LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED UNAUDITED FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED 30 NOVEMBER 2018

Further expansion of footprint and portfolio to enable Africa's digital future

24 JAN 2019

Leading pan-African telecoms group Liquid Telecom, a subsidiary of Econet Global, today announces its financial results for the third quarter ended 30 November 2018.

Financial highlights for 9 months year-to-date

- Revenue growth of 7 per cent mainly driven by expansion of our footprint and portfolio, which will also provide a platform for further organic growth in the future.
- Adjusted EBITDA growth at 15 per cent year-to-date delivering a margin of 28.3 per cent.
- Cash generated from operations increased 32.5 per cent to USD 131.4 million.
- As at 30 November 2018 net debt of USD 637.3 million represents 3.03x the last twelve months EBITDA.

	Nine months year-to-date 2018-19	Nine months year-to-date 2017-18	9M 2018-19 versus 9M 2017-18
	Unaudited	Unaudited	Unaudited
	(USDm)	(USDm)	(%)
Revenue	522.0	486.0	7.4
Adjusted EBITDA [2]	147.8	128.8	14.8
Cash generated from operations	131.4	99.2	32.5
Net Debt [1]	637.3	646.7	(1.5)

[1] Net debt as at 30 November 2018 is defined as gross debt less unrestricted cash and cash equivalent.

[2] Adjusted EBITDA is defined as earnings before interest, tax, 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, and share of profit from associate

Strategic and operational highlights in Q3

- Signed a Memorandum of Understanding (MOU) with Telecom Egypt to invest in Egyptian network and infrastructure and data centres.
- Agreement reached with CDC Group Plc, the UK's development finance institution focused on Africa, to invest USD 180 million into the Group.
- After the period we announced plans to establish a 4G network in South Africa, using our 1800 MHz spectrum, from early 2019 on which wholesale roaming services will be made available across our network.
- Our fibre footprint now spans 68,904 kilometres following additional investment in long-haul routes in South Africa, metro networks and Fibre to the Home (FTTH) networks in Eastern and Southern Africa. Additionally, we have signed capacity leases with partners to expand our network reach.
- We expanded our capacity through further investment in our South African and East African data centres. Billing has now commenced for our Cape Town data centre.
- We initiated the process to restructure a number of our entities including South Africa as part of our strategy to digitally transform the way we serve customers. The cost in the third quarter was USD 6.5 million.
- After the period, we appointed a Middle East and West Africa Chief Executive Officer, Mohamed Abdel Bassit and a new CEO, Susan Mulikita, in Zambia to lead the next stage of the operations growth.

Chief Executive Officer, Nic Rudnick, commented:

"Our progress during the third quarter has been good 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 footprint - we expect to see the benefits of this in the coming quarters.

We have continued to expand our fibre footprint, delivered further expansion of the 'South Africa Data Centre' (SADC) business with the build of a second phase, in Cape Town, which was delivered in October 2018, further development of our Johannesburg data centre and we have connected more sites for Mobile Network Operators (MNOs), SMEs and government buildings across our network. Additionally, we have broadened our Fibre to the Home (FTTH) and fixed LTE network coverage and delivered more digital services, including the installation and delivery of our unified communications platform and Microsoft cloud products, such as Azure, in several of our territories.

As part of the long-term development of the Group we are restructuring a number of our entities to align with our corporate strategy. The proposed changes are not only necessary for growth but are designed to reduce our cost base and to make us even more relevant and effective for our customers in their digital journey.

This means we are not only transforming our offering but also evolving the way in which we engage with our employees and customers, ensuring that our digital transformation will automate many of our internal processes and our interaction with our customers. Our development against this strategy has been positive, as we set further foundations for our growth, and I am confident that both the Group and operational management teams have the knowledge, resources and skills to deliver in the medium-term."

Group Executive Chairman, Strive Masiyiwa, added:

"On behalf of the Board, I was delighted to continue to develop our relationship with Telecom Egypt as we signed an MOU to invest in our Data Centre offering in Egypt having connected Cape to Cairo via a terrestrial fibre route in the previous quarter. This continues to be an important part of our three-pronged strategy in providing and monetising connectivity and data centres with access to the cloud and layering digital services across our infrastructure with the vision of becoming a full-service provider to our current and prospective wholesale and enterprise customer base. This is how we are building Africa's digital future. Management is now working on the development of an East-West cable, linking Port Sudan to Lagos.

The Board continues to consider further strategic options for raising capital in order to provide additional funding to accelerate the Group's growth plans. Building on our continued strong performance and improved capital structure, 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 (UK time) 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)

For further information please contact:
Liquid Telecom:
Matthew Hickman, Head of Investor Relations, +44 (0) 20 7101 6100

FTI Consulting:
Charles Palmer, +44 (0) 20 3727 1000
Adam Davidson, +44 (0) 20 3727 1000

About Liquid Telecom
Liquid Telecom is a leading communications solutions provider across 13 countries primarily in Eastern, Central and Southern 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, Microsoft Azure and innovative digital content provision including Netflix and Kwesé TV across our fibre footprint. Through this combined offering Liquid Telecom is enhancing customers' experience on their digital journey.
For more information, visit www.liquidtelecom.com

- Ends –

OPERATIONAL AND FINANCIAL REVIEW

Liquid Telecom is a leading communications solutions provider across 13 countries primarily in Eastern, Southern and South Africa that serves carrier, enterprise and retail customers with high-speed, reliable connectivity and 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, in addition to further data centres in Harare and Kigali, with a combined potential capacity of over 6,000 racks.

The Group reports in four segments; Wholesale voice, Wholesale data, Enterprise and Retail.

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 wholesale cloud and colocation services and we are a tier 2 supplier for Microsoft cloud services across Africa.

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 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 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) and the Kwesé TV platform content across our network.

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 (KPI)

The following table sets out the Group's key financial and operating measures by division since the full-year 2017-18.

	(Q1) 2017-18	(Q2) 2017-18	(Q3) 2017-18	(Q4) 2017-18	FY 2017-18	(Q1) 2018-19	(Q2) 2018-19	(Q3) 2018-19
Operating measures								
Wholesale voice								
Total wholesale voice minutes (in millions) on our network [1]	382	402	380	306	1,471	323	332	322
Wholesale data								
Number of kilometres of fibre [2]	46,975	48,019	49,104	50,061	50,061	52,084	53,132	68,904
Number of Data Centre racks sold[3]	688	696	720	1,078	1,078	1,092	1,436	1433
Enterprise								
Number of Enterprise customers [4]	9,677	10,452	10,859	11,050	11,050	10,889	11,220	11,602
Retail								
Number of Retail customers[5]	36,970	41,612	44,577	46,504	46,504	50,259	54,481	61,083
Financial Measures								
Average churn rate [6]	0.84%	1.18%	1.87%	2.11%	1.55%	1.58%	1.55%	1.38%
New sales ("sold TCV for new services", USD million) [7]	67.5	63.1	109.4	49.4	289.4	38.8	107.2	65.7
Service Activation Pipeline ('MRR backlog") (USD 000) [8]	1,368	1,889	4,479	4,515	4,515	3,844	3,066	3,238

Footnotes:

[1] Represents the total number of voice minutes on the Group's network over a particular period. The 2017-18 voice minute figures have been restated following a change in calculation to make them more comparable.
[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.
[5] Represents the number of broadband 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 customers.
[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.
[8] 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.

In the third quarter, churn levels decreased relative to the second quarter of 2018-19 and the full year 2017-18 following volume related reductions and further benefit through depreciation in the Rand. During the 9 months year to date we secured a total of USD 211.7 million in new total contract value (TCV) compared with a total of USD 289.4 million for the full year 2017-18.

In November 2018, to conform with standard industry practice, we changed the way we report the kilometres of our fibre network, which now spans 68,904. The company has started to expand geographically through partnerships whereby capacity leases are being used to grow the backbone network and this is now included in our network measurement reflecting our actual connectivity capability.

The service activation pipeline increased from USD 3.1 million per month as at 31 August 2018 to USD 3.2 million (MRR only) as at 30 November mainly driven by longer lead times to delivery of large government contract win in South Africa.

Key contracts that are in the service activation pipeline include:

- 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 fibre routes;
- 100Gbps backbone connectivity for a large global cloud provider in South Africa;
- Dedicated Internet Access (DIA) and national Multi-Protocol Label Switching (MPLS) and Virtual Private Network (VPN) connectivity for a number of large financial institutions, mining locations, universities, media organisations, and retail outlets in the Southern region;
- DIA for research organisations, infrastructure groups and MPLS for government organisations in the Eastern region;
- IP transit for a cross border customers;
- Co-location and data centre hosting services for mobile operators, global cloud service providers, technology groups, and financial institutions;
- Microsoft ExpressRoute and international VoIP connectivity for a financial services customer;
- IP transit services to mobile operators and other Internet Service Providers (ISP's) across our footprint and Microsoft Office365 and Azure subscriptions to corporates.

Revenue

Revenue per segment	For the nine-month period ended			For the three-month period ended		
	30 November 2018	30 November 2017	9M 2018-19 versus 9M 2017-18	30 November 2018	30 November 2017	Q3 2018-19 versus Q3 2017-18
	Unaudited	Unaudited		Unaudited	Unaudited	
	(USDm)	(USDm)	%age	(USDm)	(USDm)	%age
Wholesale voice traffic	**112.3**	**112.9**	**(0.4)**	**37.9**	**38.9**	**(2.7)**
Data and Other services						
Wholesale	168.0	143.2	17.4	57.0	54.2	5.2
Enterprise	198.2	193.1	2.6	62.7	65.1	(3.6)
Retail	43.4	36.9	17.6	15.6	12.7	22.6
Total Revenue	**522.0**	**486.0**	**7.4**	**173.2**	**170.9**	**1.3**

In the first nine months of this year, we grew revenue by 7.4 per cent to USD 522.0 million. In the third quarter, revenue grew by 1.3 per cent to USD 173.2 million (Q3 2017-18: USD 170.9 million) following a good performance overall from our data segments notably in wholesale data and retail, a robust performance from our voice business partially offset by challenging market conditions in the wholesale data and enterprise segments in South Africa.

In addition, we adopted IFRS 15 ("Revenue from contracts with customers") from 1 March 2018 which resulted in the Group amortising its non-recurring installation revenue over the life of the contract. This has resulted in a USD 7.1 million prior-year adjustment to our equity and an increase in our deferred revenue brought forward of USD 7.1 million. There is no material impact on the income statement. In addition, IFRS 9 was implemented as of 1 March 2018. We are continuing to assess the impact of IFRS 16 ("Leases") which will be adopted by the Group on 1 March 2019.

Wholesale voice

Wholesale voice revenue for Q3 2018-19 decreased by 2.7 per cent to USD 37.9 million as compared with the same period last financial year (Q3 2017-18: USD 38.9 million). Total volume of minutes for the quarter decreased by 15.4 per cent to 321.6 million minutes (Q3 2017-18: 380.0 million minutes) with average revenue per minute increasing by 15.7 per cent to 11.8 US cents (Q3 2017-18: 10.2 US cents).

The decrease in minutes and increase in the average revenue per minute follows a reduction in the trading of minutes to low revenue per minute destinations such as Mauritius and USA partially offset by increases in higher revenue per minute traffic terminating to destinations like Kenya, Burkina Faso, Niger, Philippines, South Africa and Yemen. This traffic came as a result of very competitive rate offerings from our African partners where Liquid Telecom has proven its ability to leverage its strong cross-border presence in the wholesale market and aggregate traffic in the retail market in order to deliver directly to the respective African networks leading to sustained voice margins.

Wholesale data

In the first nine months of 2018-19 revenue increased by 17.4 per cent to USD 168.0 million (9M 2017-18: USD 143.2 million). In the third quarter of 2018-19 revenue increased by 5.2 per cent to USD 57.0 million (Q3 2017-18: USD 54.2 million), principally due to a strong performance of IP backhaul services in the Southern region. Good performance in our Southern and Eastern operations was partially offset by South Africa where the first nine months of the previous year included a number of one off sales such as NLD 7 and 8. We have started to invest in NLD 5 and 6 in the second and third quarter of 2018-19 and received a portion of the initial payment upfront in the third quarter.

Revenues for the third quarter were driven by several significant long-term contracts for dark fibre, international leased lines and IP backhaul to MNOs partially offset by a decrease in traffic with Kwese. We are finalising further agreements with MNOs on the NLD 5 and 6 route. As part of this growth, we continued to deliver a number of long-term indefeasible rights of use (IRU) contracts with MNOs where we provide dark fibre along newly-built long distance routes, such as NLD 7 and 8, and connected a significant number of MNO base stations.

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 capex. 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.

After the period we announced plans to establish a 4G network in South Africa, using our 1800 MHz spectrum, from early 2019 on which wholesale roaming services will be made available across our network. We are in the process of finalising the terms of an agreement with an anchor tenant.

Wholesale co-location and hosting services revenues grew significantly particularly in South Africa and our Eastern region, leading to investment in additional floor space in our data centre in Kenya. We will be adding 160 racks to the East Africa Data Centre in Nairobi. In South Africa, we are building significantly more space. The extension of the data centres in both Johannesburg and Cape Town for one of the largest global cloud providers continues to progress well with handover of the Johannesburg facility achieved in December 2017 and Cape Town in October 2018. We started billing for this in November 2018. In total we have a potential capacity of more than 6,000 racks and a potential of 80.5 MegaWatts (MW) available power across our footprint.

During the period we were recognised for the completion of the connection between Cape Town and Cairo at the AfricaCom Awards for the Best Network Improvement. The network is the first direct land-based communication link between Cape Town in South Africa and Cairo in Egypt and has already been recognised at a number of other award ceremonies this year.

Enterprise

In the first nine months of 2018-19 enterprise revenues increased by 2.6 per cent to USD 198.2 million (9M 2017-18: USD 193.1 million). In the third quarter of 2018-19 revenues decreased by 3.6 per cent to USD 62.7 million (Q3 2017-18: USD 65.1 million). The lower growth relative to prior period is due to challenging markets in South Africa and weakening of the Rand, partially mitigated by consistently strong growth in the Southern region.

By the end of the third quarter, the number of enterprise customers increased to 11,602 customers (Q2 2018-19: 11,220 customers) primarily through a number of wins in the medium-sized enterprise market.

Following the announcement of our digital transformation we expect our renewed focus on enterprise customers to deliver growth in the coming quarters.

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.

In November, we announced the availability of Microsoft Azure Stack from Cape to Cairo, as we continue to build on cloud services adoption across our platform whilst leveraging our pan-African fibre network and data centre capabilities. Liquid Telecom will be able to directly offer Azure Stack services to businesses operating in our Southern and Eastern regions. The launch marks the first time that the Azure Stack platform will be available locally in all these markets, offering businesses greater flexibility, security and cost savings by deploying hybrid cloud architecture and scenarios.

Retail

Retail revenue in the first nine months of 2018-19 was USD 43.4 million, a 17.6 per cent increase year-on-year (9M 2017-18: USD 36.9 million). For the third quarter revenue increased by 22.6 per cent to USD 15.6 million (Q3 2017-18: USD 12.7 million)

The performance in the third quarter was driven by increased service up-take of the fibre to the home (FTTH GPON) service across our footprint, price increases in Zimbabwe and from our new fixed wireless LTE broadband services, partially offset by a reduction in CDMA customers in South Africa.

New FTTH customers, have driven service penetration growth (as a percentage of premises passed), with an average 42.3 per cent of premises passed (Q2 2018-19: 39.3 per cent, Q3 2017-18: 34.1 per cent). Add-on services, such as discounted night-time packages and competitive pricing have contributed to strong commercial performance in terms of rapid customer acquisition, low churn and stable average revenue per customer. Every month we see customers upgrading from entry-level, capped FTTH packages to our unlimited, premium packages, helping sustain a higher average ARPU over time. FTTH networks were expanded in new locations such as Harare and Mutare (Zimbabwe), Lusaka (Zambia) and Kigali (Rwanda) this year.

We are expanding the coverage of our LTE fixed wireless broadband network in several cities to address a larger share of the broadband market, following strong demand for our services. The number of fixed LTE customers continues to increase, driven by an aggressive commercial effort and the deployment of base stations with further sites expected to be delivered in the third quarter. We also introduced new broadband data bundles from our FTTH packages.

Our CDMA business in South Africa is a legacy business from the acquisition of Neotel in February 2017. We have removed these volumes from our retail customer key performance indicator so that the numbers better represent the volumes of the underlying FTTH and LTE businesses. Prior periods have been adjusted.

Gross profit

Gross Profit	For the nine-month period ended			For the three-month period ended		
	30 November 2018	30 November 2017	9M 2018-19 versus 9M 2017-18	30 November 2018	30 November 2017	Q3 2018-19 versus Q3 2017-18
	Unaudited	Unaudited		Unaudited	Unaudited	
	(USDm)	(USDm)	%age	(USDm)	(USDm)	%age
Gross Profit	**326.9**	**293.5**	**11.4**	**105.8**	**105.5**	**0.3**
Gross Profit Margin (%)	**62.6**	**60.4**	**2.2 pp**	**61.1**	**61.7**	**(0.6) pp**

In the first nine months of 2018-19, gross profit was USD 326.9 million, 11.4 per cent above the same period in 2017-18 at USD 293.5 million. In the third quarter gross profit was maintained.

The gross profit margin in the first nine months of the year improved from 60.4 per cent to 62.6 percent when compared to last year primarily driven by continued growth in high margin Wholesale Data and sustained Wholesale Voice margins as a result of a greater mix of traffic to higher margin destinations and lower overall traffic. It was also aided by a solid performance in our Retail segment driven by the growth in fixed line broadband. The subdued performance in the quarter follows the performance in Wholesale Data and Enterprise segments already mentioned above.

Liquid Telecom continues to focus on its strategy of expanding the fibre footprint, broadening the product portfolio, monetising spectrum and digital transformation and it is this diversified business model which has helped maintain its competitiveness within the Wholesale Data space.

Total overheads and other income

Total Overheads and Other Income	For the nine-month period ended			For the three-month period ended		
	30 November 2018 Unaudited	30 November 2017 Unaudited	9M 2018-19 versus 9M 2017-18	30 November 2018 Unaudited	30 November 2017 Unaudited	Q3 2018-19 versus Q3 2017-18
	(USDm)	(USDm)	%age	(USDm)	(USDm)	%age
Other income	0.5	0.8	(34.4)	0	(0.1)	n/a
Dividend received	0.6	0	n/a	0.6	0	n/a
Selling and distribution costs	(11.5)	(9.4)	22.9	(3.7)	(3.6)	4.9
Administrative costs	(78.7)	(72.8)	8.1	(22.7)	(25.7)	(11.7)
Staff costs	(90.0)	(83.3)	8.0	(29.1)	(28.4)	2.6
Total overheads and Other income	**(179.1)**	**(164.7)**	**8.7**	**(55.0)**	**(57.8)**	**(4.8)**
% to Total Revenue	***34.3***	***33.9***	***0.4pp***	***31.7***	***33.8***	***(2.1)pp***

In the first nine months overheads and other income increased by 8.7 per cent year-on-year to USD 179.1 million. Overheads and other income as a percentage of revenue increased to 34.3 per cent from 33.9 per cent in the first nine months of 2017-18.

In the third quarter, overheads as a percentage of revenue decreased year-on-year from 33.8 percent to 31.7 percent as a result of decreases in administrative costs partially offset by an increase in staff costs and selling and distribution costs. The restructuring benefits in South Africa will accrue in future quarters.

Selling and distribution costs increased 5.0 per cent to USD 3.7 million. We have implemented IFRS 9 and it has had an immaterial impact on the results this quarter and only impacts this line of the income statement.

Administration costs decreased by 11.7 per cent to USD 22.7 million in the third quarter following the reduction in management fee payable by Liquid Zambia to CEC due to the purchase of the minority in October 2018. In the nine months we continued investment in network support as the scale of the Group increased and we expanded our digital services offering partially offset by the weakening of the currency in South Africa. In addition, we migrated computer services away from a previous supplier as part of the integration into Liquid South Africa and we improved the governance structure of the Group.

Staff costs in the third quarter increased by 2.6 per cent to USD 29.1 million (Q3 2017-18: USD 28.4 million) reflecting the overall trend of upskilling our workforce in-line with the digital transformation strategy notably in South Africa. Our employee numbers decreased to 2,347 in the third quarter (Q3 2017-18: 2,365) and there were a significant number of leavers in South Africa in December 2018. Year to date staff costs reflect the increases reported in the first quarter.

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 nine-month period ended			For the three-month period ended		
	30 November 2018	30 November 2017	9M 2018-19 versus 9M 2017-18	30 November 2018	30 November 2017	Q3 2018-19 versus Q3 2017-18
	Unaudited	Unaudited		Unaudited	Unaudited	
	(USDm)	(USDm)	%age	(USDm)	(USDm)	%age
Adjusted EBITDA	**147.8**	**128.8**	**14.7**	**50.8**	**47.7**	**6.5**
Adjusted EBITDA margin %	***28.3***	***26.5***	***1.8pp***	***29.3***	***27.9***	**1.4pp**
Depreciation, impairment and amortisation	(74.0)	(72.0)	2.7	(23.5)	(25.7)	(8.5)
Restructuring costs	(6.5)	(0.0)	n/a	(6.5)	(0.0)	n/a
Acquisition and other investment costs	(3.5)	(1.2)	203.6	(2.9)	(0.2)	n/a
Operating Profit	**63.8**	**55.6**	**14.7**	**18.0**	**21.8**	**(17.7)**
Interest income	3.9	3.1	27.0	0.6	1.4	(53.5)
Finance costs	(51.8)	(61.7)	(16.0)	(17.2)	(19.7)	(12.7)
Foreign exchange (loss) / gain	(6.1)	(0.8)	n/a	(0.8)	0.5	n/a
Share of profit of associate	0.0	0.1	n/a	0.0	0.0	n/a
Profit before tax	**9.8**	**(3.7)**	**n/a**	**0.6**	**4.1**	**(84.0)**
Tax expense	(12.0)	(2.9)	317.2	(3.2)	(1.4)	136.2
Profit for the period	**(2.2)**	**(6.6)**	**n/a**	**(2.6)**	**2.7**	**n/a**

(1) Adjusted EBITDA is defined as earnings before interest, tax, 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, and share of profit from associate

Adjusted EBITDA in the first nine months of 2018-19 increased by 14.7 per cent to USD 147.8 million and in the third quarter by 6.5 per cent to USD 50.8 million. This increase is driven largely by good performances in higher margin segments such as wholesale data and retail offset by the support of our network.

Depreciation, impairment and amortisation decreased by 8.5 per cent to USD 23.5 million in the third quarter principally driven by South Africa where some assets have been fully depreciated.

Following the announcement of the restructuring across a number of entities to realign the Group in line with our digital transformation strategy we incurred USD 6.5 million of costs. In addition to this we have expensed USD 2.9 million of acquisition and other investment costs in the third quarter which relate to the capital structuring and fund-raising processes that we have guided the market to in recent quarters.

The aggregation of which led to a decrease in Operating Profit in the third quarter of 17.7 per cent to USD 18.0 million. (Q3 2017-18: USD 21.8 million)

Finance costs decreased by 12.7 per cent to USD 17.2 million, predominantly due to the one-off expense of refinancing the term loan on issuance and tap of the bond in 2017-18.

Foreign exchange losses were incurred due to the revaluation of intercompany loans and trading balances, which occur on a quarterly basis, primarily due to the depreciation of the South Africa Rand.

Profit before tax in the third quarter of 2018-19 was USD 0.6 million (Q3 2017-18: USD 4.1 million).

Tax expense for the third quarter of 2018-19 was USD 3.2 million (Q3 2017-18: USD 1.4 million) following the good performance in Zimbabwe, Zambia and Mauritius.

As a result of the above, we delivered a loss of USD 2.6 million versus a profit of USD 2.7 million in Q3 in the prior year.

Cash generated from operations

Cashflow	For the nine-month period ended			For the three-month period ended		
	30 November 2018	30 November 2017	9M 2018-19 versus 9M 2017-18	30 November 2018	30 November 2017	Q3 2018-19 versus Q3 2017-18
	Unaudited	Unaudited		Unaudited	Unaudited	
	(USDm)	(USDm)	%age	(USDm)	(USDm)	%age
Cash generated from operations	**131.4**	**99.2**	**32.5**	**41.6**	**54.6**	**(23.9)**
Tax paid	(17.2)	(3.0)	471.5	(6.2)	(1.1)	455.2
Net cash (used in)/ from operating activities	**114.2**	**96.2**	**18.7**	**35.4**	**53.5**	**(33.8)**
Net cash used in investing activities	(85.7)	(222.8)	(61.5)	(53.8)	(75.3)	(28.5)
Net cash used in financing activities	(48.2)	103.4	n/a	(2.3)	66.0	n/a
Net increase / (decrease) in cash and cash equivalent	(19.8)	(23.2)	(14.5)	(20.7)	44.2	n/a

Cash flow generated from operations in the first nine months of 2018-19 increased 32.5 per cent to USD 131.4 million.

Tax paid in the nine months represents the remaining tax payments for the full-year 2017-18 and various excise duties and withholding taxes. Additionally, we have paid tax on account for 2018-19 in Zimbabwe. The result being an increase of net cash from operations of 18.7 percent in the first nine months versus the prior year.

Net cash used in investing activities in the first nine months of 2018-19 decreased by 61.5 per cent to USD 85.7 million as a result of the receipt of USD 60 million from Econet Group for the unwinding of the investment in Econet Media Limited, which partially offset capital expenditure of USD 145.7 million.

Net cash used in financial activities includes the payment of a dividend of USD 13.5 million for the full-year management fee under the strategic management agreement. In addition, finance costs of USD 33.6 million were paid which principally related to the first half interest payment on the Senior Secured Notes.

Capital investment and network developments

During the first nine months of 2018-19, we invested (net of proceeds) USD 145.7 million (9M 2017-18: USD 155.5 million; Q3 2018-19 USD 50.9m) 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 and the broadening of our product portfolio notably through our National Long Distance (NLD 5 and 6) and access projects in addition to our LTE and data centre offerings.

In Wholesale Data over the nine months 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 the first nine months we paid for our DRC operating licence and received the renewal of our 15-year licence in Zimbabwe. These licences are an important facet in delivering our strategy to connect the African Continent East and West as well as North and South. Throughout the period we continued to invest in long-haul, metro and fibre access infrastructure this financial year.

In Zimbabwe, we completed a new fibre project between Harare and Mutare to provide further physical network redundancy and reliability across the region. This is in addition to the upgrading of our DWDM equipment, upgrades of our wireless offering for customers who originally had Wimax technology to LTE where the capex relates to the establishment of new base stations, our core network for IP backhaul services and our national backbone.

In South Africa, we initiated the investment in the NLD routes 5 and 6 that connect Cape Town to Durban. This is an important part of our investment strategy to provide connectivity to customers, with MNOs as anchor tenants whilst adding both enterprise and retail customers in order to maximise the penetration of the network. In addition, we invested in our network to upgrade POP sites and cabinets for POP expansion.

And 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. This complements our strategy to further extend our fibre network to remote areas of Kenya and better interconnect neighbouring countries such as Ethiopia, Uganda, and Tanzania, as well as provide onward connectivity to Rwanda, Sudan, Egypt, north-eastern DRC and Burundi. This also serves as a mitigation factor against the cost of relocating fibre routes during the expansion of national highways. In addition, we initiated the roll-out of 4G services for a wholesale customer, started to provide dark fibre to towers for a large wholesale customer as they roll out their LTE network.

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.

We took on a new long-term lease (IRU) for additional international capacity on international submarine cables to support our growth in data traffic. We have also made additional investments in core network and IT infrastructure in South Africa and across the Southern region, which will enable strong growth in connectivity and digital services across our footprint as part of our strategy to diversify into value-added services.

The announcement of the Memorandum of Understanding to invest in Data Centres in Egypt in conjunction with Telecom Egypt is part of our strategy to provide local focussed hyper scale data centres in high growth and scalable locations, such as Cairo, with Edge data centres in smaller metro areas where there is lower demand. The strategy continues to be underpinned by anchor tenants and the need from governments in Africa to have data held in country.

In the enterprise segment we have continued to work on re-aligning our operations business model with customer demand, although it is taking slightly longer than originally estimated, it continues to be a success with a strong buy-in from employees and customers alike and we would expect the actions to be imbedded within the business by the end of the first quarter 2019-20.

We also continued to invest significantly in our infrastructure in South Africa and Zimbabwe to use our own local access networks (instead of relying on third parties) to deliver services to enterprises, create a seamless international network from Cape Town to Nairobi (that we are extending terrestrially to Cairo through partner networks), and offering a high-quality customer experience across our operations.

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 lead to further investment in metro and local access fibre infrastructure on the back of these contracts.

We continued the expansion of our data centres in South Africa and Kenya, on the back of a contract with a global cloud services provider, strong demand for co-location in Kenya and interconnecting points of presence and internet exchanges. Our data centre services cover both Wholesale Data and Enterprise customers.

For the retail segment, during the quarter, we continued building fibre-to-the-home (FTTH) local access networks with our GPON technology, connecting over 3000 new premises across our FTTH footprint driving our penetration up to 42.3 per cent (Q2 2018-19: 39.3%). We have started the roll-out of FTTH in Uganda and Tanzania, in select areas.

We are continuing to extend the coverage of our fixed wireless access networks (mainly using 4G LTE technology) in Zambia and Zimbabwe and the rest of Africa that enable us to deliver broadband Internet access to customers outside of our FTTH areas. We have completed the installation and brought on air over 396 LTE base stations to significantly extend this coverage.

Gross / Net Debt

	30 November 2018	**31 August 2018**
	Unaudited	Unaudited
	(USDm)	(USDm)
Total Gross Debt	**775.9**	**761.8**
Long term borrowings including interest accrued	732.9	733.1
Short term portion of long-term borrowings	30.2	15.0
Unamortised arrangement fees	12.8	13.7
Less: Unrestricted cash *	**138.6**	**157.4**
Cash and Cash equivalents	140.8	160.3
Restricted cash	2.2	2.9
Net debt	**637.3**	**604.4**
Last twelve months EBITDA	**210.4**	**207.2**
Covenants		
Gross debt / LTM EBITDA (x)	3.69	3.68
Net Debt / LTM EBITDA (x)	3.03	2.92

* This includes cash and cash equivalents located in Zimbabwe – see note 2 of the financial statements. Since the balance sheet date, economic and political conditions in Zimbabwe continue to cause uncertainty over the future value of local currency. The Board continues to monitor this position closely.

Net debt, as at 31 November 2018, stood at USD 637.3 million compared to USD 604.4 million as at 31 August 2018. Total gross debt increased to USD 775.9 million compared to USD 761.8 million as at 31 August 2018 primarily due to the accrued interest.

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 Executive Chairman

Nic Rudnick
Chief Executive Officer

Phil Moses
Chief Finance Officer

24 January 2019

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the 9 months and 3 months ended 30 November 2018

		9 months ended		3 months ended	
	Notes	**30/11/2018**	**30/11/2017**	**30/11/2018**	**30/11/2017**
		USD'000	**USD'000**	**USD'000**	**USD'000**
		(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue	3	521,989	486,010	173,181	170,875
Interconnect related costs		(91,805)	(91,885)	(31,350)	(32,109)
Data and network related costs		(138,611)	(132,128)	(46,331)	(44,334)
Other income / (loss)		519	791	(24)	(81)
Dividend received		629	-	629	-
Selling, distribution and marketing costs		(11,504)	(9,364)	(3,733)	(3,567)
Administrative expenses		(43,427)	(41,307)	(12,431)	(14,702)
Staff costs		(90,026)	(83,343)	(29,122)	(28,393)
Adjusted EBITDA		147,764	128,774	50,819	47,689
Depreciation, impairment and amortisation		(73,963)	(72,020)	(23,494)	(25,666)
Restructuring costs	4	(6,476)	-	(6,476)	-
Acquisition and other investment costs		(3,537)	(1,165)	(2,874)	(190)
Operating profit		63,788	55,589	17,975	21,833
Interest income	5	3,902	3,073	631	1,360
Finance costs	6	(51,792)	(61,688)	(17,181)	(19,687)
Foreign exchange (loss) / profit		(6,145)	(759)	(792)	549
Share of profits of associate		37	60	17	16
Profit / (loss) before taxation		9,790	(3,725)	650	4,071
Tax expense	7	(11,960)	(2,867)	(3,243)	(1,373)
Profit / (loss) for the period		**(2,170)**	**(6,592)**	**(2,593)**	**2,698**
Other comprehensive (loss) / profit					
Items that may be reclassified subsequently to profit or loss:					
Translation (loss) / profit on accounting for foreign entities		(92,256)	(12,010)	30,585	(18,148)
Other comprehensive (loss) / profit for the period		(92,256)	(12,010)	30,585	(18,148)
Total comprehensive (loss) / profit for the period		**(94,426)**	**(18,602)**	**27,992**	**(15,450)**
Profit / (loss) attributable to:					
Owners of the company		(16,442)	(10,296)	(7,385)	1,876
Non-controlling interest		14,272	3,704	4,792	822
		(2,170)	**(6,592)**	**(2,593)**	**2,698**
Total comprehensive (loss) / profit attributable to:					
Owners of the company		(108,449)	(18,045)	22,817	(12,268)
Non-controlling interest		14,023	(557)	5,175	(3,182)
		(94,426)	**(18,602)**	**27,992**	**(15,450)**
(Loss) / profit per share					
Basic and diluted (Cents per share)	21	(14.74)	(10.30)	(6.62)	1.88

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 November 2018

	Notes	30/11/2018 USD'000 (Unaudited)	28/02/2018 USD'000 (Audited)
Non-current assets			
Goodwill	8	137,949	160,522
Intangible assets	9	163,405	185,921
Property, plant and equipment	10	776,782	764,866
Investment in associate		465	506
Investments		10,815	12,447
Deferred tax assets		34,202	37,115
Held to maturity investments		3,395	3,206
Long-term receivables		1,093	1,153
Total non-current assets		**1,128,106**	**1,165,736**
Current assets			
Inventories		27,143	31,310
Trade and other receivables	12	194,951	277,278
Taxation		447	957
Cash and cash equivalents	11	138,640	160,718
Restricted cash and cash equivalents	11	2,211	2,937
Total current assets		**363,392**	**473,200**
Total assets		**1,491,498**	**1,638,936**
Equity and liabilities			
Capital and reserves			
Share capital		3,319	3,319
Share premium		116,765	116,765
Retained earnings		177,934	233,646
Foreign currency translation reserve		(12,176)	79,831
Total equity attributable to owners of the parent		**285,842**	**433,561**
Non-controlling interests		91,705	94,019
Total equity		**377,547**	**527,580**
Non-current liabilities			
Long-term borrowings	13	732,858	731,214
Long-term provisions		-	922
Other long-term payables		15,242	15,880
Deferred revenue	15	52,942	53,702
Deferred tax liabilities		49,995	47,736
Total non-current liabilities		**851,037**	**849,454**
Current liabilities			
Short-term portion of long-term borrowings	13	30,213	15,019
Trade and other payables	14	186,538	201,321
Short-term provisions		11,942	8,523
Deferred revenue	15	29,990	27,188
Taxation		4,231	9,851
Total current liabilities		**262,914**	**261,902**
Total equity and liabilities		**1,491,498**	**1,638,936**

Approved by the Board of Directors and authorised for issue on 23 January 2019.

Eric Venpin	Mike Mootien
Director	Alternate Director to Gaetan Lan

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 9 months and 3 months ended 30 November 2018

	Notes	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total equity
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 March 2017 (Audited)		1	2,333	(5,338)	283,582	147,010	427,588
Change in ownership		-	-	-	-	9,354	9,354
(Loss) / profit for the period		-	-	-	(10,296)	3,704	(6,592)
Foreign exchange loss		-	-	(7,749)	-	(4,261)	(12,010)
Acquisition of subsidiaries		-	-	-	-	734	734
At 30 November 2017 (Unaudited)		**1**	**2,333**	**(13,087)**	**273,286**	**156,541**	**419,074**
At 1 March 2018 (Audited)		3,319	116,765	79,831	233,646	94,019	527,580
Adjustments - IFRS 15	2	-	-	-	(6,889)	(218)	(7,107)
At 1 March 2018 (Unaudited)		3,319	116,765	79,831	226,757	93,801	520,473
Change in ownership*		-	-	-	(18,881)	(16,119)	(35,000)
(Loss) / profit for the period		-	-	-	(16,442)	14,272	(2,170)
Foreign exchange loss		-	-	(92,007)	-	(249)	(92,256)
Dividend paid	18	-	-	-	(13,500)	-	(13,500)
At 31 November 2018 (Unaudited)		**3,319**	**116,765**	**(12,176)**	**177,934**	**91,705**	**377,547**

*The company acquired the non-controlling interest of CEC Liquid Telecommunication Limited for a total consideration of USD 35.0 million. Of the USD 35.0 million, USD 3.5 million was paid in October 2018 and the remaining balance is payable by 31 January 2019.

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
for the 9 months and 3 months ended 30 November 2018

	Notes	9 months ended 30/11/2018 USD'000 (Unaudited)	9 months ended 30/11/2017 USD'000 (Unaudited)	3 months ended 30/11/2018 USD'000 (Unaudited)	3 months ended 30/11/2017 USD'000 (Unaudited)
Cash flows from operating activities:					
Profit / (Loss) before tax		9,790	(3,725)	650	4,071
Adjustments for:					
Depreciation	10	52,342	49,328	17,061	16,708
Amortisation	9	19,570	22,568	6,323	8,925
Impairment of investment		1,942	-	-	-
Stock written off		108	4	32	-
Increase in obsolete stock provision		1	120	78	32
Bad debts provision		1,793	(1,110)	1,705	(4,507)
Bad debts recovered		(211)	(178)	-	(178)
Increase / (decrease) in provisions		663	(52)	541	8
Foreign exchange loss / (profit)		2,429	1,075	(34)	872
Profit on disposal of fixed assets		(22)	(209)	(53)	(52)
Interest income	5	(3,902)	(3,073)	(631)	(1,360)
Finance costs	6	51,792	61,688	17,181	19,687
Share of profits of associates		(37)	(60)	(17)	(16)
		136,258	126,376	42,836	44,190
Working capital changes:					
Decrease / (increase) in inventories		2,987	(3,023)	10,130	(2,733)
Decrease / (increase) in trade and other receivables		10,030	(39,397)	(7,302)	(18,088)
(Decrease) / increase in trade and other payables		(13,479)	(11,517)	(3,505)	21,919
Increase in deferred revenue		3,540	21,591	707	7,144
(Decrease) / increase in accruals		(8,565)	5,271	(1,654)	2,852
Increase / (decrease) in unfavourable contracts		585	(127)	359	(657)
Cash generated from operations		131,356	99,174	41,571	54,627
Income tax paid		(17,184)	(3,007)	(6,157)	(1,109)
Net cash generated from operating activities		114,172	96,167	35,414	53,518
Cash flows from investing activities:					
Interest income		3,714	3,073	655	1,360
Acquisition of other investments		(310)	(60,712)	-	(60,414)
Recovery of related party advance		60,000	-	-	-
Acquisition of subsidiary companies		-	(17,672)	-	-
Change in ownership of a subsidiary		(3,500)	-	(3,500)	-
Purchase of property, plant and equipment	10	(137,197)	(145,525)	(51,362)	(46,650)
Proceeds on disposal of property, plant and equipment		3,707	2,631	3,689	1,936
Purchase of intangible assets	9	(12,160)	(12,635)	(3,254)	(4,185)
Proceeds on disposal of intangible assets		-	3,191	-	2,800
Proceeds / (purchase) of held to maturity investments		-	65	-	(52)
Decrease in long term receivables		-	4,834	-	29,949
Net cash used in investing activities		(85,746)	(222,750)	(53,772)	(75,256)
Cash flows from financing activities:					
Dividend paid	18	(13,500)	-	-	-
Finance costs		(33,625)	(23,221)	(920)	(2,392)
Issue of subsidiary share capital & equity loans to minorities		-	68	-	-
Increase / (decrease) in long-term loan borrowings		(1,103)	126,563	(1,415)	68,366
Net cash (used in) / generated from financing activities		(48,228)	103,410	(2,335)	65,974
Net (decrease) / increase in cash and cash equivalents		(19,802)	(23,173)	(20,693)	44,236
Cash and cash equivalents at beginning of the period		163,655	152,735	160,246	89,782
Translation of cash with respect to foreign subsidiaries		(3,002)	6,429	1,298	1,975
Cash and cash equivalents at end of the period		**140,851**	**135,991**	**140,851**	**135,993**

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 financial statements are presented in United States Dollars (USD) as this is the currency in which the majority of the group's transactions are denominated. The functional currencies of the subsidiaries are: United States Dollars, Mauritian Rupee, South African Rand, Pound Sterling, Zambian Kwacha, Kenyan Shilling, Ugandan Shilling, Rwandan Franc, Botswana Pula, Nigerian Naira, Tanzanian Shilling and Sudanese Pound.

During the period ended 30 November 2018, the company acquired the remaining shares in CEC Liquid Telecommunication Limited for a total consideration of USD 35.0 million. Of the USD 35.0 million, USD 3.5 million was paid in October 2018 and the remaining balance is payable by 31 January 2019.

2. Accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the 9 months ended 30 November 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

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

Going concern

The directors have reviewed the consolidated cash flow projections of Liquid Telecommunications Holdings Limited ("the group"), for the forthcoming period of fifteen months from 30 November 2018 up to and including 28 February 2020. Considering the available cash position as of 30 November 2018, the cash flow projections for the review period (which include discretionary capital expenditure), the repayment of existing obligations and access to new capital and loan funding, the directors are satisfied that the group, has access to adequate cash resources to settle obligations as these arise and that operations reflect financial sustainability to enable the business to continue in operational existence for the foreseeable future.

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

• The group successfully completed a capital raising project during the year ended 28 February 2018 which resulted in USD 730.0 million 8.5% Senior Secured Notes being issued that have no capital repayments until July 2022. Through this, the group repaid existing debt including the term loan of ZAR 2.95 billion (USD 228.0 million) for the acquisition of Liquid Telecommunications South Africa (Pty) Limited which was due in May 2018 and term loans totalling USD 300.0 million repayable over five years until December 2022.

• The group has access to a USD 73.0 million revolving credit facility that can be used for general corporate purposes. As at 30 November 2018, this facility has remained undrawn and can be drawn at any time as long as the group is in compliance with the agreement.

• As at 30 November 2018, the group has an unrestricted cash position of USD 138.6 million as well as a positive net current asset position further enhancing the going concern assumption. Of this amount, USD 102.0 million is held in Zimbabwe and accounted for at an exchange rate equal to 1:1 with the USD. Since the balance sheet date, economic and political conditions in Zimbabwe continue to cause uncertainty over the future value of local currency. The Directors continue to monitor this position closely.

• In addition to the above, following the balance sheet date, on 11 December 2018, CDC Group Plc ("CDC") agreed to invest USD 180.0 million into Liquid Group by way of subscription for convertible preference shares. The funds are expected to be received in early 2019 and will be used to finance acquisitions and other capital investment projects.

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 condensed consolidated interim financial statements for the 9 months ended 30 November 2018 is appropriate.

Accounting policies

The accounting policies applied by the group in the preparation of the 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 2018 with the exception of IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments", which were adopted as at 1 March 2018.

2. Accounting policies (continued)

Changes in accounting policies - IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers", was mandatorily effective for accounting periods beginning on or after 1 January 2018 and was adopted by the group for the financial year commencing 1 March 2018.

The group has applied the modified retrospective approach for the adoption of IFRS 15. The results reported from 1 March 2018, the date of initial application, will be as if the standard had always been applied. The group has elected to apply IFRS 15 only to contracts that were not completed contracts at the date of initial application and the comparative periods will not be restated under the new standard.

The standard sets out the requirements for recognising revenue from contracts with customers and has impacted how the group recognises revenue, using a five-step process which is applied below.

1. Identify the contract: the group has contracts in each of the following revenue streams;
• Wholesale voice traffic - primarily revenue from international voice interconnects between mobile network operators and international telecom carriers;
• 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.; and
• Retail data and other services - primarily data services sold to consumers and small businesses in Africa.

2. Identify the performance obligations: The group identifies deliverables in contracts with customers that qualify as separate "performance obligations". Some of the contracts relating to the revenue sources above contain multiple deliverables or performance obligations. The group assesses whether there are distinct performance obligations at the start of each contract and throughout the performance of the contracts. The performance obligations identified will depend on the nature of individual customer contracts, which will typically be the provision of equipment to customers and the delivery of services provided to customers.

3. Determine the transaction price: The transaction price is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer, that is, when the performance obligation is satisfied.

4. Allocate the transaction price: The transaction price receivable from customers is allocated across the group's performance obligations under the contracts on a relative stand-alone selling price basis. Revenue will then be recognised either at a point in time or over time when the respective performance obligations in a contract are delivered to the customer. Stand-alone selling prices will be based on observable sales prices and where stand-alone selling prices are not directly observable, estimates of stand-alone selling prices will be required.

5. Recognise revenue as and when the performance obligations are satisfied.

The group has applied the steps set out above to each of its revenue streams, in determining its revenue recognition policy, as follows:

• Wholesale voice traffic: The performance obligation relating to wholesale voice traffic is to provide voice minutes for the duration of the call until termination. The transaction price is determined based on agreed upon per minute rates and the duration of the call. Revenue relating to wholesale voice is recognised at the point the call is terminated as this is the point the service is delivered to the customer. Customers are invoiced monthly based for their voice usage and a receivable is raised as the service has been delivered.

• Wholesale data and other services: The performance obligation relating to these service contracts consists of two parts, firstly the installation of the equipment and/or connection of the service, the Non-Recurring Revenue (NRR), and secondly the provisioning of monthly services, the Monthly Recurring Revenue (MRR).

Generally, these contracts only have one performance obligation, the provisioning of a monthly service that is satisfied over time. Therefore, both the NRR and MRR components of the contract will be recognised over the period of the contract. Transaction prices are determined based on signed contracts, which take into account equipment and data rates determined at market related prices with the client for the NRR and MRR components. Deferred revenue is raised for the NRR payment received upfront. Customers are invoiced once for NRR and on a monthly basis for MRR. A receivable is raised as the service is delivered.

2. Accounting policies (continued)

Changes in accounting policies - IFRS 15 “Revenue from Contracts with Customers” (continued)

Wholesale data and other services also include the construction and sale of long-haul fibre infrastructure. At the completion of each stage, control is transferred to the customer once they have accepted this completion of the stage and therefore the performance obligation is satisfied. There is generally also a maintenance aspect to these contracts, which is recognised over the term of the contract once obligations are met. Once transferred to the customer and accepted by the customer, revenue is recognised and a receivable is raised for any outstanding payments. The transaction price is determined by the signed contract.

• Enterprise data and other services: These contracts consist of two parts; firstly the installation of the equipment and/or connection of the service and secondly the provisioning of monthly services. The installation of equipment performance obligation is satisfied on completion of installation as ownership is transferred. The provisioning of a monthly service is recognised monthly as the service is delivered monthly. Unused data cannot be transferred to a following month. The transaction price is determined by the signed contract, which takes into account equipment and data rates determined at market related prices. Customers are invoiced once for NRR and on a monthly basis for MRR. A receivable is raised as the service is delivered.

• Retail data and other services: These contracts consist of two parts; firstly the installation of the equipment and/or connection of the service and secondly the provisioning of monthly services. The installation of equipment performance obligation is satisfied on completion of installation as ownership is transferred. The provisioning of a monthly service is recognised monthly as the service is delivered monthly. Unused data cannot be transferred to a following month. The transaction price is determined by the signed contract, which takes into account equipment and data rates determined at market related prices. Customers are invoiced once for NRR and on a monthly basis for MRR. A receivable is raised as the service is delivered.

The revenue streams and performance obligations stated above are also in line with those reviewed by the Chief Operating Decision Maker (CODM) when analysing segment results.

Presentation of assets and liabilities related to contracts with customers

IFRS 15 uses the terms ‘contract asset’ and ‘contract liability’ to describe what might more commonly be known as ‘accrued revenue’ and ‘deferred revenue’, however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The group has opted to use accrued revenue and deferred revenue.

The following adjustments were made to the opening balance of equity and deferred revenue on 1 March 2018.

Consolidated Statement of Financial Position	**As previously reported**	**IFRS 15 impact**	**Restated**
	USD'000	**USD'000**	**USD'000**
	(Audited)	**(Unaudited)**	**(Unaudited)**
Equity and liabilities			
Capital and reserves			
Retained earnings	233,646	(6,889)	226,757
Non-controlling interests	94,019	(218)	93,801
Impact on total equity		(7,107)	
Non-current liabilities			
Deferred revenue	53,702	5,156	58,858
Impact on total non-current liabilities		5,156	
Current liabilities			
Deferred revenue	27,188	1,951	29,139
Impact on total current liabilities		1,951	

Changes in accounting policies - IFRS 9 "Financial Instruments"

IFRS 9 has been adopted by the group on 1 March 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting, and requires certain additional disclosures. The primary changes resulting from IFRS 9 to the group’s accounting for financial instruments are as follows:

2. Accounting policies (continued)

Changes in accounting policies - IFRS 9 "Financial Instruments" (continued)

	IAS 39		IFRS 9	
	Measurement	**Classification**	**Measurement**	**Classification**
Non-current assets				
Investments - equity*	At cost	Available-for-sale	At fair value	FVOCI
Held to maturity investments	At amortised cost	Held-to-maturity	At amortised cost	At amortised cost
Long-term receivables	At amortised cost	Loan and receivables	At amortised cost	At amortised cost
Current assets				
Trade receivables	At amortised cost	Loan and receivables	At amortised cost	At amortised cost
	Provision under the incurred loss model		Provision under the expected credit loss model	
Other receivables	At amortised cost	Loan and receivables	At amortised cost	At amortised cost
Cash and cash equivalents**	N/a	N/a	N/a	N/a
Restricted cash and cash equivalents**	N/a	N/a	N/a	N/a
Non-current liabilities				
Long-term borrowings	At amortised cost	At amortised cost	At amortised cost	At amortised cost
Long-term provisions	At amortised cost	At amortised cost	At amortised cost	At amortised cost
Other long-term payables	At amortised cost	At amortised cost	At amortised cost	At amortised cost
Current liabilities				
Short-term portion of long-term borrowings	At amortised cost	At amortised cost	At amortised cost	At amortised cost
Trade and other payables	At amortised cost	At amortised cost	At amortised cost	At amortised cost
Short-term provisions	At amortised cost	At amortised cost	At amortised cost	At amortised cost

*The group has made an irrevocable election at initial recognition to classify the equity investment as Fair Value through Other Comprehensive Income (FVOCI), with all subsequent changes on fair value being recognised in the statement of other comprehensive income.

**Cash and cash equivalents include cash and bank balances and short term highly liquid investments that are readily convertible to known amounts of cash. The application of IFRS 9 will not impact on cash and cash equivalents.

Under IAS 39, all financial liabilities were measured and classified at amortised cost. There has been no change in the measurement and classification under IFRS 9.

The above classification from IAS 39 to IFRS 9 has been made after assessment of the business model of each financial asset and financial liability.

The group elected, under IFRS 9, to recognise the full amount of credit losses that would be expected to be incurred over the full recovery period of trade receivables, contract assets recognised under IFRS 15 and finance lease receivables at the date of initial recognition of those assets.

The application of IFRS 9 has not had a significant impact on the financial position and/or financial performance of the group as of 30 November 2018.

Impact of standard issue but not yet applied - IFRS 16 "Leases"

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

IFRS 16 will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but will be substantively different to existing accounting for operating leases where rental charges are currently recognised on a straight-line basis and no lease asset or lease loan obligation is recognised.

2. Accounting policies (continued)

Impact of standard issue but not yet applied - IFRS 16: Leases (continued)

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

The group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the following changes to lessee accounting will have a material impact as follows:

• Right-of-use assets will be recorded for assets that are leased by the group; currently no lease assets are included on the group's consolidated statement of financial position for operating leases.

• Liabilities will be recorded for future lease payments in the group's consolidated statement of financial position for the "reasonably certain" period of the lease, which may include future lease periods for which the group has extension options. Currently liabilities are generally not recorded for future operating lease payments, which are disclosed as commitments. The amount of lease liabilities will not equal the lease commitments reported on 30 November 2018.

• Lease expenses will be for depreciation of 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. Currently operating lease rentals are expensed on a straight-line basis over the lease term.

• Operating lease cash flows are currently included within operating cash flows in the consolidated statement of cash flows; under IFRS 16 these will be recorded as cash flows from financing activities reflecting the repayment of lease liabilities (borrowings) and related interest.

A high volume of transactions will be impacted by IFRS 16 and material judgements are required in identifying and accounting for leases. Therefore, the group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 16 and cannot reasonably estimate the impact; however, the changes highlighted above will have a material impact on the consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows after the group's adoption on 1 March 2019.

When IFRS 16 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 16 on each line item in the financial statements in the reporting period.

Depending on the adoption method that is utilised, certain practical expedients may be applied on adoption. The group has not yet determined which adoption method will be adopted or which expedients will be applied on adoption.

Significant accounting judgements and critical estimates

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 2018. In addition, the following significant accounting judgements and critical estimates have also been made:

Significant judgements

Cash and cash equivalents located in Zimbabwe

In 2016 the Reserve Bank of Zimbabwe, through Exchange Control Operational Guide 8 (ECOGAD8), introduced prioritisation criteria to be followed when making foreign payments. Any foreign payments which are made from bank balances are ranked based on the Reserve Bank of Zimbabwe prioritisation criteria and paid subject to the banking institution having adequate funds with its Foreign Correspondent Banks. The timing of funds flows is therefore dependent on the approvals the company receives.

During the period ended 30 November 2018, the Zimbabwe operating companies were able to pay cash over to some Liquid Group companies for relevant goods. However, transferring cash from Zimbabwe continues to be challenging as the Zimbabwean banking system is still experiencing liquidity deficits and cash shortages. In making their judgement, the directors have considered the current economic position in Zimbabwe and consulted the latest views, advice and recommendations of the appropriate accounting bodies. Absent any alternative accounting requirement, the company continues to record its US dollar denominated revenues, profits, assets and liabilities on the same basis as elsewhere in the group, on a 1:1 US dollar basis. Since the balance sheet date, economic and political conditions in Zimbabwe continue to cause uncertainty over the future value of local currency. The Directors continue to monitor this position closely.

2. Accounting policies (continued)

Significant accounting judgements and critical estimates (continued)

Significant judgements (continued)

Cash and cash equivalents located in Zimbabwe (continued)

The amount of cash and liquid assets held by the Zimbabwe operation companies as at 30 November 2018 was USD 102.0 million (28 February 2018: USD 88.3 million).

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 year 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 assessment of whether the contractual terms of such financial asset 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.

Critical estimates

Deferred taxation assets

The group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. 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.

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.

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 30 November 2018. 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 1.1 million of share value will be issued to RBH and if 10% below the agree price an additional USD 2.2 million of share value will be issued to RBH.

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 voice traffic - primarily revenue from international voice interconnects between mobile network operators and international telecom carriers.

Data and other services
Wholesale - primarily data services sold to African mobile network operators and international telecom operators.
Enterprise - primarily data services sold to medium to large enterprises in Africa.
Retail - primarily data services sold to consumers and small businesses in Africa.

The measure of reporting profit for each operating segment, that 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 and amortisation, and is also presented before recognising the following items:

- Impairment expense
- Restructuring costs
- Acquisition and other investment costs
- Foreign exchange (loss) / gain
- Share of profits of associate

The following is an analysis of the group's revenue and results by reportable segment for the 9 months ended 30 November 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
Wholesale voice traffic	14,128	-	9	120,008	-	(21,798)	112,347
Data and other services							
Wholesale	54,460	59,543	31,899	63,468	-	(41,330)	168,040
Enterprise	131,359	24,419	38,243	4,209	-	-	198,230
Retail	7,744	30,098	5,530	-	-	-	43,372
Inter-segmental revenue	(10,129)	(679)	(4,223)	(48,097)	-	63,128	-
Group External Revenue	**197,562**	**113,381**	**71,458**	**139,588**	**-**	**-**	**521,989**
Adjusted EBITDA	35,892	59,411	15,140	61,801	(15,835)	(8,645)	147,764

The following is an analysis of the group's revenue and results by reportable segment for the 9 months ended 30 November 2017.

	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
Wholesale voice traffic	18,777	-	16	111,393	-	(17,332)	112,854
Data and other services							
Wholesale	59,491	37,523	26,750	55,002	-	(35,606)	143,160
Enterprise	131,987	20,836	35,543	4,759	-	-	193,125
Retail	10,361	21,491	5,019	-	-	-	36,871
Inter-segmental revenue	(7,531)	(704)	(2,734)	(41,969)	-	52,938	-
Group External Revenue	**213,085**	**79,146**	**64,594**	**129,185**	**-**	**-**	**486,010**
Adjusted EBITDA	43,116	35,543	14,044	52,802	(12,713)	(4,018)	128,774

3. Segment information (continued)

The following is an analysis of the group's revenue and results by reportable segment for the 3 months ended 30 November 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
Wholesale voice traffic	4,627	-	3	41,105	-	(7,865)	37,870
Data and other services							
Wholesale	20,700	20,443	10,722	16,201	-	(11,031)	57,035
Enterprise	39,779	8,729	12,297	1,884	-	-	62,689
Retail	2,195	11,814	1,578	-	-	-	15,587
Inter-segmental revenue	(3,534)	(230)	(1,627)	(13,505)	-	18,896	-
Group External Revenue	**63,767**	**40,756**	**22,973**	**45,685**	**-**	**-**	**173,181**
Adjusted EBITDA	12,180	22,026	6,230	16,232	(5,731)	(118)	50,819

The following is an analysis of the group's revenue and results by reportable segment for the 3 months ended 30 November 2017.

	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
Wholesale voice traffic	6,301	-	6	39,471	-	(6,876)	38,902
Data and other services							
Wholesale	20,530	16,649	9,633	18,745	-	(11,354)	54,203
Enterprise	43,726	6,811	12,664	1,853	-	-	65,054
Retail	3,117	7,560	2,039	-	-	-	12,716
Inter-segmental revenue	(3,061)	(227)	(1,016)	(13,926)	-	18,230	-
Group External Revenue	**70,613**	**30,793**	**23,326**	**46,143**	**-**	**-**	**170,875**
Adjusted EBITDA	12,760	15,869	5,640	19,116	(3,947)	(1,749)	47,689

4. Restructuring costs

On 1 October 2018, the group commenced a restructuring of its operations, primarily in Liquid Telecommunications South Africa (Pty) Ltd, 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.

	9 months ended		3 months ended	
	30/11/2018	30/11/2017	30/11/2018	30/11/2017
	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)
Redundancy costs	5,850	-	5,850	-
Employee support costs	349	-	349	-
Legal fees	115	-	115	-
Other costs	162	-	162	-
	6,476	**-**	**6,476**	**-**

5. Interest income

	9 months ended		3 months ended	
	30/11/2018	30/11/2017	30/11/2018	30/11/2017
	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)
Interest received - bank / external	3,646	2,021	567	969
Interest received - inter-group (note 16)	256	1,052	64	391
	3,902	**3,073**	**631**	**1,360**

6. Finance costs

	9 months ended		3 months ended	
	30/11/2018	30/11/2017	30/11/2018	30/11/2017
	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)
Interest on bank overdraft and loans	2,601	25,932	784	580
Finance cost on Senior Secured Notes	46,538	23,786	15,513	17,553
Finance arrangement fees amortised	2,653	11,970	884	1,554
	51,792	**61,688**	**17,181**	**19,687**

7. Taxation

	9 months ended		3 months ended	
	30/11/2018	30/11/2017	30/11/2018	30/11/2017
	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)
Current taxation	11,001	2,390	3,892	1,243
Deferred taxation	(141)	(543)	(1,068)	(313)
Withholding taxation	1,100	1,020	419	443
Total taxation	**11,960**	**2,867**	**3,243**	**1,373**

	9 months ended		3 months ended	
	30/11/2018	30/11/2017	30/11/2018	30/11/2017
	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)
Profit / (loss) before taxation	9,790	(3,725)	650	4,071
Taxation at domestic rate for foreign subsidiaries in tax paying jurisdictions	3,178	1,528	(521)	(494)
Tax effect of non-deductible expenses	(1,655)	(2,267)	(3,354)	(317)
Tax effect of non-taxable income	(1,908)	(87)	1,138	1
Foreign tax credit	(6,569)	(754)	(2,557)	2,506
Effect of tax losses not recognised as deferred tax assets	17,961	6,003	7,939	521
Tax effect of utilised unrecognised tax losses	(147)	(2,576)	179	(1,287)
Withholding taxation	1,100	1,020	419	443
	11,960	**2,867**	**3,243**	**1,373**

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:

	30/11/2018 USD'000 (Unaudited)	30/11/2017 USD'000 (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

	30/11/2018 USD'000 (Unaudited)	28/02/2018 USD'000 (Audited)
Cost		
Opening balance	160,522	145,833
Acquisition of subsidiaries	-	635
Foreign exchange (loss) / gain	(22,573)	14,054
Closing balance	**137,949**	**160,522**

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.

	30/11/2018 USD'000 (Unaudited)	28/02/2018 USD'000 (Audited)
Liquid Telecommunications Limited	2,850	2,850
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	1,441	1,441
Zimbabwe Online (Private) Limited	2,821	2,821
Liquid Telecommunications Holdings South Africa (Pty) Limited	124,354	146,927
HAI Telecommunications Limited	2,201	2,201
Raha Tanzania Holdings Limited	4,037	4,037
Transaction Payment Solutions Indian Ocean Limited	245	245
	137,949	**160,522**

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 USD'000	Computer Software USD'000	Fibre Optical - IRU USD'000	Customer Relationships USD'000	Work in Progress USD'000	Other Intangible Assets USD'000	Total USD'000
Cost:							
At 1 March 2017 (Audited)	23,524	38,041	85,935	56,055	3,154	26,417	233,126
Acquisition of subsidiaries	-	-	-	4,149	-	-	4,149
Purchases**	-	2,804	17,671	-	306	-	20,781
Disposals	(1,784)	(496)	-	-	(68)	-	(2,348)
Reclassification*	-	540	8,047	-	(540)	-	8,047
Transfers from / (to) property, plant and equipment (note 10)	296	(27)	190	-	6	-	465
Foreign exchange differences	2,431	3,879	2,296	8,233	-	4,792	21,631
At 28 February 2018 (Audited)	24,467	44,741	114,139	68,437	2,858	31,209	285,851
Purchases	5,623	2,690	404	-	3,443	-	12,160
Transfers from property, plant and equipment (note 10)	-	-	2,209	-	-	-	2,209
Foreign exchange differences	(2,660)	(5,965)	(4,359)	(11,734)	-	(2,029)	(26,747)
At 30 November 2018 (Unaudited)	27,430	41,466	112,393	56,703	6,301	29,180	273,473
Accumulated amortisation:							
At 1 March 2017 (Audited)	4,266	30,381	23,299	50	-	734	58,730
Amortisation	1,413	3,300	7,123	4,409	-	9,953	26,198
Disposals	-	(124)	-	-	-	-	(124)
Transfers to property, plant and equipment (note 10)	-	(4)	-	-	-	-	(4)
Reclassification*	-	-	8,047	50	-	(50)	8,047
Foreign exchange differences	931	3,215	1,346	412	-	1,179	7,083
At 28 February 2018 (Audited)	6,610	36,768	39,815	4,921	-	11,816	99,930
Amortisation	1,421	2,278	5,659	3,193	-	7,019	19,570
Transfers from property, plant and equipment (note 10)	-	-	789	-	-	-	789
Foreign exchange differences	(717)	(4,925)	(2,019)	(661)	-	(1,899)	(10,221)
At 30 November 2018 (Unaudited)	7,314	34,121	44,244	7,453	-	16,936	110,068
Carrying amount:							
At 28 February 2018 (Audited)	17,857	7,973	74,324	63,516	2,858	19,393	185,921
At 30 November 2018 (Unaudited)	20,116	7,345	68,149	49,250	6,301	12,244	163,405

*During the year ended 28 February 2018, a reclassification of USD 8.0 million was made to cost and accumulated amortisation in order to gross up the value of a fibre optical – IRU which was originally recognised at its carrying amount upon the acquisition of Liquid Telecommunications South Africa (Pty) LImited (previously known as Neotel (Pty) Limited) in the year ended 28 February 2017.

10. Property, plant and equipment

	Land and buildings USD'000	Furniture and fittings USD'000	Computer equipment USD'000	Network equipment USD'000	Motor vehicles USD'000	Work in progress USD'000	Fibre infrastructure USD'000	Total USD'000
Cost:								
At 1 March 2017 (Audited)	56,875	10,227	30,711	77,720	8,362	41,505	804,658	1,030,058
Acquisition of subsidiaries	-	26	68	633	54	-	686	1,467
Additions	13,447	1,130	4,059	8,129	692	72,514	90,691	190,662
Disposals	-	(772)	(569)	(870)	(342)	(659)	(2,072)	(5,284)
Transfers	2,895	18	259	4,788	-	(42,983)	35,023	-
Transfer from / (to) intangible assets (note 9)	303	-	-	(276)	-	(492)	-	(465)
Transfer to inventory	-	-	-	-	-	(9)	-	(9)
Foreign exchange differences	4,962	483	2,944	1,539	1	6,148	58,779	74,856
At 28 February 2018 (Audited)	78,482	11,112	37,472	91,663	8,767	76,024	987,765	1,291,285
Additions	276	1,584	1,098	2,330	1,314	84,849	45,746	137,197
Disposals	-	(369)	(609)	(163)	(353)	(3,593)	(61)	(5,148)
Transfers	4,527	135	98	3,415	-	(24,475)	16,300	-
Transfer to intangible assets (note 9)	-	-	-	-	-	-	(2,209)	(2,209)
Foreign exchange differences	(7,500)	(690)	(4,573)	(6,423)	(170)	(10,309)	(88,384)	(118,049)
At 30 November 2018 (Unaudited)	75,785	11,772	33,486	90,822	9,558	122,496	959,157	1,303,076
Accumulated depreciation								
At 1 March 2017 (Audited)	14,249	7,765	23,382	57,039	5,157	(2,257)	323,732	429,067
Acquisition of subsidiaries	-	14	43	266	34	-	41	398
Depreciation	1,844	960	3,796	10,150	1,230	-	49,835	67,815
Disposals	-	(738)	(135)	(280)	(278)	-	(1,769)	(3,200)
Transfers	19	-	6	74	-	-	(99)	-
Transfer from intangible assets (note 9)	-	-	-	4	-	-	-	4
Foreign exchange differences	1,580	384	2,266	1,114	8	-	26,983	32,335
At 28 February 2018 (Audited)	17,692	8,385	29,358	68,367	6,151	(2,257)	398,723	526,419
Depreciation	1,125	765	2,357	7,405	710	-	39,980	52,342
Disposals	-	(318)	(597)	(163)	(327)	-	(59)	(1,464)
Transfer to intangible assets (note 9)	-	-	-	-	-	-	(789)	(789)
Foreign exchange differences	(2,417)	(559)	(3,514)	(2,302)	(131)	-	(41,291)	(50,214)
At 30 November 2018 (Unaudited)	16,400	8,273	27,604	73,307	6,403	(2,257)	396,564	526,294
Carrying amount:								
At 28 February 2018 (Audited)	60,790	2,727	8,114	23,296	2,616	78,281	589,042	764,866
At 30 November 2018 (Unaudited)	59,385	3,499	5,882	17,515	3,155	124,753	562,593	776,782

11. Cash and cash equivalents, and Restricted cash and cash equivalents

	30/11/2018	28/02/2018
	USD'000	USD'000
	(Unaudited)	(Audited)
Cash and bank balances	118,508	140,718
Money market deposits	20,132	20,000
Cash and cash equivalents	**138,640**	**160,718**
Restricted cash and cash equivalents	**2,211**	**2,937**

Cash and cash equivalents include USD 102.0 million in Zimbabwe held in cash, short term deposits and similar instruments. These amounts have been translated on a 1:1 US Dollar basis. The current economic environment in Zimbabwe means there is significant uncertainty around the extraction and translation of liquid funds. Since the balance sheet date, economic and political conditions in Zimbabwe continue to cause uncertainty over the future value of local currency. The Directors continue to monitor this position closely.

12. Trade and other receivables

	30/11/2018	28/02/2018
	USD'000	USD'000
	(Unaudited)	(Audited)
Trade receivables	116,721	114,676
Allowance for doubtful debts	(25,770)	(27,123)
Affiliated entities (note 16)	43,384	48,571
Total trade and affiliated entities receivables, net of allowance for doubtul debts	**134,335**	**136,124**
Short-term inter-company receivables (note 16)	6,476	74,420
Sundry debtors	9,253	17,642
Deposits paid	4,691	4,078
Prepayments	40,196	29,941
Prepayments to related parties (note 16)	-	15,073
	194,951	**277,278**

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

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.

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 repayble within three to six months.

In addition to the current items not yet due of USD 50.0 million (28 February 2018: USD 82.4 million), 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, because there has been no significant change in the assumptions about risk and probability of default and the amounts are still considered recoverable. The ageing of these items is shown in the table below.

	30/11/2018	28/02/2018
	USD'000	USD'000
	(Unaudited)	(Audited)
Ageing of past due but not impaired		
31 - 60 days	19,352	18,589
61 - 90 days	18,444	6,343
91 - 120 days	9,908	5,270
121 + days	36,596	23,501
Total ageing of past due but not impaired	**84,300**	**53,703**
Current items not yet due	50,035	82,421
Total trade and affiliated entities receivables, net of allowance for doubtul debts	**134,335**	**136,124**

12. Trade and other receivables (continued)

As at 30 November 2018, included in amounts past due but not impaired are USD 32.8 million (28 February 2018: USD 17.4 million) of receivables from the Econet Group. Refer to note 16 for the total breakdown of Econet Group trade receivables.

13. Short-term portion of long-term borrowings and long-term borrowings

	30/11/2018 USD'000 (Unaudited)	28/02/2018 USD'000 (Audited)
Long term borrowings (including interest accrued):		
Stanbic Bank of Zambia Limited	15,625	15,529
USD 730 million 8.5% Senior Secured Notes	717,233	714,546
USD 10 million Cisco loan facility	-	1,125
Other long term borrowings	-	14
	732,858	**731,214**
Short term portion of long term borrowings (including interest accrued):		
Stanbic Bank of Zambia Limited	3,851	3,847
USD 730 million 8.5% Senior Secured Notes	23,786	8,273
USD 10 million Cisco loan facility	1,626	1,927
Other short term borrowings	950	972
	30,213	**15,019**

As at 30 November 2018, the USD 15.3 million loan facility and USD 8.0 million revolving credit facility between CEC Liquid Telecommunications Limited and Stanbic Bank of Zambia has the company guaranteeing 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 CEC Liquid Telecommunications Limited. The loan facility is denominated in USD, bears interest at the rate of Libor plus 5.5% and is repayable by September 2021 in sixteen quarterly instalments starting from June 2017. The revolving credit facility is denominated in USD, bears interest at the rate of Libor plus 6% and is repayable by November 2019. As at 30 November 2018, CEC Liquid Telecommunications Limited has drawn down all the loan facility and all of the revolving credit facility. The above balances represent the USD 15.3 million loan facility, net of repayment of USD 3.8 million, and the USD 8.0 million revolving credit facility.

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 30 November 2018, 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 with various types of collateral. Such collateral includes (among other things): (i) share pledges and charges over assets, including bank accounts, (ii) assignment over present and future intercompany loans receivables and agreements (iii) assignment over receivables including trade debtors, intellectual property rights and insurances, and (iv) deed of hypothecation over trademarks.

The USD 10 million 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. The company provides a guarantee up to the amount outstanding. As at 30 November 2018, there is an amount of USD 1.6 million outstanding.

The group has a USD 73.0 million revolving credit facility agreement between the company, 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 and Liquid Telecommunications South Africa (Pty) 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 30 November 2018, the company has not drawn the facility.

14. Trade and other payables

	30/11/2018 USD'000 (Unaudited)	28/02/2018 USD'000 (Audited)
Trade accounts payable	70,652	96,120
Payable balance to affiliated entities (note 16)	9,165	4,358
Short-term inter-company payables (note 16)	51	-
Accruals	63,225	82,104
Staff payables	1,472	3,005
Transaction taxes due in various jurisdictions	2,620	5,275
Unfavourable contracts	565	1,156
Senior secured notes premium	1,930	1,930
Other short term payables	36,858	7,373
	186,538	**201,321**

The average credit period granted on purchases of goods is 30-60 days. No interest is charged on the trade payables for the first 60 days from the date of invoice. Thereafter, interest is charged at 2% per annum on certain outstanding balances. 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.

The amount payable to affiliated entities and related companies are unsecured, interest free and repayable on demand.

Other short term payables include an amount of USD 31.5 million relating to deferred consideration, payable by 31 January 2019, for the acquisition of the remaining shares in CEC Liquid Telecommunication Limited for a total consideration of USD 35.0 million. Of the USD 35.0 million, USD 3.5 million was paid in October 2018.

15. Deferred revenue

	30/11/2018 USD'000 (Unaudited)	28/02/2018 USD'000 (Audited)
Long-term portion of deferred revenue	52,942	53,702
Short-term portion of deferred revenue	29,990	27,188
	82,932	**80,890**

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. The opening balance as at 1 March 2018 has been restated to show the impact of IFRS 15 as described in note 2.

16. 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 and Omni Broadcast Limited (Uganda) and are referred to as "Econet Global related group companies". They have been disclosed as related parties due to their common control.

Transactions between the group and its subsidiaries, which are related parties of the group, have been eliminated on consolidation and are not disclosed in the note. During the period, the group entered into the following trading transactions with related parties:

	9 months ended		3 months ended	
	30/11/2018 USD'000 (Unaudited)	30/11/2017 USD'000 (Unaudited)	30/11/2018 USD'000 (Unaudited)	30/11/2017 USD'000 (Unaudited)
Sales of goods and services				
Econet Global related group companies	89,585	60,588	28,537	25,595
Purchase of goods and services				
Econet Global related group companies	21,462	22,717	7,440	7,323

16. Related party transactions and balances (continued)

	9 months ended		3 months ended	
	30/11/2018	30/11/2017	30/11/2018	30/11/2017
	USD'000	USD'000	USD'000	USD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Management fees received				
Econet Global related group companies	5	-	5	-
Management fees paid and expensed				
Econet Global related group companies	1,125	1,125	375	375
Dividend paid				
Econet Global Limited	13,500	-	-	-
Interest income				
Econet Global related group companies	256	1,052	64	389
Administration fees paid				
DTOS Limited	213	199	113	88

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

	30/11/2018	28/02/2018
	USD'000	USD'000
	(Unaudited)	(Audited)
Short term intercompany receivables		
Econet Global related group companies	6,476	74,420
Short term intercompany payables		
Econet Global related group companies	51	-
Receivables balances from affiliated entities		
Econet Global related group companies	43,384	48,571
Payable balance to affiliated entities		
Econet Global related group companies	9,165	4,358
Prepayments		
Econet Global related group companies	-	15,073

17. Capital commitments

	30/11/2018	28/02/2018
	USD'000	USD'000
	(Unaudited)	(Audited)
At 30 November 2018 the group was committed to making the following capital commitments:		
Authorised and contracted	63,314	43,539

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

18. Dividend

Dividends of USD 13.5 million were declared and paid on 31 May 2018. The dividends for the full year were declared in fulfilment of the Econet Strategic Support ("SSA") agreement and allocated to Econet Wireless Group only. All other shareholders have renounced their right to the dividend.

The dividends were declared in accordance with the SSA for the full year ended 28 February 2019, where Econet Wireless International Limited agreed to provide Liquid Telecommunications Holdings Limited with strategic support, engineering network design services and certain business opportunities. Liquid Telecommunications Holdings Limited may elect to pay the fee by way of special dividend, which accrues to Econet Global Limited to the exclusion of all other shareholders to the company.

19. 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**
30 November 2018				
Investments	-	-	10,815	10,815
Unfavourable contract	-	-	10,758	10,758
Total	**-**	**-**	**21,573**	**21,573**
28 February 2018				
Unfavourable contract	-	-	10,539	10,539
Total	**-**	**-**	**10,539**	**10,539**

Investments

As at 28 February 2018, 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. Accordingly, the investments are classified under level 3 of the fair value hierarchy.

	30/11/2018
	USD'000
	(Unaudited)
Opening balance	12,447
Additions	310
Impairment	(1,942)
Closing balance	10,815

During the period ended 30 November 2018, 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.

19. 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 (previously known as Neotel (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.

	30/11/2018 USD'000 (Unaudited)	28/02/2018 USD'000 (Audited)
Opening balance	10,539	11,543
Adjustment	1,246	1,818
Unwinding of interest	(535)	(2,142)
Charge to Cost of sales	(126)	(993)
Foreign exchange (gain) / loss	(366)	313
Closing balance	10,758	10,539

20. Non-cash transactions

In the current financial period, the non-cash portion of finance costs consists of USD 2.6 million of amortised arrangement fees relating to the USD 730 million 8.5% Senior Secured Notes. Incurred arrangement fees of USD 12.8 million are netted off against the borrowings as at 30 November 2018.

21. Loss per share

	9 months ended		3 months ended	
	30/11/2018 USD'000 (Unaudited)	30/11/2017 USD'000 (Unaudited)	30/11/2018 USD'000 (Unaudited)	30/11/2017 USD'000 (Unaudited)
Basic and diluted earnings per share (Cents per share)	(14.74)	(10.30)	(6.62)	1.88

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

Loss attributable to owners of the company	(16,442)	(10,296)	(7,385)	1,876

	30/11/2018 USD'000 (Unaudited)	30/11/2017 USD'000 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the period ended	111,531,175	100,000,000

At 30 November 2018, the share capital of USD 3.3 million represents 111,531,175 ordinary shares. Included in the 111,531,175 ordinary shares are 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.

22. Post balance sheet events

CDC Group Plc investment

On 11 December 2018, CDC Group Plc (“CDC”) agreed to invest USD 180.0 million into Liquid Group by way of subscription for convertible preference shares. The funds are expected to be received in early 2019 and will be used to finance acquisitions and other capital investment projects.

Cash and cash equivalents located in Zimbabwe

Since the balance sheet date, economic and political conditions in Zimbabwe continue to cause uncertainty over the future value of local currency. The Directors continue to monitor this position closely.

23. Comparative figures

The accounting for the acquisitions of Liquid Telecommunications South Africa (Pty) Limited (previously known as Neotel (Pty) Limited) through Liquid Telecommunications Holdings South Africa (Pty) Limited (previously known as K2016272836 (South Africa) (Pty) Limited) and Raha Tanzania Holdings Limited were provisional and based on management’s best estimate as at 28 February 2017.

In accordance with IFRS 3, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition.

The acquisition accounting was completed as at 28 February 2018 and the 30 November 2017 figures are retrospectively adjusted as per IFRS. The effect of the retrospective adjustment, on the consolidated statement of profit or loss for periods ended 30 November 2017, is reflected below:

	As at 30/11/2017		Movement
	USD'000 (Unaudited)	USD'000 (Unaudited and restated)	USD'000 (Unaudited)
9 months ended 30 November			
Data and network related costs	130,594	132,128	(1,534)
Depreciation, impairment and amortisation	62,636	72,020	(9,384)
Tax expense	5,038	2,867	2,171
Total	198,268	207,015	(8,747)
3 months ended 30 November			
Data and network related costs	43,874	44,334	(460)
Depreciation, impairment and amortisation	23,044	25,666	(2,622)
Tax expense	1,979	1,373	606
Total	68,897	71,373	(2,476)

24. Change in presentation

During the year ended 28 February 2018 the group changed its presentation of the statement of profit or loss and its statement of cashflows as follows:

a) In the statement of profit of loss, the group has standardised its statement of profit or loss to comply with IAS 1 nature of expense method of presentation. The change resulted in new disclosure items of Interconnect related costs and Data and network related costs replacing the Cost of sale line item.

b) In the statement of cashflows, the group has moved the finance costs paid line item from cash flows from operating activities to cashflows from financing activities to more accurately show cashflows related to financing of the group activities.

	9 months ended 30/11/2017 USD'000 (Unaudited)	3 months ended 30/11/2017 USD'000 (Unaudited)
Consolidated Statements of Profit or Loss		
As previously reported:		
Cost of sales	192,512	65,410
Administrative expenses	72,808	25,735
	265,320	**91,145**
Currently reported:		
Interconnect related costs	91,885	32,109
Data and network related costs	132,128	44,334
Administrative expenses	41,307	14,702
	265,320	**91,145**
Consolidated Statements of Cash Flows		
Cash flows from operating activities:	23,221	2,392
Cash flows from financing activities:	(23,221)	(2,392)
	-	-

A reconciliation of the 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)
9 months ended 30 November 2018:			
Revenue	521,989	-	521,989
Interconnect related costs	(91,805)	-	(91,805)
Data and network related costs	(138,611)	35,293	(103,318)
Gross Profit			326,866
Other income	519	-	519
Dividend received	629		629
Selling, distribution and marketing costs	(11,504)	-	(11,504)
Administrative expenses	(43,427)	(35,293)	(78,720)
Staff costs	(90,026)	-	(90,026)
Adjusted EBITDA	**147,764**	**-**	**147,764**

24. Change in presentation (continued)

	Unaudited Statement of profit or loss	Reclassification of network costs	Revised statement of profit or loss
	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)
9 months ended 30 November 2017:			
Revenue	486,010	-	486,010
Interconnect related costs	(91,885)	-	(91,885)
Data and network related costs*	(132,128)	31,501	(100,627)
Gross Profit			293,498
Other income	791	-	791
Selling, distribution and marketing costs	(9,364)	-	(9,364)
Administrative expenses	(41,307)	(31,501)	(72,808)
Staff costs	(83,343)	-	(83,343)
Adjusted EBITDA	**128,774**	**-**	**128,774**

	Unaudited Statement of profit or loss	Reclassification of network costs	Revised statement of profit or loss
	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)
3 months ended 30 November 2018:			
Revenue	173,181	-	173,181
Interconnect related costs	(31,350)	-	(31,350)
Data and network related costs	(46,331)	10,299	(36,032)
Gross Profit			105,799
Other loss	(24)	-	(24)
Dividend received	629		629
Selling, distribution and marketing costs	(3,733)	-	(3,733)
Administrative expenses	(12,431)	(10,299)	(22,730)
Staff costs	(29,122)	-	(29,122)
Adjusted EBITDA	**50,819**	**-**	**50,819**

	Unaudited Statement of profit or loss	Reclassification of network costs	Revised statement of profit or loss
	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)
3 months ended 30 November 2017:			
Revenue	170,875	-	170,875
Interconnect related costs	(32,109)	-	(32,109)
Data and network related costs*	(44,334)	11,033	(33,301)
Gross Profit			105,465
Other loss	(81)	-	(81)
Selling, distribution and marketing costs	(3,567)	-	(3,567)
Administrative expenses	(14,702)	(11,033)	(25,735)
Staff costs	(28,393)	-	(28,393)
Adjusted EBITDA	**47,689**	**-**	**47,689**

* The reclassification includes the restrospective adjustment as described note 23.