

Company Registration No. 4946019

**LIQUID TELECOMMUNICATIONS
LIMITED**

Report and Financial Statements

29 February 2012



LIQUID TELECOMMUNICATIONS LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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LIQUID TELECOMMUNICATIONS LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N T Rudnick
S Masiyiwa
C Fitzgerald
K E M Hennessy
B M Roberts

SECRETARY

St James's Square Secretaries Limited

REGISTERED OFFICE

c/o Kerman & Company
200 Strand
London
WC2R 1DJ

BANKERS

The Royal Bank of Scotland
8th Floor
280 Bishopsgate
London
EC2M 4RB

SOLICITORS

Kerman & Company
200 Strand
London
WC2R 1DJ

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, United Kingdom

LIQUID TELECOMMUNICATIONS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 29 February 2012

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The company's principal activity is to conduct the business of a wholesale telecommunications service and technology provider. These services are provided in the United Kingdom and to other companies in other countries worldwide. The directors are not aware, at the date of this report, of any likely changes in the company's activities in the forthcoming year.

As shown in the company's profit and loss account on page 7, the company's sales have risen by 12%, driven by a rise in wholesale traffic volumes sent by carriers, and the company's gross profit has increased by 4%. The profit margins have increased at a lower percentage due to the rising costs in the emerging markets in which the company undertakes the majority of its trading.

The company's key measurement of effectiveness of its operations is its gross margin. The company achieved a gross margin of 13% (2011 - 14%).

The balance sheet on page 8 shows that the company's financial position at the year end has improved, in net assets terms. This is due to the ongoing profitability of the company. The average headcount of the company has increased from 31 to 37, resulting from the growth in business operations.

The directors' assessment of going concern of the company is disclosed in note 1 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in a highly competitive market which is a continuing risk to the company and could result in losing sales to its key competitors. The company manages this risk by providing value added services to its customers, having fast response times to customer queries and maintaining strong relationships with its customers.

The company's sales to its customers are mainly in US Dollars and therefore the company is exposed to movement in the US Dollar to British Pound exchange rate. The company also settles a proportion of its trade creditors in US Dollars and therefore minimises the risk of exchange rate fluctuations by operating a US Dollar bank account.

The company is financed by its internal cash reserves and therefore has limited exposure to adverse movements in interest rates.

The company's principal financial assets are bank balances, cash and trade and other debtors.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. A provision is made where there is an identified loss which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

FUTURE PROSPECTS

The directors' long term strategy is to continue to increase the company's service and technology product lines to compensate for the reduction in overall telecommunications traffic margins which has occurred during the financial year and which downward trend is expected to continue.

The directors anticipate that it is likely that some years in the future the majority of the company's revenue will be obtained from the provision of services, technology and IP provisioning, as opposed to the current revenue generator composed significantly of traditional voice traffic and circuit provision. The company will need to continue to restructure itself accordingly over the next financial year in order to meet these challenges.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £821,180 (2011 - £942,775).

The directors do not recommend payment of a dividend for the year ended 28 February 2012 (2011 - £nil).

LIQUID TELECOMMUNICATIONS LIMITED

DIRECTORS' REPORT

DIRECTORS

The directors who served throughout the year and to the date of this report were as follows

N T Rudnick
S Masiyiwa
C Fitzgerald
K E M Hennessy
B M Roberts

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



N T Rudnick
Director

23 April 2012

LIQUID TELECOMMUNICATIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIQUID TELECOMMUNICATIONS LIMITED

We have audited the financial statements of Liquid Telecommunications Limited for the year ended 29 February 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 29 February 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIQUID
TELECOMMUNICATIONS LIMITED
(continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Craig Wisdom (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, United Kingdom

23 APRIL 2012

LIQUID TELECOMMUNICATIONS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 29 February 2012

	Note	2012 £	2011 £
TURNOVER	2	41,130,133	36,826,551
Cost of sales		<u>(35,930,649)</u>	<u>(31,819,993)</u>
Gross profit		5,199,484	5,006,558
Administrative expenses			
Other administrative expenses		(6,043,793)	(6,816,656)
Release of legal accrual	6	<u>-</u>	<u>703,240</u>
		(6,043,793)	(6,113,416)
Other operating income	4	<u>1,932,208</u>	<u>2,217,712</u>
OPERATING PROFIT		1,087,899	1,110,854
Net finance income	5	<u>31,980</u>	<u>149,443</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	1,119,877	1,260,297
Tax on profit on ordinary activities	7	<u>(298,697)</u>	<u>(317,522)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	<u>821,180</u>	<u>942,775</u>

All activities are derived from continuing operations

A statement of total recognised gains and losses is not included in these accounts as there are no recognised gains or losses in the current financial year or preceding financial year other than the results reported above

LIQUID TELECOMMUNICATIONS LIMITED

BALANCE SHEET Year ended 29 February 2012

	Notes	2012 £	2011 £
FIXED ASSETS			
Tangible assets	8	659,823	920,765
CURRENT ASSETS			
Stocks		1,100	2,200
Debtors	9	7,333,154	5,827,201
Cash at bank and in hand		3,588,688	4,852,252
		10,922,942	10,681,653
CREDITORS: amounts falling due within one year	10	(4,446,296)	(5,287,129)
NET CURRENT ASSETS		6,476,646	5,394,524
TOTAL ASSETS LESS CURRENT LIABILITIES		7,136,469	6,315,289
PROVISIONS FOR LIABILITIES	11	(1,278,988)	(1,278,988)
NET ASSETS		5,857,481	5,036,301
CAPITAL AND RESERVES			
Called up share capital	12	23,501	23,501
Profit and loss account	13	5,833,980	5,012,800
SHAREHOLDERS' FUNDS	13	5,857,481	5,036,301

The financial statements of Liquid Telecommunications Limited, registered number 4946019, were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors



N T Rudnick
Director

23 April 2012

LIQUID TELECOMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 29 February 2012

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The company's business activities, together with factors likely to affect future development, performance and position are set out in the Directors' Report on pages 2 and 3, including exposure to credit risk, cash flow risk and liquidity risk. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to continue to operate for the foreseeable future and manage its business risks despite the current uncertain economic outlook.

Based on this and the available liquidity position of the company, the directors believe the company can continue to trade and meet its liabilities as they fall due for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Cash flow statement

The company is a wholly owned subsidiary of Liquid Telecommunications Holdings Ltd, a company incorporated in Mauritius. The ultimate parent is Econet Wireless Global Limited, a company incorporated in Mauritius, which heads the largest group into which the results are consolidated. Consequently, the company has taken advantage of the exemption of preparing a cash flow statement under the terms of FRS 1 (revised 1996).

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of VAT.

Turnover from the rental of bandwidth is recognised evenly over the period to which the charge relates. Turnover arising from the interconnection of voice traffic between other telecommunication operators is recognised at the time of transit across the company's network.

Foreign currencies

Foreign currency transactions are recorded at the exchange rate ruling on the transaction date.

Exchange rate differences arising from the translation of foreign currency denominated monetary assets or liabilities are recognised in the profit and loss account in the period in which they occur.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation.

Depreciation is charged on tangible fixed assets at the following rates per annum which are designed to write off their costs over their estimated useful lives:

Computer equipment	-	33% - 50%
Furniture and fittings	-	17%
Short term leasehold improvements	-	20%
Satellite equipment	-	20%
Switching equipment	-	20%

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Any differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

LIQUID TELECOMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 29 February 2012

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

2. TURNOVER AND SEGMENTAL REPORTING

Turnover represents the value of goods sold net of VAT from the company's principal activities of international traffic routing.

The directors consider segmental reporting disclosure to be seriously prejudicial to the interests of the entity on the grounds that this will give competitors vital information when the company is still in its early growth years.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2012 £	2011 £
Directors' emoluments:		
Emoluments	1,111,918	932,146
Money purchase pension scheme contributions	34,189	33,125
	<u>1,146,107</u>	<u>965,271</u>

Two (2011 - two) directors are members of a money purchase pension scheme.

LIQUID TELECOMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 29 February 2012

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2012 £	2011 £
Highest paid director		
Emoluments	597,815	538,672
Money purchase pension scheme contributions	30,000	30,000
	<u>627,815</u>	<u>568,672</u>
Average monthly number of persons employed including directors:	No	No
Technical	28	18
Administration	9	13
	<u>37</u>	<u>31</u>
	£	£
Staff costs, including directors, comprised:		
Wages and salaries	3,021,398	2,980,852
Social security costs	411,725	323,025
Pension costs	86,942	43,632
	<u>3,520,065</u>	<u>3,347,509</u>

4. OTHER OPERATING INCOME

	2012 £	2011 £
Management fees received from group undertakings	<u>1,932,208</u>	<u>2,217,712</u>

5. NET FINANCE INCOME

	2012 £	2011 £
Interest receivable and similar income comprises		
Bank interest receivable	4,319	5,381
Interest receivable from group companies	29,090	147,508
	<u>33,409</u>	<u>152,889</u>
Interest payable and similar charges comprises		
External interest payable	1,429	-
On amounts payable to group companies	-	3,446
	<u>1,429</u>	<u>3,446</u>
Finance income (net)		
Interest payable and similar charges	(1,429)	(3,446)
Interest receivable and similar income	33,409	152,889
	<u>31,980</u>	<u>149,443</u>

LIQUID TELECOMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 29 February 2012

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2012 £	2011 £
Profit on ordinary activities before taxation is stated after charging (crediting)		
Depreciation on tangible fixed assets	562,656	633,003
Foreign exchange loss/(gain)	106,210	(78,533)
Operating lease rentals - other	468,832	588,148
Release of legal accrual	-	(703,240)
The analysis of auditor's remuneration is as follows		
Fees payable to the company's auditor for the audit of the company's annual accounts	56,231	53,018
Non audit fees		
Tax services	74,110	131,115
Other services	2,134	2,597
	<u>562,656</u>	<u>633,003</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £	2011 £
Current tax		
UK corporation tax - current year	331,336	400,166
Adjustment in respect of prior periods	-	(84,083)
	<u>331,336</u>	<u>316,083</u>
Deferred tax		
Origination and reversal of timing differences	(37,464)	(51,365)
Effect of reduced tax rate on opening asset	4,825	2,922
Adjustment in respect of prior periods	-	49,882
	<u>(32,639)</u>	<u>1,439</u>
Total deferred tax	<u>(32,639)</u>	<u>1,439</u>
Total tax on profit on ordinary activities	<u>298,697</u>	<u>317,522</u>

LIQUID TELECOMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 29 February 2012

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The standard rate of tax for the financial year, based on a weighted average of the UK standard rate of corporation tax is 26 1% (2011 - 28%) The actual tax charge for the current and preceding year differs from the standard rate for the reasons explained below

	2012 £	2011 £
Profit on ordinary activities before tax	1,119,878	1,260,297
Tax at 26 1% (2011 - 28%) thereon	293,071	352,883
Effects of		
Expenses not deductible for tax purposes	803	5,051
Income not taxable for tax purposes	-	(9,133)
Capital allowances in deficit of depreciation	37,462	51,365
Adjustment in respect of prior periods	-	(84,083)
Current tax charge	331,336	316,083

The amount of deferred taxation asset provided in the accounts is as follows

	2012 £	2011 £
Recognised deferred tax asset		
Capital allowances in excess of depreciation	162,889	130,250
The movement on deferred tax is as follows		
Provision at start of year	130,250	131,689
Deferred tax credit in profit and loss account	37,464	51,365
Effect of reduced tax rate on opening asset	(4,825)	(2,922)
Adjustment in respect of prior periods	-	(49,882)
Provision at end of year	162,889	130,250

Deferred tax has been recognised on the grounds that it is deemed more likely than not that the company will make taxable profits in the future against which these brought forward losses and timing differences will be reversed

In March 2011, the UK Government announced a reduction in the standard rate of UK corporation tax to 26% effective 1 April 2011 This rate reduction was substantively enacted in March 2011

In March 2012, the UK Government announced the main rate of UK corporation tax would reduce to 24% with effect from 1 April 2012, with subsequent 1% reductions annually to 22% by April 2014 These changes were substantively enacted on 26 March 2012

The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted

LIQUID TELECOMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 29 February 2012

8. TANGIBLE FIXED ASSETS

	Switching equipment £	Satellite equipment £	Computer equipment £	Furniture and fittings £	Short term leasehold improvements £	Total £
Cost						
At 1 March 2011	1,053,638	2,161,016	1,109,052	122,704	358,400	4,804,810
Additions	132,810	18,234	108,067	42,603	-	301,714
At 29 February 2012	1,186,448	2,179,250	1,217,119	165,307	358,400	5,106,524
Accumulated depreciation						
At 1 March 2011	912,180	1,797,564	806,504	95,004	272,793	3,884,045
Charge for the year	56,788	231,554	219,864	11,749	42,701	562,656
At 29 February 2012	968,968	2,029,118	1,026,368	106,753	315,494	4,446,701
Net book value						
At 29 February 2012	217,480	150,132	190,751	58,554	42,906	659,823
At 28 February 2011	141,458	363,452	302,548	27,700	85,607	920,765

9. DEBTORS

	2012 £	2011 £
Trade debtors	3,029,914	3,840,977
Amounts owed by group undertakings	3,890,720	1,599,601
Prepayments and accrued income	211,413	217,435
Deferred tax (note 7)	162,889	130,250
Other debtors	38,938	38,938
	<u>7,333,154</u>	<u>5,827,201</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade creditors	949,449	528,057
Amounts owed to group undertakings	1,874,080	2,612,604
Corporation tax payable	162,464	117,709
Accruals and deferred income	1,460,303	2,028,759
	<u>4,446,296</u>	<u>5,287,129</u>

LIQUID TELECOMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 29 February 2012

11. PROVISIONS FOR LIABILITIES

	£
At 1 March 2011 and at 29 February 2012	1,278,988

The provision at the year end relates to a legal claim for unpaid satellite bandwidth rental by a third party of £1,278,988 (2011 - £1,278,988). The time when this provision will crystallise had not been determined at the balance sheet date.

12. CALLED UP SHARE CAPITAL

	2012 £	2011 £
Called up, allotted and fully paid 47,002 ordinary shares of 50p each	23,501	23,501

13. RECONCILIATION OF MOVEMENTS IN RESERVES IN SHAREHOLDERS' FUNDS AND RESERVES

	Called up share capital £	Profit and loss account £	Total 2012 £	Total 2011 £
Balance at 1 March 2011	23,501	5,012,800	5,036,301	4,093,526
Profit for the financial year	-	821,180	821,180	942,775
Balance at 29 February 2012	23,501	5,833,980	5,857,481	5,036,301

14. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows

	2012		2011
	Land and buildings £	Other £	Land and buildings £
Leases which expire			Other £
Less than one year	160,053	367,509	-
Between two to five years	-	-	324,243
After five years	-	-	135,000
	-	-	135,000
	-	-	324,243

LIQUID TELECOMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 29 February 2012

15. RELATED PARTY BALANCES

The company has taken advantage of the exemption included in Financial Reporting Standard 8 "Related Party Disclosures" for wholly owned subsidiaries not to disclose transactions with entities that are part of the group qualifying as related parties

16. ULTIMATE CONTROLLING PARTY

The company's immediate parent company is Liquid Telecommunications Holdings Limited, a company incorporated in Mauritius, which also heads the smallest group into which the results of the company are consolidated Econet Wireless Group Limited, a Mauritius registered corporation, is the ultimate parent company and heads the largest group into which the results of the company are consolidated

Copies of the group financial statements of Liquid Telecommunications Holdings Limited (incorporated in Mauritius) can be obtained from

Liquid Telecommunications Holdings Limited
10th Floor, Raffles Tower 19 CybercityEbene
Mauritius

Mr S Masiywa, a director of the company, is also the ultimate controlling party