LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
("the Group", "Liquid" or "Liquid Intelligent Technologies")

FINANCIAL RESULTS FOR FIRST QUARTER ENDED 31 MAY 2023

A strong start to the year

27 July 2023

Leading pan-African technology solutions group, Liquid Intelligent Technologies, a business of Cassava Technologies, today announces its financial results for the first quarter ended 31 May 2023

Strategic highlights:

- Liquid Network partnered with Microsoft's Airband Initiative to bring connectivity to 20 million underserved people in Africa by 2025
- Liquid C2 launched its third Cyber Security Fusion Centre in Lusaka, Zambia and enhanced its capabilities through the acquisition of a leading cloud and cyber security provider in Egypt
- Liquid Dataport launched the first terrestrial data superhighway connecting Mombasa, Kenya to Johannesburg, South Africa

Financial highlights:

- Reported revenue grew 22.0% year-on-year to USD 174.5 million driven by strong performances in Network, C2 and Dataport, notably in Rest of Africa and Zimbabwe
    - Excluding the impact of the FX movement in South Africa total revenue grew 29.6%
- Adjusted EBITDA increased 53.3% year-on-year in the first quarter to USD 71.0 million driven by growth across all regions
- Cash generated from operations increased 4.3% year-on-year to USD 40.8 million as the higher adjusted EBITDA was partially offset by working capital, largely due to significant IRU billings
- Net debt[2] of USD 849.7m million, this combined with the higher adjusted EBITDA resulted in net debt to adjusted EBITDA[1,2,3] of 3.24x, compared to the 3.59x at the end of FY23

Group Financials	For the three-month period ended:		
	31 May 2023 (USDm)	31 May 2022 (USDm)	YoY (%)
Revenue	174.5	143.0	22.0
Adjusted EBITDA	71.0	46.3	53.3
Cash generated from operations	40.8	39.1	4.3
Net debt	849.7	833.9	1.9
Net debt / Adjusted EBITDA (x)	3.24	2.91	n/a

[1] Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, impairment and amortisation, and is also presented before recognising the following items: gain on bargain purchase, net foreign exchange (loss)/gain, hyperinflation monetary gain and share of profit from associate.

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

[3] Adjusted EBITDA for the last twelve months.

Chief Executive Officer, Hardy Pemhiwa, commented:
"We have had a strong start to the year driven by growth across all our business segments and operating regions excluding voice. Given the challenging environment, this demonstrates the resilience of the Group and the progress we are making in our operating model, which will enable us to deliver sustainable and profitable growth.

On a local currency basis we delivered 13.7% growth in South Africa, we experienced strong growth in Zimbabwe, and we continued to accelerate growth in Rest of Africa, with revenue increasing 28.6% on a reported basis. Furthermore, we reported EBITDA margin expansion in all regions, further reinforcing our strategy to drive growth in value added digital services as we continue to leverage on our high quality fibre broadband network.

Key achievements in the first quarter included: Liquid Network partnered with Microsoft's Airband Initiative to bring connectivity to 20 million underserved people in Africa by 2025. Liquid C2 launched its third Cyber Security Fusion Centre in Zambia and acquired a leading cloud and cyber security provider in Egypt, enhancing our capability in a key growth segment for the Group. Liquid Dataport launched the first terrestrial data superhighway connecting Mombasa to Johannesburg, providing multiple landlocked countries with connectivity, extra redundancy and a resilient broadband network."

Group Chairman, Strive Masiyiwa, added:
"This is a strong set of results and reflects the strategic progress that Liquid is making as we continue to commercialise our existing infrastructure with complementary digital solutions. Our performance in South Africa, our largest business, was very pleasing as we delivered robust local currency revenue growth. I am also pleased to see the improvement in our operating leverage. Furthermore, the continued strong revenue growth in Rest of Africa points to increased monetisation of our fully built network and the increased diversification of our earnings.

A partnership that I am particularly proud to highlight is with Microsoft and the Airband Initiative. This new collaboration will initially focus on the Democratic Republic of Congo, Tanzania, and Zambia and is consistent with our vision of a digitally connected future that leaves no African behind. Together with Microsoft, we will design, implement and support programmes that deliver unique connectivity solutions for local communities. Access to high-speed connectivity is not a luxury, it is a necessity, and Liquid is uniquely positioned to bring high-speed connectivity to the remotest of communities."

There will be an investor call at 14:00 BST today, further details can be found on our website.

For further information please contact:
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About Liquid Intelligent Technologies

Liquid Intelligent Technologies is a business of Cassava Technologies, a pan-African technology group with operations in over 25 countries in Africa. Liquid has firmly established itself as the leading provider of pan-African digital infrastructure with a 100,000+ km-long fibre broadband network and satellite connectivity that provides high-speed access to the Internet anywhere in Africa. Liquid is also leveraging its digital network to provide Cloud and Cyber Security solutions through strategic partnerships with leading global players. Liquid is a comprehensive technology solutions group that provides customised digital solutions to public and private sector enterprises and SMEs across the continent. https://www.liquid.tech/

OPERATIONAL AND FINANCIAL REVIEW

Liquid Intelligent Technologies is a technology and digital solutions provider across more than 25 countries primarily in Central, Eastern, West and Southern Africa that serves carrier, enterprise and retail customers with high-speed, reliable connectivity and digital services.

Key performance indicators (KPIs)

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

Key performance indicators	Q1 2022-23	Q2 2022-23	Q3 2022-23	Q4 2022-23	FY 2022-23	Q1 2023-24
Total fibre network (Kms) [1]	102,559	102,722	103,794	104,353	104,353	106,037
Average churn rate (%) [2]	0.66%	0.87%	0.83%	0.77%	0.78%	0.53%
Monthly recurring revenue (%) [3]	89.6%	90.6%	92.7%	77.3%	87.1%	88.0%
Cloud seats YoY growth (%) [4]	53.6%	62.3%	59.0%	73.0%	73.0%	66.6%
Total capacity on subsea assets (Gbps) [5]	821	834	1,034	1,034	1,034	3,104

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

The increase in the fibre network in the first quarter of 1,684 kilometres resulted from expansion driven by both build and leases, largely focused on Kenya, as we continue to partner with off-net providers in East Africa to expand our reach to meet demand.

Customer satisfaction is an essential tenet of the Group. We are always focused on providing value to our customers via competitive and comprehensive high-quality solutions. As a result, our churn remained below 1%, improving strongly to 0.53% in the first quarter versus 0.77% in Q4 FY 2022-23.

We maintained a high level of monthly recurring revenue (MRR) during the first quarter at 88.0%, broadly flat on the equivalent period last year (Q1 FY 2022-23: 89.6%). We remain focused on driving MRR growth to deliver more consistent and predictable revenue streams.

Our year-on-year growth in Cloud seats was 66.6% in the first quarter, driven by contract wins and underlying market growth. This is a key part of our strategy of delivering digital solutions to existing and new customers over our digital infrastructure.

Subsea capacity increased to 3,104 Gbps in the first quarter largely due to our capacity on the Equiano undersea cable which launched in the quarter.

Segments

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

C2 - This encompasses our cloud and cyber security offerings including managed services, as this segment grows it will include other complementary digital products.

Dataport - This segment includes revenue from agreements with subsea cable providers, satellite services, hosting of landing stations and providing the gateway to large, global network provision agreements.

Voice - This segment is primarily revenue from international voice interconnects between mobile network operators and international telecom carriers into and out of Africa.

Revenue

Revenue by Segment	For the three-month period ended:		
	31 May 2023 (USDm)	31 May 2022 (USDm)	YoY (%)
Network	126.1	99.7	26.5
C2	20.2	16.1	25.5
Dataport	12.9	8.9	44.9
Voice	15.3	18.3	(16.4)
Total Revenue	**174.5**	**143.0**	**22.0**

Total revenue in the first quarter was USD 174.5 million (Q1 FY 2022-23: USD 143.0 million), an increase of 22.0% year-on-year, which is largely due to the strong performances in Network, C2 and Dataport offset by the ongoing volume decline in Voice. On a geographic basis, Zimbabwe, the DRC and Kenya were the main contributors to the growth. This was partially offset by the adverse exchange rate impact in South Africa, which amounted to USD 10.8 million.

During February 2023, the Zimbabwean government discontinued publication of the Zimbabwe Consumer price index. International Financial Reporting Standards allow for the use of an estimate of the General Price Index by using the movement in exchange rates as a proxy. The Group has adopted such methodology in FY 2023-24. This means that going forward the CPI movement will be proportionate to the FX movement and therefore the reported earnings will only be affected by the devaluation of the local currency.

In the first quarter, the Zimbabwe business has been partly successful in mitigating the FX risk by obtaining and implementing two tariff reviews granted by the country's telecommunications regulator. In South Africa, the impact of the adverse exchange rate movement in Q1 FY 2023-24 amounted to a headwind of USD 10.8 million year-on-year (Q1 FY 2023-24 average rate of 18.48 compared to Q1 FY 2022-23 average rate of 15.26). Excluding the adverse FX impact South Africa revenue increased 13.7% in the quarter driven by strong local currency growth in Network and C2.

If we exclude the Zimbabwean operations, the FX impact in South Africa as well as the ongoing decline in the Voice segment, total revenue increased by 17.1% in the quarter. In addition to the local currency growth in South Africa there was strong growth in Rest of Africa, which benefited from continued good performances in the Network, C2 and Dataport segments in the DRC and Kenya and to a lesser extent Zambia. The Network segment benefited from large IRU deals with Mobile Network Operators (MNOs) in the DRC and Kenya. Zambia's good performance was driven by growth in both the enterprise and wholesale customer segments. Rest of World also performed well in C2 with good growth via indirect sales, offsetting the ongoing decline in Voice.

Network

Network revenue in the first quarter, which includes all intra- and inter-country fibre activity, increased by 26.5% year-on-year to USD 126.1 million, (Q1 FY 2022-23: USD 99.7 million), however, excluding Zimbabwe and the exchange rate impact in South Africa, it increased by 12.1%. South Africa growth was driven by increased sites and capacity upgrades on the Western and Eastern Cape Government contracts and continued growth in a recent contract win in the hospitality sector. In Rest of Africa, Network revenue increased 15.3% year-on-year driven by dark fibre and IRU deals in the DRC and Kenya as well as Zambia's continued contract wins in its enterprise market combined with an IPT deal from an African MNO.

C2

C2, which largely comprises our cloud and cyber security offerings as well as other digital services, continued to grow strongly, up 25.5% year-on-year in the first quarter to USD 20.2 million (Q1 FY 2022-23: USD 16.1 million). Growth was driven by the 66.6% year-on-year increase in Cloud seats with good performances across all geographies and included strong growth in South Africa with various contractual wins across all product offerings and strong growth in Rest of World via indirect channels for our application and Azure platforms. There continues to be a strong appetite for our cloud products and services as more businesses move towards integrated cloud solutions across all applications and platforms.

Dataport

Dataport revenue, covering all our cross border, sea-to-land connections, subsea capacity and satellite services, increased by an impressive 44.9% year-on-year in the first quarter to USD 12.9 million (Q1 FY 2022-23: USD 8.9 million). This was driven by growth in the Rest of Africa particularly in the hyperscale segment.

Voice

Voice revenue continued to be impacted by the global shift away from traditional voice, resulting in revenue in the first quarter declining 16.4% year-on-year to USD 15.3 million (Q1 FY 2022-23: USD 18.3 million). Though there is a decline in overall revenue and traditional minutes, we continue to focus on higher margin destinations to mitigate the impact on gross profit.

Gross Profit

Gross Profit	For the three-month period ended:		
	31 May 2023 (USDm)	31 May 2022 (USDm)	YoY (%)
Revenue	174.5	143.0	22.0
Costs per quarterly financial statements	(46.6)	(41.7)	(11.8)
Gross Profit	**127.9**	**101.3**	**26.3**
Gross Profit Margin (%)	73.3%	70.8%	2.5pp

Absolute gross profit in the first quarter was USD 127.9 million (Q1 FY 2022-23: USD 101.3 million) with gross profit margin at 73.3% compared to 70.8% in the prior year. Margin improvement was predominantly due to the increased contribution from Zimbabwe and the higher margins from the Dataport segment.

Total Overheads and Other Income

Total Overheads and Other Income	For the three-month period ended:		
	31 May 2023 (USDm)	31 May 2022 (USDm)	YoY (%)
Other income	0.9	0.6	50.0
Selling, distribution and marketing costs	(2.2)	(1.9)	(15.8)
Expected credit loss provision	(1.5)	(0.9)	(66.7)
Administrative costs	(22.2)	(23.3)	4.7
Staff costs	(31.9)	(29.5)	(8.1)
Total Overheads and Other income	**(56.9)**	**(55.0)**	**(3.4)**
% to Total Revenue	32.6%	38.5%	5.9pp

Total Overheads and Other Income in the first quarter were USD 56.9 million (Q1 FY 2022-23: USD 55.0 million). On a year-on-year basis overheads and other income were broadly flat as the Group benefited from exchange rate movements, the material impact being a USD 4.6 million tailwind in South Africa. We continue to maintain a strong focus on cost control to mitigate inflationary pressures on staff costs, which have resulted in cost increases in local currency. Our provision for possible credit loss in the first quarter increased to USD 1.5 million (Q1 FY 2022-23: USD 0.9 million) as a result of customers getting accustomed to the new pricing levels in Zimbabwe, this compares to prior year when there were no price increases in the equivalent period. The Group continues to focus strongly on cash collections.

Adjusted EBITDA and Profit

Adjusted EBITDA	For the three-month period ended:		
	31 May 2023 (USDm)	31 May 2022 (USDm)	YoY (%)
Adjusted EBITDA	**71.0**	**46.3**	53.3
Depreciation, impairment and amortisation	(30.4)	(29.1)	(4.5)
Operating Profit	**40.6**	**17.2**	136.0
Interest income	5.2	4.5	15.6
Finance costs	(18.7)	(18.0)	(3.9)
Foreign exchange loss	(155.6)	(111.1)	(40.1)
Monetary adjustment - IAS 29	73.6	43.2	70.4
Loss before tax	**(54.9)**	**(64.2)**	**14.5**
Tax (expense) / credit	(22.1)	15.7	(240.8)
Loss for the period	**(77.0)**	**(48.5)**	**58.7**

Adjusted EBITDA in the first quarter was USD 71.0 million, a 53.3% increase compared to the prior year (Q1 FY 2022-23: USD 46.3 million) resulting from the higher, revenue driven, gross profit and broadly flat overheads.

Depreciation, impairment and amortisation costs in in the first quarter were slightly higher year-on-year at USD 30.4 million (Q1 FY 2022-23: USD 29.1 million) as a result of a higher asset base from the build out of the network partly offset by weaker exchange rates.

Finance costs in the first quarter were broadly in line with the prior periods and reflected the interest on the Bond, the ZAR term loan, local debt in Zambia and leases.

The foreign exchange loss in the first quarter of USD 155.6 million (Q1 FY 2022-23: USD 111.1 million) was mainly driven by the South African and Zimbabwean exchange rate movements. As with the prior year, the Zimbabwean currency had a sharp decline in its exchange rate in this first quarter, although it was more pronounced in Q1 2023-24 than in Q1 2022-23. The ZWL$:USD closing exchange rate was 2,577.06:1 (Q1 FY 2022-23: ZWL$:USD 308.5:1). CPI in Zimbabwe for the period was 44,428.60 (Q1 FY 2022-23: 6,662.17) which resulted in a monetary adjustment of USD 73.6 million (Q1 FY 2022-23: USD 43.2 million) for the first quarter and resulted in a net loss after tax for the first quarter of USD 77.0 million (Q1 FY 2022-23: USD 48.5 million).

Cash generated from operations

Cash Flows	For the three-month period ended:		
	31 May 2023 (USDm)	31 May 2022 (USDm)	YoY (%)
Cash generated from operations	**40.8**	**39.1**	4.3
Tax paid	(10.1)	(4.1)	(146.3)
Net cash generated from operating activities	**30.7**	**35.0**	**(12.3)**
Net cash used in investing activities	(17.9)	(24.7)	27.5
Net cash used in financing activities	(39.6)	(33.3)	(18.9)
Net decrease in cash and cash equivalents	**(26.8)**	**(23.0)**	**(16.5)**

Cash generated from operations improved slightly year-on-year to USD 40.8 million (Q1 FY 2022-23: USD 39.1 million) driven by the improvement in adjusted EBITDA described above which was partly offset by a working capital requirement of USD 36.7 million, which compared to the prior year of USD 6.6 million. This largely resulted from an increase in receivables due to significant IRU billings in the quarter as well as prepayments in Zimbabwe to hedge against currency devaluation.

The increase in tax paid in the first quarter was driven by the increased contribution from Zimbabwe described above.

Net cash used on investing activities for the year reduced by 27.5% year-on-year to USD 17.9 million (Q1 FY 2022-23: USD 24.7 million). The cash spent on investing activities in the year was largely on network infrastructure, maintenance and customer connections in the DRC, Kenya and South Africa.

Cash outflow used in financing activities for the first quarter was USD 39.6 million (Q1 FY 2022-23: USD 33.3 million), resulting from the Bond, ZAR Term loan interest and capital repayments and leases.

Capital investment and network developments

Capital expenditure in the first quarter of FY 2023-24 decreased 35.3% year-on-year to USD 15.9 million (Q1 FY 2022-23: USD 24.6 million). Most of the investment was focused on customer connections including in the DRC, Kenya and further investment in NLD in South Africa, including on the Eastern and Western Capes.

Gross and Net Debt

Gross and Net Debt	As at 31 May 2023 (USDm)
Gross Debt	**891.7**
Long term borrowings (incl interest accrued)	752.1
Short term portion of long-term borrowings (incl interest accrued)	24.9
Unamortised arrangement fees	11.3
Leases - LT	79.4
Leases - ST	24.0
Less: Unrestricted cash	**(42.0)**
Net Debt	**849.7**
Last twelve months Adjusted EBITDA	262.6
Last twelve months interest	76.0
Covenants:	
Gross Debt / LTM EBITDA (x)	3.40
Net Debt / LTM EBITDA (x)	3.24
Interest / LTM EBITDA (x)	3.46
Debt Service Cover Ratio (DSCR)	2.66

Unrestricted cash at the end of the first quarter was USD 42.0 million (FY 2022-23: USD 88.4 million), of this, USD 12.1 million (FY 2022-23: USD 28.3 million) was held in Zimbabwe. We continue to ensure that we have sufficient liquidity with a strong focus on working capital management.

Gross debt was USD 891.7 million at the end of the first quarter, lower compared to FY 2022-23 year end (USD 943.5 million) as our principal borrowings and leases in South Africa reduced through payments as well as an exchange rate benefit. Considering the above cash position, net debt at the end of the first quarter was USD 849.7 million, giving a net debt to adjusted EBITDA ratio of 3.24x, compared to the 4.00x threshold and 3.59x at the end of FY 2022-23.

On 26 April 2023 our lending partners approved our pre-emptive request for a deferral of the net debt to adjusted EBITDA ratio due to the prospect of further exchange rate volatility in certain markets. As a result, the step down from 4.0x to 3.5x that was due to take place at the end of May 2023 will now occur in February 2024 and a second step down from 3.5x to 3.0x that was due to take place in May 2024 will now occur in August 2024. All other terms remain unchanged.

Strive Masiyiwa	Hardy Pemhiwa	Eric Thompson
Group Chairman	Group Chief Executive Officer	Group Chief Finance Officer

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

(trading as)

LIQUID
INTELLIGENT TECHNOLOGIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 3 MONTHS ENDED

31 May 2023

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the 3 months ended 31 May 2023

		3 months ended	
	Notes	**31/05/2023**	**31/05/2022**
		USD'000	**USD'000**
		(Unaudited)	**(Unaudited)**
Revenue	3	174,541	143,009
Interconnect related costs		(11,209)	(12,304)
Data and network related costs		(44,780)	(39,275)
Net other income	4	937	649
Selling, distribution and marketing costs		(2,200)	(1,987)
Expected credit loss provision		(1,537)	(883)
Administrative expenses		(12,810)	(13,444)
Staff costs		(31,919)	(29,477)
Depreciation, impairment and amortisation		(30,367)	(29,064)
Operating profit		**40,656**	**17,224**
Gain on bargain purchase	27	272	-
Interest income	5	5,201	4,515
Finance costs	6	(18,671)	(17,969)
Foreign exchange loss	2.2	(155,634)	(111,078)
Hyperinflation monetary gain	2.2	73,607	43,235
Share of profits of associate		4	5
Loss before taxation		**(54,565)**	**(64,068)**
Tax (expense) / credit	7	(22,080)	15,735
Loss for the period		**(76,645)**	**(48,333)**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Translation loss on accounting for foreign entities		(17,444)	(122,621)
Impact of foreign exchange on opening balance adjustment under hyperinflation accounting	2.2.2	66,999	10,827
Items that will not be reclassified subsequently to profit or loss:			
Fair value gain on investments in equity instruments designated as FVTOCI	22	4,560	-
Total comprehensive income / (loss)		54,115	(111,794)
Loss and other comprehensive loss for the period		**(22,530)**	**(160,127)**
Loss attributable to:			
Owners of the company		(76,416)	(48,409)
Non-controlling interest		(229)	76
		(76,645)	**(48,333)**
Loss and other comprehensive loss attributable to:			
Owners of the company		(22,249)	(160,195)
Non-controlling interest		(281)	68
		(22,530)	**(160,127)**
Loss per share			
Basic (Cents per share)	24	(61.21)	(38.77)

	Notes	31/05/2023 USD'000 (Unaudited)	28/02/2023 USD'000 (Audited)
Non-current assets			
Goodwill	8	72,428	76,576
Intangible assets	9	60,169	64,214
Property, plant and equipment	10	504,641	526,043
Right-of-Use assets	11	210,352	221,319
Investment in associate		509	543
Investments at Fair Value Through Other Comprehensive Income (FVTOCI)	22	24,489	15,314
Deferred tax assets		41,324	48,388
Investments at amortised cost		44	45
Long-term receivables from related parties	18	128,296	133,236
Pre-commencement lease payments		8,665	8,464
Total non-current assets		**1,050,917**	**1,094,142**
Current assets			
Inventories		21,261	27,341
Trade and other receivables	13	271,909	246,927
Taxation		3,162	3,098
Cash and cash equivalents	12	41,962	88,393
Restricted cash and cash equivalents	12	427	425
Total current assets		**338,721**	**366,184**
Total assets		**1,389,638**	**1,460,326**
Equity and liabilities			
Capital and reserves			
Share capital		3,716	3,716
Share premium		276,714	276,714
Convertible preference shares		180,000	180,000
Investment revaluation reserve		4,560	-
Accumulated losses		(140,514)	(64,098)
Foreign currency translation reserve		(167,958)	(217,565)
Total equity attributable to owners of the parent		**156,518**	**178,767**
Non-controlling interests		505	1,146
Total equity		**157,023**	**179,913**
Non-current liabilities			
Long-term borrowings	14	753,955	763,373
Long-term lease liabilities	15	79,374	103,661
Long-term provisions		6,914	7,194
Deferred revenue	17	56,612	65,553
Deferred tax liabilities		15,866	15,986
Total non-current liabilities		**912,721**	**955,767**
Current liabilities			
Short-term portion of long-term borrowing	14	24,876	34,687
Short-term portion of long-term lease liabilities	15	24,045	31,342
Trade and other payables	16	187,354	190,304
Short-term provisions		27,930	23,679
Deferred revenue	17	45,494	33,806
Taxation		10,195	10,828
Total current liabilities		**319,894**	**324,646**
Total equity and liabilities		**1,389,638**	**1,460,326**

Approved by the Board of Directors and authorised for issue on 26 July 2023

Eric Venpin

Eric Venpin
Director

Wong

Nathalie Wong
Alternate Director to Mike Mootien

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3 MONTHS ENDED 31 MAY 2023

	Notes	Share capital	Share premium	Convertible preference shares	Investment revaluation reserve	Foreign currency translation reserve	Accumulated losses	Non-controlling interest	Total equity
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 March 2022 (Audited)		**3,716**	**276,714**	**180,000**	**-**	**(12,912)**	**23,151**	**2,522**	**473,191**
(Loss) / profit and total comprehensive (loss) / income for the year		-	-	-	-	(111,786)	(48,409)	68	(160,127)
(Loss) / profit for the period		-	-	-	-	-	(48,409)	76	(48,333)
Impact of foreign exchange on opening balance adjustment under hyperinflation accounting		-	-	-	-	10,827	-	-	10,827
Translation loss on accounting for foreign entities		-	-	-	-	(122,613)	-	(8)	(122,621)
At 31 May 2022 (Unaudited)		**3,716**	**276,714**	**180,000**	**-**	**(124,698)**	**(25,258)**	**2,590**	**313,064**
At 01 March 2023 (Audited)		**3,716**	**276,714**	**180,000**	**-**	**(217,565)**	**(64,098)**	**1,146**	**179,913**
Dividend	21	-	-	-	-	-	-	(360)	(360)
Loss and total comprehensive loss for the year		-	-	-	4,560	49,607	(76,416)	(281)	(22,530)
(Loss) / profit for the period		-	-	-	-	-	(76,416)	(229)	(76,645)
Fair value gain on investments in equity instruments designated as FVTOCI	22	-	-	-	4,560	-	-	-	4,560
Impact of foreign exchange on opening balance adjustment under hyperinflation accounting		-	-	-	-	66,999	-	-	66,999
Translation loss on accounting for foreign entities		-	-	-	-	(17,392)	-	(52)	(17,444)
At 31 May 2023 (Unaudited)		**3,716**	**276,714**	**180,000**	**4,560**	**(167,958)**	**(140,514)**	**505**	**157,023**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the 3 months ended 31 May 2023

	Notes	3 months ended 31/05/2023 USD'000 (Unaudited)	3 months ended 31/05/2022 USD'000 (Unaudited)
Cash flows from operating activities:			
Loss before tax		(54,565)	(64,068)
Adjustments for:			
Depreciation, impairment and amortisation		30,367	29,064
Bad debts provision / (reversal)		1,075	(4,098)
Increase in provisions		5,379	4,414
Foreign exchange loss		155,624	109,593
Hyperinflation monetary gain		(73,607)	(43,235)
Loss on disposal of fixed assets		4	605
Interest income	5	(5,201)	(4,515)
Finance costs	6	18,671	17,969
Gain on bargain purchase	27	(272)	-
Share of profit from associate		(4)	(5)
		77,471	45,724
Working capital changes:			
Decrease in inventories		2,078	499
Increase in trade and other receivables		(56,231)	(13,384)
Increase in trade and other payables		15,708	5,415
Increase in deferred revenue		1,735	843
Cash generated from operations		40,761	39,097
Income tax paid		(10,089)	(4,116)
Net cash generated from operating activities		30,672	34,981
Cash flows from investing activities:			
Interest income		377	4,515
Net cash inflow on acquisition of subsidiary	27	148	-
Purchase of investment at FVTOCI	22 (i)	(3,377)	-
Purchase of property, plant and equipment		(14,503)	(16,233)
Proceeds on disposal of property, plant and equipment		910	68
Purchase of intangible assets	9	(1,154)	(8,370)
Increase in other long-term receivables		-	(4,194)
Pre-commencement lease payments		(201)	(450)
Increase in long-term receivables from related parties		(57)	-
Net cash used in investing activities		(17,857)	(24,664)
Cash flows from financing activities:			
Dividend paid		(360)	-
Finance costs paid		(22,424)	(23,867)
Decrease in lease liabilities		(15,915)	(8,579)
Decrease in borrowings		(904)	(880)
Net cash used in financing activities		(39,603)	(33,326)
Net decrease in cash and cash equivalents		(26,788)	(23,009)
Cash and cash equivalents at beginning of the period		88,818	163,643
Translation of cash with respect to foreign subsidiaries		(19,641)	(49,257)
Cash and cash equivalents at end of the period	12	**42,389**	**91,377**
Represented by:			
Cash and cash equivalents	12	41,962	89,792
Restricted cash and cash equivalents	12	427	1,585
		42,389	**91,377**

1. General information

Liquid Telecommunications Holdings Limited (trading as Liquid Intelligent Technologies), is a private company incorporated in Mauritius on the 26 January 2007 and is the holder of a Category 2 – Global Business Licence Company as from 29 January 2007, which was converted to a Global Business Company licence on 30 June 2021. Its registered office is situated at 10th floor, Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebene, Mauritius. The company's main activity is to carry on the business of a holding company in respect of subsidiary companies across Africa and certain other countries across the rest of 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 consolidated interim financial statements are presented in United States Dollars (USD) as this is the currency in which the majority of the group's transactions are denominated. The functional currencies of the subsidiaries are: United States Dollars, Mauritian Rupee, South African Rand, Pound Sterling, Zambian Kwacha, Kenyan Shilling, Ugandan Shilling, Rwandan Franc, Botswana Pula, Nigerian Naira, Tanzanian Shilling, United Arab Emirates Dirham, Egyptian Pound and Zimbabwean dollar (ZWL$, equivalent to the Real Time Gross Settlement - "RTGS").

Impact of global events

On 24 February 2022, Russia invaded Ukraine in an internationally condemned act of aggression. This conflict is ongoing with a devastating impact on human life in the region. Globally, along with the widening sanctions against Russia, the conflict has had a direct impact on the energy sector, with increasing fuel prices and a general instability in the financial markets. This has led to higher costs for energy suppliers, product manufacturers and transportation services. The group has also been monitoring the impact of global inflationary pressures, interest rate increases, load shedding and other power challenges and has incorporated these effects into its forward looking plans, where possible.

2. Accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the 3 months ended 31 May 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

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

2.1 Going concern

The directors have reviewed the consolidated cash flow projections of the group and company for the twelve months from the date of signing of the consolidated interim financial statements. Taking into account the available cash position as of 31 May 2023, including the impact of the currency changes in Zimbabwe and South Africa, the cash flow projections for the period (which include discretionary capital expenditure), the repayment of existing obligations and undrawn committed loan funding, and the provision of financial support to subsidiaries where necessary, the directors are satisfied that the group has access to adequate cash resources to settle obligations as they fall due. They also consider that the operations provide sufficient financial sustainability to enable the business to continue in existence for the foreseeable future.

In making their assessment, the directors have considered the potential impact of the instability of financial markets, volatility of currency markets particularly the South African Rand, the economic situation in Zimbabwe, inability of customers to pay and supply chain shortages on the operations, business plan and cashflow for the twelve months from the date of signing of the consolidated interim financial statements.

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

<u>Funding facilities</u>

The group is currently funded by a combination of equity, USD 620 million Senior Secured Notes (maturity September 2026), an undrawn USD 60 million Revolving Credit Facility ("RCF") (maturity March 2026), a USD 220 million equivalent South African Rand term loan (maturity March 2026), of which USD 153.4 million is outstanding at 31 May 2023 and USD 23.3 million of locally provided term loans (maturity in the financial year 2025) in Zambia, of which USD 4.3 million is outstanding at 31 May 2023. Taking this into account, alongside the other reviews conducted as set out in this section and the USD 60.0 million undrawn RCF, the directors consider the group has sufficient liquidity to meet its obligations as and when they fall due and forecast this position to continue. Refer to note 14 - *Short term portion of long term borrowings and long term borrowings* for more details.

<u>Cash position</u>

As at 31 May 2023, the group has an unrestricted cash position of USD 42.0 million (28 February 2023: USD 88.4 million). Of this amount, USD 12.1 million (28 February 2023: USD 28.3 million) is held in Zimbabwe. Following the continuing devaluation of the currency in Zimbabwe, the group has translated the ZWL$ denominated cash in Zimbabwe at the statement of financial position date at a ZWL$:USD exchange rate of 2,577.1:1 (28 February 2023: ZWL$:USD of 892.6:1). Cash held in Zimbabwe is used to locally fund operational expenses and capital expenditure.

<u>Operational performance</u>

For the quarter ended 31 May 2023, the group reported an operating profit of USD 40.7 million (31 May 2022: 17.2 million) and a net cash inflow from operating activities of USD 30.7 million (31 May 2022: USD 35.0 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, even after taking into account the impact of the currency devaluation in Zimbabwe.

Based on the assessment made and for the reasons set out above, the directors are of the opinion that the adoption of the going concern assumption in the preparation of the condensed interim financial statements for the quarter ended 31 May 2023 is appropriate.

2.2 Zimbabwean currency and hyperinflation accounting

Following changes to the currency in Zimbabwe in February 2019, the economic conditions are now those of a hyperinflationary environment. As a result, local accounting bodies have determined that the principles of IAS 29 - *Financial Reporting in Hyperinflationary Economies* should be applied. The group has continued the application of hyperinflation accounting during the quarter ended 31 May 2023, with effect from 1 October 2018 for its Zimbabwean subsidiaries.

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

2. Accounting policies (continued)

2.2 Zimbabwean currency and hyperinflation accounting (continued)

2.2.1 Zimbabwean currency

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

During the quarter ended 31 May 2023, there has been further movement in the ZWL$:USD rate and the group has used a rate of ZWL$:USD 2,577.1:1 (28 February 2023: ZWL$:USD 892.6:1) to translate both the statement of profit or loss and the statement of financial position at 31 May 2023. Of the USD 155.6 million (31 May 2022: USD 111.1 million) of net foreign exchange loss in the consolidated statement of profit and loss, Zimbabwe contributed USD 146.3 million (31 May 2022: USD 117.7 million). The net foreign exchange loss arises mainly on the retranslation of USD denominated intra-group debt at the statement of financial position date.

2.2.2 Hyperinflation accounting

Local economic conditions in Zimbabwe have continued to react to the deterioration in the ZWL$:USD exchange rate. Over the course of the financial year ended 29 February 2020, the group observed that the conditions in Zimbabwe were indicative of a hyperinflationary economy. This was confirmed in a statement released on 11 October 2019 by the Public Accountants and Auditors Board ("PAAB"), which is mandated to regulate Auditing and Accounting standards in Zimbabwe. The PAAB advised that following broad market consensus within the Accounting and Auditing professions, the factors and characteristics to apply the financial reporting in IAS 29 - *Financial Reporting in Hyperinflationary Economies* in Zimbabwe had been met. Furthermore, the International Practices Task Force (“IPTF”) of the Centre of Audit Quality (“CAQ”) monitors inflation in certain countries and reported Zimbabwe’s three-year cumulative inflation rate as exceeding 100% in its previous reports and the latest report being 9 November 2022.

Based on these reports, the group has concluded that hyperinflation accounting is applicable to accounting periods ended on or after 1 July 2019. The group has applied hyperinflation accounting to all periods presented in these financial statements, effective from 1 October 2018. The adjustment for the impact of foreign exchange on opening balance under hyperinflation accounting of the Zimbabwe entities at 01 March 2023 resulted in a foreign exchange gain of USD 67.0 million (01 March 2022: USD 10.8 million) has been recognised directly in other comprehensive income, in accordance to IAS 21 - *The Effects of Changes in Foreign Exchange Rates.*

The application of hyperinflationary accounting results in certain assets, liabilities, revenues and costs being reported in inflation adjusted terms as at 31 May 2023.

The restatement of balances in accordance with IAS 29 requires the use of a general price index (“GPI”) that reflects changes in general purchasing power. Following the introduction of new regulations by the Zimbabwean government in March 2023, the official published Zimbabwe Consumer Price Index (“CPI”) as the GPI was discontinued with the last publication in January 2023.

IAS 29 allows for an entity to estimate a general price index for use in its financial statements in the absence of an official GPI and suggests the use of the movements in the exchange rates between the local functional currency (ZWL$) and a more stable currency (USD). In calculating the GPI, the group has used the movement in the ZWL$:USD exchange rate between April 2023 and May 2023. The ZWL$:USD exchange rate moved by 188.7% between April 2023 and May 2023 to close at 2,577.06. Accordingly, the group applied a 188.7 % growth on the April 2023 CPI of 18,059.29 to determine the May 2023 closing CPI. Therefore, the closing CPI for May 2023 is 44,428.60 (28 February 2023: CPI of 15,389.58).

The gains on the net monetary position of USD 73.6 million (31 May 2022: USD 43.2 million) have been recognised in the consolidated statement of profit or loss through 'Hyperinflation monetary gain' based on the abovementioned CPI for May 2023 (31 May 2022: 6,662.17).

In addition, IAS 29 requires the translation of the results at closing rate rather than average rate. The closing rate of ZWL$:USD 2,577.1:1 (28 February 2023: ZWL$:USD 892.6:1) has been used.

The directors continue to monitor the economic conditions in Zimbabwe.

2.3 Accounting policies

The accounting policies applied by the group in the preparation of the condensed interim consolidated financial statements presented are in accordance with IFRS and are consistent with those applied by the group in the preparation of the consolidated financial statements for the quarter ended 31 May 2023.

2.4 Critical accounting judgements and key sources of estimation uncertainty

The significant accounting judgements and critical estimates applied by the group in the preparation of these condensed consolidated interim financial statements presented are in accordance with IFRS and are consistent with those applied by the group in the preparation of the consolidated financial statements for the quarter ended 31 May 2023. In addition, the following significant accounting judgements and critical estimates have also been made:

Key judgements

Revenue Recognition

Management enters into contracts with customers from time to time that include unique contractual terms and other elements that fall outside of the group's general contract terms and conditions. A key judgement is whether these bespoke contracts have an embedded lease, and should be accounted for under IFRS 16 – *Leases* rather than IFRS 15 – *Revenue from Contracts with Customers,* given that some of these contracts provide for the right of use over specifically identified fibre line channels, rather than capacity. The directors considered the detailed criteria for the recognition of revenue, and are satisfied that the accounting treatment is appropriate in the current year.

Contingent liabilities

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

2. Accounting policies (continued)

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

Key estimates

Impairment of goodwill

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

Hyperinflation accounting

The restatement of balances in accordance with IAS 29 - *Financial Reporting in Hyperinflationary Economies* requires the use of a general price index ("GPI") that reflects changes in general purchasing power. Following the introduction of new regulations by the Zimbabwean government in March 2023, the official published Zimbabwe Consumer Price Index ("CPI") as the GPI was discontinued with the last publication in January 2023.

IAS 29 allows for an entity to estimate a general price index for use in its financial statements in the absence of an official GPI and suggests the use of the movements in the exchange rates between the local functional currency (ZWL$) and a more stable currency (USD). In calculating the GPI, the group has used the movement in the ZWL$:USD exchange rate between April 2023 and May 2023. The ZWL$:USD exchange rate moved by 188.7% between April 2023 and May 2023 to close at 2,577.06. Accordingly, the group applied a 188.7 % growth on the April 2023 CPI of 18,059.29 to determine the May 2023 closing CPI. Therefore, the closing CPI for May 2023 is 44,428.60 (28 February 2023: CPI of 15,389.58).

For more information on the Zimbabwean currency and hyperinflation accounting, see note 2.2.

3. Segment information

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

The group categorises its revenue streams as shown below:

- Network - primarily revenue from long haul, metro networks and roaming services;
- C2 - primarily revenue from cloud services, managed services and cybersecurity services;
- Dataport - primarily revenue from undersea assets, international wholesale, international enterprise and VSAT; and
- Voice traffic - primarily revenue from international voice interconnects between mobile network operators and international telecom carriers.

For comparison, the previous revenue streams were:

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

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

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

- Gain on bargain purchase
- Net foreign exchange loss
- Hyperinflation monetary gain (see note 2.2.2)
- Share of profits of associate

A reconciliation of Operating profit, as shown in the consolidated statement of profit or loss, to Adjusted EBITDA (see above) is shown in *note 26.1 - Reconciliation.*

3. Segment information (continued)

The following is an analysis of the group's revenue and results by reportable segment for the 3 months ended 31 May 2023 (Unaudited).

	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
Network	36,790	49,858	33,960	21,043	-	(15,539)	126,112
C2	11,096	2,935	4,042	6,724	-	(4,585)	20,212
Dataport	1,663	832	6,170	6,964	-	(2,714)	12,915
Voice traffic	1,750	27	10	13,800	-	(285)	15,302
Inter-segmental revenue	(2,030)	(231)	(1,552)	(19,310)	-	23,123	-
Group External Revenue	**49,269**	**53,421**	**42,630**	**29,221**	**-**	**-**	**174,541**
Adjusted EBITDA	17,656	32,280	12,138	16,070	(5,224)	(1,897)	71,023
Depreciation, impairment and amortisation							(30,367)
Gain on bargain purchase							272
Interest income							5,201
Finance costs							(18,671)
Foreign exchange loss							(155,634)
Hyperinflation monetary gain							73,607
Share of profits of associate							4
Loss before taxation							**(54,565)**
Tax expense							(22,080)
Loss for the period							**(76,645)**

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

	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
Network	41,626	24,996	29,448	19,053	-	(15,452)	99,671
C2	9,680	2,654	2,444	5,088	-	(3,744)	16,122
Dataport	1,590	598	3,142	6,790	-	(3,180)	8,940
Voice traffic	1,934	23	44	16,676	-	(401)	18,276
Inter-segmental revenue	(1,998)	(144)	(1,941)	(18,694)	-	22,777	-
Group External Revenue	**52,832**	**28,127**	**33,137**	**28,913**	**-**	**-**	**143,009**
Adjusted EBITDA	16,167	14,960	7,726	15,897	(4,640)	(3,822)	46,288
Depreciation, impairment and amortisation							(29,064)
Interest income							4,515
Finance costs							(17,969)
Foreign exchange loss							(111,078)
Hyperinflation monetary gain							43,235
Share of profits of associate							5
Loss before taxation							**(64,068)**
Tax credit							15,735
Loss for the period							**(48,333)**

*Central administration costs include certain staff and other stewardship costs not allocated to other business lines.

4. Net other income

	3 months ended	
	31/05/2023	31/05/2022
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Management fees income (note 18)	788	635
Sundry income (non-operating income that does not meet the recognition criteria of revenue under IFRS 15)	153	619
Loss on disposal of property, plant and equipment	(4)	(605)
	937	**649**

5. Interest income

	3 months ended	
	31/05/2023	31/05/2022
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Interest received - bank / external	377	347
Interest received - inter-group (note 18)	4,824	4,168
	5,201	**4,515**

6. Finance costs

	3 months ended	
	31/05/2023	31/05/2022
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Interest on bank overdraft and loans	5,827	7,148
Finance cost on Senior Secured Notes	8,525	8,525
Finance arrangement fees amortised	905	915
Interest on lease liabilities	3,335	1,347
Interest paid - inter-group (note 18)	79	34
	18,671	**17,969**

7. Taxation

	3 months ended	
	31/05/2023	31/05/2022
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Current taxation	9,739	4,547
Deferred taxation charge / (credit)	9,508	(22,362)
Withholding taxation	2,833	2,080
	22,080	**(15,735)**

	3 months ended	
	31/05/2023	31/05/2022
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Loss before taxation	(54,565)	(64,068)
Taxation at domestic rate for foreign subsidiaries in tax paying jurisdictions	(14,774)	(15,715)
Tax effect of non-deductible expenses	50,994	4,373
Tax effect of non-taxable income	-	(23)
Tax effect of foreign tax credit	(7)	(261)
Effect of tax losses not recognised as deferred tax assets	6,338	77
Tax effect of utilised unrecognised tax losses	(475)	(768)
Tax effect on IAS 29 adjustments	(22,745)	(5,498)
Withholding taxation	2,749	2,080
	22,080	**(15,735)**

Taxation is calculated at the rates prevailing in the respective jurisdictions:

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

8. Goodwill

	31/05/2023 USD'000 (Unaudited)	28/02/2023 USD'000 (Audited)
Cost		
Opening balance	76,576	129,182
Impairment (see below)	-	(36,081)
Foreign exchange loss	(4,148)	(16,525)
Closing balance	**72,428**	**76,576**

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

	31/05/2023 USD'000 (Unaudited)	28/02/2023 USD'000 (Audited)
Liquid Telecommunications Limited	2,850	2,850
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe (see below)	5,581	5,581
Liquid Telecommunications Holdings South Africa (Pty) Limited	56,212	60,360
Liquid Telecommunications Zambia Limited	2,201	2,201
Raha Tanzania Holdings Limited	5,584	5,584
	72,428	**76,576**

Goodwill is tested at least annually for impairment as required by IAS 36 - *Impairment of assets* . 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. Each CGU is considered to be the operating company, as this is the lowest level of identifiable assets that generate cash inflows, independent from other assets or groups of assets.

For the year ended 28 February 2023:

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

• The cash flows used are based on Board approved budgets and only take into account cash flows arising from the current asset base and not from any future developments in technology, acquisitions or change in business model and this includes certain cash flows which are anticipated but not yet fully contracted.
• Assessments are performed on a value in use basis, using a 5-year discounted cash flow method.
• Growth rates: the group used steady growth rates to extrapolate revenues beyond the budget period cash flows. The average growth rates used ranged from 0.5% to 4.2%.
• Discount rates: The country specific Weighted Average Cost of Capital ("WACC") is used as the discount rate which ranges from 10.3% to 21.5% (post-tax). The discount rates used reflect both time value of money and other specific risks relating to the relevant CGU and operating country.

• Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe ("LTZ")

During the year ended 28 February 2023, Zimbabwe Online (Private) Limited ("ZOL"), a 100% subsidiary of Data Control and Systems (1996)(Private) Limited t/a Liquid Telecom Zimbabwe ("LTZ") was merged into its parent on 1 March 2022. ZOL's retail business together with the Wholesale and Enterprise business of LTZ are now regarded as a single CGU as they both form part of the LTZ legal entity. This change has resulted in a reallocation of the goodwill from LTZ to Liquid Telecommunications Holdings Limited (LTH).

• Liquid Telecommunications Holdings South Africa (Pty) Limited ("LTHSA")

In carrying out the annual impairment testing as required by IAS 36 - *Impairment of assets,* a pre-tax impairment of USD 36.1 million was recorded against the goodwill that arose on the acquisition of Liquid Telecommunications South Africa (Pty) Limited by LTHSA. The impairment has resulted primarily from global inflationary pressures, leading to higher interest rates and WACC for LTHSA, which, together with other operational cost pressures have eroded the prior year headroom.

Specifically in relation to LTHSA, the following assumptions were applied:

• A terminal growth rate of 4.2% was applied in line with inflation forecasts for South Africa over a comparable period
• LTHSA's WACC of 15.5% was used as the discount rate. On a pre-tax basis, this rate is 19.8%

<u>Sensitivity analysis</u>

The group also performed a sensitivity analysis on three key inputs to the impairment assessment for LTHSA's goodwill and the results are shown below:

• An increase of 10% in the above terminal growth rate would result in no impairment and a decrease of 10% would result in a further impairment of USD 9.6 million.
• An increase of 10% in the above WACC would result in an additional impairment of USD 44.4 million and a decrease of 10% would result in no impairment, with headroom.
• An increase of 10% in the EBITDA forecasts in each period would result in no impairment, with significant headroom. A reduction of 10% in the EBITDA forecasts in each period would result in full impairment of the carrying value for the goodwill.

<u>Other CGUs</u>

• Sensitivity analysis

The group has conducted an analysis of the sensitivity of the impairment test to changes in the country specific Weighted Average Cost of Capital ("WACC") used to determine the recoverable amount for each CGU to which goodwill is allocated. Except for Liquid Telecommunications Holdings South Africa (Pty) Limited (as described above), an increase of 5% in the WACC would result in no impairment, with headroom. A decrease of 5% would still result in no impairment, with significant headroom.

9. Intangible assets

	Operating Licence	Computer Software	Fibre Optical - IRU	Customer Relationships	Work in Progress	Intangible Assets*	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:							
At 01 March 2022 (Audited)	33,130	42,761	-	34,302	8,758	52,009	170,960
Purchases during the year	7,747	5,285	-	-	1,102	-	14,134
Disposals during the year	(887)	(4,931)	-	-	(25)	-	(5,843)
Transfers	-	831	-	-	(831)	-	-
Write off	-	(142)	-	-	-	-	(142)
Foreign exchange differences	(10,217)	(8,374)	-	(7,952)	-	(4,887)	(31,430)
Adjustments - IAS 29	2,621	922	-	-	-	-	3,543
Transfer to Pre-commencement lease payments	-	-	-	-	(5,900)	-	(5,900)
At 28 February 2023 (Audited)	32,394	36,352	-	26,350	3,104	47,122	145,322
Acquisition of subsidiaries	-	-	-	82	-	-	82
Purchases during the year	-	743	-	-	411	-	1,154
Foreign exchange differences	(3,791)	(2,795)	-	(2,546)	2	(2,002)	(11,132)
Adjustments - IAS 29	2,417	856	-	-	-	-	3,273
At 31 May 2023 (Unaudited)	31,020	35,156	-	23,886	3,517	45,120	138,699
Accumulated amortisation:							
At 01 March 2022 (Audited)	13,898	34,718	(13)	18,298	-	26,454	93,355
Amortisation	2,259	4,194	-	3,053	-	531	10,037
Disposals during the year	(442)	(4,844)	-	-	-	-	(5,286)
Write offs	-	(142)	-	-	-	-	(142)
Foreign exchange differences	(4,781)	(6,390)	13	(2,678)	-	(4,805)	(18,641)
Adjustments - IAS 29	1,190	595	-	-	-	-	1,785
At 28 February 2023 (Audited)	12,124	28,131	-	18,673	-	22,180	81,108
Amortisation	487	1,054	-	703	-	122	2,366
Foreign exchange differences	(1,877)	(2,222)	-	(968)	-	(1,800)	(6,867)
Adjustments - IAS 29	1,295	628	-	-	-	-	1,923
At 31 May 2023 (Unaudited)	12,029	27,591	-	18,408	-	20,502	78,530
Carrying amount:							
At 28 February 2023 (Audited)	20,270	8,221	-	7,677	3,104	24,942	64,214
At 31 May 2023 (Unaudited)	18,991	7,565	-	5,478	3,517	24,618	60,169

* This mainly comprises the brand and spectrum assets arising on the acquisition of Liquid Telecommunications South Africa (Pty) Limited.

10. Property, plant and equipment

	Land and buildings USD'000	Furniture and fittings USD'000	Computer equipment USD'000	Network equipment USD'000	Motor vehicles USD'000	Work in progress USD'000	Fibre infrastructure USD'000	Total USD'000
Cost:								
At 1 March 2022 (Audited)	21,764	12,084	33,077	108,802	13,151	45,602	1,179,054	1,413,534
Additions during the year	428	487	1,431	3,911	677	38,905	47,472	93,311
Disposals during the year	(944)	(275)	(2,703)	(1,265)	(29)	(2,722)	(29,952)	(37,890)
Impairment	-	-	-	-	-	(165)	(2,200)	(2,365)
Write offs	-	(74)	(117)	(1,132)	-	(11)	(209)	(1,543)
Transfers	-	142	235	2,464	182	(30,959)	27,936	-
Transfer to inventory	-	-	-	-	-	(7)	(15)	(22)
Foreign exchange differences	(6,663)	(3,801)	(4,222)	(19,692)	(6,816)	(14,136)	(462,654)	(517,984)
Adjustments - IAS 29	1,442	964	536	571	2,623	3,876	139,507	149,519
At 28 February 2023 (Audited)	16,027	9,527	28,237	93,659	9,788	40,383	898,939	1,096,560
Acquisition of subsidiaries	97	4	-	-	-	-	-	101
Additions during the year	64	33	447	474	43	6,123	8,525	15,709
Disposals during the year	-	(1)	(145)	(2)	(26)	(863)	(620)	(1,657)
Transfers	-	50	34	474	-	(6,218)	5,660	-
Foreign exchange differences	(2,273)	(1,308)	(1,734)	(7,605)	(2,801)	(5,370)	(170,203)	(191,294)
Adjustments - IAS 29	1,330	1,044	509	1,092	2,725	4,128	131,563	142,391
At 31 May 2023 (Unaudited)	15,245	9,349	27,348	88,092	9,729	38,183	873,864	1,061,810
Accumulated depreciation								
At 1 March 2022 (Audited)	7,671	10,061	30,258	96,242	9,890	(2,257)	555,432	707,297
Depreciation	298	622	1,409	9,277	622	-	49,140	61,368
Disposals during the year	(944)	(278)	(2,689)	(1,141)	(24)	-	(29,361)	(34,437)
Write offs	-	(63)	(117)	(1,053)	-	-	(55)	(1,288)
Foreign exchange differences	(1,296)	(3,082)	(3,646)	(15,118)	(5,109)	-	(186,891)	(215,142)
Adjustments - IAS 29	-	508	263	78	1,318	-	50,552	52,719
At 28 February 2023 (Audited)	5,729	7,768	25,478	88,285	6,697	(2,257)	438,817	570,517
Acquisition of subsidiaries	54	3	-	-	-	-	-	57
Depreciation	69	147	314	2,019	154	-	11,904	14,607
Disposals during the year	-	(1)	(144)	(2)	-	-	(597)	(744)
Foreign exchange differences	(398)	(904)	(1,327)	(5,514)	(1,542)	-	(74,478)	(84,163)
Adjustments - IAS 29	-	640	228	921	1,477	-	53,629	56,895
At 31 May 2023 (Unaudited)	5,454	7,653	24,549	85,709	6,786	(2,257)	429,275	557,169
Carrying amount:								
At 28 February 2023 (Audited)	10,298	1,759	2,759	5,374	3,091	42,640	460,122	526,043
At 31 May 2023 (Unaudited)	9,791	1,696	2,799	2,383	2,943	40,440	444,589	504,641

11. Right-of-Use assets

	Land and buildings USD'000	Furniture and fittings USD'000	Network equipment USD'000	Motor vehicles USD'000	Fibre infrastructure USD'000	Fibre Optical - IRU USD'000	Total USD'000
Cost:							
At 1 March 2022 (Audited)	117,935	16	43,352	2,343	34,959	114,780	313,385
Additions during the year	24,935	-	10,254	240	62,905	3,998	102,332
Disposals during the year*	(2,504)	(16)	(51)	(149)	(3,958)	(466)	(7,144)
Transfer from pre-commencement lease payments**	-	-	-	-	-	33,541	33,541
Write offs	(2,581)	-	-	-	-	-	(2,581)
Foreign exchange differences	(57,240)	-	(1,231)	(353)	(6,659)	(3,568)	(69,051)
Adjustments - IAS 29	20,624	-	-	-	-	-	20,624
At 28 February 2023 (Audited)	101,169	-	52,324	2,081	87,247	148,285	391,106
Additions during the year	416	-	-	-	-	1,670	2,086
Foreign exchange differences	(31,324)	-	282	(110)	(2,721)	(1,221)	(35,094)
Adjustments - IAS 29	49,621	-	-	-	-	-	49,621
At 31 May 2023 (Unaudited)	119,882	-	52,606	1,971	84,526	148,734	407,719
Accumulated depreciation:							
At 1 March 2022 (Audited)	38,407	-	18,232	1,584	21,383	65,092	144,698
Depreciation	15,434	-	14,191	512	18,032	5,822	53,991
Disposals during the year*	(1,795)	-	(50)	(149)	(3,448)	(349)	(5,791)
Write offs	(2,581)	-	-	-	-	-	(2,581)
Foreign exchange differences	(12,896)	-	(374)	(272)	(4,392)	(3,100)	(21,034)
Adjustments - IAS 29	504	-	-	-	-	-	504
At 28 February 2023 (Audited)	37,073	-	31,999	1,675	31,575	67,465	169,787
Depreciation	4,051	-	2,973	67	4,280	2,023	13,394
Foreign exchange differences	(5,678)	-	123	(107)	(2,055)	(1,043)	(8,760)
Adjustments - IAS 29	22,946	-	-	-	-	-	22,946
At 31 May 2023 (Unaudited)	58,392	-	35,095	1,635	33,800	68,445	197,367
At 28 February 2023 (Audited)	64,096	-	20,325	406	55,672	80,820	221,319
At 31 May 2023 (Unaudited)	61,490	-	17,511	336	50,726	80,289	210,352

No impairment was required following the review of the carrying value of Right-of-Use assets by the directors for the period ended 31 May 2023 (28 February 2023: Nil).

* relate to lease modifications or cancellations.
** During the year ended 28 February 2023, USD 33.5m was transferred from pre-commencement lease payments to Right-of-Use assets as the assets were brought into use.

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

	31/05/2023 USD'000 (Unaudited)	28/02/2023 USD'000 (Audited)
Cash and bank balances	41,406	88,393
Money market deposits	556	-
Cash and cash equivalents	**41,962**	**88,393**
Restricted cash and cash equivalents	**427**	**425**
Total cash and cash equivalents	**42,389**	**88,818**

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

Cash and cash equivalents include USD 12.1 million (28 February 2023: USD 28.3 million) in Zimbabwe held in cash, short term deposits and similar instruments. These amounts have been translated at the rate of ZWL$:USD of 2,577.1:1 (28 February 2023: ZWL$:USD of 892.6:1). See *note 2.2 - Zimbabwean currency for more detailed disclosure on ZWL$.*

The group has restricted cash for the following purposes:

	31/05/2023 USD'000 (Unaudited)	28/02/2023 USD'000 (Audited)
Guarantees	1	1
Customer deposits held	426	424
	427	**425**

13. Trade and other receivables

	31/05/2023 USD'000 (Unaudited)	28/02/2023 USD'000 (Audited)
Trade receivables	135,388	128,959
Related parties (note 18)	31,294	35,436
Expected credit loss provision	(40,193)	(42,372)
Total trade and related parties receivables, net of expected credit loss provision	**126,489**	**122,023**
Short-term inter-company receivables (note 18)	33,881	21,813
Sundry debtors	65,410	61,735
Deposits paid	5,224	5,051
Prepayments	40,905	36,305
	271,909	**246,927**

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

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 based on the assumptions about risk and probability of default and expected loss rates. The group assesses the recoverability on both a collective and individual basis.

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

The receivable balances from affiliated entities and other related parties are unsecured, interest free and are payable in accordance with the terms of the relevant agreements, under which payment terms range from 30 days to 6 months.

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

		Past due				
	Current USD'000	31 - 60 days USD'000	61 - 90 days USD'000	91 - 120 days USD'000	> 120 days USD'000	Total USD'000
As at 31 May 2023						
Trade and related parties receivables - Gross	35,857	24,071	18,349	18,059	70,346	166,682
Lifetime ECL	(935)	(391)	(197)	(301)	(38,369)	(40,193)
Trade and related parties receivables - Net	**34,922**	**23,680**	**18,152**	**17,758**	**31,977**	**126,489**
Default rate	2.6%	1.6%	1.1%	1.7%	54.5%	
As at 28 February 2023						
Trade and related parties receivables - Gross	51,277	28,936	14,994	12,588	56,600	164,395
Lifetime ECL	(3,868)	(2,259)	(1,088)	(750)	(34,407)	(42,372)
Trade and related parties receivables - Net	**47,409**	**26,677**	**13,906**	**11,838**	**22,193**	**122,023**
Default rate	7.5%	7.8%	7.3%	6.0%	60.8%	

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

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

	31/05/2023 USD'000 (Unaudited)	28/02/2023 USD'000 (Audited)
Long-term borrowings:		
USD 620 million 5.5% Senior Secured Notes (i)	610,564	609,840
Net settled: Embedded derivatives (note 22)	1,878	1,878
USD 220 million equivalent South African Rand term loan (ii)	140,240	150,406
Stanbic Bank of Zambia Limited (iii)	1,273	1,249
	753,955	**763,373**
Short-term portion of long term borrowings (including interest accrued):		
USD 620 million 5.5% Senior Secured Notes (i)	8,525	17,050
USD 220 million equivalent South African Rand term loan (ii)	13,132	13,800
Stanbic Bank of Zambia Limited (iii)	3,010	3,636
USD 60 million revolving credit facility (iv)	209	201
	24,876	**34,687**

(i) The USD 620 million 5.5% Senior Secured Notes bear interest, payable half yearly, at the rate of 5.5% and are payable at maturity in September 2026. The Notes were issued by Liquid Telecommunications Financing Plc on 24 February 2021 and are guaranteed on a Senior Secured basis by: Liquid Telecommunications Holdings Limited, Liquid Telecommunications Operations Limited, Liquid Telecommunications Limited, Liquid Telecommunications Kenya Limited, Liquid Telecommunications Holdings South Africa (Pty) Limited, Liquid Telecommunications South Africa (Pty) Limited and Liquid Telecommunications Zambia Limited with various types of collateral. Such collateral includes (among other things): (i) share pledges and charges over assets, including bank accounts, (ii) assignment over present and future intercompany loans receivables and agreements (iii) assignment over receivables including trade debtors, intellectual property rights and insurances, and (iv) deed of hypothecation over trademarks.

(ii) On 25 February 2021, Liquid Telecommunications South Africa (Pty) Limited entered into a 5 year ZAR 3.3 billion term loan with the Standard Bank of South Africa Limited (acting through its corporate and investment banking division) and Standard Chartered Bank – Johannesburg branch. The term loan was initially split equally between an amortising tranche and a bullet repayment tranche, for which the interest rates are JIBAR plus 4.5% and 5.0% respectively. The syndicators of this loan are: Standard Bank of South Africa Limited, Sanlam Investment Management Pty Ltd, Sanlam Life Insurance Ltd, State Bank of India (SBI), Stanlib Asset Management and Liberty Group. In June 2021, Liquid Telecommunications South Africa (Pty) Limited refinanced a portion of the term loan, amounting to ZAR 1.0 billion, with the International Finance Corporation with interest payable quarterly at JIBAR plus 5%. Following the refinancing, the term loan is now split between an amortising tranche and two separate bullet repayment tranches, representing one third and two thirds respectively of the term loan.

The covenants relevant to this loan are Net debt to EBITDA, Interest cover and Debt Service Cover Ratio.

On 26 April 2023, our lending partners (in relation to the USD 220 million equivalent South African Rand term loan) approved our pre-emptive request for a deferral of the net debt to adjusted EBITDA ratio due to the prospect of further exchange rate volatility in certain markets. As a result, the step down from 4.0x to 3.5x that was due to take place at the end of May 2023 will now occur in February 2024 and a second step down from 3.5x to 3.0x that was due to take place in May 2024 will now occur in August 2024. All other terms remain unchanged.

(iii) Liquid Telecommunications Zambia Limited has USD 23.3 million (maturity in the financial year 2025) of term loans denominated in local currency (Zambian Kwacha). As at 31 May 2023, the outstanding balance on all term loans is USD 4.3 million. Liquid Telecommunications Holdings Limited guaranteed up to USD 13.0 million in aggregate of these facilities. The facility agreement also included a first ranking charge over certain assets including bank accounts and receivables of Liquid Telecommunications Zambia Limited. The facility bears interest at the rate of 23.5%. Capital and interest are repaid on a quarterly basis. The financial covenants for this facility are Total debt to EBITDA and Debt Service Ratio.

(iv) In addition to the USD 620 million 5.5% Senior Secured Notes and the USD 220 million equivalent South African Rand term loan, the group has a USD 60 million Revolving Credit Facility agreement between the company, JP Morgan Chase Bank N.A., London branch, Standard Finance (Isle of Man), Standard Chartered Bank (Mauritius) Limited and the Mauritius Commercial Bank Limited. The Revolving Credit Facility is secured and is guaranteed on a senior secured basis by, Liquid Telecommunications Operations Limited, Liquid Telecommunications Limited, Liquid Telecommunications Financing Plc, Liquid Telecommunications Kenya Limited, Liquid Telecommunications Holdings South Africa (Pty) Limited, Liquid Telecommunications South Africa (Pty) Limited and Liquid Telecommunications Zambia Limited. The obligations under the Revolving Credit Facility are secured equally and ratably with the Senior Secured Notes by first priority liens over the security. The Revolving Credit Facility facility is denominated in USD, bears interest at the rate of LIBOR plus 4.25%, subject to certain adjustments for the net leverage ratio and is to be utilised for general corporate purposes. The Revolving Credit Facility remains undrawn at 31 May 2023. The facility holds the same covenant obligations as the South African term loan referenced above.

15. Lease liabilities

	31/05/2023 USD'000 (Unaudited)	28/02/2023 USD'000 (Audited)
Long-term portion of lease liabilities	79,374	103,661
Short-term portion of lease liabilities	24,045	31,342
	103,419	**135,003**

16. Trade and other payables

	31/05/2023 USD'000 (Unaudited)	28/02/2023 USD'000 (Audited)
Trade accounts payable	101,591	103,202
Payable balance to related parties (note 18)	14,933	15,779
Accruals	46,583	45,920
Staff payables	5,270	4,745
Transaction taxes due in various jurisdictions	7,196	4,456
Other short-term payables	11,781	16,202
	187,354	**190,304**

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

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

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

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

17. Deferred revenue

	31/05/2023 USD'000 (Unaudited)	28/02/2023 USD'000 (Audited)
Long-term portion of deferred revenue	56,612	65,553
Short-term portion of deferred revenue	45,494	33,806
	102,106	**99,359**

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

18. Related party transactions and balances

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

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

- Africa Data Centres Holdings Limited (UK), African Data Centres (Pty) Limited (South Africa), Africa Data Centres SA Development (Pty) Limited (South Africa), ADC (Jersey) Limited, Africa Data Centres Lagos FZE (Nigeria) and East Africa Data Centre Limited (Kenya) and are referred to as ''Africa Data Centres related group companies'';

- Liquid Technologies Infrastructure Finance SARL;

- Liquid Intelligent Technologies Limited;

- Liquid Delta (Jersey) Limited;

- Telrad Networks Ltd; and

- Liquid Telecommunications (Jersey) Ltd.

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

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

	3 months ended 31/05/2023 USD'000 (Unaudited)	3 months ended 31/05/2022 USD'000 (Unaudited)
Sales of goods and services		
Econet Global related group companies	**26,152**	**16,661**
Purchase of goods and services		
Econet Global related group companies	**6,272**	**5,637**
Management fees expense		
Econet Global related group companies	**60**	**60**

18. Related party transactions and balances (continued)

	3 months ended	
	31/05/2023	**31/05/2022**
	USD'000	**USD'000**
	(Unaudited)	**(Unaudited)**
Management fees income		
Africa Data Centres related group companies	-	542
Econet Global related group companies	41	62
Liquid Intelligent Technologies Limited	-	31
Liquid Telecommunications (Jersey) Ltd	747	-
	788	**635**
Dividend		
Other shareholders (net of taxes)	**276**	**-**
Interest income		
Econet Global related group companies	148	72
Liquid Intelligent Technologies Limited	60	26
Africa Data Centres related group companies	4,616	4,070
	4,824	**4,168**
Finance costs		
Liquid Technologies Infrastructure Finance SARL	**79**	**34**
Administration fees paid		
DTOS Limited	**75**	**69**

The group has the following balances at the period end:

	31/05/2023	**28/02/2023**
	USD'000	**USD'000**
	(Unaudited)	**(Audited)**
Short-term receivables from related parties		
Africa Data Centres related group companies	20,418	17,119
Liquid Technologies Infrastructure Finance SARL	5,763	3,348
Liquid Telecommunications (Jersey) Ltd	5,903	-
Liquid Intelligent Technologies Limited	7	7
Econet Global related group companies	1,790	1,339
	33,881	**21,813**
Receivables balances from related parties		
Econet Global Limited (Mauritius)	4,999	4,999
Econet Global Related Group Companies	19,798	27,422
Liquid Delta (Jersey) Limited	28	28
Telrad Networks Ltd	5,016	2,697
Liquid Intelligent Technologies Limited	353	290
Liquid Telecommunications (Jersey) Ltd	1,088	-
Africa Data Centres related group companies	12	-
	31,294	**35,436**
Payable balance to related parties		
Econet Global related group companies	1,041	1,045
Africa Data Centres related group companies	10,411	10,313
Liquid Technologies Infrastructure Finance SARL	3,481	4,421
	14,933	**15,779**
Long-term receivables from related parties		
Africa Data Centres related group companies	124,704	129,771
Liquid Intelligent Technologies Limited	2,921	2,794
Econet Global related group companies	671	671
	128,296	**133,236**

19. Capital commitments

	31/05/2023	**28/02/2023**
	USD'000	**USD'000**
	(Unaudited)	**(Audited)**
At 31 May 2023, the group was committed to making the following capital commitments:		
Authorised and contracted	**30,996**	**33,001**

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

20. Events after reporting date

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

21. Dividend

Period ended 31 May 2023:

Liquid Telecommunications Rwanda Limited, a subsidiary of the group, declared and paid a dividend of USD 1.2 million. USD 360,000 is attributable to the non-controlling interests of the subsidiary.

Period ended 31 May 2022:

No dividend has been declared or paid in the 3 months period ended 31 May 2022.

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

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

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

	Level 1	Level 2	Level 3	Total
	USD'000	USD'000	USD'000	USD'000
31 May 2023				
Investments at FVTOCI (i)	9,175	-	15,314	24,489
Total (Unaudited)	**9,175**	**-**	**15,314**	**24,489**

	Level 1	Level 2	Level 3	Total
	USD'000	USD'000	USD'000	USD'000
28 February 2023				
Investments at FVTOCI (i)	-	-	15,314	15,314
Total (Audited)	**-**	**-**	**15,314**	**15,314**

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

	31/05/2023	28/02/2023
	USD'000	USD'000
	(Unaudited)	(Audited)
Opening balance	15,314	15,314
Additions	3,377	-
Fair value gain	4,560	-
Adjustments - IAS 29	1,238	-
Closing balance	**24,489**	**15,314**

(ii) Net settled: Embedded derivatives

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

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

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

The key assumptions used to estimate the fair value are:

1. the initial fair value of the Notes (being the issue price of 100% on the issue date);
2. the credit spread (implied from the issue price of the bond); and
3. the discount curve (Secured Overnight Financing Rate Data).

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

	Within 1 year USD'000	1 to 2 years USD'000	2 to 5 years USD'000	More than 5 years USD'000	Total USD'000
Group - 31 May 2023					
Net settled: Embedded derivatives	-	-	(1,878)	-	(1,878)
Group - 28 February 2023					
Net settled: Embedded derivatives	-	-	(1,878)	-	(1,878)

	31/05/2023 USD'000 (Audited)	28/02/2023 USD'000 (Audited)
Opening balance	(1,878)	2,119
Fair value loss recognised in statement of profit or loss	-	(3,997)
Closing balance	**(1,878)**	**(1,878)**

23. Non-cash transactions

In the current financial period, the non-cash portion of finance costs consists of USD 0.9 million (31 May 2022: USD 0.9 million) of amortised arrangement fees relating to the USD 620 million 5.5% Senior Secured Notes and USD 220 million equivalent South African Rand term loan. Accrued interest of USD 8.8 million (31 May 2022: USD 8.2 million) has been excluded from financing activities as at 31 May 2023.

24. Loss per share

	3 months ended 31/05/2023 USD'000 (Unaudited)	3 months ended 31/05/2022 USD'000 (Unaudited)
Basic loss per share (Cents per share)	(61.21)	(38.77)

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

	31/05/2023	31/05/2022
Loss attributable to owners of the company	(76,416)	(48,409)
Weighted average number of ordinary shares for the purpose of basic loss per share for the period ended	124,857,914	124,857,914

At 28 February 2023, the share capital of USD 3.7 million represents 124,857,914 ordinary shares (28 February 2022: 124,857,914 ordinary shares).

25. Contingent liabilities

Uncertain Tax Positions

The group has a number of tax audits underway across the various jurisdictions in which it operates. These audits are routine and often involve discussion and negotiation with the relevant authorities. When assessing the potential outcome of these audits, the group uses judgement based on past experience, industry practice and advice from local tax advisers. Where the assessment finds that a tax liability is probable, a tax provision is made through current tax. Where the group considers it has a robust position, no tax provision is made, however, these positions are kept under review as the audit process progresses and in some or all cases, the outcome of the audit and discussions with the tax authorities may be different to that anticipated by the group. Although the group currently has potential Uncertain Tax Provisions across a number of jurisdictions (principally the DRC, Kenya, Tanzania, Zambia and Zimbabwe), it does not believe that these Uncertain Tax Provisions will materialise in full. The group has a history of negotiating final settlements at an amount which is significantly lower than that initially indicated by the Tax Authority. In recent periods, this settlement rate has been in the region of 18% - 20%.

26. Reconciliation

26.1 Reconciliation of Operating profit to Adjusted EBITDA

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

	3 months ended 31/05/2023 USD'000 (Unaudited)	3 months ended 31/05/2022 USD'000 (Unaudited)
Operating profit	40,656	17,224
Add back:		
Depreciation, impairment and amortisation	30,367	29,064
Adjusted EBITDA (note 3)	**71,023**	**46,288**

26.2 Reconciliation (continued)

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

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

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

	Consolidated statement of profit or loss USD'000 (Unaudited)	Reclassification of network costs USD'000 (Unaudited)	Revised statement of profit or loss USD'000 (Unaudited)
3 months ended 31 May 2023:			
Revenue	174,541	-	174,541
Interconnect related costs	(11,209)	-	(11,209)
Data and network related costs	(44,780)	9,374	(35,406)
Gross Profit	118,552	9,374	127,926
Other income	937	-	937
Selling, distribution and marketing costs	(2,200)	-	(2,200)
Expected credit loss provision	(1,537)	-	(1,537)
Administrative expenses	(12,810)	(9,374)	(22,184)
Staff costs	(31,919)	-	(31,919)
Adjusted EBITDA	**71,023**	**-**	**71,023**
3 months ended 31 May 2022:			
Revenue	143,009	-	143,009
Interconnect related costs	(12,304)	-	(12,304)
Data and network related costs	(39,275)	9,878	(29,397)
Gross Profit	91,430	9,878	101,308
Other income	649	-	649
Selling, distribution and marketing costs	(1,987)	-	(1,987)
Expected credit loss provision	(883)	-	(883)
Administrative expenses	(13,444)	(9,878)	(23,322)
Staff costs	(29,477)	-	(29,477)
Adjusted EBITDA	**46,288**	**-**	**46,288**

27 Acquisition of subsidiary

In March 2023, the group announced that it has satisfied all agreed conditions for the acquisition of Cysiv MEA, a technology company that was formerly SecureMisr, headquartered in Cairo, for a consideration of USD 43. The business specialises in providing enterprise cloud and cyber security services to some of Egypt's leading companies, particularly in the financial services sector. The acquisition allows the group to bring some of the best global cloud and cyber security products to the Egyptian market. The organisation will rebrand Cysiv MEA to 'Liquid C2' to align it with its global cloud and cybersecurity identity. The group plans to significantly grow the Egyptian business by tapping into the wealth of local tech talent, making Egypt a key hub for the Middle East and North Africa (MENA) region.

The acquisition resulted in a gain on bargain purchase of USD 0.3 million. As the initial accounting of this acquisition was still incomplete by 31 May 2023, the group has reported provisional amounts, in accordance with IFRS 3 - *Business combination,* based on management best estimates.

	31/05/2023 USD'000 (Unaudited)
Consideration transferred (USD 43)	-
Fair value of identifiable net assets acquired	272
Gain on bargain purchase	**272**
Net cash inflow on acquisition of subsidiary	
Consideration transferred (USD 43)	-
Cash and cash equivalents of subsidiary on acquisition	148
Net cash inflow arising on acquisition	**148**

28 Immediate, intermediate and ultimate holding companies

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