LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
(“the Group” or “Liquid Telecom”)
FINANCIAL RESULTS FOR FIRST QUARTER ENDED 31 MAY 2020

Solid start to the new financial year, despite COVID-19 headwinds

22 July 2020

Leading pan-African telecoms group Liquid Telecom, a subsidiary of the Econet Global group, today announces its financial results for the first quarter ended 31 May 2020.

Highlights

- First quarter revenue USD 166.6 million, up 7.8% on prior year (Q1 2019-20: USD 154.5 million). Data revenues up against prior year Q1 by 17.7% to USD 139.5 million (Q1 2019-20: USD 118.5 million)
- Adjusted EBITDA down 6.9% quarter-on-quarter at USD 47.0 million (Q1 2019-20: USD 50.5 million)
- Net operating costs of USD 46.7 million down on prior quarter by 28.3% (Q4 2019-20 USD 65.1 million)
- Customer numbers continue to grow, particularly in our Retail segment where continued demand for our products in lockdown resulted in an additional 8,531 new customers in the first three months of FY 2020-21, with the total almost double Q1 last year
- Almost 40% increase in cash generated from operations compared to Q1 2019-20 and a positive free cash flow quarter. Cash balance at the end of the first quarter was USD 118.7 million (Q4 2019-20: USD 85.0 million), including the USD 40.0 million drawn on the RCF as a precautionary measure.
- Capex spend of USD 21.9 million down 32.4% on the same quarter last year (Q1 2019-20: USD 32.4 million)
- Data centre demand continued to grow with delivery of additional 400kW of capacity in the Cape Town data centre to a hyperscale customer
- Pre-IFRS 16 net debt at the end of the period was USD 690.7 million, giving a net debt to Adjusted EBITDA ratio of 3.34x still within the threshold of 4.25x. Post-IFRS 16 net debt was USD 773.9 million with a ratio of 3.17x.

	Q1 2020-21	Q1 2019-20	Change
	(USDm)	(USDm)	(%)
Revenue	166.6	154.5	7.8
Adjusted EBITDA	47.0	50.5	(6.9)
Cash generated from operations	37.1	26.7	39.0
Net Debt	773.9	714.1	8.4
Net Debt / adjusted EBITDA (x)	3.17	3.34	n/a

[1] Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, impairment and amortisation, and is also presented having adjusted for the following items: restructuring costs, acquisition and other investment costs, net foreign exchange (loss)/gain, hyperinflation monetary gain and share of profit from associate.

[2] Net debt is defined as gross debt less unrestricted cash and cash equivalents.

Chief Executive Officer, Nic Rudnick, commented:

"We have started our 2020-21 financial year on a strong footing, operationalising our roaming contracts and reaping the benefits of our investments in the DRC and South Africa. We have done this against a challenging global economic backdrop as the impact of the COVID-19 pandemic continues to be felt across the world. As a business we continue to take every measure to protect our staff, customers and partners and are proud to be able to offer essential connectivity services in such difficult times.

A further period of year-on-year revenue growth proves our ability to monetise the financial and technological investment of recent years, whilst we expand our technology and cloud based offerings, demonstrating our agility and forward thinking in an ever changing world with increasing customer demand for innovation. Our business is ever more diversified across geographic regions, product offering and customer groups, which gives me confidence in our ability to withstand economic downturns and fully leverage the business potential abundant on the African continent.

As our business continues to evolve and innovate, it is critical that we continue to maintain strict financial discipline. This is my utmost priority to protect the Group's free cashflow position by managing working capital efficiently and continuing to invest capex dynamically in line with the operating environment and with razor sharp focus on generating returns.

As always, I am grateful to our employees and stakeholders who provide relentless support in our shared ambition to grow the business, particularly in these difficult circumstances."

Group Chairman, Strive Masiyiwa, added:

"In these unprecedented times, I am proud to see Liquid Telecom go from strength to strength, delivering a strong quarter of revenue growth and cash generation. We continue to focus on further build out of our technology offerings, responding to the needs of our customers and our communities.

Our Board are committed to growing the business responsibly, with ESG principles at the heart of our corporate culture and business strategy. This is a multi-year journey for us but we are making good progress and I am particularly pleased that in January 2020 the Group has launched the Environmental and Social Management System that will be rolled out across the Group through this financial year to benefit our employees, stake holders and our communities.

We remain focused on our growth agenda but also cognisant that during these challenging times we need to operate smarter and more efficiently, preserving cash and capex. Our strategic agenda continues to evolve as we develop new ways of working, secure new partnerships and funding, all contributing to our objective of leveraging our competitive advantage to deliver Africa's digital future."

There will be an investor call at 14:00 BST in order to present the results and answer questions. Please register on our website to gain access to the details for the call.

For further information please contact:
Yana O'Sullivan, Group Head of Investor Relations
D: +442071016128 **M:** +447468846195 **E:** yana.osullivan@liquidtelecom.com

About Liquid Telecom

Liquid Telecom is a leading communications solutions provider across 13 countries primarily in Eastern, Southern and South Africa that serves mobile operators, carriers, enterprise, media and content companies and retail customers with high-speed, reliable connectivity, hosting and co-location and digital services. It has built Africa's largest independent fibre network, over 73,000km, and operates state-of-the-art data centres in Johannesburg, Cape Town and Nairobi, with a combined potential 19,000 square metres of rack space and 78 megawatts (MW) of power. This is in addition to offering leading cloud-based services, such as Microsoft Office365 and Microsoft Azure across our fibre footprint. Through this combined offering Liquid Telecom is enhancing customers' experience on their digital journey.

For more information, visit www.liquidtelecom.com

- Ends –

OPERATIONAL AND FINANCIAL REVIEW

Liquid Telecom is a leading communications solutions provider across 13 countries primarily in Eastern, Southern and South Africa that serves carrier, enterprise and retail customers with high-speed, reliable connectivity and cloud services. We have built Africa's largest independent fibre network, more than 73,000 kilometres, and operate state-of-the-art data centres in Johannesburg, Cape Town and Nairobi, with a combined potential capacity of over 6,000 racks.

The Group reports in four segments: Wholesale Data, Enterprise, Retail and Wholesale Voice.

Wholesale Data

Our Wholesale Data division provides Global IP Transit and fibre connectivity to 2G, 3G, 4G and 5G mobile base stations across our extensive independent, self-owned fibre 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 (ISPs). We also help other ISPs reach more customers with attractive offers using our wholesale FTTH services whilst also monetising our open-access fibre network. In addition, we provide services to Mobile Network Operators (MNOs) where they can roam across our network, together with a range of wholesale cloud products, where we are a tier 1 and tier 2 supplier for Microsoft across Africa, as well as co-location services.

Enterprise

Our Enterprise segment provides solutions to large-scale corporate and governmental consumers of bandwidth with complex, multi-country connectivity, co-location, hosting and cloud services. Here, in partnering with leading software, content and internet service providers to package business service offerings, supported by our fibre local access networks and data centre facilities, we provide high-speed broadband, cloud and co-location services, Voice over Internet Protocol (VoIP) and global connectivity to small and medium sized enterprises and non-governmental organisations, as well as payment solutions to financial institutions through our Liquid Payments business. 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 fibre network. Complementary Very Small Aperture Terminal (VSAT) and fixed-wireless (point-to-point or point-to-multipoint) networks extend the reach of the network to connect remote locations.

Retail

Our Retail business connects households and small businesses through the provision of our FTTH through Gigabit Passive Optical Networks (GPON) and Fixed Wireless Access (FWA), primarily using 4G LTE technology. 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. Our retail customers now also have access to a range of digital services (Office365, Azure and laptop backups).

Wholesale Voice

We provide connectivity via fibre and satellite, in the voice market, into and out of Africa to national and international operators as well as African mobile network operators. 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 fibre network from international interconnection points for our customers to the nearest point of interconnection with local voice service providers is a major differentiator in an otherwise commoditised marketplace. In doing so, we can control the routing of the voice traffic, deliver high quality calls, avoid fraud schemes that are prevalent on the international voice transit market and provide a stable and reliable service for our customers.

Key performance indicators (KPIs)

The following table sets out the Group's key financial and operating measures by division for Q1 2020-21:

	(Q1) 2019-20	(Q2) 2019-20	(Q3) 2019-20	(Q4) 2019-20	FY 2019-20	(Q1) 2020-21	FY 2020-21
Operating measures							
Wholesale voice							
Total wholesale voice minutes (in millions) on our network [1]	306	298	272	255	1,131	249	249
Wholesale data							
Number of kilometres of fibre [2]	69,193	69,550	70,349	73,114	73,114	73,171	73,171
Number of Data Centre racks sold[3]	1,443	1,436	1,497	1,474	1,474	1,555	1,555
Enterprise							
Number of Enterprise customers [4]	10,830	11,290	11,439	11,699	11,699	11,872	11,872
Retail							
Number of Retail customers[5]	65,183	74,527	96,220	117,326	117,326	125,857	125,857
Financial Measures							
Average churn rate [6]	1.08%	0.61%	0.83%	0.41%	0.73%	0.59%	0.59%
New sales ("sold TCV for new services", USD million) [7]	80.0	58.5	114.4	56.5	309.5	53.2	53.2
Service Activation Pipeline ('MRR backlog") (USD 000) [8]	4,500	2,584	2,754	2,710	2,710	2,435	2,435

1 Total number of voice minutes on the Group's network.
2 Total number of kilometres (including backbone, metro and FTTX) over which fibre is installed. Multiple fibre cables or ducts within the same trench are only counted once. Includes both owned and leased capacity through partnerships.
3 Number of racks in a data centre or co-location facility sold and billed to Wholesale or Enterprise customers.
4 Total number of Enterprise customers.
5 Number of broadband FTTH, WIMAX and LTE customers (including subscription customers and prepaid customers) by operation. The number of customers includes active customers that were active less than 30 days before the end of the period.
6 Average monthly churn rate represents the monthly recurring revenue that was lost during the month following a price reduction or termination of service due to disconnections, downgrades, price reduction and non–renewals, divided by the total revenue for the month.
7 Total value in terms of non-recurring (one off) revenue and the sum of all expected monthly recurring revenues over the duration of each contract (at undiscounted nominal value) from service orders for new services, signed by Wholesale and Enterprise customers during the period. This excludes upgrades, downgrades and renewals. Some of these contracts may be cancelled or terminated before the end of their term. Excludes roaming contracts.
8 Monthly recurring revenue expected from service orders signed by the Group's Wholesale and Enterprise external customers that have not yet been installed, accepted by the customer or activated, and therefore not yet generated revenue. Excludes roaming contracts.

Enterprise and Retail customers increased in the quarter by 173 and 8,531 respectively, reflecting increased demand for our connectivity services. The Retail customer base grew mainly in Zimbabwe and Zambia due to increased demand for our LTE and GPON products.

Churn improved 49 bps on Q1 2019-20 at 0.59% (Q1 2019-20: 1.08%) following significant improvements in South Africa. Churn was however, down slightly against the previous quarter (Q4 2019-20: 0.41%) due to the impact of COVID-19 in Rest of Africa, which caused some customers to pause or ask for price discounts during the lockdown period. The business continues to monitor the causes of churn closely to ensure a stable customer base. The impact of the pandemic was more acutely felt in the service pipeline, where lack of access to customer premises and remote working resulted in a decrease of USD 0.3 million in Q1 2020-21 (USD 2.4 million) compared to Q4 2019-20 (USD 2.7 million). This pipeline does not include the roaming contracts.

Voice minutes reduced by 6 million in the quarter to 249 million (Q4 2019-20: 255 million), as lockdowns resulted in people turning to VOIP solutions to make calls.

Revenue

Revenue per segment	For the three-month period ended		
	31-May-20	31-May-19	2020-21 vs 2019-20
	(USDm)	(USDm)	(%)
Data and Other services	**139.5**	**118.5**	**17.7**
Wholesale data	75.2	45.5	65.3
Enterprise	52.0	61.8	(15.9)
Retail	12.3	11.2	9.8
Wholesale voice	**27.1**	**36.0**	**(24.7)**
Total Revenue	**166.6**	**154.5**	**7.8**

Total revenue for the quarter increased by 7.8% to USD 166.6 million against Q1 2019-20 (USD 154.5 million). It has been one of the Group's strategic objectives to achieve greater geographic diversification of revenues to improve performance resilience. In Q1 2020-21 Zimbabwe contributed less than a fifth of the Group's revenue, while South Africa represented just under a half.

Wholesale Data

Wholesale Data revenue was USD 75.2 million in the first quarter, up 65.3% on the same quarter last year (Q1 2019-20: USD 45.5 million), as both the 4G and 5G roaming contracts came into effect. Sales on NLD 5 & 6 also contributed to the uplift in Wholesale data revenue in South Africa.

Enterprise

Enterprise revenues were lower at USD 52.0 million (Q1 2019-20: USD 61.8 million), with the decline mainly in South Africa. Although the contract for certain services supplied to a large customer expired in the period, a decrease in Enterprise VOIP services and the significant weakening of the South African Rand in the immediate aftermath of the COVID-19 pandemic were the main contributors. The average ZAR:USD rate for Q1 2020-21 was 17.7:1 compared to 14.3:1 in Q1 2019-20, leading to a reduction in South African Enterprise revenue of USD 6.9 million.

Partially offsetting this, Zimbabwe saw the benefit of tariff increases for Enterprise customers in the period, with Q1 revenue up on Q1 2019-20 by 24.0%, and Rwanda, Uganda and DRC, all delivered strong double-digit growth in their Enterprise revenue.

Enterprise customers increased overall in the quarter by 173 indicating a continuing demand for our connectivity services.

Retail

We saw strong Retail growth in Q1 2020-21 with revenue at USD 12.3 million (Q1 2019-20: USD 11.2 million) as remote working drove increased sales in all six markets where we offer Retail services today, with five of these markets delivering a strong double-digit revenue growth, this uplift more than offset the closure of our Retail business in South Africa after the end of Q1 2019-20. Outside of South Africa, retail revenue grew 31.1%.

Wholesale Voice

Lock down conditions across the globe due to the pandemic exacerbated the ongoing trend in declining voice minutes, as people turned to VOIP products to make calls. Voice revenue for the first quarter was USD 27.1 million, down 24.7% on the prior year (Q1 2019-20: USD 36.0 million). Voice minutes for Q1 2020-21 were 249 million, compared to 255 million in Q4 of the prior year.

Gross profit

Gross Profit	For the three-month period ended		
	31-May-20	31-May-19	2020-21 vs 2019-20
	(USDm)	(USDm)	(%)
Revenue	166.6	154.5	7.8
Costs per quarterly financial statements	(72.9)	(56.8)	(28.3)
Gross Profit	93.7	97.7	(4.1)
Gross Profit Margin (%)	56.2%	63.2%	**(7.0)pp**

Gross profit for the first quarter was USD 93.7 million (Q1 2019-20: 97.7 million).

Gross profit margin for the period was 56.2%, 7.0 percentage points lower than Q1 2019-20. The reduction was partly due to roaming services, which although contributing to a lower gross margin, provide secured multi-year recurring revenue and partly due to lower margin for voice traffic.

Total overheads and other income

Total Overheads and Other Income	For the three-month period ended		
	31-May-20	31-May-19	2020-21 vs 2019-20
	(USDm)	(USDm)	(%)
Other income	0.1	0.3	(66.7)
Selling, distribution and marketing costs	(5.1)	(2.5)	(104.0)
Administrative costs	(17.8)	(21.3)	16.4
Staff costs	(24.2)	(23.7)	(2.1)
Dividend received	0.3	0.0	n/a
Total overheads and Other income	**(46.7)**	**(47.2)**	**1.1**
% to Total Revenue	**(28.0)**	**(30.6)**	**2.5pp**

Total overheads and other income were down slightly quarter on quarter at USD 46.7 million (Q1 2019-20: USD 47.2 million). As in the prior quarters, cost saving programmes continue to provide year-on-year reductions in the administrative cost base which the business is choosing to re-invest in selling and marketing initiatives. Selling, distribution and administrative costs were also lower than Q4 2019-20 (USD 17.6 million and USD 24.6 million respectively) as more remote working due to COVID-19 resulted in lower on-site costs.

Adjusted EBITDA and profit

Adjusted EBITDA	For the three-month period ended		
	31-May-20	31-May-19	2020-21 vs 2019-20
	(USDm)	(USDm)	(%)
Adjusted EBITDA	**47.0**	**50.5**	**(6.9)**
Depreciation, impairment and amortisation	(26.1)	(30.4)	14.1
Dividend received	(0.3)	-	n/a
Operating Profit	**20.6**	**20.1**	**2.5**
Dividend received	0.3	-	n/a
Restructuring costs	-	(0.4)	(100.0)
Acquisition and other investment costs	-	(0.1)	(100.0)
Interest income	0.6	0.9	(33.3)
Finance costs	(19.7)	(19.7)	-
Foreign exchange (loss) / gain	(111.0)	(192.7)	42.4
Monetary Adjustment - IAS 29	189.5	-	n/a
Share of profit of associate	-	-	n/a
Profit before tax	**80.3**	**(191.9)**	**141.8**
Tax expense	(13.8)	(2.5)	452.0
Profit for the period	**66.5**	**(194.4)**	**(134.2)**

Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, impairment and amortisation, and is also presented having adjusted for the following items: restructuring costs, acquisition and other investment costs, foreign exchange (loss)/gain, hyperinflation monetary gain and share of profit from associate.

Adjusted EBITDA at USD 47.0 million for the first quarter was down on Q1 last year (Q1 2019-20: USD 50.5 million) due to lower gross margin and the exchange rate impact.

Depreciation, impairment and amortisation were lower by 14.1% at USD 26.1 million (2019-20: USD 30.4 million) as a result of currency translation impact.

Finance costs for the quarter were in line with Q1 2019-20 at USD 19.7 million.

Foreign exchange losses of USD 111.0 million were predominantly non-cash and largely fell in Zimbabwe due to the translation of US Dollar trade payables and liabilities. As a result of the global COVID-19 pandemic, the Reserve Bank of Zimbabwe (RBZ) fixed the ZWL$:USD exchange rate at 25.0:1 with effect from 23 March 2020. On 8 June the RBZ announced that the fixed rate would be released and market rates would again come into force with effect from 23 June 2020.

Cash generated from operations

Cashflow	For the three-month period ended		
	31-May-20	31-May-19	2020-21 vs 2019-20
	(USDm)	(USDm)	(%)
Cash generated from operations	**37.1**	**26.7**	**39.0**
Tax paid	(1.9)	(2.1)	9.5
Net cash generated from operating activities	**35.2**	**24.6**	**43.1**
Net cash used in investing activities	(21.1)	(31.6)	33.2
Net cash generated from financing activities	28.6	96.0	(70.2)
Net increase in cash and cash equivalent	**42.7**	**89.1**	**(52.1)**

The business recorded a significant increase in cash generated from operations in the quarter (USD 37.1 million), compared with Q1 of the prior year (Q1 2019-20: USD 26.7 million). Contributing to this 39.0% uplift was the partial reversal of the working capital outflow seen at the end of full year 2019-20. The business continues to monitor its working capital position, in particular the collection of debtors in light of COVID-19 challenges that some industries are facing.

Net cash used in investing activities was 33.2% lower in Q1 2020-21 at USD 21.2 million (2019-20: USD 31.6 million) largely due to continued control of capital expenditure alongside the slow down of a small number of projects as a result of the COVID-19 pandemic.

Net cash used in financing activities of USD 28.6 million reflects the draw down of USD 40.0 million on the RCF in March. In the same quarter last year, we received the USD 180.0 million investment from CDC and re-paid USD 73.0 million on the RCF.

Excluding the draw down of USD 40.0 million on the RCF, the business was free cash flow positive in the quarter generating USD 2.7m. Including the RCF, this resulted in a net increase in cash and cash equivalents for the period of USD 42.7 million.

Capital investment and network developments

Capital expenditure in the first quarter was USD 21.9 million (Q1 2019-20: USD 32.4 million), net of disposal proceeds. This capital expenditure largely comprised the continuing build out of NLD 5 & 6 in South Africa, finalising the major fibre link in the DRC to progress our East to West connection and work on our backbone network in Kenya. The spend in the first quarter reflects the slow down of a small number of projects due to COVID-19 lockdowns, but we expect these will catch up with the plan later in the year.

Our capital expenditure is focused on three key areas: the maintenance and upgrade of our network, customer connections and growth and expansion projects. As the quality and resilience of our network is key to our business, maintenance and upgrade work will always take priority. Customer connections are demand driven and lead to future revenue and EBITDA generation and so capital expenditure in this area will form a necessary part of our business progression. Growth and expansion projects are fundamental to our ability to bring our technology solutions to new towns, cities and countries across the continent. We have flexibility in whether we pursue these opportunities, and although keen to explore new ideas, the Board will always ensure there is good commercial rationale before embarking on a new project.

Note that current capex spend in relation to the data centres is limited to projects on existing owned sites and does not relate to any new projects or acquisitions.

Gross and net debt

In accordance with our financing agreements, all covenant compliance is on a pre-IFRS 16 basis.

	Gross and Net Debt		
	31 May 2020 (Post IFRS 16)	**IFRS 16 impact**	**31 May 2020 (Pre IFRS 16)**
	(USDm)	**(USDm)**	**(USDm)**
Total Gross Debt	**891.2**	**(83.2)**	**808.0**
Long term borrowings including interest accrued	789.3	(56.8)	732.5
Short term portion of long-term borrowings	94.4	(26.4)	68.0
Unamortised arrangement fees	7.5	-	7.5
Less: Unrestricted cash	**117.3**	**-**	**117.3**
Net debt	**773.9**	**(83.2)**	**690.7**
Last twelve months adjusted EBITDA	**243.9**	**(37.2)**	**206.7**
Last twelve months interest	**79.4**	**(9.5)**	**69.9**
Covenants			
Gross debt / LTM EBITDA (x)	3.56	n/a	3.79
Net Debt / LTM EBITDA (x)	3.17	n/a	3.34
Interest / LTM EBITDA (x)	3.07	n/a	2.96

Gross debt for the purposes of the bond excludes accrued interest

The total cash balance at the end of the first quarter was USD 118.7 million (Q4 2019-20: USD 85.0 million), including USD 40.0 million drawn on the RCF. Cash is generated locally in the operations of each country and largely used to self-fund operational and capital expenditure, repay intercompany borrowings and service Group debt.

Post-IFRS 16 gross debt at 31 May 2020 was USD 891.2 million (Q4 2019-20: USD 848.5 million), with the increase driven by the draw down of USD 40.0 million from the RCF. Post-IFRS 16 net debt at the year end was USD 773.9 million (Q4 2019-20: USD 765.0 million).

During the period, the business in Zambia, extended the tenor of its USD 8.0 million RCF to FY 2025 and converted the facilities from USD to Zambian Kwacha to allow natural hedging with operational cash flows. No changes to the covenants were made. This is an example of the Group's policy to begin matching its debt profile to its currency earnings.

The closing pre-IFRS 16 net debt to EBITDA ratio was 3.34x, against a threshold of 4.25x. Interest cover was 2.96x against a requirement to exceed 2.5x. The gross debt ratio is an incurrence covenant only and at the quarter end was 3.79x, against a threshold of 3.75x.

The medium-term policy of the Group is to have a net debt to EBITDA ratio of between 2.0x and 3.0x.

Strive Masiyiwa	Nic Rudnick	Kate Hennessy
Group Chairman	Chief Executive Officer	Chief Finance Officer

22 July 2020

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the 3 months ended 31 May 2020

		3 months ended	
	Notes	**31/05/2020**	**31/05/2019**
		USD'000	**USD'000**
		(Unaudited)	**(Unaudited)**
Revenue	3	166,640	154,512
Interconnect related costs		(22,738)	(30,328)
Data and network related costs		(57,400)	(35,665)
Other income		84	308
Selling, distribution and marketing costs		(5,138)	(2,526)
Administrative expenses		(10,497)	(12,051)
Staff costs		(24,182)	(23,747)
Depreciation, impairment and amortisation		(26,095)	(30,397)
Operating profit		20,674	20,106
Dividend received		292	-
Restructuring costs	4	-	(446)
Acquisition and other investment costs		(21)	(123)
Interest income	5	580	867
Finance costs	6	(19,693)	(19,719)
Net foreign exchange loss	2.2.1	(111,000)	(192,677)
Hyperinflation monetary gain*	2.2.2	189,470	-
Share of profits of associate		1	12
Profit / (Loss) before taxation		80,303	(191,980)
Tax expense	7	(13,782)	(2,475)
Profit / (Loss) for the period		**66,521**	**(194,455)**
Other comprehensive (loss) / gain for the period			
Items that may be reclassified subsequently to profit or loss:			
Translation (loss) / gain on accounting for foreign entities		(67,555)	26,595
Impact of application of Hyperinflation accounting on opening balances	2.2.2	5,772	-
Other comprehensive (loss) / gain for the period		(61,783)	26,595
Profit / (Loss) and other comprehensive (loss) / gain for the period		**4,738**	**(167,860)**
Profit / (Loss) attributable to:			
Owners of the company		66,344	(194,479)
Non-controlling interest		177	24
		66,521	**(194,455)**
Profit / (Loss) and other comprehensive (loss) / gain attributable to:			
Owners of the company		4,528	(167,676)
Non-controlling interest		210	(184)
		4,738	**(167,860)**
Earnings / (Loss) per share			
Basic (Cents per share)	24	54.28	(159.10)

* In the period ended 31 May 2020 the group recognised USD 5.8 million of the Hyperinflation monetary gain to Other comprehensive income for the period. This amount represents the Hyperinflation monetary gain on the opening balances at 1 March 2020, as calculated from 1 October 2018.

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 May 2020

	Notes	31/05/2020 USD'000 (Unaudited)	29/02/2020 USD'000 (Audited)
Non-current assets			
Goodwill	8	114,207	125,770
Intangible assets	9	119,159	127,325
Property, plant and equipment	10	794,353	741,380
Right-of-Use assets	11	87,888	97,342
Investment in associate		470	528
Investments		10,814	10,814
Deferred tax assets		27,888	31,708
Held to maturity investments		138	193
Long-term receivables		44	61
Total non-current assets		**1,154,961**	**1,135,121**
Current assets			
Inventories		40,502	27,049
Trade and other receivables	13	210,579	221,373
Taxation		998	966
Cash and cash equivalents	12	117,343	83,492
Restricted cash and cash equivalents	12	1,384	1,511
Total current assets		**370,806**	**334,391**
Total assets		**1,525,767**	**1,469,512**
Equity and liabilities			
Capital and reserves			
Share capital		3,638	3,638
Share premium		251,446	251,446
Convertible preference shares		180,000	180,000
Retained earnings / (Accumulated loss)		9,737	(56,607)
Foreign currency translation reserve		(77,376)	(15,560)
Total equity attributable to owners of the parent		**367,445**	**362,917**
Non-controlling interests		2,069	2,026
Total equity		**369,514**	**364,943**
Non-current liabilities			
Long term borrowing	14	732,447	732,515
Long term lease liabilities	15	56,807	65,492
Long term provisions		1,244	1,396
Other long term payables		11,535	12,324
Deferred revenue	17	46,384	52,898
Deferred tax liabilities		45,898	17,638
Total non-current liabilities		**894,315**	**882,263**
Current liabilities			
Short term portion of long term borrowing	14	68,017	12,211
Short term portion of long term lease liabilities	15	26,396	29,922
Trade and other payables	16	132,636	154,687
Short term provisions		12,974	16,353
Deferred revenue	17	18,154	6,690
Taxation		3,761	2,443
Total current liabilities		**261,938**	**222,306**
Total equity and liabilities		**1,525,767**	**1,469,512**

Approved by the Board of Directors and authorised for issue on 22 July 2020.

Eric Venpin
Director

Mike Mootien
Alternate Director to Gaetan Lan

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 3 months ended 31 May 2020

	Notes	Share capital	Share premium	Convertible preference shares	Foreign currency translation reserve	(Accumulated loss) / Retained earnings	Non-controlling interest	Total equity
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 March 2019 (Audited)		3,638	251,446	-	(20,793)	7,008	10,458	251,757
Issue of convertible preference shares		-	-	180,000	-	-	-	180,000
Loss for the period		-	-	-	-	(194,479)	24	(194,455)
Translation (loss) / gain on accounting for foreign entities		-	-	-	26,803	-	(208)	26,595
At 31 May 2019 (Unaudited)		**3,638**	**251,446**	**180,000**	**6,010**	**(187,471)**	**10,274**	**263,897**
At 1 March 2020 (Audited)		3,638	251,446	180,000	(15,560)	(56,607)	2,026	364,943
Change in ownership		-	-	-	-	-	(167)	(167)
Profit for the period		-	-	-	-	66,344	177	66,521
Impact of application of Hyperinflation accounting on opening balances		-	-	-	5,772	-	-	5,772
Translation (loss) / gain on accounting for foreign entities		-	-	-	(67,588)	-	33	(67,555)
At 31 May 2020 (Unaudited)		**3,638**	**251,446**	**180,000**	**(77,376)**	**9,737**	**2,069**	**369,514**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED UNAUDITED STATEMENT OF CASH FLOWS
for the 3 months ended 31 May 2020

	Notes	3 months ended 31/05/2020 USD'000 (Unaudited)	31/05/2019 USD'000 (Unaudited)
Cash flows from operating activities:			
Profit before tax		80,303	(191,980)
Adjustments for:			
Depreciation, impairment and amortisation		26,095	30,397
Bad debts provision / (recovered)		3,167	(870)
Dividends received		(292)	-
Decrease in provisions		(2,165)	(5,394)
Foreign exchange loss		112,753	191,750
Hyperinflation monetary gain		(189,470)	-
Profit on disposal of fixed assets		(1)	(24)
Interest income	5	(580)	(867)
Finance costs	6	19,693	19,719
Share of profits of associate		(1)	(12)
		49,502	42,719
Working capital changes:			
(Increase) / decrease in inventories		(1,286)	1,155
Increase in trade and other receivables		(12,137)	(21,643)
Decrease in trade and other payables		(12,825)	(6,055)
Increase in deferred revenue		8,392	1,341
Increase in accruals		5,586	9,351
Decrease in unfavourable contracts		(147)	(139)
Cash generated from operations		37,085	26,729
Income tax paid		(1,892)	(2,098)
Net cash generated from operating activities		35,193	24,631
Cash flows from investing activities:			
Interest income	5	581	867
Dividends received		292	-
Purchase of property, plant and equipment	10	(19,287)	(30,285)
Proceeds on disposal of property, plant and equipment		36	25
Purchase of intangible assets	9	(2,686)	(2,183)
Net cash used in investing activities		(21,064)	(31,576)
Cash flows from financing activities:			
Finance costs		(2,089)	(3,321)
Issue of convertible preference shares		-	180,000
Decrease in lease liabilities		(9,540)	(6,322)
Increase / (decrease) in long-term loan borrowings		40,224	(74,361)
Net cash generated from financing activities		28,595	95,996
Net increase in cash and cash equivalents		42,724	89,051
Cash and cash equivalents at beginning of the period		85,003	95,082
Translation of cash with respect to foreign subsidiaries		(9,000)	(25,291)
Cash and cash equivalents at end of the period		**118,727**	**158,842**
Represented by:			
Cash and cash equivalents		117,343	157,251
Restricted cash and cash equivalents		1,384	1,591
		118,727	**158,842**

1. General information

Liquid Telecommunications Holdings Limited is a private company incorporated in Mauritius on the 26 January 2007 and is the holder of a Category 2 – Global Business Licence Company as from 29 January 2007. Its registered office is situated at 10th floor, Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebene, Mauritius. The company's main activity is to carry on the business of a holding company in respect of subsidiary companies throughout the world, whilst the group's business is to develop a global telecommunications and technology business with a focus on Africa. This has remained unchanged since the prior year.

These financial statements are presented in United States Dollars (USD) as this is the currency in which the majority of the group's transactions are denominated. The functional currencies of the subsidiaries are: United States Dollars, Mauritian Rupee, South African Rand, Pound Sterling, Zambian Kwacha, Kenyan Shilling, Ugandan Shilling, Rwandan Franc, Botswana Pula, Nigerian Naira, Tanzanian Shilling, Sudanese Pound, United Arab Emirates Dirham and Zimbabwean dollar (ZWL$, equivalent to the Real Time Gross Settlement - "RTGS").

On 1 March 2020, the company entered into an agreement with Stamford TC Limited whereby the company disposed 20% of its shareholding in Liquid Telecommunications Kenya Limited to Stamford TC Limited for a consideration of USD 2.3 million. This transfer is made to satisfy the 20% local equity participation required of telecommunications companies in Kenya.

Response to COVID-19 pandemic

As the COVID-19 pandemic continues, the group is taking every precaution to protect the health, well-being and safety of staff, customers, partners and the public whilst ensuring the ongoing delivery of its communications solutions. The directors are monitoring the advice of the health organisations in each of the territories in which the group operates and is adjusting the group's operating procedures as necessary.

2. Accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the three months ended 31 May 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The preparation of consolidated 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.

2.1 Going concern

The directors have reviewed the consolidated cash flow projections of the group for the twelve months from the date of signing of the consolidated interim financial statements. Taking into account the available cash position as of 31 May 2020, including the impact of the currency changes in Zimbabwe, the cash flow projections for the period (which include discretionary capital expenditure), the repayment of existing obligations and loan funding, the directors are satisfied that the group has access to adequate cash resources to settle obligations as they fall due. They also consider that the operations provide sufficient financial sustainability to enable the business to continue in existence for the foreseeable future.

In making their assessment, the directors have considered the potential impact of the COVID-19 pandemic on the operations, business plan and cashflow for the financial year 2021. Although the full effects of the pandemic are not yet known, the potential impact of the following consequences have been taken into account: instability of financial markets, volatility of currency markets, particularly the South African Rand, inability of customers to pay and supply chain shortages. Even after assessing these factors, the directors consider the group has sufficient liquidity and headroom on its covenants.

The going concern assumption is supported by the following key considerations:

<u>Funding facilities</u>
The group is currently funded from a combination of retained earnings, USD 730.0 million Senior Secured Notes (maturity in July 2022), USD 73.0 million Revolving Credit Facility ("RCF") (maturity in April 2022) plus USD 23.3 million of locally provided Revolving Credit Facilities (maturity in 2025 financial year) and term loans (maturity in the financial years 2020 to 2022) in Zambia, of which USD 13.7 million is outstanding at the statement of financial position date. In March 2020, USD 40.0 million was drawn down from the USD 73.0 million RCF as a precautionary measure to preserve liquidity due to uncertainties of the impact of COVID-19 pandemic.

<u>Cash position</u>
As at 31 May 2020, the group has an unrestricted cash position of USD 117.3 million (29 February 2020: USD 83.5 million). Of this amount, USD 16.0 million (29 February 2020: USD 22.5 million) is held in Zimbabwe. The group has translated the ZWL$ denominated cash in Zimbabwe at the statement of financial position date at a ZWL$:USD exchange rate of 25.0:1 (29 February 2020: 18.0:1). Cash held in Zimbabwe is used to locally fund operational expenses and capital expenditure.

2. Accounting policies (continued)

2.1 Going concern (continued)

Operational performance

For the 3 months ended 31 May 2020, the group reported an operating profit of USD 20.7 million (31 May 2019: USD 20.1 million) and a net cash inflow from operating activities of USD 35.2 million (31 May 2019: USD 24.6 million). This demonstrates the group's ability to generate sufficient cash flow to enable it to support its underlying business operations and invest in new projects, even after taking into account the impact of the currency devaluation in Zimbabwe. Following the continuing devaluation of the currency in Zimbabwe, the proportion of the group's total operating profit for the year and cash balance at the end of the year represented by Zimbabwe, has reduced compared to the prior year.

Based on the assessment made and for the reasons set out above, the directors are of the opinion that the adoption of the going concern assumption in the preparation of the financial statements for the period ended 31 May 2020 is appropriate.

2.2 Zimbabwean currency and hyperinflation accounting

Following changes to the currency in Zimbabwe in February 2019, the economic conditions are now those of a hyperinflationary environment. As a result, local accounting bodies have determined that the principles of IAS 29 - "Financial Reporting in Hyperinflationary Economies" should be applied. The group has therefore adopted hyperinflation accounting during the period ended 31 May 2020, with effect from 1 October 2018 for its Zimbabwean subsidiaries.

More details on the currency changes and the adoption of hyperinflation accounting are set out in note 2.2.1 and 2.2.2 below.

2.2.1 Zimbabwean currency

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) directed all banks to ring-fence nostro foreign currency accounts (FCAs) by separating them into two categories; namely Nostro FCAs and RTGS FCAs. Authorities maintained that the US dollar represented in the RTGS system was at a 1:1 exchange ratio. On 20 February 2019, the RBZ announced that with effect from 22 February 2019, the RTGS would be recognised as an official currency and that an interbank foreign exchange market would be established to formalise trading in RTGS balances with other currencies. The official rate on launch was 2.5. The Zimbabwean currency is now denominated as the Zimbabwean Dollar (ZWL$).

In the 3 month period to 31 May 2020, the group has used a rate of ZWL$:USD 25.0:1 to translate both the statement of profit or loss and the statement of financial position at 31 May 2020. Of the USD 111.0 million of net foreign exchange loss in the consolidated statement of profit and loss, Zimbabwe contributed USD 104.7 million. The net foreign exchange loss arises mainly on the retranslation of USD denominated intra-group debt at the statement of financial position date.

On 23 March 2020, in response to the financial uncertainties caused by the COVID-19 pandemic, the Government of Zimbabwe, through the Reserve Bank of Zimbabwe (RBZ) adopted a fixed exchange rate system at the interbank level of ZWL$:USD 25:1. Further to an announcement on 8 June, the RBZ has indicated that this fixed rate will end on 23 June 2020.

2.2.2 Hyperinflation accounting

Local economic conditions in Zimbabwe have continued to react to the deterioration in the ZWL$:USD exchange rate. Over the course of the prior year, the group observed that the conditions in Zimbabwe were indicative of a hyperinflationary economy. This was confirmed in a statement released on 11 October 2019 by the Public Accountants and Auditors Board ("PAAB"), which is mandated to regulate Auditing and Accounting standards in Zimbabwe. The PAAB advised that following broad market consensus within the Accounting and Auditing professions, the factors and characteristics to apply IAS 29 - "Financial Reporting in Hyperinflationary Economies" in Zimbabwe were met. Hyperinflation accounting is applicable to accounting periods ended on or after 1 July 2019 and so the group has applied the requirements of IAS 29 in its consolidated financial statements, effective from 1 October 2018. The gains on the net monetary position relating to the opening balances of the Zimbabwe subsidiaries at 1 March 2020 of USD 5.7 million have been recognised in the consolidated statement of other comprehensive income.

The application of hyperinflationary accounting results in certain assets, liabilities, revenues and costs being reported in inflation adjusted terms as at 31 May 2020.

The restatement of balances in accordance with IAS 29 requires the use of a general price index that reflects changes in general purchasing power. The group has used the official published Zimbabwe Consumer Price Index ("CPI") as the general price index. The gains on the net monetary position of USD 189.5 million have been recognised in the consolidated statement of profit or loss through 'Hyperinflation monetary gain' based on a CPI of 953.4.

In addition, IAS 29 requires the translation of the results at closing rate rather than average rate. The closing rate of ZWL$:USD 25.0:1 has been used.

The comparative amounts in the consolidated interim financial statements have not been restated as the presentation currency of the group is that of a non-hyperinflationary economy.

The directors continue to monitor the economic conditions in Zimbabwe.

2. Accounting policies (continued)

Accounting policies

The accounting policies applied by the group in the preparation of the condensed interim consolidated financial statements presented are in accordance with IFRS and are consistent with those applied by the group in the preparation of the consolidated financial statements for the year ended 29 February 2020.

2.3 Critical accounting judgements and key sources of estimation uncertainty

The significant accounting judgements and critical estimates applied by the group in the preparation of these condensed consolidated interim financial statements presented are in accordance with IFRS and are consistent with those applied by the group in the preparation of the consolidated annual financial statements for the period ended 29 February 2020. In addition, the following significant accounting judgements and critical estimates have also been made:

Material judgements

Revenue Recognition

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

Classification and measurement of financial instruments

• Classification of financial assets: The group uses judgement in the assessment of the business models within which the non-equity financial assets are held and the assessment of whether the contractual terms of such financial assets are solely payments of principal and interest on the principal amounts outstanding.

• Valuation of investments: Previously, under IAS 39, the investments were classified as 'Available-for-sale' and measured at cost. As of 1 March 2018 under IFRS 9 "Financial instruments" in limited circumstances, cost may provide an appropriate estimate of fair value. This would be the case if insufficient more recent information is available to measure the fair value. The directors considered the requirements of IFRS 9 and are of the opinion that cost is the best estimate for fair value.

• Impairment: The loss allowances for financial assets are based on the use of forward-looking information and on the assumptions about risk and probability of default and expected loss rates. The group uses judgement and estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

Identification of leases and lease term

In making their judgement, the directors considered the detailed criteria for the recognition of leases as set out in IFRS 16 "Leases". The group, at the inception of the contract, assesses whether the contract contains a lease by considering if the contract conveys a right of control to use the identified asset for a period of time in exchange for consideration. The group considers whether the contract involves the use of an identified asset, whether the group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period and also if the group has the right to direct the use of the asset.

Further, judgements are made when determining the appropriate lease term and whether it is reasonably certain that a termination or extension option will be exercised, and in relation to any incremental borrowing rate used.

The directors are satisfied that leases have been appropriately identified and that the lease terms have been correctly measured.

Material estimates

Royal Bafokeng Holdings - On sale agreement

In October 2017, the group entered into a subscription, a share repurchase agreement and a sale agreement with Royal Bafokeng Holdings Limited ("RBH"). The agreements include an "On-Sale" clause whereby the group will issue additional shares if the price per share is below an agreed price. Management has carried out an assessment of the current estimated market price compared to the agreed price and is of the opinion that there is no financial implication as at 31 May 2020. Management have considered a range of scenarios and as an illustration, should the market price be 5% below the agreed price the prescribed calculations indicate an additional USD 1.3 million of share value will be issued to RBH and if 10% below the agreed price, an additional USD 2.2 million of share value will be issued to RBH.

2. Accounting policies (continued)

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

Material estimates (continued)

Residual value and useful life

The group depreciates its assets over their estimated useful lives taking into account residual values which, in compliance with IAS 16 Property, plant and equipment (revised), are re-assessed on an annual basis. The actual lives and residual values of these assets can vary depending on a variety of factors.

Technological innovation, product life cycles and maintenance programmes all impact the useful lives and residual values of the assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Deferred taxation assets

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value of the recoverable amount.

3. Segment information

The group's operating and 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, profit/loss before tax and assets fall below 10% of group total (Rest of Africa). The group also has other operations based outside of Africa which have been aggregated into a separate segment (Rest of the World).

Group revenue can be classified into four revenue streams:

• Wholesale data and other services - primarily data services sold to African mobile network operators and international telecom operators;
• Enterprise data and other services - primarily data services sold to medium to large enterprises in Africa;
• Retail data and other services - primarily data services sold to consumers and small businesses in Africa; and
• Wholesale voice traffic - primarily revenue from international voice interconnects between mobile network operators and international telecom carriers.

The measure of reporting profit for each operating segment, which also represents the basis on which the Chief Operating Decision Maker reviews segment results, is Adjusted EBITDA.

Adjusted EBITDA is defined as earnings before profit before interest, taxation, depreciation, amortisation, and impairment, and is also presented before recognising the following items:

- Restructuring costs
- Acquisition and other investment costs
- Net foreign exchange (loss) / gain
- Hyperinflation monetary gain
- Share of profits of associate

The following is an analysis of the group's revenue and results by reportable segment for the 3 months ended 31 May 2020.

	South Africa	Zimbabwe	Rest of Africa	Rest of the World	Central Administration Costs	Eliminations	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Data and other services							
Wholesale	45,466	14,712	10,360	21,676	-	(16,985)	75,229
Enterprise	28,854	7,453	14,667	1,066	-	-	52,040
Retail	-	9,676	2,624	-	-	-	12,300
Wholesale voice traffic	1,616	-	1	27,003	-	(1,549)	27,071
Inter-segmental revenue	(2,001)	(784)	(2,308)	(13,441)	-	18,534	-
Group External Revenue	**73,935**	**31,057**	**25,344**	**36,304**	**-**	**-**	**166,640**
Adjusted EBITDA	15,223	8,424	7,269	15,824	(3,573)	3,894	47,061
Depreciation, impairment and amortisation							(26,095)
Acquisition and other investment costs							(21)
Interest income							580
Finance costs							(19,693)
Net foreign exchange loss							(111,000)
Hyperinflation monetary gain							189,470
Share of profits of associate							1
Profit before taxation							80,303
Tax expense							(13,782)
Profit for the period							66,521

3. Segment information (continued)

The following is an analysis of the group's revenue and results by reportable segment for the 3 months ended 31 May 2019.

	South Africa	Zimbabwe	Rest of Africa	Rest of the World	Central Administration Costs	Eliminations	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Data and other services							
Wholesale	16,589	11,090	12,664	17,902	-	(12,752)	45,493
Enterprise	40,374	6,009	14,536	860	-	-	61,779
Retail	1,840	7,522	1,858	-	-	-	11,220
Wholesale voice traffic	3,192	-	2	38,201	-	(5,375)	36,020
Inter-segmental revenue	(3,382)	(236)	(1,362)	(13,147)	-	18,127	-
Group External Revenue	**58,613**	**24,385**	**27,698**	**43,816**	**-**	**-**	**154,512**
Adjusted EBITDA	17,194	10,314	11,563	18,414	(5,331)	(1,651)	50,503

Depreciation, impairment and amortisation	(30,397)
Restructuring costs	(446)
Acquisition and other investment costs	(123)
Interest income	867
Finance costs	(19,719)
Net foreign exchange loss	(192,677)
Share of profits of associate	12
Loss before taxation	(191,980)
Tax expense	(2,475)
Loss for the period	(194,455)

A reconciliation of Operating profit, as shown in the consolidated unaudited statement of profit or loss, to Adjusted EBITDA (see above) is shown in note 25 - *Reconciliation.*

4. Restructuring costs

	3 months ended	
	31/05/2020	31/05/2019
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Redundancy costs	-	430
Other costs	-	16
	-	**446**

5. Interest income

	3 months ended	
	31/05/2020	31/05/2019
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Interest received - bank / external	367	777
Interest received - inter-group (note 18)	213	90
	580	**867**

6. Finance costs

	3 months ended	
	31/05/2020	31/05/2019
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Interest on bank overdraft and loans	1,204	1,163
Finance cost on Senior Secured Notes	15,513	15,513
Finance arrangement fees	885	885
Interest expense on lease liabilities	2,091	2,158
	19,693	**19,719**

7. Tax expense

	3 months ended	
	31/05/2020	31/05/2019
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Current taxation	2,498	2,347
Deferred taxation	10,453	(599)
Withholding taxation	831	727
Total taxation	**13,782**	**2,475**

	3 months ended	
	31/05/2020	31/05/2019
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Profit / (Loss) before taxation	80,303	(191,980)
Taxation at domestic rate for foreign subsidiaries in tax paying jurisdictions	20,248	(47,027)
Tax effect of non-deductible expenses	(8,361)	45,141
Tax effect of non-taxable income	(645)	(474)
Tax effect of foreign tax rate	(1,395)	(1,600)
Effect of tax losses not recognised as deferred tax assets	3,362	6,332
Tax effect of utilised unrecognised tax losses	(258)	(624)
Withholding taxation	831	727
	13,782	**2,475**

7. Taxation (continued)

The company, being the holder of a GBL2 licence is not liable to income tax in Mauritius. Taxation for other subsidiaries is calculated at the rates prevailing in the respective jurisdictions:

	31/05/2020	31/05/2019
	%	%
Mauritius (tax credit of 80%)	15	15
South Africa	28	28
Kenya	30	30
United Kingdom	19	19
Tanzania	30	30
Zambia	35	35
Zimbabwe	25.75	25.75

8. Goodwill

	31/05/2020	29/02/2020
	USD'000	USD'000
	(Unaudited)	(Audited)
Cost		
Opening balance	125,770	137,341
Foreign exchange differences	(13,007)	(15,100)
Adjustments - IAS 29	1,444	3,529
Closing balance	**114,207**	**125,770**

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.

	31/05/2020	29/02/2020
	USD'000	USD'000
	(Unaudited)	(Audited)
Liquid Telecommunications Limited	2,850	2,850
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	1,441	1,441
Zimbabwe Online (Private) Limited	4,260	3,922
Liquid Telecommunications Holdings South Africa (Pty) Limited	97,626	109,527
HAI Telecommunications Limited*	-	2,201
Liquid Telecommunications Zambia Limited*	2,201	-
Raha Tanzania Holdings Limited	5,584	5,584
Transaction Payment Solutions Indian Ocean Limited	245	245
	114,207	**125,770**

* HAI Telecommunications Limited (HAI) is a 100% subsidiary of Liquid Telecommunications Zambia Limited and was merged into its parent on 1 March 2020 resulting in a reallocation of the goodwill.

Goodwill is tested at least annually for impairment. The recoverable amounts of the cash generating units (CGU) were determined based on the value in use calculations. The calculations mainly used cash flow projections based on financial budgets covering a three to five-year period.

The following key assumptions were used for the value in use calculations:

• Growth rates: the group used steady growth rates to extrapolate revenues beyond the budget period cash flows. The average growth rates used ranged from 2.0% to 5.0%.
• Discount rates: discount rates ranged from 11.0% to 13.0%. Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU and operating country.

9. Intangible assets

	Operating Licence	Computer Software	Fibre Optical - IRU	Customer Relationships	Work in Progress	Data centres	Other Intangible Assets	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:								
At 1 March 2019 (Audited)	27,213	40,687	114,389	52,894	4,000	-	29,230	268,413
Purchases	534	2,493	9,495	-	976	-	-	13,498
Disposals	-	(172)	(9,006)	-	(194)	-	-	(9,372)
Transfers	-	1,696	-	(14,342)	(1,696)	-	14,342	-
Transfers from Property, plant and equipment (note 10)	-	14	-	-	-	26	-	40
Foreign exchange differences	(6,257)	(4,682)	(2,433)	(5,600)	-	(2)	(2,100)	(21,074)
Adjustments - IAS 29	6,881	1,326	-	-	-	-	-	8,207
At 29 February 2020 (Audited)	28,371	41,362	112,445	32,952	3,086	24	41,472	259,712
Purchases	-	333	2,328	-	25	-	-	2,686
Transfers	-	100	-	-	(100)	-	-	-
Transfers to Property, plant and equipment (note 10)	350	-	-	-	-	-	-	350
Foreign exchange differences	(3,653)	(4,141)	(2,182)	(4,732)	-	(3)	(2,995)	(17,706)
Adjustments - IAS 29	2,687	513	-	-	-	-	-	3,200
At 31 May 2020 (Unaudited)	27,755	38,167	112,591	28,220	3,011	21	38,477	248,242
Accumulated amortisation:								
At 1 March 2019 (Audited)	7,694	33,417	46,310	8,859	-	-	19,007	115,287
Amortisation	1,851	3,286	8,105	3,398	-	-	8,202	24,842
Disposals	-	(172)	-	-	-	-	-	(172)
Transfers from Property, plant and equipment (note 10)	-	(45)	-	-	-	2	-	(43)
Foreign exchange differences	(1,748)	(3,835)	(1,410)	(783)	-	-	(2,333)	(10,109)
Adjustments - IAS 29	1,720	862	-	-	-	-	-	2,582
At 29 February 2020 (Audited)	9,517	33,513	53,005	11,474	-	2	24,876	132,387
Amortisation	296	874	1,609	726	-	-	1,781	5,286
Transfers to Property, plant and equipment (note 10)	-	12	-	-	-	-	-	12
Foreign exchange differences	(1,305)	(3,526)	(1,557)	(870)	-	-	(2,724)	(9,982)
Adjustments - IAS 29	1,069	311	-	-	-	-	-	1,380
At 31 May 2020 (Unaudited)	9,577	31,184	53,057	11,330	-	2	23,933	129,083
Carrying amount:								
At 29 February 2020 (Audited)	18,854	7,849	59,440	21,478	3,086	22	16,596	127,325
At 31 May 2020 (Unaudited)	18,178	6,983	59,534	16,890	3,011	19	14,544	119,159

During the year ended 29 February 2020, the following major transactions took place with respect to Intangible assets:

- the group acquired the minority interest in Liquid Telecommunications Botswana (Pty) Limited. This transaction resulted in the derecognition of a Fibre Optical - IRU of USD 9.0 million representing the capital contributed by the minority interest.
- the group acquired a 20 year Fibre Optical - IRU, through Liquid Telecom DRC S.A., in the Democratic Republic of Congo ("DRC') for USD 7.6 million. This acquisition extends the group's fibre network across DRC.

10. Property, plant and equipment

	Land and buildings USD'000	Furniture and fittings USD'000	Computer equipment USD'000	Network equipment USD'000	Motor vehicles USD'000	Data centres USD'000	Work in progress USD'000	Fibre infrastructure USD'000	Total USD'000
Cost:									
At 1 March 2019 (Audited)	80,565	12,142	38,467	93,808	9,656	-	60,173	1,032,619	1,327,430
Additions	2	463	1,342	1,471	121	7,395	37,009	57,058	104,861
Disposals	-	(774)	(656)	(1,693)	(201)	-	(2,711)	(23,458)	(29,493)
Impairment	-	-	-	-	-	-	(2,284)	-	(2,284)
Transfers	(20,477)	(120)	(5,052)	2,729	-	94,711	(29,854)	(41,937)	-
Transfer to Intangible assets (note 9)	-	-	-	-	-	(14)	-	(26)	(40)
Foreign exchange differences	(6,244)	(2,950)	(3,925)	(8,462)	(4,804)	(6,323)	(13,661)	(306,567)	(352,936)
Adjustments - IAS 29	3,785	3,431	2,231	7,228	6,044	-	8,227	359,128	390,074
At 29 February 2020 (Audited)	57,631	12,192	32,407	95,081	10,816	95,769	56,899	1,076,817	1,437,612
Additions	-	231	208	314	174	69	16,388	1,903	19,287
Disposals	-	-	(35)	-	-	-	-	-	(35)
Transfers	-	-	49	861	-	-	(4,248)	3,338	-
Transfer from Intangible assets (note 9)	-	-	-	-	-	-	(350)	-	(350)
Foreign exchange differences	(3,134)	(1,566)	(2,836)	(8,265)	(2,007)	(12,316)	(6,805)	(169,658)	(206,587)
Adjustments - IAS 29	1,478	1,323	775	2,432	2,288	-	4,325	134,684	147,305
At 31 May 2020 (Unaudited)	55,975	12,180	30,568	90,423	11,271	83,522	66,209	1,047,084	1,397,232
Accumulated depreciation									
At 1 March 2019 (Audited)	16,807	8,550	28,337	76,429	6,423	-	(2,257)	406,545	540,834
Depreciation	649	1,250	4,412	9,935	1,339	5,986	-	63,385	86,956
Disposals	-	(753)	(531)	(1,763)	(190)	-	-	(2,133)	(5,370)
Transfers	(3,439)	(159)	(5,085)	(393)	-	23,528	-	(14,452)	-
Transfer to Intangible assets (note 9)	-	-	-	-	-	45	-	(2)	43
Foreign exchange differences	(1,093)	(1,218)	(2,942)	(4,738)	(2,633)	(2,002)	-	(82,093)	(96,719)
Adjustments - IAS 29	-	2,493	1,282	5,452	4,839	-	-	156,422	170,488
At 29 February 2020 (Audited)	12,924	10,163	25,473	84,922	9,778	27,557	(2,257)	527,672	696,232
Depreciation	262	143	808	2,015	100	1,558	-	8,766	13,652
Transfer from Intangible assets (note 9)	-	-	-	-	-	-	-	(12)	(12)
Foreign exchange differences	(682)	(1,320)	(2,341)	(5,689)	(1,852)	(3,450)	-	(81,523)	(96,857)
Adjustments - IAS 29	-	236	438	2,243	1,336	-	-	(14,389)	(10,136)
At 31 May 2020 (Unaudited)	12,504	9,222	24,378	83,491	9,362	25,665	(2,257)	440,514	602,879
Carrying amount:									
At 29 February 2020 (Audited)	44,707	2,029	6,934	10,159	1,038	68,212	59,156	549,145	741,380
At 31 May 2020 (Unaudited)	43,471	2,958	6,190	6,932	1,909	57,857	68,466	606,570	794,353

Refer to note 14 for securities on property, plant and equipment.

During the period ended 31 May 2020:

• In line with the reclassification of Data Centre assets done in the prior year, it is noted that USD 31.3 million of Data Centre real estate is reported under the Land and buildings category to ensure appropriate IFRS classification.

During the year ended 29 February 2020:

• assets relating to the Data Centre line of business were re-classified to a single category to better present the use of assets. Of the USD 94.7 million transferred, USD 6.8 million relates to additions during the year within the transfer line.

• Work-in-progress was impaired by USD 2.3 million relating to redundant technology and is disclosed in 'Depreciation, impairment and amortisation'.

11. Right-of-Use assets

	Land and buildings USD'000	Computer equipment USD'000	Network equipment USD'000	Motor vehicles USD'000	Fibre infrastructure USD'000	Total USD'000
Cost:						
Opening adjustment on 1 March 2019 - IFRS 16	56,000	23	35,180	1,759	15,424	108,386
Additions	7,597	-	3,312	14	3,729	14,652
Disposals	(13)	-	-	-	-	(13)
Impairment	(2,551)	-	-	-	-	(2,551)
Foreign exchange differences	(2,637)	-	(11)	(95)	(1,092)	(3,835)
Adjustments - IAS 29	11,986	-	-	-	-	11,986
At 29 February 2020 (Audited)	70,382	23	38,481	1,678	18,061	128,625
Additions	1,592	-	-	-	251	1,843
Foreign exchange differences	(8,781)	(1)	(26)	(154)	(1,622)	(10,584)
Adjustments - IAS 29	5,029	-	-	-	-	5,029
At 31 May 2020 (Unaudited)	68,222	22	38,455	1,524	16,690	124,913
Accumulated depreciation:						
Depreciation	11,284	-	12,769	591	7,474	32,118
Disposals	(13)	-	-	-	-	(13)
Foreign exchange differences	(383)	-	(2)	(25)	(426)	(836)
Disposals	14	-	-	-	-	14
At 29 February 2020 (Audited)	10,902	-	12,767	566	7,048	31,283
Depreciation	2,022	8	3,170	133	1,828	7,161
Foreign exchange differences	(974)	-	(7)	(44)	(625)	(1,650)
Disposals	231	-	-	-	-	231
At 31 May 2020 (Unaudited)	12,181	8	15,930	655	8,251	37,025
Carrying amount:						
At 29 February 2020 (Audited)	59,480	23	25,714	1,112	11,013	97,342
At 31 May 2020 (Unaudited)	56,041	14	22,525	869	8,439	87,888

12. Cash and cash equivalents and restricted cash and cash equivalents

	31/05/2020 USD'000 (Unaudited)	29/02/2020 USD'000 (Audited)
Cash and bank balances	115,738	81,257
Money market deposits	1,605	2,235
Cash and cash equivalents	**117,343**	**83,492**
Restricted cash and cash equivalents	**1,384**	**1,511**
Total cash and cash equivalents	**118,727**	**85,003**

The cash and cash equivalents are mainly denominated in USD, GBP, KES, ZAR and ZWL$ and are located in Mauritius, United Kingdom, Kenya, South Africa and Zimbabwe.

Cash and cash equivalents include USD 16.0 million (29 February 2020: USD 22.5 million) in Zimbabwe held in cash, short term deposits and similar instruments. These amounts have been translated at the rate of ZWL$:USD of 25.0:1 (29 February 2020: ZWL$:USD 18.0:1). See note 2.2 - Zimbabwean currency for more detailed disclosure on ZWL$.

13. Trade and other receivables

	31/05/2020 USD'000 (Unaudited)	29/02/2020 USD'000 (Audited)
Trade receivables	151,443	150,886
Allowance for doubtful debts	(41,594)	(41,692)
Affiliated entities (note 18)	46,180	39,631
Total trade and affiliated entities receivables, net of allowance for doubtul debts	**156,029**	**148,825**
Sundry debtors	29,447	44,489
Deposits paid	4,155	4,565
Prepayments	20,948	23,494
	210,579	**221,373**

The average credit period for the group is 30 days. In determining the recoverability of a trade receivable, the group makes use of forward-looking information as well as certain assumptions about the risk and probability of default together with expected loss rates. The group assesses the recoverability on both a collective and individual basis.

Before accepting any new customer, the group ascertains the creditworthiness 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 creditworthiness of customers is reviewed throughout the period.

The receivable balances from affiliated entities and other related parties are unsecured, interest free and are repayable within six months.

In addition to the current items not yet due of USD 46.9 million (29 February 2020: USD 81.0 million) for the group, the trade receivables and affiliated entities balances disclosed below include amounts that are past due at the end of the reporting period, but for which the group has not recognised an allowance for doubtful debts, because there has been no significant change in the assumptions about risk and probability of default and the amounts are still considered recoverable.

	Ageing of past due but not impaired	
	31/05/2020 USD'000 (Unaudited)	29/02/2020 USD'000 (Audited)
Group		
31 - 60 days	32,865	10,594
61 - 90 days	7,594	9,895
91 - 120 days	32,246	8,030
121 + days	36,447	39,298
Total ageing of past due but not impaired	**109,152**	**67,817**
Current items	46,877	81,008
Total trade and affiliated entities receivables, net of allowance for doubtul debts	**156,029**	**148,825**

Included in amounts past due but not impaired are USD 46.2 million (29 February 2020: USD 39.6 million) of receivables from the Econet Group. Refer to note 18 for the total breakdown of Econet Group trade receivables.

14. Short term portion of long term borrowings and long term borrowings

	31/05/2020 USD'000 (Unaudited)	29/02/2020 USD'000 (Audited)
Long term borrowings:		
Stanbic Bank of Zambia Limited	9,906	10,859
USD 730 million 8.5% Senior Secured Notes	722,541	721,656
	732,447	**732,515**
Short term portion of long term borrowings:		
Stanbic Bank of Zambia Limited	3,813	3,813
USD 730 million 8.5% Senior Secured Notes	23,786	8,273
USD 73 million revolving credit facility	40,418	125
	68,017	**12,211**

In July 2017, Liquid Telecommunications Financing Plc issued USD 550.0 million Senior Secured notes. In November 2017, a further USD 180.0 million Senior Secured notes were issued which form a single series with the original notes with a premium of USD 9.0 million. The Senior Secured notes bear interest, payable half yearly, at the rate of 8.5% and are payable at maturity in July 2022. As at 31 May 2020, the USD 730.0 million 8.5% Senior Secured notes due in 2022 issued by Liquid Telecommunications Financing Plc are guaranteed on a Senior Secured basis by: Liquid Telecommunications Holdings Limited, Liquid Telecommunications Operations Limited, Liquid Telecommunications Limited, Liquid Telecommunications Investments Limited, Liquid Telecommunications Kenya Limited, Liquid Telecommunications Holdings South Africa (Pty) Limited, Liquid Telecommunications Operations SA (Pty) Limited, Liquid Telecommunications South Africa (Pty) Limited and Liquid Telecommunications Zambia Limited with various types of collateral. Such collateral includes (among other things): (i) share pledges and charges over assets, and including bank accounts, (ii) assignment over present and future intercompany loans receivables and agreements (iii) assignment over receivables including trade debtors, intellectual property rights and insurances, and (iv) deed of hypothecation over trademarks.

In addition to the bonds, the group has a USD 73.0 million Revolving Credit Facility agreement between the company, The Mauritius Commercial Bank (participation previously owned by Citibank, N.A.), Standard Bank of South Africa, Standard Finance (Isle of Man) Limited and Standard Chartered Bank. The Revolving Credit Facility is secured and is guaranteed on a senior secured basis by, Liquid Telecommunications Operations Limited, Liquid Telecommunications Limited, Liquid Telecommunications Financing Plc, Liquid Telecommunications Investments Limited, Liquid Telecommunications Kenya Limited, Liquid Telecommunications Holdings South Africa (Pty) Limited, Liquid Telecommunications Operations SA (Pty) Limited, Liquid Telecommunications South Africa (Pty) Limited and Liquid Telecommunications Zambia Limited. The obligations under the Revolving Credit Facility are secured equally and ratably with the Senior Secured notes by first priority liens over the security. The Revolving Credit Facility facility is denominated in USD, bears interest at the rate of Libor plus 3.75%, and is available to be drawn before October 2021 to be utilised for general corporate purposes. In March 2020, the group drew USD 40.0 million as a precautionary measure in light of the COVID-19 pandemic.

Liquid Telecommunications Zambia Limited, previously, had a USD 15.3 million term loan and a USD 8.0 million of Revolving Credit Facility with Stanbic Bank of Zambia. The company guaranteed up to USD 13.0 million in aggregate of these facilities. The facility agreement also included a first ranking charge over certain assets including bank accounts and receivables of Liquid Telecommunications Zambia Limited.

The Revolving Credit Facilities and term loan were extended after the year end and are now denominated in local currency (Zambian Kwacha). As at 31 May 2020, the outstanding balance on the term loan is USD 5.7 million and USD 8.0 million on the Revolving Credit Facility.

15. Lease liabilities

	31/05/2020 USD'000 (Unaudited)	29/02/2020 USD'000 (Audited)
Long-term portion of lease liabilities	56,807	65,492
Short-term portion of lease liabilities	26,396	29,922
	83,203	**95,414**

16. Trade and other payables

	31/05/2020 USD'000 (Unaudited)	29/02/2020 USD'000 (Audited)
Trade accounts payable	52,162	80,568
Affiliated entities (note 18)	4,542	3,315
Accruals	55,100	53,177
Staff payables	2,438	2,147
Transaction taxes due in various jurisdictions	2,979	3,660
Unfavourable contracts	642	633
Senior secured notes premium	1,930	1,930
Other short term payables	12,843	9,257
	132,636	**154,687**

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 group 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.

Amounts payable to affiliated entities and related company are unsecured, interest free and repayable on demand.

Accruals mainly relate to wholesale voice carrier amounts accrued for in the ordinary course of business and major capital expenditure for on-going fibre related projects.

17. Deferred revenue

	31/05/2020 USD'000 (Unaudited)	29/02/2020 USD'000 (Audited)
Long term portion of deferred revenue	46,384	52,898
Short term portion of deferred revenue	18,154	6,690
	64,538	**59,588**

Deferred revenue mainly relates to revenue billed in advance for the group's data and other services which includes deferred revenue on the Indefeasible-Right-of-Use (IRU) which will be amortised over a period of 10 to 15 years and other advanced billings which will be amortised over a period of 1 to 3 years.

18. Related party transactions and balances

In addition to the subsidiary companies the following are related parties to the Liquid Telecommunications Holdings Limited group: Worldstream (Pty) Limited (incorporated in South Africa), Econet Global Limited (Mauritius), Econet Wireless Burundi s.a. (Burundi), Econet Wireless Private Limited (Zimbabwe), Econet Telecom Lesotho (Pty) Limited (Lesotho), Transaction Payment Solutions (Private) Limited (Zimbabwe), Econet Media Limited (Zambia), EcoCash (Pvt) Ltd (Zimbabwe), Cassava Fintech (Pty) Ltd (South Africa), Econet South Africa (Pty) Limited, Steward Bank Limited and Cumii Kenya Limited and are referred to as "Econet Global related group companies". 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 note. The transactions between related parties are entered into at arm's length in accordance with the group's transfer pricing policies. During the period, the group entered into the following trading transactions with related parties:

	3 months ended	
	31/05/2020	**31/05/2019**
	USD'000	**USD'000**
	(Unaudited)	**(Unaudited)**
Sales of goods and services		
Econet Global related group companies	17,074	18,425
Purchase of goods and services		
Econet Global related group companies	5,982	6,783
Management fees paid and expensed		
Econet Global related group companies	60	60
Management fees received		
Econet Global related group companies	1	2
Interest income		
Econet Global related group companies	213	90
Administration fees paid		
DTOS Limited	66	66

The group has the following balances at the period / year end:

	31/05/2020	**29/02/2020**
	USD'000	**USD'000**
	(Unaudited)	**(Audited)**
Receivables balances from affiliated entities		
Econet Global Limited (Mauritius)	27,755	27,171
Econet Global related group companies	18,425	12,460
	46,180	**39,631**
Payable balance to affiliated entities		
Econet Global related group companies	4,542	3,315

19. Capital commitments

	31/05/2020 USD'000 (Unaudited)	29/02/2020 USD'000 (Audited)
At 31 May 2020 the group was committed to making the following capital payments:		
Authorised and contracted	29,684	53,754

The capital expenditure is to be financed from internal cash generation and existing funding facilities.

20. Post balance sheet events

Dividend

Following the period end, on 8 June 2020 Liquid Telecommunications Holdings Limited declared a dividend in shares, or where a shareholder had an outstanding liability to Liquid Telecommunications Holdings Limited, by offset of that liability. Of the USD 40.3 million value of the dividend, USD 15.0 million was satisfied by the offset of a receivable balance due from Econet Global Limited (EGL) as at 29 February 2020 and the remainder satisfied by 2,620,\950 shares at a value of USD 9.67 per share.

Zimbabwean currency

Further to an announcement on 8 June, the Government of Zimbabwe, through the Reserve Bank of Zimbabwe (RBZ), has indicated that the fixed rate of ZWL$:USD 25:1 adopted on 23 March 2020 will end on 23 June 2020.

Acquisition of shares in Worldstream (Pty) Ltd

On 10 June 2020, Liquid Telecommunications Holdings Limited entered into an agreement to purchase 71.0 percent shareholding in Worldstream (Pty) Ltd from EGL for a non-cash consideration of USD 9.0 million.

21. Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• 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).

21. Fair value measurements recognised in the consolidated statement of financial position (continued)

	Level 1	Level 2	Level 3	Total
	USD'000	USD'000	USD'000	USD'000
31 May 2020				
Investments	-	-	10,814	10,814
Unfavourable contract	-	-	10,022	10,022
Total	**-**	**-**	**20,836**	**20,836**
29 February 2020				
Investments	-	-	10,814	10,814
Unfavourable contract	-	-	10,320	10,320
Total	**-**	**-**	**21,134**	**21,134**

Investments

IFRS 9 observes that in limited circumstances, cost may provide an appropriate estimate of fair value. This would be the case if insufficient more recent information is available to measure the fair value. As of 31 May 2020, the directors considered the requirements of IFRS 9 and are of the opinion that cost is the best estimate for fair value. Accordingly, the investments are classified under level 3 of the fair value hierarchy.

	31/05/2020	29/02/2020
	USD'000	USD'000
	(Unaudited)	(Audited)
Closing balance	10,814	10,814

No impairment was required following the review of the carrying value of the investments by the directors for the period ended 31 May 2020 (29 February 2020: nil).

Unfavourable contracts

Liquid Telecommunications Holdings Limited purchased Liquid Telecommunications Data International Limited and as part of the IFRS 3 fair value assessment an unfavourable contract with SEACOM was identified. The contract relates to the indefeasible right of use (IRU) for 28 STM1s. As the IRU’s O&M charges’ present value exceeds the present value of the O&M charges of a similar IRU purchased at the acquisition date, a liability was raised for the excess O&M charges. The unfavourable contract is amortised over the remaining period of the contract.

The group purchased Liquid Telecommunications South Africa (Pty) Limited and as part of the IFRS 3 fair value assessment an unfavourable contract with SEACOM was identified. The contract relates to the O&M for an IRU for 19 STM1s. The IRU's O&M charges’ present value exceeds the present value of the O&M charges of a similar IRU purchased at the acquisition date. Liabilities were raised for the difference between the committed contract price and for the excess O&M charges as at acquisition.

21. Fair value measurements recognised in the consolidated statement of financial position (continued)

	31/05/2020	29/02/2020
	USD'000	USD'000
	(Unaudited)	(Audited)
Opening balance	10,320	11,058
Adjustment	209	-
Unwinding of interest	14	869
Charge to cost of sales	(370)	(1,451)
Foreign exchange gain	(151)	(156)
Closing balance	10,022	10,320

22. Non-cash transaction

In the current financial period, the non-cash portion of finance costs consists of USD 0.9 million (29 February 2020: USD 0.9 million) of amortised arrangement fees relating to the USD 730 million 8.5% Senior Secured Notes. Accrued interest of USD 15.5 million (31 May 2019 : USD 15.5 million) has been excluded from the borrowings as at 31 May 2020.

23. Earnings / (Loss) per share

	3 months ended	
	31/05/2020	31/05/2019
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Basic earnings / (loss) per share (Cents per share)	54.28	(159.10)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings / (loss) per share are as follows:

Profit / (Loss) attributable to owners of the company	66,344	(194,479)

	31/05/2020	29/02/2020
	USD'000	USD'000
	(Unaudited)	(Audited)
Weighted average number of ordinary shares for the purpose of basic loss per share for the period/year ended	122,236,964	122,236,964

The share capital above represents 122,236,964 ordinary shares (2020: 122,236,964 ordinary shares) with a par value of USD 0.0297541580 each.

24. Reconciliation

24.1 Reconciliation of consolidated unaudited statement of profit or loss to management profit or loss

The group has standardised its consolidated unaudited statement of profit or loss to comply with IAS 1 nature of expense method of presentation. The change resulted in reclassification from Data and network related costs to Administrative expenses.

A reconciliation of the consolidated unaudited statement of profit or loss and management profit or loss is included below:

	Unaudited Statement of profit or loss	Reclassification of network costs	Revised statement of profit or loss
	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)
3 months ended 31 May 2020:			
Revenue	166,640	-	166,640
Interconnect related costs	(22,738)	-	(22,738)
Data and network related costs	(57,400)	7,266	(50,134)
Gross Profit			93,768
Other income	84	-	84
Dividend received	292	-	292
Selling, distribution and marketing costs	(5,138)	-	(5,138)
Administrative expenses	(10,497)	(7,266)	(17,763)
Staff costs	(24,182)	-	(24,182)
Adjusted EBITDA	47,061	-	47,061

	Unaudited Statement of profit or loss	Reclassification of network costs	Revised statement of profit or loss
	USD'000 (Unaudited)	USD'000 (Unaudited)	USD'000 (Unaudited)
3 months ended 31 May 2019:			
Revenue	154,512	-	154,512
Interconnect related costs	(30,328)	-	(30,328)
Data and network related costs	(35,665)	9,197	(26,468)
Gross Profit			97,716
Other income	308	-	308
Selling, distribution and marketing costs	(2,526)	-	(2,526)
Administrative expenses	(12,051)	(9,197)	(21,248)
Staff costs	(23,747)	-	(23,747)
Adjusted EBITDA	50,503	-	50,503

24.2 Reconciliation of Operating profit to Adjusted EBITDA

Below is a reconciliation of Operating profit, as shown in the consolidated unaudited statement of profit or loss, to Adjusted EBITDA reported in note 3 - *Segment information* .

	3 months ended	
	31/05/2020	31/05/2019
	USD'000 (Unaudited)	USD'000 (Unaudited)
Operating profit	20,674	20,106
Add back:		
Depreciation, impairment and amortisation	26,095	30,397
Dividend received	292	-
Adjusted EBITDA (note 3)	47,061	50,503