LIQUID TELECOMMUNICATIONS LIMITED
REGISTERED NUMBER: 04946019 (England and Wales)
ANNUAL FINANCIAL STATEMENTS
28 February 2023

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LIQUID TELECOMMUNICATIONS LIMITED
REGISTERED NUMBER: 04946019 (England and Wales)
COMPANY INFORMATION
28 February 2023

Directors	S Masiyiwa	
	N T Rudnick	
	H N Pemhiwa	(Appointed on 29 March 2023)
	E R Thompson	(Appointed on 31 March 2023)
	K E M Hennessy	(Resigned on 28 September 2022)
Secretary	H K Marsh	
Registered office	9th Floor 6 New Street Square London United Kindom EC4A 3BF	
Registered number	04946019 (England and Wales)	
Independent auditor	Deloitte LLP Statutory Auditor Abbots House Abbey St Reading United Kingdom RG1 3BD	

The directors present the Strategic Report of Liquid Telecommunications Limited (the "Company") for the year ended 28 February 2023. 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. The Company acts as a technology centre for the parent undertaking, Liquid Telecommunications Holdings Limited (the "Liquid Group") because it is able to source scarce resource in the UK that is unavailable on the African continent and charges management fees to the group companies. 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 13, the Company's sales increased by 13.8% (2023: £141.6 million, 2022: £124.5 million), due to an increase in the wholesale traffic sent to carriers for Zimbabwe, Burundi, CAR and Cuba and dataport revenue. The Company's key performance indicators of its operations are turnover, earnings before interest, tax, depreciation and amortisation and operating profit margin. Further analysis of the performance indicators are shown in the directors' report. The Company achieved an operating profit margin of 0.47% (2022: 0.58%). The Statement of financial position on page 14 shows that the Company's financial position at the year-end has improved. This is due to the profit for the year and an increase in the carrying values of intangible assets and intercompany receivables. The average monthly headcount of the Company was 74 (2022: 65).

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 the 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.

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 for all exposures from the time when a loan is originated, based on the expected credit losses on that receivable. If the credit risk has not increased significantly then allowances are based on 12 months expected losses. 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 an inability to manage unplanned decreases or changes in funding sources and 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.

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.

Section 172 statement

The company's long term success is central to the Directors' discussions and decision making. In accordance with the requirements of Section 172 of the UK Companies Act 2006, the Directors give full consideration to the interests of key stakeholders, as described in the table below, to ensure their alignment in furthering the growth of the business.

LIQUID TELECOMMUNICATIONS LIMITED
REGISTERED NUMBER: 04946019 (England and Wales)
STRATEGIC REPORT (continued)
28 February 2023

Section 172 statement (continued)

Customers	We have many long standing customer relationships, but recognise that communication with them is the key to ensuring the continued longevity of these relationships. We work closely with our customers through experienced relationship managers who build an understanding of the customers' needs and business.
Employees	Our employees have been integral to the success of the company and we want them to be part of the future story. We engage with them through a number of channels. Our monthly CEO webinar is hugely popular and interactive and, along with our regular employee engagement surveys, give our employees the opportunity to share their views with senior management. We also use a combination of newsletters and internal social media platforms to keep our employees up to date with developments in the company. Excellent employee performance is applauded and rewarded through both group and local recognition schemes.
Suppliers	The company is committed to conducting its business in an open and ethical manner with all our suppliers. We comply with local laws and regulations and have policies in place to cover working hours, equal opportunities, discrimination and data protection. Employees who engage with suppliers follow our internal code of conduct and understand we have a zero tolerance policy to unethical behaviour.
Shareholders	Our shareholders are consulted on a all material issues in accordance with the governing requirements and in this way help to shape our future. Any transactions with shareholders are referred to the Related Party Committee which is governed by a group wide terms of reference.
Community and environment	We are always conscious of the impact our business has on the immediate and wider community and environment of the territories in which we operate. Recognising that many of these territories are underdeveloped, we have made various contributions ranging from the provision of free telecommunications services, staff volunteering, assisting with healthcare provision and partnering with local initiatives to promote local businesses.

Approved for and on behalf of the board:

N T Rudnick
Director
Date: 25-August-2023

LIQUID TELECOMMUNICATIONS LIMITED
REGISTERED NUMBER: 04946019 (England and Wales)
DIRECTORS' REPORT
28 February 2023

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 2023. The annual report and financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). A review of the business and the Company's exposure to risks and

General information
Liquid Telecommunications Limited is a private limited company incorporated in the United Kingdom on 28 October 2003. Its parent company is Liquid Telecommunications Holdings Limited which is registered in Mauritius, and the ultimate controlling party is Econet Global Limited which is registered in Mauritius. The address of the registered office and operations is 9th Floor, 6 New Street Square, London EC4A 3BF United Kingdom. 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 2023 (2022: £nil).

Impact of global events
On 24 February 2022, Russia invaded Ukraine in an internationally condemned act of aggression. This conflict is ongoing with a devastating impact on human life in the region. Globally, along with the widening sanctions against Russia, the conflict has had a direct impact on the energy sector, with increasing fuel prices and a general instability in the financial markets. This has led to higher costs for energy suppliers, product manufacturers and transportation services. The company has been monitoring the situation and assessing any potential impact on its business model and has factored such price increases into its forward looking plans, where possible.

Events after the reporting date
On 24th April 2023, the Company entered into an agreement with The City of London Real Property Company Limited to lease the 17th Floor in Building 6 at New Street Square, New Fetter Lane, London EC4 starting 28th September 2023 for a period of 10 years. The annual lease fee is £809,421 with an annual increase of 4%.

Directors
The directors shown below have held office during the year from 1 March 2022 to the date of this report.

S Masiyiwa	
N T Rudnick	
H N Pemhiwa	(Appointed on 29 March 2023)
E R Thompson	(Appointed on 31 March 2023)
K E M Hennessy	(Resigned on 28 September 2022)

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. The company had made a qualifying third party indemnity for the benefit of the directors.

Secretary
H K Marsh

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 (2022: £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 had a profit after tax of £2,249,445 for the year and net assets of £13,704,869 as at 28 February 2023. The company acts as a technology centre of Liquid Telecommunications Holdings Limited (the "Liquid Group") because it is able to source scarce resources in the United Kingdom that is unavailable on the African continent.

Given the Company's current and long term liquidity, capital requirements and forecast financial position are assessed at the Liquid Group level, the directors have reviewed the cash flow projections of the Liquid Group. This included the impact of the currency changes in South Africa, the currency and economic situation in Zimbabwe, the cash flow projections for the period (which include discretionary capital expenditure), the repayment of existing obligations and committed loan funding, and the provision of financial support to other subsidiaries where necessary, the directors are satisfied that the Liquid Group has access to adequate cash resources to settle obligations as they fall due. They also consider that the operations of the wider Liquid group provide sufficient financial sustainability to generate positive cash flows for the foreseeable future.

The Liquid Group is currently funded by a combination of equity, USD 620 million Senior Secured Notes (maturity September 2026), a USD 60 million Revolving Credit Facility ("RCF") (maturity March 2026), of which USD 30.0 million is undrawn at 25 August 2023, a USD 220 million equivalent South African Rand term loan (maturity March 2026), of which USD 164.2 million is outstanding at 28 February 2023 and USD 23.3 million of locally provided term loans (maturity in the financial year 2025) in Zambia, of which USD 4.9 million is outstanding at 28 February 2023. Taking this into account, alongside the other reviews conducted as set out in this section and the undrawn USD 30.0 million RCF, the directors consider the group has sufficient liquidity to meet its obligations as and when they fall due and forecast this position to continue.

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

Even after assessing these factors, the directors consider the Liquid Group to have sufficient liquidity and sufficient headroom on its covenants.

The directors note that the Company has received confirmation of support from its parent company for a period of at least 12 months from the date of signing of the financial statements. Accordingly, it will continue to adopt the going concern basis of accounting in preparing the financial statements.

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

	28/02/2023	**28/02/2022**
Revenue	£141,627,275	£124,480,249
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	£1,444,577	£1,505,638
Operating profit margin	0.47%	0.58%

Results for the year (continued)

The Company considers revenue, operating 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. As a result, revenue has increased comparing to prior year but EBITDA and operating profit margin have decreased.

The Company's 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 (refer to the future developments section under the strategic report).

Climate change

Our shared vision is to provide a working environment free from harm, by promoting a positive culture and continuously improving the health, safety, environment and wellbeing of our workforce and the communities within which we operate.

We recognise that we cannot understand what we need to change if we cannot measure it. We start by measuring our carbon footprint in the United Kingdom (UK) using the Greenhouse Gas (GHG) Protocol, the global gold standard for carbon analysis, reported in units of carbon dioxide equivalent (CO_2e).

The Company is required to report annually on the quantity of carbon dioxide equivalent emissions in tonnes emited as a result of activities for which it is responsible. The company has measured its indirect emissions. The Company deos not have any direct emissions (scope 1) due to the absence of combustion sources under its operational control or company-owned vehicles. The company has measured its indirect emissions (scope 2 and 3) for the year ended 28 February 2023 and are disclosed below.

GHG Inventory according to ISO14064-1:2006 and GHG Protocol	Total (tCO_2e)	kWh
Scope 1: Direct GHG emissions and removals	-	-
Scope 2: Indirect GHG emissions from imported energy	80.03	413,872
Scope 3: Other indirect emissions that occur in the value chain	1,245.98	37,860
Total emissions	**1,326.01**	451,732

The carbon footprint for the year ended 28 February 2023 amounts to 1,326.01 tCO_2e. Scope 3 indirect emissions is the largest contributor specifically from business travel activities amounting to 1,245.98 tCO_2e. Scope 2 energy indirect emissions amount to 80.03 tCO_2e representing the emissions associated with the purchasing of electricity. Scope 1 did not contribute to the Company's emissions as they do not have any direct sources of emissions.

During the year ended 28 February 2023, the intensity ratio (kg of CO_2e per £1,000 of revenue) is 9.36.

During the year ended 28 February 2022, the company reported an intensity ratio of 0.76kg per £1,000 of revenue. However, this was due to the Company reporting only its scope 2 energy indirect emissions associated with the purchasing of electricity.

Climate change has had no material impact on the assets and liabilities as disclosed in the statement of financial position.

The Liquid Group has hired an Executive Head: ESG who will be responsible for monitoring the Liquid Group's environmental impact as well as the reporting of the Environmental, Social and Governance ("ESG") Key Performance Indicators ("KPIs"). In addition, the Liquid Group already has in place an Energy Manager who is responsible for recording the associated KPIs.

Directors' indemnities

The company has made no 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.

Statement as to disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

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: **25-August-2023**

LIQUID TELECOMMUNICATIONS LIMITED
REGISTERED NUMBER: 04946019 (England and Wales)
DIRECTORS' RESPONSIBILITIES STATEMENT
28 February 2023

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 adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). 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 of the financial reporting framework 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.

N T Rudnick
Director
Date: 25-August-2023

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 of Liquid Telecommunications Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 28 February 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (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 which comprise:

- the statement of profit or loss and other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Independent auditor's report to the members of Liquid Telecommunications Limited
Report on the 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

• had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and

• do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Employment Law, the Data Protection Act 2018, GDPR and the Bribery Act 2010.

We discussed among the audit engagement team including relevant internal specialists such as IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our procedures performed to address them are described below:

• Occurrence and accuracy of voice traffic revenue: we have tested the design, implementation and operating effectiveness of the key controls identified, reconciled the system-generated revenue report to amount recognised in the financial year, verified the completeness and accuracy of the system-generated revenue report, and traced a sample of reconciling and adjusting items to supporting evidence; and

• Recoverability of intercompany receivables: we have obtained an understanding of relevant controls relating to the assessment of the recoverability of intercompany receivables, agreed intercompany receivables to intercompany counterparty confirmations, challenged management's judgement that there had been no significant increase in the credit risk of the counter party since inception, and therefore the application of a lifetime expected credit loss was not required, estimated the probability of default by referring to historical default rates from third party source of data, to compare to the conclusions reached by management in relation to expected credit losses, and assessed the group's ability to generate sufficient cash flows to support its subsidiaries to repay the receivables.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

• reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

• performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

• enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

• reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

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.

Independent auditor's report to the members of Liquid Telecommunications Limited
Report on the audit of the financial statements

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.

DocuSigned by:
Antwi Okyere-Darko
62AF646324174AB...

Antwi Okyere-Darko FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
25-August-2023

LIQUID TELECOMMUNICATIONS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 28 February 2023

	Notes	28/02/2023	28/02/2022
		£	£
Revenue	4	141,627,275	124,480,249
Interconnect related costs		(127,302,205)	(112,877,947)
Data and network related costs		(6,583,574)	(4,432,685)
Other operating income	6	12,687,243	10,380,033
Provision for expected credit loss	15	(150,000)	-
Administrative expenses		(3,625,146)	(2,445,780)
Staff costs	5	(15,209,016)	(13,598,232)
Depreciation, impairment and amortisation	6	(774,409)	(788,612)
Operating profit		670,168	717,026
Restructuring costs	7	-	(14,408)
Interest income	8	803,188	482,575
Finance costs	9	(199)	(52,250)
Net foreign exchange gain	6	842,238	251,514
Profit before tax		2,315,395	1,384,457
Tax expense	10 (ii)	(65,950)	(1,435,915)
Profit / (loss) after tax		2,249,445	(51,458)
Other comprehensive income		-	-
Profit / (loss) and total comprehensive income / (expense) for the year		2,249,445	(51,458)

LIQUID TELECOMMUNICATIONS LIMITED
REGISTERED NUMBER: 04946019 (England and Wales)
STATEMENT OF FINANCIAL POSITION
At 28 February 2023

	Notes	28/02/2023	28/02/2022
		£	£
Assets			
Non-current assets			
Intangible assets	11	64,743	662
Property and equipment	12	287,741	302,420
Right-of-Use assets	13	61,070	212,493
Loans and other financial assets	14	7,754,551	7,069,236
Deferred tax asset	10 (iii)	299,038	252,912
Total non-current assets		8,467,143	7,837,723
Current assets			
Trade and other receivables	15	12,500,452	10,538,573
Intercompany receivables	16	3,199,996	2,692,863
Tax asset	10 (i)	22,342	22,342
Cash and cash equivalents	17	274,591	2,562,089
Total current assets		15,997,381	15,815,867
Total assets		24,464,524	23,653,590
Equity and liabilities			
Capital and reserves			
Called up share capital	18	23,501	23,501
Retained earnings		13,681,368	11,431,923
Total equity		13,704,869	11,455,424
Current liabilities			
Short-term portion of long-term lease liabilities	22	62,521	255,983
Trade and other payables	19	7,851,895	9,974,513
Deferred revenue	20	104,730	89,507
Short term provisions	21	2,740,509	1,878,163
Total current liabilities		10,759,655	12,198,166
Total equity and liabilities		24,464,524	23,653,590

Approved by the Board of Directors and authorised for issue on 25 August 2023.

N T Rudnick
Director

LIQUID TELECOMMUNICATIONS LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 28 February 2023

	Notes	Called up share capital	Retained Earnings	Total Equity
		£	£	£
At 1 March 2021		23,501	11,483,381	11,506,882
Loss and total comprehensive expense for the year		-	(51,458)	(51,458)
At 28 February 2022		23,501	11,431,923	11,455,424
Profit and total comprehensive income for the year		-	2,249,445	2,249,445
At 28 February 2023		**23,501**	**13,681,368**	**13,704,869**

LIQUID TELECOMMUNICATIONS LIMITED
STATEMENT OF CASH FLOWS
For the year ended 28 February 2023

	Notes	28/02/2023	28/02/2022
		£	£
Operating activities:			
Cash (used in) / generated from operating activities	23	(1,789,149)	1,920,044
Income tax paid		(112,076)	(1,315,296)
Net cash (used in) / generated from operating activities		(1,901,225)	604,748
Investing activities:			
Purchase of property and equipment	12	(132,009)	(122,155)
Proceeds on disposal of property and equipment		74,004	-
Purchase of intangible assets	11	(64,743)	-
(Increase) / decrease in intercompany long-term loans receivable		(323,410)	346,963
Interest received		803,188	482,575
Net cash generated from investing activities		357,030	707,383
Financing activities:			
Interest paid	9	-	(52,250)
Repayment of lease liability		(743,303)	(676,876)
Net cash used in financing activities		(743,303)	(729,126)
Net (decrease) / increase in cash and cash equivalents		(2,287,498)	583,005
Cash and cash equivalents at beginning of the year		2,562,089	1,979,084
Cash and cash equivalents at end of the year	17	274,591	2,562,089

1. General 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.

Items included in the financial statements are measured using the currency of the primary economic environment of the Company (the "functional currency"). The functional and presentation currency of the Company is the Great British Pound (£).

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

In the current year, the Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 March 2022.

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

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

IAS 16	Property, plant and equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous.
IFRS 9	Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities).

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

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

IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective 1 January 2023).
IAS 1	Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 1 January 2023).
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of debt with covenants (effective 1 January 2024).
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective 1 January 2023).
IAS 12	Income Taxes - Amendments regarding deferred tax on leases and decommissioning obligations (effective 1 January 2023).
IFRS 16	Leases - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions (effective 1 January 2024).

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

2. Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention.

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 had a profit after tax of £2,249,445 for the year and net assets of £13,704,869 as at 28 February 2023. The company acts as a technology centre of Liquid Telecommunications Holdings Limited (the "Liquid Group") because it is able to source scarce resources in the United Kingdom that is unavailable on the African continent.

Given the Company's current and long term liquidity, capital requirements and forecast financial position are assessed at the Liquid Group level, the directors have reviewed the cash flow projections of the Liquid Group. This included the impact of the currency changes in South Africa, the currency and economic situation in Zimbabwe, the cash flow projections for the period (which include discretionary capital expenditure), the repayment of existing obligations and committed loan funding, and the provision of financial support to other subsidiaries where necessary, the directors are satisfied that the Liquid Group has access to adequate cash resources to settle obligations as they fall due. They also consider that the operations of the wider Liquid group provide sufficient financial sustainability to generate positive cash flows for the foreseeable future.

The Liquid Group is currently funded by a combination of equity, USD 620 million Senior Secured Notes (maturity September 2026), a USD 60 million Revolving Credit Facility ("RCF") (maturity March 2026), of which USD 30.0 million is undrawn at 25 August 2023, a USD 220 million equivalent South African Rand term loan (maturity March 2026), of which USD 164.2 million is outstanding at 28 February 2023 and USD 23.3 million of locally provided term loans (maturity in the financial year 2025) in Zambia, of which USD 4.9 million is outstanding at 28 February 2023. Taking this into account, alongside the other reviews conducted as set out in this section and the undrawn USD 30.0 million RCF, the directors consider the group has sufficient liquidity to meet its obligations as and when they fall due and forecast this position to continue.

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

Even after assessing these factors, the directors consider the Company to have sufficient liquidity to continue.

The directors note that the Company has received confirmation of support from its parent company for a period of at least 12 months from the date of signing of the financial statements. Accordingly, it will continue to adopt the going concern basis of accounting in preparing the financial statements.

Property and equipment

Property 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 costs, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is charged so as to write off the cost 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 differences between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

2. Summary of significant accounting policies (continued)

Property and equipment (continued)

Assets in the course of construction for production or for other purposes not yet determined are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected to arise from use or disposal. Gains or losses from derecognition of an item of property and equipment measured as the difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss and other comprehensive income.

Intangible assets

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

Computer licences	20% - 50%
Software	33% - 50%

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, 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 to arise from use or disposal. Gains or losses from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the aseet is recognised in the statement of profit or loss and comprehensive income.

Impairment of tangible and intangible assets

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

Inventories

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value (excluding trade receivables which are recognised at transaction price in terms of IFRS 15). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement profit or loss.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets

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

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

Classification of financial assets

Financial assets are classified into the following specified categories:

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

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

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

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

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

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

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

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

(i) Amortised cost and effective interest method

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

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

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(i) Amortised cost and effective interest method (continued)

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

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

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

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

All financial assets on the statement of financial position, with the exception of investments, are classified at amortised cost.

Foreign exchange gains and losses

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

• for financial assets measured at amortised cost, exchange differences are recognised in the statement of profit or loss in the 'Foreign exchange gain / (loss)' line item (note 6);
• for equity instruments measured at FVTOCI, exchange differences are recognised in the statement of other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

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

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

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

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

(i) Significant increase in credit risk

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

• Payment plans - A signed acknowledgment of debt with a payment plan and/or a set-off agreement exists and the client is abiding by the terms of these agreements. If the client does not comply with the payment plans, the services are stopped. If they still do not pay, the group will engage legal counsel to pursue recovery from the client. Historically and in most cases, customers do pay when legal letters are issued. When the client is unable to pay due to cash flow issues (hence, increased credit risk), a provision is made.

• Payment history – The customer's payment trend is in intervals, say quarterly, bi-annually or annually and its history is evidenced on their customer statement. This is usually applicable to government bodies and strategic clients.

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Share capital and share premium are classified as equity.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

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

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

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Foreign exchange gain / (loss)' line item (note 6) in the statement of profit or loss.

Derecognition of financial liabilities

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

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.

Revenue recognition

The Company recognises revenue from the following major sources:

• Network - primarily revenue from long haul and metro networks;
• Dataport - primarily revenue from undersea assets, international wholesale, international enterprise and VSAT;
• C2 - primarily revenue from cloud services, managed services and cybersecurity services;
• Voice Traffic - primarily revenue from international voice interconnects between mobile network operators and international telecom carriers; and
• Data centre - primarily revenue from the group's data centres.

Revenue is measured based on the consideration to which the Company expects to be entitled from a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer. Depending on whether certain criteria are met, revenue is recognised:

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

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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

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

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

• C2: the performance obligation is recognised when the service is made available to customers on-demand via remote connection to a cloud computing server. The connection of the service performance obligation is satisfied on completion of connection as ownership is transferred. The provisioning of a service is recognised monthly as this is when the service is delivered. The transaction price is determined by the signed contract, which takes into account the rates determined at market related prices. Customers are invoiced once for NRR and on a monthly basis for MRR. A receivable is raised as the service is delivered.

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

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

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

• Data Centre: The performance obligation relating to these service contracts consists of the provisioning of monthly services, the Monthly Recurring Revenue (MRR). Therefore, the MRR component of the contract will be recognised over the period of the contract. Transaction prices are determined based on signed contracts, which take into account rates determined at market related prices with the client for the MRR components. Customers are invoiced on a monthly basis for MRR. A receivable is raised as the service is delivered.

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

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

2. Summary of significant accounting policies (continued)

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a Right-of-Use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related Right-of-Use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Right-of-Use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". To the extent that the costs relate to a Right-of-Use asset, the costs are included in the related Right-of-Use asset, unless those costs are incurred to produce inventories.

Right-of-Use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the Right-of-Use asset reflects that the Company expects to exercise a purchase option, the related Right-of-Use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Right-of-Use assets are presented as a separate line in the statement of financial position.

2. Summary of significant accounting policies (continued)

Foreign currencies

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

Related parties

Related parties are individuals or companies where the individual or Company has the ability, directly or indirectly to control the other party or exercise significant influence over the party in making financial and operating decisions.

Cash flows

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held, all of which are available for use by the Company unless otherwise stated.

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 taxation is provided in full, using the liability method, on temporary differences arising between tax bases of the assets and liabilities and their carrying values for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable pofits will be available agains which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the iniial recognition(other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting judgements

Revenue recognition

In making their judgement, the directors considered the detailed criteria for the recognition of revenue set out in IFRS 15 "Revenue from Contracts with Customers" and whether the Company had transferred control of the goods and rendered the services to the customer, which would result in the satisfaction of the performance obligation. The directors are satisfied that control has been transferred and that recognition of the revenue in the current year is appropriate.

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

Key sources of estimation uncertainty

Deferred taxation assets

The Company recognises the net future tax benefit related to deferred tax assets (2023: £299,038, 2022: £252,912) to the extent that it is probable that taxable profit will be avaliable against which the deductible temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

4. Revenue

An analysis of the Company's revenue is as follows:

	28/02/2023	28/02/2022
	£	£
Network	-	1,047,239
Data Centre	-	219,560
C2	345,781	277,548
Dataport	7,064,892	3,768,506
Voice traffic	134,216,602	119,167,396
	141,627,275	124,480,249

Revenue expected to be recognised in future periods for performance obligations that are not complete (or partially complete) at 28 February 2023 is £104,730 (2022: £89,507). All the revenue is for installations of international and local managed services and equipment.

'Interconnect related costs' relates to the costs associated with voice traffic and 'Data and network related costs' relates to the costs associated with the remaning revenue streams as described above.

5. Employees and directors

	28/02/2023	28/02/2022
	£	£
Wages and salaries	12,809,033	11,790,277
Social security costs	1,290,449	969,593
Other pension costs	1,109,534	838,362
	15,209,016	13,598,232

Other pension costs relates to the Defined Contribution Scheme.

5. Employees and directors (continued)

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

	28/02/2023	28/02/2022
Administration	3	2
Business Transformation	1	1
C2 - Cloud	3	2
CEO Office	4	3
Dataport (Liquid Sea)	8	7
Finance	10	8
Human Resources	2	2
Information Technology	9	8
Legal & Regulatory	4	4
Marketing	6	4
Sales - Enterprise Business (EBU)	1	1
Strategy	3	3
Technologies - Network Operations	7	7
TPS	5	4
VSAT	2	2
Wholesale Voice	6	7
	74	65

Remuneration of Key Management Personnel

	28/02/2023	28/02/2022
	£	£
Short-term employee benefits	2,559,204	3,470,042
Other long-term benefits	44,561	52,208
	2,603,765	3,522,250

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.

Number of directors who are members of:

	28/02/2023	28/02/2022
Defined contribution pension scheme under long-term incentive scheme	2	2

Remuneration of the highest paid director:

	28/02/2023	28/02/2022
	£	£
Emoluments	1,884,707	2,247,542
Company contributions to defined purchase schemes	30,000	30,000
	1,914,707	2,277,542

6. Profit / (loss) for the year

Profit for the year is arrived at after taking the following into account:

	28/02/2023	28/02/2022
	£	£
Auditors' remuneration	109,000	66,167
Taxation, compliance and other services	52,843	24,350
Expected credit loss provision	150,000	-

6. Profit / (loss) for the year

	28/02/2023	28/02/2022
	£	£
Consultancy fees	30,992	173,638
Depreciation, impairment and amortisation		
Depreciation (note 12)	72,683	149,146
Amortisation of intangible assets (note 11)	662	1,985
Depreciation of Right-of-Use Assets (note 13)	701,064	637,481
	774,409	788,612
Net foreign exchange gain		
Exchange gains – unrealised	826,443	217,283
Exchange gains – realised	15,795	34,231
	842,238	251,514
Other operating income		
Management fees received - intergroup (note 24)	12,668,010	10,380,033
Rental income	19,233	-
	12,687,243	10,380,033

Total audit fees payable to Deloitte LLP for the audit of Liquid Telecommunications Limited were £109,000 (2022: £66,167). Audit related assurance services are in relation to statutory filings. These include audit services for the statutory audit in the UK and review of annual financial information.

Fees paid to Deloitte LLP for taxation, compliance and other services were £11,813 (2022: £24,350). These relate to company taxation, financial statements review and VAT reviews. There were no other services paid to Deloitte.

7. Restructuring costs

	28/02/2023	28/02/2022
	£	£
Redundancy costs	-	14,408

8. Interest income

	28/02/2023	28/02/2022
	£	£
Interest received – bank/external	-	1,136
Interest received - inter group (note 24)	803,188	481,439
	803,188	482,575

9. Finance costs

	28/02/2023	28/02/2022
	£	£
Interest - lease liabilities	199	52,250

10. Taxation

(i) Tax asset

	28/02/2023	28/02/2022
	£	£
At 1 March	22,342	182,938
Charge for the year	(112,076)	(1,475,892)
Witholding tax	112,076	1,498,234
Tax paid	-	(182,938)
At 28 February	22,342	22,342

(ii) Tax reconciliation

	28/02/2023	28/02/2022
	£	£
Current tax on profit / (loss) for the year	-	(22,342)
Deferred tax credit for the year	(46,126)	(39,977)
Witholding tax	112,076	1,498,234
Tax expense	65,950	1,435,915

	28/02/2023	28/02/2022
	£	£
Profit before tax	2,315,395	1,384,457
Tax on Accounting Profit at applicable rate	439,925	263,047
Effect of expenses not deductible for tax purposes / exempt income	(112,115)	(101,776)
Net tax effect of tax credit	(373,936)	(223,590)
Witholding tax	112,076	1,498,234
Tax expense	65,950	1,435,915

(iii) Deferred Tax

	28/02/2023	28/02/2022
	£	£
At 1 March	252,912	212,935
Deferred tax credit for the year	46,126	39,977
At 28 February	299,038	252,912

Deferred tax assets have been recognised at 28 February 2023 on the basis that management deems it probable that there will be suitable taxable profits against which these assets can be utilised. These are mainly arising due to temporary differences due to changes in accounting policies. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse, based on the substantive enacted rate of 19%. On 3 March 2021 the Chancellor announced that the government will legislate to increase the corporate tax rate to 25% from 1 April 2023. This change has not been enacted or substantively enacted at the Statement of Financial Position date and is not therefore reflected in these financial statements. The following are the major deferred tax assets recognised by the Company. The movements are shown above.

	28/02/2023	28/02/2022
	£	£
Property and equipment	299,038	252,912

There are no deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset has been recognised in the Statement of Financial Position.

11. Intangible assets

	Computer Licences	Work in progress	Total
	£	£	£
Cost			
At 1 March 2021	117,189	-	117,189
At 28 February 2022	117,189	-	117,189
Additions	-	64,743	64,743
Write Off	(117,189)	-	(117,189)
At 28 February 2023	-	64,743	64,743
Accumulated Amortisation			
At 1 March 2021	114,542	-	114,542
Amortisation	1,985	-	1,985
At 28 February 2022	116,527	-	116,527
Amortisation	662	-	662
Write Off	(117,189)	-	(117,189)
At 28 February 2023	-	-	-
Carrying amount			
At 28 February 2023	-	64,743	64,743
At 28 February 2022	662	-	662

Intangible assets for £117,189 were written off during the year ended 28 February 2023 (2022: Nil) as they were deemed to be unusable.

No further indication of impairment has been found following the review of the carrying value of the intangible assets by the directors during the years ended 28 February 2023 and 28 February 2022.

12. Property and equipment

	Furniture and fittings	Computer equipment	Switching and network equipment	Satellite equipment	Leasehold improvements	Total
	£	£	£	£	£	£
Cost						
At 1 March 2021	384,408	1,197,408	2,810,891	100,303	598,696	5,091,706
Additions	-	24,300	97,855	-	-	122,155
At 28 February 2022	384,408	1,221,708	2,908,746	100,303	598,696	5,213,861
Additions	-	35,723	96,286	-	-	132,009
Disposals	(11,854)	(192,382)	(75,586)	-	-	(279,822)
At 28 February 2023	372,554	1,065,049	2,929,446	100,303	598,696	5,066,048
Accumulated Depreciation						
At 1 March 2021	379,803	1,148,797	2,534,696	100,303	598,696	4,762,295
Depreciation charge for the year	4,605	38,351	106,190	-	-	149,146
At 28 February 2022	384,408	1,187,148	2,640,886	100,303	598,696	4,911,441
Depreciation charge for the year	-	29,189	43,494	-	-	72,683
Disposals	(11,854)	(192,382)	(1,581)	-	-	(205,817)
At 28 February 2023	372,554	1,023,955	2,682,799	100,303	598,696	4,778,307
Carrying amount						
At 28 February 2023	-	41,094	246,647	-	-	287,741
At 28 February 2022	-	34,560	267,860	-	-	302,420

13. Right-of-Use assets

	Land and buildings	Total
	£	£
Cost		
At 1 March 2021	2,124,936	2,124,936
At 28 February 2022	2,124,936	2,124,936
Additions*	549,641	549,641
Lease expired**	(2,124,936)	(2,124,936)
At 28 February 2023	549,641	549,641
Accumulated Depreciation		
At 1 March 2021	1,274,962	1,274,962
Depreciation charge for the year	637,481	637,481
At 28 February 2022	1,912,443	1,912,443
Depreciation charge for the year	701,064	701,064
Lease expired**	(2,124,936)	(2,124,936)
At 28 February 2023	488,571	488,571
Carrying amount		
At 28 February 2023	61,070	61,070
At 28 February 2022	212,493	212,493

* relates to the renewal of the registered office lease for a period of nine months starting 24 June 2022.
** relates to the expiry of the registered office lease on 23 June 2022.

14. Loans and other financial assets

	28/02/2023	28/02/2022
	£	£
Loans carried at amortised cost	7,754,551	7,069,236

The long term intercompany receivable from Liquid Telecommunications Kenya Limited is unsecured, denominated in USD and bears interest at the rate of Libor (changing to SOFR as from 1 March 2023) plus 5.5% with periodic repayment as required by the lender.

15. Trade and other receivables

	28/02/2023	28/02/2022
	£	£
Trade receivables	7,034,212	8,570,419
Receivable balances from related parties (note 24)	5,116,385	1,244,618
Expected credit loss provision	(500,000)	(350,000)
Total trade and related parties' receivable, net of expected credit loss	11,650,597	9,465,037
Sundry debtors	35,487	367,543
Deposits paid	464,246	464,246
Prepayments	298,262	214,428
VAT Receivable	51,860	27,319
	12,500,452	**10,538,573**

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

15. Trade and other receivables (continued)

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; £5,166,385 (2022: £1,244,618) is the inter-Company trade receivables from related parties and the remaining are from external customers. Where allowed, at year end the related party balances have been netted off.

The Company has recognised an allowance for doubtful debts of £500,000 (2021: £350,000) because the amount was considered to be irrecoverable.

Aged receivables have increased from prior year due to increase in revenue in the last quarter of the year and voice customers outstanding amounts only netted off against supplier balances when agreed.

The Company determines its expected credit loss provision case by case on expected credit loss basis measuring the loss allowance at an amount equal to lifetime expected credit loss for trade receivables. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The following table details the risk profile of trade receivables:

	Current	30 - 60 Days	61 - 90 Days	91 - 120 Days	121 + Days	Total
	£	£	£	£	£	£
2023						
Trade and affiliated entities receivables - Gross	5,485,399	2,076,961	262,632	278,580	4,047,025	12,150,597
Lifetime ECL	-	-	-	(79,367)	(420,633)	(500,000)
Trade and affiliated entities receivables - Net	**5,485,399**	**2,076,961**	**262,632**	**199,213**	**3,626,392**	**11,650,597**
Default rate	0.0%	0.0%	0.0%	28.5%	10.4%	
2022						
Trade and affiliated entities receivables - Gross	6,807,350	1,076,415	218,891	106,100	1,606,281	9,815,037
Lifetime ECL	-	-	-	(79,367)	(270,633)	(350,000)
Trade and affiliated entities receivables - Net	**6,807,350**	**1,076,415**	**218,891**	**26,733**	**1,335,648**	**9,465,037**
Default rate	0.0%	0.0%	0.0%	74.8%	16.8%	

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

Movement in expected credit loss provision

	28/02/2023	28/02/2022
	£	£
Balance at the beginning of the year	350,000	350,000
Movement during the year	150,000	-
Balance at the end of the year	**500,000**	**350,000**

16. Short term inter-company receivables

	28/02/2023	28/02/2022
	£	£
Short term inter-company receivables (note 24)	3,199,996	2,692,863

Inter-company receivables bear interest at the rate of LIBOR (changing to SOFR from 1 March 2023) plus 2.5%, are unsecured and are to be repaid within 12 months.

17. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market investments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the statement of financial position as follows:

	28/02/2023	28/02/2022
	£	£
Cash in hand	697	853
Bank accounts	273,894	2,561,236
	274,591	**2,562,089**

18. Called up share capital

	28/02/2023	28/02/2022
	£	£
Alloted, issued and fully paid		
47,002 Ordinary shares at a nominal value of £0.50 per share	23,501	23,501

The authorised share capital is 100,000 ordinary shares of £0.50 each and 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.

19. Trade and other payables

	28/02/2023	28/02/2022
	£	£
Trade accounts payable	3,589,152	2,053,583
Payable balance to related parties (note 24)	2,927,271	3,033,135
Accruals	604,166	4,376,699
Other payables	731,306	511,096
	7,851,895	**9,974,513**

The average credit period on purchases of goods is 17 days (2022: 16 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.

20. Deferred revenue

	28/02/2023	28/02/2022
	£	£
Deferred revenue (current)	104,730	89,507
	104,730	**89,507**

The deferred revenue arises in respect of billing for operations administration and maintenance (OA&M) charges. The revenue is amortised over the period for which the charges were invoiced.

20. Deferred revenue (continued)

	28/02/2023	28/02/2022
	£	£
Deferred revenue (current):		
Opening balance	89,507	103,760
Net amount recognised as liability	1,207,478	945,603
Net amount recognised in statement of profit or loss	(1,192,255)	(959,856)
Closing balance	**104,730**	**89,507**

21. Short term provisions

	28/02/2023	28/02/2022
	£	£
Opening balance	1,878,163	2,942,958
Current provision / (amount used)	862,346	(1,064,795)
Closing balance	**2,740,509**	**1,878,163**
Analysed as follows:		
Leave pay provision	149,621	178,163
Bonus provision	2,590,888	1,700,000
	2,740,509	**1,878,163**

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

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

22. Short term portion of long term lease liabilities

	28/02/2023	28/02/2022
	£	£
Short-term portion of long-term lease liabilities	62,521	255,983
Maturity analysis:		
Less than 1 year	62,786	255,983

Lease payments represent rentals payable by the Company for some of its office locations.

The 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.

23. Reconciliation of profit from operations to net cash generated from operating activities

	Notes	28/02/2023	28/02/2022
		£	£
Profit before tax		2,315,395	1,384,457
Adjustments for:			
Depreciation, impairment and amortisation	6	774,409	788,612
Increase in expected credit loss provision	15	150,000	-
Increase / (decrease) in provision	21	712,725	(1,035,845)
Foreign exchange gain		(828,448)	(288,198)
Interest income	8	(803,188)	(482,575)
Interest expense	9	199	52,250
		2,321,092	418,701
Movements in working capital:			
Decrease in inventories		-	19,949
(Increase) / decrease in trade and other receivables		(2,220,978)	1,744,518
Increase / (decrease) in trade and other payables		1,868,046	(2,090,351)
Increase / (decrease) in deferred revenue		15,224	(14,254)
(Decrease) / increase in accruals		(3,772,533)	1,841,481
Cash (used in) / generated from operating activities		(1,789,149)	1,920,044

24. Related party transactions

Balances and transactions between the Company and its sister and holding companies, which are related parties, are disclosed below.

	28/02/2023	28/02/2022
	£	£
Sales of goods and services		
Liquid Telecommunications Group Related Companies	58,996,310	48,939,151
Purchases of goods and services		
Liquid Telecommunications Group Related Companies	65,413,359	53,270,658
Management fees received		
Liquid Telecommunications Holdings Limited	12,668,010	10,380,033
Management fees paid		
Liquid Telecommunications Holdings Limited	1,757,236	523,960
Interest income		
Liquid Telecommunications Group Related Companies	803,188	481,439
Long-term loans due from		
Liquid Telecommunications Group Related Companies	7,754,551	7,069,236
Short-term amounts due from		
Liquid Telecommunications Group Related Companies	3,199,996	2,692,863

Short term intercompany receivables bear interest at the rate of GBP one-month LIBOR (changing to SOFR from 1 March 2023) +2.5%, are unsecured and are to be repaid within 12 months.

24. Related party transactions (continued)

	28/02/2023	28/02/2022
	£	£
Receivable balances from		
Liquid Telecommunications Group Related Companies	5,116,385	1,244,618
Payable balances to		
Liquid Telecommunications Group Related Companies	2,927,271	3,033,135

25. Financial instruments

25.1 Capital risk management

The Company manages its capital to ensure that the Company 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 overall strategy remains unchanged from 2022.

The capital structure of the Company consists of issued capital, other reserves and retained earnings as disclosed in the statement of changes in equity respectively. The Company is not subject to any externally imposed capital requirements.

25.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

25.3 Categories of financial assets and liabilities

	28/02/2023	28/02/2022
	£	£
Financial assets		
Amortised cost	23,379,468	22,648,333
Loans and other financial assets	7,754,551	7,069,236
Trade and Other Receivables	12,150,330	10,324,145
Short-term intercompany receivables	3,199,996	2,692,863
Cash & Cash Equivalents	274,591	2,562,089
Total financial assets	**23,379,468**	**22,648,333**
Financial liabilities		
Amortised cost	7,914,416	10,230,496
Short-term portion of long-term lease liabilities	62,521	255,983
Trade and Other Payables	7,851,895	9,974,513
Total financial liabilities	**7,914,416**	**10,230,496**

25.4 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.

25.5 Market risk

The Company's activities expose it to the financial risks of changes in interest rates (see 25.8 and 25.9 below). The Company does not enter into derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

25.6 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

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

	28/02/2023	28/02/2022
	£	£
Assets		
Currency of the United Kingdom (GBP)	3,810,572	3,947,483
Currency of United States (USD)	17,082,257	18,555,351
Currency of Euro (EUR)	2,538,499	145,499
	23,431,328	**22,648,333**

	28/02/2023	28/02/2022
	£	£
Liabilities		
Currency of the United Kingdom (GBP)	1,682,214	1,006,714
Currency of United States (USD)	6,113,619	9,204,152
Currency of Euro (EUR)	7,894	3,828
Currency of South Africa (ZAR)	110,689	15,802
	7,914,416	**10,230,496**

25.7 Foreign currency sensitivity analysis

The Company is mainly exposed to the currencies of United Sates Dollars (USD), Euro (EUR) and South African Rand (ZAR).

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

	28/02/2023	28/02/2022
	£	£
Liabilities		
USD Currency impact	1,096,864	935,120
EUR Currency impact	253,061	14,167
ZAR Currency impact	(11,069)	(1,580)
	1,338,856	**947,707**

The sensitivity on profit and loss is mainly attributable to the exposure outstanding on foreign currency receivables, payables and long term loans at year end in the Company.

25. Financial instruments (continued)

25.8 Interest rate risk management

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

	28/02/2023	28/02/2022
	£	£
Financial assets (interest-bearing)	11,229,138	12,324,188
Financial liabilities (interest-bearing)	62,521	255,983

25.9 Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for 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 2023 would decrease / increase by £111,666 (2022: £120,682). This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings; and

• No increase or decrease in other equity reserves for the year ended 28 February 2023 (2022: no increase or decrease)

25.10 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.

25.11 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 detail the remaining contractual maturity for financial liabilities. The table have 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.

25. Financial instruments (continued)

25.11 Liquidity risk management (continued)

	Weighted average effective rate	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
		£	£	£	£	£
28 February 2023						
Financial Liabilities	5.50%	7,020,301	163,074	731,306	-	7,914,681
28 February 2022						
Financial Liabilities	5.50%	9,332,978	194,435	703,083	-	10,230,496

25.12 Fair Values

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

26. Immediate and ultimate holding companies

The Company's immediate parent company is Liquid Telecommunications Holdings Limited, a company incorporated in Mauritius.

The intermediate holding company is Liquid Telecommunications (Jersey) Limited ("LTJ"), which is incorporated in Jersey.

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

The financial statements of Liquid Telecommunications Limited are consolidated into Liquid Telecommunications Holdings Limited which can be obtained from: 10th Floor, Standard Chartered Tower, 19 Cybercity, Ebene 72201, Mauritius.

27. Guarantor

Senior Secured Notes

As at 28 February 2023, the USD 620.0 million 5.5% Senior Secured notes due in 2026 issued by Liquid Telecommunications Financing Plc are guaranteed on a Senior Secured basis by Liquid Telecommunications Limited and other group companies with various types of collateral. Such collateral includes (among other things): (i) share pledges and charges over assets, and including bank accounts, (ii) assignment over present and future interCompany loans receivables and agreements (iii) assignment over receivables including trade debtors, intellectual property rights and insurances, and (iv) deed of hypothecation over trademarks.

Revolving Credit Facility

The USD 60 million Revolving Credit Facility agreement between Liquid Telecommunications Holdings Limited, JP Morgan Chase Bank N.A., London branch, Standard Finance (Isle of Man), Standard Chartered Bank (Mauritius) Limited and The Mauritius Commercial Bnak Limited is secured and is guaranteed on a senior secured basis by, Liquid Telecommunications Limited and other group companies. The obligations under the Revolving Credit Facility are secured equally and ratably with the Senior Secured Notes by first priority liens over the security.

25. Guarantor (continued)

USD 220 million equivalent South African Rand term loan

On 25 February 2021, Liquid Telecommunications South Africa (Pty) Limited entered into a 5 year ZAR 3.3 billion term loan with the Standard Bank of South Africa Limited (acting through its corporate and investment banking division) and Standard Chartered Bank – Johannesburg branch. The term loan is split equally between an amortising tranche and a bullet repayment tranche, for which the interest rates are JIBAR plus 4.5% and 5.0% respectively. The syndicators of this loan are: Standard Bank of South Africa Limited, Sanlam Investment Management Pty Ltd, Sanlam Life Insurance Ltd, State Bank of India (SBI), Stanlib Asset Management and Liberty Group. In June 2021, Liquid Telecommunications South Africa (Pty) Limited refinanced a portion of the term loan, amounting to ZAR 1.0 billion, with the International Finance Corporation with interest payable quarterly at JIBAR plus 5% and is guaranteed on a senior secured basis by, Liquid Telecommunications Limited together with some other subsidiaries of the Liquid Group.

28. Events after the reporting date

On 24th April 2023, the Company entered into an agreement with The City of London Real Property Company Limited to lease the 17th Floor in Building 6 at New Street Square, New Fetter Lane, London EC4 starting 28th September 2023 for a period of 10 years. The annual lease fee is £809,421 with an annual increase of 4%.