

**Strategic report, report of the directors and
Audited financial statements for the period 8 May 2017 to 28 February 2018
For
LIQUID TELECOMMUNICATIONS FINANCING PLC**



LIQUID TELECOMMUNICATIONS FINANCING PLC
Contents
For the period 8 May 2017 to 28 February 2018

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LIQUID TELECOMMUNICATIONS FINANCING PLC
Company information
For the period 8 May 2017 to 28 February 2018

Directors:

S Masiyiwa
N T Rudnick
H N Pemhiwa

Secretary:

K S Delport

Registered office:

9th Floor
6 New Street Square
London
EC4A 3BF

Registered number:

10759673 (England and Wales)

Auditors:

Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 3HQ

LIQUID TELECOMMUNICATIONS FINANCING PLC
Strategic report
For the period 8 May 2017 to 28 February 2018

The directors present the Strategic Report of the Company and the Group for the period 8 May 2017 to 28 February 2018. In preparing this Strategic Report, the directors have complied with section 414C of the Companies Act 2006.

Review of principal activity

The Group comprises Liquid Telecommunications Financing Plc (the "Company") and its subsidiary company Liquid Telecommunications Investments Limited (the "subsidiary"). The principal activity of the group is to act as the financing vehicle for the parent undertaking Liquid Telecommunications Holdings Limited (the "parent"). The Company has issued Senior Secured Notes and lent USD 430 million of the proceeds to its parent undertaking and other companies within the Liquid Telecommunications group (the "Liquid Group") to conduct the business of telecommunications services and technology services across Africa and the remaining amount was used to invest in the subsidiary. The parent undertaking and certain subsidiaries, will fully and unconditionally guarantee the payment of principal, interest and any other amounts due under the guaranteed debt securities (including the bond loans) issued by the company. The directors are not aware, at the date of this report, of any likely changes in the group's activities in the forthcoming year.

Review of business activity

The Company was established in London on 8 May 2017 as a public limited company, limited by shares incorporated under the laws of England and Wales. It was formed as a finance company and on 13 July 2017 issued Senior Secured Notes for an amount of USD 550 million through the offering of 5-year Senior Secured Notes bearing a fixed coupon rate of 8.5%. The total net proceeds of this issue were lent to its parent company and invested in its subsidiary to refinance the existing debt within the group and invest in the African telecommunications business.

On 14 November 2017, the 8.5% 5-year Senior Secured Notes were tapped for a further USD 180 million, under the same terms and conditions as the initial debt notes and was consolidated with the original to form a single class of debt securities. From the tap the proceeds were lent to its parent company and invested in its subsidiary to refinance the existing debt within the group and invest in the African telecommunications business. Interest payments to the bondholders and in respect of the intercompany loans are made on semi-annual instalments, every January and July. The Group paid its first coupon in January 2018 of USD 31.025 million.

As shown in the Group's Statement of profit and loss and other comprehensive income on page 12, the Group has a loss of USD 0.5 million as interest income from the loans is off-set by the finance payments to the bond holders. The Statement of financial position on page 13 shows the group's net assets at 28 February 2018 were USD 47.6 million.

Principal risks and uncertainties

The principal risk for the Group is that it does not have sufficient funds to meet its financial obligations to its external Senior Secured Note holders. This would result if the wider Liquid group failed to generate sufficient cash flows from the operating businesses.

Foreign currency risk

The Company and group is denominated in US Dollars ("USD"), which is the functional currency of both due to the Senior Secured Notes being issued in USD. The subsidiary company is denominated in South African Rand ("ZAR") to reduce the subsidiary's exposure to ZAR, since the loan to South Africa is given in ZAR. There is significant foreign exchange exposure arising from the ZAR loan and in order to reduce that exposure, the subsidiary is required to hedge its transactions with the use of a forward foreign exchange contract or cross-currency swap. The Group is also exposed to movement in the USD to Great British Pound ("GBP") exchange rate due to invoices being settled to consultants in GBP, which are not hedged.

Interest risk

The group has issued Senior Secured Notes at a fixed interest rate and have lent funds via intercompany loans at fixed and variable interest rates. The variable interest rate loan is denominated in ZAR and interest is calculated based on South African Prime Rate. The variable rate is higher than the external fixed rate thus limiting the exposure to adverse movements in interest rates.

Liquidity risk

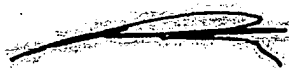
Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. It includes the risk of inability to manage unplanned changes in funding sources, and any failure to recognise and address changes in market conditions that could affect the Group's ability to liquidate assets quickly, with minimum value loss, if necessary. The Group is the funding vehicle for Liquid Group and relies on the Liquid Group companies to meet the projected cashflows from the loans and investments to meet its interest payments.

LIQUID TELECOMMUNICATIONS FINANCING PLC
Strategic report (continued)
For the period 8 May 2017 to 28 February 2018

Future prospects

The directors' long-term strategy is to continue to increase the Group's service to Liquid Group companies who are trying to diversify the business to technology product lines.

Approved for and on behalf of the Board on



N T Rudnick
Director
31 August 2018

LIQUID TELECOMMUNICATIONS FINANCING PLC

Report of the directors

For the period 8 May 2017 to 28 February 2018

The directors have pleasure in presenting their annual report together with the audited financial statements of the Company and the Group for the period 8 May 2017 to 28 February 2018. This annual report and financial statements are prepared under International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). A review of the business and the company's and group's exposure to risks and uncertainties are set out in the Strategic Report (page 3).

General information

The Company was established in London on 8 May 2017 as a public limited company, limited by shares incorporated in the United Kingdom. Its parent company is Liquid Telecommunications Holdings Limited and ultimate controlling party is Mr S Masiyiwa, a director of the company. The address of the registered office is 6 New Street Square, London, EC4A 3BF. The Group's main activities are to act as the funding vehicle for the parent company.

Directors and secretary

The names of the directors who have served during the period and up to the date of signing the financial statements (unless stated otherwise) are given below:

N T Rudnick (Appointed 8 May 2017)

S Masiyiwa (Appointed 19 June 2017)

H N Pemhiwa (Appointed 19 June 2017)

K E M Hennessy (Appointed 8 May 2017 and resigned 30 April 2018)

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 Period 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 period in shares of the Group companies and the directors and officers are indemnified by the companies for the execution of their duties.

Secretary

K Delport (Appointed 8 May 2017)

Dividends

The directors do not recommend payment of a dividend for the period ended 28 February 2018.

Events after the reporting date

The directors are not aware of any event of circumstances after period end but before the date of this report that would warrant disclosure in the annual financial statements.

Statement as to disclosure of information to auditors

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

Independent auditor

Pursuant to Section 489 of the Companies Act 2006, Deloitte LLP were appointed as auditor.

Statement of directors' responsibilities

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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union [and Article 4 of the IAS Regulation] and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

Responsibility Statement

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

The responsibility statement was approved by the board of directors on 31 August 2018 and is signed on its behalf by:



N T Rudnick
Director
31 August 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIQUID TELECOMMUNICATIONS FINANCING PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Liquid Telecommunications Financing plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 28 February 2018 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 group and the parent 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 as applied to listed entities, 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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current period were: <ul style="list-style-type: none">• the recoverability of intercompany receivables; and• the recognition of debt raised in the period.
Materiality	The materiality that we used for the group financial statements was \$6.2 million which was determined on the basis of total assets.
Scoping	We audited the Group as two components comprised of the two companies which constitute the group, covering 100% of net assets, revenue and profit before tax.

Conclusions relating to going concern

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

We have nothing to report in respect of these matters.

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern

basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of intercompany receivables

Key audit matter description



The Group forms part of the Liquid Telecommunications group, whose ultimate parent company is Liquid Telecommunications Holdings Limited, a company incorporated in Mauritius. The purpose of the Group is to provide financing for the wider Liquid Telecommunications group and as a consequence the Group has material intercompany receivables of \$748 million due from other group companies. Judgement is required in assessing the recoverability of this receivable in relation to the group's ability to generate sufficient cash flow to re-pay the amount due in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

Further details are included within the strategic report on page 3 and note 12 to the financial statements.

How the scope of our audit responded to the key audit matter



The procedures performed included the following:

- assessing the adequacy of the design and implementation of relevant controls;
- agreeing intercompany receivables to intercompany counterparty confirmations; and
- assessing the ability of the counter-party to settle their liability to identify any impairment that could be required.

Key observations



Based on our work, we concur with the Group's position that the intercompany receivable is recoverable and is recognised in line with IAS 39, *Financial Instruments: Recognition and Measurement*.

Recognition of debt raised in the period

Key audit matter description



During the current period, the Group issued \$730 million of Senior Secured Notes. This liability is recognised at amortised cost in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The amount is highly material to the Group and requires the accurate recognition of transaction costs and interest costs. As such, there is a risk that the liabilities are not recognized appropriately in line with the accounting requirements.

Further details are included within the strategic report on page 3 and note 15 to the financial statements

How the scope of our audit responded to the key audit matter



The procedures performed included the following:

- confirming the issuance and value of the debt to public record and reviewing key terms to validate the debt raised;
- verifying the accuracy of the transaction costs incurred in the debts issuance and assessing the appropriateness of their treatment; and
- assessing the appropriate calculation of interest incurred in line with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*.

Key observations

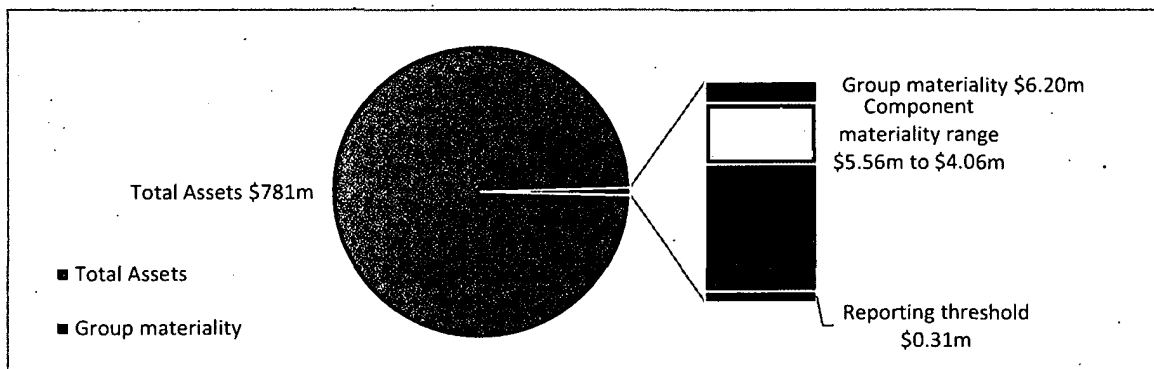
Based on our audit work, we consider that the debt is appropriately recognised at amortised cost in line with IAS 39 *Financial Instruments: Recognition and Measurement*.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	\$6.2 million	\$5.6 million
Basis for determining materiality	We determined materiality using a benchmark of 0.8% of Total Assets.	We determined materiality using a benchmark of 0.8% of Total Assets.
Rationale for the benchmark applied	The Group exists primarily to finance the operations of the wider Liquid Telecommunications group. The total assets which the entity holds are the assets required by the company to meet the obligations of its external financing arrangements and are therefore of key importance to the operations of the entity.	In line with the basis for materiality for the group, we assess that Total Assets are the key metric for the entity's operations. The Company, as the legal entity responsible for the external borrowings, requires adequate resources to meet the obligations of servicing the debt as they fall due.



We agreed with those charged with governance that we would report all audit differences in excess of \$310,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The Group is comprised of two entities who maintain separate accounting records, both of these entities were identified to be components subject to full scope audit procedures. Audit work in relation to these components was performed at levels of materiality which were lower than Group materiality and ranged from £4.1m to £5.6m, depending on the component's contribution to the Group's Total Assets. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team, including testing the consolidation process.

Other information

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

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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 group's and the parent 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 group or the parent 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.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period 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 group and or the parent company and their 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

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.



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

31 August 2018

LIQUID TELECOMMUNICATIONS FINANCING PLC
Statement of profit or loss and other comprehensive income
For the period 8 May 2017 to 28 February 2018

	Notes	Group 28/02/2018 \$	Company 28/02/2018 \$
Continuing operations			
Revenue			
Other operating expenses		(472,888)	(472,888)
Administrative expenses		(102,869)	(67,583)
(Loss) from operations	6	<u>(575,757)</u>	<u>(540,471)</u>
Finance income	7	35,998,407	30,925,710
Finance costs	8	(35,931,432)	(35,931,429)
(Loss) before tax		<u>(508,782)</u>	<u>(5,546,190)</u>
Income tax expense	10	-	-
(Loss) for the period		<u>(508,782)</u>	<u>(5,546,190)</u>
Other comprehensive income			
Exchange differences on translation of foreign operations	14	47,951,740	-
Total comprehensive income/(loss) for the period		<u>47,442,958</u>	<u>(5,546,190)</u>

LIQUID TELECOMMUNICATIONS FINANCING PLC
Statement of financial position
As at 28 February 2018

	Notes	Group 28/02/2018 \$	Company 28/02/2018 \$
Assets			
Non-current assets			
Investments	11	-	268,758,704
Trade and other receivables	12	747,823,048	430,950,089
Total non-current assets		<u>747,823,048</u>	<u>699,708,793</u>
Current assets			
Trade and other receivables	12	14,912,276	10,020,108
Cash and bank balances	5	17,992,127	17,972,445
Total current assets		<u>32,904,403</u>	<u>27,992,553</u>
Total Assets		<u>780,727,451</u>	<u>727,701,346</u>
Equity and liabilities			
Capital and reserves			
Called up share capital	13	129,584	129,584
Retained reserves	14	47,442,958	(5,546,190)
Total equity		<u>47,572,542</u>	<u>(5,416,606)</u>
Non-current liabilities			
Interest bearing loans and borrowings	15	714,546,222	714,546,222
Other long-term payables	15	8,426,444	8,426,444
Total non-current liabilities		<u>722,972,666</u>	<u>722,972,666</u>
Current liabilities			
Trade and other payables	16	1,908,910	1,871,953
Interest bearing loans and borrowings	15	8,273,333	8,273,333
Total current liabilities		<u>10,182,243</u>	<u>10,145,286</u>
Total liabilities		<u>733,154,909</u>	<u>733,117,952</u>
Total equity and liabilities		<u>780,727,451</u>	<u>727,701,346</u>

The financial statements with company registration number 10759673 were approved by the Board of Directors on 31 August 2018 and signed on its behalf by:



N T Rudnick
Director

LIQUID TELECOMMUNICATIONS FINANCING PLC
Statement of changes in equity
For the period 8 May 2017 to 28 February 2018

Group

	Notes	Issued Capital	Retained Earnings	Foreign currency Translation Reserve	Total Equity
		\$	\$	\$	\$
At 8 May 2018					
Issuance of share capital	13	129,584			129,584
Exchange differences on translation of foreign operations	14			47,951,740	47,951,740
(Loss) for the period and total comprehensive income	14		(508,782)		(508,782)
At 28 February 2018		<u>129,584</u>	<u>(508,782)</u>	<u>47,951,740</u>	<u>47,572,542</u>

Company

		Issued Capital	Retained Earnings	Total Equity
		\$	\$	\$
At 8 May 2018				
Issuance of share capital	13	129,584		129,584
Exchange differences on translation of foreign operations				
(Loss) for the period and total comprehensive income	14		(5,546,190)	(5,546,190)
At 28 February 2018		<u>129,584</u>	<u>(5,546,190)</u>	<u>(5,416,606)</u>

LIQUID TELECOMMUNICATIONS FINANCING PLC
Statement of cash flows
For the period 8 May 2017 to 28 February 2018

	Notes	Group 28/02/2018 \$	Company 28/02/2018 \$
Cash flows from operating activities:			
Cash generated from operations	4	455,039	451,370
Net cash from operating activities		455,039	451,370
Cash flows from investing activities:			
Interest received		21,878,777	12,000,000
Dividends received	7	-	9,700,248
Investment in subsidiary company	11	-	(268,758,704)
Increase in long-term receivables from group companies		(699,871,309)	(430,950,089)
Net cash used by investing activities		(677,992,532)	(678,008,545)
Cash flows from financing activities			
Interest paid	18.3	(25,882,500)	(25,882,500)
Increase in long term borrowing		721,282,536	721,282,536
Issuance of share capital	13	129,584	129,584
Net cash from financing activities		695,529,620	695,529,620
Net increase in cash and cash equivalents	5	17,992,127	17,972,445
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period		17,992,127	17,972,445

LIQUID TELECOMMUNICATIONS FINANCING PLC
Notes to the financial statements
For the period 8 May 2017 to 28 February 2018

1. General information

Liquid Telecommunications Financing Plc is a public limited company incorporated in the United Kingdom on 8 May 2017. Its immediate parent party is Liquid Telecommunications Holdings Limited, a company incorporated in Mauritius. The addresses of the registered office and principal place of business are disclosed in the Report of the directors. The company's principal activity is to act as the financing vehicle for the parent undertaking and subsidiaries who conduct the business of a wholesale telecommunications service and technology services.

The presentation currency of the financial statements is US dollar (\$).

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

In the current period, 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 2015.

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

IAS 12 - Income Taxes - Amendments resulting to the recognition of Deferred Tax Assets for unrealised losses (January 2016)

IFRS 12 - Disclosure of Interest in Other Entities - Amendments resulting from Annual Improvement 2014 -2016 Cycle (clarifying scope)

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

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

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

IFRS 9 - Financial Instruments - Replacement (effective 1 January 2018) IFRS 9 - (amendments) to prepayment features with negative compensation (TBC per IASB 1 January 2019)

IFRIC 22 - Foreign currency transactions and advance consideration (effective TBC per IASB 1 January 2018)

IAS 10 and IAS 28 - (amendments) Sale or contribution of assets between an investor and its associate or joint venture (TBC per IAS - Postponed)

IFRS 2 (amendments) classification and measurement of share-based payments (effective 1 January 2018)

IFRS 4 - (amendments) applying IFRS 9 Financial Instrument with IFRS 4. Insurance contracts (effective 1 January 2018)

IFRS 15 - (clarifications) Revenue from contracts with customer (effective 1 January 2018)

IFRS 16 - Leases (effective 1 January 2019)

IFRS 17 - Insurance contracts (effective TBC per IASB 1 January 2021)

IFRIC 23 - Uncertainty over Income Tax treatments (effective TBC per IASB 1 January 2019)

IAS 19 - (amendments) Employee benefits for planned amendment, curtailment or settlement and venture (effective TBC per IASB 1 January 2019)

IAS 28 - (amendments) Long-term interests in associates and joint (effective TBC per IASB 1 January 2019)

IAS 40 - (amendments) Transfer of investment property (effective TBC per IASB 1 January 2018)

IFRSs 2014-16 cycle - Annual improvement to IFRS 1 IAS 28 amendments (effective TBC per IASB 1 January 2018)

IFRSs 2015 -17 cycle Annual improvements to IFRS 3, IFRS 11, IAS 12, and IAS 23 amendments Plan amendment, curtailment or settlement (effective TBC per IASB 1 January 2019)

IFRS 9: Financial Instruments

IFRS 9 "Financial Instruments" was issued in July 2014 to replace IAS 39 "Financial Instruments: Recognition and Measurement". The standard is effective for accounting periods beginning on or after 1 January 2018 and will be adopted by the group on 1 March 2018. IFRS 9 will impact the classification and measurement of the group's financial instruments, revises the requirements for when hedge accounting can be applied and requires certain additional disclosures. The primary changes resulting from IFRS 9 on the group's accounting for financial instruments are as follows:

The group has elected, under IFRS 9, to recognise the full amount of credit losses that would be expected to be incurred over the full recovery period of trade receivables, contract assets recognised under IFRS 15 and finance lease receivables at the date of initial recognition of those assets; currently credit losses are not recognised on such assets until there is an indicator of impairment, such as a payment default.

Whilst hedge accounting requirements are revised under IFRS 9, no material changes to the group's hedge accounting have been identified. The effect on the group's trade receivables is also expected to be immaterial.

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

3. Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for the remeasurement to fair value of certain financial assets and liabilities as described in the accounting policies below.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Material estimates

Based on the budget and forecast of the related party companies, management applies its judgement to the recoverability of these inter-company receivables.

Financial instruments

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

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

Financial assets

The following assets are held by the company:

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

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

Loans and receivables

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

Non USD period end balances are translated to USD at the spot rate at 28 February 2018.

Impairment of financial assets

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

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

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments classification as debt or equity:

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

3. Summary of significant accounting policies (continued)

Equity instruments:

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

Share capital and share premium are classified as equity.

Financial liabilities:

The company had financial liabilities comprising trade payables and accruals, and interest-bearing debt, all classified at amortised cost.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities:

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

Cash and bank balances

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

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the period. 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. The UK companies have a group tax policy in place.

Deferred tax

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

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

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

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

Revenue recognition

Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. Summary of significant accounting policies (continued)

Foreign currencies

The financial statements are expressed in United States Dollars (USD), which is the functional and presentational currency of the company. While the company predominantly deals in USD, other operational costs are incurred in GBP or EUR. The financial statements of the subsidiary company are presented South African ZAR which is the functional currency of the subsidiary.

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

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

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

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

Cash flows

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

Reportable segments

IFRS 8 "Operating Segments" requires the segment information presented in the financial statements to be that which is used internally by the chief operating decision maker to evaluate the performance of the business and decide how to allocate resources. The group has identified the Board of Directors as its chief operating decision maker and as the internal reporting reviewed by the Board focuses on the operations of the group as a whole and does not identify individual operating segments, the group has only one reportable segment.

4. Cash generated from operations

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

	Group 28/02/2018 \$	Company 28/02/2018 \$
(Loss) from operations	(575,757)	(540,471)
Increase in trade and other receivables	(187,433)	(189,433)
Increase in trade and other payables	1,090,306	1,090,306
Increase in accruals	127,923	90,968
Cash generated from operations	<u>455,039</u>	<u>451,370</u>

5. Cash and cash equivalents

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

	Group 28/02/2018 \$	Company 28/02/2018 \$
Period ended 28 February 2018		
Cash and cash equivalents	<u>17,992,127</u>	<u>17,972,445</u>

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6. (Loss) from operations

	Group 28/02/2018 \$	Company 28/02/2018 \$
The (loss) before income tax is stated after charging:		
Auditors' remuneration	30,956	18,000
Taxation advisory services	16,803	16,803
Foreign exchange differences	<u>18,699</u>	<u>18,699</u>

The analysis of the auditor's remuneration is as follows:

	Group 28/02/2018 \$	Company 28/02/2018 \$
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts		
The audit of the Company and its subsidiary	30,956	18,000
Total audit fees	<u>30,956</u>	<u>18,000</u>
Other taxation advisory services	16,803	16,803
Other services	663,770	663,770
Total non-audit fees	<u>680,573</u>	<u>680,573</u>

Tax advisory services relate to the registration and review of the VAT for the group.

Other services under non-audit fees totalling USD 663,770 have not been recognised in the loss before operations as they have been treated as transaction fees netted off against the Senior Secured Notes.

7. Finance income

	Group 28/02/2018 \$	Company 28/02/2018 \$
Interest income		
Intercompany interest received	35,998,407	21,225,462
Intercompany dividends received	-	9,700,248
	<u>35,998,407</u>	<u>30,925,710</u>

8. Finance costs

	Group 28/02/2018 \$	Company 28/02/2018 \$
Interest payable on borrowings	33,582,280	33,582,277
Amortisation of financing costs	2,349,152	2,349,152
	<u>35,931,432</u>	<u>35,931,429</u>

LIQUID TELECOMMUNICATIONS FINANCING PLC
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9. Employees and directors

There were no staff costs for the period ended 28 February 2018. The fees for the directors are borne by another group company.

10. Income taxes

Analysis of tax expense

	Group 28/02/2018 \$	Company 28/02/2018 \$
Current tax		
In respect of current period	-	-
Deferred tax		
In respect of current period	-	-
Total tax on profit on ordinary activities	-	-

10. Income taxes (continued)

Factors affecting the total tax charge for the current period

The charge for the period can be reconciled to the loss per the Statement of profit or loss and other comprehensive income as follows:

	Group 28/02/2018 \$	Company 28/02/2018 \$
Loss for the period – continuing operations	(508,782)	(5,546,190)
Income tax expense calculated at 19.08%	(97,076)	(1,058,213)
Income not taxable	-	(1,850,807)
Utilisation of tax losses under group relief/other reliefs	97,076	2,909,020
Income tax expense recognised in profit or loss	-	-

11. Investments

	Unlisted Investments Company 28/02/2018 \$
Cost	
Additions	268,758,704
At 28 February 2018	268,758,704
Net book value	
At 28 February 2018	268,758,704

The company has invested in a subsidiary company, Liquid Telecommunications Investments Limited and owns 100% of the issued share ordinary share capital of the subsidiary. The subsidiary company has 245,966,667 shares in issue with a par value of ZAR 1 each. The issue was at a premium of ZAR 14 per share.

The subsidiary company was established in London on 9 May 2017 as a private company limited by shares incorporated under the laws of England and Wales. The address of the registered office is 6 New Street Square, London, EC4A 3BF. It is an investment vehicle for the Liquid Group and has loaned to another group company who conduct business of telecommunications services and technology services.

LIQUID TELECOMMUNICATIONS FINANCING PLC
Notes to the financial statements (continued)
For the period 8 May 2017 to 28 February 2018

12. Trade and other receivables

Non-Current assets

	Group 28/02/2018 \$	Company 28/02/2018 \$
Liquid Telecommunications Holdings Limited	430,950,088	430,950,089
Liquid Telecommunications South Africa (Pty) Limited	316,872,960	-
	<u>747,823,048</u>	<u>430,950,089</u>

The interest rate for the Liquid Telecommunications Holdings Limited loan is 8.5% paid semi-annually in January and July of each year and the interest rate for Liquid Telecommunications South Africa (Pty) Limited is based on the South African Prime rate and is also paid semi-annually in January and July. The principal of the two loans are payable as a bullet payment at the end of the 5 years in line with the terms of the Senior Secured Note.

Current assets

	Group 28/02/2018 \$	Company 28/02/2018 \$
Amounts owed by other group undertakings (see Note 17)	14,619,630	9,727,462
Prepayments and accrued income	65,063	65,063
VAT tax receivable	227,583	227,583
	<u>14,912,276</u>	<u>10,020,108</u>

13. Issued capital

	Group 28/02/2018 \$	Company 28/02/2018 \$
Share capital	<u>129,584</u>	<u>129,584</u>

The stated capital above represents 100,000 ordinary shares with a face value of £1.00 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. The shares were translated on 8 May 2017 at £1 = \$1.29584

14. Retained earnings

	Group 28/02/2018 \$	Company 28/02/2018 \$
(Loss) for the period	(508,782)	(5,546,190)
Foreign currency translation reserve	47,951,740	-
Balance at the end of the period	<u>47,442,958</u>	<u>(5,546,190)</u>

The subsidiary, Liquid Telecommunications Investments Limited is denominated in South African Rand and since there is high volatility in that currency and foreign currency translation reserve has been recognised through other comprehensive income.

LIQUID TELECOMMUNICATIONS FINANCING PLC
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For the period 8 May 2017 to 28 February 2018

15. Financial Liabilities - borrowings
Non-Current Liabilities

	Group 28/02/2018 \$	Company 28/02/2018 \$
8.5% 5-year Senior Secured Notes	730,000,000	730,000,000
Costs attributable to the Notes	(17,717,464)	(17,717,464)
Non-cash movements	2,263,686	2,263,686
Balance at the end of the period	<u>714,546,222</u>	<u>714,546,222</u>
 Premium on the Notes	 <u>8,426,444</u>	 <u>8,426,444</u>
Total Non-Current Liabilities	<u>722,972,666</u>	<u>722,972,666</u>

Current Liabilities

Interest on 8.5% 5-year Senior Secured Notes	<u>8,273,333</u>	<u>8,273,333</u>
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Terms and debt repayment schedule

	1 year \$	1 to 5 years \$	Total \$
8.5% 5-year Senior Secured Notes	8,273,333	714,546,222	722,819,555
Premium on the Notes		8,426,444	8,426,444
Balance at the end of the period	<u>8,273,333</u>	<u>722,972,666</u>	<u>731,245,999</u>

On 13 July 2017, the Company issued debt of an amount of USD 550 million through the offering of 5-year Senior Secured Notes bearing a fixed coupon rate of 8.5%. The total net proceeds of this issue were lent to its parent company and invested in its subsidiary to refinance the existing debt within the group and invest in the African telecommunications business.

On 14 November 2017, the 8.5% 5-year Senior Secured Note was tapped for a further USD 180 million, under the same terms and conditions as the original notes and was consolidated with the original to form a single class of debt securities. From the tap the proceeds were lent to its parent company and invested in its subsidiary to refinance the existing debt within the group and invest in the African telecommunications business.

Interest payment to the Senior Secured Note holders and the intercompany loans are made on bi-annual instalments, every January and July. The Group paid its first coupon in January 2018. The gross interest payment was USD 31,025,000 and the net amount was USD 25,882,500. The difference of USD 5,142,500 was the accrued interest included in the proceeds from the tap of the Senior Secured Notes on 14 November 2017. The principal amount is repayable as a bullet payment at the end of the 5 years.

The premium on the notes was paid on the tap and the premium is being amortised over the life of the 5-year Senior Secured Notes. The non-cash movement relates to the amortisation of the financial arrangement fees.

LIQUID TELECOMMUNICATIONS FINANCING PLC
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For the period 8 May 2017 to 28 February 2018

16. Trade and other payables

	Group 28/02/2018	Company 28/02/2018
	\$	\$
Trade payables	507,078	507,078
Amounts owed to related parties (see Note 17)	583,228	583,228
Accruals	796,167	781,647
Other payables	22,437	-
	<u>1,908,910</u>	<u>1,871,953</u>

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

The other payable amount relates to the unrealised foreign exchange on forward exchange contract taken out on currency conversion from ZAR to USD by Liquid Telecommunications Investments Limited for the interest on the loan with Liquid Telecommunications South Africa (pty) Limited.

17. Related party transactions

During the period the company entered into the following trading transactions with related parties:

	Group 28/02/2018	Company 28/02/2018
	\$	\$
Short term amounts owed from		
Liquid Telecommunications Holdings Limited	9,225,462	9,225,462
Liquid Telecommunications South Africa (Pty) Limited	4,894,168	-
Liquid Telecommunications Investments Limited	-	2,000
Liquid Telecommunications Limited	500,000	500,000
	<u>14,619,630</u>	<u>9,727,462</u>

The short term amounts owed by Liquid Telecommunications Holdings Limited and Liquid Telecommunications South Africa (Pty) Limited relate to interest receivable on the respective intercompany loans.

	Group 28/02/2018	Company 28/02/2018
	\$	\$
Long term loans owed from		
Liquid Telecommunications Holdings Limited	430,950,088	430,950,089
Liquid Telecommunications South Africa (Pty) Limited	316,872,960	-
	<u>747,823,048</u>	<u>430,950,089</u>

17. Related party transactions (continued)

	Group 28/02/2018 \$	Company 28/02/2018 \$
Short term amounts owed to		
Liquid Telecommunications Limited	583,228	583,228
	<u>583,228</u>	<u>583,228</u>

Short term intercompany receivables are unsecured, interest free with no fixed date of repayment.

18. Financial instruments

18.1 Capital risk management

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

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

18.2 Significant accounting policies

In the application of the group's accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, the basis on which income and expenses are recognised, for each class of financial asset, financial liability and equity instrument, the directors are required to make judgements, estimates and assumptions which are disclosed in note 3 to the financial statements.

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

Based on the budget and forecast of the related party companies, management applies its judgement to the recoverability of these inter-company receivables.

18.3 Gearing ratio

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

	Group 28/02/2018 \$	Company 28/02/2018 \$
Debt (i)	722,819,555	722,819,555
Cash and bank balances (see note 5)	(17,992,127)	(17,972,445)
Net debt	<u>704,827,428</u>	<u>704,847,110</u>
Net equity (ii)	<u>47,572,542</u>	<u>5,416,606</u>

(i) Debt is defined as long and short-term borrowings as detailed in note 15.

(ii) Equity includes all capital and reserves of the company and group that are managed as capital, as detailed in the statement of changes in equity on page 14.

LIQUID TELECOMMUNICATIONS FINANCING PLC
Notes to the financial statements (continued)
For the period 8 May 2017 to 28 February 2018

18. Financial instruments (continued)

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

Group

	Short term borrowings \$	Long term borrowings \$	Total Debt \$
At 8 May 2017	-	-	-
Drawdowns	-	730,000,000	730,000,000
Interest paid (see note 15)	-	(25,882,500)	(25,882,500)
Accrued interest expenses	8,273,333	25,882,500	34,155,833
Finance arrangement fees	-	(17,717,464)	(17,717,464)
Amortisation of arrangement fees	-	2,263,686	2,263,686
At 28 February 2018	<u>8,273,333</u>	<u>714,546,222</u>	<u>722,819,555</u>
Cash and cash equivalent			(17,992,127)
Net borrowings			<u>704,827,428</u>

Company

	Short term borrowings \$	Long term borrowings \$	Total Debt \$
At 8 May 2017	-	-	-
Drawdowns	-	730,000,000	730,000,000
Interest paid (see note 15)	-	(25,882,500)	(25,882,500)
Accrued interest expenses	8,273,333	25,882,500	34,155,833
Finance arrangement fees	-	(17,717,464)	(17,717,464)
Amortisation of arrangement fees	-	2,263,686	2,263,686
At 28 February 2018	<u>8,273,333</u>	<u>714,546,222</u>	<u>722,819,555</u>
Cash and cash equivalent			(17,972,445)
Net borrowings			<u>704,847,110</u>

18.4 Categories of financial assets and liabilities

	Notes	Group 28/02/2018 \$	Company 28/02/2018 \$
Financial assets			
Cash and bank balances	5	17,992,127	17,972,445
Loans receivables	12	747,823,048	430,950,089
Trade and other receivables		14,847,213	9,955,045
Financial liabilities			
External loans	15	731,245,999	731,245,999
Trade and other payables	16	1,908,910	1,871,953

Financial assets and liabilities are disclosed at amortised cost except for the forward currency swap which is shown at fair value. As at 28 February 2018, the fair value of the Senior Secured Notes was USD 773,435,000.

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.

18. Financial instruments (continued)

18.5 Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The group has entered into derivative financial instruments to manage its exposure to foreign currency risk.

18.6 Foreign currency risk management

The group 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 group's and the company's foreign currency denominated monetary assets at the reporting date are as follows:

	Group 28/02/2018	Company 28/02/2018
Assets	\$	\$
Currency of the United States (USD)	27,698,257	27,699,907
Currency of United Kingdom (GBP)	227,583	227,583
Currency of the South African (ZAR)	4,913,500	
	<u>32,839,340</u>	<u>27,927,490</u>

18.7 Foreign currency analysis

The company is mainly exposed to currency of United Kingdom (GBP) and the group is exposed to currency of South African (ZAR) also.

The following table details the group's sensitivity to a 10 per cent increase and decrease in US\$ against the relevant foreign currencies. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where US\$ strengthens 10% per cent against the relevant currency. For a 10% per cent weakening of US\$ against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	Group 28/02/2018	Company 28/02/2018
	\$	\$
ZAR Currency impact	487,630	
GBP Currency impact	81,308	81,308

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

18.8 Interest rate risk management

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

18.9 Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole period. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the group's and the company's:

- If interest rates had been 100 basis points higher/lower and all other variables were held constant the group's and the company's profit for the period ended 28 February 2018 would increase/decrease by \$486,062 and \$(2,887,631). This is mainly attributable to the group's exposure to interest rates on variable rate borrowings as most of the group's borrowings are at a fixed rate:

18. Financial instruments (continued)

18.10 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 group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The 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 group'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 group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The group 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.

18.11 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 group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

Group	Weighted average effective rate	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
2018 Financial liabilities	8.50%	\$583,228	\$507,078	\$9,091,937	\$722,972,666	\$-	\$733,154,909
Company							
2018 Financial liabilities	8.50%	\$583,228	\$507,078	\$9,054,980	\$722,972,666	\$-	\$733,117,952

18.12 Fair values

The directors consider the financial assets and financial liabilities are stated at amortised costs in the financial statements. They are not recognised at fair value but if a fair value classification was observed it would be under level 3 of the fair value hierarchy. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18.13 Forward foreign exchange contracts

In the current period, the Group has secured a forward contract as a hedge for the foreign currency interest payment from Liquid Telecommunications South Africa (Pty) Ltd. It was decided to hedge the foreign currency risk arising on the translation of the foreign interest repayment in ZAR from the operations.

The following table details the forward exchange contract outstanding at the end of the period:

	Exchange rate	Foreign currency	Notional value	Fair Value assets (Liabilities)
Sell ZAR 3 to 6 months	11.94	188,492,164	\$15,786,613	\$(23,026)

19. Ultimate controlling party

The company's immediate parent company is Liquid Telecommunications Holdings Limited, a company incorporated in Mauritius. The parent company is a wholly incorporated into Econet Wireless Group Limited, a Mauritius registered corporation, is the ultimate parent company and heads the largest group into which the results of the company are consolidated. Copies of the group financial statements of Liquid Telecommunications Holdings Limited (incorporated in Mauritius) can be obtained from Liquid Telecommunications Holdings Limited, 10th Floor, Raffles Tower 19, Cybercity, Ebene, Mauritius

Mr S Masiyiwa, a director of the company, has a controlling shareholding in Econet Wireless Group Limited.

20. Events after the balance sheet date

There are no significant events after the balance sheet date as at the date of signing of the financial statements.