REGISTERED NUMBER: 04946019 (England and Wales)

Strategic report, directors' report and

Audited financial statements for the year ended 28 February 2018

For

LIQUID TELECOMMUNICATIONS LIMITED

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Contents of the financial statements
for the year ended 28 February 2018

LIQUID TELECOMMUNICATIONS LIMITED

Company information
for the year ended 28 February 2018

Directors:	S Masiyiwa N T Rudnick
Secretary:	K S Delport
Registered office:	6 New Street Square London EC4A 3BF
Registered number:	04946019 (England and Wales)
Independent auditors:	Deloitte LLP Statutory Auditor 1 New Street Square London United Kingdom EC4A 3HQ

LIQUID TELECOMMUNICATIONS LIMITED (REGISTERED NUMBER: 04946019)

Strategic report
for the year ended 28 February 2018

The directors present the Strategic Report of Liquid Telecommunications Limited (the "Company") for the year ended 28 February 2018. In preparing the Strategic Report, the directors have complied with section 414C of the Companies Act 2006.

Review of business 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 Statement of profit and loss and other comprehensive income on page 8, the Company's sales increased by 124%, driven by an increase in wholesale traffic sent to carriers. The Company's key performance indicator of its operations is turnover, EBITDA and its gross profit margin. The Company achieved a gross margin of 6% (2017: 10%). The Statement of financial position on page 9 shows that the Company's financial position at the year-end has improved. This is due to the ongoing profitability of the Company. The average monthly headcount of the Company was 89 (2017: 86).

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 maintaining strong customer relationships by responding quickly to customer queries, and problem-solving issues that arise.

Foreign currency risk
The Company's sales to its customers are predominately denominated in US Dollars ("USD"), and therefore the Company is exposed to movement in the USD to Great British Pound ("GBP") exchange rate. The Company also settles a proportion of its trade payables in USD and therefore minimises the risk of exchange rate fluctuations by operating a USD bank account. The Company conducts majority of its activities in USD and consequently the Company has no significant transactional foreign exchange exposure arising from its operations. Therefore, this natural hedge means that the Company does not require its transactions to be hedged by the use of forward foreign exchange contract or cross-currency swaps.

Credit risk
The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of financial position 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.

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

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. It includes the risk of inability to manage unplanned decreases or changes in funding sources and also any failure to recognise and address changes in market conditions that could affect the Company's ability to liquidate assets quickly, with minimum value loss, if necessary. The Company has a group funding facility in place which is projected to meet the growth aspirations of the Company through 2018/19.

Future developments
The directors' long-term strategy is to continue to increase the Company's service and technology product lines to diversify the business. 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 continue to restructure itself accordingly over the next financial year in order to meet these challenges.

Approved for and on behalf of the board:

....
N T Rudnick - Director

Date: 31 August 2018

Directors' report
for the year ended 28 February 2018

The directors have pleasure in presenting their annual report together with the audited financial statements of Liquid Telecommunications Limited for the year ended 28 February 2018. This annual report and financial statements are prepared under International Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). A review of the business and the Company's exposure to risks and uncertainties are set out in the Strategic Report (page 2).

General information
Liquid Telecommunications Limited is a private limited company incorporated in the United Kingdom on 28 October 2003. Its parent party is Liquid Telecommunications Holdings Limited and the ultimate controlling party is Mr S Masiyiwa, a director of the company. The address of the registered office is 6 New Street Square, London EC4A 3BF. The address of the company's operations is 6 New Street Square, London, EC4A 3BF. The company's main activity is to provide telecommunications services to companies all over the world.

Principal activity
The principal activity of the Company in the year under review was that of a wholesale telecommunications service and technology provider.

Dividends
The directors do not recommend payment of a dividend for the year ended 28 February 2018 (2017: £nil).

Events since the end of the year
Information relating to events since the end of the year is given in the notes to the financial statements.

Directors
The directors shown below have held office during the year from 1 March 2017 to the date of this report.

S Masiyiwa
N T Rudnick
K E M Hennessy (Resigned 30 April 2018)
B M Roberts (Resigned 1 March 2017)

The Company did not enter into any contract, other than the contracts of service with the directors or any person engaged in the full-time employment of the Company, whereby any individual, firm or body corporate undertakes the management and administration of the whole, or any substantial part of any business of the Company.

At no time during the year was the Company, its holding company, or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate body.

None of the directors held any interests during the year in shares of the company and the directors and officers are indemnified by the company for the execution of their duties.

Secretaries
K S Delport
St James's Square Secretaries Limited (Resigned 13 April 2017)

Financial risk management objectives and policies
Due to the capital intensive nature of the operations, the Company ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Company's objective is to maintain a balance between continuity of funding and flexibility.

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

Market risk
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Sales and cost of sales are invoiced in USD to reduce this risk.

Political donations and expenditure
No political contributions were made in the year (2016: £nil).

Share capital
The called-up share capital represents 47,002 ordinary shares with a par value of £0.50 each.

Going concern
The Company's business activities, together with the factors likely to affect its future development and position are described in the Strategic Report on page 2. The Company is expected to continue to generate positive cash flows for the foreseeable future. Accordingly, it will continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors' report (continued)
for the year ended 28 February 2018

Results for the year
The following table summarises the company's key results for the current and prior year:

	28/2/18	28/2/17
Revenue	£112,220,724	£50,142,738
Earnings before interest, taxation, depreciation and amortisation	£1,528,698	£1,255,528
Gross profit margin	6%	10%

The Company considers turnover, gross profit margin and EBITDA as key performance indicators and reviews them on monthly basis. Competition in the telecommunications market is intense. Competition results from, among other things, the existence of established operators, market entry of alternative and lower cost carriers and technology developments such as Voice over Internet Protocol. This has led to an increase in volumes but a significant reduction in price.

The Company statement of financial position at year end is in a net asset position.

In the coming year we will continue to focus on excellent customer service, actively manage customer support and ensure that margins are maintained. We will look to establish sales growth through scaling existing channels and diversifying into new product lines. The Company continues to invest in its operations. The directors regard such investment as necessary for the continued success in the medium to long term of the business.

Statement as to disclosure of information to auditors
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
Pursuant of Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved for and on behalf of the board:

....
N T Rudnick - Director

Date: 31 August 2018

Directors' responsibilities statement
for the year ended 28 February 2018

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Liquid Telecommunications Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Liquid Telecommunications Investments Limited (the 'company') which comprise:

- the statement of profit or loss and other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

David Griffin FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
31 August 2018

LIQUID TELECOMMUNICATIONS LIMITED (REGISTERED NUMBER: 04946019)

Statement of profit or loss and other comprehensive income
for the year ended 28 February 2018

	Notes	28/2/18 £	28/2/17 £
Continuing operations			
Revenue	4	112,220,724	50,142,738
Cost of sales		(106,027,468)	(44,998,570)
Gross profit		6,193,256	5,144,168
Other operating income	5	8,792,762	7,691,441
Administrative expenses		(14,136,630)	(11,581,910)
Operating profit		849,388	1,253,699
Interest expense	5	(101,589)	(141,721)
Interest income	5	609,015	512,044
Profit before income tax expense	6	1,356,814	1,624,022
Income tax expense	7	(185,157)	(337,485)
Profit for the year		1,171,657	1,286,537
Other comprehensive income		-	-
Total comprehensive income for the year		1,171,657	1,286,537

LIQUID TELECOMMUNICATIONS LIMITED (REGISTERED NUMBER: 04946019)

Statement of financial position
28 February 2018

	Notes	28/2/18 £	28/2/17 £
Assets			
Non-current assets			
Intangible assets	8	-	2,273
Property, plant and equipment	9	3,343,148	1,348,692
Loans and other financial assets	10	7,271,703	8,459,183
Deferred tax	21	43,413	16,332
		10,658,264	9,826,480
Current assets			
Inventories	11	15,369	21,162
Trade and other receivables	12	19,037,528	12,745,923
Loans to affiliated companies	13	27,490	9,942
Cash and cash equivalents	14	4,648,884	2,396,278
		23,729,271	15,173,305
Total assets		34,387,535	24,999,785
Equity			
Shareholders' equity			
Called up share capital	15	23,501	23,501
Retained earnings	16	9,150,319	7,978,662
Total equity		9,173,820	8,002,163
Liabilities			
Non-current liabilities			
Long-term loan			
Loan for external equipment	18	807,134	2,529,152
		807,134	2,529,152
Current liabilities			
Trade and other payables	17	22,811,926	12,515,725
Long-term loan			
Loan for external equipment	18	1,382,298	1,550,007
Tax payable		49,126	239,507
Provisions	20	163,231	163,231
		24,406,581	14,468,470
Total liabilities		25,213,715	16,997,622
Total equity and liabilities		34,387,535	24,999,785

The financial statements were approved by the Board of Directors on 31 August 2018 and were signed on its behalf by:

....

N T Rudnick - Director

LIQUID TELECOMMUNICATIONS LIMITED (REGISTERED NUMBER: 04946019)

Statement of changes in equity
for the year ended 28 February 2018

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 March 2016	23,501	6,692,125	6,715,626
Changes in equity			
Total comprehensive income	-	1,286,537	1,286,537
Balance at 29 February 2017	23,501	7,978,662	8,002,163
Changes in equity			
Total comprehensive income	-	1,171,657	1,171,657
Balance at 28 February 2018	23,501	9,150,319	9,173,820

LIQUID TELECOMMUNICATIONS LIMITED (REGISTERED NUMBER: 04946019)

Statement of cash flows
for the year ended 28 February 2018

	Note	28/2/18	28/2/17
		£	**£**
Cash flows from operating activities			
Cash generated from operations	22	6,336,052	2,188,013
Tax paid		(359,738)	-
Tax refund		-	55,313
Net cash from operating activities		5,976,314	2,243,326
Cash flows from investing activities			
Purchase of property plant and equipment		(2,679,339)	(173,339)
Proceeds on disposal of property, plant and equipment		6,939	-
(Increase)/decrease loans to affiliates		(17,548)	38,279
Net cash used in investing activities		(2,689,948)	(135,060)
Cash flows from financing activities			
Interest received		307,601	21,216
Interest paid		(101,589)	(141,721)
(Decrease) in long term loan		(1,544,077)	(1,302,323)
Net cash used in financing activities		(1,338,065)	(1,422,828)
Increase in cash and cash equivalents		1,948,301	685,438
Cash and cash equivalents at beginning of year	23	2,396,278	1,710,840
Effect of foreign exchange rate movement		304,305	-
Cash and cash equivalents at end of year	23	4,648,884	2,396,278

Notes to the financial statements
for the year ended 28 February 2018

1. **Statutory information**

Liquid Telecommunications Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **Accounting policies**

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The presentational and functional currency of the company is Great British Pound (£).

Application of new and revised international financial reporting standards
In the current year, the Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 March 2016.

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

IAS 7 - Statement of Cash Flows - Amendments resulting from disclosure initiative (January 2016)

IAS 12 - Income Taxes - Amendments resulting to the recognition of Deferred Tax Assets for unrealised losses (January 2016)
IFRSs: Annual improvements to IFRSs 2014 16 Cycle - IFRS 12 Amendments

IFRS 12 - Consolidated Financial Statements - Amendments regarding the application of consolidated exception New and revised

IFRSS and IFRICS in issue but not yet effective
At the date of authorisation of these financial statements, the following relevant Standards were in issue but not yet effective on annual periods beginning on or after the respective dates as indicated:

IFRS 9 - Financial Instruments - Replacement (effective 1 January 2018) IFRS 9 - (amendments) to prepayment features with negative compensation (effective 1 January 2019)
IFRIC 22 - Foreign currency transactions and advance consideration (effective 1 January 2018)
IAS 10 and IAS 28 - (amendments) Sale or contribution of assets between an investor and its associate or joint venture (Postponed)
IFRS 2 (amendments) classification and measurement of share-based payments (effective 1 January 2018)
IFRS 4 - (amendments) applying IFRS 9 Financial Instrument with IFRS 4 Insurance contracts (effective 1 January 2018)
IFRS 15 - Revenue from contracts with customer (effective 1 January 2018) and will be adopted from 1 March 2018 appling the modified retrospective approach where the comparative periods will not be restated under the new standard.
IFRS 16 - Leases (effective 1 January 2019)
IFRS 17 - Insurance contracts (effective 1 January 2021)
IFRIC 23 - Uncertainty over Income Tax treatments (effective 1 January 2019)
IAS 19 - (amendments) Employee benefits for planned amendment, curtailment or settlement and venture (effective 1 January 2019)
IAS 28 - (amendments) Long-term interests in associates and joint (effective 1 January 2019)
IAS 40 - (amendments) Transfer of investment property (effective 1 January 2018)
IFRSs 2014-16 cycle - Annual improvement to IFRS 1 IAS 28 amendments (effective 1 January 2018)
IFRSs 2015 -17 cycle Annual improvements to IFRS 3, IFRS 11, IAS 12, and IAS 23 amendments Plan amendment, curtailment or settlement (effective 1 January 2019)

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

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and other sales related taxes.

2. **Accounting policies – continued**

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

Operating Licence	20% - 50 %
Computer software	33% - 50 %

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

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

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

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

Furniture and fittings	17%
Computer equipment	33% - 50 %
Satellite equipment	20%
Switching and network equipment	20%
Leasehold improvements	20%

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

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

Impairment of tangible and intangible assets
At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

2. Accounting policies - continued

Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets
The following assets are held by the Company:

- loans and receivables; and
- cash and bank balances.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Non Great British Pound ("GBP") year end balances, predominately USD, are translated to GBP at the spot rate at 28 February 2018.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Such events include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of profit or loss and other comprehensive income.

Financial liabilities and equity instruments

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

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

Financial liabilities
The Company had financial liabilities comprising trade payables and accruals, and interest-bearing debt, all classified at amortised cost. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statements of profit or loss and other comprehensive income.

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

2. **Accounting policies - continued**

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses in bringing the stocks to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

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

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Foreign currencies
The financial statements are expressed in GBP, which is the functional and presentational currency of the company. While the company predominantly bills its revenue in USD, operational costs are predominantly paid in GBP.

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of profit or loss and other comprehensive income for the period.

Leasing
Rentals payable under operating leases are charges to the Statement of profit or loss on a straight-line basis over the term of the relevant lease. The Company did not enter into any finance leases.

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

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

3. **Employees and directors**

	28/2/18	28/2/17
	£	£
Wages and salaries	9,433,335	8,206,501
Social security costs	835,381	733,946
Other pension costs	433,641	382,217
	10,702,357	9,322,664

Notes to the financial statements - continued
for the year ended 28 February 2018

3. **Employees and directors - continued**

The average monthly number of employees during the year was as follows:

	28/2/18	28/2/17
Finance	9	10
Administration	3	3
Commercial and Sales	9	8
Marketing	8	10
Information systems	4	4
Networks / Technical / Operations	50	47
Legal	4	3
Human Resources	2	1
	89	86

Remuneration of Key Management Personnel

	28/2/18	28/2/17
	£	£
Short-term employee benefits	1,903,556	1,773,030
Other long-term benefits	40,758	40,604
	1,944,314	1,813,634

The remuneration of the directors, who are considered to be the key management personnel of the Company, is set out above in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

The director's remuneration, analysed under the headings required by company law is set out below:

	28/2/18	28/2/17
	£	£
Short-term employee benefits	1,903,556	1,773,030
Other long-term benefits	40,758	40,604
	1,944,314	1,813,634

	28/2/18	28/2/17
	No.	No.
Number of directors who are members of:		
Defined contribution pension scheme under long-term incentive scheme	2	2

	28/2/18	28/2/17
Remuneration of the highest paid director:	£	£
Emoluments	1,144,953	1,082,073
Company contributions to defined purchase schemes	30,000	30,000
	1,174,953	1,112,073

4. **Turnover and revenue**

An analysis of the Company's turnover by class of business is set out below.

	28/2/18	28/2/17
	£	£
Wholesale voice traffic	108,344,336	45,968,518
Data & other services		
Wholesale	3,779,399	3,904,951
Enterprise	96,989	269,269
	112,220,724	50,142,738

5. Net finance income

	28/2/18	28/2/17
	£	£
Interest income:		
Bank deposits	-	907
Interest from related parties	609,015	511,137
	609,015	512,044
Interest expense:		
Interest on external loans	(101,589)	(141,721)
Net finance income	507,426	370,323

	28/2/18	28/2/17
Other operating income	£	£
Management fees received from Group undertakings	8,603,618	7,502,297
Rental income	189,144	189,144
	8,792,762	7,691,441

6. Profit before income tax expense

	28/2/18	28/2/17
	£	£
Cost of goods and services	106,027,468	45,037,609
Auditor's fees	62,350	62,350
Taxation compliance and other services	49,298	35,480
Professional services	6,581	13,907
Research and development costs	-	384,051
Loss/(profit) on disposal of property, plant and equipment	907	1,988
Depreciation	677,037	689,744
Amortisation of intangible assets included in operating expenses	2,273	15,687
Stocks written off	15,189	1,887
Bad debts written off	202,017	-
Net foreign exchange gain/(loss)		
Exchange losses - unrealised	(916,924)	-
Exchange gains - unrealised	612,619	542,328
Exchange gains - realised	-	163,162

Total audit fees payable to Deloitte LLP for the audit of Liquid Telecommunications Limited reporting were £62,350 (2017: £62,350). Audit related assurance comprises services in relation to statutory filings. These include audit services for the statutory audit in the UK and review of annual financial information.

Total taxation and other services payable to Deloitte LLP were £49,298 (2017: £35,480) relate to company tax and financial statements review and VAT.

Included within wages and salaries is a total research and development expense of £nil (2017: £384,051) of which £nil (2017: £33,796) was claimed back in tax credits.

7. Income tax expense

Analysis of tax expense

	28/2/18	28/2/17
	£	£
Current tax:		
Tax	212,238	361,294
Deferred tax (see note 20)	(27,081)	(23,809)
Total tax expense in statement of profit or loss and other comprehensive income	185,157	337,485

Notes to the financial statements - continued
for the year ended 28 February 2018

7. **Income tax expense - continued**

Factors affecting the tax expense
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	28/2/18	28/2/17
	£	£
Profit before income tax	1,356,814	1,624,022
Profit multiplied by the standard rate of corporation tax in the UK of 19.08% (2017 - 20%)	258,880	324,804
Effects of:		
Profit not deductible for tax purposes	(8,061)	(5,250)
Utilisation of group relief	(75,673)	-
Higher tax rate on overseas earnings	3,313	(9,916)
Adjustment in respect of prior periods	(8,449)	4,795
Expenses not deductible	15,147	23,052
Tax expense	185,157	337,485

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

8. **Intangible assets**

	Licences	Computer software	Totals
	£	£	£
Cost			
At 1 March 2017	104,918	433,332	538,250
Additions	-	-	-
At 28 February 2018	104,918	433,332	538,250
Amortisation			
At 1 March 2017	102,645	433,332	535,977
Amortisation for year	2,273	-	2,273
Eliminated on disposal	-	-	-
At 28 February 2018	104,918	433,332	538,250
Net book value			
At 28 February 2018	-	-	-

	Licences	Computer software	Totals
	£	£	£
Cost			
At 1 March 2016	104,918	450,140	555,058
Additions	-	-	-
Disposals	-	(16,808)	(16,808)
At 28 February 2017	104,918	433,332	555,058
Amortisation			
At 1 March 2016	86,958	450,140	537,098
Amortisation for year	15,687	-	15,687
Eliminated on disposal	-	(16,808)	(16,808)
At 28 February 2017	102,645	433,332	535,977
Net book value			
At 28 February 2017	2,273	-	2,273

9. Property, plant and equipment

	Long Leasehold	Switching equipment	Fixtures and fittings	WIP	Satellite equipment	Computer equipment	Total
Cost	£	£	£	£	£	£	£
At 1 March 2017	598,696	2,378,691	367,188	-	1,156,450	1,013,468	5,514,493
Additions	-	359,559	1,360	2,222,548	-	95,872	2,679,339
Disposals	-	(1,157)	-	-	-	(7,137)	(8,294)
At 28 February 2018	598,696	2,737,093	368,548	2,222,548	1,156,450	1,102,203	8,185,538
Depreciation							
At 1 March 2017	401,013	1,550,258	239,678	-	1,156,450	818,402	4,165,801
Charge for the year	119,739	378,463	48,106	-	-	130,729	677,037
Disposals	-	(250)	-	-	-	(198)	(448)
At 28 February 2018	520,752	1,928,471	287,784	-	1,156,450	948,933	4,842,390
Net book value							
At 28 February 2018	77,944	808,622	80,764	2,222,548	-	153,270	3,343,148

	Long Leasehold	Switching equipment	Fixtures and fittings	WIP	Satellite equipment	Computer equipment	Total
Cost	£	£	£	£	£	£	£
At 1 March 2016	599,126	2,540,205	322,438	-	1,615,724	1,107,728	6,185,221
Additions	-	54,346	47,321	-	-	79,632	181,299
Disposals	-	(215,860)	(3,001)	-	(459,274)	(173,892)	(852,027)
Reclassifications/ transfer	(430)	-	430	-	-	-	-
At 28 February 2017	598,696	2,378,691	367,188	-	1,156,450	1,013,468	5,514,493
Depreciation							
At 1 March 2016	281,274	1,381,403	182,848	-	1,615,724	864,848	4,326,097
Charge for the year	119,739	384,715	59,202	-	-	126,087	689,743
Disposals	-	(215,860)	(2,372)	-	(459,274)	(172,533)	(850,039)
At 28 February 2017	401,013	1,550,258	239,678	-	1,156,450	818,402	4,165,801
Net book value							
At 28 February 2017	197,683	828,433	127,510	-	-	195,066	1,348,692

The company has not entered into any finance leases for the purchase of property, plant and equipment in the current year or prior year.

10. **Loans and other financial assets**

	28/2/18	28/2/17
Loans carried at amortised cost	£	£
Liquid Telecommunications Kenya Limited	7,271,703	8,459,183

Liquid Telecommunications Limited has provided a loan to Liquid Telecommunications Kenya Limited and the monthly repayments began September 2017 at an interest rate of 5.5% above LIBOR.

11. **Inventories**

	28/2/18	28/2/17
	£	£
Goods for resale	15,369	21,162

The directors are of the opinion that the inventory amounts are recorded at lower of cost and the net realisable amount. The cost of inventory recognised as an expense includes £1,350 (2017: £1,887) in respect of write-downs of inventory to net realisable value.

12. **Trade and other receivables**

	28/2/18	28/2/17
	£	£
Current:		
Trade debtors	11,076,733	7,998,672
Provision for bad debts	(202,017)	-
Amounts owed by group undertakings	7,313,748	4,143,233
Prepayments and accrued income	372,651	140,044
Other debtors	476,413	463,974
	19,037,528	12,745,923

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

The credit period for customers range from 15 to 60 days depending on terms of their contracts. No interest is charged on trade receivables outstanding during the credit period. Thereafter, interest is charged at a predetermined rate agreed between the Company and the customer. In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Before accepting any new customers, the Company assesses the existence and credit worthiness of the customer using an external credit scoring system and customer acceptance forms which are required to be submitted by all new customers. The credit worthiness of customers is reviewed by Finance continuously throughout the year.

The receivable balances from related parties are unsecured, interest free and with no fixed date of repayment; 33% of trade and other receivables (2017: 32%) are from related parties and the remaining are from external customers.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period and the Company has recognised an allowance for doubtful debts of £202,017 (2017: £nil) because of the significant change in credit quality the amount was considered to be unrecoverable.

Age of receivables that are past due but not impaired:

	28/2/18	28/2/17
	£	£
30 - 60 days	610,917	130,928
61 - 90 days	120,262	14,245
91 - 120 days	241,333	164,501
121 + days	1,845,929	579,276
	2,818,441	888,950

Aged receivables have increased from prior year due to outstanding amounts owed by related parties during the year.

The Company determines its allowance for doubtful debts on a case by case basis by reference to past default experience. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

	28/2/18	28/2/17
Movement in the allowance of doubtful debts	£	£
Balance at the beginning of year	-	-
Movement for the year	202,017	-
Balance at 28 February 2018	202,017	-

	28/2/18	28/2/17
Short term inter-company receivables	£	£
Inter-company receivables	1,336,195	1,380,409

Inter-company receivables bear interest at the rate of LIBOR plus 2.5%, are unsecured and are to be repaid within 12 months.

Notes to the financial statements - continued
for the year ended 28 February 2018

13. Loans to affiliated companies

	28/2/18	28/2/17
	£	£
Loans to affiliated companies	27,490	9,942

Liquid Telecommunications Limited has provided a loan to Transaction Payment Solutions International with an interest rate of 2.5% + GBP LIBOR and the balance is due to be repaid in less than one year. The Loans were given in January and February 2018 and are repaid in the year.

14. Cash and cash equivalents

	28/2/18	28/2/17
	£	£
Cash in hand	2,973	2,943
Bank accounts	4,645,911	2,393,335
	4,648,884	2,396,278

15. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	28/2/18	28/2/17
			£	£
47,002	Ordinary	£0.50	23,501	23,501

The stated capital above represents 47,002 ordinary shares with a face value of £0.50 each. The holder of ordinary shares has voting rights of one vote per each ordinary share. Each ordinary share has equal rights on distribution of income and capital.

16. Reserves

	Retained earnings
	£
At 1 March 2017	7,978,662
Profit for the year	1,171,657
At 28 February 2018	9,150,319

17. Trade and other payables

	28/2/18	28/2/17
	£	£
Current:		
Trade creditors	6,102,617	1,624,559
Amounts owed by group undertakings	9,664,898	7,454,694
Accruals and deferred income	6,519,249	3,056,294
Other payables	525,162	380,178
	22,811,926	12,515,725

The average credit period on purchases of goods is 30 days (2017: 30 days).

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms. The directors consider the carrying amount of trade and other payables to be at their fair value. Amounts payable to related companies are unsecured, interest free and with no fixed date of repayment.

18. Long-term loan

	28/2/18	28/2/17
	£	£
Current:		
Current portion of long-term loan	1,382,298	1,550,007
	1,382,298	1,550,007
Non-current:		
Loan for external equipment	807,134	2,529,152

Terms and debt repayment schedule

	1 year or less	2-5 years	Totals
	£	£	£
Current portion of long-term loan	1,382,298	-	1,382,298
Loan for external equipment	-	807,134	807,134
	1,382,298	807,134	2,189,432

The liability is for a loan facility from an external equipment supplier is denominated in USD. It is secured through a guarantee from Liquid Telecommunications Holdings Limited, subject to interest of 3.067% per year and is repayable in fixed monthly instalments from October 2014. This loan was obtained on behalf of Liquid Telecommunications Kenya Limited and forms part of the loan receivable owing from this entity.

19. Leasing agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	28/2/18	28/2/17
	£	£
Within one year	729,125	1,235,114
Between one and five years	2,419,097	3,148,222
In more than five years	-	-
	3,148,222	4,383,336

Operating lease payments represent rentals payable by the Company for some of its office locations, capacity on satellites, equipment and buildings.

The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

20. Provisions

	28/2/18	28/2/17
	£	£
Employee provisions	163,231	163,231
Analysed as follows:		
Current	163,231	163,231

	28/2/18	28/2/17
	£	£
Employee benefits	163,231	163,231

The provision for employee benefits represents the annual leave and vested long service leave entitlements accrued and compensation claims made by employees.

21. Deferred tax

	28/2/18	28/2/17
	£	£
Balance at 1 March	(16,332)	7,477
Charge for the year	(27,081)	(23,809)
Balance at 28 February	(43,413)	(16,332)

The following are the major deferred tax assets and liabilities recognised by the company. The Company considers that sufficient future taxable profits will be earned in subsequent periods for the deferred tax asset to be recovered. The movements are shown below:

	Tax Losses	Property Plant and Equipment	Other	Total
Deferred tax assets/(liabilities)	£	£	£	£
At 1 March 2016	-	16,332	-	16,332
(Charge)/Credit to profit for prior year	-	-	-	-
At 28 February 2017	-	16,332	-	16,332
Credit/(Charge) to profit for prior year	-	27,081	-	27,081
At 28 February 2018	-	43,413	-	43,413

22. Reconciliation of profit before income tax expense to cash generated from operations

	28/2/18	28/2/17
	£	£
Profit for the year	1,171,657	1,286,537
Depreciation charges	677,037	689,744
Loss on disposal of fixed assets	907	1,988
Amortisation	2,273	15,687
Income tax expense	185,158	337,485
Bad debts written off	202,017	-
Foreign exchange rate movement (income)	-	(542,328)
Inventory written off	15,189	1,887
Interest expense	101,589	141,721
Interest income	(609,015)	(512,044)
	1,746,812	1,420,677
Decrease/(increase) in inventories	(9,396)	11,990
(Increase)/decrease in trade and other receivables	(5,697,563)	(3,761,211)
Increase/(decrease) in trade and other payables	10,296,199	4,516,557
Cash generated from operations	6,336,052	2,188,013

23. Cash and cash equivalents

The amounts disclosed on the Statement of cash flows in respect of cash and cash equivalents are in respect of these Statement of financial position amounts:

Year ended 28 February 2018

	28/2/18	1/3/17
	£	£
Cash and cash equivalents	4,648,884	2,396,278

Year ended 28 February 2017

	29/2/16	1/3/16
	£	£
Cash and cash equivalents	2,396,278	1,710,840

24. **Contingent liabilities**

The Company is one of the guarantors relating to a loan entered into by Liquid Telecommunications Holdings Limited and Liquid Telecommunications Financing Plc. The guarantee lasts until Liquid Telecommunications Holdings Limited and Liquid Telecommunications Financing Plc has discharged all its obligation, which is expected to be on 12 December 2022. For all risks, the ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement.

25. **Related party disclosures**

During the year the Company entered into the following trading transactions with related parties:

	28/2/18	28/2/17
Sales of goods and services	£	£
Liquid Telecommunications Operations Limited	31,919,680	5,773,243
Liquid Telecommunications South Africa (Pty) Limited	77,126	40,196
Liquid Telecommunications Zimbabwe Limited	83,287	34,526
Zimbabwe Online (Private) Limited	24,456	42,136
CEC Liquid Telecommunications Limited	72,863	16,849
Liquid Telecommunications Kenya Limited	72,203	102,354
African Digital Networks (S.A.R.L.)	154	165
Infocom 2013 Limited	10,053	24,817
Liquid Telecommunications Rwanda Limited	1,117	114,481
Hai Telecommunications Limited	498	738
Liquid Telecommunications Holdings Limited	-	10,098
Liquid Telecommunications Botswana (Pty) Limited	271	-
RAHA Limited (Tanzania)	640	-
Liquid Telecommunications International FZE	184	177
	32,262,532	6,159,780

	28/02/18	28/2/17
Purchases of goods and services	£	£
Liquid Telecommunications Operations Limited	65,670,745	32,957,767
Liquid Telecommunications South Africa (Pty) Limited	218,973	625,806
Liquid Telecommunications Zimbabwe Limited	144,379	137,879
Zimbabwe Online (Private) Limited	15,278	15,129
Infocom 2013 Limited	3,661	3,637
CEC Liquid Telecommunications Limited	38,730	221,898
Liquid Telecommunications Kenya Limited	514,209	397,050
RAHA Limited (Tanzania)	7,856	-
Neotel (Pty) Limited	-	4,244
	66,613,831	34,363,410

	28/2/18	28/2/17
Other income	£	£
Econet Wireless Related Group Companies	189,144	189,144

	28/2/18	28/2/17
Management fees received	£	£
Liquid Telecommunications Holdings Limited	3,975,025	3,737,982
Liquid Telecommunications Operations Limited	2,539,713	1,987,620
Liquid Telecommunications South Africa (Pty) Limited	269,854	178,213
Liquid Telecommunications Zimbabwe Limited	113,929	89,100
CEC Liquid Telecommunications Limited	-	17,882
Liquid Telecommunications Kenya Limited	59,036	84,894
Africa Digital Networks (S.A.R.L.)	44,016	64,849
Infocom 2013 Limited	26,404	47,940
Liquid Telecommunications Rwanda Limited	142,853	123,906
Transaction Payment Solutions International Limited	899,156	909,166
Ipidi Media	-	121,295
Liquid Sea Limited	158,657	127,540
Liquid Telecommunications Botswana (Pty) Limited	39,459	-
Neotel (Pty) Limited	-	11,910
Liquid Telecommunications Financing PLC	335,515	-
	8,603,617	7,502,297

Notes to the financial statements - continued
for the year ended 28 February 2018

25. **Related party disclosures (continued)**

	28/2/18	28/2/17
Investment income	£	£
Liquid Telecommunications Holdings Limited	29,898	16,221
Liquid Telecommunications Operations Limited	4,603	2,591
Liquid Telecommunications South Africa (Pty) Limited	2,731	484
Liquid Telecommunications Zimbabwe Limited	11,023	9,854
Zimbabwe Online (Private) Limited	2,488	802
CEC Liquid Telecommunications Limited	262	98
Liquid Telecommunications Kenya Limited	550,719	476,431
African Digital Networks (S.A.R.L.)	206	111
Infocom 2013 Limited	31	20
Liquid Telecommunications Rwanda Limited	61	231
Transaction Payment Solutions International Limited	1,583	2,176
Ipidi Media	-	283
Hai Telecommunications Limited	155	-
Liquid Telecommunications FZE	4,833	1,222
Liquid Sea Limited	169	569
Liquid Telecommunications Botswana (Pty) Limited	245	-
RAHA Limited (Tanzania)	8	-
Neotel (Pty) Limited	-	44
	609,015	511,137

The following amounts were outstanding at the statement of financial position date:

	28/2/18	28/2/17
Short term amounts owed from	£	£
Liquid Telecommunications Holdings Limited	447,637	681,167
Liquid Telecommunications Operations Limited	8,803	13,898
Liquid Telecommunications South Africa (Pty) Limited	456,507	-
Liquid Telecommunications Zimbabwe Limited	411,517	371,131
Zimbabwe Online (Private) Limited	110,279	57,780
CEC Liquid Telecommunications Limited	3,495	-
Liquid Telecommunications Kenya Limited	486,707	30,738
African Digital Networks (S.A.R.L.)	7,883	5,517
Infocom 2013 Limited	567	2,587
Liquid Telecommunications Rwanda Limited	1,802	4,847
Hai Telecommunications Limited	-	12,080
Liquid Telecommunications FZE	226,799	108,008
Liquid Sea Limited	(4,728)	11,206
Liquid Telecommunications Botswana (Pty) Limited	21,775	-
Raha Limited	48	3,337
Neotel (Pty) Limited	-	70,580
	2,206,583	1,380,135

Short term intercompany receivables bear interest at the rate of GBP one month LIBOR +2.5%, are unsecured and are to be repaid within 12 months.

	28/2/18	28/2/17
Receivables balances from	£	£
Liquid Telecommunications Holdings Limited	68,395	794,905
Liquid Telecommunications Operations Limited	3,820,776	1,202,665
Liquid Telecommunications South Africa (Pty) Limited	124,403	-
Liquid Telecommunications Zimbabwe Limited	454,607	301,618
Zimbabwe Online (Private) Limited	62,672	43,309
CEC Liquid Telecommunications Limited	9,443	2,707
Liquid Telecommunications Kenya Limited	6,563	46,490
African Digital Networks (S.A.R.L.)	113,422	80,422
Infocom 2013 Limited	3,026	32,827
Liquid Telecommunications Rwanda Limited	290,711	172,620
Transaction Payment Solutions International Limited	85,630	70,548
Hai Telecommunications Limited	1,020	595
Raha Limited	620	-
Liquid Telecommunications FZE	372	209
Liquid Telecommunications Botswana (Pty) Limited	37,849	-
Liquid Telecommunications Financing Plc	55,147	-
	5,134,656	2,762,826

Notes to the financial statements - continued
for the year ended 28 February 2018

25. **Related party disclosures (continued)**

Long term loans owned from	28/2/18 £	28/2/17 £
Transaction Payment Solutions International Limited	-	9,942
Liquid Telecommunications Kenya Limited	7,788,165	8,459,183
	7,788,165	8,469,125

Payable balances to	28/2/18 £	28/2/17 £
Liquid Telecommunications Holdings Limited	7,729	6,730
Liquid Telecommunications Operations Limited	9,114,751	6,992,079
Liquid Telecommunications South Africa (Pty) Limited	6,833	-
Liquid Telecommunications Zimbabwe Limited	453,337	316,978
Zimbabwe Online (Private) Limited	16,771	2,686
CEC Liquid Telecommunications Limited	-	39,137
Liquid Telecommunications Kenya Limited	51,764	48,410
Infocom 2013 Limited	2,031	759
Raha Limited	11,682	-
Neotel (Pty) Limited	-	47,915
	9,664,898	7,454,694

The companies listed above are related parties of the Company because they share the same parent company, Liquid Telecommunications Holdings Limited. Sales and purchases of goods between related parties were made at the Company's usual list prices, plus a mark-up. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

26. **Events after the reporting period**

There are no significant events after the statement of financial position date as at the date of signing of the financial statements.

27. **Ultimate controlling party**

The Company's immediate parent company is Liquid Telecommunications Holdings (LTH), which is a company incorporated in the Mauritius. LTH is in turn, wholly incorporated into Econet Wireless Group Limited (EWGL) which is incorporated in Mauritius. EWGL is the ultimate parent company, which is ultimately controlled by the founder and director of the company, Mr S Masiyiwa. Copies of the Group Financial Statements (LTH) can be obtained from:

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

Mr S Masiyiwa, a director of the Company, has a controlling shareholding in Econet Wireless Group Limited, and is therefore the ultimate controlling party.

28. **Capital risk management**

The Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's strategy remains unchanged from 2016.

The capital structure of the Company consists of net debt (which includes the borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company, comprising issued share capital and retained earnings in the statement of changes in equity respectively.

29. **Significant accounting policies**

In the application of the Company's accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, the basis on which income and expenses are recognised, for each class of financial asset, financial liability and equity instrument, the directors are required to make judgements, estimates and assumptions which are disclosed in note 2 to the financial statements.

Judgements and estimates are reviewed on ongoing basis, including obtaining advice from third parties. Judgements and estimates are based on historical experience, believed to be reasonable under the circumstances and, where appropriate, practices adopted by other entities. In the process of applying the accounting policies described in this note, judgements and estimates made by Group entities that have the most significant impact on the amounts recorded in the financial report may differ from actual results. The revisions to the estimates are recognised in the period in which the estimate is revised, if the revision only affects that period, or in that period and future periods if the revision affects both the current and future periods.

30. Gearing ratio

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

	28/2/18	**28/2/17**
	£	**£**
Debt (i)	2,189,432	4,079,159
Cash balances	(4,648,884)	(2,396,278)
Net (asset)/debt	(2,459,452)	1,682,881
Equity (ii)	9,173,820	7,638,793

(i) Debt is defined as long and short-term borrowings.
(ii) Equity includes all capital and reserves of the Company that are managed as capital.

Reconciliation of movements in liabilities to cash flows arising from financing activities

	At 1 March 2017	**Interest paid**	**Foreign exchange**	**At 28 February 2018**
	£	**£**	**£**	**£**
Long term borrowings	2,529,152	(1,376,369)	(345,649)	807,134
Short term borrowings	1,550,007	(167,709)	-	1,382,298
Total debt	4,079,159	(1,544,078)	(345,649)	2,189,432
Cash and cash equivalents	(2,396,278)		-	(4,648,884)
Net borrowings	1,682,881			(2,459,884)

31. Categories of financial assets and liabilities

	28/2/18	**28/2/17**
Financial assets	**£**	**£**
Cash and bank balances	4,648,884	2,396,278
Loan receivables	7,788,165	8,469,126
Trade and other receivables	15,521,066	12,745,923
Financial liabilities		
External loans	2,189,432	4,079,159
Trade and other payables	22,811,926	12,515,725

Financial assets and liabilities are disclosed at fair value and amortised cost.

32. Foreign currency risk management

Management co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal management reports, which analyse exposures by degree and magnitude of risks. These risks include market risk including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The carrying amounts of the Company's foreign currency denominated monetary assets at the reporting date are as follows:

	28/2/18	**28/2/17**
Assets	**£**	**£**
Currency of the United Kingdom (GBP)	366,279	61,778
Currency of the United States (USD)	4,280,943	2,332,731
Currency of the European Union (EUR)	1,662	1,769
	4,648,884	2,396,278

Notes to the financial statements - continued
for the year ended 28 February 2018

33. **Foreign currency analysis**

The Company is exposed to currency USD and EUR. The following table details the Company's sensitivity to a 10 per cent increase and decrease in Sterling against the relevant foreign currencies. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where Sterling strengthens 10% per cent against the relevant currency. For a 10% per cent weakening of Sterling against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	28/2/18	28/2/17
	£	£
USD Currency impact	(76,450)	(212,173)
EUR Currency impact	(4,697)	(860)

The sensitivity on statements of profit or loss and other comprehensive income is mainly attributable to the exposure outstanding on foreign currency receivables, payables and long-term loans at year end in the Company.

34. **Interest rate risk management**

The Company is exposed to interest rate risk because entities in the Company borrow internal funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

35. **Interest rate sensitivity analysis**

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 28 February 2018 would decrease/increase by £137,732 (2017: £122,359). This is mainly attributable to the Company's exposure to interest rates on its cash balance and loans to affiliated companies.

36. **Credit risk management**

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

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

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

37. **Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The table below details the remaining contractual maturity for financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities bases on the earliest date on which they can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective rate	Less than 1 month	1 to 3 months	3 months to a year	1 to 5 years	Total
		£	£	£	£	£
2018 Financial liabilities	0.37%	7,815,091	6,880,249	1,879,308	1,382,298	17,956,946
2017 Financial liabilities	3.13%	7,977,750	654,262	1,916,032	2,627,008	13,175,052