(130,359)	(84,019)	(36,574)
Non-controlling interest		271	(238)	61	(54)
		(79,221)	**(130,597)**	**(83,958)**	**(36,628)**
Loss per share					
Basic (Cents per share)	24	(28.52)	(92.82)	(82.25)	(14.90)

* In the period ended 31 August 2020 the group recognised USD 7.9 million of the Hyperinflation monetary gain in Other comprehensive (loss) / profit for the period. This amount represents the Hyperinflation monetary gain on the opening balances at 1 March 2020, as calculated from 1 October 2018.

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 August 2020

	Notes	31/08/2020 USD'000 (Reviewed)	28/02/2020 USD'000 (Audited)
Non-current assets			
Goodwill	8	118,334	125,770
Intangible assets	9	116,469	127,325
Property, plant and equipment	10	710,462	741,380
Right-of-Use assets	11	108,887	97,342
Investment in associate		500	528
Investments	22	10,814	10,814
Deferred tax assets		30,071	31,708
Investments at amortised cost		41	193
Long-term receivables		13	61
Total non-current assets		**1,095,591**	**1,135,121**
Current assets			
Inventories		23,824	27,049
Trade and other receivables	13	178,591	221,373
Taxation		1,787	966
Cash and cash equivalents	12	104,253	83,492
Restricted cash and cash equivalents	12	1,448	1,511
Total current assets		**309,903**	**334,391**
Total assets		**1,405,494**	**1,469,512**
Equity and liabilities			
Capital and reserves			
Share capital		3,716	3,638
Share premium		276,714	251,446
Convertible preference shares		180,000	180,000
Accumulated loss		(141,903)	(56,607)
Foreign currency translation reserve		(59,730)	(15,560)
Total equity attributable to owners of the parent		**258,797**	**362,917**
Non-controlling interests		1,940	2,026
Total equity		**260,737**	**364,943**
Non-current liabilities			
Long term borrowings	14	732,555	732,515
Long term lease liabilities	15	71,501	65,492
Long term provisions		1,313	1,396
Other long-term payables		10,944	12,324
Deferred revenue	17	43,770	52,898
Deferred tax liabilities		18,016	17,638
Total non-current liabilities		**878,099**	**882,263**
Current liabilities			
Short term portion of long-term borrowing	14	52,999	12,211
Short term portion of long-term lease liabilities	15	36,915	29,922
Trade and other payables	16	138,906	154,687
Short-term provisions		13,857	16,353
Deferred revenue	17	19,810	6,690
Taxation		4,171	2,443
Total current liabilities		**266,658**	**222,306**
Total equity and liabilities		**1,405,494**	**1,469,512**

Approved by the Board of Directors and authorised for issue on 19 October 2020.

Eric Venpin
Director

Gaetan Lan
Director

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months and 3 months ended 31 August 2020

Group

	Notes	Share capital	Share premium	Convertible preference shares	Foreign currency translation reserve	(Accumulated loss) / Retained earnings	Non-controlling interest	Total equity
		USD'000	USD'000	USD	USD'000	USD'000	USD'000	USD'000
At 1 March 2019 (as previously reported)		3,638	251,446	-	(20,793)	7,008	10,458	251,757
Adjustments - IFRS 16*		-	-	-	-	992	-	992
At 1 March 2019		3,638	251,446	-	(20,793)	8,000	10,458	252,749
Issue of convertible preference shares		-	-	180,000	-	-	-	180,000
(Loss) / profit for the period		-	-	-	-	(113,457)	52	(113,405)
Impact of application of Hyperinflation accounting on opening balances		-	-	-	59,602	-	-	59,602
Foreign exchange loss		-	-	-	(76,504)	-	(290)	(76,794)
At 31 August 2019 (unreviewed)		**3,638**	**251,446**	**180,000**	**(37,695)**	**(105,457)**	**10,220**	**302,152**
At 1 March 2020		3,638	251,446	180,000	(15,560)	(56,607)	2,026	364,943
Issue of share capital and share premium		78	25,268	-	-	-	-	25,346
Acquisition of subsidiary	23	-	-	-	101	(9,440)	(190)	(9,529)
Change in ownership		-	-	-	-	-	(167)	(167)
(Loss) / profit for the period		-	-	-	-	(35,221)	314	(34,907)
Impact of application of Hyperinflation accounting on opening balances		-	-	-	7,932	-	-	7,932
Foreign exchange loss		-	-	-	(52,203)	-	(43)	(52,246)
Scrip dividend paid	21	-	-	-	-	(40,635)	-	(40,635)
At 31 August 2020 (reviewed)		**3,716**	**276,714**	**180,000**	**(59,730)**	**(141,903)**	**1,940**	**260,737**

* The 'Adjustments - IFRS 16' was reduced from USD 3.4 million (as reported and published in the condensed consolidated interim financial statements for the six months ended 31 August 2019) to USD 1.0 million following a re-classification in line with the presentation of the audited consolidated annual financial statements for the year ended 29 February 2020.

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
for the 6 months and 3 months ended 31 August 2020

	Notes	6 months ended 31/08/2020 USD'000 (Reviewed)	6 months ended 31/08/2019 USD'000 (Unreviewed)	3 months ended 31/08/2020 USD'000 (Unreviewed)	3 months ended 31/08/2019 USD'000 (Unreviewed)
Cash flows from operating activities:					
Loss before tax		(27,254)	(139,428)	(107,556)	(20,315)
Adjustments for:					
Depreciation, impairment and amortisation		49,664	76,220	23,569	28,702
Dividend received		(292)	-	-	-
Bad debts provision / (Reversal)		(6,188)	(318)	(9,355)	688
Decrease in provisions		(2,654)	(6,261)	(489)	(814)
Foreign exchange loss		303,369	262,149	190,616	135,092
Hyperinflation monetary gain		(267,394)	(133,886)	(77,924)	(107,876)
Profit on disposal of fixed assets		(24)	(41)	(23)	(17)
Interest income	5	(955)	(1,768)	(375)	(901)
Finance costs	6	38,937	37,801	19,243	18,812
Share of (profit)/loss from associate		(2)	(8)	(1)	4
		87,207	94,460	37,705	53,375
Working capital changes:					
(Increase) / decrease in inventories		(403)	1,686	883	600
Decrease / (increase) in trade and other receivables		5,148	(28,817)	17,285	(17,469)
Decrease in trade and other payables		(14,534)	(15,380)	(2,166)	(2,991)
Increase / (decrease) in deferred revenue		6,860	(9,377)	(1,532)	(10,453)
Increase / (decrease) in accruals		9,131	6,957	3,545	(759)
Decrease in unfavourable contracts		(297)	(282)	(150)	(143)
Cash generated from operations		93,112	49,247	55,570	22,160
Income tax paid		(2,301)	(2,601)	(409)	(1,180)
Net cash generated from operating activities		90,811	46,646	55,161	20,980
Cash flows from investing activities:					
Interest income	5	955	1,768	375	901
Dividend received		292	-	-	-
Acquisition of subsidiary companies		1,442	-	1,442	-
Purchase of property, plant and equipment	10	(40,815)	(47,602)	(19,200)	(18,675)
Proceeds on disposal of property, plant and equipment		198	71	162	46
Purchase of intangible assets	9	(776)	(10,263)	(418)	(8,080)
Proceeds on disposal of intangible assets		-	194	-	194
Net cash used in investing activities		(38,704)	(55,832)	(17,639)	(25,614)
Cash flows from financing activities:					
Dividend paid		(289)	-	(289)	-
Finance costs		(33,519)	(33,458)	(31,858)	(32,130)
Issue of convertible preference shares		-	180,000	-	-
Decrease in lease liabilities		(17,975)	(17,153)	(8,434)	(8,954)
Increase / (decrease) in long-term loan borrowings		39,059	(74,024)	(281)	(547)
Net cash (used in) / generated from financing activities		(12,724)	55,365	(40,862)	(41,631)
Net increase / (decrease) in cash and cash equivalents		39,383	46,179	(3,340)	(46,265)
Cash and cash equivalents at beginning of the period		85,003	95,082	118,728	160,301
Translation of cash with respect to foreign subsidiaries		(18,685)	(40,376)	(9,687)	(13,151)
Cash and cash equivalents at end of the period	12	**105,701**	**100,885**	**105,701**	**100,885**
Represented by:					
Cash and cash equivalents	12	104,253	99,270	104,253	99,270
Restricted cash and cash equivalents	12	1,448	1,615	1,448	1,615
		105,701	**100,885**	**105,701**	**100,885**

1. General information

Liquid Telecommunications Holdings Limited is a private company incorporated in Mauritius on 26 January 2007 and is the holder of a Category 2 – Global Business Licence Company as from 29 January 2007. 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 throughout the world, 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, Sudanese Pound, United Arab Emirates Dirham and Zimbabwean dollar (ZWL$, equivalent to the Real Time Gross Settlement - "RTGS").

New holding company

During the previous financial year, a new company was formed, Liquid Telecommunications (Jersey) Limited ("LTJ"). In the current period, the shareholders of Liquid Telecommunications Holdings Limited have agreed to a share for share exchange to become the new shareholders of the LTJ entity.

Response to COVID-19 pandemic

As the COVID-19 pandemic continues, the group is taking every precaution to protect the health, well-being and safety of staff, customers, partners and the public whilst ensuring the ongoing delivery of its communications solutions. The directors are monitoring the advice of the health organisations in each of the territories in which the group operates and are adjusting the group's operating procedures as necessary.

2. Accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 August 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

The preparation of consolidated 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 consolidated interim financial statements. Taking into account the available cash position as at 31 August 2020, including the impact of the currency changes in Zimbabwe, the cash flow projections for the period (which include discretionary capital expenditure), new equity finance, 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.

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

<u>Funding facilities</u>

The group is currently funded from a combination of equity, USD 730.0 million Senior Secured Notes (maturity in July 2022), USD 73.0 million Revolving Credit Facility ("RCF") (maturity in April 2022) and USD 23.3 million of locally provided term loans (maturity in the financial year 2022 and 2025) in Zambia, of which USD 12.9 million is outstanding at 31 August 2020. In March 2020, USD 40.0 million was drawn down from the USD 73.0 million RCF as a precautionary measure to preserve liquidity due to uncertainties of the impact of COVID-19 pandemic.

<u>Cash position</u>

As at 31 August 2020, the group has an unrestricted cash position of USD 104.3 million (29 February 2020: USD 83.5 million). Of this amount, USD 12.5 million (29 February 2020: USD 22.5 million) is held 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 83.4:1 (29 February 2020: 18.0:1). Cash held in Zimbabwe is used to locally fund operational expenses and capital expenditure.

2. Accounting policies (continued)

2.1 Going concern (continued)

Operational performance

For the 6 months ended 31 August 2020, the group reported an operating profit of USD 51.5 million (31 August 2019: USD 26.7 million) and a net cash inflow from operating activities of USD 90.8 million (31 August 2019: USD 46.6 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. Following the continuing devaluation of the currency in Zimbabwe, the proportion of the group's total operating profit for the year and cash balance at the end of the year represented by Zimbabwe, has reduced compared to the prior year.

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 financial statements for the period ended 31 August 2020 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 therefore adopted hyperinflation accounting during the period ended 31 August 2020, 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.

2.2.1 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$).

On 23 March 2020, in response to the financial uncertainties caused by the COVID-19 pandemic, the Government of Zimbabwe, through the Reserve Bank of Zimbabwe (RBZ) adopted a fixed exchange rate system at the interbank level of ZWL$:USD 25.0:1. Following an announcement on 8 June 2020, the fixed rate ended on 23 June 2020.

In the 6 month period to 31 August 2020, the group has used a rate of ZWL$:USD 83.4:1 to translate both the statement of profit or loss and the statement of financial position at 31 August 2020. This rate is the official rate of exchange and also commensurate with the rate obtained by the group in the weekly currency auctions for USD. As such the rate is the group's best estimate of the appropriate spot rate for use in the preparation of these condensed consolidated interim financial statements. Of the USD 303.5 million of net foreign exchange loss in the condensed consolidated statement of profit and loss, Zimbabwe contributed USD 295.8 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 prior year, 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 IAS 29 - "Financial Reporting in Hyperinflationary Economies" in Zimbabwe were met. Hyperinflation accounting is applicable to accounting periods ended on or after 1 July 2019 and so the group has applied the requirements of IAS 29 in its consolidated financial statements, effective from 1 October 2018. The gains on the net monetary position relating to the opening balances of the Zimbabwe subsidiaries at 1 March 2020 of USD 7.9 million have been recognised in the consolidated statement of other comprehensive income.

The application of hyperinflationary accounting results in certain assets, liabilities, revenues and costs being reported in inflation adjusted terms as at 31 August 2020.

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 267.4 million have been recognised in the consolidated statement of profit or loss through 'Hyperinflation monetary gain' based on the August 2020 CPI of 2,124.97.

2. Accounting policies (continued)

2.2.2 Hyperinflation accounting (continued)

In addition, IAS 29 requires the translation of the results at closing rate rather than average rate. The closing rate of ZWL$:USD 83.4:1 has been used.

The directors continue to monitor the economic conditions in Zimbabwe.

2.2.3 Comparatives

At the time of publication of the results for the quarter ended 31 August 2019, the group had not applied the requirements of IAS 29 - "Financial Reporting in Hyperinflationary Economies". Below is a comparison between the published figures and restated figures for the half year and quarter ended 31 August 2019 and this includes the impact of applying both the CPI and the use of the closing exchange rate:

	6 months ended 31 August 2019		
	Published	**Restated[1]**	**IAS 29 impact**
	USD'000	**USD'000**	**USD'000**
Revenue	339,629	333,017	(6,612)
Operating profit[2]	42,054	26,658	(15,396)
Foreign exchange loss	(358,317)	(263,152)	95,165
Hyperinflation monetary gain	-	133,886	133,886
Adjusted EBITDA[2]	104,414	102,878	(1,536)
Loss before taxation	(354,131)	(139,428)	214,703
Loss after taxation	(357,253)	(113,405)	243,848
Total equity	163,907	302,152	138,245

	3 months ended 31 August 2019		
	Published	**Restated[1]**	**IAS 29 impact**
	USD'000	**USD'000**	**USD'000**
Revenue	185,117	187,503	2,386
Operating profit[2]	21,948	26,162	4,214
Foreign exchange loss	(165,640)	(136,213)	29,427
Hyperinflation monetary gain	-	107,876	107,876
Adjusted EBITDA[2]	53,911	54,864	953
Loss before taxation	(162,152)	(20,315)	141,837
Loss after taxation	(162,800)	(18,191)	144,609
Total equity	163,907	302,152	138,245

[1] *Disclosed as comparative figures in the consolidated statement of profit or loss and other comprehensive income for the 6 months ended 31 August 2020.*
[2] *See note 25.2 Reconciliation of Operating Profit to Adjusted EBITDA*

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 29 February 2020.

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 29 February 2020. In addition, the following significant accounting judgements and critical estimates have also been made:

2. Accounting policies (continued)

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

Material 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.

Classification and measurement of financial instruments

• Classification of financial assets: The group uses judgement in the assessment of the business models within which the non-equity financial assets are held and the assessment of whether the contractual terms of such financial assets are solely payments of principal and interest on the principal amounts outstanding.

• Valuation of investments: IFRS 9 "Financial instruments" observes that in limited circumstances, cost may provide an appropriate estimate of fair value. This would be the case if insufficient more recent information is available to measure the fair value. The directors considered the requirements of IFRS 9 and are of the opinion that cost is the best estimate for fair value.

• Impairment: The loss allowances for financial assets are based on the use of forward-looking information and on the assumptions about risk and probability of default and expected loss rates. The group uses judgement and estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

Identification of leases and lease term

In making their judgement, the directors considered the detailed criteria for the recognition of leases as set out in IFRS 16 "Leases". The group, at the inception of the contract, assesses whether the contract contains a lease by considering if the contract conveys a right of control to use the identified asset for a period of time in exchange for consideration. The group considers whether the contract involves the use of an identified asset, whether the group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period and also if the group has the right to direct the use of the asset.

Further, judgements are made when determining the appropriate lease term and whether it is reasonably certain that a termination or extension option will be exercised, and in relation to any incremental borrowing rate used.

The directors are satisfied that leases have been appropriately identified and that the lease terms have been correctly measured.

Material estimates

Royal Bafokeng Holdings - On sale agreement

In October 2017, the group entered into a subscription, a share repurchase agreement and a sale agreement with Royal Bafokeng Holdings Limited ("RBH"). The agreements include an "On-Sale" clause whereby the group will issue additional shares if the price per share is below an agreed price. Management has carried out an assessment of the current estimated market price compared to the agreed price and is of the opinion that there is no financial implication as at 31 August 2020. Management have considered a range of scenarios and as an illustration, should the market price be 5% below the agreed price the prescribed calculations indicate an additional USD 1.3 million of share value will be issued to RBH and if 10% below the agreed price, an additional USD 2.2 million of share value will be issued to RBH.

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.

2. Accounting policies (continued)

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

Material estimates (continued)

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.

Residual value and useful life

The group depreciates its assets over their estimated useful lives taking into account residual values which, in compliance with IAS 16 Property, plant and equipment (revised), are re-assessed on an annual basis. The actual lives and residual values of these assets can vary depending on a variety of factors.

Technological innovation, product life cycles and maintenance programmes all impact the useful lives and residual values of the assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

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).

Group revenue can be classified into four revenue streams:

• Wholesale data and other services - primarily data services sold to African mobile network operators and international telecom operators;
• Enterprise data and other services - primarily data services sold to medium to large enterprises in Africa;
• Retail data and other services - primarily data services sold to consumers and small businesses in Africa; and
• Wholesale voice traffic - primarily revenue from international voice interconnects between mobile network operators and international telecom carriers.

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 profit before interest, taxation, depreciation, impairment, and amortisation, and is also presented before recognising the following items:

• Restructuring costs
• Acquisition and other investment costs
• Net foreign exchange loss
• Hyperinflation monetary gain
• Share of profits / (loss) of associate

3. Segment information (continued)

The following is an analysis of the group's revenue and results by reportable segment for the 6 months ended 31 August 2020.

	South Africa	Zimbabwe	Rest of Africa	Rest of the World	Central Administration Costs	Eliminations	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Data and other services							
Wholesale	94,317	16,286	31,978	49,059	-	(34,942)	156,698
Enterprise	56,839	8,088	29,139	1,721	-	-	95,787
Retail	-	13,062	6,261	-	-	-	19,323
Wholesale voice traffic	3,302	-	11	74,474	-	(3,054)	74,733
Inter-segmental revenue	(3,997)	(1,026)	(4,663)	(28,310)	-	37,996	-
Group External Revenue	**150,461**	**36,410**	**62,726**	**96,944**	**-**	**-**	**346,541**
Adjusted EBITDA	33,723	13,998	22,781	34,206	(12,562)	9,313	101,459
Depreciation, impairment and amortisation							(49,664)
Restructuring costs							(4,916)
Acquisition and other investment costs							(70)
Interest income							955
Finance costs							(38,937)
Foreign exchange loss							(303,477)
Hyperinflation monetary gain							267,394
Share of profits of associate							2
Loss before taxation							**(27,254)**
Tax expense							(7,653)
Loss for the period							**(34,907)**

The following is an analysis of the group's revenue and results by reportable segment for the 6 months ended 31 August 2019.

	South Africa	Zimbabwe	Rest of Africa	Rest of the World	Central Administration Costs	Eliminations	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Data and other services							
Wholesale	73,526	13,053	25,443	37,232	-	(28,598)	120,656
Enterprise	86,636	6,845	27,711	1,781	-	-	122,973
Retail	2,382	9,049	3,950	-	-	-	15,381
Wholesale voice traffic	6,100	-	6	76,955	-	(9,054)	74,007
Inter-segmental revenue	(6,566)	(521)	(4,079)	(26,486)	-	37,652	-
Group External Revenue	**162,078**	**28,426**	**53,031**	**89,482**	**-**	**-**	**333,017**
Adjusted EBITDA	47,177	11,387	20,138	36,564	(12,117)	(271)	102,878
Depreciation, impairment and amortisation							(76,220)
Restructuring costs							(460)
Acquisition and other investment costs							(335)
Interest income							1,768
Finance costs							(37,801)
Foreign exchange loss							(263,152)
Hyperinflation monetary gain							133,886
Share of profits of associate							8
Loss before taxation							**(139,428)**
Tax credit							26,023
Loss for the period							**(113,405)**

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 August 2020.

	South Africa	Zimbabwe	Rest of Africa	Rest of the World	Central Administration Costs	Eliminations	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Data and other services							
Wholesale	48,850	1,574	21,618	27,383	-	(17,958)	81,467
Enterprise	27,987	635	14,471	655	-	-	43,748
Retail	-	3,386	3,637	-	-	-	7,023
Wholesale voice traffic	1,686	-	10	47,471	-	(1,504)	47,663
Inter-segmental revenue	(1,996)	(242)	(2,354)	(14,870)	-	19,462	-
Group External Revenue	**76,527**	**5,353**	**37,382**	**60,639**	**-**	**-**	**179,901**
Adjusted EBITDA	18,497	5,574	15,512	18,382	(8,989)	5,422	54,398
Depreciation, impairment and amortisation							(23,569)
Restructuring costs							(4,916)
Acquisition and other investment costs							(49)
Interest income							375
Finance costs							(19,243)
Foreign exchange loss							(192,477)
Hyperinflation monetary gain							77,924
Share of profits of associate							1
Loss before taxation							**(107,556)**
Tax credit							6,129
Loss for the period							**(101,427)**

The following is an analysis of the group's revenue and results by reportable segment for the 3 months ended 31 August 2019.

	South Africa	Zimbabwe	Rest of Africa	Rest of the World	Central Administration Costs	Eliminations	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Data and other services							
Wholesale	56,936	5,670	12,778	19,330	-	(15,846)	78,868
Enterprise	46,262	2,936	13,175	921	-	-	63,294
Retail	542	4,720	2,092	-	-	-	7,354
Wholesale voice traffic	2,910	-	4	38,753	-	(3,680)	37,987
Inter-segmental revenue	(3,184)	(285)	(2,717)	(13,340)	-	19,526	-
Group External Revenue	**103,466**	**13,041**	**25,332**	**45,664**	**-**	**-**	**187,503**
Adjusted EBITDA	29,983	3,563	8,666	18,150	(6,786)	1,288	54,864
Depreciation, impairment and amortisation							(28,702)
Restructuring costs							(14)
Acquisition and other investment costs							(211)
Interest income							901
Finance costs							(18,812)
Foreign exchange loss							(136,213)
Hyperinflation monetary gain							107,876
Share of loss of associate							(4)
Loss before taxation							**(20,315)**
Tax credit							2,124
Loss for the period							**(18,191)**

A reconciliation of Operating profit, as shown in the consolidated statement of profit or loss, to Adjusted EBITDA (see above) is shown in note 25.2 - *Reconciliation.*

4. Restructuring costs

During the 6 month period to 31 August 2020, the group continued to restructure its operations, primarily in Liquid Telecommunications South Africa (Pty) Ltd, due to the development of a new operating model which sees the enhanced automation and digitalisation of the business. The following restructuring costs have been incurred.

	6 months ended		3 months ended	
	31/08/2020	31/08/2019	31/08/2020	31/08/2019
	USD'000	USD'000	USD'000	USD'000
	(Reviewed)	(Unreviewed)	(Unreviewed)	(Unreviewed)
Redundancy costs	3,744	430	3,744	-
Employee support costs	349	-	349	-
Legal fees	209	-	209	-
Other costs	614	30	614	14
	4,916	**460**	**4,916**	**14**

5. Interest income

	6 months ended		3 months ended	
	31/08/2020	31/08/2019	31/08/2020	31/08/2019
	USD'000	USD'000	USD'000	USD'000
	(Reviewed)	(Unreviewed)	(Unreviewed)	(Unreviewed)
Interest received - bank / external	672	1,578	305	801
Interest received - inter-group (note 18)	283	190	70	100
	955	**1,768**	**375**	**901**

6. Finance costs

	6 months ended		3 months ended	
	31/08/2020	31/08/2019	31/08/2020	31/08/2019
	USD'000	USD'000	USD'000	USD'000
	(Reviewed)	(Unreviewed)	(Unreviewed)	(Unreviewed)
Interest on bank overdraft and loans	1,603	588	398	143
Finance cost on Senior Secured Notes	31,025	31,025	15,513	15,513
Finance arrangement fees	1,769	1,769	884	884
Interest expense on lease liabilities	4,540	4,419	2,448	2,272
	38,937	**37,801**	**19,243**	**18,812**

7. Taxation

	6 months ended		3 months ended	
	31/08/2020	31/08/2019	31/08/2020	31/08/2019
	USD'000	USD'000	USD'000	USD'000
	(Reviewed)	(Unreviewed)	(Unreviewed)	(Unreviewed)
Current taxation	2,372	2,371	(126)	1,561
Deferred taxation	3,879	(29,654)	(6,574)	(4,274)
Withholding taxation	1,402	1,260	571	589
Total taxation	**7,653**	**(26,023)**	**(6,129)**	**(2,124)**

	6 months ended		3 months ended	
	31/08/2020	31/08/2019	31/08/2020	31/08/2019
	USD'000	USD'000	USD'000	USD'000
	(Reviewed)	(Unreviewed)	(Unreviewed)	(Unreviewed)
Loss before taxation	(27,254)	(139,428)	(107,556)	(20,315)
Taxation at domestic rate for foreign subsidiaries in tax paying jurisdictions	(6,422)	(31,984)	(26,670)	(7,935)
Tax effect of non-deductible expenses	54,321	15,728	16,676	12,633
Tax effect of non-taxable income	(1,208)	2,767	(563)	3,280
Foreign tax credit	(2,566)	(3,304)	(1,171)	(1,704)
Effect of tax losses not recognised as deferred tax assets	29,532	24,288	26,172	17,955
Tax effect of utilised unrecognised tax losses	(2,244)	(529)	(1,986)	95
Tax effect on IAS 29 adjustments	(65,162)	(34,249)	(19,158)	(27,037)
Withholding taxation	1,402	1,260	571	589
	7,653	**(26,023)**	**(6,129)**	**(2,124)**

7. Taxation (continued)

The company, being the holder of a GBL2 licence is not liable to income tax in Mauritius. Taxation for other subsidiaries is calculated at the rates prevailing in the respective jurisdictions:

	31/08/2020 USD'000 (Unreviewed)	31/08/2019 USD'000 (Unreviewed)
Mauritius (tax credit of 80%)	15%	15%
South Africa	28%	28%
Kenya	30%	30%
United Kingdom	19%	19%
Tanzania	30%	30%
Zambia	35%	35%
Zimbabwe	26%	26%

8. Goodwill

	31/08/2020 USD'000 (Reviewed)	28/02/2020 USD'000 (Audited)
Cost		
Opening balance	125,770	137,341
Foreign exchange loss	(9,489)	(15,100)
Adjustments - IAS 29	2,053	3,529
Closing balance	**118,334**	**125,770**

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.

	31/08/2020 USD'000 (Reviewed)	28/02/2020 USD'000 (Audited)
Liquid Telecommunications Limited	2,850	2,850
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	1,441	1,441
Zimbabwe Online (Private) Limited	2,897	3,922
Liquid Telecommunications Holdings South Africa (Pty) Limited	103,116	109,527
HAI Telecommunications Limited*	-	2,201
Liquid Telecommunications Zambia Limited*	2,201	-
Raha Tanzania Holdings Limited	5,584	5,584
Transaction Payment Solutions Indian Ocean Limited	245	245
	118,334	**125,770**

* HAI Telecommunications Limited (HAI) is a 100% subsidiary of Liquid Telecommunications Zambia Limited and was merged into its parent on 1 March 2020 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.

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 13.8%. The discount rates used reflect both time value of money and other specific risks relating to the relevant CGU and operating country.

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	Data centres USD'000	Other Intangible Assets USD'000	Total USD'000
Cost:								
At 1 March 2019 (Audited)	27,213	40,687	114,389	52,894	4,000	-	29,230	268,413
Purchases	534	2,493	9,495	-	976	-	-	13,498
Disposals	-	(172)	(9,006)	-	(194)	-	-	(9,372)
Transfers	-	1,696	-	(14,342)	(1,696)	-	14,342	-
Transfers from Property, plant and equipment (note 10)	-	14	-	-	-	26	-	40
Foreign exchange differences	(6,257)	(4,682)	(2,433)	(5,600)	-	(2)	(2,100)	(21,074)
Adjustments - IAS 29	6,881	1,326	-	-	-	-	-	8,207
At 29 February 2020 (Audited)	28,371	41,362	112,445	32,952	3,086	24	41,472	259,712
Acquisition of subsidiaries	-	176	-	-	-	-	-	176
Purchases	-	764	-	-	12	-	-	776
Transfers from Property, plant and equipment (note 10)	350	-	-	-	-	-	-	350
Foreign exchange differences	(6,861)	(3,248)	(1,370)	(2,566)	-	(1)	(1,958)	(16,004)
Adjustments - IAS 29	3,814	748	-	-	-	-	-	4,562
At 31 August 2020 (Reviewed)	25,674	39,802	111,075	30,386	3,098	23	39,514	249,572
Accumulated amortisation:								
At 1 March 2019 (Audited)	7,694	33,417	46,310	8,859	-	-	19,007	115,287
Amortisation	1,851	3,286	8,105	3,398	-	-	8,202	24,842
Disposals	-	(172)	-	-	-	-	-	(172)
Transfers from property, plant and equipment (note 10)	-	(45)	-	-	-	2	-	(43)
Foreign exchange differences	(1,748)	(3,835)	(1,410)	(783)	-	-	(2,333)	(10,109)
Adjustments - IAS 29	1,720	862	-	-	-	-	-	2,582
At 29 February 2020 (Audited)	9,517	33,513	53,005	11,474	-	2	24,876	132,387
Acquisition of subsidiaries (note 23)	-	104	-	-	-	-	-	104
Amortisation	622	1,867	3,217	1,475	-	-	222	7,403
Transfers from property, plant and equipment (note 10)	-	(638)	12	-	-	-	-	(626)
Foreign exchange differences	(2,287)	(2,701)	(969)	(433)	-	-	(1,662)	(8,052)
Adjustments - IAS 29	1,365	522	-	-	-	-	-	1,887
At 31 August 2020 (Reviewed)	9,217	32,667	55,265	12,516	-	2	23,436	133,103
Carrying amount:								
At 29 February 2020 (Audited)	18,854	7,849	59,440	21,478	3,086	22	16,596	127,325
At 31 August 2020 (Reviewed)	16,457	7,135	55,810	17,870	3,098	21	16,078	116,469

During the year ended 29 February 2020, the following major transactions took place with respect to Intangible assets:

• the group acquired the minority interest in Liquid Telecommunications Botswana (Pty) Limited. This transaction resulted in the derecognition of a Fibre Optical - IRU of USD 9.0 million representing the capital contributed by the minority interest.

• the group acquired a 20 year Fibre Optical - IRU, through Liquid Telecom DRC S.A., in the Democratic Republic of Congo ("DRC') for USD 7.6 million. This acquisition extends the group's fibre network across DRC.

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	Data centres USD'000	Fibre infrastructure USD'000	Total USD'000
Cost:									
At 1 March 2019 (Audited)	80,565	12,142	38,467	93,808	9,656	60,173	-	1,032,619	1,327,430
Additions	2	463	1,342	1,471	121	37,009	7,395	57,058	104,861
Disposals	-	(774)	(656)	(1,693)	(201)	(2,711)	-	(23,458)	(29,493)
Impairment	-	-	-	-	-	(2,284)	-	-	(2,284)
Transfers	(20,477)	(120)	(5,052)	2,729	-	(29,854)	94,711	(41,937)	-
Transfer from to intangible assets (note 9)	-	-	-	-	-	-	(14)	(26)	(40)
Foreign exchange differences	(6,244)	(2,950)	(3,925)	(8,462)	(4,804)	(13,661)	(6,323)	(306,567)	(352,936)
Adjustments - IAS 29	3,785	3,431	2,231	7,228	6,044	8,227	-	359,128	390,074
At 29 February 2020 (Audited)	57,631	12,192	32,407	95,081	10,816	56,899	95,769	1,076,817	1,437,612
Acquisition of subsidiaries	-	52	206	-	47	-	-	-	305
Additions	-	176	437	1,278	578	32,081	241	6,024	40,815
Disposals	-	-	(35)	-	(3)	-	-	(179)	(217)
Write offs	-	-	(76)	-	-	-	-	-	(76)
Transfers	2,192	-	141	1,590	-	(17,720)	-	13,797	-
Transfer to Intangible assets (note 9)	-	-	-	-	-	(350)	-	-	(350)
Transfer from Inventory	-	-	2	-	-	-	-	-	2
Foreign exchange differences	(3,697)	(3,443)	(3,285)	(11,698)	(5,456)	(10,048)	(8,673)	(349,271)	(395,571)
Adjustments - IAS 29	2,100	2,081	1,251	3,764	3,261	5,099	-	196,240	213,796
At 31 August 2020 (Reviewed)	58,226	11,058	31,048	90,015	9,243	65,961	87,337	943,428	1,296,316
Accumulated depreciation									
At 1 March 2019 (Audited)	16,807	8,550	28,337	76,429	6,423	(2,257)	-	406,545	540,834
Depreciation	649	1,250	4,412	9,935	1,339	-	5,986	63,385	86,956
Disposals	-	(753)	(531)	(1,763)	(190)	-	-	(2,133)	(5,370)
Transfers	(3,439)	(159)	(5,085)	(393)	-	-	23,528	(14,452)	-
Transfer from intangible assets (note 9)	-	-	-	-	-	-	45	(2)	43
Foreign exchange differences	(1,093)	(1,218)	(2,942)	(4,738)	(2,633)	-	(2,002)	(82,093)	(96,719)
Adjustments - IAS 29	-	2,493	1,282	5,452	4,839	-	-	156,422	170,488
At 29 February 2020 (Audited)	12,924	10,163	25,473	84,922	9,778	(2,257)	27,557	527,672	696,232
Acquisition of subsidiaries	-	48	186	-	32	-	-	-	266
Depreciation	551	255	1,583	3,933	195	-	3,156	17,767	27,440
Disposals	-	-	-	-	(6)	-	-	(38)	(44)
Write offs	-	-	(76)	-	-	-	-	-	(76)
Transfers	12	(4)	-	(7)	-	-	-	-	1
Transfer to Intangible assets (note 9)	-	-	-	-	-	-	-	626	626
Foreign exchange differences	(130)	(2,850)	(2,548)	(9,474)	(5,020)	-	(2,130)	(164,804)	(186,956)
Adjustments - IAS 29	-	1,045	782	3,515	2,547	-	-	40,476	48,365
At 31 August 2020 (Reviewed)	13,357	8,657	25,400	82,889	7,526	(2,257)	28,583	421,699	585,854
Carrying amount:									
At 29 February 2020 (Audited)	44,707	2,029	6,934	10,159	1,038	59,156	68,212	549,145	741,380
At 31 August 2020 (Reviewed)	44,869	2,401	5,648	7,126	1,717	68,218	58,754	521,729	710,462

Refer to note 14 for securities on property, plant and equipment.

During the period ended 31 August 2020:

• In line with the reclassification of Data Centre assets done in the prior year, it is noted that USD 31.7 million (29 February 2020: 26.7 million) of Data Centre real estate is reported under the Land and buildings category to ensure appropriate IFRS classification.

During the year ended 29 February 2020:

• assets relating to the Data Centre line of business were re-classified to a single category to better present the use of assets. Of the USD 94.7 million transferred, USD 6.8 million relates to additions during the year within the transfer line.
• Work-in-progress was impaired by USD 2.3 million relating to redundant technology and is disclosed in 'Depreciation, impairment and amortisation'.

11. Right-of-Use assets

	Land and buildings USD'000	Computer equipment USD'000	Network equipment USD'000	Motor vehicles USD'000	Fibre infrastructure USD'000	Total USD'000
Cost:						
Opening adjustment on 1 March 2019 - IFRS 16	56,000	23	35,180	1,759	15,424	108,386
Additions	7,597	-	3,312	14	3,729	14,652
Disposals	(13)	-	-	-	-	(13)
Impairment	(2,551)	-	-	-	-	(2,551)
Foreign exchange differences	(2,637)	-	(11)	(95)	(1,092)	(3,835)
Adjustments - IAS 29	11,986	-	-	-	-	11,986
At 29 February 2020 (audited)	70,382	23	38,481	1,678	18,061	128,625
Additions	23,172	-	9,954	-	447	33,573
Disposals	-	-	(1,722)	-	-	(1,722)
Foreign exchange differences	(13,983)	(2)	(22)	(87)	(900)	(14,994)
Adjustments - IAS 29	8,428	-	-	-	-	8,428
At 31 August 2020 (Reviewed)	87,999	21	46,691	1,591	17,608	153,910
Accumulated depreciation:						
Depreciation	11,284	-	12,769	591	7,474	32,118
Disposals	(13)	-	-	-	-	(13)
Foreign exchange differences	(383)	-	(2)	(25)	(426)	(836)
Adjustments - IAS 29	14	-	-	-	-	14
At 29 February 2020 (audited)	10,902	-	12,767	566	7,048	31,283
Depreciation	4,693	8	6,076	266	3,582	14,625
Disposals	-	-	(72)	-	-	(72)
Foreign exchange differences	(918)	-	(5)	(21)	(218)	(1,162)
Adjustments - IAS 29	349	-	-	-	-	349
At 31 August 2020 (Reviewed)	15,026	8	18,766	811	10,412	45,023
Carrying amount:						
At 29 February 2020 (audited)	59,480	23	25,714	1,112	11,013	97,342
At 31 August 2020 (Reviewed)	72,973	13	27,925	780	7,196	108,887

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

	31/08/2020 USD'000 (Reviewed)	28/02/2020 USD'000 (Audited)
Cash and bank balances	103,763	81,257
Money market deposits	490	2,235
Cash and cash equivalents	**104,253**	**83,492**
Restricted cash and cash equivalents	**1,448**	**1,511**
Total cash and cash equivalents	**105,701**	**85,003**

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

Cash and cash equivalents include USD 12.5 million (29 February 2020: USD 22.5 million) in Zimbabwe held in cash, short term deposits and similar instruments. These amounts have been translated at the rate of ZWL$:USD of 83.4:1 (29 February 2020: ZWL$:USD 18.0:1). See note 2.2 - Zimbabwean currency for more detailed disclosure on ZWL$.

13. Trade and other receivables

	31/08/2020 USD'000 (Reviewed)	28/02/2020 USD'000 (Audited)
Trade receivables	137,503	150,886
Allowance for doubtful debts	(35,890)	(41,692)
Affiliated entities (note 18)	17,057	39,631
Total trade and affiliated entities receivables, net of allowance for doubtul debts	**118,670**	**148,825**
Sundry debtors	31,577	44,489
Deposits paid	4,250	4,565
Prepayments	24,094	23,494
	178,591	**221,373**

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.

In addition to the current items not yet due of USD 30.3 million (29 February 2020: USD 81.0 million) for the group, 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 allowance for doubtful debts. Taking into account undertakings received, management considers that there has been no significant change in the assumptions about risk and probability of default and as such the amounts are still considered recoverable. The ageing of these items is shown in the table below.

	Ageing of past due but not impaired	
	31/08/2020 USD'000 (Reviewed)	28/02/2020 USD'000 (Audited)
31 - 60 days	17,255	10,594
61 - 90 days	9,268	9,895
91 - 120 days	21,611	8,030
121 + days	40,265	39,298
Total ageing of past due but not impaired	**88,399**	**67,817**
Current items	30,271	81,008
Total trade and affiliated entities receivables, net of allowance for doubtul debts	**118,670**	**148,825**

Included in the above amounts past due but not impaired are amounts due from customers totaling USD 25.2 million to whom longer credit terms have been contractually extended. Due to the timing of these contracts, these amounts fall across all ageing categories.

13. Trade and other receivables (continued)

Included in amounts past due but not impaired are USD 17.1 million (29 February 2020: USD 39.6 million) of receivables from the Econet Group. Refer to note 18 for the total breakdown of Econet Group trade receivables.

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

	31/08/2020 USD'000 (Reviewed)	28/02/2020 USD'000 (Audited)
Long term borrowings (including interest accrued):		
Stanbic Bank of Zambia Limited	9,130	10,859
USD 730 million 8.5% Senior Secured Notes	723,425	721,656
	732,555	**732,515**
Short term portion of long term borrowings (including interest accrued):		
Stanbic Bank of Zambia Limited	3,813	3,813
USD 730 million 8.5% Senior Secured Notes	8,273	8,273
USD 73 million revolving credit facility	40,913	125
	52,999	**12,211**

In July 2017, Liquid Telecommunications Financing Plc issued USD 550.0 million Senior Secured notes. In November 2017, a further USD 180.0 million Senior Secured notes were issued which form a single series with the original notes with a premium of USD 9.0 million. The Senior Secured notes bear interest, payable half yearly, at the rate of 8.5% and are payable at maturity in July 2022. As at 31 August 2020, the USD 730.0 million 8.5% Senior Secured notes due in 2022 issued by Liquid Telecommunications Financing Plc are guaranteed on a Senior Secured basis by: Liquid Telecommunications Holdings Limited, Liquid Telecommunications Operations Limited, Liquid Telecommunications Limited, Liquid Telecommunications Investments Limited, Liquid Telecommunications Kenya Limited, Liquid Telecommunications Holdings South Africa (Pty) Limited, Liquid Telecommunications Operations SA (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, and 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.

In addition to the bonds, the group has a USD 73.0 million Revolving Credit Facility agreement between the company, The Mauritius Commercial Bank (participation previously owned by Citibank, N.A.), Standard Bank of South Africa, Standard Finance (Isle of Man) Limited and Standard Chartered Bank. 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 Investments Limited, Liquid Telecommunications Kenya Limited, Liquid Telecommunications Holdings South Africa (Pty) Limited, Liquid Telecommunications Operations SA (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 3.75%, and is available to be drawn before October 2021 to be utilised for general corporate purposes. In March 2020, the group drew USD 40.0 million as a precautionary measure in light of the COVID-19 pandemic.

Liquid Telecommunications Zambia Limited, previously, had a USD 15.3 million term loan and a USD 8.0 million of Revolving Credit Facility with Stanbic Bank of Zambia. Liquid Telecommunications Holding 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 Revolving Credit Facilities were extended in May 2020 and converted to terms loans, now denominated in local currency (Zambian Kwacha). As at 31 August 2020, the outstanding balance on all term loans are USD 12.9 million.

15. Lease liabilities

	31/08/2019 USD'000 (Reviewed)	28/02/2020 USD'000 (Audited)
Long term portion of lease liabilities	71,501	65,492
Short term portion of lease liabilities	36,915	29,922
	108,416	**95,414**

16. Trade and other payables

	31/08/2020 USD'000 (Reviewed)	28/02/2020 USD'000 (Audited)
Trade accounts payable	61,307	80,568
Payable balance to affiliated entities (note 18)	1,599	3,315
Accruals	58,978	53,177
Staff payables	2,674	2,147
Transaction taxes due in various jurisdictions	2,709	3,660
Unfavourable contracts	666	633
Senior secured notes premium	1,930	1,930
Other short term payables	9,043	9,257
	138,906	**154,687**

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.

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 expenditures for on-going fibre related projects.

17. Deferred revenue

	31/08/2020 USD'000 (Reviewed)	28/02/2020 USD'000 (Audited)
Long term portion of deferred revenue	43,770	52,898
Short term portion of deferred revenue	19,810	6,690
	63,580	**59,588**

Deferred revenue mainly relates to revenue billed in advance for the group's data and other services which includes deferred revenue on the Indefeasible-Right-of-Use (IRU) which will be amortised over a period of 10 to 15 years and other advanced billings which 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 Global Limited (Mauritius), Econet Wireless Burundi s.a. (Burundi), Econet Wireless Private Limited (Zimbabwe), Econet Telecom Lesotho (Pty) Limited (Lesotho), Transaction Payment Solutions (Private) Limited (Zimbabwe), Econet Media Limited (Zambia), EcoCash (Pvt) Ltd (Zimbabwe), Cassava Fintech (Pty) Ltd (South Africa), Econet South Africa (Pty) Limited, Steward Bank Limited and Cumii Kenya Limited and are referred to as "Econet Global related group companies". They 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 note. During the period, the group entered into the following trading transactions with related parties:

18. Related party transactions and balances (continued)

	6 months ended		3 months ended	
	31/08/2020	31/08/2019	31/08/2020	31/08/2019
	USD'000	USD'000	USD'000	USD'000
	(Reviewed)	(Unreviewed)	(Unreviewed)	(Unreviewed)
Sales of goods and services				
Econet Global related group companies	22,650	25,669	5,576	10,704
Purchase of goods and services				
Econet Global related group companies	12,630	13,507	6,648	6,759
Management fees paid and expensed				
Econet Global related group companies	120	120	60	60
Management fees received				
Econet Global related group companies	24	3	16	2
Scrip dividend paid				
Econet Global related group companies	18,078	-	18,078	-
Other shareholders	22,557	-	22,557	-
	40,635	-	40,635	-
Interest income				
Econet Global related group companies	283	190	70	100
Administration fees paid				
DTOS Limited	112	100	46	53

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

	31/08/2020	28/02/2020
	USD'000	USD'000
	(Reviewed)	(Audited)
Receivables balances from affiliated entities		
Econet Global Related Group Companies	17,057	39,631
Payable balance to affiliated entities		
Econet Global related group companies	1,599	3,315

19. Capital commitments

	31/08/2020	28/02/2020
	USD'000	USD'000
	(Reviewed)	(Audited)
At 31 August 2020 the group was committed to making the following capital commitments:		
Authorised and contracted	54,005	53,754

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

20. Post balance sheet events

Zimbabwean currency

The ZWL$:USD exchange rate has continued to deteriorate since the statement of financial position date. These movements in the ZWL$:USD rate from 83.4:1 will impact the results, assets, liabilities and reserves of the group in the coming period. As at 9 October 2020, the official interbank rate was ZWL$:USD 80.1:1.

Data Centre restructuring

As part of their ongoing review of the group's strategy, the directors consider the Data Centre line of business to represent a significant opportunity on the African continent. In order to maximise this opportunity and serve the needs of our multi-national and local clients, the directors agreed during the prior year, to a restructure of the group during financial year 2021, to allow greater operational focus and additional fund-raising for this sector. In financial year 2021, a new company, Liquid Telecommunications (Jersey) Limited, was formed which holds Africa Data Centre Holdings Limited, a company registered in the United Kingdom. The shareholders of Liquid Telecommunications Holdings Limited have agreed to a share for share exchange to become new shareholders of Liquid Telecommunications (Jersey) Limited. Upon completion of the exchange, Liquid Telecommunications (Jersey) Limited will be the new holding company of Liquid Telecommunications Holdings Limited. Africa Data Centres Holdings Limited has identified a data centre it wishes to purchase in Midrand, South Africa. This transaction will proceed subject to the arrangement of the necessary funding. As at 31 August 2020, there were certain conditions precedent outstanding to the funding agreement.

21. Scrip dividend paid

On 8 June 2020 Liquid Telecommunications Holdings Limited declared a dividend in shares, or where a shareholder had an outstanding liability to Liquid Telecommunications Holdings Limited, by offset of that liability. Of the USD 40.3 million (31 August 2019: Nil) value of the dividend, USD 15.0 million was satisfied by the offset of a receivable balance due from Econet Global Limited (EGL) as at 29 February 2020 and the remainder satisfied by 2,620,950 shares at a value of USD 9.67 per share.

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	Level 2	Level 3	Total
	USD'000	USD'000	USD'000	USD'000
31 August 2020				
Investments	-	-	10,814	10,814
Unfavourable contracts	-	-	9,938	9,938
Total (Reviewed)	**-**	**-**	**20,752**	**20,752**
29 February 2020				
Investments	-	-	10,814	10,814
Unfavourable contracts	-	-	10,320	10,320
Total (Audited)	**-**	**-**	**21,134**	**21,134**

Investments

As of 31 August 2020, IFRS 9 observes that in limited circumstances, cost may provide an appropriate estimate of fair value. This would be the case if insufficient more recent information is available to measure the fair value. The directors considered the requirements of IFRS 9 and are of the opinion that cost is the best estimate for fair value. Accordingly, the investments are classified under level 3 of the fair value hierarchy.

	31/08/2020	28/02/2020
	USD'000	USD'000
	(Reviewed)	(Audited)
Closing balance	10,814	10,814

No impairment was required following the review of the carrying value of the investments by the directors for the period ended 31 August 2020 (29 February 2020: nil).

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

Unfavourable contracts

The company purchased Liquid Telecommunications Data International Limited and as part of the IFRS 3 fair value assessment an unfavourable contract with SEACOM was identified. The contract relates to the indefeasible right of use (IRU) for 28 STM1s. As the IRU's O&M charges' present value exceeds the present value of the O&M charges of a similar IRU purchased at the acquisition date, a liability was raised for the excess O&M charges. The unfavourable contract is amortised over the remaining period of the contract.

The group purchased Liquid Telecommunications South Africa (Pty) Limited and as part of the IFRS 3 fair value assessment an unfavourable contract with SEACOM was identified. The contract relates to the O&M for an IRU for 19 STM1s. The IRU's O&M charges' present value exceeds the present value of the O&M charges of a similar IRU purchased at the acquisition date. Liabilities were raised for the difference between the committed contract price and for the excess O&M charges as at acquisition.

	31/08/2020 USD'000 (Reviewed)	28/02/2020 USD'000 (Audited)
Opening balance	10,320	11,058
Adjustment	339	-
Unwinding of interest	28	869
Charge to Data and network related costs	(665)	(1,451)
Foreign exchange loss	(84)	(156)
Closing balance	9,938	10,320

23. Non-cash transactions

During the current financial period, the group entered in the following non-cash investing and financing activites which are not reflected in the consolidated statement of cash flows:

• In the current financial period, the non-cash portion of finance costs consists of USD 1.8 million (31 August 2019: USD 1.8 million) of amortised arrangement fees relating to the USD 730 million 8.5% Senior Secured Notes. Accrued interest of USD 31.0 million (31 August 2019: USD 31.0 million) has been excluded from the borrowings as at 31 August 2020.
• Liquid Telecommunications Holdings Limited declared a dividend in shares. See note 21 - Dividend for more details.
• On 10 June 2020, the group entered into an agreement to purchase 71 percent shareholding in Worldstream (Pty) Ltd from Econet Global Limited for a non-cash consideration of USD 9.0 million. The acquisition was made through a common control transaction and recorded at cost.

24. Loss per share

	6 months ended		3 months ended	
	31/08/2020 USD'000 (Reviewed)	31/08/2019 USD'000 (Unreviewed)	31/08/2020 USD'000 (Unreviewed)	31/08/2019 USD'000 (Unreviewed)
Basic loss per share (Cents per share)	(28.52)	(92.82)	(82.25)	(14.90)

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

Loss attributable to owners of the company	(35,221)	(113,457)	(101,564)	(18,219)

	31/08/2020 USD'000 (Reviewed)	31/08/2019 USD'000 (Unreviewed)
Weighted average number of ordinary shares for the purpose of basic loss per share for the period/year ended	123,474,635	122,236,964

At 31 August 2020, the share capital of USD 3.7 million represents 124,857,914 ordinary shares (31 August 2019: USD 3.6 million representing 122,236,964 ordinary shares).

On 8 June 2020 Liquid Telecommunications Holdings Limited declared a dividend in shares, or where a shareholder had an outstanding liability to Liquid Telecommunications Holdings Limited, by offset of that liability. Of the USD 40.3 million (31 August 2019: Nil) value of the dividend, USD 15.0 million was satisfied by the offset of a receivable balance due from Econet Global Limited (EGL) as at 29 February 2020 and the remainder satisfied by 2,620,950 shares at a value of USD 9.67 per share.

25. Reconciliation

25.1 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	Reclassification of network costs USD'000	Revised statement of profit or loss USD'000
6 months ended 31 August 2020 (Reviewed):			
Revenue	346,541	-	346,541
Interconnect related costs	(60,665)	-	(60,665)
Data and network related costs	(111,064)	14,778	(96,286)
Gross Profit			189,590
Other income	91	-	91
Dividend received	292		292
Selling, distribution and marketing costs	(10,075)	-	(10,075)
Administrative expenses	(21,230)	(14,778)	(36,008)
Staff costs	(42,431)	-	(42,431)
Adjusted EBITDA	**101,459**	**-**	**101,459**
6 months ended 31 August 2019 (Unreviewed):			
Revenue	333,017	-	333,017
Interconnect related costs	(62,423)	-	(62,423)
Data and network related costs	(94,240)	19,069	(75,171)
Gross Profit			195,423
Other income	703	-	703
Selling, distribution and marketing costs	(4,540)	-	(4,540)
Administrative expenses	(22,993)	(19,069)	(42,062)
Staff costs	(46,646)	-	(46,646)
Adjusted EBITDA	**102,878**	**-**	**102,878**
3 months ended 31 August 2020 (Unreviewed):			
Revenue	179,901	-	179,901
Interconnect related costs	(37,927)	-	(37,927)
Data and network related costs	(53,664)	7,512	(46,152)
Gross Profit			95,822
Other income	7	-	7
Selling, distribution and marketing costs	(4,937)	-	(4,937)
Administrative expenses	(10,733)	(7,512)	(18,245)
Staff costs	(18,249)	-	(18,249)
Adjusted EBITDA	**54,398**	**-**	**54,398**
3 months ended 31 August 2019 (Unreviewed):			
Revenue	187,503	-	187,503
Interconnect related costs	(32,195)	-	(32,195)
Data and network related costs	(64,033)	9,959	(54,074)
Gross Profit			101,234
Other income	436	-	436
Selling, distribution and marketing costs	(2,511)	-	(2,511)
Administrative expenses	(11,074)	(9,959)	(21,033)
Staff costs	(23,262)	-	(23,262)
Adjusted EBITDA	**54,864**	**-**	**54,864**

25. Reconciliation (continued)

25.2 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* .

	6 months ended		3 months ended	
	31/08/2020	31/08/2019	31/08/2020	31/08/2019
	USD'000 (Reviewed)	USD'000 (Unreviewed)	USD'000 (Unreviewed)	USD'000 (Unreviewed)
Operating profit	51,503	26,658	30,829	26,162
Add back:				
Depreciation, impairment and amortisation	49,664	76,220	23,569	28,702
Dividend received	292	-	-	-
Adjusted EBITDA (note 3)	**101,459**	**102,878**	**54,398**	**54,864**

26. Contingent liability

Raha Limited - Fine

On 28 August 2020, the Tanzania Telecommunications Regulatory Authority issued a fine of TZS 11.9 bn (approximately USD 5.1 m) in respect of findings pursuant to the issue of a Compliance Order under section 48 of the Tanzania Communications Regulatory Authority Act on 21 August 2020. The Compliance Order set out alleged instances of non-compliance with conditions of the Telecommunications licence issued to Raha Limited (the "company") (a subsidiary in Tanzania), which the company disagrees with. The findings and fines result from a hearing held on 25 August 2020. The company is preparing an appeal against the outcome of the hearing and the directors consider that the company has a robust position and as a result of the appeal process, do not consider that the full fines will be due and payable. The company has therefore not provided for these fines at this stage. The directors continue to keep the position under review.