LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
(“the Group” or “Liquid Telecom”)
FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MAY 2019

Strategic progress despite economic headwinds

30 July 2019

Leading pan-African telecoms group Liquid Telecom, a subsidiary of Econet Global, today announces its unaudited financial results for the quarter ended 31 May 2019 (applying IFRS 16 [3] (“Leases”) for the first time).

Highlights

- Reported revenues were USD 154.5 million and adjusted EBITDA[2] of USD 50.5 million, post IFRS 16 (USD 41.7 million pre IFRS 16).
- Post IFRS 16 cash generated from operations was USD 26.7 million (USD 18.2 million pre IFRS 16).
- Pre IFRS 16 closing net debt was USD 615.7 million resulting in a net debt to adjusted EBITDA ratio of 3.01x.
- Revenues and profits were impacted by the significant variation of the Zimbabwean currency. Additionally, the strong Rand in the comparative period last year has impacted the year on year result.
- First quarter adjusted EBITDA[2] declined 13.1 per cent on a pre IFRS 16 basis reflecting the currency devaluation in Zimbabwe.
- The foreign exchange translation loss relating to the Zimbabwean currency is USD 192.7 m and is largely non-cash.
- On 3 April we received the funds for the investment of USD 180 million into the Group from CDC Group plc, the UK’s development finance institution.
- The Eastern Cape Government contract to deliver provincial broadband services has more than doubled in size and term.
- On 30 March 2019 we restructured the Zambian operation in order to align with the new target operating model across the Group. The total one-off costs amounted to USD 0.4 million.
- We continued to expand the capacity in our existing data centres in South Africa and East Africa to enable us to meet demand from customers.
- In June, the large-scale 15 year roaming agreement with MTN South Africa, amounting to USD 2.1 billion of total contract value, went live. We continue to be in discussions with other prospective partners to further utilise our South African mobile assets.
- In July we agreed to invest in South Sudan to connect businesses and government organisations to the rest of Africa and the world. The first phase is expected to be finished by the end of the year.

	Q1 2019-20 (Post IFRS 16)	Q1 2019-20 (Pre IFRS 16)	Q1 2018-19	Post IFRS 16 Change	Pre IFRS 16 Change
	(USDm)	(USDm)	(USDm)	(%)	(%)
Revenue	154.5	154.5	178.2	(13.3)	(13.3)
Adjusted EBITDA	50.5	41.7	48.0	5.2	(13.1)
Cash generated from operations	26.7	18.2	18.5	44.3	(1.6)
Net Debt[1]	714.0	615.7	738.6	(3.3)	(16.6)
Net debt / adjusted EBITDA (x)	3.34	3.01	3.23	n/a	n/a

[1] Net debt is defined as gross debt less unrestricted cash and cash equivalents.

[2] Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, impairment and amortisation, and is also presented having adjusted for the following items: acquisition and other investment costs, restructuring costs, foreign exchange (loss)/gain and share of profit from associate.

[3] IFRS 16 is the new accounting standard relating to Leases.

Chief Executive Officer, Nic Rudnick, commented:

"Our progress during the quarter has continued despite economic headwinds as we implement our corporate strategy to monetise the networks we have established and further develop the Group as a connectivity and cloud solutions provider across our growing footprint.

Through the quarter we have continued to expand our fibre footprint as we increase our backbone coverage, connect more sites for Mobile Network Operators (MNOs), SMEs and government buildings and reach more retail customers through our Fibre to the Home (FTTH) and fixed Long Term Evolution (LTE) network coverage. Our cross-border network, data centre offering and digital transformation strategy remains a significant competitive advantage for the Group as we further strengthen our relationships with enterprise and wholesale customers.

The expansion of our South Africa Data Centre business continues notably in Johannesburg as demand remains high and we are continuing to assess the possibility of appropriate forms of financing in order to quicken the pace of our growth in this area, recognising the longer investment cycle and different capital structures required for data centres.

In conclusion, we are developing our offering and evolving the way in which we engage with all our stakeholders ensuring that our digital transformation will automate many of our internal processes and our interaction with our customers. I am confident that both the Group and operational management teams have the knowledge, resources and skills to deliver on our vision."

Group Chairman, Strive Masiyiwa, added:

"On behalf of the Board, I was pleased with the overall development of the Group against challenging economic conditions and the way in which we have continued to deliver our vision of 'Building Africa's Digital Future'.

I am delighted to welcome CDC Group plc as a shareholder of Liquid Telecom and the new investment which will enable us to continue to grow our business across Africa.

Despite currency headwinds, the Group continues to expand its fibre footprint. We are now investing in the Democratic Republic of Congo (DRC) and South Sudan further expanding the Liquid "One-Africa" network and brand in Africa.

The Board continues to consider further strategic options for raising capital, notably in data centres, in order to provide additional funding to accelerate the Group's growth plans and service the demands of our hyperscale data centre customers. The consistent delivery of our clear corporate strategy will cement our competitive advantage 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. (Note: these will only be provided to current and prospective approved investors, loan providers and rating agencies)

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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, approaching 70,000km, 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 80 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

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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 digital services. We have built Africa's largest independent fibre network, approaching 70,000km, and operate state-of-the-art data centres in Johannesburg, Cape Town and Nairobi and Kigali, with a combined potential capacity of over 6,000 racks.

The Group reports in four segments: Wholesale Data, Enterprise, Retail and Wholesale Voice.

Wholesale Data

Our Wholesale Data division provides Global IP Transit and fibre connectivity to 2G, 3G and 4G mobile base stations across our extensive independent and 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, monetising our open-access fibre network. In addition, we provide services to MNOs where they can roam across our network as well as wholesale cloud products, where we are a tier 2 supplier for Microsoft across Africa and colocation services.

Enterprise

Our Enterprise segment provides solutions to large-scale corporate and governmental consumers of bandwidth with complex, multi-country connectivity, co-location and hosting and cloud services. Here, in partnering with leading software, content and ISPs 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, VoIP and global connectivity to small and medium sized enterprises and non-governmental organizations, 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 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 in addition to 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 market place. In doing so, we are able to 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 financial and operating measures by division since the full-year 2018-19:

	(Q1) 2018-19	(Q2) 2018-19	(Q3) 2018-19	(Q4) 2018-19	FY 2018-19	(Q1) 2019-20
Operating measures						
Wholesale voice						
Total wholesale voice minutes (in millions) on our network [1]	323	332	322	327	1,304	306
Wholesale data						
Number of kilometres of fibre [2]	52,084	53,132	68,904	69,007	69,007	69,193
Number of data centre racks sold[3]	1,092	1,436	1,433	1,451	1,451	1,443
Enterprise						
Number of Enterprise customers [4]	10,464	10,694	10,813	10,723	10,723	10,830
Retail						
Number of Retail customers[5]	50,259	54,481	61,083	60,579	60,579	65,183
Financial Measures						
Average churn rate [6]	1.58%	1.55%	1.38%	1.24%	1.44%	1.08%
New sales ("sold TCV for new services", USD million)[7]	38.8	107.2	65.7	88.2	299.9	80.0
Service Activation Pipeline ('MRR backlog") (USD 000) [8]	3,844	3,066	3,238	4,050	4,050	4,500

Footnotes:

[1] Represents the total number of voice minutes on the Group's network over a particular period.
[2] Represents the total number of kilometres (including backbone, metro and FTTX) over which fibre is installed at a given time. Multiple fibre cables or ducts within the same trench are only counted once. Includes both owned and leased capacity through partnerships.
[3] Represents the number of racks in a data centre or colocation facility sold and billed to wholesale or enterprise customers at a given time.
[4] Represents the total number of Enterprise customers at a given time. Please note there was a further cleansing of customer records which has resulted in a restatement to all prior quarters
[5] Represents the number of broadband FTTH, WIMAX and LTE customers (including subscription customers and prepaid customers) by each operation at a given time. The number of customers includes active customers that were active less than 30 days before the end of the period. The numbers now exclude CDMA, LTE and FTTH customers in South Africa.
[6] Represents the average of the monthly churn rate for a period. 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.
[7] Represents the total value in terms of non-recurring (one off) revenue and the sum of all expected monthly recurring revenues over the duration of each contract (at undiscounted nominal value) from service orders for new services, signed by its wholesale and enterprise customers during the period. This excludes upgrades, downgrades and renewals. Some of these contracts may be cancelled or terminated before the end of their term. This number excludes the MTN roaming deal and Eastern Cape.
[8] Monthly Recurring Revenue (MRR) Backlog represents the monthly recurring revenue expected from service orders signed by the Group's wholesale and enterprise customers (excluding intercompany orders) that have not yet been installed, accepted by the customer or activated, and therefore not generated revenue yet, at a given time. This excludes the MTN roaming deal and Eastern Cape in South Africa.

Wholesale voice minutes decreased marginally in the first quarter reflecting weak economic conditions in the Southern region.

Kilometres of fibre grew marginally as the group started the next phase of the rollout of a section on its backbone routes in South Africa. In addition to this our focus has also been on upgrading the core network of 600 POPs in South Africa to 100 GB as part of our strategy to improve the network quality, reduce faults and thus decrease churn.

The number of data centre racks sold decreased slightly during the quarter as a number of small customers decreased their space. We are continuing to build additional levels at the East Africa Data Centre (EADC) and to further develop our in South African data centres.

During the quarter we secured a total of USD 80.0 million in new total contract value (TCV) compared with a total of USD 38.8 million for the first quarter 2018-19 driven by work secured on NLD 5 and 6.

In the first quarter, churn levels decreased relative to the fourth quarter of 2018-19 as we continued to see the benefits of our renewed focus on customer retention.

The service activation pipeline increased from USD 4.1 million per month as at 28 February 2019 to USD 4.5 million (MRR only) as at 31 May 2019.

Key sales made during the quarter were:

- IRU for 410G of capacity over 15 years for an MNO in Kenya
- Connectivity for a hospital in the Western Cape of South Africa
- Connectivity for a financial institution into Zimbabwe
- IP Transit for 12 months for an educational institution in Uganda
- Microsoft Office365 and crashplan over 12 months for a government institution in Zimbabwe
- IP backhaul and international Multi-Protocol Label Switching (MPLS) and Virtual Private Network (VPN) connectivity for a large wholesale customer in the Southern region.
- Cloud services such as Crashplan, Office365 and Azure sold in conjunction with connectivity to Enterprise customers (such as governments, educational, healthcare, oil and gas and manufacturing sectors) across all regions.
- The provision of multi-site WLAN connectivity and VoIP and managed services for large corporates and regional governments in South Africa.
- Managed connectivity and dark fibre IRUs on key long-haul fibre routes.
- Dedicated Internet Access (DIA) and national MPLS and VPN connectivity for a number of large financial and healthcare institutions, mining locations, media organisations, and retail outlets in the Southern region.
- DIA for a number of sectors (such as research, financial, media and infrastructure) and MPLS for government organisations in the Eastern region.
- IP transit for a number of cross border customers.
- Co-location and data centre hosting services for mobile operators, global cloud service providers, technology groups, and financial institutions across our locations.

Revenue

Revenue per segment	31 May 2019	31 May 2018	2019 versus 2018
	(USDm)	(USDm)	%
Data and Other services	**118.5**	**141.1**	**(16.0)**
Wholesale data	45.5	56.2	(19.0)
Enterprise	61.8	71.2	(13.2)
Retail	11.2	13.7	(18.2)
Wholesale voice	**36.0**	**37.1**	**(3.0)**
Total Revenue	**154.5**	**178.2**	**(13.3)**

In the first quarter, revenue decreased by 13.3 per cent to USD 154.5 million (Q1 2018-19: USD 178.2 million) reflecting the impact of the strong Rand in the comparative quarter last year (USD 11.2 million) and the current economic situation in Zimbabwe (USD 11.7 million).

Wholesale Data

Wholesale data revenue decreased by 19.0 per cent to USD 45.5 million (Q1 2018-19: USD 56.2 million) reflecting the negative impact of the Zimbabwe economic situation (c. USD 8.6 million) and high Rand level in the prior year (c. USD 2.5 million). Additionally, lower satellite volumes were offset by a sale to an MNO of an Indefeasible Right of Use (IRU) in the Eastern region.

In Zimbabwe, following the retrospective introduction of the new functional currency, we increased our prices to enterprise customers in April to 2.5:1 following the approval from the regulator. During June, we submitted a request for further price increases to our enterprise customers to 5.8:1 reflecting the exchange rate prevailing at that time. This has not yet been approved. Retail prices have however been increased to 4.6:1 in June and Wholesale Data prices reflect the monthly escalator agreements in place with MNOs.

Following the announcement of the establishment of a 4G network in South Africa from early 2019 on which wholesale roaming services will be made available across our network, we initiated charging for services from 1 June 2019. We continue to discuss further opportunities with additional MNOs.

As part of our funding strategy for the expansion of our fibre network, it remains important to secure wholesale infrastructure contracts (typically over 10 to 15 years) such as IRUs because they provide significant up-front cash inflows to partially fund the initial capital expenditure. On the back of these contracts, we have continued to invest in new long-haul routes and in the upgrade of our domestic and cross-border transmission capabilities. We have strong relationships with international carriers and MNOs with whom we have entered into long-term Master Service Agreements. We provide long-distance, cross-border connectivity services, as well as connectivity to mobile base stations. Our Wholesale Data customer base also includes competitors, to whom we supply managed services on an open-access basis and provide them with international capacity to access the Internet.

Wholesale co-location and hosting services revenues grew significantly versus the first quarter in 2018-19 particularly in South Africa driven by the need for the local retention of data and low latencies. We are seeing strong demand from global cloud providers and we are looking to expand our data centres notably in Johannesburg. In total we have a potential capacity of more than 6,000 racks and a future potential of 80.5 MegaWatts (MW) available power across our footprint.

Enterprise

First quarter Enterprise revenues decreased by 13.2 per cent versus the prior year to USD 61.8 million (Q1 2018-19: USD 71.2 million). The decline primarily reflects the strong Rand in the comparative period (USD 7.3 million impact year-on-year).

By the end of the first quarter, the number of enterprise customers increased to 10,830 customers (Q1 2018-19: 10,464 customers) primarily driven by a number of wins with small to medium sized customers in South Africa and the Southern region partially offset by a decrease in the eastern region.

Following the announcement of our digital transformation strategy we continue to expect that our renewed focus on enterprise customers will deliver growth in the coming quarters notably through monthly recurring revenue.

Large governmental and non-governmental agencies rely on our transmission backbone and digital service capabilities to implement critical services to businesses and citizens. The largest contracts this quarter came from government entities and financial sector corporates, for connectivity, VoIP and data centre co-location services, and other multinational corporate accounts. We agreed a number of contracts to provide connectivity to the largest universities, government agencies, entertainment and transportation industries during the period.

In April we were selected as regional partner for the Massachusetts Institute of Technology (MIT) for the 2019 Inclusive Innovation Challenge (IIC) in Africa focussed on helping people prosper in the era of automation across four categories; financial inclusion, skills development and opportunity matching, income growth and job creation.

In May we received an award for the Most Innovative Service at the East AfricaCom annual awards recognising the partnership between Liquid Telecom and Africa’s largest non-profit civic technology network, Code for Africa (CfA) where they have installed air quality sensors to monitor air pollution throughout Kenya.

Retail

For the first quarter revenues decreased by 18.2 per cent to USD 11.2 million (Q1 2018-19: USD 13.7 million). This reduction was due to the economic situation in Zimbabwe and planned CDMA customer reduction in South Africa coupled with the impact of the strong Rand last year.

Retail customers increased during the first quarter by 7.6 per cent to 65,183. This follows strong progress in all countries throughout the quarter. However, whilst in the first quarter Zimbabwe customer numbers increased in total, despite price increases, currency fluctuations through the quarter impacted affordability for retail customers thus there was some churn from our GPON offering towards LTE.

Wholesale Voice

In the first quarter of 2019-20 revenue decreased by 3.0 per cent to USD 36.0 million as compared with the same period last financial year (Q1 2018-19: USD 37.1 million). Total volume of minutes for the quarter decreased by 5.2 per cent to 305.6 million minutes (Q1 2018-19: 322.5 million minutes) with average revenue per minute increasing by 4.4 per cent to 11.8 US cents (Q1 2018-19: 11.3 US cents).

The decrease in minutes and increase in the average revenue per minute continues recent trends in the voice market.

Gross profit

This quarter we adopted IFRS 16 ("Leases") resulting in an improvement in gross profit of c. USD 6.6 million and higher adjusted EBITDA of c. USD 8.8 million.

Gross Profit	For the three-month period ended					
	31 May 2019 (Post IFRS 16)	IFRS 16 impact	31 May 2019 (Pre IFRS 16)	31 May 2018	2019 versus 2018 (Post IFRS 16)	2019 versus 2018 (Pre-IFRS 16)
	(USDm)	(USDm)	(USDm)	(USDm)	%	%
Revenue	154.5	-	154.5	178.2	(13.3)	(13.3)
Costs per quarterly financial statements	(56.8)	6.6	(63.4)	(63.0)	(9.8)	0.6
Gross Profit	**97.7**	**6.6**	**91.1**	**115.2**	**(15.2)**	**(20.9)**
Gross Profit Margin (%)	**63.2%**	**n/a**	**59.0%**	**64.6%**	**(1.4)pp**	**(5.6)pp**

In the first quarter gross profit decreased by 20.9 per cent to USD 91.1 million (Q1 2018-19: USD 115.2 million) on a pre IFRS 16 basis largely reflecting the negative impact of the Zimbabwe economic situation and Rand fluctuations partially offset by improved performance in Kenya and Zambia.

We continue to focus on our strategy of expanding the fibre footprint, broadening the product portfolio, monetising our spectrum assets and digital transformation of us and our customers. It is this diversified business model which has helped maintain our competitiveness within the wholesale data space and going forward, further into the Enterprise segment.

Total overheads and other income

The application of IFRS 16 has reduced reported overheads and other income by USD 2.2 million.

Total Overheads and Other Income	For the three-month period ended					
	31 May 2019 (Post IFRS 16)	IFRS 16 impact	31 May 2019 (Pre IFRS 16)	31 May 2018	2019 versus 2018 (Post IFRS 16)	2019 versus 2018 (Pre IFRS 16)
	(USDm)	(USDm)	(USDm)	(USDm)	%	%
Other income	0.3	0.0	0.3	0.3	0.0	0.0
Selling, distribution and marketing costs	(2.5)	0.0	(2.5)	(3.8)	(34.2)	(34.2)
Administrative costs	(21.3)	2.2	(23.5)	(29.9)	(28.8)	(21.4)
Staff costs	(23.7)	0.0	(23.7)	(33.7)	(29.4)	(29.4)
Total overheads and Other income	**(47.2)**	**2.2**	**(49.4)**	**(67.1)**	**(29.7)**	**(26.4)**
% to Total Revenue	**(30.6)**	***n/a***	**(32.0)**	**(37.6)**	**7.0pp**	**5.6pp**

In the first quarter total overheads and other income (Pre IFRS 16) decreased by 26.4 per cent to USD 49.4 million (Q1 2018-19: USD 67.1 million).

Selling and distribution costs decreased 34.2 per cent to USD 2.5 million (Q1 2018-19: USD 3.8 million). This follows a decrease in marketing costs, lower bad debt provisions, currency impacts due to the Zimbabwe economic situation and fluctuations in the Rand.

Pre IFRS 16 administration costs decreased by 21.4 per cent to USD 23.5 million (Q1 2018-19: USD 29.9 million) following the realisation of the benefit of the restructuring notably in South Africa where we migrated legacy services and retail stores to another provider, reduced headcount and the currency changes already noted. The IFRS 16 impact was USD 2.2 million.

Staff costs in the first quarter decreased by 29.4 per cent to USD 23.7 million (Q1 2018-19: USD 33.7 million) reflecting a further reduction of employee numbers due to the benefit of the reduction in personnel in South Africa, the merging of Hai and CEC Liquid in Zambia delivering a headcount at the end of the period of 2,090 (Q1 2018-19: 2,438) and the impact of the economic situation in Zimbabwe and the strong Rand in the prior year.

Other income principally consists of sundry income and profit and loss from the sale of fixed assets.

Adjusted EBITDA and profit

Adjusted EBITDA	For the three-month period ended			For the three-month period ended		
	31 May 2019 (Post IFRS 16)	IFRS 16 impact	31 May 2019 (Pre IFRS 16)	31 May 2018	2019 versus 2018 (Post IFRS 16)	2019 versus 2018 (Pre IFRS 16)
	(USDm)	(USDm)	(USDm)	(USDm)	%	%
Adjusted EBITDA	**50.5**	**8.8**	**41.7**	**48.0**	**5.3**	**(13.1)**
Depreciation, impairment and amortisation	(30.4)	(7.7)	(22.7)	(25.0)	21.5	(9.2)
Dividend received	-	-	-	-	n/a	n/a
Operating Profit	**20.1**	**1.1**	**19.0**	**22.8**	**(14.3)**	**(16.8)**
Dividend received	-	-	-	-	n/a	n/a
Restructuring costs	(0.4)	-	(0.4)	-	n/a	n/a
Acquisition and other investment costs	(0.1)	-	(0.1)	(0.2)	(28.0)	(28.0)
Interest income	0.9	-	0.9	0.6	34.6	34.6
Finance costs	(19.7)	(2.2)	(17.5)	(17.6)	11.8	(0.5)
Foreign exchange (loss) / gain	(192.7)	-	(192.7)	(1.7)	n/a	n/a
Share of profit of associate	0.0	-	0.0	0.0	(32.3)	(32.3)
Profit/(Loss) before tax	**(191.9)**	**(1.1)**	**(190.8)**	**4.1**	**n/a**	**n/a**
Tax expense	(2.5)	-	(2.5)	(3.6)	(30.6)	(30.6)
Profit/(Loss) for the period	**(194.4)**	**(1.1)**	**(193.3)**	**0.6**	**n/a**	**n/a**

(1) Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, impairment and amortisation, and is also presented after adjusting for the following items: acquisition and other investment costs, restructuring costs, foreign exchange (loss)/ gain, share of profit from associate.

Post IFRS 16 adjusted EBITDA in the first quarter 2019-20 increased by 5.3 per cent to USD 50.5 million (Q1 2018-19: USD 48.0 million) with Pre IFRS 16 adjusted EBITDA at 41.7 down 13.1 per cent. The fluctuations in the Zimbabwe economy had a negative impact on adjusted EBITDA of USD 8.9 million with the strong Rand in the prior year negatively impacting by USD 3.7 million. Thus, underlying growth in EBITDA was USD 6.2 million (12.9%).

Depreciation, impairment and amortisation in the full year increased by 21.5 per cent to USD 30.4 million (Q1 2018-19: USD 25.0 million) principally driven by changes under IFRS 16. Underlying this, depreciation decreased because of the Zimbabwe economic situation partially offset by the investment in South Africa.

With the group wide restructuring mainly concluded restructuring costs remained low in the first quarter however, there were small costs following the merging of the two entities in Zambia.

Acquisition and other investment costs relates to the capital structuring and fund-raising processes that we have guided the market to.

The aggregation of the above led to a decrease in Operating Profit in the first quarter of 14.3 per cent to USD 20.1 million. (Q1 2018-19: USD 22.8 million)

Finance costs in the first quarter, increased by 11.8 per cent to USD 19.7 million (Q1 2018-19: USD 17.6 million) as the accounting for leases under IFRS 16 increased reported costs by USD 2.2 million.

Foreign exchange losses incurred in the quarter were predominantly non-cash and due to the translation of US Dollar liabilities to the parent company.

Tax expense for the first quarter of 2019-20 was USD 2.5 million (Q1 2018-19: USD 3.6 million) where the majority of the tax was incurred in Zimbabwe.

As a result of the above, we delivered a loss of USD 194.4 million versus a profit of USD 0.6 million in the first quarter in the prior year. Quarterly losses were largely due to the translational impact of the depreciation of the Zimbabwean currency.

Cash generated from operations

Cashflow	For the three-month period ended					
	31 May 2019 (Post IFRS 16)	IFRS 16 impact	31 May 2019 (Pre IFRS 16)	31 May 2018	2019 versus 2018 (Post IFRS 16)	2019 versus 2018 (pre IFRS 16)
	(USDm)	(USDm)	(USDm)	(USDm)	%	%
Cash generated from operations	**26.7**	**8.5**	**18.2**	**18.5**	**46.7**	**(1.6)**
Tax paid	(2.1)	-	(2.1)	(8.6)	(75.5)	(75.5)
Net cash (used in)/ from operating activities	**24.6**	**8.5**	**16.1**	**10.0**	**146.0**	**61.0**
Net cash used in investing activities	(31.6)	-	(31.6)	(25.4)	n/a	n/a
Net cash generated from / used in financing activities	96.0	(8.5)	104.5	(12.9)	n/a	n/a
Net increase / (decrease) in cash and cash equivalent	**89.1**	**-**	**89.1**	**(28.4)**	**n/a**	**n/a**

Cash flow generated from operations in the first quarter, Post IFRS 16, increased to USD 26.7 million, Pre IFRS 16 was largely maintained.

Cash tax paid in the quarter is significantly lower that the prior year where the majority was paid in Zimbabwe.

Net cash used in investing activities was slightly up on the prior year though capital expenditure was lower as the prior year benefitted from the USD 22.0 million investment received from Royal Bafokeng Holdings.

Net cash from financing activities in the first quarter was USD 96.0 million (Q1 2018-19: USD (12.9) million). This includes the receipt of the funds from CDC Group plc of USD 180 million, the repayment of the drawn Revolving Credit Facility (RCF) partially offset by the impact of IFRS 16.

Capital investment and network developments

During the first quarter, we invested, net of disposal proceeds, USD 32.4 million (Q1 2018-19: USD 47.9 million) of capital expenditure, to support the long-term growth across our data segments. This capital expenditure was largely in line with our strategy of expanding our fibre footprint from South to North and East to West and within the countries in which we operate (with services such as access through DWDM, LTE, Metro through GPON) in order to monetise the backbone network already in place. In addition, we are broadening of our product portfolio notably through the development of our roll-out of further data centre infrastructure and cloud services in order to connect directly to the cloud on-net and with the flexibility customers need.

In Wholesale Data over the quarter we continued our investment into additional backbone fibre spurs and metropolitan fibre networks and we broadened the reach of our network serving additional wholesale customers by connecting more mobile base stations.

In Zimbabwe, we are progressing into phase two of the Harare to Masvingo dualisation and improvement in the metro fibre ring as well as upgrading the core network to improve capacity notably for the education sector. This is in addition to our development in Zambia where we are upgrading the VoIP network (switches and routers) in order to provide higher quality services to customers.

In South Africa, during the year we continued to invest in the NLD routes 5 and 6 that connect Cape Town to Durban and we invested in our network to upgrade 600 POP sites and cabinets for POP expansion. Additionally, we invested in our data centre offering, with the majority focussed on Johannesburg and Cape Town where demand has been notably strong.

In Kenya we are continuing in the investment phase of our long-term partnership with the Kenyan Electricity Transmission Company Limited (KETRACO) to commercialise their fibre links built over the national electricity transmission grid across Kenya. Additionally, we have invested in order to provide an MNO with 500G of capacity between Nairobi and Tororo. We are also investing in our innovative partnership with Sigfox with phase 1 started in the quarter where we are deploying 166 sites.

Separately we are continuing to invest in active telecommunication equipment to improve the reliability (e.g. security systems and power generators) and capacity (e.g. new switches, cabinets and routers) of our network, in particular in Kenya, South Africa and Zimbabwe in order to extend our layer three network to new locations and with improved capacity.

In the Enterprise segment we have continued invest in our systems in order to provide a platform for customers to buy and bill for cloud services and further change in the way we work will continue to occur to meet our customer needs over the coming quarters.

In addition, we delivered more MPLS and Direct Internet Access (DIA) connections to our Enterprise customer base, including connectivity between sites, Internet access as well as VoIP and cloud-based services. We are now delivering significant government contracts and corporates, such as financial institutions. This led to further investment in metro and local access fibre infrastructure on the back of these contracts. We also connected more enterprise customers in Zambia. In combination, as part of our broader digital transformation strategy we have continued to rollout new services across our Odin platform from Microsoft Office365 to Microsoft Azure and unified communications but with improved ticketing and billing systems.

In the DRC we have invested in our satellite offering through the awarding of a licence for enterprise customers.

Gross / Net Debt

	31 May 2019 (post IFRS 16)	31 May 2019 IFRS 16 adjustment	31 May 2019 (pre IFRS 16)	28 February 2019
	(USDm)		(USDm)	(USDm)
Total Gross Debt	**871.4**	**98.4**	**773.0**	**831.9**
Long term borrowings including interest accrued	801.0	68.3	732.7	732.8
Short term portion of long-term borrowings	59.4	30.1	29.3	87.2
Unamortised arrangement fees	11.0	-	11.0	11.9
Less: Unrestricted cash	**157.3**	**-**	**157.3**	**93.3**
Net debt	**714.0**	**98.4**	**615.7**	**738.6**
Last twelve months Adjusted EBITDA	**213.6**	**8.8**	**204.8**	**211.1**
Covenants (Pre IFRS 16)				
Gross debt / LTM Adjusted EBITDA (x)	4.08	-	3.77	3.94
Net Debt / LTM Adjusted EBITDA (x)	3.34	-	3.01	3.50

Pre IFRS 16 Net debt, as at 31 May 2019, stood at USD 615.7 million compared to USD 738.6 million as at 28 February 2019. Pre IFRS 16 total gross debt decreased to USD 773.0 million compared to USD 831.9 million as at 28 February 2019 primarily due to the receipt of funds from CDC Group less the repayment of the Revolving Credit Facility (RCF) in April.

This results in a gross debt to adjusted EBITDA multiple of 3.77x (pre IFRS 16) (our covenants based on Pre IFRS 16 figure).

Net debt to EBITDA pre IFRS 16 was 3.01x.

The medium-term policy of the Group is to have a net debt to EBITDA ratio of between two and three times.

Strive Masiyiwa
Group Chairman

Nic Rudnick
Chief Executive Officer

Phil Moses
Chief Finance Officer

30 July 2019

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the 3 months ended 31 May 2019

	Notes	3 months ended 31/05/2019 USD'000 (Unaudited)	31/05/2018 USD'000 (Unaudited)
Revenue	3	154,512	178,263
Interconnect related costs		(30,328)	(32,115)
Data and network related costs		(35,665)	(44,897)
Other income		308	264
Selling, distribution and marketing costs		(2,526)	(3,843)
Administrative expenses		(12,051)	(16,033)
Staff costs		(23,747)	(33,656)
Depreciation, impairment and amortisation		(30,397)	(25,016)
Operating profit		20,106	22,967
Restructuring costs	4	(446)	-
Acquisition and other investment costs		(123)	(172)
Interest income	5	867	645
Finance costs	6	(19,719)	(17,641)
Foreign exchange loss		(192,677)	(1,669)
Share of profits of associate		12	18
(Loss) / Profit before taxation		(191,980)	4,148
Tax expense	7	(2,475)	(3,567)
(Loss) / Profit for the period		**(194,455)**	**581**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Translation gain / (loss) on accounting for foreign entities		26,595	(43,638)
Other comprehensive gain / (loss) for the period		26,595	(43,638)
Total comprehensive loss for the period		**(167,860)**	**(43,057)**
(Loss) / Profit attributable to:			
Owners of the company		(194,479)	(4,455)
Non-controlling interest		24	5,036
		(194,455)	**581**
Total comprehensive loss attributable to:			
Owners of the company		(167,676)	(47,822)
Non-controlling interest		(184)	4,765
		(167,860)	**(43,057)**
Loss per share			
Basic (Cents per share)	24	(159.10)	(3.99)

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 May 2019

	Notes	31/05/2019	28/02/2019
		USD'000	USD'000
		(Unaudited)	(Audited)
Non-current assets			
Goodwill	8	130,060	137,341
Intangible assets	9	142,983	153,126
Property, plant and equipment	10	649,430	786,596
Right-of-Use assets	11	97,001	-
Investment in associate		469	480
Investments		10,814	10,814
Deferred tax assets		33,791	34,938
Held to maturity investments		656	1,384
Long-term receivables		207	437
Total non-current assets		**1,065,411**	**1,125,116**
Current assets			
Inventories		4,728	11,701
Trade and other receivables	13	170,517	172,586
Taxation		708	451
Cash and cash equivalents	12	157,251	93,275
Restricted cash and cash equivalents	12	1,591	1,807
Total current assets		**334,795**	**279,820**
Total assets		**1,400,206**	**1,404,936**
Equity and liabilities			
Capital and reserves			
Share capital		3,638	3,638
Share premium		251,446	251,446
Convertible preference shares		180,000	-
(Accumulated loss) / Retained earnings		(187,471)	7,008
Foreign currency translation reserve		6,010	(20,793)
Total equity attributable to owners of the parent		**253,623**	**241,299**
Non-controlling interests		10,274	10,458
Total equity		**263,897**	**251,757**
Non-current liabilities			
Long-term borrowing	14	732,721	732,790
Long-term lease liabilities	15	69,554	-
Other long term payables		14,338	15,046
Deferred revenue	17	52,066	54,422
Deferred tax liabilities		34,640	62,909
Total non-current liabilities		**903,319**	**865,167**
Current liabilities			
Short-term portion of long-term borrowing	14	29,306	87,246
Short-term portion of long-term lease liabilities	15	28,860	-
Trade and other payables	16	132,374	151,812
Short term provisions		16,108	22,632
Deferred revenue	17	22,674	21,960
Taxation		3,668	4,362
Total current liabilities		**232,990**	**288,012**
Total equity and liabilities		**1,400,206**	**1,404,936**

Approved by the Board of Directors and authorised for issue on 30 July 2019.

Eric Venpin
Director

Mike Mootien
Alternate Director to Gaetan Lan

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 3 months ended 31 May 2019

	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'000	USD'000	USD'000	USD'000	USD'000
At 1 March 2018 (as previously reported)		3,319	116,765	-	79,831	233,646	94,019	527,580
Adjustments		-	-	-	-	(6,885)	(218)	(7,103)
At 1 March 2018		3,319	116,765	-	79,831	226,761	93,801	520,477
Profit for the period		-	-	-	-	(4,455)	5,036	581
Foreign exchange loss		-	-	-	(43,367)	-	(271)	(43,638)
Dividend paid		-	-	-	-	(13,500)	-	(13,500)
At 31 May 2018		**3,319**	**116,765**	**-**	**36,464**	**208,806**	**98,566**	**463,920**
At 1 March 2019		3,638	251,446	-	(20,793)	7,008	10,458	251,757
Issue of convertible preference shares		-	-	180,000	-	-	-	180,000
Loss for the period		-	-	-	-	(194,479)	24	(194,455)
Foreign exchange gain		-	-	-	26,803	-	(208)	26,595
At 31 May 2019		**3,638**	**251,446**	**180,000**	**6,010**	**(187,471)**	**10,274**	**263,897**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED UNAUDITED STATEMENT OF CASH FLOWS
for the 3 months ended 31 May 2019

	Notes	3 months ended 31/05/2019 USD'000 (Unaudited)	31/05/2018 USD'000 (Unaudited)
Cash flows from operating activities:			
Profit before tax		(191,980)	4,148
Adjustments for:			
Depreciation, impairment and amortisation		30,397	25,016
Bad debts provision		(870)	(605)
Bad debts recovered		-	(209)
(Decrease) / increase in provisions		(5,394)	1,398
Foreign exchange loss		191,750	1,026
Loss / (profit) on disposal of fixed assets		(24)	31
Interest income	5	(867)	(645)
Finance costs	6	19,719	17,641
Share of profits of associate		(12)	(18)
		42,719	47,783
Working capital changes:			
Decrease in inventories		1,155	9,214
Increase in trade and other receivables		(21,643)	(18,942)
Decrease in trade and other payables		(6,055)	(15,666)
Increase in deferred revenue		1,341	3,196
Increase / (decrease) in accruals		9,351	(6,755)
Decrease in unfavourable contracts		(139)	(292)
Cash generated from operations		26,729	18,538
Income tax paid		(2,098)	(8,554)
Net cash generated from operating activities		24,631	9,984
Cash flows from investing activities:			
Interest income	5	867	603
Acquisition of other investments		-	(171)
Proceeds from sale of investments		-	22,000
Purchase of property, plant and equipment	10	(30,285)	(41,056)
Proceeds on disposal of property, plant and equipment		25	4
Purchase of intangible assets	9	(2,183)	(6,823)
Net cash used in investing activities		(31,576)	(25,443)
Cash flows from financing activities:			
Dividend paid		-	(13,500)
Finance costs		(3,321)	(1,110)
Issue of convertible preference shares		180,000	-
Decrease in lease liabilities		(6,322)	-
(Decrease) / increase in long-term loan borrowings		(74,361)	1,696
Net cash generated from / (used in) financing activities		95,996	(12,914)
Net increase / (decrease) in cash and cash equivalents		89,051	(28,373)
Cash and cash equivalents at beginning of the period		95,082	163,655
Translation of cash with respect to foreign subsidiaries		(25,291)	(1,919)
Cash and cash equivalents at end of the period		**158,842**	**133,363**
Represented by:			
Cash and cash equivalents		157,251	130,592
Restricted cash and cash equivalents		1,591	2,771
		158,842	**133,363**

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). The functional currencies of the major subsidiaries are: United States Dollars, Mauritian Rupee, South African Rand, Pound Sterling, Zambian Kwacha, Kenyan Shilling, Ugandan Shilling, Rwandan Franc, Botswana Pula, Tanzanian Shilling and Zimbabwean dollar (ZWL$, equivalent to the Real Time Gross Settlement - "RTGS").

2. Accounting policies

Basis of preparation

The consolidated interim financial statements for the 3 months ended 31 May 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

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

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 May 2019, 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 January 2022) and USD 23.3 million of locally provided Revolving Credit Facilities (maturity in FY 20 and FY 21) and term loans (maturity in FY 20 to FY 22) in Zambia, of which USD 17.5 million is outstanding at 31 May 2019. The RCF was fully drawn as at 28 February 2019, but was repaid in full in April 2019 and is undrawn as at 31 May 2019.

<u>Impact of IFRS 16 "Leases"</u>
The directors have also considered the impact of the new accounting standard, IFRS 16 "Leases", which is effective for the first time in the current financial year and are of the opinion that it will not have any impact on the going concern of the group.

<u>Cash position</u>
As at 31 May 2019, the group has an unrestricted cash position of USD 157.3 million (28 February 2019: USD 93.3 million). Of this amount, USD 20.2 million (28 February 2019: USD 49.1 million) is held in Zimbabwe in ZWL$ translated at the balance sheet date at a ZWL$:USD exchange rate of 5.27:1 (28 February 2019: ZWL$:USD 2.5:1).

<u>New equity finance</u>
On 11 December 2018, CDC Group Plc ("CDC") agreed to invest USD 180.0 million into the Liquid Telecommunications Group by way of subscription for convertible preference shares. The equity funds were received in April 2019. The money will be used to invest in capital expenditure to expand the network footprint and grow EBITDA.

<u>Operational performance</u>
For the 3 months ended 31 May 2019, the group reported an operating profit of USD 20.1 million (31 May 2018: USD 23.0 million) and a net cash inflow from operating activities of USD 24.6 million (31 May 2018: USD 10.0 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. Following the currency changes in Zimbabwe, the group continues to monitor the situation locally and takes mitigating actions where possible.

2. Accounting policies (continued)

Going concern (continued)

In light of this and based on the assessment made and articulated in the reasons set out above, the directors are of the opinion, that the adoption of the going concern assumption for the preparation of the financial statements as of 31 May 2019 is appropriate.

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 and this was the rate on 28 February 2019. The Zimbabwean currency is now denominated as the Zimbabwean Dollar (ZWL$).

For the 3 month period to 31 May 2019, there has been further movement in the ZWL$:USD rate and the group has used an average rate of 3.2 to translate earnings in Zimbabwe and a closing rate of 5.27 to translate the statement of financial position at 31 May 2019.

Local economic conditions in Zimbabwe continue to react to the deterioration in the ZWL$:USD exchange rate. In the period, the group has applied accounting polices and standards consistent with those used in the consolidated financial statements for the year ended 28 February 2019. The directors continue to monitor the situation, are taking appropriate management actions and will take direction from accounting bodies in line with IFRS, as guidance is issued.

Accounting policies

The accounting policies applied by the group in the preparation of the condensed interim consolidated financial statements presented are in accordance with IFRS and are consistent with those applied by the group in the preparation of the consolidated financial statements for the year ended 28 February 2019 with the exception of IFRS 16 "Leases", which was adopted as at 1 March 2019.

Impact of initial application of IFRS 16 "Leases"

IFRS 16 “Leases” was issued in January 2016 to replace IAS 17 “Leases”. The standard was effective for accounting periods beginning on or after 1 January 2019 and was adopted by the group on 1 March 2019.

IFRS 16 primarily changed lease accounting for lessees; lease agreements give rise to the recognition of an asset representing the right to use the leased item (a "Right-of-Use asset") and a loan obligation ("Lease Liabilities") for future lease payables. Lease costs are recognised in the form of depreciation of the Right-to-Use asset and interest on the Lease Liability.

Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting and did not have a material impact for the group.

The group has assessed the impact of the accounting changes under IFRS 16 with effect from 1 March 2019 and the impact as follows:

• Right-of-Use assets have been recorded for assets that were leased, measured at the present value of future lease payments. Previously, no leased assets were included in the group‘s consolidated statement of financial position for operating leases. Under IFRS 16, Right-of-Use assets are tested for impairment in accordance with IAS 36 “Impairment of Assets”. This replaces the previous requirement to recognise a provision for onerous lease contracts.

• Lease liabilities have been recorded at the present value of future lease payments in the group’s consolidated statement of financial position for the “reasonably certain” period of the lease, which includes future lease periods for which the group has extension options. Previously, lease liabilities were generally not recorded for future operating lease payments and were, instead, disclosed as commitments.

• The rate implicit in the lease has been used as the discount rate. If this rate cannot be readily determined, the group uses its incremental borrowing rate of 8.5%.

• Lease expenses are now recorded through depreciation for Right-of-Use assets and interest on Lease Liabilities; interest will typically be higher in the early stages of a lease and reduce over the term. Previously, operating lease rentals were expensed on a straight-line basis over the lease term and disclosed as part of administrative expenses.

2. Accounting policies (continued)

Impact of initial application of IFRS 16 "Leases" (continued)

• Operating lease cash outflows were previously included within operating cash flows in the consolidated statement of cash flows; under IFRS 16 these are recorded as cash flows from financing activities reflecting the repayment of Lease Liabilities (borrowings) and related interest.

For short term leases (lease term of 12 months or less) and leases of low-value assets, the group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the consolidated statement of profit or loss.

On adoption of IFRS 16, the group had a choice of how to record the initial recognition of Right-of-Use assets. It could have applied either a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or a cumulative retrospective impact applied as an adjustment to equity on the date of adoption. The group has elected to apply the cumulative retrospective approach.

IFRS 16 has impacted a high volume of transactions and material judgements were required in identifying and accounting for leases. At 1 March 2019, the group has assessed the impact of these and other accounting changes that arose under IFRS 16 and the amount of adjustment for each financial statement line item affected by the implementation of IFRS 16 is illustrated below.

Consolidated Statement of Financial Position	**Previously Reported USD'000 (Audited)**	**IFRS 16 Impact USD'000 (Unaudited)**	**Adjusted USD'000 (Unaudited)**
Non-current assets			
Right-of-Use assets (note 11)	-	103,376	103,376
Impact on total non-current assets	-	103,376	103,376
Equity and liabilities			
Capital and reserves			
Retained earnings	7,008	-	7,008
Impact on total equity	7,008	-	7,008
Non-current liabilities			
Long-term lease liabilities	-	71,898	71,898
Impact on total non-current liabilities	-	71,898	71,898
Current liabilities			
Short-term portion of long-term lease liabilities	-	31,478	31,478
Impact on total current liabilities	-	31,478	31,478

The impact of IFRS 16 on the consolidated interim statement of profit or loss for the 3 months ended 31 May 2019 is as follows:

	31/05/2019 USD'000 (Unaudited)
Increase in Adjusted EBITDA	8,793
Increase in Depreciation, impairment and amortisation (note 11)	(7,674)
Increase Finance costs (note 6)	(2,158)
Net impact on implementation of IFRS 16	(1,039)

The application of IFRS 16 for the 3 months ended 31 May 2019 had a negative impact on the consolidated interim statement of profit or loss of USD 1.0 million. Adjusted EBITDA (as defined in note 3) increased by USD 8.8 million as operating lease rentals were previously expensed on a straight line basis over the lease term and were disclosed under administrative expenses. Under IFRS 16 depreciation of the Right-of-Use asset and interest costs associated with the Lease Liability are recorded in the consolidated interim statement of profit or loss under depreciation, impairment and amoritisation and finance costs, respectively.

2. Accounting policies (continued)

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 financial statements presented are in accordance with IFRS and are consistent with those applied by the group in the preparation of the consolidated financial statements for the year ended 28 February 2019. In addition, the following significant accounting judgements and critical estimates have also been made:

Material judgements

Application of IFRS 15 "Revenue from Contracts with Customers"

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.

Application of IFRS 9 "Financial Instruments"

• Classification of financial assets: The group uses judgement in the assessment of the business model 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: Previously, under IAS 39, the investments were classified as 'Available-for-sale' and measured at cost. As of 1 March 2018, under the new standard, 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.

• 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.

Application of IFRS 16 "Leases"

In making their judgement, the directors considered the detailed criteria for the recognition of leases as set out in IFRS 16. 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 options 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 company entered into a subscription, a share repurchase agreement and a sale agreement with Royal Bafokeng Holding Limited (“RBH”). The agreements include an “On-Sale” clause whereby the company 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 May 2019. 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 agree price an additional USD 2.3 million of share value will be issued to RBH.

2. Accounting policies (continued)

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

Material estimates (continued)

Residual value and useful life

The group depreciates its assets over their estimated useful lives taking into account residual values, which, in compliance with of 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.

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 present value of the recoverable amount.

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.

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, amortisation and impairment, and is also presented before recognising the following items:

- Restructuring costs
- Acquisition and other investment costs
- Foreign exchange loss
- Share of profits of associate

The following is an analysis of the group's revenue and results by reportable segment for the 3 months ended 31 May 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	16,589	11,090	12,664	17,902	-	(12,752)	45,493
Enterprise	40,374	6,009	14,536	860	-	-	61,779
Retail	1,840	7,522	1,858	-	-	-	11,220
Wholesale voice traffic	3,192	-	2	38,201	-	(5,375)	36,020
Inter-segmental revenue	(3,382)	(236)	(1,362)	(13,147)	-	18,127	-
Group External Revenue	**58,613**	**24,385**	**27,698**	**43,816**	**-**	**-**	**154,512**
Adjusted EBITDA	17,194	10,314	11,563	18,414	(5,331)	(1,651)	50,503
Depreciation, impairment and amortisation							(30,397)
Restructuring costs							(446)
Acquisition and other investment costs							(123)
Interest income							867
Finance costs							(19,719)
Foreign exchange loss							(192,677)
Share of profits of associate							12
Loss before taxation							(191,980)
Tax expense							(2,475)
Loss for the period							(194,455)

3. Segment information (continued)

The following is an analysis of the group's revenue and results by reportable segment for the 3 months ended 31 May 2018.

	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	18,626	19,647	10,045	22,001	-	(14,121)	56,198
Enterprise	49,459	8,029	12,618	1,142	-	-	71,248
Retail	3,092	8,666	1,928	-	-	-	13,686
Wholesale voice traffic	4,255	-	2	39,342	-	(6,468)	37,131
Inter-segmental revenue	(3,298)	(222)	(927)	(16,142)	-	20,589	-
Group External Revenue	**72,134**	**36,120**	**23,666**	**46,343**	**-**	**-**	**178,263**
Adjusted EBITDA	10,826	18,653	3,976	23,383	(5,415)	(3,440)	47,983
Depreciation, impairment and amortisation							(25,016)
Restructuring costs							-
Acquisition and other investment costs							(172)
Interest income							645
Finance costs							(17,641)
Foreign exchange loss							(1,669)
Share of profits of associate							18
Profit before taxation							4,148
Tax expense							(3,567)
Profit for the period							581

A reconciliation of Operating profit, as shown in the consolidated unaudited statement of profit or loss, to Adjusted EBITDA (see above) is shown in note 25 - *Reconciliation.*

4. Restructuring costs

On 30 March 2019, the group commenced a restructuring of its operations, primarily in Liquid Telecommunications Zambia Limited, due to it having developed a new operating model which sees the enhanced automation and digitalisation of the business. The following restructuring costs have been incurred.

	3 months ended	
	31/05/2019	**31/05/2018**
	USD'000	**USD'000**
	(Unaudited)	**(Unaudited)**
Redundancy costs	430	-
Other costs	16	-
	446	**-**

5. Interest income

	3 months ended	
	31/05/2019	**31/05/2018**
	USD'000	**USD'000**
	(Unaudited)	**(Unaudited)**
Interest received - bank / external	777	545
Interest received - inter-group (note 18)	90	100
	867	**645**

6. Finance costs

	3 months ended	
	31/05/2019	**31/05/2018**
	USD'000	**USD'000**
	(Unaudited)	**(Unaudited)**
Interest on bank overdraft and loans	16,676	16,639
Finance arrangement fees	885	1,002
Interest expense on lease liabilities	2,158	-
	19,719	**17,641**

7. Taxation

	3 months ended	
	31/05/2019	**31/05/2018**
	USD'000	**USD'000**
	(Unaudited)	**(Unaudited)**
Current taxation	2,347	4,269
Deferred taxation	(599)	(1,056)
Withholding taxation	727	354
Total taxation	**2,475**	**3,567**

	3 months ended	
	31/05/2019	**31/05/2018**
	USD'000	**USD'000**
	(Unaudited)	**(Unaudited)**
(Loss) / Profit before taxation	(191,980)	4,148
Taxation at domestic rate for foreign subsidiaries in tax paying jurisdictions	(47,027)	1,796
Tax effect of non-deductible expenses	45,141	409
Tax effect of non-taxable income	(474)	(685)
Tax effect of foreign tax rate	(1,600)	(2,452)
Effect of tax losses not recognised as deferred tax assets	6,332	4,565
Tax effect of utilised unrecognised tax losses	(624)	(420)
Withholding taxation	727	354
	2,475	**3,567**

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:

	31/05/2019 % (Unaudited)	31/05/2018 % (Unaudited)
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

	31/05/2019 USD'000 (Unaudited)	28/02/2019 USD'000 (Audited)
Cost		
Opening balance	137,341	162,069
Foreign exchange loss	(7,281)	(24,728)
Closing balance	**130,060**	**137,341**

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

	31/05/2019 USD'000 (Unaudited)	28/02/2019 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	1,336	2,821
Liquid Telecommunications Holdings South Africa (Pty) Limited	116,403	122,199
HAI Telecommunications Limited	2,201	2,201
Raha Tanzania Holdings Limited	5,584	5,584
Transaction Payment Solutions Indian Ocean Limited	245	245
	130,060	**137,341**

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 2.0% to 5.0%.
• Discount rates: discount rates ranged from 11.0% to 15.0%. 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	Computer Software	Fibre Optical - IRU	Customer Relationships	Work in Progress	Other Intangible Assets	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:							
At 1 March 2018 (Audited)	24,467	44,741	114,139	65,868	2,858	31,209	283,282
Purchases	5,622	3,698	2,616	-	3,928	-	15,864
Disposals	-	(1,289)	-	-	(2,746)	-	(4,035)
Transfers	-	40	-	-	(40)	-	-
Transfers from Property, plant and equipment (note 10)	-	-	2,183	-	-	-	2,183
Foreign exchange differences	(2,876)	(6,503)	(4,549)	(12,974)	-	(1,979)	(28,881)
At 28 February 2019 (Audited)	27,213	40,687	114,389	52,894	4,000	29,230	268,413
Purchases	285	756	590	-	552	-	2,183
Transfers to Property, plant and equipment (note 10)	-	(394)	-	-	-	-	(394)
Foreign exchange differences	(3,582)	(2,260)	(1,373)	(2,980)	-	(560)	(10,755)
At 31 May 2019 (Unaudited)	23,916	38,789	113,606	49,914	4,552	28,670	259,447
Accumulated amortisation:							
At 1 March 2018 (Audited)	6,610	36,768	39,815	4,921	-	11,816	99,930
Amortisation	1,849	3,304	7,846	4,730	-	9,253	26,982
Disposals	-	(1,289)	-	-	-	-	(1,289)
Transfers from Property, plant and equipment (note 10)	-	-	780	-	-	-	780
Foreign exchange differences	(765)	(5,366)	(2,131)	(792)	-	(2,062)	(11,116)
At 28 February 2019 (Audited)	7,694	33,417	46,310	8,859	-	19,007	115,287
Amortisation	359	814	1,937	862	-	2,180	6,152
Transfers to Property, plant and equipment (note 10)	-	(394)	-	-	-	-	(394)
Foreign exchange differences	(970)	(1,809)	(628)	(273)	-	(901)	(4,581)
At 31 May 2019 (Unaudited)	7,083	32,028	47,619	9,448	-	20,286	116,464
Carrying amount:							
At 28 February 2019 (Audited)	19,519	7,270	68,079	44,035	4,000	10,223	153,126
At 31 May 2019 (Unaudited)	16,833	6,761	65,987	40,466	4,552	8,384	142,983

During the year ended 28 February 2019, the group acquired a 20 year Operating Licence, through Liquid Telecommunications DRC S.A.R.L, in the Democratic Republic of Congo ("DRC'') for USD 5.6 million. This operating licence will facilitate the deployment and provision of fibre based internet services 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	Data centres[1] USD'000	Work in progress USD'000	Fibre infrastructure USD'000	Total USD'000
Cost:									
At 1 March 2018 (Audited)	78,482	11,112	37,472	91,663	8,767	-	76,024	987,732	1,291,252
Additions	4,960	1,888	6,485	3,865	1,621	-	25,243	144,436	188,498
Disposals	-	(363)	(753)	(247)	(580)	-	(5,741)	(17,672)	(25,356)
Transfers	4,630	135	117	3,860	-	-	(25,632)	16,890	-
Transfer to Intangible assets (note 9)	-	-	-	-	-	-	-	(2,183)	(2,183)
Transfer from inventory	-	-	7	-	-	-	-	-	7
Foreign exchange differences	(7,507)	(630)	(4,861)	(5,333)	(152)	-	(9,721)	(96,584)	(124,788)
At 28 February 2019 (Audited)	80,565	12,142	38,467	93,808	9,656	-	60,173	1,032,619	1,327,430
Additions	38	105	107	329	7	81	21,835	7,783	30,285
Disposals	-	(560)	(16)	-	-	-	-	(1)	(577)
Transfers	(30,731)	(58)	8	(95)	-	128,165	(8,116)	(89,173)	-
Transfer from Intangible assets (note 9)	-	-	-	-	-	394	-	-	394
Foreign exchange differences[2]	(4,416)	(1,814)	(2,253)	(4,998)	(2,925)	(1,854)	(8,300)	(178,372)	(204,932)
At 31 May 2019 (Unaudited)	45,456	9,815	36,313	89,044	6,738	126,786	65,592	772,856	1,152,600
Accumulated depreciation									
At 1 March 2018 (Audited)	17,692	8,385	29,358	68,367	6,151	-	(2,257)	398,723	526,419
Depreciation	1,701	981	3,447	9,552	882	-	-	53,433	69,996
Disposals	-	(322)	(742)	(228)	(500)	-	-	(130)	(1,922)
Transfer to Intangible assets (note 9)	-	-	-	-	-	-	-	(780)	(780)
Foreign exchange differences	(2,586)	(494)	(3,726)	(1,262)	(110)	-	-	(44,701)	(52,879)
At 28 February 2019 (Audited)	16,807	8,550	28,337	76,429	6,423	-	(2,257)	406,545	540,834
Depreciation	304	183	1,008	2,176	141	1,991	-	10,808	16,611
Disposals	-	(560)	(16)	-	-	-	-	-	(576)
Transfers	(2,993)	(65)	-	(391)	-	28,298	-	(24,849)	-
Transfer from Intangible assets (note 9)	-	-	-	-	-	394	-	-	394
Foreign exchange differences[2]	(731)	(770)	(1,681)	(2,971)	(1,614)	(594)	-	(45,732)	(54,093)
At 31 May 2019 (Unaudited)	13,387	7,338	27,648	75,243	4,950	30,089	(2,257)	346,772	503,170
Carrying amount:									
At 28 February 2019 (Audited)	63,758	3,592	10,130	17,379	3,233	-	62,430	626,074	786,596
At 31 May 2019 (Unaudited)	32,069	2,477	8,665	13,801	1,788	96,697	67,849	426,084	649,430

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

[1] During the period ended 31 May 2019, assets relating to the Data Centre line of business were transferred into a separate class of asset.

[2] The significant foreign exchange difference arising in the period ended 31 May 2019 is primarily due to the deterioration of the RGTS:USD exchange rate from 2.5:1 at 28 February 2019 to 5.27:1 at 31 May 2019.

11. Right-of-Use assets

	Land and buildings	Network equipment	Motor vehicles	Fibre infrastructure	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:					
Opening adjustment on 1 March 2019 - IFRS 16	45,638	37,997	1,690	18,051	103,376
Additions	-	-	-	2,907	2,907
Foreign exchange differences	(1,235)	-	(37)	(437)	(1,709)
At 31 May 2019 (Unaudited)	44,403	37,997	1,653	20,521	104,574
Accumulated depreciation:					
Depreciation	2,390	3,027	127	2,130	7,674
Foreign exchange differences	(53)	-	(2)	(46)	(101)
At 31 May 2019 (Unaudited)	2,337	3,027	125	2,084	7,573
Carrying amount:					
At 31 May 2019 (Unaudited)	42,066	34,970	1,528	18,437	97,001

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

	31/05/2019 USD'000 (Unaudited)	28/02/2019 USD'000 (Audited)
Cash and bank balances	149,640	77,222
Money market deposits	7,611	16,053
Cash and cash equivalents	**157,251**	**93,275**
Restricted cash and cash equivalents	**1,591**	**1,807**

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

Cash and cash equivalents include USD 20.2 million in Zimbabwe held in cash, short term deposits and similar instruments. These amounts have been translated at the rate of ZWL$:USD of 5.27:1 (28 February 2019: ZWL$:USD 2.5:1). See note 2 - *Zimbabwean currency* for more detailed disclosure on ZWL$.

13. Trade and other receivables

	31/05/2019 USD'000 (Unaudited)	28/02/2019 USD'000 (Audited)
Trade receivables	109,458	122,767
Allowance for doubtful debts	(29,270)	(32,096)
Affiliated entities (note 18)	36,411	34,055
Total trade and affiliated entities receivables, net of allowance for doubtul debts	**116,599**	**124,726**
Short-term inter-company receivables (note 18)	7,882	7,051
Sundry debtors	16,356	11,636
Deposits paid	4,414	4,596
Prepayments	25,266	24,577
	170,517	**172,586**

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 40.5 million (28 February 2019: USD 60.8 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	
	31/05/2019 USD'000 (Unaudited)	28/02/2019 USD'000 (Audited)
Group		
31 - 60 days	19,671	15,205
61 - 90 days	6,566	6,659
91 - 120 days	7,269	5,966
121 + days	42,558	36,090
Total ageing of past due but not impaired	**76,064**	**63,920**
Current items	40,535	60,806
Total trade and affiliated entities receivables, net of allowance for doubtul debts	**116,599**	**124,726**

Included in amounts past due but not impaired are USD 36.4 million (28 February 2019: USD 34.0 million) of receivables from the Econet Group. Refer to note 18 for the total breakdown of Econet Group trade receivables.

14. Short term portion of long term borrowings and long term borrowings

	31/05/2019 USD'000 (Unaudited)	28/02/2019 USD'000 (Audited)
Long term borrowings:		
Stanbic Bank of Zambia Limited	13,719	14,672
USD 730 million 8.5% Senior Secured Notes	719,002	718,118
	732,721	**732,790**
Short term portion of long term borrowings:		
Stanbic Bank of Zambia Limited	3,813	3,813
USD 730 million 8.5% Senior Secured Notes	23,786	8,273
USD 10 million Cisco loan facility	649	1,137
USD 73 million revolving credit facility	136	73,083
Other short term borrowings	922	940
	29,306	**87,246**

In July 2017, Liquid Telecommunications Financing Plc issued USD 550.0 million Senior Secured notes. In November 2017, 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 28 February 2019, 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 (previously known as CEC Liquid Telecommunications 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, Standard Chartered Bank and ING Bank N.V. 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 (previously known as CEC Liquid Telecommunications 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 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.

As at 31 May 2019, Liquid Telecommunications Zambia Limited (previously known as CEC Liquid Telecommunications Limited) has a USD 15.3 million term loan and USD 8.0 million of revolving credit facilities with Stanbic Bank of Zambia. The company guarantees up to USD 6.5 million in aggregate of these facilities. The facility agreement also includes first ranking charge over certain assets including bank accounts and receivables of Liquid Telecommunications Zambia Limited (previously known as CEC Liquid Telecommunications Limited). The term loan is denominated in USD, bears interest at the rate of Libor plus 5.5% and is repayable by February 2021 in sixteen quarterly instalments starting from June 2017. The Revolving Credit Facilities are denominated in USD, bear interest at the rate of Libor plus 6% and are repayable by December 2020. As at 31 May 2019, the outstanding balance on the term loan is USD 9.5 million (28 February 2019: USD 10.5 million) and USD 8.0 million (28 February 2019: USD 8.0 million) on the Revolving Credit Facility.

The USD 0.6 million (28 February 2019: USD 1.1 million) balance on the loan facility agreement between Liquid Telecommunication Limited and Cisco Capital is denominated in USD, bears interest at the rate of 3.07% and is repayable by October 2019. Liquid Telecommunications Holdings Ltd provides a guarantee up to the amount outstanding.

15. Lease liabilities

	31/05/2019 USD'000 (Unaudited)	28/02/2019 USD'000 (Audited)
Long-term portion of lease liabilities	69,554	-
Short-term portion of lease liabilities	28,860	-
	98,414	**-**

16. Trade and other payables

	31/05/2019 USD'000 (Unaudited)	28/02/2019 USD'000 (Audited)
Trade accounts payable	52,643	76,301
Payable balance to affiliated entities (note 18)	2,993	3,155
Accruals	59,467	56,383
Staff payables	2,030	1,746
Transaction taxes due in various jurisdictions	1,568	3,494
Unfavourable contracts	590	579
Senior secured notes premium	1,930	1,930
Other short term payables	11,153	8,224
	132,374	**151,812**

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 company 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

	31/05/2019 USD'000 (Unaudited)	28/02/2019 USD'000 (Audited)
Long term portion of deferred revenue	52,066	54,422
Short term portion of deferred revenue	22,674	21,960
	74,740	**76,382**

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: Worldstream (Pty) Limited (incorporated in South Africa), 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 Vision Limited (Mauritius), Econet Media Limited (Mauritius), Econet Media Limited (Zambia), Kwese Play (Pty) Limited (South Africa), Kwese Channels (Pty) Limited (South Africa), Econet South Africa (Pty) Limited, Steward Bank Limited, Omni Broadcast Limited (Uganda) and Cumii Kenya Limitedand 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. The transactions between related parties are entered into at arm's length in accordance with the group's transfer pricing policies. During the period, the group entered into the following trading transactions with related parties:

18. Related party transactions and balances (continued)

	3 months ended	
	31/05/2019	**31/05/2018**
	USD'000	**USD'000**
	(Unaudited)	**(Unaudited)**
Sales of goods and services		
Econet Global related group companies	18,425	30,843
Purchase of goods and services		
Econet Global related group companies	6,783	6,979
Management fees paid and expensed		
Econet Global related group companies	60	375
Management fees received		
Econet Global related group companies	2	-
Dividend paid		
Econet Global Limited	-	13,500
Interest income		
Econet Global related group companies	90	100
Administration fees paid		
DTOS Limited	66	47

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

	31/05/2019	**28/02/2019**
	USD'000	**USD'000**
	(Unaudited)	**(Audited)**
Short term intercompany receivables		
Econet Global related group companies	7,882	7,051
Receivables balances from affiliated entities		
Econet Global related group companies	36,411	34,055
Payable balance to affiliated entities		
Econet Global related group companies	2,993	3,155

19. Capital commitments

	31/05/2019	**28/02/2019**
	USD'000	**USD'000**
	(Unaudited)	**(Audited)**
At 31 May 2019 the group was committed to making the following capital payments:		
Authorised and contracted	30,107	40,925

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

20. Post balance sheet events

Zimbabwean currency

The ZWL$:USD exchange rate has continued to deteriorate since the balance sheet date. These movements in the ZWL$:USD rate from 5.27:1 will impact the results, assets, liabilities and reserves of the group in the coming period. As at 23 July, the official interbank rate was ZWL$:USD 8.90:1.

21. Dividend

No dividends were declared for the 3 months ended 31 May 2019 (28 February 2019: USD 13.5 million paid). The dividends for the full year were declared in fulfilment of the Econet Strategic Support agreement ("SSA") and paid to Econet Wireless Group only - all other shareholders renounced their right to these dividends. The SSA was amended to USD 1 per annum on 15 October 2018 effective from 1 March 2019.

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 May 2019				
Investments	-	-	10,814	10,814
Unfavourable contract	-	-	10,843	10,843
Total	**-**	**-**	**21,657**	**21,657**
28 February 2019				
Investments	-	-	10,814	10,814
Unfavourable contract	-	-	11,058	11,058
Total	**-**	**-**	**21,872**	**21,872**

Investments

As of 31 May 2019, 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.

	31/05/2019	28/02/2019
	USD'000	USD'000
	(Unaudited)	(Audited)
Opening balance	10,814	12,447
Additions	-	310
Impairment	-	(1,943)
Closing balance	10,814	10,814

During the year ended 28 February 2019, the directors carried out a review of the carrying value of the investments. The review led to an impairment of costs amounting to USD 1.9 million as the project concerned was no longer viable. In assessing for impairment, the company estimated the fair value less costs to sell of the investments. The fair value less costs to sell is equal to the value of the investments and hence the recoverable amount of the relevant investments have been determined on the basis of their fair value less costs to sell.

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

Unfavourable contract

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 two unfavourable contracts with Tata Communications International Pte Limited and SEACOM were identified. The contracts relate to unfavourable pricing for the supply of IP Transit relative to market pricing and the O&M relating to 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 current market price for IP Transit and the committed contract price and for the excess O&M charges as at acquisition.

	31/05/2019 USD'000 (Unaudited)	28/02/2019 USD'000 (Audited)
Opening balance	11,058	10,539
Adjustment	222	1,582
Unwinding of interest	13	(518)
Charge to cost of sales	(374)	(146)
Foreign exchange gain	(76)	(399)
Closing balance	10,843	11,058

23. Non-cash transaction

In the current financial period, the non-cash portion of finance costs consists of USD 0.9 million of amortised arrangement fees relating to the USD 730 million 8.5% Senior Secured Notes. Accrued interest of USD 15.5 million has been excluded from the borrowings as at 31 May 2019.

24. Loss per share

	3 months ended 31/05/2019 USD'000 (Unaudited)	 31/05/2018 USD'000 (Unaudited)
Basic loss per share (Cents per share)	(159.10)	(3.99)

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

Loss attributable to owners of the company	(194,479)	(4,455)

	31/05/2019 USD'000 (Unaudited)	28/02/2019 USD'000 (Audited)
Weighted average number of ordinary shares for the purpose of basic loss per share for the period/year ended	122,236,964	111,531,175

At 31 May 2019, the share capital of USD 3.6 million represents 122,236,964 ordinary shares (2018: 111,531,175 ordinary shares - 100,000,000 ordinary shares relating to the share conversion and 11,531,175 ordinary shares issued to the Royal Bafokeng Holding Limited as part of the exchange of Royal Bafokeng Holding Limited's shareholding in Liquid Telecommunications Holdings South Africa (Pty) Limited for a 10.34% stake in Liquid Telecommunications Holdings Limited) with a par value of USD 0.0297541580 each.

On 28 February 2019, 10,705,789 ordinary shares at par value of USD 0.0297541580 were issued by the group to Econet Wireless Private Limited (Zimbabwe) ("EWZ") in exchange for the acquisition of the remaining shares in Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe ("LTZ") (51%) for total consideration of USD 135.0 million. Pursuant to arrangements between the Liquid Telecommunications Holdings Limited ("LTH") and EWZ made in connection with the LTZ share acquisition, these shares have restricted rights and are redeemable until such time as all final approvals have been received. Management anticipate that the final approval from the Reserve Bank of Zimbabwe, the last condition to be satisfied, will be received in due course. In the event that the LTZ share acquisition does not fully close by 31 December 2019 (or such other date agreed by the parties), ownership of the shares shall revert to LTH.

25. Reconciliation

25.1 Reconciliation of consolidated unaudited statement of profit or loss to management profit or loss

The group has standardised its consolidated unaudited 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 unaudited statement of profit or loss and management profit or loss is included below:

	Unaudited Statement of profit or loss USD'000 (Unaudited)	Reclassification of network costs USD'000 (Unaudited)	Revised statement of profit or loss USD'000 (Unaudited)
3 months ended 31 May 2019:			
Revenue	154,512	-	154,512
Interconnect related costs	(30,328)	-	(30,328)
Data and network related costs	(35,665)	9,197	(26,468)
Gross Profit			97,716
Other income	308	-	308
Dividend received	-	-	-
Selling, distribution and marketing costs	(2,526)	-	(2,526)
Administrative expenses	(12,051)	(9,197)	(21,248)
Staff costs	(23,747)	-	(23,747)
Adjusted EBITDA	50,503	-	50,503

	Unaudited Statement of profit or loss USD'000 (Unaudited)	Reclassification of network costs USD'000 (Unaudited)	Revised statement of profit or loss USD'000 (Unaudited)
3 months ended 31 May 2018:			
Revenue	178,263	-	178,263
Interconnect related costs	(32,115)	-	(32,115)
Data and network related costs	(44,897)	13,948	(30,949)
Gross Profit			115,199
Other income	264	-	264
Selling, distribution and marketing costs	(3,843)	-	(3,843)
Administrative expenses	(16,033)	(13,948)	(29,981)
Staff costs	(33,656)	-	(33,656)
Adjusted EBITDA	47,983	-	47,983

25.2 Reconciliation of Operating profit to Adjusted EBITDA

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

	3 months ended 31/05/2019 USD'000 (Unaudited)	31/05/2018 USD'000 (Unaudited)
Operating profit	20,106	22,967
Add back:		
Depreciation, impairment and amortisation	30,397	25,016
Adjusted EBITDA (note 3)	50,503	47,983