LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
(Registration Number: 068355 C2/GBL)
ANNUAL FINANCIAL STATEMENTS
28 February 2019

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LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
REPORT OF THE DIRECTORS
28 February 2019

General review

The results of the company's and the group's operations for the year ended 28 February 2019 are fully disclosed in the accompanying audited annual financial statements.

The company's main activity is to carry on the business of a holding company in respect of subsidiary companies all over the world.

Liquid Telecommunications is a leading communications solutions provider across 13 countries primarily in Southern, Central and Eastern Africa that serves carrier, enterprise and retail customers with high-speed, reliable connectivity and digital services. Liquid Telecommunications has built Africa's largest independent fibre network, approaching 70,000km, and operate state-of-the-art data centres in Johannesburg, Cape Town and Nairobi, as well as Kigali, with a combined potential capacity of over 6,000 racks.

Group revenue decreased by 1.8% from last year to USD 668.9 million (2018: USD 680.9 million). The revenue growth rate was impacted by the currency changes announcements of the Reserve Bank of Zimbabwe (RBZ) (see below and note 1.1 - *Zimbabwean Real Time Gross Settlement (RTGS)* for more detailed disclosure).

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

Given that the recognised date for a change in functional currency in Zimbabwe is considered to be 1 October 2018, the group has restated all balances to RTGS at a rate of RTGS:USD 2.5:1 at 1 October 2018 and recognised a foreign exchange loss on net assets that did not hold their value. In addition, all transactions from 1 October 2018 have been recognised at RTGS:USD 2.5:1 through to 28 February 2019. The statement of financial position has been translated back to USD at an exchange rate of 2.5:1 at 28 February 2019. The statement of profit and loss has been translated at a rate of RTGS:USD 1:1 for the period 1 March 2018 to 30 September 2018. Profit for the period 1 October 2018 to 22 February 2019 has been impacted by the retrospective currency changes in Zimbabwe in the amount of USD 29.6 million. This foreign exchange impact has been added back to arrive at adjusted EBITDA for the year as reflected on page 8. The currency impact for the period after announcement, from 22 February to 28 February 2019, has been reflected in the accounts. The directors continue to monitor the position in Zimbabwe.

The total impact of the Zimbabwe currency changes on the consolidated reserves for the period is USD 122.9 million. The impact of this on the group's gearing ratio is shown in note 34.3.

Had the retrospective change in rate for the period 1 October 2018 to 22 February 2019 not been applied, the revenue growth rate of the group would have been 4.5% which is analysed into the following 4 segments: Wholesale data, Enterprise, Retail and Wholesale voice traffic.

Wholesale data - Revenue increased by 8.8% principally due to a good performance in South Africa following the signing of a roaming agreement with MTN. (See Major transactions below).

Enterprise - Revenue decreased by 1.9% mainly due to delays in some key contracts which have been resolved post year end.

Retail - Revenue increased by 25.3%. The performance is mainly driven by increased service up-take of the Fibre-To-The-Home (FTTH) services across our footprint and from our new fixed wireless LTE broadband services.

Wholesale voice traffic - Revenue increased by 2.5% as a result of very competitive rate offerings from our African partners where the group 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 to the respective African networks, leading to sustained voice margins.

In addition, Property, Plant and Equipment increased to USD 786.6 million (2018: USD 764.8 million) representing the investment in the fibre network and the expansion of our data centre footprint, which allows us to provide our customers with a full-service offering of connectivity, hosting and digital services.

The construction of a regional fibre network across Southern, Central and Eastern Africa will continue in the coming financial year to further increase our coverage and it is anticipated that this will be reflected in our investment in increased staffing and overhead costs. Where acquisitions make commercial sense, these will be considered as an alternative way of expanding our network and customer reach.

General review (continued)

It is the group's aim to develop telecommunications and technology opportunities in Africa and to continue to develop the technical services supplied, both of which will contribute to increasing the value of the group.

Major transactions

On 1 October 2018, the company / group acquired the remaining shares in Liquid Telecommunications Zambia Limited (previously known as CEC Liquid Telecommunications Limited) (50%) for a total consideration of USD 35.0 million. Further information is given in note 12.

On 1 October 2018, the group commenced a restructuring of its operations, primarily in Liquid Telecommunications South Africa (Pty) Ltd, Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe and Zimbabwe Online (Private) Limited, following the introduction of a new operating model, designed to enhance the automation and digitalisation of the business.

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

On 20 December 2018, Liquid Telecommunications South Africa (Pty) Limited secured its first customer for 4G roaming services in South Africa. MTN Group Limited will purchase services, including LTE, to fuel the growing demand for high speed mobile broadband. The wholesale roaming service will be made available across Liquid Telecommunications South Africa (Pty) Limited's network nationwide.

On 28 February 2019, 10,705,789 ordinary shares at par value of USD 0.0297541580 were issued by the company to Econet Wireless Private Limited (Zimbabwe) in exchange for the acquisition of the remaining shares in Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe (51%) for total consideration of USD 135.0 million. Further information is given in note 42.

Going concern

The directors have reviewed the consolidated cash flow projections of the Liquid Telecommunications group and Liquid Telecommunications Holdings Limited for the twelve months from the date of signing of the consolidated financial statements. Taking into account the available cash position as of 28 February 2019, including the impact of the currency changes in Zimbabwe, the cash flow projections for the period (which include discretionary capital expenditure), new equity finance, the repayment of existing obligations and loan funding, the directors are satisfied that the group has access to adequate cash resources to settle obligations as they fall due. They also consider that the operations provide sufficient financial sustainability to enable the business to continue in existence for the foreseeable future.

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

<u>Funding facilities</u>

The group is currently funded from a combination of retained earnings, USD 730.0 million Senior Secured Notes (maturity in July 2022), USD 73.0 million Revolving Credit Facility ("RCF") (maturity in January 2022) plus USD 23.3 million of locally provided Revolving Credit Facilities (maturity in FY 20 and FY 21) and term loans (maturity in FY 20 to FY 22) in Zambia, of which USD 18.5 million is outstanding at the balance sheet date. The RCF was fully drawn at the balance sheet date but was repaid in full in April 2019.

<u>Impact of IFRS 16 "Leases"</u>

The directors have also considered the impact of the new accounting standard, IFRS 16 "Leases", which is effective for the first time in financial year 2020 and are of the opinion that it will not have any impact on the going concern of the group.

<u>Cash position</u>

As at 28 February 2019, the group has an unrestricted cash position of USD 93.3 million (28 February 2018: USD 160.7 million). Of this amount, USD 49.1 million is held in Zimbabwe in RTGS. Following the announcement of the currency changes in Zimbabwe on 22 February 2019, the group has translated the Zimbabwe cash at the balance sheet date at a RTGS:USD exchange rate of 2.5:1. Prior to this event, the cash balance in Zimbabwe at the balance sheet date would have been equivalent to USD 120.8 million (28 February 2018: USD 88.3 million translated at RTGS:USD 1:1).

Going concern (continued)

New equity finance

On 11 December 2018, CDC Group Plc (“CDC”) agreed to invest USD 180.0 million into the Liquid Telecommunications group by way of subscription for convertible preference shares. The funds were received in April 2019. The money will be used to invest in capital expenditure projects designed to expand the network footprint and grow EBITDA.

Operational performance

For the year ended 28 February 2019, the group reported an operating profit of USD 81.5 million (2018: 97.0 million) and a net cash inflow from operating activities of USD 152.4 million (USD 181.0 million). This demonstrates the group's ability to generate sufficient cash flow to enable it to support its underlying business operations and invest in new projects. Following the currency changes in Zimbabwe, the proportion of the group's total operating profit for the year and cash balance at the end of the year represented by Zimbabwe, has reduced compared to the prior year.

Based on the assessment made and for the reasons set out above, the directors are of the opinion that the adoption of the going concern assumption in the preparation of the financial statements for the year ended 28 February 2019 is appropriate.

Statement of directors’ responsibility in respect of the annual financial statements

The directors are required to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the group and the company. In preparing those financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;

• make judgements and estimates that are reasonable and prudent;

• state whether International Financial Reporting Standards (“IFRS”) have been followed, subject to any material departures disclosed and explained in the financial statements, and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with IFRS, laws and regulation. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Chairman’s and CEO’s statement

It is our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. We are implementing and enforcing effective systems to counter bribery and corruption.

Incorporation

Liquid Telecommunications Holdings Limited was incorporated on the 26 January 2007 in Mauritius and holds a Category 2 – Global Business Licence.

Dividends

Dividends of USD 29.5 million were declared and USD 13.5 million paid during the 2019 financial year (2018: USD 13.5 million). The dividends were paid pursuant to the Econet Strategic Support agreement ("SSA"). The SSA was amended to USD 1 on 15 October 2018 and is effective from 1 March 2019.

Share capital

The issued share capital represents 122,236,964 (2018: 111,531,175) ordinary shares with a par value of USD 0.0297541580 each. Refer to note 21 for details.

Investments

Full details of the group's and company's investments in subsidiaries, investments in associates and other investments are disclosed in notes 12 to 14, and 16 of the financial statements.

Directors and secretary

The directors of the company during the year under review and up to the date of this report were as follows:

Strive Masiyiwa [1]	(Appointed 13 May 2008)	*[1] Zimbabwean*
Nicholas Trevor Rudnick [2]	(Appointed 22 October 2007)	*[2] German*
Eric Venpin [3]	(Appointed 26 January 2007)	*[3] Mauritian*
Nathalie Wong (as alternate to Eric Venpin) [3]	(Appointed 12 June 2018)	*[4] British*
Gaetan Lan [3]	(Appointed 30 January 2007)	*[5] South African*
Mike Mootien (as alternate to Gaetan Lan) [3]	(Appointed 14 April 2014)	*[6] American*
Hardwork Pemhiwa Njodzi [1]	(Appointed 04 November 2016)	*[7] Nigeria*
Vassi Naidoo [5]	(Appointed 04 November 2016)	*[8] Rwandan*
Anil Dua [4]	(Appointed 01 January 2017)	*[9] Cape Verdean*
Rahul Goswamy (as alternate to Anil Dua) [10]	(Appointed 01 January 2017)	*[10] Singaporean*
Donald Henry Gips [6]	(Appointed 20 June 2017)	
David Ronald Wilson [5]	(Appointed 06 December 2017)	
Omobola Olubusola Johnson [7]	(Appointed 16 August 2018)	
Donald Kaberuka [8]	(Appointed 16 August 2018)	
Christina Duarte [9]	(Appointed 16 August 2018)	
Philip David Moses [4]	(Appointed 16 August 2018)	
Richard Wilson [4]	(Appointed 3 April 2019)	

Secretary	**Registered office**
DTOS Ltd	
10th Floor, Standard Chartered Tower	10th Floor, Standard Chartered Tower
19-21 Bank Street, Cybercity	19-21 Bank Street, Cybercity
Ebène, 72201	Ebène, 72201
Republic of Mauritius	Republic of Mauritius

Events after the reporting period

On 11 December 2018, CDC Group Plc ("CDC") agreed to invest USD 180.0 million into the Liquid Telecommunications group by way of subscription for convertible preference shares. The funds were received in April 2019. The money will be used to invest in capital expenditure projects designed to expand the network footprint and grow EBITDA. The group appointed Richard Wilson, a CDC representative, to the board on 3 April 2019.

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CERTIFICATE FROM THE SECRETARY
UNDER SECTION 166 (d) OF THE MAURITIUS COMPANIES ACT 2001

We certify to the best of our knowledge and belief, we have filed with the Registrar of Companies all such returns as are required of Liquid Telecommunications Holdings Limited under Section 166 (d) of the Mauritius Companies Act 2001 for the year ended 28 February 2019.

mong

For DTOS
Secretary

10th Floor, Standard Chartered Tower
19-21 Bank Street, Cybercity
Ebène, 72201
Republic of Mauritius

Date: 17 JUN 2019

Deloitte.

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

Independent auditor's report to the Shareholders of Liquid Telecommunications Holdings Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **Liquid Telecommunications Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group")** set out on pages 8 to 74, which comprise the consolidated and separate statements of financial position as at 28 February 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and Company as at 28 February 2019, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements of the International Ethics Standard Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Report of the directors and Certificate from the secretary, but does not include consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Company and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and/or the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's and the Group's financial reporting process.

Deloitte.

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

Independent auditor's report to the Shareholders of Liquid Telecommunications Holdings Limited (Cont'd)

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Deloitte.	Agrawal.
Deloitte	**Vishal Agrawal, FCA**
Chartered Accountants	**Licensed by FRC**
17 June 2019	

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 28 February 2019

		Group		Company	
	Notes	**28/02/19**	**28/02/18**	**28/02/19**	**28/02/18**
		USD'000	**USD'000**	**USD'000**	**USD'000**
Revenue	4	668,910	680,948	-	-
Interconnect related costs		(119,875)	(121,141)	-	-
Data and network related costs		(178,413)	(176,413)	-	-
Other income	5	1,832	1,343	1,536	1,838
Selling, distribution and marketing costs		(18,787)	(19,258)	(783)	(2,864)
Administrative expenses		(57,362)	(59,227)	(20,383)	(18,635)
Staff costs		(115,428)	(114,863)	(3,376)	(2,345)
Depreciation, impairment and amortisation	5	(99,414)	(94,347)	(2,299)	(309)
Operating profit		**81,463**	**97,042**	**(25,305)**	**(22,315)**
Dividend received		629	-	30,629	30,000
Restructuring costs	5	(5,757)	-	(58)	-
Acquisition and other investment costs	5	(5,269)	(2,494)	(5,159)	(2,383)
Interest income	6	5,589	3,383	17,686	13,326
Finance costs	7	(73,528)	(78,961)	(38,525)	(41,879)
Foreign exchange (loss) / gain*	5	(91,780)	(1,314)	1,267	(931)
Share of profits of associate	13	62	76	-	-
(Loss) / Profit before taxation		**(88,591)**	**17,732**	**(19,465)**	**(24,182)**
Tax expense	8	(27,540)	(17,594)	(338)	(188)
(Loss) / Profit for the year		**(116,131)**	**138**	**(19,803)**	**(24,370)**
Other comprehensive (loss) / income					
Items that may be reclassified subsequently to profit or loss:					
Translation (loss) / gain on accounting for foreign entities		(100,964)	81,499	-	-
Other comprehensive (loss) / income for the year		**(100,964)**	**81,499**	**-**	**-**
(Loss) / Profit and total comprehensive (loss) / income for the year		**(217,095)**	**81,637**	**(19,803)**	**(24,370)**
(Loss) / Profit attributable to:					
Owners of the company		(72,739)	(12,895)	(19,803)	(24,370)
Non-controlling interest		(43,392)	13,033	-	-
		(116,131)	**138**	**(19,803)**	**(24,370)**
(Loss) / Profit and total comprehensive income attributable to:					
Owners of the company		(173,363)	72,275	(19,803)	(24,370)
Non-controlling interest		(43,732)	9,362	-	-
		(217,095)	**81,637**	**(19,803)**	**(24,370)**
Loss per share					
Basic (Cents per share)	37	(65.20)	(12.56)	(17.75)	(23.73)

*Foreign exchange (loss) / gain includes USD 93.3 million for the adjustment of assets and liabilities in Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe group on initial application of the change in functional currency in Zimbabwe on 1 October 2018. See note 1.1 for more details.

The following information is presented as additional information and does not form part of the audited financial statements.

Reconciliation of Operating profit to Adjusted EBITDA

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Operating profit	81,463	97,042	(25,305)	(22,315)
Add back:				
Depreciation, impairment and amortisation	99,414	94,347	2,299	309
Dividend received	629	-	30,629	30,000
	181,506	191,389	7,623	7,994
Impact of retrospective change in functional currency in Zimbabwe**	29,583	-	-	-
Adjusted EBITDA	211,089	191,389	7,623	7,994

** The impact of retrospective change in functional currency in Zimbabwe represents the difference in Adjusted EBITDA for the period from 1 October 2018 to 22 February 2019 translated at a RTGS:USD rate of 2.5:1 compared to the original rate of 1:1 for reporting results in Zimbabwe.

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
as at 28 February 2019

	Notes	Group 28/02/19 USD'000	Group 28/02/18 USD'000	Company 28/02/19 USD'000	Company 28/02/18 USD'000
Non-current assets					
Goodwill	9	137,341	162,069	-	-
Intangible assets	10	153,126	183,352	1,483	282
Property, plant and equipment	11	786,596	764,833	52	97
Investment in subsidiaries	12	-	-	681,170	446,539
Investment in associate	13	480	506	-	-
Investments	14	10,814	12,447	10,810	10,810
Deferred tax assets	15	34,938	37,115	-	-
Investments at amortised cost	16	1,384	3,206	-	-
Long-term receivables	17	437	1,153	181,234	153,920
Total non-current assets		**1,125,116**	**1,164,681**	**874,749**	**611,648**
Current assets					
Inventories	18	11,701	31,310	-	8
Trade and other receivables	19	172,586	277,278	100,473	173,314
Taxation	8	451	957	-	-
Cash and cash equivalents	20	93,275	160,718	781	200
Restricted cash and cash equivalents	20	1,807	2,937	-	-
Total current assets		**279,820**	**473,200**	**101,254**	**173,522**
Total assets		**1,404,936**	**1,637,881**	**976,003**	**785,170**
Equity and liabilities					
Capital and reserves					
Share capital	21	3,638	3,319	3,638	3,319
Share premium	21	251,446	116,765	251,446	116,765
Retained earnings		7,008	233,646	170,442	203,745
Foreign currency translation reserve		(20,793)	79,831	-	-
Total equity attributable to owners of the parent		**241,299**	**433,561**	**425,526**	**323,829**
Non-controlling interests	12.2	10,458	93,745	-	-
Total equity		**251,757**	**527,306**	**425,526**	**323,829**
Non-current liabilities					
Long term borrowings	22a	732,790	731,214	-	-
Long term intercompany borrowings	23	-	-	443,651	440,581
Long term provisions	26	-	922	-	-
Other long term payables	24	15,046	15,880	-	-
Deferred revenue	27	54,422	53,702	-	-
Deferred tax liabilities	15	62,909	46,955	-	-
Total non-current liabilities		**865,167**	**848,673**	**443,651**	**440,581**
Current liabilities					
Short term portion of long term borrowings	22b	87,246	15,019	73,083	-
Trade and other payables	25	151,812	181,558	33,725	20,760
Short term provisions	26	22,632	28,286	-	-
Deferred revenue	27	21,960	27,188	18	-
Taxation	8	4,362	9,851	-	-
Total current liabilities		**288,012**	**261,902**	**106,826**	**20,760**
Total equity and liabilities		**1,404,936**	**1,637,881**	**976,003**	**785,170**

Approved by the Board of Directors and authorised for issue on 17 June 2019.

Eric Venpin
Director

Mike Mootien
Alternate Director to Gaetan Lan

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
for the year ended 28 February 2019

Group	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		**1**	**2,333**	**(5,338)**	**283,582**	**147,010**	**427,588**
Issue of share capital	21	3,318	114,432	-	(2,862)	-	114,888
Change in ownership	12.3	-	-	-	(20,679)	(64,024)	(84,703)
Profit for the year		-	-	-	(12,895)	13,033	138
Foreign exchange gain arising on transalation of foreign operations		-	-	85,169	-	(3,670)	81,499
Dividend	35	-	-	-	(13,500)	-	(13,500)
Acquisition of subsidiaries	29	-	-	-	-	1,396	1,396
At 28 February 2018 - as previously stated		**3,319**	**116,765**	**79,831**	**233,646**	**93,745**	**527,306**
Effect of change in accounting policy (net of deferred tax) for:							
- IFRS 15	1	-	-	-	(7,432)	(559)	(7,991)
- IFRS 9	1	-	-	-	(749)	(764)	(1,513)
At 1 March 2018 - restated		**3,319**	**116,765**	**79,831**	**225,465**	**92,422**	**517,802**
Issue of share capital	21	319	134,681	-	-	-	135,000
Change in ownership	12.3	-	-	-	(133,893)	(36,557)	(170,450)
(Loss) / Profit for the year		-	-	-	(72,739)	(43,392)	(116,131)
Foreign exchange loss arising on transalation of foreign operations		-	-	(100,624)	-	(340)	(100,964)
Dividend	35	-	-	-	(13,500)	-	(13,500)
Reclassification		-	-	-	1,675	(1,675)	-
At 28 February 2019		**3,638**	**251,446**	**(20,793)**	**7,008**	**10,458**	**251,757**

Company	Notes	Share capital	Share premium	Retained earnings	Total Equity
		USD'000	USD'000	USD'000	USD'000
At 1 March 2017		1	2,333	244,477	246,811
Loss and total comprehensive loss for the year		-	-	(24,370)	(24,370)
Dividend	35	-	-	(13,500)	(13,500)
Issue of share capital		3,318	114,432	(2,862)	114,888
At 28 February 2018		**3,319**	**116,765**	**203,745**	**323,829**
Loss and total comprehensive loss for the year		-	-	(19,803)	(19,803)
Dividend	35	-	-	(13,500)	(13,500)
Issue of share capital		319	134,681	-	135,000
At 28 February 2019		**3,638**	**251,446**	**170,442**	**425,526**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
for the year ended 28 February 2019

	Notes	Group 28/02/19 USD'000	Group 28/02/18 USD'000	Company 28/02/19 USD'000	Company 28/02/18 USD'000
Cash flows from operating activities:					
Cash generated from / (used in) operations	28	170,805	183,955	30,104	(25,241)
Income tax paid	8	(18,395)	(2,930)	(338)	(188)
Net cash generated from / (used in) operating activities		152,410	181,025	29,766	(25,429)
Cash flows from investing activities:					
Interest income		5,278	3,128	17,686	13,326
Acquisition of business operations	29	-	(17,589)	-	-
Additional investment in subsidiary	12	-	-	(99,180)	(14,211)
Acquisition of other investments	14	(310)	(63,162)	-	(62,310)
Recovery of related party balance	14	60,000	-	60,000	-
Purchase of property, plant and equipment		(173,966)	(190,662)	(216)	(79)
Proceeds on disposal of property, plant and equipment		9,973	2,359	179	2
Purchase of intangible assets		(14,393)	(11,250)	(2,567)	(288)
Proceeds on disposal of intangible assets		256	2,693	256	68
Proceeds of held to maturity investments	16	-	245	-	-
Decrease / (Increase) in long term receivables	17	-	5,000	(29,473)	(21,792)
Net cash (used in) / generated from investing activities		(113,162)	(269,238)	(53,315)	(85,284)
Cash flows from financing activities:					
Dividend paid	35	(13,500)	(13,500)	(13,500)	(13,500)
Finance costs paid		(64,819)	(55,887)	(38,525)	(23,730)
Issue of subsidiary share capital & equity loans to minorities		-	68	-	-
Issue of share capital		-	22,222	-	22,222
Acquisition of minority interests in foreign operations	12.2	(35,000)	-	-	-
Increase / (decrease) in borrowings		65,263	129,822	73,084	(358,835)
Increase in equity loans		-	-	(753)	(2,684)
Increase in loan from fellow group subsidiary		-	-	3,824	430,951
Net cash (used in) / generated from financing activities		(48,056)	82,725	24,130	54,424
Net (decrease) / increase in cash and cash equivalents		(8,808)	(5,488)	581	(56,289)
Cash and cash equivalents at beginning of the year		163,655	152,736	200	56,489
Translation of cash with respect to foreign operations		(59,765)	16,407	-	-
Cash and cash equivalents at end of the year		**95,082**	**163,655**	**781**	**200**
Represented by:					
Cash and cash equivalents	20	93,275	160,718	781	200
Restricted cash and cash equivalents	20	1,807	2,937	-	-
		95,082	**163,655**	**781**	**200**

1. General information

Liquid Telecommunications Holdings Limited is a private company incorporated in Mauritius on the 26 January 2007 and is the holder of a Category 2 – Global Business Licence Company as from 29 January 2007. 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 year.

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

1.1 Zimbabwean Real Time Gross Settlement (RTGS)

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) directed all banks to ring-fence nostro foreign currency accounts (FCAs) by separating them into two categories; namely Nostro FCAs and RTGS FCAs. Authorities maintained that the US dollar represented in the RTGS system was at a 1:1 exchange ratio. On 20 February 2019, the RBZ announced that with effect from 22 February 2019, the RTGS would be recognised as an official currency and that an interbank foreign exchange market would be established to formalise trading in RTGS balances with other currencies. The official rate on launch was 2.5 and this was the rate on 28 February 2019.

For the year under review, judgements have been applied in determining an exchange rates of RTGS:USD of 2.5:1 retrospectively for the period 1 October 2018 to 28 February 2019. The events taken in account in forming this judgement include the recent announcement of the Zimbabwean business to increase its prices to customers by a factor of 2.5 as permitted by the Zimbabwean Regulator and the range of trading rates experienced during the period.

In accordance with the requirements of IAS 21 "The effects of changes in foreign exchange rates", the group considers the effective date of the functional currency change to be 1 October 2018 and has retrospectively applied the official exchange rate of RTGS:USD 2.5:1 to its statement of profit and loss for the period of 1 October 2018 to 28 February 2019. With the financial results now reflected in RTGS, the statement of financial position at 28 February 2019 has been translated to USD presentation currency using an exchange rate of RTGS:USD 2.5:1.

The impact of the currency changes has been reflected as follows:

<u>Statement of financial position</u>

• As the change in functional currency was effective from 1 October 2018, the opening statement of financial position at this date was converted to RTGS using the official rate of RTGS:USD 2.5:1.

• Following the conversion of the statement of financial position, an immediate assessment of the value of the assets and liabilities was performed, resulting in an adjustment of USD 93.3 million, included in foreign exchange loss in the consolidated statement of profit or loss. The adjustment was calculated by identifying the underlying value of each statement of financial position item, by reference to the original currency and assessing whether the new RTGS value was representative of the realisable value. Had a rate of RTGS:USD 4.0:1 been used, the adjustment would have been USD 116.6 million. In respect of the cash and cash equivalents element, the bank balance of Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe group (LTZ), which was previously reflected at USD 120.8 million when the rate was 1:1, was converted at 1:2.5 to give a balance in RTGS. The fair value assessment resulted in an adjustment of USD 57.9 million to reflect the actual value of the RTGS funds held. This adjustment is included in the USD 93.3 million foreign exchange loss referenced above. This USD 57.9 million adjustment also forms part of the USD 59.8 million translation of cash with respect to foreign operations disclosed in the consolidated statement of cash flow.

• Any movements between 1 October 2018 and 28 February 2019 were reviewed to determine the appropriate values at which the transactions occurred.

• Having arrived at the RTGS statement of financial position on 28 February 2019, the closing exchange rate of RTGS:USD 2.5:1 was applied to convert all line items on the statement of financial position to the presentation currency, which is USD.

<u>Statement of profit or loss</u>

• As the currency changes were effective from 1 October 2018, transactions prior to this date have been maintained at a rate of RTGS:USD 1:1.

• Transactions that took place between 1 October 2018 and 28 February 2019 were analysed and split between USD transactions and RTGS transactions depending on the underlying currency of the transaction.

1.1 Zimbabwean Real Time Gross Settlement (RTGS) (continued)

• All transactions that were incurred in USD were translated at a rate of RTGS:USD 2.5:1 to arrive at RTGS equivalent. All transactions incurred in RTGS were kept at RTGS values.

• The impact of the retrospective change in functional currency in Zimbabwe resulted in decreased earnings of USD 29.6 million for the period from 1 October 2018 to 22 February 2019 translated at a RTGS:USD rate of 2.5:1. Had a rate of RTGS:USD 4.0:1 been used, the impact would have been USD 52.9 million. Going forward the company plans to mitigate further adverse currency impact in Zimbabwe by adjusting prices, as and when approved by the Regulator.

1.2 Application of New and Revised International Financial Reporting Standards (IFRS)

In the current year, the company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 March 2018.

<u>New and revised IFRSs and IFRICs applied with material effect on the financial statements</u>

Impact of initial application of 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 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.
• Wholesale voice traffic - primarily revenue from international voice interconnects between mobile network operators and international telecom carriers;

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 detailed in note 2 below.

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.

1.2 Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

New and revised IFRSs and IFRICs applied with material effect on the financial statements (continued)

Impact of initial application of IFRS 15 "Revenue from Contracts with Customers" (continued)

The group's accounting policies for its revenue streams are disclosed in detail in note 2 below. Apart from providing more extensive disclosures for the group's revenue transactions, the application of IFRS 15 has had an impact on the financial position of the group as at 1 March 2018. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is illustrated below.

Consolidated Statement of Financial Position	Previously reported	IFRS 15 impact	Adjusted
	USD'000	USD'000	USD'000
Equity and liabilities			
Capital and reserves			
Retained earnings	233,646	(7,432)	226,214
Non-controlling interests	93,745	(559)	93,186
Impact on total equity		(7,991)	
Non-current liabilities			
Deferred revenue	53,702	5,829	59,531
Deferred tax liabilities	46,955	211	47,166
Impact on total non-current liabilities		6,040	
Current liabilities			
Deferred revenue	27,188	1,951	29,139
Impact on total current liabilities		1,951	

Impact of initial application of IFRS 9 "Financial Instruments"

In the current year, the group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives and, as such, the transition adjustment in opening retained earnings has been quantified as described further below. The group has therefore calculated the difference between the previous carrying amounts and the new carrying amounts at the date of initial application and has recorded these in opening retained earnings as at 1 March 2018.

Additionally, the group adopted consequential amendments to IFRS 7 Financial Instruments: "Disclosures" that were applied to the disclosures for 2019 and to the comparative period.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities, and
2. Impairment of financial assets.

Details of these new requirements as well as their impact on the group's consolidated financial statements are described below.

The date of initial application (i.e. the date on which the group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 March 2018. Accordingly, the group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 March 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 March 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 March 2018 have not been restated.

(a) Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 have been measured at amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

1.2 Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

New and revised IFRSs and IFRICs applied with material effect on the financial statements (continued)

Impact of initial application of IFRS 9 "Financial Instruments" (continued)

Specifically:
• debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
• equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the group has made an irrevocable election to present subsequent changes in fair value of an equity investment that is neither held for trading, nor contingent consideration recognised by an acquirer in a business combination, in other comprehensive income at its initial recognition.

In the current year, the group has not identified any debt investments that meet the amortised cost or fair value through other comprehensive income (FVTOCI) criteria as measured at FVTPL.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

See accounting policy on financial instruments (note 2) for more details.

The directors of the company have reviewed and have assessed the group's and the company's existing financial assets as at 1 March 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the group's financial assets as regards to their classification and measurement:

• Previously, under IAS 39, the investments were classified as 'Available-for-sale' and measured at cost. 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 and have been designated at FVTOCI. The change in fair value on these equity instruments continues to accumulate in the investment revaluation reserve.

• Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9, as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Apart from the above, the application of IFRS 9 has had no impact on the classification and measurement of the group's financial assets.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires the application of an expected credit loss model (ECL) as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is, therefore no longer necessary for a credit loss event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the group to recognise a loss allowance for expected credit losses on trade receivables and other receivables and contract assets.

In particular, IFRS 9 requires the group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also allows a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables and other receivables, and contract assets.

As the group has elected to not restate comparatives, the group has recognised 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 amount of adjustment for each financial statement line item affected by the application of IFRS 19 is illustrated below.

1.2 Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

New and revised IFRSs and IFRICs applied with material effect on the financial statements (continued)

Impact of initial application of IFRS 9 "Financial Instruments" (continued)

Consolidated Statement of Financial Position	Previously reported	IFRS 9 impact	Adjusted
	USD'000	USD'000	USD'000
Current assets			
Trade and other receivables (Allowance for doubtful debts)	277,278	(1,758)	275,520
Impact on total current assets		(1,758)	
Equity and liabilities			
Capital and reserves			
Retained earnings	233,646	(749)	232,897
Non-controlling interests	93,745	(764)	92,981
Impact on total equity		(1,513)	
Non-current liabilities			
Deferred tax liabilities	46,955	245	47,200
Impact on total non-current liabilities		245	

The reconciliation between the ending provision for impairment in accordance with IAS 39 to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 March 2018 is disclosed in note 19.

(c) Classification and measurement of financial liabilities

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.

Apart from the above, the application of IFRS 9 has had no impact on the classification and measurement of the group's financial liabilities.

New and revised IFRSs and IFRICs applied with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements.

IAS 28 Investment in Associates and Joint Ventures - Amendments deferring the effective date of the September 2014 amendments.

IAS 39 Financial Instruments - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception.

IFRS 7 Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures.

IFRS 7 Financial Instruments - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

IFRS 9 Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9.

IFRIC 22 Foreign Currency Transactions and Advance Consideration.

New and revised IFRSs and IFRICs in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material (effective 1 January 2020)

1.2 Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

New and revised IFRSs and IFRICs applied with material effect on the financial statements (continued)

New and revised IFRSs and IFRICs in issue but not yet effective (continued)

IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material (effective 1 January 2020)
IAS 12	Income taxes - Amendments resulting from Annual Improvements 2015–2017 Cycle (income tax consequences of dividends) (effective 1 January 2019)
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements (effective 1 January 2019)
IAS 23	Borrowing Costs - Amendments resulting from Annual Improvements 2015 - 2017 Cycle (borrowing costs eligible for capitalisation (effective 1 January 2019)
IAS 28	Investment in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures (effective 1 January 2019)
IFRS 3	Business combinations - Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest) (effective 1 January 2019)
IFRS 3	Business combinations - Amendments to clarify the definition of a business (effective 1 January 2020)
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities (effective 1 January 2019)
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely)
IFRS 16	Leases – Original issue (effective 1 January 2019) (see below)
IFRIC 23	Uncertainty over Income Tax Treatments issued (effective 1 January 2019)

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.

Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting.

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 as 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 28 February 2019.

• 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.

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

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 at this stage; 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 plans to apply the cumulative retrospective approach.

The directors anticipate that these IFRSs will be applied on their effective dates in the financial statements of future periods. The directors have not yet assessed the potential impact of the application of these amendments, other than those mentioned above.

The lease payment for the year ended 28 February 2019 was USD 19.7 million (2018: USD 30.0 million). For more details on the operating lease arrangements of the group, see note 33.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments carried at fair value. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies adopted in the preparation of these financial statements are set out below:

Historical cost is generally based on the fair value of the consideration given in exchange for the goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis except for share-based transactions which fall in the scope of IFRS 2, leasing transactions that are in the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) up to the reporting date each year. Control is achieved when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

Even when the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the company has, or does not have, the current ability to direct the relevant activities at the time that decision need to be made, including voting patterns at previous shareholder's meetings.

2. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the net of the acquisition-date amounts of the identified assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in the consolidated statements of profit or loss and other comprehensive income as a bargain purchase gain.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profits or losses and each component of the other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the group's ownership interests in existing subsidiaries

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to the profit or loss or transferred to another category of equity as specified/permitted by the applicable IFRSs). The fair value of any investment retained in the former subsidiary as at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the equity interests issued by the group, liabilities incurred by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except that:

• deferred tax or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;
• assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

2. Summary of significant accounting policies (continued)

Business combination (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Common controlled transactions

Common controlled transactions are recorded at book value. Any difference between cost and book value is taken directly to equity.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statements of financial position at their cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is charged so as to write off the cost to their residual values, over their estimated useful lives, using the straight-line method, on the following basis:

Land and buildings	2 % - 5 %
Furniture and fittings	10 % - 20 %
Computer equipment	10 % - 50 %
Satellite equipment	20 %
Switching and network equipment	20 %
Leasehold improvements	10 % - 20 %
Motor vehicles	20 % - 25 %
Fibre infrastructure	4 % - 20 %
Fibre equipment	20 %
POS terminals	25 %

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The gains and losses arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in the consolidated statements of profit or loss and other comprehensive income.

Work in progress relates to an asset under construction that has not yet been put into use. The asset is not subject to depreciation while in the construction phase. Once the asset is fully developed and available for use, depreciation will start.

Investment in associate

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

2. Summary of significant accounting policies (continued)

Investment in associate (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the group's share of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 "Impairment of Assets" are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of the impairment loss is recognised in accordance with IAS 36 "Impairment of Assets" to the extent that the recoverable amount of the investment subsequently increases.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the method of equity accounting, except when the investment, or part of the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". Under the equity method, an investment in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter by an increase or decrease in the carrying amount of the investee by the group's share of profit or loss of the investee.

When the group's share of losses of an associate exceeds the group's interest in that associate (which includes any long-term interest that, in substance, form part of the group's net investment in the associate), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Project costs

Project costs are recognised as assets only if all of the following conditions are met:

- An asset is created that can be identified; and
- It is probable that the asset created will generate future economic benefits.

A provision for impairment against project costs asset is raised when appropriate.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows has not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses in bringing the items to their present location and condition. The selling cost of inventory is calculated using the First-In-First-Out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets are classified into the following specified categories:

• Amortised cost; or
• Fair Value Through Other Comprehensive Income (FVTOCI).
• Fair Value Through Profit or Loss (FVTPL).

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

• the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the group may make the following irrevocable election/designation at initial recognition of a financial asset:

• the group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
• the group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss after Operating profit.

All financial assets on the consolidated statement of financial position, with the exception of investments, cash and cash equivalents, and restricted cash and cash equivalents, are classified at amortised cost.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

(ii) Equity instruments designated as at FVTOCI (continued)

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, that is dividends are recognized when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognized in statement of profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in statement of other comprehensive income.

The group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

However, IFRS 9 observes that in limited circumstances, cost may provide an appropriate estimate of fair value. This would be the case if sufficient more recent information is not available to measure fair value or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. The directors considered the requirements of IFRS 9 and are of the opinion that cost is the best estimate for fair value for these investments in equity *(see Critical accounting judgements and key sources of estimation uncertainty in note 3 on valuation of investments)* .

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

• for financial assets measured at amortised cost, exchange differences are recognised in the statement of profit or loss in the 'Foreign exchange (loss) / gain' line item (note 5);
• for equity instruments measured at FVTOCI, exchange differences are recognised in the statement of other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the group's core operations.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

• an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
• significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the receivable, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
• existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the receivable's ability to meet its debt obligations;
• an actual or expected significant deterioration in the operating results of the receivable;
• significant increases in credit risk on other financial instruments of the same receivable;
• an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the receivable's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days (credit term) past due, unless the group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

• information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full (without taking into account any collateral held by the group).

Irrespective of the above analysis, the group considers that default has occurred when a financial asset is more than 90 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(d) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed in liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit or loss.

(v) Measurement and recognition of expected credit losses (ECL)

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, the group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

The group makes provision on the following basis, which falls under stage 3 of the ECL model:

• 100% of all non-intercompany trade debts aged 90 days or older (see exception below),
• 100% of the balance due from a client who has a publicised case of either Curatorship, Judicial Management, Liquidation, Scheme of Arrangement and Insolvency and its operations might have ceased or are being wound up, and
• 100% of any disputed balances

The group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

The following are exceptions to guidelines and no provision is provided unless management assess that the credit risk has increased:

• Payment plans - A signed acknowledgment of debt with a payment plan and/or a set-off agreement exists and the client is abiding by the terms of these agreements. If the client does not comply with the payment plans, the services are stopped. If they still do not pay, the group will engage legal counsel to pursue recovery from the client. Historically and in most cases, customers do pay when legal letters are issued. When the client is unable to pay due to cash flow issues (hence, increased credit risk), a provision is made.
• Payment history – The customer's payment trend is in intervals, say quarterly, bi-annually or annually and its history is evidenced on their customer statement. This is usually applicable to government bodies and strategic clients.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of profit or loss. In addition, on derecognition of an investment in equity instrument which the group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the statement of profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

A repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Share capital and share premium are classified as equity.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities comprise of long and short term borrowings, long and short term provisions, other long-term payables and trade and other payables.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Foreign exchange (loss) / gain' line item (note 5) in the statement of profit or loss.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss.

Cash or cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Restricted cash comprises cash held in restricted accounts for bank guarantees, cash committed to capital expenditure and customer deposits.

Financing activities include dividends paid. Interest paid is included in financing activities.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group and company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities arising from the taxable temporary differences associated with investments in subsidiaries, branches and associates are not recognised if the company has both the ability to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

2. Summary of significant accounting policies (continued)

Tax (continued)

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the consolidated statement of profit or loss, except when they relate to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Unfavourable contracts

Present obligations arising under unfavourable contracts are recognised and measured as provisions. An unfavourable contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

Revenue recognition

The group recognises revenue from the following major sources:

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

Revenue is measured based on the consideration to which the group expects to be entitled from 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. Depending on whether certain criteria are met, revenue is recognised:

• Over time, in a manner that best reflects the delivery of the company's performance obligations; or
• At a point in time, when control of the goods or services is transferred to the customer.

The group accounts for a contract with a customer only when; there is evidence of an arrangement, the group can identify each party's rights regarding the goods and services to be transferred, the contract has commercial substance and collectability is reasonably assured.

• 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.

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.

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

• 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.

• 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.

Revenue Recognition is applied to individual contracts with customers. However, the International Accounting Standards Board (IASB) recognized that there may be situations in which it may be more practical for an entity to combine contracts for revenue recognition purposes rather than attempt to account for each contract separately.

In addition to revenue recognition for revenue streams mentioned above, based on the nature of the group's business operations, from time to time management enters into contracts with customers that include unique contractual terms and other elements that fall outside of the group's general contract terms and conditions. Such contracts are considered dynamic in nature and encapsulate other performance obligations which are not in line with the group's main business operations. These contracts are entered into on an ad-hoc basis for larger contracts and as a result are accounted for separately.

Management fees

Management fees are recognised when the right to receive payment has been established.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in US Dollars, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in statements of comprehensive income for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in statements of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in US Dollars using exchange rates prevailing at the reporting date.

2. Summary of significant accounting policies (continued)

Foreign currencies (continued)

Exchange differences arising on translation of foreign operations, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in statements of comprehensive income in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate on the losing date.

Leases

Rentals payable under operating leases are charged to the consolidated statement of profit or loss and other comprehensive income on the straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are expensed in the year in which they are incurred.

Intangible assets

Intangible assets acquired are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives, on the following basis:

Fibre optical – IRU	4 % - 20 %
Computer Software	12.5 % - 50 %
Customer relationships	20 % - 33.3 %
Operating Licence	4 % - 10 %
Other Intangible Assets	10% - 33.3 %

Upon acquisition of Liquid Telecommunications South Africa (Pty) Limited, Zanlink Limited and Raha Limited a valuation was assigned to the existing customer base of each entity and is classified as Customer relationships in Intangible assets (note 10).

The estimated useful lives and amortisation method are reviewed at the end of each annual reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated statements of profit or loss and other comprehensive income when the asset is derecognised.

Cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, treasury bills and deposits held, all of which are available for use by the company unless otherwise stated.

Equity Loans

Equity loans to subsidiaries arising on acquisition are recognised in equity on the date of acquisition.

Restructuring costs

Restructuring costs are recognised when the group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of the restructuring costs include only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies (note 2), management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Material judgements

Application of IFRS 15 "Revenue from Contracts with Customers"

In making their judgement, the directors considered the detailed criteria for the recognition of revenue set out in IFRS 15 "Revenue from Contracts with Customers" and whether the group had transferred control of the goods and rendered the services to the customer, which would result in the satisfaction of the performance obligation. The directors are satisfied that control has been transferred and that recognition of the revenue in the current 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 sufficient more recent information is not 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.

Contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability. Refer to note 38 for Contingent liabilities disclosure.

Material estimates

Royal Bafokeng Holding Limited - 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 28 February 2019. Management have considered a range of scenarios and as an illustration, should the market price be 5% below the agreed price the prescribed calculations indicate an additional USD 1.2 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.

Residual value and useful life

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

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

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

Material estimates (continued)

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

Impairment of goodwill

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

4. Revenue and segment information

4.1 Segment revenue and results

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

Group revenue can be classified into four revenue streams:

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

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

• Restructuring costs
• Acquisition and other investment costs
• Foreign exchange (loss) / gain
• Impact of retrospective change in functional currency in Zimbabwe
• Share of profits of associate

The following is an analysis of the group's revenue and results by reportable segment for the year to 28 February 2019, and includes the impact of the currency changes in Zimbabwe.

	South Africa	Zimbabwe	Rest of Africa	Rest of the World	Central Administration Costs	Eliminations	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Data and other services							
Wholesale	86,334	60,776	42,151	77,195	-	(50,125)	216,331
Enterprise	170,790	25,066	52,893	5,453	-	-	254,202
Retail	9,359	31,077	7,404	-	-	-	47,840
Wholesale voice traffic	17,854	-	11	163,993	-	(31,321)	150,537
Inter-segmental revenue	(14,081)	(916)	(5,910)	(60,539)	-	81,446	-
Group External Revenue	**270,256**	**116,003**	**96,549**	**186,102**	**-**	**-**	**668,910**
EBITDA including impact for retrospective change in functional currency	65,136	53,623	19,627	76,299	(23,005)	(10,174)	181,506
Impact of retrospective change in functional currency (5 month period 1 October 2018 - 22 February 2019)	-	29,583	-	-	-	-	29,583
Adjusted EBITDA	**65,136**	**83,206**	**19,627**	**76,299**	**(23,005)**	**(10,174)**	**211,089**

Impact of retrospective change in functional currency (5 month period 1 October 2018 - 22 February 2019)	(29,583)
Depreciation, impairment and amortisation	(99,414)
Restructuring costs	(5,757)
Acquisition and other investment costs	(5,269)
Interest income	5,589
Finance costs	(73,528)
Foreign exchange loss	(91,780)
Share of profits of associate	62
Loss before taxation	**(88,591)**
Tax expense	(27,540)
Loss after taxation	**(116,131)**

4. Revenue and segment information (continued)

4.1 Segment revenue and results (continued)

The following is an analysis of the group's revenue and results by reportable segment for the year to 28 February 2018.

	South Africa USD'000	Zimbabwe USD'000	Rest of Africa USD'000	Rest of the World USD'000	Central Administration Costs USD'000	Eliminations USD'000	Total USD'000
Data and other services							
Wholesale	81,638	74,268	36,411	73,432	-	(46,420)	219,329
Enterprise	183,325	27,692	48,161	6,065	-	-	265,243
Retail	13,637	29,040	6,787	-	-	-	49,464
Wholesale voice traffic	24,245	-	18	147,083	-	(24,434)	146,912
Inter-segmental revenue	(10,882)	(873)	(3,461)	(55,638)	-	70,854	-
Group External Revenue	**291,963**	**130,127**	**87,916**	**170,942**	**-**	**-**	**680,948**
Adjusted EBITDA	59,542	68,042	18,011	69,351	(22,005)	(1,552)	191,389
Depreciation, impairment and amortisation							(94,347)
Acquisition and other investment costs							(2,494)
Interest income							3,383
Finance costs							(78,961)
Foreign exchange loss							(1,314)
Share of profits of associate							76
Profit before taxation							**17,732**
Tax expense							(17,594)
Profit after taxation							**138**

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 2.

There are no major customers comprising 10% or more of total group revenue aside from sales made to the Econet Group, details of which can be seen in Related Party disclosures (note 30).

4.2 Segment assets and liabilities

	28/02/19 USD'000	28/02/18 USD'000
Segment assets		
South Africa	681,481	783,609
Zimbabwe	339,824	381,873
Rest of Africa	235,956	223,345
Rest of the World	147,675	249,054
Total segment assets	1,404,936	1,637,881
Consolidated total assets	**1,404,936**	**1,637,881**
Segment liabilities		
South Africa	120,264	161,975
Zimbabwe	76,343	73,879
Rest of Africa	74,481	67,244
Rest of the World	155,700	84,657
Total segment liabilities	426,788	387,755
Group Borrowings (Senior Secured Notes - note 22)	726,391	722,820
Consolidated total liabilities	**1,153,179**	**1,110,575**

For the purpose of monitoring segment performance and allocating resources between segments:
• all assets are allocated to reportable segments.
• all liabilities are allocated to reportable segments other than group borrowings.

4. Revenue and segment information (continued)

4.3 Other segment information

	Depreciation, impairment and amortisation		Additions to property, plant and equipment and intangible assets	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
South Africa	55,486	55,313	75,744	115,047
Zimbabwe	14,095	13,294	55,517	36,658
Rest of Africa	20,528	18,130	60,260	46,891
Rest of the World	9,305	7,610	12,841	12,847
	99,414	**94,347**	**204,362**	**211,443**

5. Profit / (loss) before taxation

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Profit / (loss) before taxation is arrived at after taking the following into account:				
Auditor's fees	1,696	1,588	142	111
Non-audit services	271	121	210	-
Consultancy fees	6,827	8,836	2,877	4,245
Bad debts recovered (note 19)	(211)	(205)	(192)	-
Increase in allowance for doubtful debts (note 19)	7,890	6,435	-	192
Depreciation, impairment and amortisation				
Impairment loss on investment (note 14)	1,943	-	-	-
Depreciation (note 11)	69,996	67,815	44	41
Amortisation of intangible assets (note 10)	26,983	26,198	92	38
Inventory written off (note 18)	388	205	-	-
Provision for obsolete inventory (note 18)	104	129	-	-
Impairment loss on loans (note 30)	-	-	2,163	230
	99,414	**94,347**	**2,299**	**309**

Restructuring costs:

On 1 October 2018, the group commenced a restructuring of its operations, primarily in Liquid Telecommunications South Africa (Pty) Ltd, Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe and Zimbabwe Online (Private) Limited, following introduction of a new operating model, designed to enhance the automation and digitalisation of the business. The following costs have been incurred:

	Group 28/02/19	Group 28/02/18	Company 28/02/19	Company 28/02/18
Redundancy costs	4,685	-	-	-
Employee support costs	441	-	-	-
Legal fees	175	-	-	-
Other costs	456	-	58	-
	5,757	**-**	**58**	**-**
Acquisition and other investment costs:				
Legal fees	594	1,046	594	1,046
Professional fees	3,345	-	3,345	-
Consultancy and Advisory fees	560	-	560	-
Other investment costs	770	1,448	660	1,337
	5,269	**2,494**	**5,159**	**2,383**
Other income:				
Profit / (loss) on disposal of property, plant and equipment	54	275	-	-
Management fees received (note 30)	9	-	1,467	1,838
Sundry income	1,769	1,068	69	-
	1,832	**1,343**	**1,536**	**1,838**
Net foreign exchange (losses) / gains:				
Exchange losses - unrealised	(7,838)	(497)	-	(931)
Exchange losses - realised	(3,968)	(2,138)	-	-
Exchange gains - unrealised	8,317	270	1,267	-
Exchange gains - realised	5,016	1,051	-	-
Exchange loss arising on change in functional currency in Zimbabwe	(93,307)	-	-	-
	(91,780)	**(1,314)**	**1,267**	**(931)**

6. Interest income

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Interest received - bank / external	5,251	2,443	-	(10)
Interest received - inter-group (note 30)	338	940	17,686	13,336
	5,589	**3,383**	**17,686**	**13,326**

7. Finance costs

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Interest on bank overdraft and loans	7,940	14,980	1,525	10,447
Finance cost on Senior Secured Notes	62,050	39,298	-	-
Finance arrangement fees amortised	3,538	24,683	-	10,147
Interest paid - inter-group (note 30)	-	-	37,000	21,265
Guarantee fees - inter-group (note 30)	-	-	-	20
	73,528	**78,961**	**38,525**	**41,879**

8. Tax

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Current taxation	11,760	8,674	-	-
Deferred taxation (credit)/charge (note 15)	14,088	7,657	-	-
Withholding taxation	1,692	1,263	338	188
Total taxation	**27,540**	**17,594**	**338**	**188**

The charge for the year can be reconciled to profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
	USD'000	**USD'000**	**USD'000**	**USD'000**
(Loss) / Profit before taxation	(88,591)	17,732	(19,465)	(24,182)
Taxation at domestic rate for foreign subsidiaries in tax paying jurisdictions	(28,591)	11,492	-	-
Tax effect of non-deductible expenses	64,638	3,295	-	-
Tax effect of non-taxable income	(5,667)	-	-	-
Tax effect of foreign tax credit	(7,997)	(7,019)	-	-
Effect of tax losses not recognised as deferred tax assets	4,147	8,563	-	-
Tax effect of utilised unrecognised tax losses	(682)	-	-	-
Withholding taxation	1,692	1,263	338	188
	27,540	**17,594**	**338**	**188**

The company, being the holder of a Category 2 - Global Business Licence is not liable to income tax in Mauritius. The majority of the losses incurred by the company were at the holding company level, which resulted in a nil benefit due to the GBL2 license. Taxation for other subsidiaries is calculated at the rates prevailing in the respective jurisdictions:

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. Tax (continued)

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Taxation asset:				
Opening balance	957	239	-	-
Acquisition of subsidiaries (note 29)	-	4	-	-
Provision for the year	4	-	-	-
(Refunds) / payment during the year	(483)	714	-	-
Foreign exchange differences	(27)	-	-	-
Closing balance	**451**	**957**	**-**	**-**
Taxation liability:				
Opening balance	(9,851)	(2,051)	-	-
Restatement	292	-	-	-
Provision for the year	(13,452)	(9,937)	(338)	(188)
Payment during the year	18,878	2,142	338	188
Foreign exchange differences	(229)	(5)	-	-
Closing balance	**(4,362)**	**(9,851)**	**-**	**-**

9. Goodwill

	Group	
	28/02/19	28/02/18
	USD'000	USD'000
Cost		
Opening balance	162,069	145,833
Acquisition of subsidiaries (note 29)	-	2,183
Foreign exchange differences	(24,728)	14,053
Closing balance	**137,341**	**162,069**

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

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	122,199	146,927
HAI Telecommunications Limited	2,201	2,201
Raha Tanzania Holdings Limited	5,584	5,584
Transaction Payment Solutions Indian Ocean Limited	245	245
	137,341	**162,069**

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.

10. Intangible assets

Group

	Operating Licence	Computer Software	Fibre Optical - IRU	Customer Relationships	Work in Progress	Other Intangible Assets	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:							
At 1 March 2017	23,524	38,041	85,935	56,055	3,154	26,417	233,126
Acquisition of subsidiaries (note 29)	-	-	-	1,581	-	-	1,581
Purchases during the year	-	2,804	17,671	-	306	-	20,781
Disposals during the year	(1,784)	(496)	-	-	(68)	-	(2,348)
Reclassification	-	540	8,047	-	(540)	-	8,047
Transfers from / (to) fixed assets (note 11)	296	(27)	190	-	6	-	465
Foreign exchange differences	2,431	3,879	2,296	8,232	-	4,792	21,630
At 28 February 2018	24,467	44,741	114,139	65,868	2,858	31,209	283,282
Purchases during the year	5,622	3,698	2,616	-	3,928	-	15,864
Disposals during the year	-	(1,289)	-	-	(2,746)	-	(4,035)
Transfers	-	40	-	-	(40)	-	-
Transfers from fixed assets (note 11)	-	-	2,183	-	-	-	2,183
Foreign exchange differences	(2,876)	(6,503)	(4,549)	(12,974)	-	(1,979)	(28,881)
At 28 February 2019	27,213	40,687	114,389	52,894	4,000	29,230	268,413
Accumulated amortisation:							
At 1 March 2017	4,266	30,381	23,299	50	-	734	58,730
Amortisation	1,413	3,300	7,123	4,409	-	9,953	26,198
Disposals during the year	469	(124)	-	-	-	-	345
Transfers from fixed assets (note 11)	-	(4)	-	-	-	-	(4)
Reclassification	-	-	8,047	50	-	(50)	8,047
Foreign exchange differences	462	3,215	1,346	412	-	1,179	6,614
At 28 February 2018	6,610	36,768	39,815	4,921	-	11,816	99,930
Amortisation	1,849	3,305	7,846	4,730	-	9,253	26,983
Disposals during the year	-	(1,289)	-	-	-	-	(1,289)
Transfers from fixed assets (note 11)	-	-	780	-	-	-	780
Foreign exchange differences	(765)	(5,367)	(2,131)	(792)	-	(2,062)	(11,117)
At 28 February 2019	7,694	33,417	46,310	8,859	-	19,007	115,287
Carrying amount:							
At 28 February 2018	17,857	7,973	74,324	60,947	2,858	19,393	183,352
At 28 February 2019	19,519	7,270	68,079	44,035	4,000	10,223	153,126

During the year ended 28 February 2019, the group acquired a 20 year Operating Licence, through Liquid Telecommunications DRC S.A.R.L, in the Democratic Republic of Congo ("DRC') for USD 5.6 million. This operating licence will facilitate the deployment and provision of fibre based internet services across DRC.

During the year ended 28 February 2018, the additions related to a Fibre Optical IRU acquired in Botswana for the non-controlling shareholder's contribution to Liquid Telecommunications Botswana (Pty) Limited with a value of USD 9.5 million. The balance of the Fibre Optical IRUs additions related to Mauritius.

10. Intangible assets (continued)

Company

	Software	Fibre Optical - IRU	Other Intangible Assets	Work in Progress	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:					
At 1 March 2017	1,288	-	-	79	1,367
Purchases during the year	17	-	-	271	288
Transfers from fixed assets (note 11)	-	-	-	6	6
Reclassification	155	-	-	(155)	-
Disposals during the year	-	-	-	(68)	(68)
At 28 February 2018	1,460	-	-	133	1,593
Purchases during the year	111	-	-	3,928	4,039
Transfers	40	-	-	(40)	-
Disposals during the year	(1,288)	-	-	(2,746)	(4,034)
At 28 February 2019	323	-	-	1,275	1,598
Accumulated amortisation:					
At 1 March 2017	1,273	-	-	-	1,273
Amortisation	38	-	-	-	38
At 28 February 2018	1,311	-	-	-	1,311
Amortisation	92	-	-	-	92
Disposals	(1,288)	-	-	-	(1,288)
At 28 February 2019	115	-	-	-	115
Carrying amount:					
At 28 February 2018	149	-	-	133	282
At 28 February 2019	208	-	-	1,275	1,483

11. Property, plant and equipment

Group	Land and buildings	Furniture and fittings	Computer equipment	Network equipment	Motor vehicles	Work in progress	Fibre infrastructure	Total
Cost	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
At 1 March 2017	56,875	10,227	30,711	77,720	8,362	41,505	804,658	1,030,058
Acquisition of subsidiaries (note 29)	-	26	68	633	54	-	653	1,434
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 10)	303	-	-	(276)	-	(492)	-	(465)
Transfer to inventory (note 18)	-	-	-	-	-	(9)	-	(9)
Foreign exchange differences	4,962	483	2,944	1,539	1	6,148	58,779	74,856
At 28 February 2018	78,482	11,112	37,472	91,663	8,767	76,024	987,732	1,291,252
Additions	4,960	1,888	6,485	3,865	1,621	25,243	144,436	188,498
Disposals	-	(363)	(753)	(247)	(580)	(5,741)	(17,672)	(25,356)
Transfers	4,630	135	117	3,860	-	(25,632)	16,890	-
Transfer to intangible assets (note 10)	-	-	-	-	-	-	(2,183)	(2,183)
Transfer from inventory (note 18)	-	-	7	-	-	-	-	7
Foreign exchange differences	(7,507)	(630)	(4,861)	(5,333)	(152)	(9,721)	(96,584)	(124,788)
At 28 February 2019	80,565	12,142	38,467	93,808	9,656	60,173	1,032,619	1,327,430
Accumulated depreciation								
At 1 March 2017	14,249	7,765	23,382	57,039	5,157	(2,257)	323,732	429,067
Acquisition of subsidiaries (note 29)	-	14	43	266	34	-	41	398
Depreciation charge for the year	1,844	960	3,796	10,150	1,230	-	49,835	67,815
Disposals	-	(738)	(135)	(280)	(278)	-	(1,769)	(3,200)
Transfer	19	-	6	74	-	-	(99)	-
Transfer to intangible assets (note 10)	-	-	-	4	-	-	-	4
Foreign exchange differences	1,580	384	2,266	1,114	8	-	26,983	32,335
At 28 February 2018	17,692	8,385	29,358	68,367	6,151	(2,257)	398,723	526,419
Depreciation charge for the year	1,701	981	3,447	9,552	882	-	53,433	69,996
Disposals	-	(322)	(742)	(228)	(500)	-	(130)	(1,922)
Transfer to intangible assets (note 10)	-	-	-	-	-	-	(780)	(780)
Foreign exchange differences	(2,586)	(494)	(3,726)	(1,262)	(110)	-	(44,701)	(52,879)
At 28 February 2019	16,807	8,550	28,337	76,429	6,423	(2,257)	406,545	540,834
Carrying amount:								
At 28 February 2018	60,790	2,727	8,114	23,296	2,616	78,281	589,009	764,833
At 28 February 2019	63,758	3,592	10,130	17,379	3,233	62,430	626,074	786,596

Refer to note 22 for securities on property, plant and equipment.

11. Property, plant and equipment (continued)

Company

	Furniture & Fittings	Computer equipment	Work in progress	Total
	USD'000	USD'000	USD'000	USD'000
Cost				
At 1 March 2017	-	138	-	138
Additions	-	17	62	79
Transfers	-	2	(2)	-
Transfer to intangible assets (note 10)	-	-	(6)	(6)
Disposals	-	(2)	-	(2)
Transfer to inventory	-	-	(9)	(9)
At 28 February 2018	-	155	45	200
Additions	12	25	2,143	2,180
Disposals	-	(63)	(2,188)	(2,251)
Transfer from inventory (note 18)	-	7	-	7
At 28 February 2019	12	124	-	136
Accumulated amortisation:				
At 1 March 2017	-	62	-	62
Depreciation charge for the year	-	41	-	41
At 28 February 2018	-	103	-	103
Depreciation charge for the year	1	43	-	44
Disposals	-	(63)	-	(63)
At 28 February 2019	1	83	-	84
Carrying amount:				
At 28 February 2018	-	52	45	97
At 28 February 2019	11	41	-	52

12 Investments in subsidiaries

12.1 Subsidiaries

Name of Company		Principal business activity	Country of Incorporation/ Principal place of business	Status	Percentage Holding	Company's investment 28/02/19	28/02/18
					%	USD'000	USD'000
▪ Liquid Telecommunications Operations Limited	H	Telecommunications	Mauritius	Active	100	-	-
▪ Transaction Payment Solutions Indian Ocean Limited	S	Transaction Payment Solutions & Technology	Mauritius	Active	100	-	-
▪ Liquid Telecommunications Limited	H	Telecommunications & Technology	United Kingdom	Active	100	8,000	8,000
▪ Transaction Payment Solutions International Limited	H	Transaction Payment Solutions & Technology	Mauritius	Active	100	-	-
▪ Transaction Payment Solutions Botswana (Pty) Limited	S	Transaction Payment Solutions & Technology	Botswana	Active	100	-	-
▪ Transaction Payment Solutions Kenya Limited	S	Transaction Payment Solutions & Technology	Kenya	Active	99	-	-
▪ Transaction Payment Solutions Zambia Limited	S	Transaction Payment Solutions & Technology	Zambia	Active	99.995	-	-
▪ Transaction Payment Solutions Nigeria Limited	S	Transaction Payment Solutions & Technology	Nigeria	Dormant	100	-	-
▪ Transaction Payment Solutions South Africa (Pty) Limited t/a Paybay	S	Transaction Payment Solutions & Technology	South Africa	Active	100	-	-
▪ Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	H	Telecommunications	Zimbabwe	Active	100	140,903	5,903
▪ Zimbabwe Online (Private) Limited	S	Telecommunications	Zimbabwe	Active	100	-	-
▪ Liquid Telecommunications Zambia Limited (previously know as CEC Liquid Telecommunications Limited)	H	Telecommunications	Zambia	Active	100	52,197	17,196
▪ HAI Telecommunications Limited	S	Telecommunications	Zambia	Active	100	-	-
▪ Liquid Telecommunications Kenya Limited	H	Telecommunications	Kenya	Active	99.99	50,709	50,709
▪ East Africa Data Centre Limited	S	Telecommunications	Kenya	Active	99.99	-	-
▪ Liquid Telecommunications Uganda Limited	H	Telecommunications	Uganda	Active	99.99	1,463	1,463
▪ Liquid Telecommunications Rwanda Limited	H	Telecommunications	Rwanda	Active	70	5,090	5,090
▪ Liquid Telecommunications DRC S.A.R.L	H	Telecommunications	Democratic Republic of Congo	Dormant	99	50	50

12 Investments in subsidiaries (continued)

12.1 Subsidiaries (continued)

Name of Company		Principal business activity	Country of Incorporation/ Principal place of business	Status	Percentage Holding	Company 28/02/19	Company 28/02/18
					%	USD'000	USD'000
▪ Liquid Telecommunications Operations DRC S.A.R.L	S	Telecommunications	Democratic Republic of Congo	Dormant	100	-	-
▪ Liquid Telecommunications Operations Mozambique Limitada	H	Telecommunications	Mozambique	Dormant	100	2	2
▪ Ipidi Media	H	Telecommunications	Mauritius	Dormant	100	-	-
▪ Liquid Vision Media (Pty) Limited	S	Telecommunications	South Africa	Dormant	100	-	-
▪ Liquid Telecommunications Tanzania Limited	H	Telecommunications	United Republic of Tanzania	Dormant	100	-	-
▪ Liquid Sea Limited (Mauritius)	H	Telecommunications	Mauritius	Active	100	-	-
▪ Africa Digital Networks S.A.R.L Limited	H	Telecommunications	Democratic Republic of Congo	Active	100	100	100
▪ Liquid Telecommunications International FZE	H	Telecommunications	United Arab Emirates	Active	100	545	545
▪ Liquid Telecommunications Botswana (Pty) Limited	H	Telecommunications	Botswana	Active	57.5	10,731	10,731
▪ Liquid Telecommunications Financing PLC	H	Financing for group	United Kingdom	Active	100	130	130
▪ Liquid Telecommunications Investments Limited	S	Financing for group	United Kingdom	Active	100	-	-
▪ Raha Tanzania Holdings Limited	H	Telecommunications	Mauritius	Active	70	12,650	12,650
▪ Raha Limited	S	Telecommunications	United Republic of Tanzania	Active	100	-	-
▪ Zanlink Limited	S	Telecommunications	United Republic of Tanzania	Active	70	-	-
▪ Liquid Telecommunications Holdings South Africa (Pty) Limited	H	Telecommunications	South Africa	Active	100	398,599	333,970
▪ Liquid Telecommunications Operations South Africa (Pty) Limited	S	Telecommunications	South Africa	Dormant	100	-	-
▪ Liquid Telecommunications South Africa (Pty) Limited	S	Telecommunications	South Africa	Active	100	-	-
▪ Liquid Telecommunications Sahara Holdings Limited	H	Telecommunications	Mauritius	Active	100	1	-
▪ Liquid Telecommunications Co. Limited	S	Telecommunications	Sudan	Active	100	-	-
▪ Liquid Telecom West Africa Data Centre Ghana Limited	H	Telecommunications	Ghana	Active	100	-	-
▪ Liquid Telecom West Africa Data Centre Nigeria Limited	H	Telecommunications	Nigeria	Active	100	-	-
						681,170	446,539

H = This is a direct holding by Liquid Telecommunications Holdings Limited.

S = This is an indirect holding.

See note 39.1 for additional non-cash investment in subsidiaries made during the year ended 28 February 2019.

12 Investments in subsidiaries (continued)

12.1 Subsidiaries (continued)

The directors have valued the unquoted investments in subsidiaries at cost of the investments less impairments. In the prior year, the financial statements of Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe have been consolidated, despite owning a 49% shareholding, on the basis that Liquid Telecommunications Holdings Limited exerts sufficient management control and power over these entities. Refer to note 1.1 for critical accounting judgements and key sources of estimation uncertainty. See note 12.2 below for the current year position.

12.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

	Proportion of ownership interests held by non-controlling interests		Profit / (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	28/02/19	28/02/18	28/02/19	28/02/18	28/02/19	28/02/18
	%	%	USD'000	USD'000	USD'000	USD'000
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	-	51	(41,429)	17,964	-	63,003
Liquid Telecommunications Zambia Limited (previously know as CEC Liquid Telecommunications Limited)	-	50	(561)	(312)	-	16,524
Individually immaterial subsidiaries with non-controlling interests			(1,402)	(4,619)	10,458	14,218
			(43,392)	**13,033**	**10,458**	**93,745**

During the year ended 28 February 2019, the company acquired the following:

(i) the remaining shares in Liquid Telecommunications Zambia Limited (previously know as CEC Liquid Telecommunications Limited) for a total consideration of USD 35.0 million.
(iI) the remaining shares in Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe for a non-cash consideration of USD 135.0 million. See note 39.1 and 42.

In December 2017, Royal Bafokeng Holdings Limited, who had a 30% interest in Liquid Telecommunications Holdings South Africa (Pty) Limited agreed with the company that it would:

(i) exchange their 30% economic interest in the South Africa Group for shareholding in the company and
(ii) subscribe for additional shares in the company for a total subscription price of USD 22.2 million.

After the exchange and subscription was completed the company owned 100% of Liquid Telecommunications Holdings South Africa (Pty) Limited and Royal Bafokeng Holdings held 10.34% of the total issued ordinary shares in Liquid Telecommunications Holdings Limited.

12 Investments in subsidiaries (continued)

12.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of each of the group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

The assets and liabilities of Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe have been translated at a rate of RTGS:USD 2.5:1 at 1 October 2018 and at the balance sheet date, unless the underlying asset or liability was incurred in USD. In this instance the value has been maintained at RTGS:USD 1:1. As set out in note 1.1 - *Zimbabwean Real Time Gross Settlement (RTGS)* , items for profit or loss have been retranslated at the rate of RTGS:USD 1:1 for the period 1 March 2018 to 30 September 2018 and at RTGS:USD 2.5:1 for the period 1 October 2018 to 28 February 2019.

On 28 February 2019, 10,705,789 ordinary shares at par value of USD 0.0297541580 were issued by the company to Econet Wireless Private Limited (Zimbabwe) in exchange for the acquisition of the remaining shares in Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe for total consideration of USD 135.0 million. See note 39.1 and note 42.

	28/02/19	28/02/18
	USD'000	USD'000
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe		
Current assets	-	169,006
Non-current assets	-	219,069
Current liabilities	-	(155,412)
Non-current liabilities	-	(109,127)
Equity attributable to owners of the company	-	60,534
Non-controlling interests	-	63,003
Revenue	116,919	131,001
Expenses	(198,153)	(95,777)
(Loss) / Profit for the year	(81,234)	35,224
(Loss) / Profit attributable to owners of the company	(39,805)	17,260
(Loss) / Profit attributable to the non-controlling interests	(41,429)	17,964
(Loss) / Profit for the year	(81,234)	35,224
(Loss) / Profit and total comprehensive income attributable to owners of the company	(39,805)	17,260
(Loss) / Profit and total comprehensive income attributable to the non-controlling interests	(41,429)	17,964
(Loss) / Profit and total comprehensive income for the year	(81,234)	35,224
Net cash inflow from operating activities	14,407	89,718
Net cash inflow from investing activities*	389	(36,846)
Net cash inflow	14,796	52,872

* The net cash inflow from investing activities excludes the USD 54 million adjustment to cash and cash equivalents resulting from the currency changes in Zimbabwe.

12 Investments in subsidiaries (continued)

12.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Liquid Telecommunications Zambia Limited (previously know as CEC Liquid Telecommunications Limited)

On 1 October 2018, the company acquired the remaining shares in Liquid Telecommunications Zambia Limited (previously know as CEC Liquid Telecommunications Limited) for a total consideration of USD 35.0 million. The reported figures below, as at 28 February 2019, relate to first 7 months' of transactions.

	28/02/19 USD'000	28/02/18 USD'000
Current assets	-	16,639
Non-current assets	-	59,879
Current liabilities	-	(17,965)
Non-current liabilities	-	(25,505)
Equity attributable to owners of the company	-	16,524
Non-controlling interests	-	16,524
Revenue	19,312	28,928
Expenses	(20,435)	(29,552)
(Loss) / profit for the year	(1,123)	(624)
(Loss) / profit attributable to owners of the company	(561)	(312)
(Loss) / profit attributable to the non-controlling interests	(561)	(312)
(Loss) / profit for the year	(1,122)	(624)
(Loss) / profit and total comprehensive income attributable to owners of the company	(561)	(289)
(Loss) / profit and total comprehensive income attributable to the non-controlling interests	(561)	(289)
(Loss) / profit and total comprehensive income for the year	(1,122)	(578)
Net cash inflow from operating activities	3,666	7,977
Net cash outflow from investing activities	(8,705)	(7,684)
Net cash inflow from financing activities	123	4,069
Net cash inflow / (outflow)	(4,916)	4,362

12.3 Change in the group's ownership interest in a subsidiary

On 28 February 2019, the company acquired the remaining shares in Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe for non-cash consideration of USD 135.0 million. Refer to note 12.2 for more details.

On 1 October 2018, the company acquired the remaining shares in Liquid Telecommunications Zambia Limited (previously know as CEC Liquid Telecommunications Limited) for a total consideration of USD 35.0 million. Refer to note 12.2 for more details.

The ownership structure of Liquid Telecommunications Operations DRC S.A.R.L was also amended, with the group increasing its ownership from 97.5% to 100% for a non-cash consideration of USD 450,000. See note 39.1 for more details.

During the year ended 28 February 2018, the group acquired the non-controlling economic interest from Royal Bafokeng Holdings Limited in Liquid Telecommunications Holdings South Africa (Pty) Limited. Refer to note 12.2 for more details.

	Group	
	28/02/19	**28/02/18**
	USD'000	**USD'000**
Carrying amount of non-controlling interest acquired	36,557	64,024
Additional consideration	(170,450)	(84,703)
Excess of consideration paid recognised in parent's equity	**(133,893)**	**(20,679)**

13. Investment in associate

Name of associate	Principal activity	Country of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests 28/02/19	28/02/18
			%	%
Number Portability Company (Pty) Limited	Telecommunications	South Africa	20	20

Pursuant to the shareholder agreement, the company has the right to cast 20% of the vote at shareholder meetings of Number Portability Company (Pty) Limited.

Summarised is the financial information in respect of the group's associate where it has significant interest.

	28/02/19	28/02/18
Number Portability Company (Pty) Limited	**USD'000**	**USD'000**
Total assets	2,621	2,718
Total liabilities	(220)	(188)
Net assets	2,401	2,530
Revenue	1,867	1,827
Profit for the period	308	531
Total comprehensive income for the year	308	531
Group's share of net assets of associate	480	506
Carrying amount of the group's interest in Number Portability Company (Pty) Limited:		
Opening balance	506	378
Share of profits of associates	62	76
Foreign exchange difference	(88)	52
Closing balance	480	506

14. Investments

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Opening balance	12,447	15,785	10,810	15,000
Additions	310	63,162	-	62,310
Impairment	(1,943)	-	-	-
Unwinding of agreement	-	(66,500)	-	(66,500)
Total investments	**10,814**	**12,447**	**10,810**	**10,810**
Investment details:				
Investments in equity instruments designated as at FVTOCI*	10,814	12,447	10,810	10,810
Total investments	**10,814**	**12,447**	**10,810**	**10,810**

*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 sufficient more recent information is not 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.

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

During the year ended 28 February 2018, the company acquired preference shares in Thames View for USD 2.3 million. Thames View will hold equity investments in Africa (except South Africa) and Europe.

During the year ended 28 February 2018, the company's 34% investment of USD 6.5 million in Burundi Backbone Systems SM (“BBS”) was reversed due to the company being unable to register the shares.

During the year ended 28 February 2018, the company acquired 19.98% of Econet Media Limited for USD 60.0 million. Subsequent to the year end, both parties agreed to reverse the subscription agreement at 28 February 2018. Proceeds of USD 60.0 million from the unwinding were received during the year ended 28 February 2019.

15. Deferred taxation

Deferred tax assets and liabilities are offset where the group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Group	
	28/02/19	**28/02/18**
	USD'000	**USD'000**
Net deferred tax assets	34,938	37,115
Net deferred tax liabilities	(62,909)	(46,955)
Net deferred tax assets / (liabilities)	**(27,971)**	**(9,840)**

	Deferred revenue	**Property, plant and equipment**	**Assessed Losses**	**Other**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Group - Gross deferred tax assets:					
At 1 March 2017	9,031	806	38,685	3,026	51,548
Credit to profit for the year	139	52	-	2,850	3,041
Foreign exchange difference	(2)	109	2,225	386	2,718
At 28 February 2018	9,168	967	40,910	6,262	57,307
(Charge)/Credit to profit for the year	(156)	229	3,193	-	3,266
Foreign exchange difference	(493)	(950)	(3,627)	4,248	(822)
At 28 February 2019	**8,519**	**246**	**40,476**	**10,510**	**59,751**

15. Deferred taxation (continued)

	Deferred revenue	Property, plant and equipment	Other	Total
	USD'000	USD'000	USD'000	USD'000
Group - Gross deferred tax liabilities:				
At 1 March 2017	(3,080)	(42,819)	(10,066)	(55,965)
(Charge) / credit to profit for the year	(3,158)	741	(8,281)	(10,698)
Acquisition of subsidiaries (note 29)	-	(558)	-	(558)
Foreign exchange difference	74	-	-	74
At 28 February 2018	(6,164)	(42,636)	(18,347)	(67,147)
(Charge) / credit to profit for the year	(1,742)	(388)	(15,224)	(17,354)
Adjustment - IFRS 15 and IFRS 9	(211)	-	(245)	(456)
Foreign exchange difference	7,936	(20,130)	9,429	(2,765)
At 28 February 2019	**(181)**	**(63,154)**	**(24,387)**	**(87,722)**

Management have carried out an assessment of the group's ability to utilise its tax losses in the relevant territories, based on the business plans over a five year time term as the most appropriate recognition period and have concluded that the same is recoverable. The deferred tax asset recognised on tax losses in the group is USD 40.5 million (2018: USD 40.9 million), of which the most material balances are in South Africa (USD 27.3 million) and Kenya (USD 10.3 million). The tax losses for Liquid Telecommunication South Africa (Pty) Limited are USD 479.1 million (2018: USD 589 million) of which USD 27.3 million deferred tax asset has been recognised and the tax losses for Liquid Telecommunications Kenya Limited are USD 79.1 million (2018: USD 53.5 million) of which USD 10.3 million deferred tax asset has been recognised.

16. Investments at amortised cost

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
CABS housing scheme	1,384	3,206	-	-
	1,384	**3,206**	**-**	**-**

The CABS balance is an investment initially placed in March 2011 that backs the Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe Staff Housing Scheme that matures in 2025 at a pre-tax interest rate of 8% per annum. None of these assets were past due or impaired at the end of the reporting period.

17. Long term receivables

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Long term intercompany receivables (note 30)	-	-	181,234	153,920
Other receivables	437	1,153	-	-
	437	**1,153**	**181,234**	**153,920**

Other receivables include an operating lease with Zimbabwe Electricity Transmission and Distribution Company (ZETDC) to rent their infrastructure over a minimum period of 25 years for which a prepayment of RTGS 1.4 million (USD 0.56 million) has been made. This prepayment will be amortised over the life of the lease.

18. Inventories

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Goods for resale	12,200	31,836	7	8
Provision for obsolete inventory	(104)	(329)	-	-
Inventory written off	(388)	(206)	-	-
Transfer (to) / from Property, plant and equipment (Note 11)	(7)	9	(7)	-
	11,701	**31,310**	**-**	**8**
Cost of inventories expensed	16,059	17,437	-	-

The directors are of the opinion that the inventory amounts are recorded at values not in excess of their net realisable value.

19. Trade and other receivables

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Trade receivables	122,767	114,676	-	192
Allowance for doubtful debts	(32,096)	(27,123)	-	(192)
Affiliated entities (note 30)	34,055	48,571	10,482	12,908
Total trade and affiliated entities receivables, net of allowance for doubtful debts	**124,726**	**136,124**	**10,482**	**12,908**
Short-term inter-company receivables (note 30)	7,051	74,420	87,680	143,083
Sundry debtors	11,636	17,642	-	54
Deposits paid	4,596	4,078	-	-
Prepayments	24,577	29,941	2,311	2,197
Prepayments to related parties (note 30)	-	15,073	-	15,072
	172,586	**277,278**	**100,473**	**173,314**

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 as well as certain assumptions about the risk and probability of default together with expected loss rates. The group assesses the recoverability on both a collective and individual basis.

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

The receivable balances from affiliated entities and other related parties are unsecured, interest free and are repayable within the next 6 months.

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Ageing of past due but not impaired:				
31 - 60 Days	15,205	18,589	512	318
61 - 90 Days	6,659	6,343	462	204
91 - 120 Days	5,966	5,270	175	205
121 + Days	36,090	23,501	8,367	11,864
	63,920	53,703	9,516	12,591
Current items	60,806	82,421	966	317
Total trade and affiliated entities receivables, net of allowance for doubtful debts	**124,726**	**136,124**	**10,482**	**12,908**

In addition to the current items not yet due of USD 60.6 million (28 February 2018: USD 82.4 million) and USD 1.0 million (28 February 2018: USD 0.3 million) for the group and company respectively, 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 above.

Included in amounts past due but not impaired are USD 36.3 million (28 February 2018: USD 23.5 million) of receivables from the Econet Group. Refer to note 30 for the total breakdown of Econet Group trade receivables.

The following table details the risk profile of trade receivables:

	Current	**31 - 60**	**61 - 90**	**91 - 120**	**> 120**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Group - 2019						
Average expected default rate	4.1%	2.9%	4.8%	31.2%	41.9%	
Trade and affiliated entities receivables - Gross	63,382	15,663	6,994	8,676	62,107	156,822
Lifetime ECL	2,576	458	335	2,710	26,017	32,096
Group - 2018						
Average expected default rate	0.5%	1.8%	1.1%	41.0%	49.1%	
Trade and affiliated entities receivables - Gross	82,801	18,937	6,413	8,932	46,164	163,247
Lifetime ECL	380	348	70	3,662	22,663	27,123

19. Trade and other receivables (continued)

	Current USD'000	31 - 60 USD'000	61 - 90 USD'000	91 - 120 USD'000	> 120 USD'000	Total USD'000
Company - 2019						
Average expected default rate	0.0%	0.0%	0.0%	0.0%	0.0%	
Trade and affiliated entities receivables - Gross	966	512	462	175	8,367	10,482
Lifetime ECL	-	-	-	-	-	-
Company - 2018						
Average expected default rate	0.0%	0.0%	0.0%	0.0%	1.6%	
Trade and affiliated entities receivables - Gross	317	318	204	205	12,056	13,100
Lifetime ECL	-	-	-	-	192	192

The following table shows the movement in lifetime expected credit loss ("ECL") that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
Movement in the allowance for doubtful debt:	USD'000	USD'000	USD'000	USD'000
Opening balance - Under IAS 39	(27,123)	(20,068)	(192)	-
Adjustment upon application of IFRS 9	(1,758)	-	-	-
Opening balance - restated	(28,881)	(20,068)	(192)	-
Doubtful debt provision raised	(7,890)	(6,435)	-	(192)
Bad debts recovered	211	205	192	-
Reversal of provision	191	1,135	-	-
Foreign exchange differences	4,273	(1,960)	-	-
Closing balance	**(32,096)**	**(27,123)**	**-**	**(192)**

20. Cash and cash equivalents, and restricted cash and cash equivalents

Cash and bank balances	77,222	140,718	781	200
Money market deposits	16,053	20,000	-	-
Cash and cash equivalents	**93,275**	**160,718**	**781**	**200**
Restricted cash and cash equivalents	1,807	2,937	-	-
Total cash and cash equivalents	95,082	163,655	781	200

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

Cash and cash equivalents include USD 49.1 million in Zimbabwe held in cash, short term deposits and similar instruments. These amounts have been translated at the rate of RTGS:USD of 2.5:1. See note 1.1 - *Zimbabwean Real Time Gross Settlement (RTGS)* for more detailed disclosure on RTGS.

The group and company have restricted cash for the following purposes:

Guarantees	425	1,488	-	-
Customer deposits held	1,382	1,449	-	-
	1,807	**2,937**	**-**	**-**

21. Share capital and share premium

	Group & Company	
	28/02/19	28/02/18
	USD'000	USD'000
Issued and paid share capital		
Ordinary shares	**3,638**	**3,319**
Share premium	**251,446**	**116,765**

21. Share capital and share premium (continued)

During the year ended 28 February 2018, the 1,000 Class A and Class B shares were converted into 100,000,000 ordinary shares. The Class A and Class B ordinary shares in previous years ranked equally in all respects and each share carried one vote. The ordinary shares have a par value of USD 0.0297541580 each. The holders of ordinary shares have voting rights of one vote per ordinary share. Each ordinary share has equal rights on distribution of income and capital.

The share capital above represents 122,236,964 ordinary shares (2018: 111,531,175 ordinary shares - 100,000,000 ordinary shares relating to the share conversion and 11,531,175 ordinary shares issued to the Royal Bafokeng Holding Limited as part of the exchange of Royal Bafokeng Holding Limited's shareholding in Liquid Telecommunications Holdings South Africa (Pty) Limited for a 10.34% stake in Liquid Telecommunications Holdings Limited – refer to note 12 for more detail) with a par value of USD 0.0297541580 each.

Movement in capital:	**Number of shares**	**Share capital**	**Share Premium**
		USD'000	**USD'000**
Balance at 1 March 2017	1,000	1	2,333
Conversion of issued share capital	99,999,000	2,974	(2,974)
Issue of shares - exchange	9,769,484	292	95,236
Issue of shares - cash	1,761,691	52	22,170
Balance at 28 February 2018	111,531,175	3,319	116,765
Issue of shares - non-cash (note 39)	10,705,789	319	134,681
Balance at 28 February 2019	122,236,964	**3,638**	**251,446**

Acquisition of Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe ("LTZ") remaining shares

The company issued 10,705,789 ordinary shares to Econet Wireless Zimbabwe Limited ("EWZ") on 28 February 2019 in connection with the company's acquisition of LTZ shares from EWZ (the "LTZ share acquisition"). Pursuant to arrangements between the company and EWZ made in connection with the LTZ share acquisition, these shares have restricted rights and are redeemable until such time as all final approvals have been received. Management anticipate that the final approval from the Reserve Bank of Zimbabwe, the last condition to be satisfied, will be received in due course. In the event that the LTZ share acquisition does not fully close by 31 December 2019 (or such other date agreed by the parties), ownership of the shares shall revert to the company.

Royal Bafokeng Holding Limited - 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 28 February 2019. Management have considered a range of scenarios and as an illustration, should the market price be 5% below the agreed price the prescribed calculations indicate an additional USD 1.2 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.

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

	Group		**Company**	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
22a. Long term borrowings:	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Stanbic Bank of Zambia Limited	14,672	15,529	-	-
USD 730 million 8.5% Senior Secured Notes	718,118	714,546	-	-
USD 10 million Cisco loan facility	-	1,125	-	-
Other long term borrowings	-	14	-	-
	732,790	**731,214**	**-**	**-**
22b. Short term portion of long term borrowings:				
Stanbic Bank of Zambia Limited	3,813	3,847	-	-
USD 730 million 8.5% Senior Secured Notes	8,273	8,273	-	-
USD 10 million Cisco loan facility	1,137	1,927	-	-
USD 73 million revolving credit facility (repaid in full in April 2019)	73,083	-	73,083	-
Other short term borrowings	940	972	-	-
	87,246	**15,019**	**73,083**	**-**

22. Short term portion of long term borrowings and long term borrowings (continued)

In July 2017, Liquid Telecommunications Financing Plc issued USD 550.0 million Senior Secured notes. In November 2017, further USD 180.0 million Senior Secured notes were issued which form a single series with the original notes with a premium of USD 9.0 million. The Senior Secured notes bear interest, payable half yearly, at the rate of 8.5% and are payable at maturity in July 2022. As at 28 February 2019, the USD 730.0 million 8.5% Senior Secured notes due in 2022 issued by Liquid Telecommunications Financing Plc are guaranteed on a Senior Secured basis by: Liquid Telecommunications Holdings Limited, Liquid Telecommunications Operations Limited, Liquid Telecommunications Limited, Liquid Telecommunications Investments Limited, Liquid Telecommunications Kenya Limited, Liquid Telecommunications Holdings South Africa (Pty) Limited, Liquid Telecommunications Operations SA (Pty) Limited, Liquid Telecommunications South Africa (Pty) Limited and Liquid Telecommunications Zambia Limited (previously known as CEC Liquid Telecommunications Limited) with various types of collateral. Such collateral includes (among other things): (i) share pledges and charges over assets, and including bank accounts, (ii) assignment over present and future intercompany loans receivables and agreements (iii) assignment over receivables including trade debtors, intellectual property rights and insurances, and (iv) deed of hypothecation over trademarks.

In addition to the bonds, the group has a USD 73.0 million Revolving Credit Facility agreement between the company, The Mauritius Commercial Bank (participation previously owned by Citibank, N.A.), Standard Bank of South Africa, Standard Finance (Isle of Man) Limited, Standard Chartered Bank and ING Bank N.V. The Revolving Credit Facility is secured and is guaranteed on a senior secured basis by, Liquid Telecommunications Operations Limited, Liquid Telecommunications Limited, Liquid Telecommunications Financing Plc, Liquid Telecommunications Investments Limited, Liquid Telecommunications Kenya Limited, Liquid Telecommunications Holdings South Africa (Pty) Limited, Liquid Telecommunications Operations SA (Pty) Limited, Liquid Telecommunications South Africa (Pty) Limited and Liquid Telecommunications Zambia Limited (previously known as CEC Liquid Telecommunications Limited). The obligations under the Revolving Credit Facility are secured equally and ratably with the Senior Secured notes by first priority liens over the security. The Revolving Credit Facility 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 28 February 2019, the company has drawn down all of the facility. The facility was repaid in full in April 2019.

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

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

In the prior year the group repaid the following loans:

- The ZAR 2.95 billion loan facility between Neotel (Pty) Limited (currently known as Liquid Telecommunications South Africa (Pty) Limited), Standard Bank of South Africa Limited and Nedbank Limited,
- The USD 300 million loan facility agreement between the company and Standard Bank of South Africa Limited, and
- The long term payable to Tata Communications International Pte Limited amounting USD 56.5 million.

23. Long term intercompany borrowing

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Long term intercompany payables (note 30)	-	-	434,773	430,950
Intercompany equity loans payables (note 30)	-	-	8,878	9,631
	-	-	443,651	440,581

The company's long term intercompany payable to Liquid Telecommunications Financing Plc is unsecured, denominated in USD, bears interest at the rate of 8.5% and is repayable in July 2022.

24. Other long term payables

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Senior Secured notes premium	4,567	6,497	-	-
Unfavourable contracts	10,479	9,383	-	-
	15,046	**15,880**	**-**	**-**

The USD 180.0 million senior secured notes were issued in November 2017 at a premium totalling USD 9.0 million and are being amortised over the period of the bond (refer to note 22 for terms).

The breakdown of unfavourable contracts is as follows:

SEACOM Limited	10,479	9,383	-	-
	10,479	9,383	-	-

Refer to note 25 for the unfavourable contracts terms.

25. Trade and other payables

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Trade accounts payable	76,301	96,120	1,940	1,170
Payable balance to affiliated entities (note 30)	3,155	4,358	9,674	5,857
Short-term inter-company payables (note 30)	-	-	16,437	9,851
Accruals	56,383	62,341	5,674	3,882
Staff payables	1,746	3,005	-	-
Transaction taxes due in various jurisdictions	3,494	5,275	-	-
Unfavourable contracts (short term portion)	579	1,156	-	-
Senior Secured notes premium	1,930	1,930	-	-
Other short term payables	8,224	7,373	-	-
	151,812	**181,558**	**33,725**	**20,760**

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

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

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

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

The breakdown of unfavourable contracts is as follows:

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
Short term portion of unfavourable contracts:	USD'000	USD'000	USD'000	USD'000
SEACOM Limited	579	756	-	-
Tata Communications International Pte Limited	-	400	-	-
	579	**1,156**	**-**	**-**

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.

25. Trade and other payables (continued)

The group purchased Liquid Telecommunications South Africa (Pty) Limited and as part of the IFRS 3 fair value assessment two unfavourable contracts with Tata Communications International Pte Limited and SEACOM were identified. The contracts relate to unfavorable 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.

26. Long term and short term provisions

	Leave provision	Licence fee provision	Total
	USD'000	USD'000	USD'000
Long term provisions:			
At 1 March 2017	-	4,059	4,059
Reclassification to short term portion	-	(3,205)	(3,205)
Foreign exchange difference	-	68	68
At 28 February 2018	-	922	922
Reclassification to short term portion	-	(922)	(922)
At 28 February 2019	-	-	-

	Leave Pay provision	Bonus provision	NIP provision	Licence fee provision	Other provision	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Short term provisions:						
At 1 March 2017	2,123	8,277	-	10,963	139	21,502
Additional provisions raised	2,146	8,529	3,087	620	49	14,431
Reclassification from long term portion	-	-	-	3,205	-	3,205
Payment/Reversal	(1,469)	(5,452)	-	(6,583)	(56)	(13,560)
Acquisition of subsidiaries (Note 29)	-	7	-	5	-	12
Foreign exchange difference	173	1,167	373	982	1	2,696
At 28 February 2018	2,973	12,528	3,460	9,192	133	28,286
Additional provisions raised	96	1,313	306	199	83	1,997
Reclassification from long term portion	-	-	-	922	-	922
Payment/Reversal	(447)	(360)	-	(5,072)	385	(5,494)
Foreign exchange difference	(318)	(1,605)	(599)	(560)	3	(3,079)
At 28 February 2019	**2,304**	**11,876**	**3,167**	**4,681**	**604**	**22,632**

Leave pay provisions relate to employee annual leave and are accrued as the employees' right to annual leave vests.

Bonuses are payable to all eligible staff according to the terms of the group's remuneration policy. The individual payout is a percentage of the total cost to the group, taking into account the employee's level, individual performance rating and group performance. The payment is time-apportioned based on the length of time the employee has been employed by the group in the current year. The actual payments are made post financial year end, subsequent to approval by the Remuneration Committee and the Board of Directors.

Liquid Telecommunications South Africa (Pty) Limited (LTSA) entered into an agreement with the Western Cape Provincial Government of South Africa on the 31st August 2015 for the roll out of the Broadband Network services. As part of the agreement, LTSA incurs an obligation for the National Industrial Participation (NIP) payable to the Department of Trade and Industry based on 30% of the value of imported goods and services above the USD 10 million threshold.

The licence fee provision includes provision for Liquid Telecommunications South Africa (Pty) Limited's corporate social responsibility obligation in respect of the licence held with ICASA, to provide ICT services to 750 public schools over a four-year period. The ICT services include the provision of the local area network, the wide area network and end user devices in schools and training. Liquid Telecommunications South Africa (Pty) Limited has capitalised the obligation by raising a provision at the estimated present value of the total obligation. This is reassessed annually. In assessing the present value of the ICASA obligation, a discount rate of 13.4% (2018: 13.3%) per annum has been applied.

27. Deferred revenue

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Long term portion of deferred revenue	54,422	53,702	-	-
Short term portion of deferred revenue	21,960	27,188	18	-
	76,382	**80,890**	**18**	**-**

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 advance 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.

28. Cash generated from operations

		Group		Company	
	Notes	28/02/19	28/02/18	28/02/19	28/02/18
		USD'000	USD'000	USD'000	USD'000
(Loss) / Profit before tax		(88,591)	17,732	(19,465)	(24,182)
Adjustments for:					
Depreciation, impairment and amortisation	5	99,414	94,347	2,299	309
Bad debts provision / (reversed)		8,337	5,091	(192)	192
Bad debts recovered	5	(211)	(205)	(192)	-
Increase / (decrease) in provisions	26	1,877	(2,765)	-	-
Foreign exchange loss / (gain)		94,160	(158)	104	180
Profit on disposal of fixed assets		(54)	(275)	-	
Interest income	6	(5,589)	(3,383)	(17,686)	(13,326)
Finance costs	7	73,528	78,961	38,525	41,879
Share of profits of associates	13	(62)	(76)	-	-
		182,809	189,269	3,393	5,052
Working capital changes:					
Decrease / (increase) in inventories		185	(8,723)	1	1
(Increase) / decrease in trade and other receivables		(886)	(41,483)	13,838	(28,575)
(Decrease) / increase in trade and other payables		(6,217)	17,455	11,062	(176)
(Decrease) / increase in deferred revenue		(3,537)	10,763	18	-
(Decrease) / increase in accruals		(2,466)	19,809	1,792	(1,543)
Increase / (decrease) in unfavourable contracts		917	(3,135)	-	-
Cash generated from / (used in) operations		**170,805**	**183,955**	**30,104**	**(25,241)**

29. Acquisition / disposal of subsidiary company

2019: Group

There were no acquisitions and disposals during the year ended 28 February 2019.

2018: Group

Acquistion of Zanlink Limited

On 1 June 2017, the company acquired 70% of Zanlink Limited based in Tanzania, through Raha Tanzania Holdings Limited.

The purpose of the acquisition was to follow the strategic direction of the group in acquiring companies that extend the fibre coverage of the Liquid Telecommunications Group within Africa.

The transaction has been accounted for using the acquisition method of accounting as established by IFRS 3.

	Fair value USD'000
Intangible assets	1,581
Property, plant and equipment	1,036
Inventories	126
Trade receivables	323
Other receivables	598
Cash at bank	303
Trade payables	(226)
Accruals	(218)
Deferred revenue short term	(340)
Deferred tax liabilities	(558)
Other payables	(61)
Non-controlling interest	(507)
Net assets value (100%)	2,057
Non-controlling interest	(890)
Net assets acquired	**1,167**
Goodwill (note 9)	2,183
Total consideration	**3,350**

Net cash outflow on acquisition of subsidiary	
Total cash consideration	(3,350)
Bank balances and cash equivalents	303
Net cash outflow arising on acquisition	**(3,047)**

There is no contingent consideration payable and the consideration transferred represents the full purchase price.

Assets acquired and liabilities recognised at the date of acquisition

The identifiable assets and liabilities are recognised at their fair values at the acquisition date. Consideration has been given to the current assets and liabilities in arriving at the recognised fair value assets at the acquisition date.

Included under Property, plant and equipment is an extensive aerial fibre network that provides connectivity in the Zanzibar island with metro rings built across Zanzibar for overall network availability, performance and redundancy. The Fibre network was valued by in-house technical specialists at depreciated replacement cost of USD 393,000.

The company has approximately 811 customer connections. These connections can vary from fairly complex connections into high buildings to a normal connection into a standard office. The replacement value of 811 connections was used to fair value the customer connections at USD 252,000.

The customer contracts and customer relationships have been fair valued using the income approach, using an annual churn rate of 3.8% and a discount rate of 15%.

In arriving at the fair value of assets and liabilities, a tax base difference arose and this is accounted for as part of the fair value adjustment. This has been included above.

29. Acquisition / disposal of subsidiary company (continued)

2018: Group (continued)

No contingent liabilities have been recognised in the business combination.

Goodwill arising on acquisition

	USD'000
Consideration transferred	3,350
Fair value of identifiable net assets acquired net of bridging loan	(1,167)
Goodwill arising on acquisition	**2,183**

Goodwill that arose on the acquisition of Zanlink Limited was due to the fact that the cost of the combination included a control premium.

These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identified intangible assets.

The non-controlling interest (30% ownership in Zanlink Limited and the 30% in Raha Tanzania Holdings Limited) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to USD 890,000.

Included in the profit for the 2018 financial year is USD 327,000 attributable to the additional business generated by Zanlink Limited. Revenue for the year includes USD 1.9 million in respect of Zanlink Limited from the respective date of acquisition.

Acquisition of Liquid Telecommunications South Africa (Pty) Limited

On the 10 of February 2017, the company acquired 70% of Liquid Telecommunications South Africa (Pty) Limited through Liquid Telecommunications Holdings South Africa (Pty) Limited.

The final consideration of USD 14.5 million was paid during the year ended 28 February 2018.

30. Related party transactions

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 group note. The transactions between related parties are entered into at arm's length in accordance with the group's transfer pricing policies. During the year, the group and company entered into the following trading transactions with related parties:

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Sales of goods and services:				
Econet Global Related Group Companies	102,529	107,948	-	-
	102,529	**107,948**	**-**	**-**
Purchase of goods and services:				
Econet Global Related Group Companies	29,399	29,965	-	-
	29,399	**29,965**	**-**	**-**
Management fees paid:				
Econet Global Related Group Companies	1,500	1,500	1,500	1,500
Liquid Telecommunications Limited	-	-	5,097	5,141
Liquid Telecommunications Operations Limited	-	-	-	128
Liquid Telecommunications Kenya Limited	-	-	111	266
Liquid Telecommunications South Africa (Pty) Limited	-	-	5,601	3,290
Liquid Telecommunications International FZE	-	-	594	582
	1,500	**1,500**	**12,903**	**10,907**
Management fees received:				
Econet Global Related Group Companies	9	-	-	-
Liquid Telecommunications Operations Limited	-	-	-	478
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	-	-	1,467	989
HAI Telecommunications Limited	-	-	-	371
	9	**-**	**1,467**	**1,838**
Dividend received:				
Liquid Telecommunications Operations Limited	-	-	30,000	30,000
	-	**-**	**30,000**	**30,000**
Dividend paid:				
Econet Global Limited	13,500	13,500	13,500	13,500
	13,500	**13,500**	**13,500**	**13,500**
Finance costs:				
Liquid Telecommunications Limited	-	-	71	40
Liquid Telecommunications Operations Limited	-	-	-	20
Liquid Telecommunications Financing Plc	-	-	36,929	21,225
	-	**-**	**37,000**	**21,285**
Administration fees paid:				
DTOS Limited	309	258	169	158

30. Related party transactions (continued)

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Interest income:				
Econet Global Related Group Companies	338	940	235	871
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	-	-	7,601	6,101
Liquid Telecommunications DRC S.A.R.L	-	-	1,018	43
Liquid Telecommunications Operations Limited	-	-	1,176	976
Africa Digital Networks S.A.R.L Limited	-	-	607	437
East Africa Data Centre	-	-	172	130
Liquid Telecommunications Uganda Limited (previously known as Infocom 2013 Limited	-	-	1,143	885
Liquid Telecommunications International FZE	-	-	512	337
Liquid Telecommunications Kenya Limited	-	-	4,542	3,190
Liquid Telecommunications Data International	-	-	-	-
Liquid Telecommunications Rwanda Limited	-	-	180	124
Liquid Sea Limited	-	-	74	93
Raha Tanzania Holdings Limited	-	-	372	128
Liquid Telecommunications Botswana (Pty) Limited	-	-	54	21
	338	**940**	**17,686**	**13,336**
Long term intercompany payables:				
Liquid Telecommunications Financing Plc	-	-	434,773	430,950
	-	**-**	**434,773**	**430,950**

The long term intercompany payable to Liquid Telecommunications Financing Plc is unsecured, denominated in USD, bears interest at the rate of 8.5% and is repayable in July 2022.

Long term intercompany receivables:				
Liquid Telecommunications Sahara Holdings Limited	-	-	180	-
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	-	-	71,631	71,631
Liquid Telecommunications Kenya Limited	-	-	54,336	43,226
Liquid Sea Limited	-	-	-	1,783
Africa Digital Networks S.A.R.L Limited	-	-	8,182	6,317
Liquid Telecommunications Rwanda Limited	-	-	2,440	2,259
East Africa Data Centre	-	-	3,622	3,450
Liquid Telecommunications Uganda Limited	-	-	13,465	12,493
Ipidi Media	-	-	-	1,489
Liquid Telecommunications International FZE	-	-	6,740	5,794
Raha Tanzania Holdings Limited	-	-	4,898	5,128
Liquid Telecommunications DRC S.A.R.L	-	-	14,807	-
Liquid Telecommunications Botswana (Pty) Limited	-	-	933	350
	-	**-**	**181,234**	**153,920**

The long term intercompany receivable from Data & Control System (Private) Limited is unsecured, denominated in USD, bears interest at the rate of Libor plus 6.25% and is repayable in December 2025.

The long term intercompany receivable from Liquid Telecommunications Kenya Limited is unsecured, denominated in USD and bears interest at the rate of Libor plus 5.5%. Repayment of the loan is pegged to Liquid Telecommunications Kenya Limited generating free cash flows for a period of at least three months during which time the company must also report positive working capital.

The long term intercompany receivable from Liquid Sea Limited was fully impaired during the year ended 28 February 2019 and is disclosed in Depreciation, impairment and amortisation (see note 5).

The long term intercompany receivable from Africa Digital Networks S.A.R.L Limited is unsecured, denominated in USD, bears interest at the rate of Libor plus 3.5% and is repayable in February 2021.

The long term intercompany receivable from Liquid Telecommunications Rwanda Limited is unsecured, denominated in USD, bears interest at the rate of Libor plus 3.5% and is repayable in February 2021.

30. Related party transactions (continued)

The long term intercompany receivable from East Africa Data Centre Limited is unsecured, denominated in USD, bears interest at the rate of Libor plus 3.5% and is repayable in February 2021.

The long term intercompany receivable from Liquid Telecommunications Uganda Limited is unsecured, denominated in USD and bears interest at the rate of Libor plus 5.5%. Repayment of the loan is pegged to Liquid Telecommunications Uganda Limited generating free cash flows for a period of at least three months during which time the company must also report positive working capital.

The long term intercompany receivable from Ipidi Media (Mauritius) was fully settled during the year ended 28 February 2019.

The long term intercompany receivable from Liquid Telecommunications International FZE is unsecured, denominated in USD, bears interest at the rate of Libor plus 5.5% and is repayable in June 2020 with first drawdown effected in December 2014.

The long term intercompany receivable from Raha Tanzania Holdings Limited is unsecured, denominated in USD, bears interest at the rate of Libor plus 5.5% and is repayable in 36 equal monthly instalments commencing from the first day falling after the relevant grace period.

The long term intercompany receivable from Liquid Telecommunications DRC S.A.R.L is unsecured, denominated in USD, bears interest at the rate of Libor plus 6.5% and is repayable in January 2023.

The long term intercompany receivable from Liquid Telecommunications Botswana (Pty) Limited is unsecured, denominated in USD, bears interest at the rate of Libor plus 6% and is repayable in March 2022.

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Short term intercompany payables:				
Liquid Telecommunications Limited	-	-	-	624
Liquid Telecommunications Mozambique Limitada	-	-	1	1
Liquid Telecommunications Financing PLC	-	-	16,436	9,226
	-	**-**	**16,437**	**9,851**
Short term intercompany receivables:				
Econet Global Related Group Companies	7,051	74,420	5,922	68,973
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	-	-	42,332	34,731
Liquid Telecommunications DRC S.A.R.L	-	-	-	1,464
Liquid Telecommunications Operations Limited	-	-	39,426	37,915
Liquid Telecommunications Sahara Holdings Limited	-	-	-	-
	7,051	**74,420**	**87,680**	**143,083**

Short term intercompany receivables excluding Econet Group bear interest at the rate of LIBOR plus 2.5%, are unsecured and are to be repaid within 12 months.

Econet Group short term receivables are interest free and will be repaid within six months.

30. Related party transactions (continued)

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Receivables balances from affiliated entities and other related parties:				
Econet Global Related Group Companies	34,055	48,571	-	-
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	-	-	8,120	6,241
Liquid Telecommunications Zambia Limited (previously know as CEC Liquid Telecommunications Limited)	-	-	264	81
Liquid Telecommunications Limited	-	-	-	11
Liquid Telecommunications Rwanda Limited	-	-	96	137
Liquid Telecommunications DRC S.A.R.L	-	-	8	8
Liquid Telecommunications South Africa (Pty) Limited	-	-	215	28
Raha Limited	-	-	68	11
Liquid Telecommunications Operations Limited	-	-	56	5,247
ZOL Zimbabwe (Private) Limited	-	-	47	27
Liquid Telecommunications Kenya Limited	-	-	21	113
Africa Digital Networks S.A.R.L Limited	-	-	203	124
Liquid Telecommunications Uganda Limited	-	-	104	58
Transaction Payment Solutions International Limited	-	-	7	7
Transactions Payment Solutions Botswana (Proprietary) Limited	-	-	3	-
HAI Telecommunications Limited	-	-	1,096	748
Liquid Telecommunications International FZE	-	-	38	23
Zanlink Limited	-	-	2	1
Liquid Telecommunications Botswana (Pty) Limited	-	-	46	7
Transaction Payment Solutions South Africa Limited t/a Paybay	-	-	88	36
	34,055	**48,571**	**10,482**	**12,908**

The receivable balances from affiliated entities and other related parties are unsecured, interest free and with no fixed date of repayment.

Payable balance to affiliated entities:				
Econet Global Related Group Companies	3,155	4,358	-	-
Liquid Telecommunications Limited	-	-	-	95
Liquid Telecommunications South Africa (Pty) Limited	-	-	9,665	5,762
Liquid Telecommunications Financing Plc	-	-	9	-
	3,155	**4,358**	**9,674**	**5,857**

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

Equity loans owed to:				
Liquid Telecommunications Botswana (Pty) Limited	-	-	8,878	9,631
	-	**-**	**8,878**	**9,631**

The equity loan is unsecured. There are no fixed repayment terms and these amounts are repayable at the discretion of each respective borrower and thus considered to represent equity.

Prepayments:				
Econet Global Related Group Companies	-	15,073	-	15,072
	-	**15,073**	**-**	**15,072**

Acquisition of non-controlling interest in subsidiary				
Econet Global Related Group Companies	135,000	-	-	-
	135,000	**-**	**-**	**-**

Refer to note 12.2 for more details on the acquisition of non-controlling interest in subsdiary.

31. Compensation of key management personnel

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
The remuneration of the Directors and other key management personnel during the year is as follows:				
Short-term employee benefits	4,308	6,824	1,958	1,907
Post-employment benefits	40	78	-	-
	4,348	**6,902**	**1,958**	**1,907**

32. Commitments

32.1 Capital commitments

At 28 February 2019 the group was committed to making the following capital commitments:

	Group 28/02/19	Group 28/02/18	Company 28/02/19	Company 28/02/18
Authorised and contracted	40,925	43,539	-	-

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

32.2 Bank guarantee

The company has contracted a bank guarantee of USD 0.8 million in favour of Copperbelt Energy Corporation Plc.

32.2 Other

The company has provided a letter of support of up to ZAR 383.0 million (USD 27.5 million) (28 February 2018: ZAR 750.0 million (USD 64.4 million)) to its subsidiary Liquid Telecommunications Holdings South Africa (Pty) Limited, for its South African operations to cover its cash outflow on its investment and other operating activities.

The company has also committed to and plan to continue providing the necessary financial support, to Africa Digital Networks S.A.R.L Limited and Liquid Telecommunications Uganda Limited, to enable them to operate in the forseeable future and to meet their liabilities as they fall due.

33. Operating lease arrangements

	Group 28/02/19	Group 28/02/18	Company 28/02/19	Company 28/02/18
Payments recognised as an expense:				
Minimum lease payments	19,722	29,967	-	-

Operating lease commitments
At 28 February 2019 the group was committed to making the following annual payments in respect of operating leases:

	Group 28/02/19	Group 28/02/18	Company 28/02/19	Company 28/02/18
Leases which expire:				
Within one year	22,873	23,086	-	-
Between two to five years	55,924	110,317	-	-
After five years	23,460	29,129	-	-
	102,257	**162,532**	**-**	**-**

Operating lease payments represent rentals payable by the group for certain of its capacity on satellites, equipment, office properties and buildings. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

34. Financial instruments

34.1 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group’s policy is to borrow centrally, principally using Senior Secured notes and a combination of other borrowing facilities to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries. The group monitors its forward interest cover, net debt to EBITDA ratio, gross debt to EBITDA ratio, and debt service cover ratio to comply with its Senior Secured notes and other borrowing facilities covenants. The group complied with these ratios throughout the financial year and the overall strategy remains unchanged from prior years.

The capital structure of the group and company consist of net debt (which includes borrowings offset by cash and cash equivalents) and equity attributable to owners of the group and company, comprising issued share capital, reserves and retained earnings.

34. Financial instruments (continued)

34.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements. The group is not subject to any externally imposed capital requirement. Management reviews the capital structure of the group on a periodic basis, including the cost of capital and the risks associated with each class of capital.

34.3 Gearing ratio

The group's directors review the capital structure on a periodic basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital.

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Debt (i)	820,036	746,233	516,734	440,581
Cash and cash equivalents net of restricted cash	(93,275)	(160,718)	(781)	(200)
Net debt	**726,761**	**585,515**	**515,953**	**440,381**
Equity (ii)	251,757	527,307	425,526	323,829
Net debt to equity ratio	2.9:1	1.1:1	1.2:1	1.4:1

(i) Debt is defined as long and short-term borrowings, as detailed in notes 22 and 23.

(ii) Equity includes all capital and reserves of the group and the company, as detailed in the statement of changes in equity. The changes in currency in Zimbabwe, together with other currency movements in the year, have resulted in a reduction in reserves of USD 223.0 million. Without this adjustment, the net debt to equity ratio would have been 1.5:1.

34.4 Categories of financial assets and liabilities

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Financial assets				
Cash and cash equivalents	95,082	163,655	781	200
Amortised cost	149,830	236,623	279,396	309,965
FVTOCI	10,814	12,447	10,810	10,810
	255,726	**412,725**	**290,987**	**320,975**
Financial liabilities				
Amortised cost	980,397	935,244	550,459	461,341

34.5 Financial risk management objectives

Management co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the group through internal management reports, which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

34.6 Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see notes 34.7 and 34.8) and interest rates (see notes 34.9 and 34.10). The group does enter into derivative financial instruments to manage its exposure to interest rate and foreign currency risk where appropriate.

34. Financial instruments (continued)

34.7 Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies and is therefore exposed to exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities as at the reporting date are as follows:

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
Assets				
Currency of the United Kingdom (GBP)	13,968	21,646	-	-
Currency of United States (USD)	82,619	287,886	290,987	320,975
Currency of Zimbabwe (RTGS)	61,756	-	-	-
Currency of South Africa (ZAR)	71,790	74,398	-	-
Currency of Botswana (BWP)	869	413	-	-
Currency of Kenya (KES)	13,920	16,373	-	-
Currency of Zambia (ZMK)	2,673	3,414	-	-
Currency of Rwanda (RWF)	3,837	3,009	-	-
Currency of Nigeria (NGN)	106	106	-	-
Currency of Uganda (UGX)	1,797	1,330	-	-
Currency of Tanzania (TZS)	2,391	4,150	-	-
	255,726	**412,725**	**290,987**	**320,975**
Liabilities				
Currency of the United Kingdom (GBP)	9,416	17,217	1,011	321
Currency of United States (USD)	869,688	804,915	540,404	454,567
Currency of Zimbabwe (RTGS)	18,443	-	-	-
Currency of South Africa (ZAR)	61,255	95,281	9,044	6,453
Currency of Botswana (BWP)	238	347	-	-
Currency of Kenya (KES)	14,877	11,658	-	-
Currency of Zambia (ZMK)	1,069	1,740	-	-
Currency of Rwanda (RWF)	2,849	1,847	-	-
Currency of Nigeria (NGN)	9	3	-	-
Currency of Uganda (UGX)	995	961	-	-
Currency of Tanzania (TZS)	1,558	1,275	-	-
	980,397	**935,244**	**550,459**	**461,341**

34.8 Foreign currency sensitivity analysis

The group is mainly exposed to the currencies of United Kingdom (GBP), Zimbabwean Real Time Gross Settlement (RTGS), South Africa (ZAR), Kenyan Shilling (KES) and Rwandan Franc (RWF).

The following table details the group's sensitivity to a 10% increase and decrease in the USD (Reporting Currency of the group) against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the USD strengthens 10% against the relevant currency. For a 10% weakening of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be reversed.

34. Financial instruments (continued)

34.8 Foreign currency sensitivity analysis (continued)

	Group		Company	
	28/02/19	28/02/18	28/02/19	28/02/18
	USD'000	USD'000	USD'000	USD'000
GBP Currency impact	(455)	(443)	101	32
RTGS Currency impact	(4,331)	-	-	-
ZAR Currency impact	(1,054)	2,088	904	645
KES Currency impact	96	(471)	-	-
RWF Currency impact	(99)	(116)	-	-
	(5,843)	**1,058**	**1,005**	**677**

34.9 Interest rate risk management

The group is exposed to interest rate risk as entities in the group borrow funds at both fixed and floating interest rates. The risk is managed by the group by securing an appropriate mix between fixed and floating rate borrowings on initial signing of borrowing contracts. The group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management table (see note 34.12 below). Interest rates have been disclosed in the respective notes where applicable.

34.10 Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the group's and company's:

• Loss for the year ended 28 February 2019 for the group and the company respectively would increase by USD 0.002 million (2018: USD 2.1 million) and decrease by USD 2.5 million (2018: USD 1.4 million). This is mainly attributable to the group's limited exposure to interest rates on its variable rate borrowings as most of the group's borrowings are at fixed rates; and
• No increase or decrease in other equity reserves for the year ended 28 February 2019 (2018: no increase or decrease).

34.11 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the group uses other publicly available financial information and its own trading records to rate its major customers. The group's exposure and the credit ratings of its counterparties are monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Note 19 details the group's and the company's maximum exposure to credit risk and the measurement bases used to determine expected credit losses.

The company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of expected credit loss, represents the group's maximum exposure to credit risk.

34. Financial instruments (continued)

34.12 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below details the remaining contractual maturity for financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities bases on the earliest date on which they can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average Effective Interest Rate	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Group - 2019							
Financial liabilities	8.23%	70,336	79,112	87,680	736,600	6,669	980,397
Group - 2018							
Financial liabilities	8.41%	87,020	91,741	15,886	734,626	5,971	935,244
Company - 2019							
Financial liabilities	8.50%	11,614	5,675	89,519	443,651	-	550,459
Company - 2018							
Financial liabilities	8.50%	7,029	3,881	9,851	440,580	-	461,341

34.13 Fair values

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

35. Dividend

Dividends of USD 29.5 million were declared and USD 13.5 million paid on 31 May 2018 (28 February 2018: USD 13.5 million paid). The dividends for the full year were declared in fulfilment of the Econet Strategic Support agreement ("SSA") and paid to Econet Wireless Group only - all other shareholders renounced their right to these dividends.

The 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. The SSA was amended to USD 1 on 15 October 2018 and is effective from 1 March 2019.

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
Dividends paid per share (Cents per share)	12.10	13.15	12.10	13.15

36. 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**
28 February 2019				
Investments (note 14)	-	-	10,814	10,814
Unfavourable contracts (note 24 & 25)	-	-	11,058	11,058
Total	**-**	**-**	**21,872**	**21,872**
28 February 2018				
Unfavourable contracts (note 24 & 25)	-	-	10,539	10,539
Total	**-**	**-**	**10,539**	**10,539**

37. (Loss) / earnings per share

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
Basic (loss) / earnings per share (Cents per share)	(65.20)	(12.56)	(17.75)	(23.73)

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

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Loss attributable to owners of the company	(72,739)	(12,895)	(19,803)	(24,370)

	Group		Company	
	28/02/19	**28/02/18**	**28/02/19**	**28/02/18**
Weighted average number of ordinary shares for the purpose of basic earnings per share	111,560,506	102,685,342	111,560,506	102,685,342

See note 21 for number of shares.

38. Contingent liability

38.1 Excise duty in Zambia

On 6 March 2019, Hai Telecommunications Limited (Hai) received a notification from the Zambian Revenue Authority (ZRA) that excise duty is payable on internet bandwidth with effect from 2011 at a rate of 17.5%. Hai provides dedicated internet service (DIA) to enterprise customers. An assessment of USD 1.3 million (ZMW 16.6 million) for the period 2011 to 2017 has been received by Hai. On 11 April 2019, Hai, along with a number of other internet service providers (ISPs), via the Internet Service Providers Association of Zambia (ISPAZ), appealed against the assessment through the regulator, Zambia Information and Communication Technology Authority, and challenged the decision to implement the excise duty on DIA. Hai has also held separate discussions with the ZRA. Based on local advice and engagement with the ZRA, Management is of the view that the excise duty back tax assessments are not payable as the said taxes are inconsistent with the provisions of the Customs & Excise Act and as such believe that no provision is required.

38.2 Update on previous contingent liability: Eastern Cape Government Contract

Liquid Telecommunication South Africa (Pty) Limited (LTSA) signed an agreement with the Eastern Cape Provincial Government (ECPG) in October 2017 to provide connectivity services. At 28 February 2019, LTSA had received payments amounting to ZAR 145.8 million excluding VAT (USD 10.4 million) and recognized revenue of ZAR 25.0 million (USD 1.8 million) and ZAR 38.0 million (USD 2.9 million) in financial years 2019 and 2018 respectively. On 13 March 2018, State Information Technology Agency (Pty) Limited (SITA) launched an urgent application to review the decision of the Premier of the ECPG to appoint LTSA. The outcome of the urgent review court application was a settlement agreement concluded between LTSA, ECPG and SITA on 14 February 2019. The settlement agreement was also made an order of Court on 14 February 2019. Under the terms of the settlement agreement, and the subsequent amendment to the settlement agreement that was concluded on 13 March 2019, LTSA, ECPG and SITA have agreed and concluded a Master Services Agreement on 2 May 2019 in respect of the connectivity services to be provided by LTSA to ECPG and SITA in the Eastern Cape.

No further contingent liability exists.

39. Non-cash transactions

39.1 Transactions excluded from statements of cash flows

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

• In 2019, the group and the company acquired the remaining shares in Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe by issue of 10,705,789 ordinary shares of the company to Econet Wireless Zimbabwe Limited amounting to USD 135.0 million.

• In 2019, the group acquired the remaining 2.5% non-controlling interest in Liquid Telecommunications Operations DRC S.A.R.L for a non-cash consideration of USD 450,000.

• In 2019, there were several disposals and acquisitions of property, plant and equipment and intangible assets between some subsidiaries at cost/carrying value. The company also made some disposals and acquisitions with other subsidaries at a net amount of USD 1.1 million which were settled through short-term inter-company receivables/payables.

• In 2018, additional USD 9.5 million of Fibre Optical IRU's relates to a non-controlling shareholder's investment in Liquid Telecommunications Botswana (Pty) Limited.

• In 2018, the Royal Bafokeng Holdings Limited exchange of their shareholding in Liquid Telecommunications Holdings South Africa (Pty) Limited for a 10.34% stake in Liquid Telecommunications Holdings Limited resulted in a non-cashflow amount of USD 94.9 million.

39.2 Reconciliation of liabilities arising from financing activities

The table below details changes in the group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the group's consolidated statement of cash flows as cash from financing activities.

39. Non-cash transactions (continued)

39.2 Reconciliation of liabilities arising from financing activities (continued)

2019: Group	**01/03/2018**	**Non-cash**	**Cash**	**28/02/2019**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Finance costs (note 7)	-	(8,709)	(64,819)	(73,528)
Short-term portion of long-term borrowings (note 22)	15,019	(857)	73,084	87,246
Net long-term borrowings (note 22)	731,214	9,397	(7,821)	732,790
	746,233	(169)	444	746,508

2018: Group	**01/03/2017**	**Non-cash**	**Cash**	**28/02/2018**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Finance costs (note 7)	-	(23,074)	(55,887)	(78,961)
Short-term portion of long-term borrowings (note 22)	5,210	27,117	(17,308)	15,019
Net long-term borrowings (note 22)	589,402	(5,318)	147,130	731,214
	594,612	(1,275)	73,935	667,272

The non-cash portion of Finance costs relate to arrangement fees written off due to the Group's previous debt structure being refinanced. Refer to note 22 for borrowings information.

The non-cash portion of the short and long term borrowings relate to borrowing costs that have been capitalised.

2019: Company	**01/03/2018**	**Non-cash**	**Cash**	**28/02/2019**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Finance costs (note 7)	-	-	(38,525)	(38,525)
Short-term portion of long-term borrowings (note 22)	-	-	73,084	73,084
Loan from fellow group subsidiary (note 23)	440,581	-	3,071	443,652
	440,581	-	37,630	478,211

2018: Company	**01/03/2017**	**Non-cash**	**Cash**	**28/02/2018**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Finance costs (note 7)	-	(18,149)	(23,730)	(41,879)
Short-term portion of long-term borrowings (note 22)	2,263	1,859	(4,122)	-
Net long-term borrowings (note 22)	347,775	(397,775)	50,000	-
Loan from fellow group subsidiary (note 23)	-	9,630	430,951	440,581
	350,038	(404,435)	453,099	398,702

40. Going concern

The directors have reviewed the consolidated cash flow projections of the Liquid Telecommunications group and Liquid Telecommunications Holdings Limited for the twelve months from the date of signing of the consolidated financial statements. Taking into account the available cash position as of 28 February 2019, including the impact of the currency changes in Zimbabwe, the cash flow projections for the period (which include discretionary capital expenditure), new equity finance, the repayment of existing obligations and loan funding, the directors are satisfied that the group has access to adequate cash resources to settle obligations as they fall due. They also consider that the operations provide sufficient financial sustainability to enable the business to continue in existence for the foreseeable future.

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

Funding facilities

The group is currently funded from a combination of retained earnings, USD 730.0 million Senior Secured Notes (maturity in July 2022), USD 73.0 million Revolving Credit Facility ("RCF") (maturity in January 2022) plus USD 23.3 million of locally provided Revolving Credit Facilities (maturity in FY 20 and FY 21) and term loans (maturity in FY 20 to FY 22) in Zambia, of which USD 18.5 million is outstanding at the balance sheet date. The RCF was fully drawn at the balance sheet date, but was repaid in full in April 2019.

Impact of IFRS 16 "Leases"

The directors have also considered the impact of the new accounting standard, IFRS 16 "Leases", which is effective for the first time in financial year 2020 and are of the opinion that it will not have any impact on the going concern of the group.

40. Going concern (continued)

Cash position

As at 28 February 2019, the group has an unrestricted cash position of USD 93.3 million (28 February 2018: USD 160.7 million). Of this amount, USD 49.1 million is held in Zimbabwe in RTGS. Following the announcement of the currency changes in Zimbabwe on 22 February 2019, the group has translated the Zimbabwe cash at the balance sheet date at a RTGS:USD exchange rate of 2.5:1. Prior to this event, the cash balance in Zimbabwe at the balance sheet date would have been equivalent to USD 120.8 million (28 February 2018: USD 88.3 million translated at RTGS:USD 1:1).

New equity finance

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

Operational performance

For the year ended 28 February 2019, the group reported an operating profit of USD 81.5 million (2018: 97.0 million) and a net cash inflow from operating activities of USD 152.4 million (USD 181.0 million). This strong performance demonstrates the group's ability to generate sufficient cash flow to enable it to support its underlying business operations and invest in new projects. Following the currency changes in Zimbabwe, the proportion of the group's total operating profit for the year and cash balance at the end of the year represented by Zimbabwe, has reduced compared to the prior year.

Based on the assessment made and for the reasons set out above, the directors are of the opinion that the adoption of the going concern assumption in the preparation of the financial statements fpr the year ended 28 February 2019 is justified.

41. Comparative figures

41.1 Acquisition of subsidiary companies

The accounting for the acquisition of Zanlink Limited based in Tanzania through Raha Tanzania Holdings Limited in 2018 was provisional and based on management best estimates at the time.

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 during the current financial year and the 2018 figures retrospectively adjusted as per IFRS. The effect of the retrospectively adjustment is reflected below:

	Provisional Accounting USD'000	Final Accounting USD'000	Movement USD'000
Intangible assets	4,149	1,581	(2,568)
Property, plant and equipment	1,069	1,036	(33)
Deferred tax liabilities on fair value adjustment	(1,338)	(558)	780
Goodwill	635	2,183	1,548
Non-controlling interest	(1,163)	(890)	273
Total	3,352	3,352	-

41.2 Comparative figures

Certain comparatives have been reclassified to conform with current year's presentation.

42. Share-based payment

On 28 February 2019, 10,705,789 ordinary shares at par value of USD 0.0297541580 were issued by the company to Econet Wireless Private Limited (Zimbabwe) (EWZL) in exchange for the acquisition of the remaining 51% ownership in Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe (LTZ) for total consideration of USD 135.0 million.

The company has recognised the acquisition of the 51% of LTZ and the corresponding issue of its shares as at 28 February 2019, the effective date on which the the company shares were issued.

Although there are vesting conditions in the Share Purchase Agreement between the company and EWZL, which among others is, the need for Reserve Bank of Zimbabwe approval, these are not market conditions and therefore in management's view, do not affect the fair value estimate. Management considers the effective date of the transaction for financial reporting purposes as 28 February 2019, being the date that shares were issued by the company to EWZL.

This transaction has had no impact on the statement of profit or loss.

43. Post balance sheet events

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

Following the currency changes in Zimbabwe announced on 22 February 2019, the RTGS:USD exchange rate has continued to deteriorate since the balance sheet date. These movements in the RTGS:USD rate from 2.5:1 will impact the results, assets, liabilities and reserves of the group in the coming period. As at 12 June, the official interbank rate was RTGS:USD 5.7:1.

44. Immediate and ultimate holding companies

The directors regard Econet New Arx Limited as the immediate holding company and Econet Global Limited as the ultimate holding company, both incorporated in Mauritius.