LIQUID TELECOM

FINANCIAL RESULTS FOR THE QUARTER ENDED 31 MAY 2017

Strong operating performance driven by enterprise and retail segments and investment for growth to expand the network and product portfolio

29 August 2017

Leading pan-African telecoms group Liquid Telecom, a subsidiary of Econet Global, today announces its financial results for the quarter ended 31 May 2017.

Financials

	Q1 2017-18	Q1 2016-17 [1]	Change (%)
	(USDm)	(USDm)	
Revenue	152.5m	80.0m	91
EBITDA	39.1m	27.5m	43
Operating cash flow	17.7m	15.3m	16
Adjusted Net Debt[3]	536.2m	n/a[2]	n/a

[1] These numbers constitute Liquid Telecom results only.
[2] The net debt for Q1 2016/17 is given as n/a because it is not comparable following the refinancing and debt issuance.
[3] Net debt as at 31 May 2017 adjusted for the issuance of the Eurobond and the term loan in July 2017 used for the refinancing the business

Highlights

- Revenues up 91 per cent following the Neotel acquisition and significant growth in the Enterprise and Retail segments partially offset by weakness in Wholesale voice
- EBITDA up 43 per cent as we increased our scale and product offering in South Africa and focused on the higher margin enterprise and retail businesses. This was partially offset by low but improving Neotel margins
- Finalised the Neotel integration, improved management strength, increased margins and invested USD23.5m in South Africa
- Agreed terms for Royal Bafokeng Holdings to exchange their shareholding in our South African Operation for a stake in the Liquid holding company
- Operating cash flow increased 16 per cent to USD17.7m driven by the growth in EBITDA and investment in our working capital
- Capital expenditure of USD41.5m as we broaden the geographical reach of our network
- Diversifying product offering with investment into content, acquisition of Zanlink[4] and cloud services
- Successful refinancing and debt issuance increasing our balance sheet strength with adjusted net debt of USD536m at 31 May 2017.

Chief Executive Officer, Nic Rudnick, commented:
"Following the issuance of our first Eurobond, overall in this first quarter we have delivered a strong set of results. We have integrated the Neotel business well, we are broadening our product offering and expanding our geographical reach through acquisitions and organic growth. With demand strong in our chosen markets we continue to look to take advantage of strategic opportunities to support our customers further in their digital journey"

[4] Zanlink was acquired by Liquid Telecom on the 1st June 2017 after the reporting period.

There will be an investor call at 14:00BST in order to present the results and answer questions. Please register on our website to gain access to the details for the call. (Note: these will only be provided to current and prospective approved investors, loan providers and rating agencies)

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About Liquid Telecom
Liquid Telecom is a leading communications services and solutions provider across 13 countries in Eastern, Central and Southern Africa that serves carrier, enterprise and retail customers with high-speed, reliable connectivity.

It has built Africa's largest independent fibre network, spanning over 50,000km, and operates Tier 3 data centres in Johannesburg, Cape Town and Nairobi, with a combined 4,600 square metres of rack space.

Through one single point of contact and one service level agreement, Liquid Telecom is supporting customers on their digital journey.

For more information, visit www.liquidtelecom.com

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Chairman's statement

Group performance

This has been an exciting quarter for the Group as we progress into the next stage of our growth strategy having integrated our acquisition of Neotel, now renamed Liquid Telecom South Africa. This acquisition is transforming our business towards becoming a truly Pan-African connectivity and value-added services provider. We have seen a promising start in the performance of the business and this acquisition, in conjunction with the rest of our portfolio, are key building blocks on which we are delivering connectivity solutions to households, small and medium enterprises, trans-national corporations, non-governmental organisations and governments in Africa with their digital journey.

Trading in the first quarter ended 31st May 2017 was strong, with the business delivering a 91 per cent increase in revenue to USD152.5m (Q1 2016-17: USD80.0m). On a proforma basis, taking account of the acquisition of Neotel, we have grown revenue by 6 per cent following a strong performance from the enterprise and retail businesses. EBITDA grew by 43 per cent to USD39.1m (Q1 2016-17: USD27.5m), and on a proforma basis by 7 per cent, principally due to the Group focussing on the higher margin retail and enterprise businesses as we build upon our increased scale and knowledge base partially offset by low but improving Neotel margins.

We have made significant progress in broadening our product portfolio and expanding the offering across our network. In South Africa the upgrade the data centres is well underway in both Johannesburg and Cape Town after winning a 10 year contract with one of the largest global cloud providers as we support their drive to expand their services in Africa, further expanding our revenue base. In partnership with several Mobile Network Operator (MNO) customers, we are continuing to expand our network to provide fast and reliable connectivity to their 4G base stations with notable expansion in South Africa, Kenya and Tanzania.

In conjunction with our data centre and MNO connectivity expansion, we have continued to diversify into value added services to support our fast-growing retail services notably content and cloud. As a result, we have made an investment to become the principal supplier of 100 channels such as Netflix, Kwese, NBA and TED across 19 countries by April 2018. We believe this to be an important progression for the Group going-forward. This will also leverage Liquid's existing content delivery network.

Cash flow from operations before interest payments increased by 16 per cent to USD17.7m (Q1 2016-17: USD15.3m). During the period there has been significant investment in working capital due to the normalisation of Neotel trade payables and the prepayment of transmission and LTE equipment on account of a contract supporting the continued expansion of our network and investment in content. This investment in working capital has been offset by strong performance in sales of IRUs with deferred revenue increasing by USD9.4m.

We have agreed terms with our empowerment partner in South Africa, Royal Bafokeng Holdings, for them to exchange their shareholding in our South African operations for an equivalent ownership in our holding company. This is an exciting move which gives investors 100 per cent access to the future growth and cash flows in our South African operation, the largest business in Liquid.

The investments that we have made have strengthened our business model and together with our improved capital structure following the refinancing concluding in a USD150m split US Dollar and Rand currency term-loan, USD55m revolving credit facility and the issuance of the USD550m Eurobond, provide us with strong foundations on which to maximise the potential of the Group and deliver our vision where "we are building Africa's digital future".

Governance

In the quarter, we have grown and improved our management capability in order to support us in our development and growth. This is exemplified in South Africa where we appointed a new CEO, Kyle Whitehill, who now runs the combined Liquid Telecom and Neotel business. He brings significant international Telecom sector experience and leadership as we invest and advance the combined Neotel and Liquid businesses. In East Africa, we have appointed Adil El Youssefi as CEO of Liquid Telecom Kenya. Adil is tasked with driving the growth of our enterprise and retail business in Kenya. At a Group level, we appointed Willem Marais as Group Chief Business Development Officer. These additions to our executive team together with our current management will ensure that we have the management strength needed as we continue to integrate our new acquisitions and drive the growth of the Group.

At Board level, in recognition of our increased size and capability, we are transforming our Audit Group to ensure we are operating within internationally accepted standards of corporate governance.

Our people

Our business has grown significantly over the last year whether through our own investment in existing businesses or acquisitions. The Board and I are constantly impressed with all our employees' knowledge, commitment and values with which the company works. We have grown our staff numbers following the integration of the Neotel business into the Group through which we have expanded our skills and knowledge base and the Board we are working well together to grow the combined business and deliver its part in building Africa's digital future.

Between the 1st March and 31st May we have had no significant incidents and we remain committed to being a fair and safe business for our employees to work for.

Outlook

Overall, trading in the quarter has been strong when compared to the proforma first quarter in 2016. As part of our focus on delivery we will continue to manage our costs and cash flow closely. In addition, we will invest for future growth as we indicated to when issuing our Eurobond. In the medium-term, with positive demand trends, the strengths of our highly skilled employee base, a diverse geographical footprint, market-driven product portfolio and our robust balance sheet the Group is well positioned to take advantage of emerging opportunities.

Strive Masiyiwa

Group Executive Chairman

OPERATIONAL AND FINANCIAL REVIEW

Liquid Telecom is a leading communications services and solutions provider across 13 countries in Eastern, Central and Southern Africa that serves carrier, enterprise and retail customers with high-speed, reliable connectivity. We have built Africa's largest independent fibre network, spanning over 50,000km, and operate Tier 3 data centres in Johannesburg, Cape Town and Nairobi, with a combined rack space of 4,600 square metres.

The Group is split into four segments Wholesale voice, Wholesale data, Enterprise and Retail.

In wholesale voice we provide connectivity via fiber and satellite in the voice market into and out of Africa to national and international operators in addition to African mobile network operators. Our ability to carry voice traffic on our own fibre network from international interconnection points. Many destinations in Africa still offer regulated prices set at levels where margins are attractive for international voice carriers. Our ability to carry voice traffic on our own fiber network from international interconnection points for our customers to the nearest point of interconnection with local voice service providers, is a major differentiator on an otherwise commoditised market place. In doing so, we are able to control the routing of the voice traffic, deliver high quality calls, avoid fraud schemes that are frequent on the international voice transit market and provide a stable and reliable service for our customers.

Alongside this, our wholesale data division provides Global IP transit and 2G, 3G and 4G connectivity across our extensive independent and self-owned fiber network and international leased lines. We cover a wide range of customers from international carriers to African mobile and public telecom operators and African internet service providers. This is a highly profitable business segment due to the relatively low incremental administrative costs and risks associated with the wholesale arrangements as we leverage our metro, regional and cross border fiber network and interconnection with submarine cables. We are well placed to benefit from the growing penetration of smartphones and tablets in sub-Saharan Africa, the increased popularity of social media, non-traditional voice services utilising Voice over Internet Protocol (VoIP) and Over The Top (OTT) applications including video streaming and the accompanying increased mobile data usage. This has led our MNO customers to deploy 4G Long Term Evolution (LTE) networks that require fiber to their base stations and greater international bandwidth. The roll out by Independent Service Providers (ISPs) of new access networks using fixed wireless technology (e.g. LTE Time Division Duplex, TDD) to offer broadband services to SMEs and households will, in some of our markets, also fuel growth in our international connectivity business.

Where customers need a specific value-added offering, our enterprise division works with large-scale consumers of bandwidth with complex, multi-country connectivity requirements to deliver customised solutions. Here, in partnering with leading software, content and ISPs to enhance enterprise service offerings, supported by fiber local access networks and data center facilities, we provide high-speed broadband, cloud and co-location services, VoIP and global connectivity and payment solutions to financial institutions, small and medium sized enterprises and governmental and non-governmental organisations.

We also aim to expand our metro and "Fibre To The Business" (FTTB) networks with a view to driving multi-tenancy growth in the buildings enabled to use the fiber network. Complementary VSAT and fixed-wireless (LTE or point-to-multipoint) networks extend the reach of the network to connect still-to-be-fibered or remote locations.

Our retail business connects homes through the provision of our Fibre to the Home (FTTH) and fixed wireless access (FWA) service offering. We help retail independent service providers (ISP's) reach more customers with attractive offers. We believe that both FTTH and FWA, using our own infrastructure deployed in carefully selected areas, represents an important development opportunity for retail revenue growth with a focus on increasing our market share in the middle and top ends of the broadband Internet service segment

The following tables set out the Groups' key financial and operating measures by division. The commentary below is written with the key performance indicators and the financial statements in conjunction with the comparator of the first quarter 2016-17 for Liquid Telecom or where relevant the full-year as at 28th February 2017.

Key performance indicators (KPI)

The following are drivers for the income statement with the comparator being the first quarter of 2016-17 for Liquid Telecom only.

	(Q1) March 1, 2017 to May 31, 2017	(Q1) March 1, 2016 to May 31, 2016	Change (%)
Operating measures			
Wholesale voice			
Total wholesale voice minutes (in millions) on our network	382	119	222%
Wholesale data			
Number of kilometers of fibre laid [1]	998	[n/a] [2]	n/a
Financial Measures			
Average churn rate	0.53%	0.86%	
New sales ("sold TCV for new services") [USD 000] [3]	67,453	13,622	395%

Footnotes:

[1] Represents the number of kilometers of new routes (including backbone, metro and FTTx) over which fiber is installed over a particular period. Multiple fiber cables or ducts within the same trench are only counted once. These numbers include Neotel, but not Raha and Zanlink.

[2] The process for documenting the number of kilometers of fiber laid did not include monthly timing but yearly. We have therefore not provided the number for Q1 2016-17. Going forward, the inventory documentation includes monthly timestamps.

[3] The New sales (sold TCV for new services) Q1 2016-17 number does not include Neotel.

The following are indicators for the operations with a comparator of the end of year 2016-17.

	(Q1) at May 31, 2017 [4]	(FY) at February 28, 2017	Change (%)
Operating measures			
Wholesale data			
Amount of IP transit capacity sold (Mbps) [5]	67,816	64,562	5.0%
Enterprise			
Number of enterprise customers [6]	14,305	13,398	6.8%
Retail			
Service penetration of GPON FTTH access networks (% of homes passed)	30.4%	26.5%	
Financial Measures			
Service Activation Pipeline ('MRR backlog") (USD 000)	1,368	1,579	-13%

Footnotes:

[4] Includes Neotel, Raha but not Zanlink.

[5] Amount of IP transit capacity sold to our customers, by counting the IP transit capacity purchased by each operation (on behalf of their own customers) from the Group entity. It excludes all other products such as international leased lines

[6] The number of enterprise broadband customers has been restated from 16,922 in the offering memorandum to 13,398. It now accounts for the number of customers instead of customer connections in South Africa. The new number is believed to be a better representation for this KPI.

Revenue

Trading in the first quarter of 2017 was strong delivering an increase of 91 per cent in revenue to USD152.5m (Q1 2016-17: USD80.0m). On a proforma basis, taking account of the acquisition of Neotel, we have grown revenue by 6 per cent following a strong performance from the enterprise and retail businesses offset by a reduction in wholesale voice revenues as we reduced revenues from low-margin traffic originally carried by Neotel.

We secured a record total USD67m in new total contract value (TCV) during Q1, a five times increase year-on-year (Q1 16-17: USD13.6m), with several key wins structured with significant non-recurring revenues (which do not show in the MRR Backlog of USD1.4m (FY2016-17: USD1.6m)).

For the 3 month period ended	31 May 2017	31 May 2016 (proforma)(1) (unaudited)	31 May 2016	2016 (proforma) % change	2016 % change
		US$ thousands			
Revenue by segment					
Wholesale voice traffic	**34,496**	**38,334**	**31,887**	**(10.0)%**	**8.2%**
Data and Other services	**117,957**	**105,402**	**48,117**	**11.9%**	**145.1%**
Wholesale	42,095	42,931	26,997	(1.9)%	55.9%
Enterprise	64,187	52,133	14,782	23.1%	334.2%
Retail	11,675	10,338	6,338	12.9%	84.2%
Total Revenue	**152,453**	**143,736**	**80,004**	**6.1%**	**90.6%**

Footnotes

(1) Proforma results for the 3 months period 31 May 2016 include the results of Neotel and Liquid Group for the period 1 March 2016 to 31 May assuming the business was one Group

Wholesale voice

Wholesale voice revenue in the first quarter of 2017 increased by 8 per cent to USD34.5 m (Q1 2016-17: USD31.9m) with total minutes increasing by 222 per cent to 382 million minutes (Q1 2016-17: 119 million minutes) with average revenue per minute decreasing by 66 per cent to 9.0 US cents (Q1 2016-17: 26.9 US cents). The increase in minutes and the reduction in the average revenue per minute are principally due to the inclusion of Neotel traffic, and the increase in volumes to destinations that lie outside of Liquid Telecom's fibre footprint. For example, the volume of minutes terminated in Eritrea, a new destination in Q1, has increased significantly (27 million minutes in Q1) while yielding low single-digit margins.

On a proforma basis, wholesale voice revenue decreased by 10 per cent principally due to the reduction in Neotel traffic during the first quarter, as management decided to reduce the volumes of some of the lower margin destinations carried by Neotel.

During the first quarter, we signed new contracts with several local MNOs, including in the DRC, as well as framework agreement with multinational MNOs, that gives us the ability to deliver traffic to and from their subsidiaries from other African countries and other destinations. Our extensive cross-fibre network is a key selling proposition, as we can reliably deliver traffic on our network to and between African destinations.

Wholesale data

Wholesale data revenue in the first quarter increased by 56 per cent year-on-year to USD42.1m (Q1 2016-17: USD27.0m). On a proforma basis, revenue declined by 2 per cent year-on-year, principally due to the migration of the services of a key customer to a more efficient network solution allowing them to make significant cost savings.

This short-term revenue decline was partially offset by growth in revenue in the DRC, South Africa and Zambia as we managed to leverage our unique position in terms of network footprint and reliability, to attract additional wholesale contracts from local MNOs and ISPs, in particular to provide dark fibre, national and international connectivity services. Revenues were driven by several significant long-term contracts for IP transit and international leased lines to MNOs and ISPs in the Democratic Republic of Congo (DRC), Kenya, Rwanda and Zambia, and dark fibre long-term lease (IRU) sales to South African MNOs on the so-called North West, NLD 7 and NLD8 routes in the Limpopo province. We also contracted with a national MNO in an East African landlocked country to provide over 750Mbps of dedicated IP connectivity for 5 years. Local ISPs contracted with us to use our network to deliver local and international connectivity services to their own customers, including a 3-year contract for a dedicated 500Mbps cross-border link for a multinational ISP. Long-term contracts secure revenues over several years but have a reduced impact on revenues in the short term.

We continued building strong relationship with international MNOs with whom we have entered into Group Master Service Agreements, for example delivering several national leased lines for a total of 12Gbps of capacity in aggregate to a subsidiary of a multinational MNO to connect base stations in East Africa and 1.2Gbps of cross-border connectivity to another subsidiary, both for a 10-year period. We also launched a pan-African WiFi roaming hub, that allow our wholesale customers to access our entire public WiFi network in Kenya, Rwanda, Uganda, Zambia and Zimbabwe.

Several large wholesale contracts (e.g. in South Africa) were a driver for additional investments in our fibre network, which we plan to leverage to provide additional services to other nearby customers.

Enterprise

Enterprise revenue in the first quarter increased by 334 per cent to USD64.2m (2016: USD14.8m). On a proforma basis, revenue increased by 23 per cent. The strong growth in revenue compared to proforma last year's revenue was principally due to increased enterprise revenue in South Africa, strong growth in payment terminal contracts in South Africa and Zimbabwe, and the acquisition of Raha in Tanzania. During the first quarter, the number of enterprise customers increased by 9 per cent to 14,305 customers (FY2016-17: 13,398 customers).

Our enterprise performance in the first quarter was driven by significant contracts with governmental entities, such as links to schools using Universal Service Funds in East Africa and managed services in South Africa, and large corporate purchasing Direct Internet Access over 2 to 3-year contracts. The largest contracts (over USD200,000 in contract value) came from government entities, financial sector corporates, for connectivity, VoIP and data centre co-location services, and other multinational corporate accounts.

In the first quarter, our payment solutions services supported 9.2 million retail transactions (payments at a point of sale) worth an aggregate USD462 million. We have now over 22,000 point-of-sale terminals under management, with several pan-African banking institutions outsourcing their entire network to Liquid Telecom. During the first quarter, we added more terminals than ever before to our portfolio and continued to create a stable revenue stream from terminal management services and transaction processing fees.

In addition, we are continuing to grow our enterprise sales team and launch sales, advertising and marketing campaigns specifically designed to improve the visibility of our value proposition to selected industry verticals. This is one of the many areas on which the Group is capitalizing the acquisition of Neotel to take advantage of cross-selling and up-selling opportunities and provide pan-African connectivity services to international companies based in Africa's largest economy, South Africa. Significant marketing spend was committed in South Africa to communicate on the Liquid Telecom brand, the network quality and service advantages, with a purpose to renew contracts and increase our market share. In other countries, such as Kenya, Uganda, Rwanda, Zambia and Zimbabwe, we leverage the existing networks and our strong position in the corporate connectivity market, to push new value-added services such as cloud storage, VoIP and payment solutions (using our TPS brand).

Retail

Retail revenue in the first quarter of 2017 was USD11.7m, an 84 per cent increase year-on-year (2016: USD6.3m). On a proforma basis, the revenue increased by 13 per cent year-on-year. The performance on a proforma basis was driven by increased revenue from the fibre to the home ('FTTH') service in Rwanda, Zambia and Zimbabwe and from the new fixed LTE broadband service in Zambia, but dampened by a reduction of CDMA customers in South Africa.

New FTTH customers, in Kenya, Rwanda, Zambia and Zimbabwe, have driven service penetration growth (as a per cent of premises passed) with 30.4 per cent of premises passed (FY2016-17: 26.5 per cent). Add-on services, such as discounted night time packages, and competitive pricing have contributed to strong commercial performance in terms of rapid customer acquisition, low churn (net churn of zero customer in Q1) and stable average revenue per customer. Additional FTTH roll out is ongoing in Rwanda and a new FTTH network is being built in Kampala (Uganda). With the exception of Kenya, we remain the largest FTTH network operator in our countries of operations.

The number of fixed LTE customers increased in Lusaka (Zambia) with rapid growth in secondary cities (Kitwe and Ndola), driven by an aggressive commercial effort and the deployment of additional LTE base stations during the period. The number of active CDMA customers in South Africa declined slightly during the first quarter. This is a combination of post-paid subscriptions and usage-based prepaid customers. The performance of the CDMA network at Neotel was stabilised after the acquisition but the technology still faces significant competition from FTTH networks and from new fixed wireless networks.

We are currently in the process of rolling out some of the retail products and services we have recently introduced in Zimbabwe and Zambia (such as automatic computer and server backups, Wi-Fi and security services) into other markets (such as Kenya and South Africa). We believe these initiatives will allow us to increase our market share, drive additional revenue per customer and limit customer churn.

Gross Profit

For the 3 month period ended	31 May 2017	31 May 2016 (proforma)(1) (unaudited) US$ thousands	31 May 2016	2016 (proforma) % change	2016 % change
Gross Margin	**92,447**	**86,068**	**48,261**	**7.4%**	**91.6%**
Gross Margin %	**60.6%**	**59.9%**	**60.3%**	**0.7%**	**0.3%**

Footnotes

(1) Proforma results for the 3 months period 31 May 2016 include the results of Neotel and Liquid Group for the period 1 March 2016 to 31 May assuming the business was one Group

For the 3 months ended 31 May 2017, total gross profit was USD92.4m, 92 per cent above the first quarter in 2016 and 7 per cent higher when compared to the proforma first quarter last year. The gross profit margin increased 0.7 per cent (from 59.9 per cent to 60.6 per cent) compared to proforma last year principally driven by a change in product mix.

Increasing wholesale voice traffic to new lower-margin destinations (e.g. Eritrea) and the inclusion of Neotel traffic resulted in average gross profit margin for wholesale voice declining from 32.5 per cent in the first quarter of 2016 to 27.8 per cent in the first quarter of 2017 on a proforma basis.

Gross profit margin of data and other services decreased from 78.8 per cent in FY 2016-17 to 70.2 per cent in Q1 2017-18. This is due to the dilution of the higher margins at Liquid Telecom (excluding Neotel) with the lower margins at Neotel. Neotel makes a more extensive use of third-party local access networks to delivery data services that the rest of the group, hence retaining a lower margin. Having access to additional capital, Liquid Telecom South Africa is working towards delivering services on its network on an end-to-end basis. On a proforma basis, Q1 gross profit margins for data and other services have stayed flat at 70.2 per cent year-on-year.

Overheads and other Income

For the 3 month period ended	31 May 2017	31 May 2016 (proforma)(1) (unaudited) US$ thousands	31 May 2016	2016 (proforma) % change	2016 % change
Other Income	**(396)**	**(299)**	**(299)**	**32.4%**	**32.4%**
Selling and distribution costs	**3,550**	**3,197**	**1,169**	**11.0%**	**203.7%**
Administrative Costs	**23,696**	**22,930**	**7,875**	**3.3%**	**200.9%**
Staff Costs	**26,494**	**23,850**	**12,053**	**11.1%**	**119.8%**
Total Overheads and Other Income	**53,344**	**49,678**	**20,798**	**7.4%**	**156.5%**
Total Overheads and Other Income a	35.0%	34.6%			

Footnotes

(1) Proforma results for the 3 months period 31 May 2016 include the results of Neotel and Liquid Group for the period 1 March 2016 to 31 May assuming the business was one Group

Overheads and other income as a percent of revenue increased slightly to 35.0 per cent year-on-year in the first quarter compared to the proforma figure of 34.6 per cent. Other income principally consists of sundry income and profit and loss from the sale of fixed assets.

Selling and distribution costs, which mainly consist of marketing costs and bad debt provision, were USD3.6m (Q1 2016-17: USD1.2m). On a proforma basis, selling and distribution costs increased by 11 per cent, principally due to a

59% increase in marketing costs due to the rebranding of the Neotel business. This was partially offset by a 42 per cent reduction in provision for bad debt.

Administrative costs consist mainly of network, consultancy, computer and office costs. These costs were USD23.7m (Q1 2016-17: USD7.9m). On a proforma basis, administrative costs increased by 3 per cent mainly due to increases in network support costs in line with the expansion of our network. We are rationalising our office expenditure where possible, for example when an acquisition resulted in having two offices in the same city.

Staff costs were USD26.5m (Q1 2016-17: USD12.1m). Employee numbers have increased to 2,090 (2016: 1,011) principally due to the acquisition of Neotel and Raha. On a proforma basis, staff costs increased by 11 per cent principally due to the acquisition of Raha and a 4 per cent increase in employee numbers across the group. A human resource analysis across the group is underway to ensure we have an optimised operating and organisational structure.

Reconciliation of EBITDA to Net Profit

For the 3 month period ended	31 May 2017	31 May 2016 (proforma)(1) (unaudited)	31 May 2016	2016 (proforma) % change	2016 % change
		US$ thousands			
EBITDA	**39,103**	**36,390**	**27,463**	**7.5%**	**42.4%**
Depreciation, impairment and amortisation	**(19,123)**	**(16,688)**	**(9,179)**	**14.6%**	**108.3%**
Acquisition costs	**(292)**	**0**	**0**	**n/a**	**n/a**
Interest income	**1,159**	**730**	**192**	**58.8%**	**503.6%**
Finance costs	**(14,040)**	**(14,022)**	**(2,371)**	**0.1%**	**492.2%**
Foreign exchange (loss) / gain	**(1,645)**	**1,589**	**1,177**	**(203.5)%**	**(239.8)%**
Share of profit of associate	**17**	**(27)**	**0**	**(163.2)%**	**n/a**
Tax expense	**(1,787)**	**(1,594)**	**(1,870)**	**12.1%**	**(4.4)%**
Profit for the period	**3,392**	**6,377**	**15,412**	**(46.8)%**	**(78.0)%**

Footnotes

(1) Proforma results for the 3 months period 31 May 2016 include the results of Neotel and Liquid Group for the period 1 March 2016 to 31 May assuming the business was one Group

EBITDA in the first quarter of 2017 increased by 42.4 per cent to USD39.1m (Q1 2016-17: USD27.5m). On a proforma basis EBITDA grew by 7.4 per cent year-on-year, driven by the strong growth in enterprise sales and the improved gross profit margins as a result of the move towards the higher margin data services.

On a proforma basis, the lower profit before tax was mainly impacted by increased depreciation and amortisation due to increased investment in our network in South Africa and translational foreign exchange losses.

Finance costs during the first quarter of 2017 predominantly relate to interest on the USD300m senior secured term loan, the loan note of ZAR2.95bn and the Tata loan note of USD57.1m. All three balances were repaid in July 2017 as part of the refinancing of the Group.

Foreign exchange loss in the first quarter of 2017 totalling USD1.6m is principally due to the weakening of the ZAR against the USD during the period, resulting from losses on retranslation of non-ZAR balances in South Africa. In the first quarter of 2017, tax expense was USD1.8m (Q1 2016-17: USD1.9m), which equated to an effective tax rate of 34.5 per cent (Q1 2016-17: 10.8 per cent). The increased effective tax rate is principally driven by the inclusion of Neotel which is loss making, and no tax income was recognised in South Africa for these losses.

Profit after tax in the first quarter of 2017 decreased by 78 per cent to USD3.4m (Q1 2016-17: USD15.4m). On a proforma basis, profit after tax decreased by 46.9 per cent.

Cashflows

For the 3 month period ended	31 May 2017	31 May 2016	2016 % change
	(unaudited)		
	US$ thousands		
Cash generated from operations	**17,723**	**15,300**	**15.8%**
Net cash (used in)/ from operating activities	**5,672**	**13,337**	**(57.5)%**
Net cash used in investing activities	**(55,219)**	**(27,490)**	**100.9%**
Net cash generated / (used in) financing activities	**(738)**	**(13,331)**	**(94.5)%**
Net decrease in cash and cash equivalent	**(50,285)**	**(27,484)**	**83.0%**

Footnotes

(1) Proforma results for the 3 months period 31 May 2016 include the results of Neotel and Liquid Group for the period 1 March 2016 to 31 May assuming the business was one Group

Cash flow generated from operations payments increased by 16 per cent to USD17.7m (Q1 2016-17: USD15.3m). During the period we made significant investment in working capital due to the normalisation of Neotel trade payables and the prepayment of transmission and LTE equipment on account of a contract supporting the continued expansion of our network. The investment in working capital was offset by a $9.4m increase in deferred revenue resulting from strong sales in IRUs in the last three months.

Cash flow used in operating activities decreased by 58 per cent to USD 5.7m (2016: USD13.3m). This is as a result of finance costs increasing from USD2.4m to USD11.7m as a result of the increased level of debt in comparison to the prior year period.

During the quarter we invested USD55.2m (Q1 2016/17: USD27.5m) into broadening our portfolio and expanding our geographical footprint.

We have invested in building additional metropolitan fibre networks, in particular in Kenya, Rwanda, South Africa and Zimbabwe, to increase the reach to our network, serve additional wholesale customers by connecting more mobile base stations (this was also used to serve additional enterprise customers). We also expanded our data centres, on the back of a contract with a large OTT in South Africa and following strong demand in Kenya, and interconnecting points of presence and internet exchanges. Also we invested in active equipment to increase the reliability (e.g. security systems and power generators) and capacity (e.g. new switches and routers) of our network, in particular in Kenya. We took on a new long-term lease (IRU) for additional international capacity on international submarine cables to support our growth.

In May 2017, our carrier-independent data centre in Nairobi (branded EADC) received its formal certification as a tier 3 data centre, which we have marketed to our international and regional accounts and thus received significant interest for additional rack space. We are now investing to fitting out the third floor of the EADC data centre, which will increase the floorspace by 500m^2, and this is expected to be commercialised by Q1 2018-2019. The expansion of the two data centres in Cape Town and Johannesburg is underway and on track to be ready to be delivered before the end of calendar year 2017 to a global cloud service provider.

We are working with national authorities in Botswana and DRC to finalise the process to obtain nationwide fibre wholesale and retail licences. This will enable us to activate new long-haul fibre networks, such as the 2500km-long fibre-over-powerline link in DRC and the North-South fibre-over-powerline link in Botswana. We are partnering with national authorities to provide fast broadband to primary schools in Eastern Africa for the next 5 years. Related to our efforts to provide broadband to everyone in Africa, we were awarded the GCCM award for the Best “Connecting the Unconnected Operator” in June this year which recognized our efforts to deliver our vision of “building Africa’s digital future”.

At the end of the first quarter, we have rebranded Neotel to Liquid Telecom South Africa, aligning its business model and proposed solutions for our South African enterprise customers closer to that offered by our other African operations. To support this change, we invested significantly during the first quarter in our infrastructure in South Africa to use our own local access networks (instead of relying on third parties) to deliver services to enterprises, create a seamless international network from Cape Town to Nairobi and offer a greater customer experience across our operations. We delivered more MPLS and direct Internet access (DIA) connections to our enterprise customer base, with over 900 additional enterprise customers using our telecommunications services, including connectivity between sites, Internet access as well as VoIP and cloud-based services. We attracted significant government contracts, in particular in South Africa (such as additional services to the Western Cape Government), from non-governmental organisations (such as United Nations agencies across our footprint) and from financial institutions.

During the first quarter, we continued building fibre-to-the-home networks, passing new premises in Zambia and Rwanda, and connecting over 1000 new premises per week across our FTTH footprint (which also include Kenya and Zimbabwe). We are also extending the fixed wireless access networks that enable us to serve customers at a lower price range and outside of FTTH areas. In Zambia, we cover around 50,000 premises with a total of 48 LTE base stations. To support our strategy to bring additional services to our retail customers, we have made a prepaid investment in new content products (including pay-TV, video-on-demand and other media services) to support the expansion of our retail business.

During the first quarter of 2017, cash used in financing activities was USD0.7m principally relating to loan repayments.

Net debt

For the 3 month period ended	31 May 2017 (unaudited) US$ thousands
Total gross debt	**606,784**
Less: cash and cash equivalent	**(89,682)**
Net debt	**517,102**
Repayment of existing debt	**(585,943)**
Issuance of Eurobond	**550,000**
Draw down of ZAR term loan	**75,000**
Estimated fee and expenses	**(20,000)**
Adjusted net debt after refinancing	**536,159**

Net debt at 31 May 2017 stood at USD517.1m compared to USD467.1m as at the 28 February 2017 following the increased working capital and the investment in new infrastructure and products to further support the expansion of our retail business. Adjusting the current net debt as at 31 May 2017 for the issuance of the Eurobond and the new term loan and repayment of existing loans in July 2017, net debt was USD536.2m.

The long-term strategy of the group is to have a net debt to EBITDA ratio of under 3 times. The investment phase that the Liquid group is in now will mean that the net debt to EBITDA ratio is above the level of 3 but from next financial year onwards, we should begin the process of delivering from a combination of the amortising debt and the increased EBITDA.

Shareholder changes

We have agreed terms with our empowerment partner in South Africa, Royal Bafokeng Holdings, for them to exchange their shareholding in our South African operations for an equivalent ownership in our holding company. This is an exciting move which gives investors 100 per cent access to the future growth and cash flows in our South African operation, the largest business in Liquid.

Strive Masiyawa
Group Executive Chairman

Nic Rudnick
Chief Executive Officer

Kate Hennessy
Chief Finance Officer

29 August 2017

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the 3 month period ended 31 May 2017

	Notes	3 month period ended 31/05/2017	31/05/2016
		US$000	US$000
Revenue	3	152,453	80,004
Cost of sales		(60,006)	(31,743)
Gross Profit		92,447	48,261
Other Income		396	299
Selling and distribution costs		(3,550)	(1,169)
Administrative expenses		(23,696)	(7,875)
Staff costs		(26,494)	(12,053)
Profit before interest, taxation, impairment and amortisation		39,103	27,463
Depreciation, impairment and amortisation		(19,123)	(9,179)
Acquisition costs		(292)	-
Operating profit		19,688	18,284
Interest income	4	1,159	192
Finance costs	5	(14,040)	(2,371)
Foreign exchange (loss) / gain		(1,645)	1,177
Share of profits of associates		17	-
Profit before taxation		5,179	17,282
Tax expense	6	(1,787)	(1,870)
Profit for the period		**3,392**	**15,412**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange loss		(2,274)	1,566
Fair value gain on available-for-sale investments		-	1,681
Other comprehensive (loss) / gain for the period		(2,274)	3,247
Profit and total comprehensive income for the period		**1,118**	**18,659**
Profit attributable to:			
Owners of the company		3,052	13,415
Non-controlling interest		340	1,997
		3,392	**15,412**
Profit and total comprehensive income attributable to:			
Owners of the company		1,570	16,605
Non-controlling interest		(452)	2,054
		1,118	**18,659**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION at 31 May 2017

	Notes	31/05/2017	28/02/2017
		US$000	US$000
		(Unaudited)	(Audited)
Non-current assets			
Goodwill	7	150,503	151,794
Intangible assets	8	138,022	133,937
Property, plant and equipment	9	627,399	612,522
Investment in associates		392	378
Investments		15,998	15,786
Deferred tax assets		38,448	38,836
Held to maturity investments		3,020	2,952
Long-term receivables		6,408	6,409
Total non-current assets		**980,190**	**962,614**
Current assets			
Inventories		23,038	22,135
Trade and other receivables	10	196,689	166,146
Held to maturity investments		-	245
Cash and cash equivalents		89,692	141,048
Restricted cash and cash equivalents		12,252	11,687
Total current assets		**321,671**	**341,261**
Total assets		**1,301,861**	**1,303,875**
Equity and liabilities			
Capital and reserves			
Stated capital		1	1
Share premium		2,333	2,333
Retained earnings		286,635	283,583
Foreign currency translation reserve		(6,820)	(5,338)
Total equity attributable to owners of the parent		**282,149**	**280,579**
Non-controlling interests		147,274	147,726
Total equity		**429,423**	**428,305**
Non-current liabilities			
Long-term liability	11	374,162	597,430
Long term provisions		-	4,059
Deferred Revenue	13	44,850	42,829
Deferred tax liabilities		34,731	33,709
Total non-current liabilities		**453,743**	**678,027**
Current liabilities			
Short-term portion of long-term liability	11	231,416	8,724
Trade and other payables	12	152,808	163,180
Short term provisions		3,318	1,801
Deferred Revenue	13	29,016	22,027
Taxation		2,137	1,811
Total current liabilities		**418,695**	**197,543**
Total equity and liabilities		**1,301,861**	**1,303,875**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the 3 month period ended 31 May 2017

	Share Capital	Share Premium	Investment Revaluation reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total Equity
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
At 1 March 2016	1	2,333	(11,319)	(13,055)	294,865	54,564	327,389
Profit for the period	-	-	-	-	13,415	1,997	15,412
Foreign exchange gain	-	-	-	1,508	-	57	1,565
Dividend	-	-	-	-	(25,398)	-	(25,398)
Profit on disposal under common control	-	-	-	-	5,095	-	5,095
Reclassifaction upon disposal	-	-	9,638	-	(9,638)	-	-
Fair value gain on available-for sale investments	-	-	1,681	-	-	-	1,681
At 31 May 2016	**1**	**2,333**	**-**	**(11,547)**	**278,339**	**56,618**	**325,744**
At 1 March 2017	1	2,333	-	(5,338)	283,583	147,726	428,305
Profit for the period	-	-	-	-	3,052	340	3,392
Foreign exchange loss	-	-	-	(1,482)	-	(792)	(2,274)
At 31 May 2017	**1**	**2,333**	**-**	**(6,820)**	**286,635**	**147,274**	**429,423**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS for the 3 month period ended 31 May 2017

	Notes	3 month period ended 31/05/2017 US$000	31/05/2016 US$000
Cash flows from operating activities:			
Profit before tax		5,179	17,282
Adjustments for:			
Depreciation	9	15,746	6,715
Amortisation	8	3,316	2,143
Profit on disposal / transfer of subsidiary		(144)	(1)
Impairment of property, plant and equipment		-	136
Stock written off		1	178
Obsolete stock provision		60	4
Bad debts provision		741	(169)
Bad debts recovered		-	(166)
Increase / (Decrease) in provisions		3,149	(15)
Foreign exchange loss / (gain)		344	(392)
Interest income	4	(1,159)	(192)
Finance costs	5	14,040	2,371
Share of profits of associates		(17)	-
		41,256	27,894
Working capital changes:			
Increase in trade and other receivables		(16,179)	(18,207)
(Increase) / decrease in inventories		(1,006)	2,230
Decrease in trade and other payables		(20,232)	(3,927)
Increase in deferred revenue		9,380	7,548
Increase / (decrease) in accruals		4,774	(71)
Decrease in onerous contracts		(270)	(167)
Cash generated from operations		17,723	15,300
Income tax (paid) / received		(357)	408
Finance costs		(11,694)	(2,371)
Net cash (used in) / generated from operating activities		5,672	13,337
Cash flows from investing activities:			
Interest income	4	1,159	192
Acquisition of other investments		(15,230)	-
Disposal of investments in subsidiary		-	(3)
Purchase of property, plant and equipment	9	(33,449)	(17,925)
Proceeds on disposal of property, plant and equipment		204	70
Purchase of intangible assets	8	(8,021)	(9,785)
Proceeds / (Purchase) of held to maturity investments		177	(53)
(Increase) / decrease in long term receivables		(59)	14
Net cash used in investing activities		(55,219)	(27,490)
Cash flows from financing activities:			
Dividend paid		-	(3,300)
Decrease in short-term portion of long-term borrowings		(26)	(8,547)
Decrease in external long-term loan borrowings		(712)	(1,484)
Net cash generated from / (used in) financing activities		(738)	(13,331)
Net decrease in cash and cash equivalents		(50,285)	(27,484)
Cash and cash equivalents at beginning of the period		152,735	100,397
Translation of cash with respect to foreign subsidiaries		(506)	649
Cash and cash equivalents at end of the period		**101,944**	**73,562**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the 3 month period ended 31 May 2017

1. General information

Liquid Telecommunications Holdings Limited is a private company incorporated in Mauritius on the 26th January 2007 and is the holder of a Category 2 – Global Business Licence Company as from 29th January 2007. Its registered office is situated at 10th floor, Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebene, Mauritius.

These financial statements are presented in US Dollars as this is the currency in which the majority of the group's transactions are denominated.

2. Accounting policies

Basis of preparation

The unaudited condensed set of financial statements included in the quarterly financial report has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRSs"). The condensed set of financial statements included in the quarterly financial report has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

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

Accounting policies

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its consolidated financial statements for the year ended 28 February 2017.

3. Revenue

Wholesale Voice Traffic - primarily revenue from international voice interconnects between mobile network operators and international telecom carriers

Data and Other Services

Wholesale - primarily data services sold to African mobile network operators and international telecom operators Enterprise - primarily data services sold to international multinationals, large and medium enterprises in Africa Retail - primarily data services sold to SMEs and retail customers in Africa

	3 month period ended	
	31/05/2017	31/05/2016
	US$000	US$000
Wholesale Voice Traffic	34,496	31,887
Data and Other services		
Wholesale	42,095	26,997
Enterprise	64,187	14,782
Retail	11,675	6,338
	152,453	**80,004**

Details for profit, assets and liabilities are not provided as these are not reported to or reviewed by our chief operating decision-maker. Details of revenue and profit are shown in note 16.

4. Interest income

Interest received - bank / external	861	106
Interest received - inter-group (note 14)	298	86
	1,159	**192**

5. Finance costs

Interest on bank overdraft and loans	14,040	2,288
Interest paid - related party (note 14)	-	83
	14,040	**2,371**

6. Tax

Current taxation	449	561
Deferred taxation	1,095	1,101
Withholding taxation	243	208
Total taxation	**1,787**	**1,870**

7. Goodwill

	31/05/2017 US$000 (Unaudited)
Cost	
Opening balance	151,794
Foreign exchange differences	(1,291)
Closing balance	**150,503**

Goodwill acquired in a business combination is allocated at acquisition to the Cash Generating Units (CGU's) that are expected to benefit from that business combination. The group tests goodwill annually for impairment and found no such impairment existed for the above financial years. The business unit to which this goodwill relates is profitable and has a positive net asset value. The recoverable amounts are determined from value in use calculations.

8. Intangible assets

	Operating Licence	Computer Software	Fibre Optical - IRU	Customer Relationships	Work in Progress	Other Intangible Assets	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Cost:							
At 1 March 2017	16,440	38,040	92,883	39,875	3,154	2,272	192,664
Additions	-	220	4,613	3,000	188	-	8,021
Reclassification	-	350	-	-	(350)	-	-
Transfers to fixed assets (note 9)	-	(27)	-	-	-	-	(27)
Foreign exchange differences	(87)	(287)	(159)	(152)	-	(175)	(860)
At 31 May 2017	16,353	38,296	97,337	42,723	2,992	2,097	199,798
Accumulated amortisation:							
At 1 March 2017	4,264	30,381	23,298	50	-	733	58,726
Amortisation	336	813	1,901	151	-	115	3,316
Transfers to fixed assets (note 9)	-	(4)	-	-	-	-	(4)
Foreign exchange differences	(25)	(222)	(15)	-	-	-	(262)
At 31 May 2017	4,575	30,968	25,184	201	-	848	61,776
Carrying amount:							
At 28 February 2017	12,177	7,657	69,585	39,825	3,154	1,539	133,937
At 31 May 2017	11,778	7,328	72,153	42,522	2,992	1,249	138,022

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 3 month period ended 31 May 2017

9. Property, plant and equipment

	Land and buildings	Furniture and fittings	Computer equipment	Network equipment	Motor vehicles	Work in progress	Fibre infrastructure	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Cost:								
At 1 March 2017	56,875	10,226	30,710	77,720	8,361	41,504	816,188	1,041,584
Additions	65	107	433	2,903	-	22,718	7,223	33,449
Disposals	-	(1)	(10)	(4)	-	(1)	(112)	(128)
Reclassification	962	13	7	509	-	(4,615)	3,124	-
Transfer from / to intangible assets (note 8)	304	-	-	(277)	-	-	-	27
Foreign exchange differences	(289)	14	(113)	131	6	(2)	(4,463)	(4,716)
At 31 May 2017	57,917	10,359	31,027	80,982	8,367	59,604	821,960	1,070,216
Accumulated depreciation								
At 1 March 2017	14,248	7,764	23,380	57,039	5,156	(2,257)	323,732	429,062
Depreciation charge for the period	414	232	777	2,411	314	-	11,598	15,746
Disposals	-	-	-	(1)	-	-	(66)	(67)
Reclassification	16	-	-	77	-	-	(93)	-
Transfer from intangible assets (Note 8)	-	-	-	4	-	-	-	4
Foreign exchange differences	(113)	4	(76)	107	4	-	(1,854)	(1,928)
At 31 May 2017	14,565	8,000	24,081	59,637	5,474	(2,257)	333,317	442,817
Carrying amount:								
At 28 February 2017	42,626	2,462	7,330	20,681	3,205	43,762	492,456	612,522
At 31 May 2017	43,352	2,359	6,946	21,345	2,893	61,861	488,643	627,399

10. Trade and other receivables

	31/05/2017 US$000 (Unaudited)	28/02/2017 US$000 (Audited)
Trade receivables	104,770	102,745
Allowance for doubtful debts	(20,662)	(20,068)
Affiliated entities (note 14)	11,351	14,116
Other related parties (note 14)	12,788	6,690
Short-term inter-company receivables (note 14)	5,845	6,043
Other receivables	82,597	56,620
	196,689	**166,146**

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

The credit period for the group is 30 days. In determining the recoverability of a trade receivable, the group has considered 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 customer, the Group ascertains the credit worthiness and identity of the customer by means of an external credit scoring system and customer acceptance forms which are required to be filled in by any new customer. The credit worthiness of customers is reviewed continuously throughout the year.

The receivable balances from affiliated entities and other related parties are unsecured, interest free and with no fixed date of repayment.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable

	Ageing of past due but not impaired	
	31/05/2017 US$000 (Unaudited)	28/02/2017 US$000 (Audited)
Group		
31 - 60 days	25,661	15,168
61 - 90 days	16,808	5,054
91 - 120 days	6,404	6,135
121 + days	25,023	17,341
	73,896	**43,698**

11. Short term portion of long term liability and long-term liability

	31/05/2017 US$000 (Unaudited)	28/02/2017 US$000 (Audited)
Long term liabilities:		
Alios Finance	82	89
Standard Bank of South Africa Limited	291,288	291,288
Stanbic Bank of Zambia Limited	15,250	15,250
Tata Communications International Pte Limited	57,055	56,487
CISCO Capital	2,533	3,144
Bank M Tanzania Limited	93	95
Standard Bank of South Africa and Nedbank Limited	-	223,049
Onerous contracts	7,861	8,028
	374,162	**597,430**

11. Short term portion of long term liability and long term liability (continued)

	31/05/2017 US$000 (Unaudited)	28/02/2017 US$000 (Audited)
Short term portion of long term liabilities:		
Huawei Technologies Investment Company Limited	922	922
Standard Bank of South Africa Limited	3,065	2,263
CISCO	1,927	1,927
FNB Bank	9	23
Stanbic Bank of Zambia Limited	25	-
Standard Bank of South Africa and Nedbank Limited	222,084	75
Onerous contracts	3,384	3,514
	231,416	**8,724**

The liability from Huawei Technologies Investment Company Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 4.5% and is repayable in instalments from August 2011.

The long term loan from Standard Bank of South Africa Limited to Liquid Telecommunications Holdings Limited is secured, denominated in US$, bears interest at the rate of Libor plus 5.25% and is repayable by December 2022 in twenty quarterly instalments starting from 22 March 2018. The total contracted loan facility is $300,000,000. The amount was repaid in full in July 2017 (note 17).

The long term liability from Cisco Capital is secured by Liquid Telecommunications Holdings Limited. It is denominated in US$, bears interest at the rate of 3.07% and is repayable by October 2019.

The long term loan from Stanbic Bank Zambia Limited is secured. It is denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable by February 2021 in sixteen quarterly instalments starting from 15 June 2017. The total contracted loan facility is $15,250,000.

11. Short term portion of long term liability and long-term liability (continued)

The long term loan note from Standard Bank of South Africa and Nedbank Limited is secured, denominated in South African Rand, bears interest at the rate of Jibar plus 4.75% for the first 9 months, 5.25% for the next 3 months and 5.75% for the last 3 months, payable on a quarterly basis and the capital is repayable in May 2018 in one lump sum. The total contracted loan facility is ZAR 3,300,000,000 and as at 31 May 2017 ZAR 2,950,000,000 has been drawn down (Equivalent US$ 223,123,916). The amount was repaid in full in July 2017 (note 17).

The long term payable to Tata Communications International Pte Limited is unsecured, bears interest at the rate of 4% and is repayable by February 2020. The amount was repaid in full in July 2017 (note 17).

	31/05/2017 US$000 (Unaudited)	28/02/2017 US$000 (Audited)
12. Trade and other payables:		
Trade accounts payable	60,386	79,071
Payable balance to affiliated entities (note 14)	2,510	3,813
Other short term payables	89,912	80,289
Other payable to related company (note 14)	-	7
	152,808	**163,180**

The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables for the first 60 days from the date of invoice. Thereafter, interest is generally charged at 2% per annum on the outstanding balance. The 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 approximate their fair value.

Amount payable to affiliated entities and related company are unsecured, interest free and with no fixed date of repayment.

	31/05/2017 US$000 (Unaudited)	28/02/2017 US$000 (Audited)
13. Deferred revenue		
Long term portion of deferred revenue	44,850	42,829
Short term portion of deferred revenue	29,016	22,027
	73,866	**64,856**

14. Related party transactions

The following companies are related parties to the Liquid Telecommunications Holdings Limited Group: Econet International (Pty) Limited (incorporated in South Africa), Econet Global Ltd. (Mauritius), Econet Wireless Burundi s.a. (Burundi), Econet Wireless Private Limited (Zimbabwe), Econet Wireless Lesotho Ltd (Lesotho), Transaction Payment Solutions (Private) Limited (Zimbabwe), Econet Vision Limited (Mauritius), Econet Media Limited (Mauritius), Kwese Play (Pty) Limited (South Africa) and Econet South Africa (Pty) Limited. They have been disclosed as related parties due to their common control.

Transactions between the group and its subsidiaries, which are related parties of the group, have been eliminated on consolidation and are not disclosed in the group note. During the period, the group entered into the following trading transactions with related parties:

	31/05/2017	31/05/2016
	US$000	**US$000**
Sales of goods and services:		
Econet Global Related Group Companies	12,903	20,314
Other Econet Global Related Group Companies	2,148	-
	15,051	**20,314**
Purchase of goods and services:		
Econet Global Related Group Companies	8,690	9,184
	8,690	**9,184**
Management fees paid:		
Econet Global Related Group Companies	375	375
	375	**375**
Dividend paid:		
Econet Global Ltd (Mauritius)	-	15,239
AMRO International Holdings Ltd (Mauritius)	-	10,159
	-	**25,398**

14. Related party transactions (continued)

	31/05/2017	31/05/2016
	US$000	US$000
Interest Income:		
Econet Global Related Group Companies	298	86
	298	**86**
Finance costs:		
AMRO International Holdings Ltd (Mauritius)	-	83
	-	**83**
Administration fees paid:		
DTOS Ltd (Mauritius)	60	41
	60	**41**

	31/05/2017	28/02/2017
	US$000	US$000
	(Unaudited)	(Audited)
Long term intercompany receivables:		
Austin Eco Holdings Limited (BVI)	5,337	5,278
	5,337	**5,278**
Short term intercompany receivables:		
Econet Global Related Group Companies	5,845	6,043
	5,845	**6,043**
Receivables balances from affiliated entities and other related parties:		
Econet Global Related Group Companies	11,351	14,116
Other Econet Global Related Group Companies	12,788	6,690
	24,139	**20,806**
Payable balance to affiliated entities:		
Econet Global Related Group Companies	2,510	3,813
	2,510	**3,813**
Other payable to related company:		
AMRO International Holdings Ltd (Mauritius)	-	7
	-	**7**
Prepayments:		
Econet Global Related Group Companies	13,500	18,726
	13,500	**18,726**

15. Capital commitments

	31/05/2017 US$000 (Unaudited)	28/02/2017 US$000 (Audited)
At 31 May 2017 the group was committed to making the following capital commitments:		
Authorised and contracted	31,239	17,217
Authorised by directors but not contracted	67,504	78,218
	98,743	**95,435**

The capital expenditure is to be financed from internal cash generation and extended supplier credit.

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 3 month period ended 31 May 2017

16. Segment information

16.1 Segment revenue and results

The Group's reportable segments are based on geographical areas. The Group's core business is situated within Africa and management has aggregated African countries where the individual country revenue falls below 10% of total group revenue (Rest of Africa). The Group also has support functions based outside of Africa which have been aggregated into a separate segment (Rest of the World).

The following is an analysis of the Group's revenue and results by reportable segment for the 3 month period ended 31 May 2017.

	South Africa	Zimbabwe	Rest of Africa	Rest of the World	Intercompany Transactions	Total
	US$000	US$000	US$000	US$000	US$000	US$000
Revenue	71,747	20,977	20,052	56,145	(16,468)	152,453
Cost of sales	(25,972)	(8,981)	(7,453)	(34,068)	16,468	(60,006)
Gross Profit	**45,775**	**11,996**	**12,599**	**22,077**	**-**	**92,447**
Operating costs	(31,604)	(4,710)	(8,365)	(5,601)	272	(50,008)
Other Income/(Expenses)	(9,385)	(3,502)	(4,556)	249	(294)	(17,488)
Total	**4,786**	**3,784**	**(322)**	**16,725**	**(22)**	**24,951**
Central administration costs						(5,247)
Foreign exchange loss						(1,645)
Interest income						1,159
Finance costs						(14,040)
Profit before tax						**5,178**

The following is an analysis of the Group's revenue and results by reportable segment for the 3 month period ended 31 May 2016.

	South Africa	Zimbabwe	Rest of Africa	Rest of the World	Intercompany Transactions	Total
	US$000	US$000	US$000	US$000	US$000	US$000
Revenue	7,362	22,615	15,751	52,063	(17,787)	80,004
Cost of sales	(4,677)	(8,749)	(7,534)	(28,570)	17,787	(31,743)
Gross Profit	**2,685**	**13,866**	**8,217**	**23,493**	**-**	**48,261**
Operating costs	(1,008)	(5,022)	(6,339)	(6,215)	81	(18,503)
Other Income/(Expenses)	105	(3,307)	(3,816)	(257)	(106)	(7,381)
Total	**1,782**	**5,537**	**(1,938)**	**17,021**	**(25)**	**22,377**
Central administration costs						(4,093)
Foreign exchange gain						1,177
Interest income						192
Finance costs						(2,371)
Profit before tax						**17,282**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2 of the Group's annual financial statements. Segment profit represents the profit before tax earned by each segment without allocation of central administration costs, investment income, foreign exchange losses, as well as finance costs.

There are no major customers comprising 10% or more of total group revenue aside from sales made to the Econet Group. Details of which can be seen in Related Party disclosures (note 14).

For details on revenue by product, see note 3.

17 Post balance sheet events

17.1 Acquisition of Zanlink Limited

On 1 June 2017, the group acquired 70% of the share capital of Zanlink Limited, a company incorporated in Zanzibar, for a total consideration of US$3.1 million.

17.2 Issue of Eurobond

On 13 July 2017, the Group issued a US$550 million 8.5% Eurobond repayable on 13 July 2022. As part of the refinancing, the Group entered into US$150 million senior secured term loan facility and US$55 milion revolving credit facility with Standard Bank of South Africa, Citibank and Standard Chartered Bank.

The Group has currently drawn down US$110.1 million of the US$150 million senior secured loan facility.

The proceeds from the Eurobond and the senior secured term loan were used for repayment of the following loans:

- US$300 million senior secured loan from Standard Bank of South Africa,
- ZAR2.95 bilion loan note from Standard Bank of South Africa and Nedbank Limited,
- payable to Tata Communications International Pte Limited
- pay financing fees and further investment in our network and content business.