THIS OFFERING MEMORANDUM IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR (2) PURCHASING THE NOTES OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS TO NON-US PERSONS IN RELIANCE ON REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, A QUALIFIED INVESTOR WITHIN THE MEANING OF ARTICLE 2(1)(E) OF DIRECTIVE 2003/71/EC AND ANY RELEVANT IMPLEMENTING MEASURE IN THE RELEVANT MEMBER STATE OF THE EUROPEAN ECONOMIC AREA).

IMPORTANT: **You must read the following before continuing.** The following disclaimer applies to the offering memorandum following this notice, whether received by email or otherwise received as a result of electronic communication. You are advised to read this disclaimer carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF NOTES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the Notes (as defined below), either you or the customers you represent must be either (1) a QIB or (2) purchasing the Notes (as defined below) outside of the United States as non-US persons in an offshore transaction in reliance on Regulation S (*provided* that investors resident in a Member State of the European Economic Area must be a "qualified investor" (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in the relevant Member State of the European Economic Area)). The offering memorandum is being sent at your request. By accepting this e-mail and by accessing the offering memorandum, you shall be deemed to have represented to us and the initial purchasers set forth in the attached offering memorandum (collectively, the "Initial Purchasers") that:

(1) you consent to delivery of such offering memorandum by electronic transmission; and

(2) either you or any customers you represent are:

    (a) QIBs; or

    (b) non U.S. persons outside the United States and the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia (and, if you are a resident in a Member State of the European Economic Area, you are a "qualified investor" within the meaning of the Prospectus Directive and any relevant implementing measure in such Member State of the European Economic Area and, in either case, that you consent to delivery by electronic transmission).

Prospective purchasers of the Notes who are QIBs are hereby notified that the seller of the Notes (as defined below) offered under the offering memorandum may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the offering memorandum to any other person.

Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful.

The materials relating to the offering of the Notes do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and any Initial Purchaser of the Notes (as defined in the offering memorandum) offered under the offering memorandum or any affiliate of any such Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering of the Notes shall be deemed to be made by such an Initial Purchaser or affiliate on behalf of the Issuer (as defined in the offering memorandum) in such jurisdiction.

The offering memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "Relevant Persons"). The offering memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. The Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes other than in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls any Initial Purchaser, or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you from the Initial Purchasers upon your request.

OFFERING MEMORANDUM | **NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

Liquid Telecommunications Financing plc

Guaranteed by Liquid Telecommunications Holdings Limited and certain of its subsidiaries

US$550 million 8½% Senior Secured Notes due 2022

Liquid Telecommunications Financing plc, a public company limited by shares incorporated under the laws of England and Wales (the "**Issuer**"), is offering US$550 million in aggregate principal amount of its 8½% Senior Secured Notes due 2022 (the "**Notes**"). Interest will be paid semi-annually in arrears on January 13 and July 13 of each year, beginning on January 13, 2018. Interest on the Notes will accrue at a rate equal to 8.500% per annum. The notes will mature on July 13, 2022.

The Issuer may redeem the Notes in whole or in part at any time on or after July 13, 2020 at the redemption prices specified herein. Prior to Jully 13, 2020, the Issuer may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the applicable "make whole" premium as described herein. At any time prior to July 13, 2020, the Issuer may redeem up to 40% of the Notes with the net cash proceeds from certain equity offerings at the redemption price set forth herein. The Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. In addition, in the event of a change of control or sale of certain assets, the Issuer may be required to make an offer to purchase the Notes.

The Notes will be the Issuer's general, senior obligations and will rank *pari passu* in right of payment with any existing and future obligations of the Issuer that are not expressly subordinated in right of payment to the Notes and will rank senior in right of payment to all future obligations of the Issuer that are expressly subordinated in right of payment to the Notes, if any.

The Notes will be guaranteed on a senior basis (the "**Guarantees**" and each, a "**Guarantee**") by Liquid Telecommunications Holdings Limited (the "**Company**") and certain of its subsidiaries (each a "**Guarantor**" and together, the "**Guarantors**"), each of which will also be a borrower or guarantor under both the Revolving Credit Facility (as defined herein) and the Term Loan Facility (as defined herein). The Guarantee issued by each Guarantor will rank *pari passu* in right of payment with any existing and future obligations of that Guarantor that are not expressly subordinated in right of payment to such Guarantee (including indebtedness incurred under the Revolving Credit Facility and the Term Loan Facility) and rank senior in right of payment to all future obligations of such Guarantor that are expressly subordinated in right of payment to such Guarantee, if any. The Notes and the Guarantees will be effectively subordinated to all of the Issuer's and the Guarantors' future secured debt to the extent of the value of the assets securing such debt that do not also secure the Notes or the Guarantees, respectively. The Notes and the Guarantees will be structurally subordinated to all existing and future obligations and other liabilities of the Issuer's and the Guarantors' subsidiaries that do not guarantee the Notes.

The Notes and the Guarantees of the Company and certain subsidiaries of the Company incorporated in jurisdictions other than the Republic of South Africa (the "**Non-South African Subsidiary Guarantors**") will be directly secured by first priority security interests over the same assets in such jurisdictions (the "**Global Collateral**") that secure the Revolving Credit Facility and the Term Loan Facility in such jurisdictions, as more fully described elsewhere in this offering memorandum (the "**offering memorandum**"). The Notes and the Guarantees of the Company and certain subsidiaries of the Company incorporated in the Republic of South Africa (the "**South African Subsidiary Guarantors**"), will also be indirectly secured by first priority security interests over the same assets in the Republic of South Africa (the "**South African Collateral**" and together with the Global Collateral, the "**Collateral**") that secure the Revolving Credit Facility and the Term Loan Facility in the Republic of South Africa, through a limited recourse guarantee (the "**SPV Guarantee**") granted by the Security SPV (as defined below). The SPV Guarantee will be supported by a counter-indemnity agreement (the "**Counter-Indemnity Agreement**") between the Security SPV, the South African Subsidiary Guarantors and the Company. The South African Collateral will secure the obligations of the South African Subsidiary Guarantors and the Company under the Counter-Indemnity Agreement on a first priority basis. Under the terms of the Intercreditor Agreement (as defined herein), in the event of enforcement of security interests over the Collateral, the holders of the Notes and the lenders under the Revolving Credit Facility and Term Loan Facility will receive proceeds from the Collateral on a *pro rata basis.* See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*" The Guarantees, the SPV Guarantee and the security interests in the Collateral will be subject to contractual and legal limitations that may limit their enforcement and may be released under certain circumstances.

This offering memorandum includes information on the terms of the Notes and the Guarantees, including redemption and purchase prices, security, covenants and transfer restrictions.

There is currently no market for the Notes. Application has been made to the Irish Stock Exchange for the Notes to be admitted to its Official List and trading on its Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. There is no assurance that the Notes will be listed on the Official List of the Irish Stock Exchange and admitted to trading on its Global Exchange Market. This offering memorandum constitutes a listing particulars (the "**Listing Particulars**") for the purposes of listing on the Official List of the Irish Stock Exchange. Application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 28.

*The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction. Accordingly, the Notes and the Guarantees are being offered and sold inside the United States only to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A under the U.S. Securities Act ("**Rule 144A**") and outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act ("**Regulation S**"). Prospective purchasers that are QIBs are hereby notified that the Initial Purchasers may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "Plan of Distribution" and "Notice to Investors."*

Issue Price for the Notes: 100.0% plus accrued interest, if any, from the Issue Date

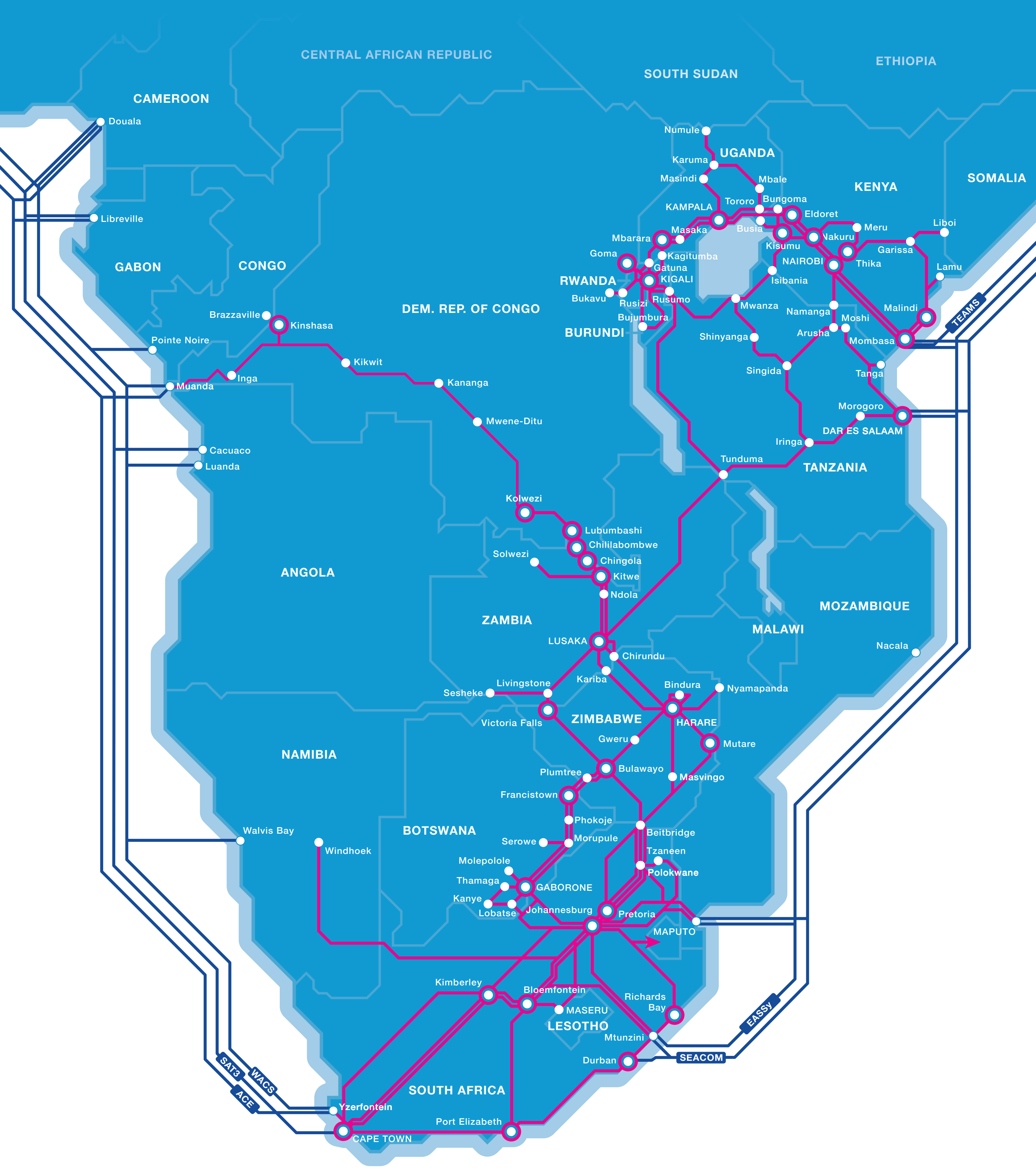
The Notes will be represented on the Issue Date by one or more global notes, which will be delivered through the Depository Trust Company ("**DTC**"), Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**") on or about July 13, 2017 (the "**Issue Date**"). See "*Book-Entry; Delivery and Form*." The Notes will be in registered form in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

Joint Lead Managers and Joint Bookrunners

Citigroup | **Standard Bank** | **Standard Chartered Bank**

The date of this offering memorandum is July 12, 2017.

Building Africa's digital future



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You should rely only on the information contained in this offering memorandum. Neither the Issuer, the Guarantors nor any of Citigroup Global Markets Limited, The Standard Bank of South Africa Limited and Standard Chartered Bank (the "Initial Purchasers") has authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

Neither the Issuer nor the Guarantors nor any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where the offering of the Notes (the "Offering") is not permitted.

The Company is a private company limited by shares under the laws of the Republic of Mauritius. The Company was incorporated on January 26, 2007. The Company is registered under company number 068355. The Company's registered office is located at 10th Floor, Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebene, 72201, Republic of Mauritius.

Unless the context otherwise requires, references in the offering memorandum to "we", "our", "us" and the "Group" refer collectively to the Company and its direct and indirect subsidiaries. Certain key terms used in this offering memorandum are defined in the section entitled "*Certain Key Definitions*"; certain technical terms related to our business and used in this offering memorandum are defined in the section entitled "*Glossary of Technical Terms.*"

IMPORTANT INFORMATION

This offering memorandum has been prepared by us solely for use in connection with the proposed Offering of the Notes described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes.

The distribution of this offering memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum or any of the Notes come must inform themselves about, and observe any restrictions on, the transfer and exchange of the Notes. See "*Notice to Investors*" and "*Plan of Distribution.*"

In making an investment decision regarding the Notes, prospective investors must rely on their own examination of our business and the terms of the Offering, including the merits and risks involved. In addition, neither we nor any of the Initial Purchasers nor any of their representatives are making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering memorandum as legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals; neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements.

The Initial Purchasers are not making any representation or warranty, express or implied, that the information contained in this offering memorandum is accurate or complete and are not responsible for this information. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by any of the Initial Purchasers as to the past or the future.

The Issuer and the Guarantors accept responsibility for the information contained in this offering memorandum. To the best of the knowledge of the Issuer and the Guarantors, having taken all reasonable care to ensure such is the case, the information contained in this offering memorandum is in accordance with the facts and contains no omission likely to affect its import. However, the information set out in the sections entitled "*Overview*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry Overview*" and "*Business*" includes extracts from information and data, including industry and market data, released by publicly available sources. While we accept responsibility for the accurate extraction and summarization of such industry and market information and data, we have not independently verified the accuracy of such information and data and we accept no further responsibility in respect thereof. In addition, this offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. However, as far as we are aware, no information or data has been omitted which would render reproduced information inaccurate or misleading.

The information contained in this offering memorandum is correct as of the date hereof. Neither the delivery of this offering memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this offering memorandum or in our business since the date of this offering memorandum. Any information sourced from third parties contained in this Listing Particulars has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

We have accurately reproduced the information set out in relation to sections of this offering memorandum describing clearing arrangements, including in the section entitled "*Book-Entry; Delivery and Form*" and as far as we are aware and able to ascertain from third-party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Nonetheless, such information is subject to any change in, or reinterpretation of, the rules, regulations and procedures of DTC, Euroclear and Clearstream (in each case, as defined herein) currently in effect. While we accept responsibility for accurately summarizing the information concerning DTC, Euroclear and Clearstream, we accept no further responsibility in respect of such information. None of DTC, Euroclear or Clearstream are under any obligation to perform or continue to perform under such clearing arrangements and such arrangements may be modified or discontinued by either of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of DTC, Euroclear or

Clearstream or their respective participants. Investors wishing to use these clearing systems are advised to confirm the continued applicability of these arrangements.

By receiving this offering memorandum, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

The contents of our websites do not form any part of this offering memorandum. Our websites are mainly addressed to potential clients of our services and, therefore, information available on our websites may differ in content or may be organized differently than information in this offering memorandum. For the purposes of making an investment decision regarding the Notes, you should not rely on our websites.

None of the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission or any other U.S. regulatory authority, has approved or disapproved the Notes nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold, except as permitted under the U.S. Securities Act and the applicable state securities laws, pursuant to registration or exemption therefrom. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this offering memorandum entitled "*Plan of Distribution*" and "*Notice to Investors*."

The Notes will be available initially only in book-entry form. We expect that the Notes sold pursuant to this offering memorandum will be issued in the form of one or more global notes. The Rule 144A global notes will be deposited with a custodian for DTC, and registered in the name of Cede & Co. as nominee of DTC. The Regulation S global notes will be deposited with, or on behalf of a common depositary for, Euroclear and Clearstream. The Notes will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected only through, records maintained by DTC, Euroclear and Clearstream and their direct and indirect participants, as applicable. After the initial issuance of the global notes, Notes in certificated form will be issued in exchange for the global notes only as set forth in the indenture governing the Notes (the "**Indenture**"). See "*Book-Entry; Delivery and Form*."

We reserve the right to withdraw the Offering at any time. We and the Initial Purchasers reserve the right to reject any offer to purchase the Notes, in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by it. The Initial Purchasers and certain of their respective related entities may acquire a portion of the Notes for their own accounts.

We cannot guarantee that the application we will make to the Irish Stock Exchange for the Notes to be listed on its Official List and admitted to trading on its Global Exchange Market will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditional on obtaining any of the foregoing admissions to trading.

IN CONNECTION WITH THE OFFERING OF THE NOTES, STANDARD CHARTERED BANK OR ONE OR MORE OF ITS AFFILIATES OR PERSONS ACTING ON ITS BEHALF (THE "**STABILIZING MANAGER**") MAY OVERALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 DAYS AFTER THE ISSUE DATE, OR NO LATER THAN 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES, WHICHEVER IS EARLIER.

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in the section entitled "*Notice to Investors*" of this offering memorandum.

ALTERNATIVE SETTLEMENT CYCLE

We expect that the delivery of the Notes will be made against payment therefor on or about July 13, 2017, which will be the fifth business day following the date of pricing of the Notes (such settlement cycle being herein referred to as "**T+5**"). Under Rule 15c6-1 of the U.S. Exchange Act (as defined herein), trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding two business days should consult their advisors.

NOTICE TO INVESTORS IN THE UNITED STATES

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NOTES OR THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to qualified institutional buyers within the meaning of Rule 144A, in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. The Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "*Notice to Investors*."

NOTICE TO HONG KONG INVESTORS

The Notes may not be offered or sold in Hong Kong by means of any document other than to (1) "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder, or (2) in circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of the laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No invitation, advertisement or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors,"as defined under the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong and any rules made thereunder.

NOTICE TO SINGAPORE INVESTORS

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (2) to a relevant person pursuant to Section 275(1) or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Notes are subscribed for or purchased under Section 275 of the SFA by a relevant person which is:

(1) a corporation (which is not an accredited investor (as defined in Section 4 of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(2) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239 (1) of the SFA) of that corporation or the beneficiaries' rights and interest (however described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the Notes pursuant to offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law; or

(d) as specified in Section 276(7) of the SFA.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This offering memorandum is for distribution only to, and is directed solely at, persons who are: (i) outside the United Kingdom; (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (iii) persons falling within Articles 49(2)(a) to (d) of the Order; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), an offer to the public of any Notes may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer, the Guarantors or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

This European Economic Area selling restriction is in addition to any other selling restrictions set out in this offering memorandum.

NOTICE TO INVESTORS IN SOUTH AFRICA

No "offer to the public" (as such term is defined in the South African Companies Act, 71 of 2008, as amended (the "**South African Companies Act**")) in South Africa is being made in connection with the issue of the Notes and accordingly this Offering Memorandum does not, nor does it intend to, constitute a "registered prospectus", as contemplated in chapter 4 of the South African Companies Act. Any issue or offering of the Notes in South Africa constitutes an offer for the subscription and sale of the Notes in South Africa only to selected investors who fall within the exemptions set out in section 96(1)(a) or (b) of the South African Companies Act and, accordingly, such offer would not be considered to be an "offer to the public" for the purposes of the South African Companies Act.

No South African residents or offshore subsidiary of a South African resident may subscribe for or purchase any of the Notes or beneficially own or hold any of the Notes unless specific approval has been obtained by such persons from the Financial Surveillance Department of the South African Reserve Bank ("**SARB**") or such subscription, purchase or beneficial holding or ownership is otherwise permitted under the South African exchange control regulations or the rulings promulgated thereunder (including, without limitation, the rulings issued by the SARB providing for foreign investment allowances applicable to persons who are residents of South Africa under the applicable exchange control laws of South Africa).

Information made available in this Offering Memorandum should not be considered as "advice" as defined in the South African Financial Advisory and Intermediary Services Act, 2002.

NOTICE TO INVESTORS IN CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

NOTICE TO INVESTORS IN KENYA

The Offering of the Notes is not a "public offer" as defined or described in (i) the Capital Markets Act, Chapter 485A of the laws of Kenya and (ii) the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 and the Notes may not be offered, sold or resold to the public or a section of the public in Kenya as such phrases are described in the aforesaid Kenyan laws.

Any resale of the Notes in Kenya may only be done by way a private offer as defined in Regulation 21 of Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

AVAILABLE INFORMATION

For so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the

information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

FORWARD-LOOKING STATEMENTS

Certain statements in this offering memorandum are not historical facts and are forward-looking. Forward-looking statements appear in various locations, including, without limitation, in the sections entitled "*Overview*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry Overview*" and "*Business*." We may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. In addition, this offering memorandum includes forward-looking information that has been extracted from third-party sources. Forward-looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future operating revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy, and the trends we anticipate in the industries and the political and legal environments in which we operate and other information that is not historical information.

Words such as "believe," "anticipate," "estimate," "target," "potential," "expect," "intend," "predict," "project," "could," "should," "may," "will," "plan," "aim," "seek" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

The forward-looking statements contained in this offering memorandum are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors, some of which are discussed below. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. We caution all readers that the forward-looking statements contained in this offering memorandum are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond our control, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed in the section entitled "*Risk Factors*," as well as those included elsewhere in this offering memorandum. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- political, social and economic instability;
- changes in laws, regulations or governmental policy
- changes in taxation regulation;
- disputes and legal, tax and regulatory proceedings;
- inefficiencies and corruption in the judicial systems;
- the ability to obtain licenses, permits or other authorizations required;
- intense competition in many of the markets in which we operate;
- inflation risks;
- downgrading of South Africa's debt rating;
- risks associated with our structure, the Notes, the Guarantees, the Collateral, the Security SPV structure and our other indebtedness;
- the other factors discussed in more detail under "Risk Factors"; and
- factors that are not known to us at this time.

This list of important factors and the other factors discussed in the section entitled "*Risk Factors*" is not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this offering memorandum. Accordingly, we do not intend, and do not undertake any obligation, to update forward-looking statements set forth in this offering memorandum. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this offering memorandum. As a result, you should not place undue reliance on such forward-looking statements.

CERTAIN KEY DEFINITIONS

"**CAGR**" means compound annual growth rate;

"**Collateral**" means, collectively, the rights and assets directly and indirectly securing the Notes and the Guarantees, composed of the Global Collateral and the South African Collateral, as further described in "*Description of the Notes—Security*";

"**Company**" means Liquid Telecommunications Holdings Limited, a private company limited by shares incorporated under the laws of Mauritius, registered under company number 068355;

"**Company Proceeds Loan**" means any loan to be made on or about the Issue Date under a loan agreement between the Issuer, as lender, and the Company, as borrower, pursuant to which a portion of the gross proceeds of the issuance of the Notes by the Issuer will be advanced to the Company;

"**Counter-Indemnity Agreement**" means the counter-indemnity agreement dated on or about the Issue Date among the Security SPV, the South African Subsidiary Guarantors and the Company, among others, in terms of which the South African Subsidiary Guarantors agree to indemnify the Security SPV against claims made on it under the SPV Guarantee;

"**Financial Statements**" means, collectively, the Liquid Annual Financial Statements and the Neotel Annual Financial Statements;

"**Global Collateral**" means, collectively, the rights and assets located outside of South Africa securing the Notes and the Guarantees, as further described in "*Summary Corporate and Financing Structure*";

"**Guarantees**" means the guarantees of the Notes by the Guarantors;

"**Guarantors**" means, collectively, the Company, the South African Subsidiary Guarantors and the Non-South African Subsidiary Guarantors;

"**Group**", "**we**", "**our**" or "**us**" means the Company and its direct and indirect consolidated subsidiaries, except as otherwise indicated or where the context otherwise requires;

"**IFRS**" means the International Financial Reporting Standards issued by the International Accounting Standards Board;

"**Indenture**" means the indenture governing the Notes, to be dated as of the Issue Date, between, among others, the Issuer, the Guarantors, the Trustee and the Security Agent;

"**Irish Listing Agent**" means Arthur Cox Listing Services Limited;

"**Issue Date**" means the date of issuance of the Notes;

"**Issuer**" means Liquid Telecommunications Financing plc, a public company limited by shares incorporated under the laws of England and Wales, registered under company number 10759673, with its registered office at 6 New Street Square, London EC4A 3BF;

"**Intercreditor Agreement**" means the intercreditor agreement dated on or about the Issue Date among the Issuer, the Guarantors, the Security SPV, the Trustee and the Security Agent as described in the section entitled "*Description of Certain Financing Arrangements*";

"**Liquid Annual Financial Statements**" means the audited consolidated financial statements of the Liquid Group as at and for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, including the related notes thereto, which have been prepared in accordance with IFRS. The Liquid Annual Financial Statements included in this offering memorandum consolidate the financial information for our subsidiaries guaranteeing the Notes and our non-guarantor subsidiaries;

"**Liquid Group**" means the Group, excluding any of its direct or indirect consolidated subsidiaries prior to their respective acquisition by the Group;

"**Liquid SA Group**" means Liquid Telecommunications Holdings South Africa (Pty) Ltd (formerly K2016272836 (South Africa) Proprietary Limited) and its direct and indirect consolidated subsidiaries, including Neotel;

"**Liquid Telecom SA**" means (i) Liquid Telecommunications Operations SA Proprietary Limited, a company incorporated in South Africa that, until February 2017, was wholly owned by the Group and, in February 2017, was sold to the Liquid SA Group, becoming 70% owned by the Group; and (ii) the business operations of Liquid Telecom SA previously recorded in Liquid Telecommunications Operations South

Africa Proprietary Limited but transferred to Neotel on 13 February 2017 and included in the operating results of Neotel from that date;

"**LTH Senior Credit Facilities**" means the existing US$300 million senior credit facility dated October 28, 2016, as amended and restated on December 7, 2016, between, among others, the Company, as borrower, Liquid Telecommunications Operations Limited and Liquid Telecommunications Limited, as guarantors, and the lenders as described therein, which will be repaid with the proceeds from the issuance and sale of the Notes as described in "*Use of Proceeds*";

"**Neotel**" refers to Neotel Proprietary Limited (whose company name has now changed to Liquid Telecommunications South Africa Proprietary Limited), a company registered in accordance with the laws of South Africa on February 24, 2004 under registration number 2004/004619/07; the business unit Liquid Telecommunications Operations SA Proprietary Limited acquired by Neotel from Liquid SA Group on February 13, 2017 and included in the results of operations of Neotel from that date; and Neotel's wholly owned subsidiary company, Neotel Business Support Services (Proprietary) Limited, a company registered in accordance with the laws of South Africa under registration number 2007/014207/07;

"**Neotel Acquisition**" means, collectively: (i) the acquisition by Liquid SA Group of Neotel effective February 10, 2017; (ii) the ownership by the Group of 70% equity stake in Liquid SA Group; and (iii) the cession and transfer to the Liquid SA Group of certain claims held by Nexus Connexion (SA) Proprietary Limited (a former shareholder in Neotel) against Neotel on loan account as at the closing of the acquisition, which was completed on February 10, 2017;

"**Neotel Annual Financial Statements**" means the audited consolidated financial statements of Neotel as at and for the years ended March 31, 2015, and March 31, 2016, and the 11 months ended February 28, 2017, including the related notes thereto, which have been prepared in accordance with IFRS;

"**Neotel Senior Bridge Facility**" means the existing ZAR3.3 billion senior bridge funding facility (composed of a ZAR2.95 billion term loan facility (the "**Neotel Term Loan Facility**") and a ZAR350 million revolving loan facility (the "**Neotel Revolving Credit Facility"**), dated January 30, 2017, between, among others, Neotel, as borrower, Liquid SA Group, as the holding company of Neotel, Liquid Telecommunications Operations SA Proprietary Limited and Neotel Business Support Services Proprietary Limited, as original guarantors, and The Standard Bank of South Africa Limited and Nedbank Limited, as original lenders and lead arrangers, which will be repaid with the proceeds from issuance and sale of the Notes, together with amounts drawn under the Term Loan Facility, as described in "*Use of Proceeds*";

"**New Senior Facilities Agreement**" means the senior facilities agreement dated on or about the Issue Date that consists of (i) the Revolving Credit Facility, between, among others, the Company, as borrower, and (ii) the Term Loan Facility, between, among others, the Company and Liquid SA Group, as borrowers;

"**Non-South African Subsidiary Guarantors**" means, collectively, Liquid Telecommunications Operations Limited, Liquid Telecommunications Limited, Liquid Telecommunications Investments Limited and Liquid Telecommunications Kenya Limited (the "**Kenyan Guarantor**");

"**Notes**" means the US$550 million 8½% Senior Secured Notes due 2022 offered hereby;

"**Offering**" means the offering of the Notes;

"**Paying Agent**" means Citibank, N.A., London Branch;

"**Proceeds Loans**" means the Company Proceeds Loan and the ZAR Proceeds Loan;

"**Purchase Agreement**" means the purchase agreement to be dated as of the date of this offering memorandum, among the Issuer, the Guarantors, and the Initial Purchasers;

"**Raha**" means Raha Tanzania Holdings Limited, a company registered in accordance with the laws of Mauritius under number 134316 C2/GBL, and its direct and indirect consolidated subsidiaries;

"**Raha Acquisition**" means the acquisition of a 70% equity stake in Raha by the Liquid Group, which was completed in January 2017;

"**Refinancing**" means (i) the Offering and the application of the proceeds thereof (including the repayment and cancellation of the LTH Senior Credit Facilities, the Neotel Senior Bridge Facility and the Tata Term Loan Facility); and (ii) any utilization of the Term Loan Facility, and the other transactions related thereto, in each case as described in sections entitled "*Summary—The Transactions*" and "*Use of Proceeds*";

"**Revolving Credit Facility**" means the new US$55 million revolving credit facility under the New Senior Facilities Agreement;

"**Security Agent**" means The Standard Bank of South Africa Limited;

"**Security Documents**" means the agreements to be entered into between, among others, the Security Agent, the Issuer, the Guarantors and any other guarantor, as applicable, pursuant to which security interests over the Collateral will be granted to secure the Notes, the Guarantees and the Counter-Indemnity Agreement;

"**Security SPV**" means Main Street 1535 Proprietary Limited, an insolvency remote special purpose vehicle company organized in accordance with the laws of South Africa under registration number 2017/211422/07;

"**South African Collateral**" means, collectively, the rights and assets located inside South Africa securing the Notes and the Guarantees, as further described in "*Summary Corporate and Financing Structure*";

"**South African Subsidiary Guarantors**" means, collectively, Liquid Telecommunications Operations SA Proprietary Limited, Liquid Telecommunications South Africa Proprietary Limited and Liquid Telecommunication Holdings South Africa (Pty) Ltd;

"**SPV Guarantee**" means the limited recourse guarantee granted by the Security SPV on a first-priority basis;

"**Tata Term Loan Facility**" means the existing US$56.5 million (being the US$ equivalent of ZAR750 million as at February 28, 2017, the date on which the facility was advanced to the Company), dated October 27, 2016 between the Company, as borrower, and Tata Communications International PTE Limited, as lender, for the repayment of certain of Neotel's then existing indebtedness, and which will be repaid with the proceeds from issuance and sale of the Notes, together with amounts drawn under the Term Loan Facility, as described in "*Use of Proceeds*";

"**Term Loan Facility**" means the new term loan facility with a capacity of US$150 million (split into a U.S. dollar tranche of US$50 million and a ZAR tranche of the ZAR equivalent of US$100 million under the New Senior Facilities Agreement);

"**Transfer Agent**" and "**Registrar**" means Citibank, N.A., London Branch;

"**Transactions**" means the Refinancing, the entry into and provision of guarantees in respect of the New Senior Facilities and related fees and expenses;

"**Trustee**" means Citibank, N.A., London Branch;

"**Unaudited Pro Forma Financial Information**" means the unaudited pro forma statement of profit or loss of the Group for the year ended February 28, 2017, which gives pro forma effect to the Neotel Acquisition as if it had occurred on March 1, 2016 (but which, for the avoidance of doubt, does not give pro forma effect to Raha Acquisition);

"**ZAR Proceeds Loan**" means any loan to be made on or about the Issue Date under a loan agreement between Liquid Telecommunications Investments Limited, as lender, and Neotel, as borrower, pursuant to which a portion of the gross proceeds of the issuance of the Notes by the Issuer will be advanced to Neotel, through Liquid Telecommunications Investments Limited.

PRESENTATION OF FINANCIAL AND OTHER DATA

PRESENTATION OF FINANCIAL INFORMATION

We present in this offering memorandum certain historical financial information for the entities that comprise the Group. This includes historical financial information for (i) the Liquid Group and (ii) Neotel. The Company is the holding company for the Group. The Issuer has no significant operations and has not engaged in any significant activities other than financing activities relating to the Group.

Included herein are the following audited consolidated financial statements:

- the audited consolidated financial statements of the Liquid Group as at and for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, including the related notes thereto, which have been prepared in accordance with IFRS (the "**Liquid Annual Financial Statements**"); and
- the audited consolidated financial statements of Neotel as at and for the years ended March 31, 2015 and March 31, 2016, and the 11 months ended February 28, 2017, including the related notes thereto, which have been prepared in accordance with IFRS (the "**Neotel Annual Financial Statements**" and together with the Liquid Annual Financial Statements, the "**Financial Statements**").

The Liquid Annual Financial Statements have been audited by Deloitte in Mauritius ("**Deloitte**") the Neotel Annual Financial Statements have been jointly audited by Deloitte & Touche in South Africa and SNG (a local South African audit firm) for the years ended March 31, 2015 and 2016 and by Deloitte & Touche in South Africa as the sole auditor for the 11 months ended February 28, 2017.

The Financial Statements included in this offering memorandum include the consolidated financial statements of the guarantor and non-guarantor subsidiaries of the Group (except those incorporated after February 28, 2017).

The financial information included in this offering memorandum was not prepared in accordance with generally accepted accounting principles in the United States ("**U.S. GAAP**"). There could be significant differences between IFRS, as applied by us, and U.S. GAAP. We neither describe the differences between IFRS and U.S. GAAP nor reconcile our IFRS financial statements to U.S. GAAP. Accordingly, such information is not available to investors, and investors should consider this in making their investment decision. The financial information included in this offering memorandum is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information.

All financial statements contained in the F-Pages to this offering memorandum should be read in conjunction with the relevant notes thereto.

Following the completion of the Refinancing and the application of the proceeds therefrom, the Issuer will have no material assets (other than receivables under the Company Proceeds Loan and holdings in the capital stock of its subsidiary) and no material liabilities (other than the Notes) and will not engage in any significant activities other than financing activities. Consequently, we have not provided herein financial statements for the Issuer. The date of the Issuer's first set of audited financial statements will be February 28, 2018.

FACTORS AFFECTING COMPARABILITY

The Neotel Acquisition

On February 10, 2017, we completed the Neotel Acquisition. From such date until February 28, 2017 (the end of our fiscal year), the results of Neotel were included in our consolidated results.

In addition, we combined the operations of Liquid Telecom SA with that of Neotel as of February 13, 2017. The financial results of Liquid Telecom SA for the period from February 13, 2017 to February 28, 2017, along with the assets and liabilities of that entity as at February 13, 2017 were transferred and included in the financial position and financial results of Neotel for the period ended February 28, 2017. This transaction was completed as a common control transaction so there is no change in the historic carrying values of assets and liabilities of Liquid Telecom SA.

The inclusion of the results of Neotel in our consolidated results affects the comparability of our consolidated results for the year ended February 28, 2017 with the results for the prior comparative period. In addition, the inclusion of the results of Liquid Telecom SA in Neotel's consolidated results affects the comparability of Neotel's consolidated results for the 11 months ended February 28, 2017 with the results for the prior comparative period.

The Neotel Acquisition constitutes a material acquisition for us. On a pro forma basis, Neotel represented 45.7% of our revenue and 32.2% of our Adjusted EBITDA for the year ended February 28, 2017. For the year ended February 28, 2017, Neotel's Pro forma Adjusted EBITDA was US$53.6 million and, as at February 28, 2017, its net assets were US$59.6 million (equivalent to 14.9% of our total net assets).

Given the size of Neotel relative to the Group, combined with the differences in presentational currency, as well as differences between the accounting standards of the Group and certain accounting standards used by Neotel prior to our acquisition (see "*Presentation of Financial and Other Data*"), it will be difficult to compare our future consolidated financial information to our historical consolidated financial information.

Going forward, we intend to continue to monitor acquisition opportunities that will enhance our value to our customers. However, our approach to any potential acquisition will remain disciplined and we will only consider opportunities that are complementary and value generative to our business in both the short and long terms. To the extent we decide to pursue and successfully complete any such acquisition opportunity in the future, the comparability of our results of operations with periods prior to such an acquisition may be affected.

Change of Neotel's Financial year

In February 2017, following the Neotel Acquisition, Neotel changed its financial year from a financial year ending March 31st to a financial year ending on the last day of February of each calendar year, to match the financial year end of the Group. As a result of this change, the financial statements of Neotel for 2017 are for the 11 months ended February 28, 2017, which affects the comparability of results with the results for the prior comparative period.

The Raha Acquisition

In January 2017 we completed the Raha Acquisition. As such, it will be difficult to compare our future consolidated financial information to our historical consolidated financial information.

Changes in accounting policy

As described in Note 3 to Neotel's audited consolidated financial statements as at and for the 11 months ended February 28, 2017, Neotel changed its accounting policy in relation to the accounting for purchased Indefeasible Rights of Use ("**IRU**"). Historically, Neotel accounted for IRUs as prepayments in its statements of financial position and the related amortization had been accounted for as cost of sales in its statements of profit or loss and other comprehensive income. From April 1, 2016, Neotel changed its accounting policy to account for IRUs as intangible assets in its statements of financial position and the related amortization recognized in the Depreciation, impairment and amortization line item in the statements of profit or loss and other comprehensive income. This policy aligns the treatment of IRUs in Neotel's accounting policy with that of the Liquid Group's. Consistent with the requirements of IFRS, the comparative financial information of Neotel as at and for the years ended March 31, 2016 and March 31, 2015, included in the 2017 Neotel financial statements have been retrospectively restated for this change in accounting policy.

Going Concern Matter

Included in the audit reports for Neotel and the Liquid Group for the 11 months ended February 28, 2017 and the year ended February 28, 2017, respectively, are emphasis of matter paragraphs as follows:

Neotel audit report:

"Material Uncertainty Related to Going Concern

We draw attention to Note 39 in the financial statements, which indicates that the company has a bridge loan of R2.95 billion repayable in May 2018. The repayment of this loan is dependent on the company's ability to secure funding for repayment of this loan through either new debt, capital or refinancing. These conditions, along with other matters as set forth in Note 39, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

Liquid Group audit report:

"Material Uncertainty Related to Going Concern of a material component"

We draw attention to Note 39 in the financial statements, which indicates that Neotel (Pty) Ltd, a significant component of the Group, has a bridge loan of US$228 million (ZAR 2.95 billion) repayable in May 2018. The repayment of this loan is entirely dependent on the Group's ability to raise new finance through debt capital or refinancing through term loan. As stated in Note 39, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on Neotel (Pty) Ltd's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

As set out in "*Use of Proceeds*", the net proceeds from the Notes are to be partially used to repay the Neotel Senior Bridge Facility. As such, this emphasis of matter related to going concern in Neotel would be addressed through the proceeds from the issuance of the Notes.

Changes in disclosure of service categories for revenue

Prior to the year ended February 28, 2017, we have reported certain of our financial information per the following service categories: Telecommunication Traffic, Data Services, Equipment, Services and Other. For the year ended February 28, 2017, we have reconsidered the presentation of revenue and have made the decision to align the reporting that is given to management on a monthly basis. As such, for the year ended February 28, 2017, such financial information has been reported per the following service categories: wholesale voice, wholesale data, enterprise and retail. We believe this better represents the reporting to senior management in our monthly management accounts. The presentation for the year ended February 29, 2016 was restated accordingly within the comparative information in the financial statements for the year ended February 28, 2017 and this new presentation is generally followed throughout this offering memorandum. See Note 4 to the audited consolidated financial statements of the Liquid Group as at and for the year ended February 28, 2017.

Certain reclassifications

Liquid Group's audited consolidated financial statements as at and for the period ended February 29, 2016 reported the following reclassifications from the audited consolidated financial statements as at and for the period ended February 28, 2015. Investment income of US$2,171,268 presented in the consolidated statement of profit or loss and other comprehensive income for the period ended February 28, 2015 was split into dividend income of US$1,707,577 and interest income of US$463,691 in 2016. Stock write off of US$94,540 and provision for stock write off of US$227,274 included in administrative expenses of US$30,678,638 in the consolidated statement of profit or loss and other comprehensive income for the period ended February 28, 2015 financial statements have been included under depreciation, amortization and impairment of US$23,383,122 in 2016 (which was stated at US$23,061,308 in 2015). These reclassifications were done to ensure conformity of presentation with 2016 financial statements presentation and did not have any impact on the profit for the year.

Liquid Group's audited consolidated financial statements as at and for the period ended February 28, 2017 reported the following reclassifications from the audited consolidated financial statements as at and for the period ended February 29, 2016. Foreign exchange loss of US$9,600,720 presented in the consolidated statement of profit or loss and other comprehensive income for the period ended February 29, 2016 has been changed to US$9,927,811 to include the share of foreign exchange loss attributable to non-controlling interest. The amount attributable to non-controlling interest was previously included in the consolidated statements of changes in equity. Short term intercompany receivables of US$5,856,300 presented in the consolidated statement of profit or loss and other comprehensive income for the period ended February 29, 2016 has been included in trade and other receivables. These reclassifications were done to ensure conformity of presentation with 2017 financial statements presentation and did not have any impact on the profit for the year.

Auditor Responsibility Statement

See "*Independent Auditor*" for a description of the reports of the independent auditor of the Liquid Group, Deloitte, on the consolidated financial statements of Liquid Telecommunications Holdings Limited. Deloitte's reports state that the report was made solely to the Company and its shareholders as a body; that the independent auditor's work was undertaken so that the independent auditor might state to the shareholders of the Company those matters that were required to be stated to them in an auditor's report and for no other purpose; and that Deloitte does not accept or assume responsibility to anyone other than the Company and shareholders of the Company as a body for its audit work, for its report or the opinions it has formed.

Investors in the Notes should understand that in making these statements, the independent auditor of Liquid Group's audited consolidated financial statements stated that it does not accept or assume any liability to parties (such as the purchasers of the Notes) other than to the Company and its shareholders as a body with respect to the report and to the independent auditor's audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to such limiting language, the recourse that investors in the Notes may have against the independent auditor of the Company based on its report or the audited consolidated financial statements to which it relates could be limited.

OTHER FINANCIAL INFORMATION

Unaudited pro forma financial information and as adjusted financial information

This offering memorandum includes certain Unaudited Pro Forma Financial Information of the Liquid Group for the year ended February 28, 2017, which gives pro forma effect to the Neotel Acquisition as if it had occurred on March 1, 2016, for purposes of the pro forma statements of profit or loss for the year ended February 28, 2017.

In addition, this offering memorandum includes certain unaudited as adjusted financial information, presented on an as adjusted basis to give effect to the Transactions.

The Unaudited Pro Forma Financial Information and the unaudited as adjusted financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position we would have reported had (i) the Neotel Acquisition and the Transactions, as applicable, been completed as of March 1, 2016; or (ii) the Transactions been completed as of February 28, 2017.

The Unaudited Pro Forma Financial Information and the unaudited as adjusted financial data have not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the Unaudited Pro Forma Financial Information and the unaudited as adjusted adjustments, nor the resulting Unaudited Pro Forma Financial Information and the unaudited as adjusted financial data have been audited or reviewed in accordance with any generally accepted auditing standards.

The Unaudited Pro Forma Financial Information and the unaudited as adjusted financial information should be read in conjunction with the information contained in "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the historical consolidated financial statements of the Liquid Group and Neotel included elsewhere in this offering memorandum.

OPERATING AND MARKET DATA

Key performance indicators

Below are some of the key performance indicators we use to monitor our business.

- *Total wholesale voice minutes on our network.*
- *Number of km of fiber laid:* 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.
- *Amount of IP transit capacity sold (Mbps):* represents the amount of IP Transit capacity sold to our customers, by counting the IP Transit capacity purchased by each operation (on behalfof their own customers) from the Group. It excludes all other products such as international leased lines.
- *Number of enterprise customers:* represents the number of enterprise connections (or customer numbers if the number of connections per customer is not available) at a given time.
- *Number of broadband customers:* represents the number of broadband customers (including subscription customers and prepaid customers) by each operation at a given time.

- *Number of premises passed with GPON FTTH access networks:* represents the number of premises that are ready for service where a short (usually less than 200m) fiber link has been or can be installed to connect the premise.
- *Average churn rate:* represents the monthly recurring revenue that was lost during the period following a termination of service due to disconnections, downgrades, price reduction, and non-renewals. Yearly average churn rate is calculated as the average of monthly churn.
- *New Sales ("Sold TCV for new services"):* represents the total value in term 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 our 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.
- *Service Activation Pipeline:* or MRR Backlog, represents the monthly recurring revenue expected from service orders, signed by our wholesale and enterprise customers (excluding inter-company orders), that have not yet been installed, accepted by the customer or activated, and therefore not generated revenue yet:

Market data

In this offering memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain economic and industry data, market data and market forecasts set forth in this offering memorandum were extracted from market research and other publicly available information, independent industry publications and reports prepared by industry consultants. These external sources include The World Bank, Analysys Mason Ltd, Xalam Analytics, Hamilton Research, TeleGeography, Ovum and Detecon, among others. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts, to the extent quoted or referred to herein, are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness. While we accept responsibility for accurately summarizing the information from these external sources, and as far as we are aware and able to ascertain, no facts have been omitted which would render this information inaccurate or misleading, neither we nor the initial purchasers accept further responsibility in respect of such information.

NON-IFRS FINANCIAL MEASURES

In this offering memorandum, we present certain financial measures that are not defined in and, thus, not calculated in accordance with IFRS, U.S. GAAP or generally accepted accounting principles in any other relevant jurisdiction. These include EBITDA, Adjusted EBITDA, Pro Forma EBITDA, Pro Forma Adjusted EBITDA, Adjusted EBITDA Margin, Pro Forma Adjusted EBITDA Margin, Capital Expenditure, Gross Debt, Net Debt, Gross Debt to Adjusted EBITDA ratio, Net Debt to Adjusted EBITDA ratio and Interest Coverage (each as defined below). Because these measures are not standardized, they may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS.

An explanation of the relevance of each of the non-IFRS measures, a reconciliation of the non-IFRS measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out below. We do not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.

- We define "EBITDA" as consolidated profit or loss for the year excluding the impact of tax benefit or expense, interest income, finance costs and depreciation and amortization.
- We define "Adjusted EBITDA" as EBITDA adjusted for the share of profit of associates, foreign exchange gains and losses, impairment, stock write-off and obsolescence charges, acquisition costs and Neotel rebranding costs.

- We define "Pro forma EBITDA" as pro forma profit for the year excluding the impact of pro forma tax benefit or expense, pro forma interest income, pro forma finance costs, pro forma depreciation and amortization.
- We define "Pro forma Adjusted EBITDA" as pro forma EBITDA adjusted for pro forma share of profit of associates, pro forma foreign exchange gains and losses, pro forma impairment, stock write-off and obsolescence charges, acquisition costs, Neotel rebranding costs and severance costs, and incremental Neotel expenses resulting from changes in doubtful debt and lease amortization methodology.
- We define "Adjusted EBITDA Margin" as the ratio of Adjusted EBITDA to our revenue, expressed as a percentage.
- We define "Pro forma Adjusted EBITDA Margin" as the ratio of Pro forma Adjusted EBITDA to the sum of our pro forma revenue, expressed as a percentage.
- We define "Capital Expenditure" as any expenditure that should be treated as capital expenditure in the financial statements in accordance with applicable accounting principles, including advance payments for capital expenditure and excluding any non-cash expenditure.
- We define "Gross Debt" as borrowings as stated on the balance sheet less related party loans.
- We define "Net Debt" as Gross Debt less cash and cash equivalents and restricted cash at a stated balance sheet date.
- We define "Gross Debt to Adjusted EBITDA" ratio as Gross Debt divided by Adjusted EBITDA for a stated period, expressed as a multiple.
- We define "Net Debt to Adjusted EBITDA" ratio as Net Debt divided by Adjusted EBITDA for a stated period, expressed as a multiple.
- We define "Interest Coverage" as Adjusted EBITDA divided by the net of interest income and finance costs for a stated period, expressed as a multiple.

Our management believes that the presentation of these non-IFRS financial measures is helpful to investors as measures of our operating performance and our ability to service our debt.

We present EBITDA because it is widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. EBITDA may normalize potential differences in performance caused by variations in tax positions and jurisdictions, capital structures affecting net finance income/costs, the cost and age of tangible assets affecting relative depreciation expense, and the extent to which intangible assets are identifiable affecting relative amortization expense.

We present Adjusted EBITDA as it represents EBITDA before additional specific items that are considered to hinder analysis of the trading performance of the Group's businesses, such as share of profit of associates which we cannot exercise control over, foreign exchange gains and losses which do not reflect the underlying performance of our companies in their local country currencies, impairment and write-off charges as these do not reflect cash expenditures, and acquisition costs as these do not relate to our ongoing performance. We believe that Adjusted EBITDA should, therefore, be made available to securities analysts, investors and other interested parties to assist in their assessment of the trading performance of our businesses.

We present Gross Debt and Net Debt as we believe they are useful indicators of our indebtedness, financial flexibility and capital structure as they indicate the level of borrowings after taking account of related party loans, cash and cash equivalents and restricted cash within our business that could be utilized to pay down the outstanding borrowings.

None of EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, or any of the other non-IFRS financial measures is a measurement of performance or liquidity under IFRS or any other generally accepted accounting principles and you should not consider EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, or any of the other non-IFRS financial measures as an alternative to net income, operating profit or other financial measures determined in accordance with IFRS or other generally accepted accounting principles. EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and the other non-IFRS financial measures described in this offering memorandum are unaudited and the presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC and will not be subject to review by the SEC; compliance with its requirements would require us to make changes to the presentation of this information. EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and the other non-IFRS financial measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our operating performance reported in accordance with IFRS. Some of these limitations are:

- they do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- with the exception of net interest expense and therefore Interest Coverage, they do not reflect the significant interest expense on our debt or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA-based measures do not reflect any cash requirements for such replacements;
- they do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations;
- other companies in the industry in which we operate may calculate these measures differently than we do, limiting their usefulness as comparative measures; and
- our calculation and presentation of Adjusted EBITDA in this offering memorandum is similar to, but different from, the calculation of consolidated EBITDA under the Indenture. Accordingly Adjusted EBITDA does not provide precise indications as to the level of our adherence to the terms of our Indenture.

Accordingly, prospective investors should not place undue reliance on EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, or the other non-IFRS financial measures contained in this offering memorandum.

The financial information included in this offering memorandum is not intended to comply with the SEC requirements. Compliance with such requirements would require, among other things, compliance with the requirements of Regulation S-X and the exclusion of certain non-IFRS measures.

The following table sets forth a reconciliation of EBITDA for the Liquid Group and Adjusted EBITDA for the periods indicated:

	For the year ended			For the year ended
	February 28, 2015	February 29, 2016	February 28, 2017	February 28, 2017
		(Actual)		(Pro forma)
		(Unaudited) (US$ thousands)		
Profit for the year	**62,269**	**49,885**	**54,069**	**62,735**
Add back:				
Tax (benefit)/expense	11,878	11,774	9,037	(25,992)
Interest income	(464)	(728)	(1,554)	(5,294)
Finance costs	4,388	7,256	13,785	53,862
Depreciation and amortization	21,170	32,927	37,076	77,038
EBITDA	**99,241**	**101,114**	**112,413**	**162,349**
Impairment expense	1,891	290	136	136
Acquisition costs[(a)]	—	—	4,477	—
Neotel rebranding costs and severance costs	—	—	1,638	2,264
Stock write off/obsolescence expense[(b)]	322	437	1,205	1,205
One off expense due to alignment of accounting policies	—	—	—	6,402
Foreign exchange (gain)/loss	5,644	13,254	(2,032)	(5,911)
Share of profits of associates	—	—	(3)	(59)
Adjusted EBITDA	**107,098**	**115,095**	**117,834**	**166,386**

(a) Comprised primarily of advisory fees incurred in relation with the Neotel Acquisition.

(b) Mainly resulting from a fire in our warehouse in Zambia in the general course of business.

The following table sets forth a reconciliation of Gross Debt and Net Debt for the periods indicated:

	As at		
	February 28, 2015	February 29, 2016	February 28, 2017
		(Unaudited) (US$ thousands)	
Long-term liability (current and non-current)	110,740	155,611	606,156
Less:			
Onerous contract	10,035	9,365	11,543
Gross Debt	**100,704**	**146,246**	**594,613**
Cash and cash equivalents and restricted cash	36,595	100,397	152,735
Net Debt	**64,109**	**45,849**	**441,878**

GUARANTOR COVERAGE

We present in this offering memorandum certain information with respect to the proportion of our consolidated net assets and our pro forma Adjusted EBITDA (excluding dividend income and profit from the sale of subsidiaries) represented by subsidiaries that will guarantee the Notes. Certain of our subsidiaries will not provide Guarantees due to, among other factors, jurisdiction-specific corporate law restrictions, burdensome regulatory approvals and joint venture agreements.

As at and for the year ended February 28, 2017, the Guarantors represented (i) 75.3% of our Pro forma Adjusted EBITDA, excluding dividend income and profit from the sale of subsidiaries and (ii) 81.0% of our net assets, after adjusting for intercompany payables and receivables.

ROUNDING

Certain amounts that appear in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

CURRENCIES

In this offering memorandum, references to “U.S. dollar”, “$” or “US$” are to the lawful currency of the United States, references to “ZAR”, “R” or “South African Rand” are to the lawful currency of South Africa and references to “sterling”, “pounds sterling”, “GBP”, “£”or “pence” are to the lawful currency of the United Kingdom. No representation is made that any specific currency amount in this offering memorandum could have been converted into any of the other currencies presented in this offering memorandum at any particular rate or at all.

Certain financial information included in this offering memorandum is shown translated from ZAR amounts into U.S. dollars at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the ZAR amounts actually represent such U.S. dollar amounts or could have been or could be converted into U.S. dollars at the specified rate or at all. Furthermore, the exchange rate for purposes of the convenience translation is not necessarily the same rate used in preparing our financial statements, which means that U.S. dollar-denominated items, including U.S. dollar-denominated expenses and liabilities, may have been translated into ZAR using one exchange rate (or an average exchange rate) and have been retranslated into U.S. dollars for the convenience of the reader using the convenience translation exchange rate.

Unless otherwise indicated, the exchange rate used for purposes of the convenience translations is:

- with respect to statements of financial position data, ZAR12.9433 per US$1.00, the exchange rate on February 28, 2017, as published by OANDA.com; and
- with respect to financial information other than statements of financial position data, ZAR14.2200 per US$1.00, the average daily exchange rate for the period from March 1, 2016 to February 28, 2017, as published by OANDA.com.

EXCHANGE RATE INFORMATION

The following table sets out for the periods indicated below the high, low, average and period end exchange rates as published by Bloomberg Composite Rate (London), of the U.S. dollars against the South African Rand. We make no representation that any specific currency amount in this offering memorandum have been, could have been or could in the future be converted into any of the other currencies presented in this offering memorandum at any particular rate at all. On July 5, 2017, the exchange rate published by Bloomberg Composite Rate of the ZAR per 1.00 US$ was 13.3713.

	ZAR per US$ 1.00			
	High	Low	Average	Period End
Year[1]				
February 28, 2013	9.1126	7.4578	8.3751	9.0068
February 28, 2014	11.2311	8.8851	9.9923	10.7188
February 28, 2015	11.8743	10.3008	10.9564	11.6865
February 29, 2016	16.9238	11.7451	13.4980	15.8158
February 28, 2017	15.9532	12.8754	14.2680	13.1122
Monthly[2]				
January 2017	13.7835	13.2909	13.5703	13.5090
February 2017	13.4469	12.8754	13.1862	13.1122
March 2017	13.4038	12.4430	12.9292	13.4038
April 2017	13.9089	13.0202	13.4667	13.3761
May 2017	13.6296	12.8379	13.2662	13.1542
June 2017	13.0927	12.5969	12.8983	13.0559
July 2017 (through July 5, 2017)	13.3713	13.1987	13.2673	13.3713

(1) The figure in the “Average” column represents the average of the closing Bloomberg Composite Rate on the last business day of each month during the relevant period.

(2) The figure in the “Average” column represents the average of the closing Bloomberg Composite Rate for each business day during the relevant period.

The above rates may differ from the actual rates used in the preparation of the Liquid Annual Financial Statements, the Neotel Annual Financial Statements, the Unaudited Pro Forma Financial Information, certain convenience translations included herein, and other financial information appearing in this offering memorandum.

SUMMARY

The following overview information should be read as an introduction to the more detailed information appearing elsewhere in this offering memorandum, including the Unaudited Pro Forma Financial Information, the Liquid Annual Financial Statements, the Neotel Annual Financial Statements and the accompanying notes beginning on page F-1. You should read this offering memorandum carefully in its entirety to understand our business, the nature and terms of the Notes and the tax and other considerations that are important to your decision to invest in the Notes, including the risks discussed under "Risk Factors". In addition, certain statements include forward-looking information that involves risks and uncertainties. Please see "Forward-Looking Statements".

OVERVIEW

We are one of the largest multi-country, open access fiber network and data center operators in Africa, delivering national and international connectivity solutions and hosting to mobile operators, carriers, enterprises, media and content companies, other internet service providers, as well as retail customers.

Our fiber optic network currently stretches over 50,000km across Sub-Saharan Africa, one of the world's fastest growing data market regions, and enables us to support high-bandwidth, low-latency applications, such as 3G/4G LTE mobile tower backhauling, OTT content delivery, entertainment video and security CCTV streaming, machine-to-machine connectivity, private connections to data center storage and computing services, cloud-services, and other applications.

We own and operate our own fiber optic and wireless networks across nine countries on the African continent: South Africa, Kenya, Tanzania, Rwanda, Uganda, Botswana, DRC, Zambia, and Zimbabwe, with further commercial presence in Nigeria, Mauritius, the United Arab Emirates and the United Kingdom. This makes us the only operator in Sub-Saharan Africa with a single multi-country fiber network of such geographic breadth. Our cross-border backbone fiber network links to our own extensive metropolitan and fiber network, which is composed of access fiber and fixed wireless access networks in all major cities and most secondary cities in the region. We have attracted a diverse customer base that includes some of the largest consumers of infrastructure-based solutions, such as mobile network operators ("**MNOs**"), financial institutions and other multinational corporations, international carriers, Internet service providers ("**ISPs**") and other leading national companies, as well as small-medium enterprises ("**SMEs**") and retail consumers.

In addition, our five data centers (in Nairobi, Johannesburg, Cape Town, Zambia and Zimbabwe), allow us to attract global enterprises and cloud solutions providers, which historically hosted African data in Europe, to partner with us and host content and computing capabilities on the African continent to reduce latency and improve customer experience. Our data centers, of which one is design certified as Tier 3 by the Uptime Institute and two others are built to Tier 3 standards (in South Africa), coupled with our extensive metropolitan and fiber-to-the-building networks, deliver high-bandwidth solutions enabling businesses to migrate their IT infrastructure to the cloud and expand across the region.

We believe digital services in Africa represent a significant revenue growth opportunity, with smartphone ownership, number of FTTH connections, and data center colocation demand all expected to rise over 20% per year between 2016 and 2021 (see "*Industry Overview—Key drivers of broadband demand*"). Our inclusive vision of helping to build Africa's digital future has also allowed us to provide high-bandwidth connectivity into regions that have never had any fixed-line infrastructure, allowing these emerging markets to leapfrog older fixed-line technologies to fiber optics and 4G LTE networks, providing greater bandwidth for voice and data communications and services. We believe we are well positioned to build and capture the potential of the African digital future, as digitization expands across Africa (as consumers switch from 2G to 3G/4G LTE enabled handsets, from traditional voice to broadband and VoIP, and from individual small screen data consumption to always-on multiscreen broadband in the home) and enterprises expand their geographical reach and increase their connectivity and reliability requirements.

We offer services to customers split into four segments:

- ***Wholesale Voice.*** Services offered include international wholesale voice termination and interconnect.
- ***Wholesale Data.*** Our wholesale data service and product offerings include leased dark fiber, national and international leased lines, fiber backhaul to sites (towers and buildings), IP transit, and data center services.

- ***Enterprise.*** Our service and product offerings to the enterprise customers include MPLS and Ethernet private connections, dedicated (uncontended) internet access, voice and PBX services, cloud-based storage and computing solutions, VSAT connections, and managed Wi-Fi and LAN solutions. In addition, our enterprise service offerings include payment solutions to financial institutions and retailers by processing credit card payments and managing points of sale and mobile money terminals.
- ***Retail.*** Our retail service and product offerings include broadband connections (with GPON FTTH, fixed LTE, and other access technologies), voice communication, entertainment, education and security solutions, and other bandwidth, connectivity and payment solutions.

For the year ended February 28, 2017, we had total revenue of US$343.0 million, net profit of US$54.1 million and Adjusted EBITDA of US$117.8 million.

Key Strengths

We consider our key strengths to include the following:

Our network and communication infrastructure assets are difficult to replicate

We own and operate the largest independent, cross-border fiber network in Africa, connecting more countries on a single network than any other. This affords us a unique market position and provides a significant barrier to entry of competitors. We believe that replicating our extensive fiber network, or consolidating existing networks regionally, would be difficult given the significant capital, time, permitting and expertise required. We have been able to develop and maintain key relationships with blue chip customers and create synergies internally and externally that provide us with an efficient cost base. We believe that the vast majority of our customers, particularly our wholesale and enterprise customers, choose our services primarily because of the quality, reliability and reach of our network, which positions us as a time- and mission-critical infrastructure supplier in support of high-bandwidth usage.

Our fiber network spans over 50,000km, made up of densely laid local access connections to sites/buildings, metropolitan network rings as well as interconnected regional and cross-border backbones, and offers connectivity to the five main sub-sea cable systems—WACS, EASSy, SAT-3, and TEAMS (in which we are direct shareholders), and SEACOM—connecting Africa to the rest of the world. Our extensive VSAT network further facilitates international connectivity for remote locations and as secondary (backup) solution. We also have three large data centers (tier 3 design) and two smaller co-location facilities across our operations allowing data storage and cloud computing capabilities to be integrated with our network offering. Additionally, we have rights to high demand spectrum in South Africa, Africa's most developed mobile and data market, in the 800MHz, 1,800MHz, and 3.5GHz bands. These bands are critical in the rollout of LTE/4G and universal access networks by MNOs. We further have a rich inventory of spectrum assets (typically in the 2.3GHz and 3.5GHz bands) across our other operations, used to provide enterprise and retail connectivity (fixed wireless access) services.

Except in South Africa where we operate the second largest network, as we have rolled out our fiber networks before most of our competitors, we believe we benefit from a significant advantage that makes our network difficult to replicate. Our first-mover advantage in rolling out fiber along the most efficient routes makes it uneconomical for a competitor to build a fiber network along similar paths after us. Further, our position as owner and operator of the network, allows us to have access to a low incremental cost structure to offer additional services (as our costs are mostly fixed), greater control than our competitors over the service levels we guarantee our clients, maximize overall network uptime and customer experience, and provide end-to-end connectivity while minimizing difficult interconnection between technically diverse national networks. This provides us with the advantage of competitively pricing contracts while aiming to achieve the best customer experience possible.

We operate our network on an open-access policy, which means that any market players, including direct competitors, can request and be granted access to our fiber network, on terms we might mutually find reasonable. This form of network sharing also degrades the financial attractiveness of building redundant networks along existing routes, as more attractive financial terms can be obtained by leasing our network. Additionally, a number of regulatory and local governments have begun to insist that once a fiber route has been laid, all new interested parties should use existing fiber routes, and refrain from awarding new wayleaves.

We have been awarded a number of authorizations, licenses and wayleaves over the years that collectively form a significant barrier to entry, as it would take a substantial amount of effort and time for a rival operator to be awarded rights and authorizations to the same extent. Our assets include rights to use scarce resources such as spectrum, which in a number of countries where we operate is no longer available for additional allocation (in particular South Africa) in the medium term. Rights to use available spectrum in commonly used bands (typically 700MHz to 3.5GHz) is usually obtained in return for a significant regulatory fee.

We continue to build multiple fiber routes and system redundancies across our network, and actively peer with other networks to further support our service level offering to clients who depend on world-class connectivity.

We have a comprehensive product portfolio that provides revenue scale and flexibility

We believe we are the only African fixed network operator with a complete telecommunication service portfolio across the wholesale voice, wholesale data, enterprise, and retail segments, that is available in nine Sub-Saharan countries. Our key products include leased dark fiber, IP Transit, Ethernet and IP connectivity, voice services and other high-bandwidth offerings. We also offer wholesale voice interconnect, managed and public Wi-Fi, broadband Internet access and value added services, such as VPNs, computer backups, LAN installation and support, PBX installation and support, and other services.

Our access to an end-to-end network (on which we can provide the entire service, without relying on third party telecommunication infrastructure providers) allows us to differentiate ourselves by our ability to manage the quality of our service, ensuring the higher quality and reliability levels. This platform ultimately allows us to provide more services to end users, such as LAN management, onsite and cloud-based PBX, and other IT services, which creates cross-selling and up-selling opportunities and revenue growth potential. We are able to capture a larger share of the total telecommunications and IT spend of our customers (including wholesale, enterprise and retail customers) by selling multiple products, which are all supported on our infrastructure (with limited variable increased operating costs).

Furthermore, our expanding data center capabilities (including the only design certified as Tier 3 by the Uptime Institute in East Africa) across our network distinctively position us to offer hosting and cloud-based solutions to our clients, combining connectivity services with data storage, retrieval and processing capabilities. Data center co-location and cloud service offering, beyond our wholesale and enterprise product range, are expected to be a major growth area as African enterprises becomes increasingly digitized.

We have established relationships with a blue-chip customer base

Our ability to provide pan-African connectivity services allows us to serve as a one-stop shop for blue-chip African and international carriers and enterprises, providing integrated software, cloud, hosting and connectivity capabilities. Our full-suite portfolio allows us to service a diverse customer base across Africa and across customer segments such as MNOs, global carriers, multi-national corporates, governments, non-governmental organizations, SMEs and other retail clients, providing us with diverse sources of revenue and earnings stability. We have established key relationships, formalized through Master Service Agreements ("**MSAs**"), with enterprises such as AT&T, Verizon, MTN, Airtel, Vodacom, Orange Business Services, PCCW, BT Global Services, China Telecom, BICS, Econet Wireless and others. The average length of relationship with our top 5 customers is 8.7 years

There is also a growing interest from enterprise cloud service providers and OTT players to work with us across Africa, potentially creating long-term relationships with global software and service company such as Microsoft, among others. The scale, reach and sophistication of our operations allow us to partner with global software companies with a specific focus on offering cloud hosting, connectivity and software-as-a-service to clients directly as well as large cloud and software solutions providers. Partnering with OTT, software companies, multi-national corporations, niche high-value customers and regional state organizations on long-term contracts provides us with blue-chip customers whose own product offerings are deeply embedded with ours. For such customers, having a single provider for multiple countries helps mitigate the lower profitability of these countries compared to developed European, US, and Asian markets where they already operate.

The "Liquid Telecom" brand is now a well-recognized and highly-regarded brand across the African continent in the telecommunications industry, and is generally associated with quality, reliability, international reach and innovation. We benefit from this reputation when considering new opportunities, as large enterprise and wholesale customers, as well as governments, regard "Liquid Telecom" as a financially stable, expert and trusted group that provides a one-stop shop for all services. We have also invested in the development of segment-focused brands such as "ZOL" and "Hai" (retail services) and of product-specific brands such as "TPS" and "PayBay" (payment services). These brands are regarded as local telecommunication industry leaders and allow the Group to maintain national and segment-specific prominence, while still maintaining an international appeal with the "Liquid Telecom" brand.

We have a strong market position across our nine geographies with growing demand for telecommunication solutions and services

We believe we are the largest fiber network operator (in terms of both revenues and length of fiber routes) in Zimbabwe, Zambia, Kenya, Rwanda and Uganda, and the second largest in South Africa. We believe we are the largest wholesale data carrier and the largest enterprise connectivity service provider (in terms of revenues) in all our markets but South Africa, DRC (the largest in the south-east region of Katanga) and Tanzania (and Botswana where we only launched our operations in 2017). We believe that we are the largest FTTB and FTTH provider (in terms of buildings connected and premises passed) in Zimbabwe, Zambia, and Rwanda, and one of the largest in Kenya, Uganda and Tanzania.

Substantial growth is forecast in our target countries and industry. Africa's GDP growth is expected to be 3.4% by 2018-19, and even higher at 5.2% if resource-exporting economies South Africa, Angola, and Nigeria are excluded. Urban populations, which are both easier to serve with high speed broadband and tend to have higher demand, are expected to grow, 1.4 million FTTH connections are expected to be added between 2016 and 2021, and 610 million subscribers will acquire smartphones for the first time in the same period. This is expected to drive demand for Internet connectivity (IP transit) from 2.6Tbps to 7.6Tbps over that period.

As the owners and operators of the largest independent fiber network in Africa, we enjoy a first mover advantage in a sector with significant barriers to entry and no current competitor to match the scale of our cross-border network. The 'size factor' of the Group allows us to derive significant operational and cost synergies, including the ability to profitably launch services that were not previously available in the country, and to negotiate more favorable pricing and other commercial terms with our key suppliers. Our unique market position on the African continent attracts interest from the owners of smaller competitors in an industry under pressure to provide greater access to capital to cope with rapid growth. We undergo a rigorous process when selecting organic and inorganic growth opportunities following governance procedures which adhere to our financial, technical, planning and strategic process committees.

We have strategically designed our network footprint and product offerings to benefit from the growing market for telecommunication services in Africa. Africa represents one of the least penetrated fixed and mobile data connectivity markets in the world, poising it for sustained long-term growth as the continent is expected to be the fastest growth data market, with an expected CAGR of 33% in Internet traffic volume per user (for Africa and Middle East) and 25.1% in IP transit traffic (for Africa) in the world between 2015 and 2020 (see "*Industry Overview—Market size and growth prospects of data in Africa").*

Robust mobile, enterprise and retail data growth are expected to increase demand and reliance on fiber connectivity, which is critical to offload data traffic from cellular networks and deliver high-bandwidth services in buildings and residential premises. We believe that our unique and dense access, metro, regional, and long-haul networks position us in the long term as a mission-critical infrastructure supplier to the largest users of bandwidth.

Our robust financial performance is anchored on recurring revenues and a low incremental cost structure

The contractual nature of earnings and the inherent 'stickiness' of customers to our network and product offering provides further earning visibility and stability. Our strong operating cash flows have historically allowed us to fund the majority of our capital expenditure and investments from internal resources. In addition, a large portion of the initial cost of large infrastructure build (e.g. new fiber route connecting two cities) is sometimes shared with anchor customers, through indefeasible right of use agreements ("**IRUs**") (which include high initial connection costs) and sale of dark fiber. The cost of upgrading the data transmission equipment installed on our fiber network to transport a substantially higher amount of data is marginal, relatively to the initial investment to build the network. Also the cost of operating and maintaining the network is broadly fixed, as efficiencies increase rapidly with the size of the fiber network routes. This fixed cost structure allows us to benefit from the fast growth in demand and associated potential revenues, with high margins.

We have multiple blue-chip clients that provide revenue stability and U.S. dollar denominated revenues. While we have some local currency exposure, 47.9% and 46.3% of our revenue in the year ended February 28, 2017 were in South African Rand and U.S. dollars, respectively (on a pro forma basis), which significantly reduces foreign exchange rate impacts on our revenues and profitability. Our market position and exposure to a rapidly growing market across Sub-Saharan Africa, and movement from wholesale voice services to higher margin data and enterprise connectivity solutions, support robust and sustained EBITDA performance. Capitalizing on our ability to invest in high-quality infrastructure to connect new customers, applying competitive pricing and delivering high quality of service levels, we have achieved substantial revenue growth in the wholesale data, enterprise, and retail segments in the year ended February 28, 2017, which increased by 13.2%, 28.3% and 33.7%, respectively.

We aim to expand and enhance revenue and profitability by improving efficiencies of recently-acquired assets. We invest in new capex with strict payback period requirements (often partly funded by upfront non-recurring revenues) and a ROIC-focused investment philosophy. We strategically target dense metro areas where large populations, increasing urbanization rates and growing business parks lend themselves to large bandwidth data requirements. Ease of adding additional fiber into conduits (ducts) that have already been amortized and/or paid for, provides significant value upside. Fiber networks are resilient assets, mostly buried underground, requiring relatively low maintenance capex. At February 28 2017, our operations had a total Service Activation Pipeline (revenue expected from service orders that are not generating revenue yet) of UD$1.5m.

Historically, we have maintained a low net leverage, which has only risen recently due to the Neotel Acquisition. We aim to keep our Net Debt to EBITDA ratio below 3x. If leverage peaks above this level due to acquisitions or unexpected changes, management seeks to bring back to normal level within an appropriate period of time.

Highly experienced management team with demonstrable and long-term track records.

We have an experienced senior management team, led by Group CEO, Mr. Nicholas Rudnick, Group CFO, Ms. Kate Hennessy, Group CSO, Mr. David Eurin, Group CTO, Mr. Ben Roberts, Group CIO, Mr. Raoul Du Plessis and other seasoned telecommunication executives, that brings with it a wealth of experience on the African continent (over 100 years combined), having grown the business from a small satellite services company to a group that boasts the largest independent cross-border fiber network in Africa. Mr. Rudnick has over 20 years of experience in the telecommunications industry. His legal background, with a profound experience and knowledge in Telecommunications Law across a number of African countries, has positioned him in good stead, as he is able to navigate the many country-specific regulatory hurdles that come with a large multi-national network, establishing strong relationships with governments, regulators and key stakeholders. We benefit from a strong management team both at the Group and local levels, which allows strategic and operational planning to be undertaken from a top-down, holistic approach with considerations to day-to-day operations. We also benefit from a strong and a highly skilled local operational workforce in all of the countries in which we operate.

Our mission is to build Africa's digital future, providing our customers with high-quality and reliable telecommunications services at competitive prices. Specific components of our strategy include the following:

Increase our revenue growth and profitability with a focus on the higher margin wholesale data and enterprise segments

We intend to continue focusing on the expansion of geographical service reach and our market share in the higher margin wholesale data and enterprise segments, while continuing to pursue growth in our wholesale voice and retail segments.

Wholesale data

We intend to grow our wholesale data segment, which is a highly profitable business segment for us due to relatively low incremental administrative costs and risks associated with wholesale arrangements, by leveraging our metro, regional, and cross-border fiber networks and interconnection with submarine cables. We aim to capitalize on the fast-growing needs for reliable and high-speed connectivity by multi-national corporations served by our global wholesale partners. We expect to also benefit from the growing penetration of smartphones and tablets in Sub-Saharan Africa, the increased popularity of social media, non-traditional voice services utilizing VoIP, OTT applications including video streaming, and the accompanying increased mobile data usage, leading our MNO customers to deploy 4G LTE networks that require fiber to their base stations and greater international bandwidth. The roll out by ISPs of new access networks using fixed wireless technology (e.g. LTE TDD) to offer broadband services to SMEs and households will, in some of our markets, also fuel growth in our international connectivity business.

To achieve this, we aim to maintain our core and national network reliability close to 100% while expanding our network reach by cautiously expanding into other Sub-Saharan African countries and establishing new profitable routes, laying new metropolitan networks and expanding existing ones, improving our network standards with better monitoring and quality of service (QoS) capabilities, and further developing key account management. We plan to nurture our existing partnerships with key customers and to continue exploring additional partnership opportunities, including with regional carriers, content and software providers, to capitalize on anticipated growth in demand for digital services across the African continent.

Enterprise

We intend to pursue revenue and profitability growth in our enterprise segment, which has historically underpinned our revenue growth and has now become a central pillar of our business, accounting for 21.4% and 18.7% of the Liquid Group's revenue for the years ended February 28, 2017 and February 29, 2016, respectively. To achieve this, we will focus on targeting large-scale consumers of bandwidth with complex, multi-country connectivity requirements, and partnering with leading software, content and Internet service providers to enhance enterprise service offerings, supported by fiber access and data center facilities. We also aim to continue expanding our metro and FTTB networks with a view to driving multi-tenancy growth (serving several customers in the same building) in the buildings enabled to use the fiber network. Complementary VSAT and fixed-wireless (LTE or point-to-point) networks extend the reach of the network to connect still-to-be-fibered or remote locations. In addition, we intend to continue growing 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 in this segment. We particularly aim to capitalize on the acquisition of Neotel to pursue cross-selling and up-selling opportunities and provide pan-African connectivity services to international companies based in Africa's largest economy, South Africa.

Wholesale voice

In an effort to counter the impact of competition and resulting declining voice tariffs, we intend to grow our wholesale voice volumes by opening new destinations from and into Africa and attracting new carrier accounts. 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 commoditized market place. 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. Following the Neotel Acquisition, we are progressively merging the way the international voice traffic is managed at the Liquid SA Group, which allows us to reach a greater scale as a provider. We expect these initiatives to provide us with an additional revenue stream and increase voice termination volumes. We believe that our growing scale in the region, combined with key relationships with the largest global voice carriers, will allow us to manage the decline in prices with increased traffic volumes.

Retail

We believe that both fiber-to-the-home (FTTH) and fixed wireless access (FWA) services, using our own infrastructure deployed in carefully selected areas, represents an interesting opportunity for retail revenue growth. We intend to promote the services and extend the reach our FTTH and FWA offerings, with the aim of increasing our market share in the middle and top ends of the broadband Internet service segment.

Our initial focus for FTTH network deployment has been on the high-income residential and mixed-use (residential/SME) neighborhoods offering high-quality, high speed (up to 100Mbps) broadband services where we enjoyed first mover advantage. Such position creates a significant barrier to entry for other infrastructure providers, as we have built a relationship with the most valuable customers. We have also offered our FTTH network as a wholesale service, on an open-access basis to other ISPs on a non-discriminatory basis. We have such independent resellers in Zimbabwe and Zambia. We will continue to research and identify new areas where FTTH can be profitably rolled out. Moreover, we will continue to launch promotional and social media campaigns in an effort to drive customer acquisitions and encourage greater demand.

Our strategy for FWA networks is to complement and extend the reach of our FTTH networks. FWA offers both an alternative to FTTH at a lower price point for middle-income customers as well as a reliable and high-speed service where FTTH networks have not been deployed. We are planning to upgrade our FWA networks to the latest LTE technology across our footprint and we are installing fiber backhaul to our transmission sites to ensure the highest speeds possible are delivered. We will continue to advertise and promote FWA networks to drive customer acquisitions, migrate our customer base to the new technology and encourage demand.

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). New digital services, available on a per-use or per-subscription basis, will also be rolled out. We believe these initiatives will allow us increase our market share and drive revenues and reduce customer churn.

Capturing the market opportunity in South Africa following the Neotel Acquisition.

We believe that our recent acquisition of Neotel is highly complementary to our existing network and operations, and will allow us to realize significant operational, revenue and cost synergies, by leveraging a combined network and benefitting from complementary customer bases. The acquisition of Neotel has transformed our operations in South Africa into a full service provider, providing one-stop international solutions to South African companies expanding into Africa or international companies with subsidiaries across the African continent. We believe that a fully integrated network, managed from a single NOC will allow for a significantly streamlined customer experience.

In order to derive the anticipated synergies from the Neotel Acquisition, we intend to, among others, benefit from the existing 800MHz, 1,800MHz and 3.5GHz bands, including preparing for expansion to 5G, and look to establish roaming agreements with key market players, utilizing our own network in select areas in South Africa. We will also integrate all of our South African operations under the "Liquid Telecom" brand, with a view to leveraging the excellence this brand represents, and make further investments in customer service, implementing a number of further measures to improve customer service and experience.

The achievement of revenue and cost synergies underlines our management team's ability to implement savings and is expected to be a key driver in our plan to improve gross and operating margins in the Liquid SA Group. We believe we will be able to replicate our historical success, in Kenya, Uganda and Rwanda, vis-a-vis synergy creation, and expect to realize significant revenue and cost synergies in connection with the Neotel Acquisition. However, there can be no assurance that the combination of our business with that of Neotel will result in the realization of the expected synergies. See "*Risk Factors—We may not be able to integrate successfully businesses that we have recently acquired or may acquire in the future, and we may not be able to realize the anticipated cost savings, revenue enhancements or other synergies from such acquisitions.*"

Expanding our metro network to meet the rapid growth in demand for data services.

We intend to further develop and expand our metro network, increasing the proximity between our fiber network and our current and future customer base to meet the rapid growth in demand for data services. We believe that growth in usage of rich-content browsing, online video streaming, media content, office-to-office communications (such as videoconferencing and database synchronization), and cloud services (particularly in African cities) represent significant data growth areas. We intend to capture a significant share of this expected growth by deploying substantial further investment towards strengthening and expanding our metro networks as well as fiber to the sites used by mobile operators (base stations) and FTTB. We began our metro and FTTB roll-out in Zimbabwe in 2009, and have significantly expanded this roll-out to every country where we operate. We believe that these local networks, combined with our regional fiber backbone that interconnects them together, provide us with an attractive value proposition, enabling us to benefit from the ongoing shift from wireless, or in some instances copper-based, technologies to FTTB as wholesale and enterprise customers demand higher speed and more reliable technologies, as well as cheaper access (per unit of usage) to data as demand for content and video streaming grows.

We intend to become the leading FTTB operator across all of our key markets and to benefit from economies of scale, while leveraging our fixed wireless LTE coverage to widen coverage at low cost and achieve lower price/service points.

Continued geographic expansion.

We are the leading independent fiber network and connectivity platform provider across Sub-Saharan Africa. We continue to pursue organic growth in our existing markets and will explore opportunities for acquisitive growth and new ventures aligned to our geographical focus and product specialization. Going forward, we intend to continue monitoring acquisition opportunities that will enhance our value to shareholders. However, our approach to any potential acquisition will remain cautious and disciplined. Inorganic growth will only be considered if and when there are opportunities to acquire other businesses that are complementary and value generative to our business in both the short and long terms.

THE REFINANCING

As at February 28, 2017, the Group had (i) US$300 million in aggregate principal amount outstanding under the LTH Senior Credit Facilities, (ii) US$56.4 million in aggregate principal amount outstanding under the Tata Term Loan Facility, (iii) ZAR2.95 billion in aggregate principal amount outstanding under the Neotel Senior Bridge Facility (equivalent to US$228.1 million using the exchange rate prevailing at the time).

On the Issue Date, the Issuer expects to issue the Notes offered hereby. We expect to use the proceeds of the Offering, together with amounts drawn under the Term Loan Facility (i) to repay certain existing indebtedness of the Group, including the LTH Senior Credit Facilities, the Neotel Senior Bridge Facility and the Tata Term Loan Facility (including any prepayment premium and accrued and unpaid interest (ii) for general corporate purposes; and (iii) to pay costs, expenses and fees (including the Initial Purchasers' fees, legal, accounting and other fees and expenses) in connection with the Transactions. For detailed discussion of the use of proceeds see "*Use of Proceeds*." For descriptions of the Group's current and anticipated indebtedness following the Refinancing, see "*Description of Certain Financing Arrangements*" and "*Capitalization*."

RECENT DEVELOPMENTS

Since February 28, 2017, recent developments include the acquisition of Zanlink in Tanzania, which complements our earlier Raha Acquisition, and the acquisition of a long-term 15-year IRU on one pair of dark fiber in DRC from power utility SNEL that extends our backbone from south-east DRC to Kinshasa.

Operationally we have recruited a new CEO for Liquid Telecommunications Kenya Limited, Adil El Youssefi, who was previously CEO of Airtel Kenya, and a new CEO for our South African operations, Kyle Whitehill, who was previously the Chief Executive Officer of Vodafone Qatar Q.S.C. and Chief Executive Officer of Vodafone Ghana Company Limited.

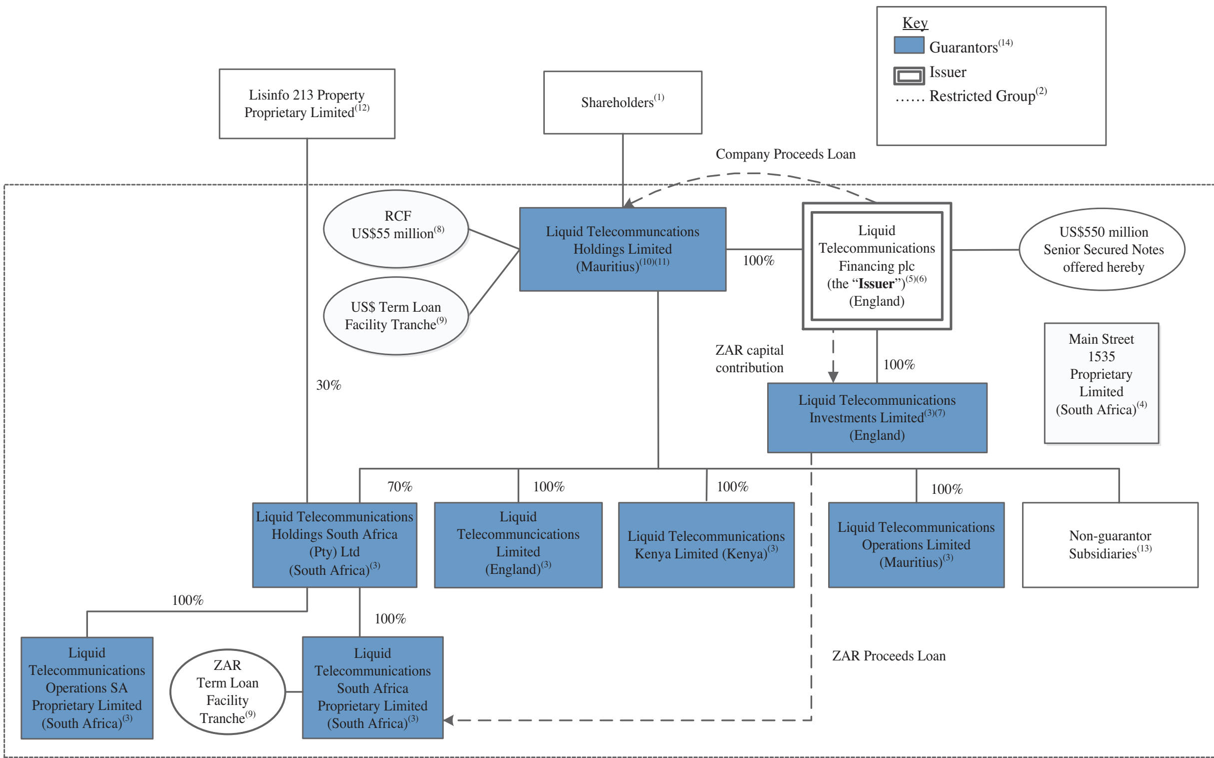
We are continuing to integrate Neotel into the Group, as financial systems are now able to provide consolidated accounts, and network, IT and other operational systems (such as CRM Salesforce) are also being aligned. Processes and policies (such as sales incentives) are also being reviewed.

For the 3 month period ended May 31, 2017, the EBITDA of the Group is tracking ahead of budget, based on strong underlying performance. The Company may draw the ZAR350 million remaining under the Neotel Senior Bridge Facility in the near term for use on planned capital expenditure as outlined in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Planned Cash Requirements and Capital Expenditure Plan*.".

The above information is based on our management's review of our preliminary results and estimates, which have not been audited or reviewed by any audit firm, and is not intended to be a comprehensive statement of our financial or operational results for the three months ended May 31, 2017. Our preliminary results are based on a number of assumptions and judgments, and as a result, reflect a certain level of uncertainty and remain subject to change. The estimated results described above may change in connection with the preparation of our first quarter accounts and our normal end-of-quarter review process. Our preliminary results for the three months ended May 31, 2017 may not be indicative of our results for any other period. As such, you should not place undue reliance on them. See "Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect our future performance and results of operations.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following chart shows a simplified summary of the Group's corporate and financing structure as of the Issue Date and as adjusted to give effect to the Transactions (assuming that all Transactions occurred on the Issue Date). The chart does not include all of the Company's subsidiaries, nor all of the debt obligations thereof. Unless otherwise indicated, the subsidiaries included in the simplified structure below are directly or indirectly wholly-owned by the Company. For a summary of the debt obligations identified in this diagram, see the sections entitled "*Use of Proceeds,*" "*Description of the Notes,*" "*Description of Certain Financing Arrangements*" and "*Capitalization*".



(1) As at the date of this offering memorandum, the majority stake (51.1%) of the share capital of Liquid Telecommunications Holdings Limited is held by Econet Global Limited. The other shareholders are GW Fibre Limited, Mr. Nicholas Rudnick, DTOS Trustees Limited (as trustee of New ARX Trust) and Consolidated Technology Holdings Limited. For a description of our principal shareholders, see "*Principal Shareholders*."

(2) The entities in the Restricted Group are subject to the covenants in the Indenture. See "*Description of the Notes*."

(3) The Notes will be guaranteed by the Guarantors on a senior secured basis as of the Issue Date. The Guarantees will be subject to certain limitations under applicable law or based on regulatory consents and conditions under which those regulatory consents may be granted. See "*Certain Insolvency and Enforceability Considerations*" *and "Risk Factors—Risks relating to the Notes and the Guarantees*." The Notes and the Guarantees of the Company and the Non-South African Subsidiary Guarantors will be initially secured by first-priority liens over the Collateral located outside of South Africa (the "**Global Collateral**"). The Notes and the Guarantees of the South African Subsidiary Guarantors and the Company will initially benefit from indirect security over certain assets located in South Africa by virtue of arrangements through the Security SPV (the "**South African Collateral**" and, together with the Global Collateral, the "**Collateral**"). The Global Collateral will initially include the following properties and assets, which will be secured on a first priority basis by: English law share charge in respect of the shares owned by the Company in the Issuer and Liquid Telecommunications Limited; English law security assignment agreement in respect of the Company's present and future rights, title and interest in certain inter-group agreements and related rights; English law assets debenture given by Liquid Telecommunications Limited, the Issuer and Liquid Telecommunications Investments Limited; Mauritian law share pledge in respect of the shares owned by the Company in Liquid Telecommunications Operations Limited; Mauritian law floating charge over the present and future, movable and immovable, corporeal and incorporeal properties of the Company; Mauritian law floating charge over the present and future, movable and immovable, corporeal and incorporeal properties of Liquid Telecommunications Operations Limited; Kenyan Memorandum of Deposit in respect of the shares in Liquid Telecommunications Kenya Limited; and an assignment by way of security or pledge of the Proceeds Loans (a "**Proceeds Loans Assignment**"). The South African Collateral will initially include the following properties and assets, which will be secured on a first priority basis by: South African law share pledge in respect of the shares and shareholder loan claims owned by the Company in Liquid Telecommunications Holdings South Africa (Pty) Ltd, South African pledge and cession over certain shares, securities and other ownership interests, all debt claims, all present and future claims (including trade debtors), bank accounts, intellectual property rights, and all insurances, of Liquid Telecommunications South Africa Proprietary Limited and Liquid Telecommunications Operations SA Proprietary Limited, and South African pledge and cession over all shares, securities and other ownership interests, all debt claims, all present and future claims (including trade debtors) and bank

accounts of Liquid Telecommunications Holdings South Africa (Pty) Ltd and South African deed of hypothecation over trademarks, a first-ranking mortgage bond over all immovable property, a first-ranking special notarial bond over certain movable assets and a general notarial bond over all movable assets of Liquid Telecommunications South Africa Proprietary Limited. The Collateral will be contractually limited to reflect limitations under applicable law or conditions to applicable regulatory consents with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal or regulatory restrictions applicable to the security providers and their respective shareholders, directors and general partners. See "*Description of the Notes—Security.*"

(4) The Company and certain of the Company's subsidiaries will provide security interests in the Collateral in favor of the Security SPV to secure the Counter-Indemnity Agreement in respect of the guarantee by the Security SPV of the obligations of the Issuer and Guarantors under the Notes, the Guarantees, the Indenture, the Revolving Credit Facility and the Term Loan Facility. For a description of the Collateral, see "*Description of the Notes—Collateral*." The Company and such subsidiaries will, pursuant to the Counter-Indemnity Agreement to be entered into with the Security SPV on or prior to the Issue Date, indemnify the Security SPV against any loss, cost, liability or expense which the Security SPV may suffer or incur under or in connection with the SPV Guarantee granted by it in favor of the Trustee or the holders of the Notes or the lenders under the Revolving Credit Facility or Term Loan Facility.

(5) The Issuer is a public company limited by shares incorporated under the laws of England and Wales for the purpose of issuing the Notes. The Issuer is a wholly owned finance subsidiary of the Company and has no material assets (other than receivables under the Company Proceeds Loan and holdings in the capital stock of its subsidiary) and no material liabilities (other than the Notes) and has not engaged in any significant activities other than financing activities. See "*Risk Factors—Risks relating to the Notes and the Guarantees—The Issuer and certain of the Guarantors are holding companies that have no revenue generating operations of their own and will depend on cash from other members of the Group to be able to meet their obligations on the Notes and the Guarantees, respectively; not all of our subsidiaries, including certain of the Guarantors, are wholly owned by us.*"

(6) A Company Proceeds Loan in respect of a portion of the proceeds of the Notes will be made by the Issuer to the Company on or about the Issue Date, to repay the LTH Senior Credit Facilities and the Tata Term Loan Facility (including any prepayment premium and accrued and unpaid interest). See "*Use of Proceeds*." Further, we intend to use a portion of the gross proceeds of the Notes to finance a contribution to the equity of Liquid Telecommunications Investments Limited, which, in turn, will lend the ZAR equivalent of such equity contribution to Neotel (the "**ZAR Proceeds Loan**") to repay a portion of its indebtedness. See "*Use of Proceeds*."

(7) Liquid Telecommunications Investments Limited is a private company limited by shares incorporated under the laws of England and Wales. Liquid Telecommunications Investments Limited is a wholly owned finance subsidiary of the Issuer.

(8) On or about the Issue Date, we will enter into a new revolving credit facility (the "**Revolving Credit Facility**") that will provide for drawings up to US$55 million. The Revolving Credit Facility is expected to remain undrawn at the Issue Date. See "*Description of Certain Financing Arrangements—New Senior Facilities Agreement*." Each of the Guarantors will guarantee our obligations under the Revolving Credit Facility and we will grant security interests in the Collateral to secure our obligations under the New Senior Facilities Agreement. Pursuant to the Intercreditor Agreement, proceeds from enforcement of the Collateral will be share *pro rata* among the holders of the Notes and the lenders under the Revolving Credit Facility and the Term Loan Facility. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

(9) On or about the Issue Date, the Company and Neotel will enter into a new term loan facility (the "**Term Loan Facility**") (split into a U.S. dollar tranche of US$50 million (the "**US$ Term Loan Facility Tranche**") and a ZAR tranche of the ZAR equivalent of US$100 million (the "**ZAR Term Loan Facility Tranche**"). See "*Description of Certain Financing Arrangements—New Senior Facilities Agreement.*" On or about the Issue Date the Company expects to draw US$50 million under the US$ Term Loan Facility Tranche and use the proceeds therefrom to repay a portion of the LTH Senior Credit Facilities. On or about the Issue Date, Neotel expects to draw the ZAR equivalent of US$50 million under the ZAR Term Loan Facility Tranche. See "*Use of Proceeds*." Each of the Guarantors will guarantee our obligations under the Term Loan Facility and we will grant security interests in the Collateral to secure our obligations under the New Senior Facilities Agreement. Pursuant to the Intercreditor Agreement, proceeds from enforcement of the Collateral will be share *pro rata* among the holders of the Notes and the lenders under the Revolving Credit Facility and the Term Loan Facility. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

(10) We intend to use the proceeds of the Offering, together with amounts drawn under the Term Loan Facility, (i) to repay certain existing indebtedness of the Group, including the LTH Senior Credit Facilities, the Neotel Senior Bridge Facility and the Tata Term Loan Facility (including any prepayment premium and accrued and unpaid interest); (ii) for general corporate purposes; and (iii) to pay costs, expenses and fees (including the Initial Purchasers' fees, legal, accounting and other fees and expenses) in connection with the Transactions. See "*Use of Proceeds*."

(11) The Notes, the Guarantees, the Revolving Credit Facility, the Term Loan Facility will be secured by the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

(12) Lisinfo 213 Property Proprietary Limited (the "**Option Holder**"), a wholly-owned subsidiary of Royal Bafokeng Holdings Proprietary Limited ("**RBH**"), is a limited company incorporated under the laws of South Africa. See "*Risk Factors—The Issuer and certain of the Guarantors are holding companies that have no revenue generating operations of their own and will depend on cash from other members of the Group to be able to meet their obligations on the Notes and the Guarantees, respectively; not all of our subsidiaries, including certain of the Guarantors, are wholly owned by us*." Pursuant to an option agreement dated June 26, 2016 between the Company and the Option Holder, the Option Holder is entitled to require the Company to purchase all of the B shares and shareholder loan claims held by the Option Holder in Liquid Telecommunications Holdings South Africa (Pty) Ltd in exchange for ordinary shares in the Company (the "**Option Holder Flip-Up**"), as per the terms and conditions of the option agreement. As of the date of this offering memorandum, the Option Holder holds 30% of all of the issued B shares in the share capital of Liquid Telecommunications Holdings South Africa (Pty) Ltd (the remaining 70% being held by the

Company). The Company and the Option Holder are currently in advanced talks in respect of potentially completing the Option Holder Flip-Up within the next quarter or so. For more detail, see "*Related Party Transactions—The Option Holder's flip-up right.*"

(13) Includes direct and indirect non-guarantor subsidiaries of (i) the Company; and (ii) certain other Guarantors. Further, in addition to the Guarantors that are not wholly owned by us, some of our non-guarantor subsidiaries are also not wholly owned by us. As at and for the year ended February 28, 2017 our non-guarantor subsidiaries represented 24.7% of our Pro forma Adjusted EBITDA, excluding dividend income and profit from the sale of subsidiaries, and, as at and for the year ended February 28, 2017, 19.0% of our net assets, after adjusting for intercompany payables and receivables. See "*Risk Factors—Risks relating to the Notes and the Guarantees—Not all of our subsidiaries will guarantee the Notes, and the Notes and the Guarantees will be structurally subordinated to all of the claims of creditors of those subsidiaries that do not guarantee the Notes.*" Some of our non-guarantor subsidiaries, including in Zambia, are joint ventures. See "*Business—Joint Ventures*."

(14) There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the relevant Trustee. See "*Risk Factors—Risks relating to the Notes and the Guarantees—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee.*"

Within the chart, legal entities are shown in boxes and financing instruments and amounts outstanding are shown in ovals. See "*Use of Proceeds*," "*Capitalization*," "*Description of the Notes*" and "*Description of Certain Financing Arrangements*" for more detailed descriptions.

In addition to the holdings presented in the chart above, the Company holds interests in certain other subsidiaries which are not material for our business or which currently have no material operations.

As of the Issue Date (as defined below), all of the Company's subsidiaries will be Restricted Subsidiaries for purposes of Notes and the Indenture. The Guarantors will guarantee the Notes as of the Issue Date, and one or more other subsidiaries may become obliged to guarantee the Notes in the future to the extent that they provide guarantees of certain other indebtedness. See "*Description of the Notes—Covenants—Limitations on Guarantees of Indebtedness by Restricted Subsidiaries*."

OVERVIEW OF THE OFFERING

The overview below describes the principal terms of the Notes and the Guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The section entitled "Description of the Notes" of this offering memorandum contains a more detailed description of the terms and conditions of the Notes and the Guarantees, including definitions of certain terms used in this overview.

Issuer	Liquid Telecommunications Financing plc (the "**Issuer**").
Guarantors	The Company; Liquid Telecommunications Operations Limited; Liquid Telecommunications Limited; Liquid Telecommunications Investments Limited; Liquid Telecommunications Kenya Limited; Liquid Telecommunications Holdings South Africa (Pty) Ltd; Liquid Telecommunications Operations SA Proprietary Limited and Liquid Telecommunications South Africa Proprietary Limited (formerly Neotel Proprietary Limited) (collectively, the "**Guarantors**").
Notes Offered	US$550 million aggregate principal amount of 8½% Senior Secured Notes due 2022 (the "**Notes**").
Issue Date	On or about July 13, 2017 (the "**Issue Date**").
Issue Price	100.000% plus accrued interest from the Issue Date.
Maturity Date	July 13, 2022.
Interest Rate	8.500% per annum.
Interest Payment Dates	Interest will be payable semi-annually in arrears on January 13 and July 13 of each year, commencing on January 13, 2018. Interest will accrue from the Issue Date.
Denomination of Notes	The Issuer will issue the Notes in minimum denominations of US$200,000 in principal amount and integral multiples of US$1,000 in excess thereof.
Form of Notes	The Notes will be represented on issue by global notes which will be deposited with (i) in the case of the Regulation S Global Notes, a common depositary for Euroclear and Clearstream and registered in the name of their respective nominees, and (ii) in the case of the Rule 144A Global Notes, a custodian for DTC, and registered in the name of Cede & Co. as nominee of DTC. If definitive registered notes are issued in respect of the Notes, they will be issued only in minimum denominations of US$200,000 in principal amount and integral multiples of US$1,000 in excess thereof. Interests in each Global Note will be exchangeable for definitive registered notes only in certain limited circumstances. See "*Book-Entry; Delivery and Form*."
Guarantees	On the Issue Date, the Notes will be guaranteed by the Guarantors. As at and for the year ended February 28, 2017, the Guarantors represented (i) 75.3% of our Pro forma Adjusted EBITDA, excluding dividend income and profit from the sale of subsidiaries and (ii) 81.0% of our net assets, after adjusting for intercompany payables and receivables. See "*Risk Factors—Risks relating to the Notes and the Guarantees—Not all of our subsidiaries will guarantee the Notes, and the Notes and the Guarantees will be structurally subordinated to all of the claims of creditors of those subsidiaries that do not guarantee the Notes*."

There are circumstances other than repayment or discharge of the Notes under which the Guarantees will be released automatically, without your consent or the consent of the Trustee. See "*Risk Factors—Risks relating to the Notes and the Guarantee—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee*."

As at February 28, 2017 and as adjusted to give effect to the Transactions, we would have US$671.5 million of debt, of which US$550 million would be represented by the Notes, our non-guarantor subsidiaries would have US$15.5 million of debt and our guarantor subsidiaries would have US$56 million of debt, in addition to their obligations under the Guarantees.

Ranking of the Notes and the Guarantees . . . . The Notes will be general senior obligations of the Issuer and will:

- be secured as set forth under "Collateral";
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- rank senior in right of payment to all future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes, if any;
- be effectively senior to all existing and any future unsecured Indebtedness of the Issuer to the extent of the value of the Collateral;
- be effectively subordinated to any existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to all obligations of the Issuer's Subsidiaries that are not Guarantors.

The Notes (a) will be (i) unconditionally guaranteed by the Guarantors (subject to limitations under applicable law and certain contractual limitations as described in "*Description of Notes—Note Guarantees and SPV Guarantee*"); and (ii) initially guaranteed on a limited recourse basis by the Security SPV, which guarantee will, in turn, be initially supported by the Counter-Indemnity Agreement; and (b) may be in the future be guaranteed by other Restricted Subsidiaries of the Issuer and the Company.

Each Guarantee will be a general senior obligation of each Guarantor and, subject to certain contractual and legal limitations and regulatory conditions, will:

- be secured as set forth under "Collateral";
- will rank *pari passu* in right of payment with all existing and future Indebtedness of such Guarantor, that is not subordinated in right of payment to that Guarantee, including such Guarantor's obligations under the Revolving Credit Facility and Term Loan Facility;

- will rank senior in right of payment to all future Indebtedness of such Guarantor that is expressly subordinated in right of payment to that Guarantee, if any;
- will be effectively senior to all existing and any future unsecured Indebtedness of such Guarantor to the extent of the value of the Collateral securing such Guarantee either directly or indirectly;
- will be effectively subordinated to any existing and future Indebtedness of such Guarantor that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- will be structurally subordinated to all obligations of such Guarantor's Subsidiaries that are not Guarantors.

The obligations of the Guarantors will be subject to significant contractual and legal limitations under the applicable Guarantees, including but not limited to, with respect to maintenance of share capital, financial assistance, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors, and their respective shareholders and directors. See "*Description of the Notes—The Note Guarantees and the SPV Guarantee*". By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Relating to the Notes and the Guarantees—The Guarantees and the Collateral securing the Notes will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*." In addition, the Guarantees may be released under certain circumstances. See "*Description of the Notes—The Note Guarantees and the SPV Guarantee*" and "*Certain Insolvency and Enforceability Considerations.*"

Collateral . . . . On or about the Issue Date:

- The Notes will be secured on a first priority basis directly by the Global Collateral and indirectly by the South African Collateral (in each case, subject to certain perfection requirements, any Permitted Collateral Liens and limitations under applicable law), equally and ratably with the Issuer's obligations under the Revolving Credit Facility and Term Loan Facility, as described under "*Description of the Notes—Security*"; and
- The Guarantees will be secured, directly or indirectly, on a first priority basis by the Collateral (subject to certain perfection requirements, any Permitted Collateral Liens and limitations under applicable law), equally and ratably with the Guarantors obligations under the Revolving Credit Facility and Term Loan Facility, as described under "*Description of the Notes—Security*".

The security interests in the Collateral will be granted directly to the Security Agent (with respect to the Global Collateral) and indirectly through the Security SPV (with respect to the South African Collateral). See "*—Security SPV*."

	As at February 28, 2017 and as adjusted to give effect to the Transactions, we would have US$20.3 of debt secured by assets other than the Collateral.
Use of Proceeds	We intend to use the gross proceeds of the Offering, together with amounts drawn under the Term Loan Facility (i) to fund the Refinancing; (ii) for general corporate purposes; and (iii) to pay costs, expenses and fees (including the Initial Purchasers' fees, legal, accounting and other fees and expenses) in connection with the Transactions.
Security SPV	The obligations of the Issuer under the Notes and of the Guarantors under the Guarantees will also be guaranteed on a limited recourse basis under South African law by the Security SPV. The Company and certain South African Subsidiary Guarantors will enter into the Counter-Indemnity Agreement with respect to the guarantee provided by the Security SPV, which agreement will be secured by first priority security interests over the South African Collateral. See "*Description of the Notes—Security—Security SPV*" and "*Risk Factors—Risks Relating to the Collateral Securing the Notes—The Security over the Collateral will not be granted directly to the holders of the Notes*."
Taxation / Additional Amounts	All payments by the Issuer or any Guarantor under or with respect to the Notes will be made free and clear of, and without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) except to the extent required by law. If withholding or deduction is required by law in any such jurisdiction in which the Issuer or any applicable Guarantor is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction (including, without limitation, the jurisdiction of any paying agent) from or through which payment on the relevant Notes is made by or on behalf of the Issuer (a "**Relevant Taxing Jurisdiction**"), subject to certain exceptions, the Issuer or any applicable Guarantor will pay such additional amounts as may be necessary so that the net amount received by any holder of Notes (including additional amounts) after such withholding or deduction will not be less than the amount such holder would have received if such withholding or deduction had not been required. See "*Description of the Notes—Taxation—Additional Amounts*."
Optional Redemption	At any time prior to July 13, 2020, we may redeem up to 40% of the aggregate principal amount of the Notes using the net cash proceeds of certain equity offerings, at the redemption price of 108.500% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. See "*Description of the Notes—Optional Redemption.*" At any time prior to July 13, 2020, we may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the applicable redemption date plus the applicable "make whole" premium. See "*Description of the Notes—Optional Redemption.*"

	At any time on or after July 13, 2020, we may redeem some or all of the Notes at the redemption prices set forth in "*Description of the Notes—Optional Redemption*."
Change of Control	Upon the occurrence of certain events constituting a "change of control," holders of the Notes will have the right to require the Issuer to repurchase all or part of the Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the repurchase date. See "*Description of the Notes—Repurchase at the Option of Holders—Change of Control.*"
Optional Redemption for Taxation Reasons	If certain changes in the law (or in its interpretation) of any Relevant Taxing Jurisdiction impose certain withholding taxes or other deductions on the payments on the Notes, we may redeem the Notes in whole, but not in part, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. See "*Description of the Notes—Optional Redemption for Taxation Reasons*."
Certain Covenants	We have agreed to certain covenants with respect to the Notes, including, among other things, limitations on our ability to: • incur or guarantee additional indebtedness; • make certain investments or other restricted payments; • sell assets and subsidiary stock; • enter into certain transactions with affiliates; • create liens; • consolidate, merge or sell all or substantially all of our assets; • enter into agreements that restrict our restricted subsidiaries' ability to pay dividends; and • impair the security interests with respect to the Collateral. Each of these covenants is subject to certain exceptions and qualifications. Certain of these covenants may also be suspended in the event that the Notes receive investment grade ratings from the relevant credit rating agencies. See "*Description of the Notes—Certain Covenants*."
Transfer Restrictions	The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and are subject to certain restrictions on transfer and resale.
No Established Market	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing	Application has been made to the Irish Stock Exchange for the Notes to be listed on its Official List and traded on its Global Exchange Market.

Governing Law	The Notes and the Indenture (including the Guarantees) will be governed by the laws of New York. The SPV Guarantee will be governed by the laws of the Republic of South Africa. The Intercreditor Agreement will be governed by English law. The Security Documents will be governed by Mauritian, South African, Kenyan and English law, as applicable. The Counter-Indemnity Agreement in favor of the Security SPV will be governed by South African law.
Security Agent	The Standard Bank of South Africa Limited.
Trustee	Citibank, N.A., London Branch
Paying Agent	Citibank, N.A., London Branch
Transfer Agent and Registrar	Citibank, N.A., London Branch
Irish Listing Agent	Arthur Cox Listing Services Limited
Risk Factors	Investing in the Notes involves a high degree of risk. See the section entitled "*Risk Factors*" for a description of certain of the risks you should carefully consider before investing in the Notes.

SUMMARY FINANCIAL AND OTHER INFORMATION

The tables below show summary consolidated financial information for each of (i) the Liquid Group as at and for the years ended February 28, 2017, February 29, 2016 and February 28, 2015, and (ii) Neotel as at and for the 11 months ended February 28, 2017, and the years ended March 31, 2016 and March 31, 2015. The financial information for the Liquid Group as at and for the years ended February 28, 2017 and February 29, 2016 has been extracted or derived from audited consolidated financial statements of Liquid Group as at and for the year ended February 28, 2017.

As described in Note 3 to Neotel's audited consolidated financial statements as at and for the 11 months ended February 28, 2017, Neotel changed its accounting policy in relation to the accounting for purchased IRUs. Historically, Neotel accounted for IRUs as prepayments in its statements of financial position and the related amortization had been accounted for as cost of sales in its statements of profit or loss and other comprehensive income. From April 1, 2016, Neotel changed its accounting policy to account for IRUs as intangible assets in its statements of financial position and the related amortization recognized in the Depreciation, impairment and amortization line item in the statements of profit or loss and other comprehensive income. This policy aligns the treatment of IRUs in Neotel's accounting policy with that of the Liquid Group's. Consistent with the requirements of IFRS, the comparative financial information of Neotel as at and for the years ended March 31, 2016 and March 31, 2015, included in the 2017 Neotel financial statements have been retrospectively restated for this change in accounting policy.

Liquid Group's audited consolidated financial statements as at and for the period ended February 29, 2016 reported the following reclassifications from the audited consolidated financial statements as at and for the period ended February 28, 2015. Investment income of US$2,171,268 presented in the consolidated statement of profit or loss and other comprehensive income for the period ended February 28, 2015 was split into dividend income of US$1,707,577 and interest income of US$463,691 in 2016. Stock write off of US$94,540 and provision for stock write off of US$227,274 included in administrative expenses of US$30,678,638 in the consolidated statement of profit or loss and other comprehensive income for the period ended February 28, 2015 financial statements have been included under depreciation, amortization and impairment of US$23,383,122 in 2016 (which was stated at US$23,061,308 in 2015). These reclassifications were done to ensure conformity of presentation with 2016 financial statements presentation and did not have any impact on the profit for the year.

This section contains non-IFRS financial measures, including EBITDA, Adjusted EBITDA, Pro forma EBITDA, Pro forma Adjusted EBITDA, Adjusted EBITDA Margin, Pro forma Adjusted EBITDA Margin, Capital Expenditure, Gross Debt, Net Debt, Gross Debt to Adjusted EBITDA ratio, Net Debt to Adjusted EBITDA ratio and Interest Coverage. The non-IFRS financial measures are not measurements of performance or liquidity under IFRS or any other generally accepted accounting principles. Our management believes that the presentation of these non-IFRS financial measures is helpful to investors as measures of our operating performance and our ability to service our debt. Since all companies do not calculate these measures in an identical manner, our presentation may not be consistent with similar measures used by other companies.

We have also presented certain Unaudited Pro Forma Financial Information of the Liquid Group for the year ended February 28, 2017, which gives pro forma effect to the Neotel Acquisition as if it had occurred on March 1, 2016, for purposes of the pro forma statements of profit or loss for the year ended February 28, 2017. In addition, this offering memorandum includes certain unaudited as adjusted financial information, presented on an as adjusted basis to give effect to the Transactions. The Unaudited Pro Forma Financial Information and the unaudited as adjusted financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position we would have reported had (i) the Transactions been completed as of February 28, 2017, or (ii) the Neotel Acquisition as if it had occurred on March 1, 2016. The Unaudited Pro Forma Financial Information and the unaudited as adjusted financial information should not be taken as indicative of our future consolidated results of operations or financial position. Our historical results may not be indicative of our future results following completion of the Transactions. The Unaudited Pro Forma Financial Information and the unaudited as adjusted financial information have not been prepared in accordance with any generally accepted accounting standards.

The functional and reporting currency of Neotel is the South African Rand. Certain rand-denominated financial information with respect to Neotel for the 11 months ended February 28, 2017 is translated into U.S. dollars for convenience. You should not view such transactions as a representation that such U.S. dollar amounts actually represent such ZAR amounts.

The information below should be read in conjunction with the Financial Statements and accompanying notes included elsewhere in the offering memorandum and the discussion in sections entitled "Presentation of Financial and Other Data," "Summary," "Business," "Use of Proceeds," "Capitalization," "Selected Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

SUMMARY FINANCIAL AND OTHER INFORMATION FOR THE LIQUID GROUP AND PRO FORMA INFORMATION

Summary Statements of Profit or Loss and Other Comprehensive Income

	For the year ended			For the year ended
	February 28, 2015	February 29, 2016	February 28, 2017[1]	February 28, 2017
				(Pro forma) (Unaudited)[2]
	(US$ thousands)			
Revenue	**302,251**	**306,547**	**342,992**	**594,644**
Cost of sales	(118,855)	(115,515)	(137,734)	(235,056)
Gross profit	**183,396**	**191,031**	**205,258**	**359,587**
Other income	980	3,295	1,861	2.251
Dividend received	1,708	279	308	308
Selling and distribution costs	(5,432)	(6,718)	(7,721)	(18,549)
Administrative expenses	(30,357)	(29,782)	(32,038)	(87,696)
Staff costs	(43,197)	(43,009)	(51,471)	(98,181)
Profit before interest, tax, impairment and amortization	**107,098**	**115,095**	**116,196**	**157,720**
Depreciation, impairment and amortization	(23,383)	(33,654)	(38,417)	(78,380)
Acquisition costs	—	—	(4,477)	—
Operating profit	**83,715**	**81,441**	**73,302**	**79,341**
Interest income	464	728	1,554	5,294
Finance costs	(4,388)	(7,256)	(13,785)	(53,862)
Foreign exchange gain / (loss)	(5,644)	(13,254)	2,032	5,911
Share of profits of associates	—	—	3	59
Profit before taxation	**74,146**	**61,659**	**63,106**	**36,742**
Tax expense	(11,878)	(11,774)	(9,037)	25,992
Profit for the year	**62,269**	**49,885**	**54,069**	**62,735**
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange gain / (loss)	(1,534)	(9,928)	11,019	n/a
Fair value gain / (loss) on available-for-sale investments	(12,474)	(26,070)	1,681	n/a
Other comprehensive gain / (loss) for the year	**(14,008)**	**(35,998)**	**12,700**	**n/a**
Profit and total comprehensive income for the year	**48,260**	**13,887**	**66,769**	**n/a**

(1) Includes the results of operations of Neotel for the period from February 10, 2017 to February 28, 2017.

(2) Gives effect to the Neotel Acquisition as if it had occurred on March 1, 2016. Applicable throughout this offering memorandum in relation to pro forma information.

Summary Statements of Financial Position

	As at		
	February 28, 2015	February 29, 2016	February 28, 2017[1]
	(US$ thousands)		
Assets			
Non-current assets			
Goodwill	7,112	9,558	151,794
Intangible assets	68,737	71,939	133,940
Property, plant and equipment	259,294	277,257	612,522
Investment in subsidiaries	—	—	—
Investment in associates	—	—	378
Investments	54,492	26,921	15,786
Deferred tax assets	1,951	1,272	38,836
Held to maturity investments	3,151	3,353	2,952
Long-term receivables	1,247	1,247	6,409
Total non-current assets	**395,985**	**391,547**	**962,617**
Current assets			
Inventories	32,098	24,382	22,135
Trade and other receivables	61,621	66,404	166,148
Taxation	—	1,761	—
Held to maturity investments	—	—	245
Cash and cash equivalents	36,595	33,497	141,048
Restricted cash[2] and cash equivalents	—	66,900	11,687
Total current assets	**130,314**	**192,944**	**341,262**
Total assets	**526,299**	**584,491**	**1,303,879**
Equity and liabilities			
Capital and reserves			
Stated capital	1	1	1
Share premium	2,333	2,333	2,333
Equity loans	—	—	—
Investment revaluation reserve	14,751	(11,319)	—
Retained earnings	280,188	294,865	283,583
Foreign currency translation reserve	(3,454)	(13,055)	(5,338)
Total equity attributable to owners of the parent	**293,820**	**272,825**	**280,579**
Non-controlling interests	43,083	54,564	147,727
Total equity	**336,903**	**327,390**	**428,307**
Non-current liabilities			
Long-term liabilities	98,292	116,807	597,431
Long term provisions	—	—	4,059
Deferred revenue	—	10,895	42,829
Deferred tax liabilities	18,468	25,618	33,709
Total non-current liabilities	**116,760**	**153,319**	**678,028**
Current liabilities			
Short-term portion of long-term liability	12,448	38,805	8,725
Trade and other payables	59,768	60,997	163,180
Short term provisions	38	184	1,801
Deferred Revenue	—	3,796	22,027
Taxation	382	—	1,811
Total current liabilities	**72,635**	**103,782**	**197,545**
Total equity and liabilities	**526,299**	**584,491**	**1,303,879**

(1) Including Neotel.

(2) Restricted cash comprises cash held in restricted accounts for bank guarantees, cash committed to capital expenditure and customer deposits.

Summary Statements of Cash Flow

	For the year ended		
	February 28, 2015	February 29, 2016	February 28, 2017[(1)]
		(US$ thousands)	
Cash flows from operating activities before working capital changes	**101,816**	**107,470**	**110,460**
Working capital changes	19,440	23,494	(22,770)
Cash generated from operations	**121,256**	**130,963**	**87,890**
Finance costs	4,388	7,256	13,786
Income tax paid	3,785	6,393	1,620
Net cash from operating activities	**113,083**	**117,313**	**72,284**
Net cash (used in) investing activities	**(127,233)**	**(74,038)**	**(110,860)**
Net cash generated from financing activities	**16,703**	**22,731**	**78,898**
Net increase in cash and cash equivalents	2,553	66,007	40,322
Cash and cash equivalents at beginning of the year	35,442	36,595	100,397
Translation of cash with respect to foreign subsidiaries	(1,401)	(2,205)	12,017
Cash and cash equivalents at end of the year	**36,595**	**100,397**	**152,735**

(1) Includes Neotel's cash flows for the period from February 10, 2017 to February 28, 2017.

Certain Non-IFRS Financial Measures

	As at and for the year ended			As at and for the year ended
	February 28, 2015	February 29, 2016	February 28, 2017	February 28, 2017
		(Unaudited)		(Pro forma) (Unaudited)
	(US$ thousands, other than percentages)			
EBITDA[(1)]	99,240	101,114	112,413	162,349
Adjusted EBITDA[(1)]	107,098	115,095	117,834	166,386
Adjusted EBITDA Margin[(2)]	35.4%	37.5%	34.4%	28.0%
Capital Expenditure[(3)]	124,899	79,692	80,595	107,212
Gross Debt[(4)]	100,704	146,246	594,613	n/a
Net Debt[(4)]	64,109	45,849	441,878	n/a

(1) EBITDA is defined as consolidated profit or loss for the year excluding the impact of tax benefit or expense, interest income, finance costs and depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for the share of profit of associates, foreign exchange gains and losses, impairment, stock write-off and obsolescence charges, acquisition costs and Neotel rebranding costs.

Pro forma EBITDA is defined as pro forma profit for the year excluding the impact of pro forma tax benefit or expense, pro forma interest income, pro forma finance costs, pro forma depreciation and amortization. Pro forma Adjusted EBITDA is defined as pro forma EBITDA adjusted for pro forma share of profit of associates, pro forma foreign exchange gains and losses, pro forma impairment, stock write-off and obsolescence charges, acquisition costs, Neotel rebranding costs and severance costs, and incremental Neotel expenses resulting from changes in doubtful debt and lease amortization methodology.

The following table sets forth a reconciliation of EBITDA, Pro forma EBITDA, Adjusted EBITDA and Pro forma Adjusted EBITDA for the periods indicated:

	For the year ended			For the year ended
	February 28, 2015	February 29, 2016	February 28, 2017	February 28, 2017
		(Actual)		(Pro forma)
		(Unaudited) (US$ thousands)		
Profit for the year	**62,269**	**49,885**	**54,069**	**62,735**
Add back:				
Tax (benefit)/expense	11,878	11,774	9,037	(25,992)
Interest income	(464)	(728)	(1,554)	(5,294)
Finance costs	4,388	7,256	13,785	53,862
Depreciation and amortization	21,170	32,927	37,076	77,038
EBITDA	**99,241**	**101,114**	**112,413**	**162,349**
Impairment expense	1,891	290	136	136
Acquisition costs[(a)]	—	—	4,477	—
Neotel rebranding costs and severance costs	—	—	1,638	2,264
Stock write off/obsolescence expense[(b)]	322	437	1,205	1,205
One off expense due to alignment of accounting policies	—	—	—	6,402
Foreign exchange (gain)/loss	5,644	13,254	(2,032)	(5,911)
Share of profits of associates	—	—	(3)	(59)
Adjusted EBITDA	**107,098**	**115,095**	**117,834**	**166,386**

(a) Comprised primarily of advisory fees incurred in relation with the Neotel Acquisition.

(b) Mainly resulting from a fire in our warehouse in Zambia in the general course of business.

(2) Adjusted EBITDA Margin is the ratio of Adjusted EBITDA to our total revenue, expressed as a percentage. Pro forma Adjusted EBITDA margin is the ratio of Pro forma Adjusted EBITDA to the sum of our Pro forma revenue, expressed as a percentage.

(3) Capital Expenditure is defined as any expenditure that should be treated as capital expenditure in the financial statements in accordance with applicable accounting principles, including advance payments for capital expenditure and excluding any non-cash expenditure.

(4) Gross Debt is defined as long-term liability (current and non-current) less onerous contracts. Net Debt is defined as Gross Debt less cash and cash equivalents and restricted cash at a stated balance sheet date.

The following table sets forth a reconciliation of Gross Debt and Net Debt for the periods indicated:

	As at		
	February 28, 2015	February 29, 2016	February 28, 2017
		(Unaudited) (US$ thousands)	
Long-term liability (current and non-current)	110,740	155,611	606,156
Less:			
Onerous contract	10,035	9,365	11,543
Gross Debt	**100,704**	**146,246**	**594,613**
Cash and cash equivalents and restricted cash	36,595	100,397	152,735
Net Debt	**64,109**	**45,849**	**441,878**

The below table sets forth certain information giving effect to the Transactions as if they had been consummated (i) on March 1, 2016 with respect to as adjusted Pro forma interest coverage and (ii) on February 28, 2017, with respect to all other metrics.

	As at and for the year ended February 28, 2017
	(Unaudited) (US$ thousands, other than ratios)
As adjusted Gross Debt[(1)]	671,450
As adjusted Net Debt[(2)]	475,615
As adjusted Gross Debt / Pro forma Adjusted EBITDA[(3)]	4.0x
As adjusted Net Debt / Pro forma Adjusted EBITDA[(4)]	2.9x
As adjusted Pro forma Interest Coverage[(5)]	2.8x

(1) Gross Debt is defined as long-term liability (current and non-current) less onerous contracts.

(2) Net Debt is defined as Gross Debt less cash and cash equivalents and restricted cash at a stated balance sheet date.

(3) As adjusted Gross Debt to Pro forma Adjusted EBITDA ratio is defined as adjusted Gross Debt divided by Pro forma Adjusted EBITDA for a stated period, expressed as a multiple.

(4) As adjusted Net Debt to Pro forma Adjusted EBITDA ratio is defined as adjusted Net Debt divided by Pro forma Adjusted EBITDA for a stated period, expressed as a multiple.

(5) As adjusted Pro forma Interest Coverage is defined as Pro forma Adjusted EBITDA divided by Pro forma finance costs for a stated period on an as adjusted basis, expressed as a multiple. Pro forma finance costs are calculated assuming the Transactions and the use of proceeds therefrom had occurred on March 1, 2016.

Certain Financial Measures Provided on a Geographic Basis

The below table sets forth our Adjusted EBITDA by geography for each of the last three fiscal years and on a pro forma basis for the last fiscal year. A substantial portion of our operational and non-operational costs are incurred at a group-level, reflecting our approach to managing our network on a combined basis. Accordingly, central administration costs, foreign exchange gain/(loss), interest income and finance costs are not attributable by geography.

	For the year ended			
	February 28, 2015	February 29, 2016	February 28, 2017	February 28, 2017
		(Actual)		(Pro forma)
		(Unaudited) (US$ thousands)		
Adjusted EBITDA[(1)]				
South Africa	6,293	7,926	14,676	63,227
Rest of Africa[(2)]	41,089	55,806	49,689	49,689
International[(3)]	139,964	141,785	150,239	150,239
ICP eliminations and consolidation adjustments[(4)]	(80,158)	(90,421)	(96,769)	(96,769)
Total	**107,098**	**115,095**	**117,834**	**166,386**

(1) EBITDA is defined as consolidated profit or loss for the year excluding the impact of tax benefit or expense, interest income, finance costs and depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for the share of profit of associates, foreign exchange gains and losses, impairment, stock write-off and obsolescence charges, acquisition costs and Neotel rebranding costs.

Pro forma EBITDA is defined as pro forma profit for the year excluding the impact of pro forma tax benefit or expense, pro forma interest income, pro forma finance costs, pro forma depreciation and amortization. Pro forma Adjusted EBITDA is defined as pro forma EBITDA adjusted for pro forma share of profit of associates, pro forma foreign exchange gains and losses, pro forma impairment, stock write-off and obsolescence charges, acquisition costs, Neotel rebranding costs and severance costs, and incremental Neotel expenses resulting from changes in doubtful debt and lease amortization methodology.

(2) Rest of Africa refers to the aggregate of our operations in Africa outside of South Africa.

(3) Refers primarily to services provided by our Mauritian and U.K. entities.

(4) ICP eliminations and consolidation adjustments is primarily the elimination of intercompany dividends received and the profit from the transfer of subsidiaries.

SUMMARY FINANCIAL AND OTHER INFORMATION FOR NEOTEL

Summary Statements of Profit or Loss and Other Comprehensive Income

	For the year ended		For the 11 months ended		For the 12 months ended
	March 31, 2015	March 31, 2016	February 28, 2017(1)	February 28, 2017(1)	February 28, 2017(1)(2)
	As restated (ZAR thousands)	As restated	(ZAR thousands)	(US$ thousands)	Unaudited (ZAR thousands)
Revenue	4,110,333	4,371,715	3,553,039	249,862	3,867,146
Interest received	36,775	48,440	52,310	3,679	54,710
Other income	136,063	14,249	12,250	861	12,334
Payments to other operators	(1,567,531)	(1,997,748)	(1,352,134)	(95,087)	(1,478,499)
Cost of phone devices	(38,603)	(41,639)	(24,396)	(1,716)	(27,514)
Employee expenses	(707,412)	(734,930)	(654,954)	(46,059)	(711,069)
Other expenses	(770,530)	(900,971)	(854,288)	(60,077)	(918,247)
Consulting expenses	(91,433)	(13,389)	(27,687)	(1,947)	(36,427)
Depreciation	(346,424)	(421,295)	(379,801)	(26,709)	(408,631)
Amortization	(63,946)	(78,605)	(72,500)	(5,098)	(79,059)
Finance charges	(652,145)	(665,396)	(747,695)	(52,581)	(803,768)
Share of profits from associate	253	761	574	40	796
Profit / (loss) before taxation	**45,400**	**(418,808)**	**(495,282)**	**(34,830)**	**(528,228)**
Taxation (charge) / credit	(716,191)	49,354	472,062	33,197	476,220
Loss for the year / period	**(670,791)**	**(369,454)**	**(23,220)**	**(1,633)**	**(52,008)**
Other comprehensive income	—	—	—	—	—
Total comprehensive loss for the year / period	**(670,791)**	**(369,454)**	**(23,220)**	**(1,633)**	**(52,008)**

(1) Includes the results of operations of Liquid Telecom SA for the period from February 13, 2017 to February 28, 2017.

(2) The unaudited twelve months ended 28 February 2017 results of operations has been calculated by adding (i) the activity for the month ended 31 March 2016 which has been extracted from the accounting records, and which has been adjusted for changes in accounting policies of bad debt and IRU applied during the 11 months ended February 28, 2017 to (ii) the 11 months ended February 28, 2017 audited statement of comprehensive income.

Summary Statements of Financial Position

	As at		As at	
	March 31, 2015	March 31, 2016	February 28, 2017	February 28, 2017
	As restated	As restated		
	(ZAR thousands)		(ZAR thousands)	(US$ thousands)
Assets				
Non-current assets				
Property, plant and equipment	3,543,706	3,631,797	3,830,300	295,929
Investment in subsidiary	—	—	—	—
Investments in associate	3,562	4,323	4,897	378
Intangible assets	377,070	353,021	361,672	27,943
Deferred tax asset	86,411	136,512	620,767	47,960
Other receivables	61,082	52,005	28,415	2,195
Other investments (including restricted cash)	1,271	1,429	5,059	391
Total non-current assets	**4,073,102**	**4,179,087**	**4,851,110**	**374,796**
Current assets				
Inventories	41,881	39,521	57,840	4,469
Trade and other receivables	723,807	831,299	880,736	68,046
Other investments (including restricted cash)	420,527	523,309	97,027	7,496
Loans to affiliate companies	—	—	33,376	2,579
Cash and cash equivalents	351,152	165,736	88,978	6,874
Total current assets	**1,537,367**	**1,559,865**	**1,157,957**	**89,464**
Total assets	**5,610,469**	**5,738,952**	**6,009,067**	**464,260**
Equity and liabilities				
Capital and reserves				
Share capital	3,133,525	3,133,525	3,133,525	231,975
Share premium	1,010,550	1,010,550	1,010,550	74,811
Other reserves	3,008	3,008	3,008	2,985
Equity loan	—	—	3,267,818	241,917
Accumulated deficit	(6,244,552)	(6,614,006)	(6,528,741)	(483,223)
Shareholders' (deficit) / surplus	**(2,097,469)**	**(2,466,923)**	**886,160**	**68,465**
Non-current liabilities				
Loan from shareholder	921,824	1,005,852	—	—
Loans from financial institutions	3,486,025	2,452,695	2,886,986	223,049
Loans from financial institutions for property purchase	106,260	89,320	—	—
Loans from affiliate companies	—	—	83,422	6,445
Trade and other payables	6,823	7,567	314,765	24,319
Provisions	77,595	86,222	52,534	4,059
Unearned revenue	236,922	239,678	245,489	18,966
Total non-current liabilities	**4,835,449**	**3,881,334**	**3,583,196**	**276,838**
Current liabilities				
Loans from financial institutions	1,538,363	2,598,982	976	75
Loans from financial institutions for property purchase	13,482	16,978	—	—
Loans from affiliate companies	—	—	995	77
Trade and other payables	787,866	1,218,911	1,084,287	83,772
Provisions	119,500	88,494	101,325	7,828
Taxation payable	—	—	19,599	1,514
Unearned revenue	413,236	401,176	320,965	24,798
Other financial liabilities	42	—	11,564	893
Total current liabilities	**2,872,489**	**4,324,541**	**1,539,711**	**118,957**
Total liabilities	**7,707,938**	**8,205,875**	**5,122,907**	**395,795**
Total equity and liabilities	**5,610,469**	**5,738,952**	**6,009,067**	**464,260**

Summary Statements of Cash Flow

	For the year ended		For the 11 months ended	
	March 31, 2015	March 31, 2016	February 28, 2017[(1)]	February 28, 2017[(1)]
	As restated	As restated		
	(ZAR thousands)		(ZAR thousands)	(US$ thousands)
Net cash generated from / (used in) operating activities	894,520	632,675	(122,431)	(8,610)
Net cash (used in) / generated from investing activities	(709,854)	(684,027)	91,848	6,459
Net cash used in financing activities	(239,240)	(134,064)	(46,175)	(3,247)
Net increase in cash and cash equivalents	**(54,574)**	**(185,416)**	**(76,758)**	**(5,398)**
Cash and cash equivalents at beginning of the year	405,726	351,152	165,736	11,655
Cash and cash equivalents at the end of the year / period	**351,152**	**165,736**	**88,978**	**6,257**

(1) Includes Liquid Telecom SA's cash flows for the period from February 13, 2017 to February 28, 2017.

SUMMARY UNAUDITED PRO FORMA STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED FEBRUARY 28, 2017

	Company[(1)]	Neotel[(2)]		
	For the year ended February 28, 2017	For the 11 months ended February 28, 2017	Adjustments[(3)]	Pro forma
		(Unaudited) (US$ thousands)		
Revenue	**342,992**	**249,862**	**1,790**	**594,644**
Cost of sales	(137,734)	(96,802)	(520)	(235,056)
Gross profit	**205,258**	**153,060**	**1,270**	**359,588**
Other income	1,861	397	(7)	2,251
Dividend received	308	—	—	308
Selling and distribution costs	(7,721)	(11,655)	827	(18,549)
Administrative expenses	(32,038)	(52,775)	(2,883)	(87,696)
Staff costs	(51,471)	(46,059)	(651)	(98,181)
Profit before interest, tax, impairment and amortization	**116,196**	**42,968**	**(1,444)**	**157,721**
Depreciation, impairment and amortization	(38,417)	(31,807)	(8,155)	(78,379)
Acquisition costs	(4,477)	—	4,477	—
Operating profit	**73,302**	**11,161**	**(5,122)**	**79,342**
Interest income	1,554	3,679	61	5,294
Finance costs	(13,785)	(52,581)	12,504	(53,862)
Foreign exchange gain	2,032	2,871	1,008	5,911
Share of profits of associates	3	40	16	59
Profit (Loss) before taxation	**63,106**	**(34,830)**	**8,467**	**36,744**
Taxation	(9,037)	33,197	1,832	25,992
Profit (Loss) for the period / year	**54,069**	**(1,633)**	**10,299**	**62,736**

(1) Includes the results of operations of Neotel for the period from February 10, 2017 to February 28, 2017.

(2) Includes the results of operations of Liquid Telecom SA for the period from February 13, 2017 to February 28, 2017.

(3) The following pro forma adjustments have been made:

(a) Includes the results of Neotel for the period March 1, 2016 to March 31, 2016 to provide 12 months results;

(b) Removes the results of Neotel for the period February 10, 2017 to February 28, 2017 as they are included in both the Company's and Neotel's results;

(c) Removes the results of Liquid Telecom SA for the period from February 13, 2017 to February 28, 2017 as they are included in both the Company's and Neotel's results;

(d) Includes the depreciation and amortization of the purchase price adjustments as though the acquisition of Neotel occurred on March 1, 2016; and

(e) Includes the finance expense as though the new and repaid debt that resulted from the acquisition of Neotel occurred on March 1, 2016

(f) Removes the impact of acquisition costs incurred during the period ended February 28, 2017 related to the Neotel Acquisition.

RISK FACTORS

An investment in the Notes involves complex financial risks and is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether an investment in the Notes is suitable for them in the light of the risk described below and other information in this offering memorandum and their personal circumstances.

The occurrence of any of the following events could have a material adverse effect on our business, financial condition, results of operations and prospects and affect the value of the Notes or impair our ability to fulfil our obligations in respect of the Notes, potentially causing a loss of all or part of the investment made when purchasing the Notes. However, the risk factors described below are not an exhaustive list or explanation of all relevant risks and should be used as guidance only. In general, investing in securities of companies in frontier market countries such as Mauritius, South Africa and Kenya involves certain risks not typically associated with investing in the securities of companies in more developed economies. To the extent the description in this section relates to government data or third party sources, such information has been extracted from official government publications or other third party sources and has not been independently verified by us.

Additional risks and uncertainties that are not currently known to us, or that we currently deem immaterial, may individually or cumulatively also have a material adverse effect on our business, financial condition, results of operations and prospects, which in turn could have a material adverse effect on our ability to pay all or part of the interest or principal on the Notes. This offering memorandum also contains forward-looking statements that involve risks and uncertainties including those described under "Forward-looking Statements" elsewhere in this offering memorandum. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this offering memorandum.

RISKS RELATING TO INVESTMENTS IN COUNTRIES WHERE WE OPERATE

We are subject to the risks of political, social and economic instability associated with the markets in which we operate.

Our key operations are located in South Africa, Zimbabwe, Zambia, Kenya, Uganda and Rwanda. Our results of operations are, and will continue to be, significantly affected by financial, economic and political developments in or affecting those markets and, in particular, by the level of economic activity in those markets.

For example, the continued weak economic situation in South Africa has depressed customer confidence and negatively impacted customer demand in the country. South Africa's economy continues to face important structural challenges, including a high unemployment rate, poverty and crime, which, in part have hindered investments in South Africa, prompted emigration of skilled workers and impacted economic growth negatively. Large parts of the South African population do not have access to adequate education, health care, housing and other services, including water, electricity and telecommunications services. For example, in the beginning of 2009, South Africa experienced a national electricity emergency and was forced to endure regular power outages. In 2014 and 2015, South Africa experienced national power outages again, though on a smaller scale compared to 2009, as a result of the national electricity supply coming under pressure again. South Africa's economy has also been adversely impacted by climate change. In 2015 and 2016, large parts of South Africa were hit by the most severe droughts in over 30 years, which affected farmers and food production, and lead to insolvencies, food shortages and price increases. Future droughts or other climate related events, such as above average rainfalls, may, especially if they occur repeatedly or over long periods of time, would have a material adverse effect on South Africa's economy and, as a result, on our results of operations. Moreover, negative changes in the government and political environment, including the failure of the South African government to devise or implement appropriate economic programs and allegations or findings of corruption and fraud in government, have resulted in financial and currency market instability and are expected to adversely impact our results of operations.

In Zambia, the decline in the prices of copper, which the Zambian economy is heavily dependent on, has resulted in reduced economic activity. It is not possible to predict the occurrence of events or circumstances, such as war or hostilities, or the impact of such occurrences, and no assurance can be given that we would be able to sustain the operation of our business if adverse financial, economic, political or other events or circumstances were to occur. Any future economic downturn in one or more of the countries in which we operate, particularly South Africa, Zimbabwe, Zambia, Kenya and Tanzania, could have a material adverse effect on our business, financial condition, results of operations and prospects. Our business and financial performance could also be adversely affected by political, financial, economic or related developments both within and outside Africa because of inter-relationships within the global financial markets.

Specific risks related to doing business in the markets in which we operate that may have a material adverse effect on our business, financial condition, results of operations and prospects include, among other risks:

- political instability, riots or other forms of civil disturbance or violence;
- war, terrorism, invasion, rebellion or revolution, or disease outbreaks;
- government interventions, including expropriation or nationalization of assets (particularly in Zimbabwe);
- increased protectionism and the introduction of tariffs or subsidies;
- changing fiscal, regulatory and tax regimes;
- arbitrary or inconsistent government action, including capricious application of tax laws and selective tax audits;
- inflation in local economies;
- restricted access to cash;
- liquidity shortages;
- restrictions on repatriation of profits and capital, particularly in Botswana, Zimbabwe and Zambia;
- difficulties and delays in obtaining requisite governmental licenses, permits or approvals;
- cancellation, nullification or unenforceability of contractual rights;
- risk of uncollectible accounts and long collection cycles;
- underdeveloped industrial and economic infrastructure;
- logistical and communications challenges;
- difficulties in staffing and managing operations; and
- unavailability of security and safety of employees.

Changes in investment policies or shifts in the prevailing political climate in the markets in which we operate, particularly South Africa, Zambia, Tanzania, DRC and Zimbabwe, could result in the introduction of increased government regulation with respect to, among other things:

- price controls;
- export and import controls;
- income and other taxes;
- environmental legislation;
- customs and immigration;
- international connectivity;
- content and internet access;
- foreign ownership restrictions;
- foreign exchange and currency controls; and
- labor and welfare benefit policies.

Any changes in the political, social, economic or other conditions in the markets in which we operate could have a material adverse effect on the investments that we have made or may make in the future, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

Characteristics of and changes in taxation laws, in particular in respect of the South African tax system, could materially adversely affect our business, financial condition, results of operations and prospects and/or payment under or pursuant to the Notes.

We currently operate in nine different countries in Sub-Saharan Africa. As a result, we are subject to diverse sets of tax regimes, depending on the relevant tax law applicable in each case. Corporate income tax, withholding tax, value added tax or sales taxes and other taxes levied upon our business are subject to change, either for the future or, under certain circumstances, even for the past, and can be increased, changed or completely restructured at any time. While we monitor tax changes consistently and have not faced any significant tax challenges or tax disputes with tax authorities in the past, adverse changes to local tax regimes or challenges to the current tax structures of our business, such as possible restrictions on the repatriation of earnings could occur. As a result, we may face increases in taxes payable if tax rates increase, or if tax laws or regulations are modified by the competent authorities in an adverse manner. We may also be subject to the risk that VAT repayments owed to us may be delayed.

In particular, our South African operations are subject to different taxes in South Africa, including corporate income tax imposed at the rate of 28%, payroll taxes, VAT imposed at the rate of 14%, securities transfer tax at the rate of 0.25% and various forms of duties. In addition, a 20% withholding tax is imposed on dividends paid by companies which are resident or listed in South Africa (such rate having recently increased from 15% to 20% on any dividends paid on or after 22 February 2017, unless an exemption or reduced rate is applicable) and a 15% withholding tax on interest was introduced with effect from 1 March 2015. The interest withholding tax is levied on interest that is paid to a non-South African tax resident from a South African source. If funds are utilized or deployed in South Africa, irrespective of where they are raised, any interest that arises from those funds will be sourced in South Africa. Interest arising in respect of debt instruments that are listed on a "recognised stock exchange" is exempt from the interest withholding tax. The Irish Stock Exchange is a recognized stock exchange. A payment made by a Guarantor that is resident in South Africa for South African tax purposes in respect of such interest payment will not, however, benefit from such "recognised stock exchange" exemption (see below).

Royalty payments that are paid by a resident of South Africa, or which arise from a South African source, are subject to a 15% withholding tax. All withholding taxes are potentially subject to relief in terms of the applicable double taxation agreements entered into by South Africa, provided the relevant requirements are fulfilled.

In 2013, the Davis Tax Committee was established with the objective to assess South Africa's tax policy framework in line with the Organization for Economic Co-operation and Development (the "**OECD**") Base Erosion and Profit Shifting ("**BEPS**") action plan. The interim findings of the Davis Tax Committee indicate that it is likely that legislative changes will be recommended in respect of the renewal and renegotiation of South Africa's double taxation agreements, as well as changes around the digital economy, controlled foreign company rules and transfer pricing documentation rules. These changes could have an adverse impact on our South African operations as well as in relation to distributions to shareholders and noteholders.

As a result of changes to the tax regime in South Africa, we may be subject to higher levels of taxation in general, or new forms of taxation or royalties applicable to all corporations or to the mining industry specifically. In addition, the current South African tax code has been in force for a short period relative to tax laws in other economies; therefore, the government's interpretation or implementation of these tax laws may be unclear and subject to change, including with retrospective effect. Accordingly, there is a risk that we may be subject to liability in connection with amounts received from our subsidiaries in South Africa. It is possible that we could be affected by adverse rulings or judgements on the interpretation of government regulations and the relevant tax laws or become subject to taxation in South Africa that is not currently anticipated, which could have a materially adverse effect on our business, financial condition, results of operations and prospects.

In the event that any Guarantor that is resident in South Africa for South African tax purposes is required to make any payments directly to holders of Notes or Guarantees, then such payments may be subject to withholding tax at a rate of 15% in South Africa. In the event of such withholding, subject to certain exceptions, the Issuer or the relevant Guarantor, as appropriate will pay the additional amounts necessary so that the net amount received by the holders of Notes or Guarantees in respect of such payments after the withholding or deductions (including any such withholding or deduction from such additional amounts) is not less than the amount that they would have received in respect of such payments in the absence of such withholding or deductions. See "*Description of the Notes—Additional Amounts*."

Any additional or increased tax payments could have a material adverse effect on our business, financial condition, results of operations and prospects.

Some of the countries in which we operate lack infrastructure or have infrastructure in very poor condition and have an insufficient supply of electricity.

Some of the countries in which we operate often lack modern infrastructure or have infrastructure in poor condition, including, in particular, roads and power networks. Decades of under-investment have resulted in significant deterioration of the public infrastructure and in the absence of basic infrastructure to support and sustain growth and economic development. In addition, in some of those countries (including South Africa and Zimbabwe), the electricity supply is insufficient due to underdevelopment of electricity sectors compared to the pace of economic growth in such countries. Consequently, we must at times rely on diesel-powered generators to power our data centers and other telecommunication equipment. These measures increase our costs and impact the profitability of our operations. In addition to power generation, transmission and distribution deficiencies, some of the countries in which we operate suffer from a deteriorating road network, congested ports and obsolete rail infrastructure which have all severely constrained socioeconomic development. Although some advances have in recent years been made in the areas of telecommunications and internet facilities, the progress of development in these sectors cannot be considered at par with that in more developed economies. Failure to significantly improve such countries' infrastructure could adversely affect their economy and growth prospects, including their ability to meet GDP growth targets which, in turn, may have a material adverse effect on our business, financial condition, results of operations and prospects.

Inefficiencies and corruption in the judicial systems may create an uncertain environment for investment and business activity and affect the ability of investors to find remedies through the relevant jurisdictions' judicial systems.

The legal systems in most of the jurisdictions in which we operate are still in their growing phase and are less developed than those in more established markets in the US or the EU with which investors are more familiar, which creates uncertainties with respect to many of the legal and business decisions that we make. Such uncertainties include, among others, potential for negative changes in laws, gaps and inconsistencies between the laws and regulatory structure, difficulties in enforcement, broad regulatory authority held by telecommunications regulators, corruption and delays in the judicial process since most cases take a considerable period of time to be concluded and inconsistency in the judicial interpretation of legislation in similar cases due to an under-developed judicial system. Similarly, the enforcement of security in some of these jurisdictions, including Kenya, is affected by inefficiencies in the judicial system and can result in the inability of investors to collect on the Guarantees or on any other claims they may have.

The slow judicial process may sometimes affect the enforceability of judgments obtained, including the ability to recover the assessed value of collateral on defaulting debtors or guarantors. Those and other factors that have an impact on the legal systems make an investment in the Notes subject to greater risks and uncertainties than an investment in countries with more mature legal systems.

The fact that the legal and regulatory systems are still growing may mean that governments can decide to implement new laws or regulations which materially impact the way in which we carry out our business or require us to implement operational changes to continue to comply with legal requirements.

Any downgrading of South Africa's debt rating by an international rating agency could have a negative impact on our business and the trading price of the Notes.

As of the date of this document, South Africa's sovereign rating was "Baa3" (Moody's), "BB+" (Fitch) and "BB+" (S&P). On April 3 2017, S&P downgraded the South African government's sovereign credit rating from "BBB−" to "BB+", on April 7 2017 Fitch revised the sovereign credit rating from "BBB−" to "BB+" and on June 9, 2017, Moody's downgraded the South African government's sovereign credit rating from "Baa2" to "Baa3" on negative outlook. These ratings were downgraded primarily due to poor medium-term growth prospects resulting from structural weaknesses including ongoing energy shortages as well as rising interest rates, further deterioration in the investor climate and a less supportive capital market environment.

Such revisions reflect an assessment of the South African government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. Any adverse revisions to South Africa's credit ratings for domestic and international debt by international rating agencies may adversely affect the liquidity of the South African financial markets, the ability of the South African government and South African companies, including the Group, to raise additional financing, and the terms on which we are able to finance future capital expenditure or refinance any existing indebtedness. This could have an adverse effect on our capital expenditure plans, business, cash flows, financial performance and prospects and the trading price of the Notes.

We are exposed to the risk of violations of anti-corruption laws, money laundering laws or other similar regulations.

We operate primarily in Sub-Saharan southern Africa, which is generally perceived to have high levels of corruption (based on measurements such as Transparency International's Corruption Perceptions Index), fraud and bribery. We have policies and procedures designed to assist compliance with applicable laws and regulations including the United Kingdom Bribery Act of 2010 ("**United Kingdom Bribery Act**"). Our compliance and sanctions policies do not, however, target the specific policies and procedures outlined by the US Foreign Corrupt Practices Act of 1977 ("**FCPA**"). The FCPA prohibits providing, offering, promising or authorizing, directly or indirectly, anything of value to government officials, political parties or political candidates for the purposes of obtaining or retaining business or securing any improper business advantage by US companies or persons or companies or persons with a US nexus. Although we do not employ, contract with or source any goods from any US persons or entities, we can make no assurances that the actions or communications of any of our employees may not constitute or trigger a US nexus pursuant to the FCPA and thereby attract the applicability of the FCPA to the Group and our employees. For example, as part of our business, we deal with state-owned business enterprises, the employees of which may be considered government officials for purposes of the FCPA. The provisions of the United Kingdom Bribery Act extend beyond bribery of government officials and is more onerous than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties. In particular, the United Kingdom Bribery Act (unlike the FCPA) does not require a corrupt or improper intent to be established in relation to the bribery of a public official and also applies to the active payment of bribes as well as the passive receiving of bribes. Furthermore, unlike the vicarious liability regime under the FCPA, whereby corporate entities can be liable for the acts of its employees, the United Kingdom Bribery Act introduced a new corporate offence directly applicable to corporate entities that fail to prevent bribery and do not establish and adopt adequate procedures to prevent bribery from occurring and, in certain circumstances, can render parties liable for the acts of their joint venture or commercial partners.

While we believe that our internal compliance policies and procedures (which apply the Group as a whole) are robust and effective, we can make no assurance that the policies and procedures, even if enhanced, will be followed at all times or will effectively detect and prevent all violations of the applicable laws and every instance of fraud, bribery and corruption. We receive reports relating to such matters by whistle-blowers from time to time which are investigated using internal and external resources in line with our policies. We can make no assurance that whistle-blower reports will not be made in the future or that violations of applicable anti-bribery laws will not occur. As a result, if we fail to prevent any such violations or are the subject of investigations into potential violations, we could be subject to potential civil or criminal penalties under the relevant applicable laws, including the loss of one or more of our licenses, which may have material adverse consequences on our business, financial condition, results of operations and prospects. In addition, such violations, or allegations of such violations, could also negatively impact our reputation and, consequently, our ability to win future business or maintain existing contracts. Further, any such violation by competitors, if undetected, could give them an unfair advantage when bidding for contracts.

Our UK subsidiary, Liquid Telecommunications Limited, is subject to and is compliant with the requirements of the UK Modern Slavery Act.

We are also subject to the money laundering laws of the various jurisdictions in which we operate. While we have policies and procedures aimed at ensuring compliance with these laws, there can be no assurance these policies will be followed at all times or will effectively detect and prevent all violations of the applicable laws. To the extent we fail to fully comply with applicable laws and regulations, we may be subject to fines and penalties (including criminal penalties), which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to the risk of violations of sanctions laws due to the countries in which we operate.

We operate in jurisdictions which may expose us to heightened risks with respect to anti-bribery and sanctions laws and regulations, including the sanctions administered or enforced by the United States (including those administered by the Office of Foreign Assets Control of the U.S. Department of the

Treasury), or any equivalent measure of the United Kingdom, the European Union or the United Nations. Among other measures, these laws impose assets freezes of certain designated persons and broadly prohibit transactions or other dealings for the benefit of the sanctioned persons or countries (including the clearing of U.S. Dollar payments through the U.S. financial system). Violations of sanctions laws and regulations could expose us to potential civil or criminal penalties under the relevant applicable sanctions laws, which may have material adverse consequences on our business, financial condition, results of operations and prospects. We invest in legal and know-your-customer procedures to ensure our compliance with such laws, which requires increased expenditure relative to businesses operating in lower-risk jurisdictions.

Liquid Telecommunications Operations Limited is a party to a voice traffic agreement with Canar Telecommunication Company Limited, a Republic of the Sudan telecommunications company, for the exchange of publicly available international voice traffic in and out of Sudan. The connection is carried over public internet. The contract is not material and the account is balanced via a net off through the supply or receipt of communications traffic. The Group does not have a physical presence in the Republic of the Sudan and its activities are limited to the exchange voice traffic in the country.

The consequences that we may suffer due to the foregoing could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

Damage to our reputation and business relationships may adversely affect our business beyond any monetary liability.

Our business and brand depends on our customer goodwill, our reputation and on maintaining good relationships with our customers, joint venture partners, employees and regulators. Any circumstances which publicly damage our goodwill, injure our reputation or damage our business relationships may lead to a broader adverse effect on our business and prospects by way of loss of business, goodwill, customers, joint venture partners and employees than solely the monetary liability arising directly from the damaging events.

We are subject to inflation risks, which might adversely affect our business, financial condition, results of operations and prospects.

A significant portion of our operations are located in South Africa, Zimbabwe, Zambia, Tanzania and Kenya, all of which have at times experienced relatively high rates of inflation. The volatility of the local currencies of those jurisdictions is a significant factor in reporting our costs on a U.S. dollar basis. It is possible that significantly higher inflation in the future, without a concurrent devaluation of the local currencies against the U.S. dollar, could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO LEGAL AND REGULATORY MATTERS AND LITIGATION

It may be difficult for us to obtain all licenses, permits or other authorizations required to operate our existing network or any other required licenses, permits or other authorizations, and once obtained they may be amended, suspended or revoked or may not be renewed.

The operation of telecommunications networks and the provision of related services are regulated to varying degrees by national, state, regional or local governmental and/or regulatory authorities in the countries where we operate. Our operating licenses or authorizations specify the services we can offer. The operating licenses are subject to review, interpretation, modification or termination by the relevant authorities and the regulatory framework applicable to them may also be amended. There is no assurance that the relevant authorities will not take any action that could materially adversely affect our operations. Our operating licenses generally have terms ranging between 5 and 15 years. In certain of the jurisdictions in which we operate, however, our operating licenses have considerably shorter terms. For instance, in some jurisdictions our licenses are valid for one year, renewable upon expiration. In Zimbabwe, our operating license expired in September 2016 and we are still in the process of renewing it. As such, we are currently operating on extensions issued by the regulatory authority, each of which is valid for 30 days, renewable upon expiration. While our licenses are generally renewable upon their expiration, there is no assurance that they will be renewed. If we fail to renew any of our licenses, we may lose the ability to continue to operate the relevant business and the realizable value of our relevant network infrastructure and related assets may be materially adversely affected. Some of these licenses and other authorizations are particularly complicated and lengthy to obtain and may subject us to ongoing compliance obligations.

Moreover, if we fail to comply with the requirements of the applicable legislation or we fail to meet any of the terms of our licenses, our licenses and other authorizations necessary for our operations may be suspended or terminated. A suspension or termination of our licenses or other necessary governmental authorizations could have a material adverse effect on our business, results of operations, financial condition and prospects.

Further, the deployment of our networks requires various approvals or permits from national, state, regional or local governmental and/or regulatory authorities, particularly in relation to rights of way. These approvals and permits may include building, construction and environmental permits, antenna and mast deployment approvals and various other planning permissions. Obtaining these approvals and permits can be a complex process and is often characterized by different practices and requirements at the various regulatory authorities which frequently results in inconsistent and bureaucratic processes. Though we have a dedicated team tasked with obtaining the required licenses, permits and other authorizations, due to the inherent challenges of these regimes, we have experienced, and may continue to experience, difficulties in obtaining some of these approvals and permits, which may require us to exert considerable effort and incur considerable expenses in order to implement suitable alternatives or could result in fines or other penalties being imposed by regulators. This could have a material adverse effect on our business, results of operations, financial condition and prospects.

Because we operate in highly regulated business environments, changes in laws, regulations or governmental policy affecting our business activities could adversely affect our business, financial condition, results of operations and prospects.

Our operations and properties are subject to regulation by various government entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorizations, as well as ongoing compliance with, among other things, telecommunications, environmental, health and safety, labor, building and urban planning, personal data protection and consumer protection laws, regulations and standards. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses, permits, approvals and authorizations and monitoring licensees' compliance with the terms thereof. We may sometimes disagree with the way legal provisions are interpreted or applied by regulators and we may, from time to time, challenge or contest regulatory decisions in the course of our business, which may affect our relations with regulators.

The competent authorities in the countries where we carry out our activities have the right to, and frequently do, conduct periodic inspections of our operations and properties throughout the year. Any such future inspections may result in the conclusion that we have violated laws, decrees or regulations. We may be unable to refute any such conclusions or remedy the violations found.

As we operate in a number of emerging markets, the interpretation and application of laws and regulations affecting telecommunications services may be subject to increased uncertainties due to developing or incomplete regulatory regimes and ensuring compliance may be more difficult compared to more developed markets. In many of the countries in which we operate, local regulators have significant latitude in the administration and interpretation of telecommunications licenses and laws, rules and regulations. For instance, in Zambia, the regulator has recently interpreted the provisions of the Zambian ICT Act as requiring services entirely or in part provided within Zambia to be under local contracts. While we aim to comply with the local regulation it may be difficult for us to ensure that third party operators using our network also comply with such regulation. In addition, the actions taken by these regulators in the administration and interpretation of these licenses and laws, rules and regulations may be influenced by local political and economic pressures. Regulatory regimes and decisions could also affect our customers and suppliers, which in turn could adversely affect our business and prospects. For instance, anticipated changes in existing regulations in South Africa, such as those pertaining to mobile termination rates ("**MTR**") could have either a positive or negative effect on wholesale pricing and ultimately retail pricing as well, depending on how steep or fast the next glide path trajectory for termination rate reduction is. Changes are anticipated to the process of customer registration under the Regulation of Interception of Communications and Provision of Communication-Related Information Act No 70 of 2002 ("**RICA**") to streamline requirements for customer registration between fixed and mobile services and to ensure that RICA is implemented alongside the new Cybercrime and Cybersecurity Bill, which has specific obligations and costs of implementation for telecommunications operators and financial institutions. The development and promulgation of Cybersecurity legislation in all the markets in which we operate may have consequences and costs for our business operations.

Increases in, or changes to, regulation could result in higher operational costs and decrease our ability to present attractive offers to our customers and potential customers, which could adversely affect our business, financial condition, results of operations and prospects. Decisions by regulators and new legislation, including in relation to wholesale price regulation mentioned above, could adversely affect the pricing of, or adversely affect the revenue from, the services and products we offer, as well as the nature and scope of the services we offer or may in the future wish to offer. For instance, the Minister for Telecommunications and Postal Services issued a National Integrated ICT Policy White Paper ("**White Paper**") in October 2016 which proposes far reaching changes to the South African policy and legislative framework. Under this vision, spectrum auctions cannot exist and ICASA will have to consider any policies contained in the White Paper or any policies or policy directives that flow from the White Paper when it eventually issues the high demand spectrum. Our ability to leverage spectrum in this impasse may be limited until it is resolved. Amongst the numerous proposals, the government has proposed a wholesale open-access network ("**WOAN**") which originally anticipated the return by current operators of their spectrum in order to build a wholesale open access regime. Recent events reflect an accommodation between government and operators, whereby the latter will retain their spectrum but make minimum capacity purchases to ensure the viability of the WOAN. The White Paper also suggests increased contribution levies for projects aimed and delivering universal service from a current 0.2% of turnover, to at least 1 (one) per cent annually. It also proposes radical revisions to the institutions responsible for regulation, including the splitting of broadcasting and telecommunications regulators, a move which if effected, would render the sector effectively unregulated for many years as numerous pieces of legislation would have to be harmonized and new regulations effected. The impact on our business operations in such a scenario, cannot be predicted.

Decisions by regulators may include limiting our pricing flexibility, raising our costs (including by raising licensing fees), limiting our access to additional resources which may at times be essential (such as spectrum, conduit access rights and rights of way), reducing our wholesale or retail revenues or conferring greater pricing flexibility on our competitors. In terms of pricing flexibility we may be subject to regulatory intervention to restrict our prices or margins, particularly given our leading market position in some of the countries in which we operate, which can give our competitors an advantage. Such asymmetrical regulatory intervention may negatively impact our competitive position and our profit.

In addition, policies, legislation and regulations on taxation, customs and excise duties may change from time to time, especially that certain of the countries in which we operate do not have firmly established legal and regulatory systems. Any such policy changes, as well as inconsistencies in the interpretation of, and decisions relating to, tax laws, may have an adverse effect on our business, financial condition, results of operations and prospects.

The industry in which we operate is constantly advancing and, as a result, the laws and regulations applicable to this industry are evolving. For example, South Africa's Protection of Personal Information ("**POPI**") Act which, when it becomes effective, will increase the responsibility of telecommunications providers to safeguard personal information carried across their networks, limit personal information processing activity and impose fines, penalties and potential imprisonment for noncompliance. The implementation of POPI and similar laws across the jurisdictions in which we operate increase the demands on management, who must understand and ensure compliance and incur certain expenses to bring our operations into compliance.

In addition, enforcement priorities are subject to change and we are subject to additional laws and regulations, including, but not limited to, those governing anti-money laundering requirements, anti-bribery and anti-corruption requirements, sanctions and licensing regimes, as we introduce new products and services. While we believe we can successfully adapt to changes in the laws, rules or regulations to which we are subject, there can be no assurance that future regulatory changes or adjustments will not materially adversely affect our business, results of operations, financial condition and prospects.

Furthermore, the antitrust and competition laws and related regulatory policies in some of the countries in which we operate favor increased competition in the telecommunications industry and may prohibit us from making further acquisitions or continuing to engage or expand in particular practices, which may limit our ability to grow our business or have a material adverse effect on our business, financial condition, results of operations and prospects.

In Tanzania, pursuant to the Electronic and Postal Communications Act of 2010 (the "**EPCA**") as amended by the Finance Act, No 2 of 2016, each person holding a license to provide network facilities in Tanzania before July 1, 2016, is required to offer shares equal to at least 25% of its total share capital to Tanzanian citizens on the Dar es Salaam Stock Exchange by no later than December 31, 2016. On December 28, 2016, pursuant to and as part of an asset purchase transaction, the Tanzania Communications Regulatory Authority ("**TCRA**") transferred the telecommunications licences of Infinity Africa Network Limited and Startel Tanzania Limited to Raha Limited, our primary operating subsidiary in Tanzania. On April 6, 2017, we obtained from the TCRA an extension to comply with these listing requirements, which is valid until December 28, 2018. While we intend to timely comply with these listing requirements, the listing with the CMSA in Tanzania may be delayed or not be completed on satisfactory terms or at all, as a result of various factors, including the potentially insufficient liquidity in the economy in general (because there may be a lack of investors with sufficient capital to subscribe for the shares), market conditions in the industry in which we operate, economic and political conditions in Tanzania or other countries in the region and other factors affecting demand for the equity securities of Raha Limited.

In Kenya, the Information and Communications Technology Sector Policy Guidelines issued pursuant to the Kenya Information and Communications Act, Chapter 411A requires telecommunications companies, such as Liquid Telecommunications Kenya Limited ("**LTKL**"), our primary operating subsidiary in Kenya, to have at least 20% Kenyan citizen ownership (the "**Kenyan Citizen Ownership Requirement**"). On December 22, 2014, LTKL was granted a 2-year waiver by the Ministry of Information, Communications and Technology from the Kenyan Citizen Ownership Requirement. On November 28, 2016, the Ministry of Information, Communications and Technology granted an extension to comply with these Kenyan Citizen Ownership requirements, which is valid until December 22, 2017. While we intend to timely comply with the Kenyan Citizen Ownership Requirement, there can be no assurance that we will be able to find a viable partner with suitable terms, or at all.

If we fail to comply with any of these requirements in a timely manner, we could be subject to fines, penalties, litigation and enforcement actions, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Additionally, some of our customers in Tanzania and Kenya are also subject to these regulations and are at risk of suffering the same penalties for failure to comply with them, which in turn could jeopardize their ability to perform under their contracts with us.

We may become party to disputes and legal, tax and regulatory proceedings.

We may be named as a defendant or an interested party in legal actions, claims and disputes in connection with our business activities, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Such legal actions, claims and disputes may relate to our current business or past operations, including operations of businesses we have acquired and for which we may be fully or partially liable under the relevant contractual arrangements with respect to the acquisitions. If we are unsuccessful in defending ourselves in such actions, claims or disputes, we may be forced to pay monetary damages or take other actions that would have material adverse effect on our business, results of operations, financial conditions and prospects. For example, Neotel, which we acquired in 2017, was previously alleged to be involved in irregular transactions with Homix Proprietary Limited in connection with the negotiation of a contract with Transnet. See "*Business—Litigation and Legal Proceedings—Homix Investigation*." We cannot assure you that no proceedings will be initiated against Neotel related to such matter or other similar matters or, if such proceedings were initiated, that they would not have adverse reputational and other consequences for us and our business including the loss of one or more key customers. Even if successfully resolved without direct adverse financial effect, such litigation or complaints could have a material adverse effect on our brand and reputation and divert our financial and management resources from more beneficial uses. Additionally, in the ordinary course of business, we may be subject to ad hoc tax reviews. There can be no assurance that any future audits will not result in additional liability.

Disputes could also lead to a termination of agreements with our customers or a material modification of the terms of those agreements, either of which could have a material adverse effect on our business, results of operations, financial condition and prospects. If we are forced to resolve any of these disputes through litigation, our relationship with the applicable customer could be terminated or damaged, which could lead to decreased revenues or increased costs, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are subject to intense competition in many of the markets in which we operate.

We operate in an increasingly competitive environment, particularly around pricing, across our markets and segments, which may adversely affect our revenue and margins. The nature and level of the competition we face vary for each of the products and services we offer. Our competitors generally fall into three broad categories: (i) international diversified telecommunications companies; (ii) state-owned and partly state-owned telecommunications and infrastructure companies; and (iii) local and regional telecommunications companies. These competitors, as well as other competitors that may enter the market in the future, may enjoy certain competitive advantages that we do not, particularly in the Kenyan, Zimbabwean and Zambian markets, such as having easier access to financing, greater personnel resources, fewer regulatory burdens and closer relationships with regulatory authorities. Some of our competitors may have fewer regulatory burdens with which they are required to comply because, among other reasons, they use different technologies to provide their services, do not own their own network, are state-owned and partly state-owned, or are not subject to obligations applicable to network operators with significant market power, which can give our competitors an advantage and negatively impact our competitive position and profit.

Furthermore, in certain of the geographic markets in which we operate, including Kenya and South Africa, there are a limited number of new customers entering the market (particularly in the wholesale and multinational enterprise segments) and therefore in order to increase our market share we are dependent on attracting our competitors' existing customers, which intensifies the competitive pressures we are subject to.

We experience competition in our core network services both from competitors investing in new networks and from our own customers who purchase and then resell capacity on our open access networks. Increasingly, we also see increased competition directly from network operators. In our data hosting and data center activities, we experience competition from specialized data center operators. We also experience competition in new technology areas, where we are seeking to increase the range and nature of managed services we provide to our customers. The continuing trend toward business combinations and strategic alliances in the telecommunications industry, particularly in South Africa and Uganda, may create increased competition, including from non-conventional, network operators and content providers. All these factors may result in slower growth or a decrease in our returns on investment and, ultimately, EBITDA as our customers may choose to switch to our competitors. Although new laws and regulatory initiatives may provide us with increased business opportunities by removing or substantially reducing certain barriers to competition, in so doing they also create a more competitive business environment and may encourage new entrants, which could adversely affect our results of operations.

In a number of countries in which we operate, such as Zambia, Zimbabwe and Tanzania, our competitors are also government-owned entities or major local business participants, and may have certain advantages from being incumbent service providers. Local operators may be able to leverage their knowledge of the local markets more efficiently than us.

Increasing competition has also led, in certain markets, to declines in the prices we are able to charge for our services. As has occurred in the recent past and may occur in the future in Zambia, South Africa and elsewhere, some of our competitors may further reduce pricing and offer unsustainable price reductions or discounts in an effort to strengthen their market position, and we may not be able to match their price reductions while maintaining our profitability.

Our success in the markets in which we operate may be adversely affected by the actions of our competitors in a number of ways, including:

- lower prices or higher quality services, features or content;
- more rapid development and deployment of new or improved products and services;
- more rapid enhancement of their networks;

In addition, we believe we currently enjoy a competitive advantage resulting from the reach of our network. Any expansion by our existing competitors, whether within a particular market or on a Sub-Saharan African level, may reduce such competitive advantage, which in turn could adversely affect our business, results of operations, financial condition and prospects.

Our market position will also depend on effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting the industry, including new services, pricing strategies by competitors, changes in customer preferences and economic, political and social conditions in the markets in which we operate. Any failure to compete effectively or any inability to respond to or effectively anticipate customer sentiment, including in terms of pricing of services, acquisition of new customers and retention of existing customers, could have a material adverse effect on our business, results of operations, financial condition and prospects.

We are exposed to certain risks in respect of the development, expansion and maintenance of our telecommunications networks.

Our business depends in part upon the success of the expansion and management of our telecommunications networks. The build-out of our networks is subject to risks and uncertainties which could delay the introduction of services in some areas and increase the cost of network construction. Network expansion and infrastructure projects, including those in our development pipeline, typically require substantial capital expenditure throughout the planning and construction phases and it may take weeks or months before we can obtain the necessary permits and approvals and the new sites become operational. During the planning and expansion process, we are subject to a number of construction, financing, operating, regulatory and other risks beyond our control, including, but not limited to:

- increases in capital and/or operating costs, including as a result of foreign exchange rate movements;
- changes in demand for our services;
- labor disputes and disputes with contractors and sub-contractors;
- inadequate engineering, project management, capacity or infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of utilities and transportation links that are necessary or desirable for the successful operation of a project;
- electricity and power interruptions due to electricity load-shedding and/or blackouts, and energy shortages;
- regulatory regimes impacting our business;
- failure to complete projects timely and/or according to specifications;
- failure to meet license obligations;
- adverse weather conditions and natural disasters;
- environmental regulations, including the need to perform feasibility studies and conduct remedial activities;
- political, social and economic conditions;
- fraud, theft and malfeasance;
- accidents;
- terrorist action;
- changes in law, rules, regulations, governmental priorities and regulatory regimes; and
- difficulties in obtaining and/or maintaining project development permission or requisite governmental licenses, permits or approvals.

The occurrence of one or more of these events may have a material adverse effect on our ability to complete our current or future network expansion projects on schedule or within budget, if at all, and may prevent us from achieving the projected revenues, internal rates of return or capacity associated with such projects. There can be no assurance that we will be able to generate revenues or profits from our expansion projects that meet our planned targets and objectives, or that such revenues will be sufficient to cover the associated construction and development costs, either of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

In addition, our assumptions associated with maintenance and continued upgrades of our networks may prove to be inaccurate. Our current network capacity may not be sufficient for all future services we plan to offer or we may need to accelerate capital expenditure plans if demand would exceed our planning. If we fail to successfully maintain and upgrade our networks, our services and products may be less attractive to new customers and we may lose existing customers to our competitors, or our business and financial condition may become subject to additional financial strain due to unbudgeted investments. In addition, our future and ongoing network upgrades may fail to generate a positive return on investment, which may have a material adverse effect on our business, results of operations, financial condition and prospects. If our capital expenditures exceed our projections or our operating cash flow is lower than expected, we may be required to seek additional financing for future maintenance and upgrades, which in turn could adversely affect our business, results of operations, financial condition and prospects.

If we do not continue to provide telecommunications or related services that are useful and attractive to customers, we may not remain competitive, and our business, financial condition, results of operations and prospects may be adversely affected.

Our commercial success depends on providing services such as voice, data, connectivity and other value-added services that provide our customers with attractive products and services at a competitive cost. Many of the services we offer are technology-intensive and the development or acceptance of new technologies may render such services non-competitive, replace such services or reduce prices for such services. The telecommunications industry is characterized by an increasing pace of technological change in existing systems and industry standards combined with ongoing improvements in the capacity and quality of technology to cater to changing customer needs. As new technologies develop, our equipment may need to be replaced or upgraded, we may need to acquire additional licenses and our networks may need to be rebuilt in whole or in part in order to sustain our competitive position. While we endeavor to upgrade our existing infrastructure (i.e. through card upgrades or by migrating from WiMAX to LTE) to respond successfully to technological advances, we may require additional capital expenditures and access to related or enabling technologies in order to integrate the new technology with our existing technology. If we are unable to anticipate customer preferences or industry changes, or if we are unable to modify our service offerings on a timely and cost-effective basis, we may lose customers.

As the convergence of services accelerates, we have made and will have to continue to make substantial additional investments in new technologies to remain competitive, and changes in technology and services may also lead us to competing with new competitors including both emerging players as well as established technology companies entering new sectors and bundling technologies as a means of increasing their competitive advantage. Our operating results will also suffer if our new products and services are not responsive to the needs of our customers, are not appropriately timed with market opportunities, are not effectively brought to market or are not priced competitively. The new technologies we choose may not prove to be commercially successful or profitable.

We cannot be certain that existing, proposed or as yet undeveloped technologies will not become dominant in the future and render the technologies we use less commercially viable or profitable or that we will be successful in responding in a timely and cost-effective way to keep up with new developments. For example, new transmission technologies or new means of distributing content that reduce bandwidth volumes could render the technologies we use less commercially viable or profitable, trigger the emergence of new competitors or strengthen the position of existing competitors. As telecommunications technology continues to develop, our competitors may be able to offer telecommunications products and services that are, or that are perceived to be, substantially similar or better than those offered by us. This could have a material adverse effect on our business, financial condition, results of operations and prospects. If we are not successful in anticipating and responding to technological change and resulting customer preferences in a timely and cost-effective manner, our quality of services, business, financial condition, results of operations and prospects could be materially adversely affected.

The deployment of fiber networks by our competitors may reduce and ultimately eliminate the coverage gap between our fiber network and the networks of our main competitors.

We believe that one of our core competitive advantages in the majority of our geographies is the strength and speed of our fiber optic and wireless networks. Our network's attributes enable us to support high-bandwidth, low-latency applications, such as mobile 3G/4G LTE data backhauling, OTT content delivery, cloud-based computing, video and CCTV streaming, machine-to-machine connectivity, private connections to data center storage, and other applications. Our network is built in accordance with some of the highest industry standards, and is almost in its entirety ducted with redundant and diverse routes capable of servicing our customers. Our core network is upgraded on an ongoing basis whilst our FTTx network is currently capable of providing speeds of up to 100 Mbps.

Our competitors may deploy networks allowing for download speeds and bandwidths which may rival those achieved by our network. For example, TelOne, Zamtel and Simbanet, our main competitors in Zambia, Zimbabwe and Tanzania, respectively, have recently begun to roll out fiber networks in the capital cities of those jurisdictions. Furthermore, TelOne and Zamtel may decide, either as an alternative to fiber or as an intermediate approach pending the fiber roll-out, to upgrade a portion of their copper networks to ADSL. Similarly, in late 2016, Vodacom began to significantly expand its FTTH offering in South Africa.

If our competitors deploy or significantly expand their national or international fiber networks, they may be able to compete with our network at a level of quality and speed equal or superior to ours, potentially reducing or eliminating our current competitive advantage, increasing pressure on our prices and margins and leading us to incur significant capital expenditures to match their service offerings. Implementation of ADSL or wireless broadband networks by such competitors could also reduce our national competitive advantage. The deployment of fiber networks by competitors is also a risk for our enterprise segment, for which our networks are also currently an advantage. Such fiber deployment by our competitors could have a material adverse effect on our business, results of operations, financial condition and prospects.

A large percentage of our revenue in the year ended February 28, 2017 (on a pro forma basis) came from our top five customers.

Our top five customers accounted for 30.9% of our revenue (on a pro forma basis) in the year ended February 28, 2017. Although we have longstanding relationships with most of our top customers, including with our shareholder Econet Global Limited, and believe that our relationships with these customers are stable, our ability to renew existing contracts with our customers or other contractual counterparties, or to enter into new contractual relationships, either on commercially attractive terms or at all, depends on a range of commercial and operational factors and events, including the financial condition of such customers, existing contractual protections and incentives for renewals, the ability of the parties to reach agreement as to pricing, quality or service levels, and the commercial decisions by such counterparties (who may choose to source products or services, in whole or in part, from other suppliers), any of which may be beyond our control. Furthermore, due to this customer concentration, the credit risk associated with larger business customers is of particular significance to us.

The loss of any customer or customers that in the aggregate represent a significant portion of our revenue could have a material adverse effect on our business, results of operations, financial condition and prospects. In addition, any divestment of interest in the Group by Econet Global Limited and/or any resulting loss of business therefrom could have a material adverse effect on our business, results of operations, financial condition and prospects. See "*Principal Shareholders*" and "*Related Party Transactions*."

Furthermore, we could be adversely affected if any significant customer reacts unfavorably to the pricing of our products or services, or decides to deemphasize or reduce their offerings in the categories with which we supply them. Any such event would have a material adverse effect on our business, results of operations, financial condition and prospects.

We depend on hardware, software and other providers of outsourced services, who may discontinue their services or products, seek to charge us prices that are not competitive or choose not to renew contracts with us.

We have important relationships with several suppliers of hardware, software and related services that we use to operate our networks and provide our services. In certain cases, we have made substantial investments in the equipment or software of a particular supplier, such as Cisco, Juniper, Nokia-Lucent, ZTE and Huawei, making it difficult for us to quickly change supply and maintenance relationships in the event that our initial supplier refuses to offer us favorable prices or ceases to produce equipment or provide the services or support that we require. Further, in the event that hardware or software products or related services are defective, it may be difficult or impossible to enforce recourse claims against suppliers, especially if warranties included in contracts with suppliers have expired or are exceeded by those in our contracts with our customers, in individual cases, or if the suppliers are insolvent, in whole or in part. In addition, there can be no assurances that we will be able to obtain the hardware, software and services we need for the operation of our business, in a timely manner, at competitive terms and in adequate amounts. In particular, in the case of an industry-wide cyclical upturn or in the case of high demand for a particular product, our suppliers of software, hardware and other services may receive customer orders beyond the capacity of their operations, which could result in late delivery to us, should these suppliers elect to fulfil the accounts of other customers first. We have, from time to time, experienced extensions of lead times or limited supplies due to capacity constraints and other supply-related factors, as well as quality control problems with service providers. We may also not be able to recover monies paid to such suppliers or obtain contractual damages to which we may be entitled (if any) in the event our suppliers fail to comply with their obligations in a timely manner.

We also outsource some of our services, including international interconnectivity and certain system operations. For example, some of the Liquid SA Group's system operations (including network operating center) have historically been outsourced to Tata Communications. Should any of these arrangements be terminated by either contract party, this could result in delays or disruptions to our operations and could result in us incurring additional costs, including if the outsourcing counterparty increases pricing or if we were required to locate alternative service providers or in-source previously outsourced services.

Our ability to renew our existing contracts with suppliers of products or services, or enter into new contractual relationships, with these or other suppliers, upon the expiration of such contracts, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events, which may be beyond our control. The occurrence of any of these risks or a significant disruption in our supply of products and services from key sourcing partners and other providers could create technical problems, damage our reputation, result in the loss of customer relationships and have a material adverse effect on our business, results of operations, financial condition and prospects.

Furthermore, while we provide the majority of our services over our own networks, we also provide services to our customers over third-party networks. We have no control over the quality, capacity, speed and up-time over third-party networks. The failure of these or other telecommunications providers to provide reliable connectivity to our customers on a consistent basis could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our business relies on third-party licenses and other intellectual property arrangements.

We rely on third-party licenses and other intellectual property arrangements to enable us to carry on our business. Certain of our network elements and telecommunications equipment including hardware, software and firmware deployed on our network are licensed or purchased from various third parties, including from vendors holding the intellectual property rights to use these elements and equipment, such as Cisco, Huawei and others. Although these agreements provide warranties, indemnities and the right of termination in the event of any breach or threatened breach of any intellectual property rights, no assurance can be provided that competitors or other third parties will not challenge or circumvent the intellectual property rights we own or license or that the relevant intellectual property rights are valid, enforceable or sufficiently broad to protect our interest or will provide us with any competitive advantage. Any loss or withdrawal of those intellectual property rights could affect our ability to provide our services.

We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate sufficient cash to service our debt.

Our ability to make payments on and refinance our indebtedness, fund working capital and make capital expenditures in the longer term (beyond the period ending 12 months from the date of this document), will depend on our future operating performance and ability to generate sufficient cash over the longer term (beyond the period ending 12 months from the date of this document). This depends on the success of our business strategy and on economic, financial, competitive, market, legislative, regulatory and other factors, as well as the factors discussed in these "*Risk Factors*," many of which are beyond our control.

No assurance can be provided that our business will generate sufficient cash flows from operations or that future debt or equity financings will be available to us to pay our debt when due or to fund our other capital requirements or any operating losses. If our future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility and the Term Loan Facility) are insufficient to pay our obligations as they mature or to fund our liquidity needs in the longer term (beyond the period ending 12 months from the date of this document), we may be forced to:

- reduce or delay our business activities or capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or part of our debt on or before maturity; or
- forego opportunities such as acquisitions of other businesses.

No assurance can be provided that we would be able to accomplish these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments on our indebtedness on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Revolving Credit Facility and the Term Loan Facility, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business and could have a material adverse effect on our financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable.

Our ability to grow profitably depends in part on our ability to continue to grow through organic expansion and/or further acquisitions or ventures.

Our ability to grow profitably will depend in part on our ability to continue to grow through organic expansion and/or further acquisitions. While we do not anticipate transformational acquisitions in the near term, we do consider strategic acquisitions as part of our growth strategy and business plan. The success of our acquisition and investment strategy depends on the ability of management to identify and compete for suitable acquisition and investment targets, to assess the value, strengths, weaknesses, contingent or other liabilities and potential profitability of such acquisitions and investments, to negotiate acceptable purchase, financing and other terms and, in some cases, the selection of appropriate international and local partners, and the continued contributions by certain of our key management and technical personnel. Our acquisition and investment strategy also depends on our ability to obtain the appropriate regulatory and governmental approvals, licenses, spectrum allocation and registrations, and may be limited by regulatory constraints in the countries in which we operate due to antitrust laws, asset control laws or political conflicts. See "*Because we operate in highly regulated business environments, changes in laws, regulations or governmental policy affecting our business activities could adversely affect our business, financial condition, results of operations and prospects*". In addition, the success of our acquisitions and investments will depend on, and may be limited by, our ability to finance acquisitions and investments, which may be limited by our overall level of indebtedness and liquidity profile, restrictions contained in our existing and future financing arrangements.

Once targets are acquired, the success of our acquisitions and investments is dependent on the ability of our management and employees to integrate the acquired businesses, to implement an effective management structure given the terms of the investment (particularly in cases where we have only a minority interest or have a joint venture partner), to realize the benefits of expected planned synergies (such as branding, marketing and equipment sourcing) and to successfully operate and manage new and acquired businesses (such as rolling out a new network, managing vendors and addressing security concerns). These risks can be significant, since it is difficult to assess the regulatory, business and operating environment in certain countries in which we operate, given limited history and precedent and other economic, operating and political factors. See "*—We are subject to the risks of political, social and economic instability associated with the markets in which we operate*". In addition, increased operations may strain our managerial resources which may require us to hire additional managerial resources. We may be unable to hire managers with the relevant expertise or the hiring process may require significant time and resources, all of which could result in a diversion of management's attention from the management of our daily operations. Any failure to apply the necessary managerial and operational resources to our growing business could have a material adverse effect on our business, financial condition, results of operations and prospects.

There can be no assurance that we will be able to identify and complete future acquisitions or investments on appropriate terms and at acceptable costs, or at all, or that we will successfully execute our acquisition, investment or roll-out plans or that we will realize the benefit of such plans when completed. The use of cash to fund acquisitions may limit the availability of our working capital. We cannot give any assurance that our recent rate of growth will be maintained in the future or that demand for our services will enable us to achieve a satisfactory return on any acquisitions or investments that we make or support the leverage taken on for such acquisitions or investments. Our inability to find, complete, operate and integrate suitable acquisitions or investments and to operate with increased leverage, could have a material adverse effect on our business, financial condition, results of operations and prospects.

These risks can be particularly significant in emerging markets, where it is difficult to assess the regulatory, business and operating environment given limited history and precedent and other economic operating and political factors.

Our investment plans are based on models reflecting management's predictions of market conditions. There can be no assurance that such models will correctly anticipate actual investment results.

Our investment plans, including in particular our acquisitions and roll-out plans, are influenced by our modelling of anticipated investment returns. We use the results of our modelling to identify and execute potential investment strategies, such as acquisitions or greenfield network development. These models rely on certain market information and assumptions of market fundamentals, such as macroeconomic assumptions about the market, economic growth forecasts, pricing and competition in determining a given investment's timing, cost and expected profitability for us. If actual market conditions deviate from the assumptions underlying these models, we could be required to modify, scale back or delay our acquisition and expansion plans. If we are not able to modify our plans, our financial returns could be materially adversely affected. Changing market fundamentals could likewise affect our ability to adhere to our acquisition and expansion plans in ways that could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to integrate successfully businesses that we have recently acquired or may acquire in the future, and we may not be able to realize the anticipated cost savings, revenue enhancements or other synergies from such acquisitions.

While we do not anticipate transformational acquisitions in the near term, we do consider strategic acquisitions as part of our growth strategy and business plan. The process of integrating such acquired businesses involves risks. These risks include, but are not limited to:

- demands on our management related to integration processes;
- diversion of management's attention from the management of daily operations to the integration of newly acquired operations;
- difficulties in the assimilation of different corporate cultures, practices and sales and distribution methodologies;
- difficulties in conforming the acquired company's accounting, book and records, internal accounting controls, and procedures and policies to ours;
- retaining the loyalty and business of the customers of acquired businesses;
- retaining employees who may be vital to the integration of the acquired business or to the future prospects of the combined businesses;
- difficulties and unanticipated expenses related to the integration of departments, information technology systems and accounting systems;
- difficulties and unanticipated expenses related to the necessary rehabilitation and upgrade of network elements and ancillary systems, such as power feeding systems, network operation systems, network performance monitoring systems, service platforms and other service-related systems;
- difficulties and unanticipated expenses related to the integration and interconnection of acquired networks with our existing networks, and aligning network design and performance standards;
- difficulties integrating technologies and maintaining uniform standards, such as internal accounting controls, procedures and policies; and
- unanticipated costs and expenses associated with any undisclosed or potential liabilities.

Failure to successfully transfer business operations and to otherwise integrate the operations of any acquired businesses may result in lower revenue, earnings and/or reduced operating efficiency than if we had not acquired such businesses and lead to a loss of customers from the acquired businesses.

Furthermore, even if we are able to successfully integrate the operations of acquired businesses, we may not be able to realize the potential cost savings, synergies and revenue enhancements that were anticipated from the integration, either in the amount or within the time frame that we expect, and the costs of achieving these benefits may be higher than, and the timing may differ from, what is expected. Our ability to realize anticipated cost savings, synergies and revenue enhancements may be affected by a number of factors, including, but not limited to, the following:

- the use of more cash or other financial resources on integration and implementation activities than expected;
- increases in other expenses unrelated to the acquisitions, which may offset the cost savings and other synergies from the acquisitions;
- the inability to eliminate duplicative overhead and overlapping and redundant selling, general and administrative functions, rationalize manufacturing capacity and shift production to more economical facilities;
- the integration of information technology systems and customer data; and
- ability to avoid labor disruptions in connection with any integration, particularly in connection with any headcount reduction.

In February 2017, we completed the Neotel Acquisition. We believe that the Neotel Acquisition will allow us to realize significant revenue and cost synergies, by reducing certain duplicative cost structures, leveraging a combined network, and improving Neotel's customer base operations and margins. Such anticipated synergies are subject to a number of assumptions about the timing, execution and costs associated with realizing the synergies. There can be no assurance that such assumptions turn out to be correct and, as a result, the amount of synergies that we will actually realize over time may differ significantly from the ones that we currently estimate and we may incur significant costs in realizing such anticipated synergies. Failure to generate the expected margins or cash flows, or realize the anticipated benefits of the Neotel Acquisition, including growth and expected synergies, could have a material adverse effect on our business, financial condition, results of operations and prospects. Further, the integration of Neotel may create unforeseen operating difficulties and expenditures and pose significant management, administrative and financial challenges to our business. These challenges include:

- integration of Neotel into our current business in a cost effective manner, including network infrastructure, management information and financial control systems, marketing, customer service and product offerings;
- outstanding or unforeseen legal, regulatory, contractual, labor or other issues arising from the Neotel Acquisition;
- integration of different company and management cultures; and
- retention, hiring and training of key personnel.

If we fail to effectively integrate the operations of any acquired businesses or to realize anticipated cost savings, synergies or revenue enhancements from such acquisitions, this could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our high level of goodwill and other intangible assets could generate significant future asset impairments, which could negatively affect our business, financial condition, results of operations and prospects.

We recognize a significant amount of goodwill and other intangible assets, including certain of our licenses, on our financial statements. As at February 28, 2017, the amount of goodwill and other intangible assets on our statement of financial position was US$285.7 million, representing 21.9% of the Group's total assets. This significant amount of goodwill has mainly resulted from the various acquisitions we have made since our inception. Events including, but not limited to, litigation, failure to maintain customer relationships or failure to successfully integrate acquired businesses and/or realize anticipated cost savings, revenue enhancements or other synergies from such acquisitions, could erode our image or reputation and result in impairments of goodwill and/or other intangible assets. Further, market conditions, changes in accounting policies and/or other factors could materially and adversely affect the carrying value of our goodwill and/or other intangible assets, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Demand for voice services is in decline across the telecommunications industry globally.

Demand for voice services is in decline across the telecommunications industry globally, which has been countered by an upward trend in data revenue as voice users migrate to data-based VoIP services. Revenue from the wholesale voice segment made up 35.9% of the Liquid Group's revenue in the year ended February 28, 2017, as compared to 40.4% and 44.8% of revenue in the years ended February 29, 2016 and February 28, 2015, respectively, primarily due to the increasing use of OTT services and declining tariffs. Revenue from our data and other services (including wholesale, enterprise and retail) on the other hand, made up 64.1% of the Liquid Group's revenue in the year ended February 28, 2017, as compared to 59.6% and 55.2% of revenue in the years ended February 29, 2016 and February 28, 2015, respectively. We expect that the demand for our data services will continue to increase as digitization expands across the African continent (as consumers switch from 2G to 3G and 4G LTE enabled handsets, wholesale voice to fixed broadband), and as we continue to improve our mobile network capability and expand our network reach.

Although we have identified data revenue as one of the most important drivers for future profit growth and have heavily invested in and upgraded our infrastructure and product offerings in response to this trend, there is no assurance that we will successfully monetize the increase in data traffic and any increase in the revenue generated from data services may not be sufficient to offset the substantial capital expenditures required to upgrade our networks to handle increased data traffic as well as the declining demand for voice services. This could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to fluctuations in foreign currency exchange.

We prepare our financial statements in U.S. dollars, and derive revenue and/or incur costs in more than 13 countries, including South Africa, Zimbabwe, Kenya and Zambia. During the year ended February 28, 2017, 82.1% of the Liquid Group's total revenue (and 46.3% on a pro forma basis) was in U.S. dollars, with a further 7.2% (and 47.9% on a pro forma basis) was in South African Rand and the remaining revenue is principally in Kenya Shilling and Zambian Kwacha. Accordingly, movements in exchange rates between any of these currencies and the U.S. dollar could have a negative effect on our results of operations and financial condition to the extent we have a mismatch between our earnings in any foreign currency and our costs that are denominated in that currency.

Where possible, we manage foreign currency risk by matching same currency revenues to same currency expenses, and by strategically denominating debt in certain functional currencies in order to match with projected functional currency exposures. There is no guarantee that we will be successful with this strategy. If we fail to adequately protect against currency exchange risk, the costs of servicing our debt obligations and providing our services may increase, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, the results of operations and financial conditions of certain of the individual members of the Group are reported in the relevant functional currency of that Group member, which may not be the U.S. dollar. These Group member's assets and liabilities are converted based on the exchange rate on the balance sheet date, and income statement items are converted based on the average exchange rate during the relevant financial period. Foreign exchange rates have seen significant fluctuation in recent years. In the year ended February 28, 2017, we made a net foreign exchange gain of US$2.0 million but suffered net foreign exchange losses of US$13.3 million in the year ended February 29, 2016. Any significant increases in the value of the U.S. dollar relative to foreign currencies could have a material adverse effect on our reported financial results.

A downturn in the domestic, regional or global economy may adversely affect our business.

We are exposed to risks associated with any future downturn in the domestic, regional or global economy. Global financial markets have remained volatile since the global financial crisis that started in 2008 and remain susceptible to renewed shocks. There can be no assurance that economic performance, whether globally or in the regions in which we operate, can or will be sustained in the future. To the extent that economic growth or performance, either globally or in the regions in which we operate, slows down or begins to decline, this could have an adverse effect on our operations. Many of our strategic partners and suppliers may, in the event of a global downturn or a downturn in any specific region, experience financial difficulties that could affect their ability to service us in a timely and efficient manner. Any future global downturn, such as that experienced from 2008 to 2011, could have a material and adverse effect on our business, financial condition, results of operations and prospects. Economic conditions can have a material adverse effect on telecommunications businesses, including a material adverse effect on the quality and growth of their customer base and service offerings. For example, customers may decide that they can no longer afford the data services or other value-added services that are instrumental in maintaining or increasing our revenues. Subject to differing levels of price elasticity of demand in each market in which we operate, any future economic downturn in those markets could have a material adverse effect on our business, financial condition, results of operations and prospects. High rates of inflation in some of the countries in which we operate may also cause consumer purchasing power to decrease, which may reduce consumer demand for our services.

A loss of investor confidence in the financial systems of emerging as well as mature markets may cause increased volatility in the financial markets in the countries and regions in which we operate and a slowdown in economic growth or economic contraction in those countries and regions. Any such increased volatility or slowdown could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be unable to attract and retain key personnel, directors, managers, employees and other individuals without whom we may not be able to manage our business effectively.

We depend on the availability and continued service of a relatively small number of key managers, employees and other individuals, including our directors and senior management. These key individuals are heavily involved in the daily operation of our business and are, at the same time, required to make strategic decisions, ensure their implementation and manage and supervise our development. The loss of some of these key individuals could significantly impede our financial plans, product development, network expansion, marketing and other plans. Our future operating results depend, in a significant part, upon the continued contributions of our existing management and our ability to expand our senior management team by adding highly skilled new members, who may be difficult to identify and recruit. In particular, our Chairman's and CEO's continued involvement in the strategic oversight of the Group is key for our continued development and competitive position. In addition, competition for qualified executives in the telecommunications industry in the markets in which we operate is intense, and individuals with industry-specific experience are scarce. As a result, we may be required to enhance wages and benefits to recruit and retain such professionals in the face of increasing opportunities in the markets in which we operate. While we constantly seek to recruit and retain an adequate number of qualified professionals in the telecommunications industry, we may not successfully be able to do so. Moreover, integration of new management would require additional time and resources, which could adversely affect our ability to successfully implement our strategy.

If some of our senior executives or other key individuals cease their employment or engagement with us, or if we fail to attract and retain highly skilled and qualified personnel across all levels of the Group or continue to successfully expand, train, manage and motivate our employee base, our business, financial condition, results of operations and prospects could be materially adversely affected.

Our growth and expansion in new areas of business may make it difficult to obtain adequate operational and managerial resources, thus restricting our ability to expand our operations.

Historically, our business has grown, in part, through a significant number of selective acquisitions that enabled us to take advantage of existing networks, service offerings and management expertise. Most notably, in February 2017, we completed the Neotel Acquisition. As at February 28, 2017, Neotel's total assets represented a 35.6% of our total assets and its total liabilities represented a 45.2% of our total liabilities. As a result, the operating complexity of our business, as well as the responsibilities of management, has increased, which may place significant strain on our managerial and operational resources.

Although we consider the operational and financial systems and the managerial controls and procedures that we currently have in place to be adequate for our purposes, we recognize that the efficacy of these systems, controls and procedures needs to be kept under regular review as our business grows. We will need to continue to improve our operational and financial systems and managerial controls and procedures to keep pace with our expected growth. We will also have to maintain close coordination among our logistical, technical, accounting, finance, marketing and sales personnel. Managing our expected growth will require, among other things:

- the ability to integrate new acquisitions into our operations;
- continued development of financial and management controls and IT systems and their implementation in newly acquired businesses;
- the ability to manage increased technical, operational and marketing activities;

- hiring and training of new personnel (including management teams where necessary);
- the ability to adapt to changes in the markets in which we operate, including changes in legislation;
- the ability to successfully deal with new regulators and regulatory regimes for our new lines of business; and
- the ability to manage additional taxes, increased competition and address the increased demand for our services.

Any failure to apply the necessary managerial and operational resources to our growing business and any weaknesses in our operational and financial systems or managerial controls and procedures may impact our ability to produce reliable financial statements and may adversely affect our business, financial condition, results of operations and prospects.

Changes to IFRS standards for lease accounting and revenue recognition may adversely affect our financial results.

Changes to IFRS have been proposed in recent years, and further changes may be proposed in the future. Following a detailed consultation period which began in July 2006, the International Accounting Standards Board ("**IASB**") released a new standard ("**IFRS 16**") on lease accounting which will replace IAS 17 "Leases" and which will be effective for financial reporting periods beginning on or after January 1, 2019. IFRS 16 could have an impact on the assets and liabilities recorded in our statement of financial position and the nature of costs recorded in our statements of profit or loss and other comprehensive income. Although there are some exceptions, we, as lessees, would be required to record all finance leases on the balance sheet as liabilities, at the present value of the expected future payments, along with an asset reflecting the right to use the asset over the lease term. Currently, operating leases are accounted for in our statements of profit or loss and other comprehensive income as an expense in the period incurred.

Additionally, IFRS 15, issued on May 28, 2014, established a comprehensive framework for determining whether, how much and when revenue is recognized from contracts with customers. IFRS 15 is effective for financial reporting periods beginning on or after January 1, 2018 and replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. Under IFRS 15, revenue must be recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will principally affect post-paid arrangements used by telecommunication operators as regards unbundling of revenues (including any subsidized items), accounting for changes in contracts, accounting for subscriber acquisition costs and loyalty programs.

These and any other changes to IFRS that may be proposed in the future could materially adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE NOTES AND THE GUARANTEES

Not all of our subsidiaries will guarantee the Notes, and the Notes and the Guarantees will be structurally subordinated to all of the claims of creditors of those subsidiaries that do not guarantee the Notes.

Only the Guarantors will provide the Guarantees for the benefit of the holders of the Notes on the Issue Date. Other subsidiaries of the Company may guarantee the Notes in the future, but until then, any claim by us or any of our creditors, including the holders of the Notes, against any such non-guarantor subsidiaries will be structurally subordinated to all of the claims of creditors of such subsidiaries. The Indenture does not limit the transfer of assets to, or the making of investments in, any of our Restricted Subsidiaries (as defined therein), including our subsidiaries that do not provide guarantees for the Notes, which subsidiaries could account for a higher portion of our assets, liabilities, revenues and net results in the future. As at and for the year ended February 28, 2017, the Guarantors represented (i) on 75.3% of our Pro forma Adjusted EBITDA, excluding dividend income and profit from the sale of subsidiaries and (ii) 81.0% of our net assets, after adjusting for intercompany payables and receivables. As at February 28, 2017, after giving effect to the Transactions, our non-guarantor subsidiaries will have outstanding financial indebtedness in the amount of approximately US$15.25 million primarily related to the Stanbic Zambia Facilities. See "*Capitalization.*" As at and for the year ended February 28, 2017 our non-guarantor subsidiaries represented 24.7% of our Pro forma Adjusted EBITDA, excluding dividend income and profit from the sale of subsidiaries, and, as at February 28, 2017, 19.0% of our net assets, after adjusting for intercompany payables and receivables. In the event of insolvency, liquidation or other reorganization of any of these non-guarantor subsidiaries, creditors of such non-guarantor subsidiaries will generally be entitled to payment in full from their respective assets before the Issuer or any of the Guarantors is entitled to receive any distribution from such assets as equity holders. Except to the extent that the Issuer or any of the Guarantors may itself be a creditor with recognized claims against a non-guarantor subsidiary, claims of creditors of such non-guarantor subsidiary will have priority with respect to the assets and earnings of that subsidiary over the claims of the Issuer or the Guarantors as equity holders, although there is no assurance that the claims of the Issuer or any of the Guarantors as a creditor against a non-guarantor subsidiary may not be reduced, limited or extinguished as a result of applicable insolvency rules (such as the doctrine of equitable subordination or the rules regarding the potential avoidance of transactions concluded with related persons within a certain hardening period). Our non-guarantor subsidiaries are also subject to liabilities to other creditors as a result of obligations incurred in the ordinary course of business, which liabilities are also effectively senior to the Notes and the Guarantees.

The Issuer, the Guarantors and any other grantor, as applicable, will have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.

The security documents governing the granting of the Collateral will, subject to the terms of the Intercreditor Agreement, allow the Issuer, the Guarantors and any other grantor, as applicable, to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the Notes. So long as no default or event of default under the Indenture or the Revolving Credit Facility or the Term Loan Facility would result therefrom, the Issuer, the Guarantors and any other grantor, as applicable, may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness.

Further, a general notarial bond does not automatically constitute the holder as a secured creditor in terms of the South Africa Insolvency Act of 1936 except if the bond has been perfected by way of, *inter alia,* a court order prior to the commencement of the liquidation of the company.

The Notes and the Guarantees will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Guarantees, and such security may not be sufficient to satisfy the obligations under the Notes and the Guarantees.

The Collateral will secure the obligations of the Issuer and Guarantors under the Notes and the Guarantees, as well as obligations under the Revolving Credit Facility and Term Loan. Pursuant to the Intercreditor Agreement, proceeds from enforcement of the Collateral will be shared *pari passu* among the holders of the Notes, the lenders under the Revolving Credit Facility and Term Loan, and future creditors to the extent permitted by the Indenture, the Revolving Credit Facility, the Term Loan and the Intercreditor Agreement.

If there is an event of default on the Notes, the holders of the Notes and the Guarantees will be secured only by the Collateral. To the extent that the claims of the holders of the Notes exceed the value of the Collateral securing the Notes and such other obligations, these claims will rank equally with the claims of the holders of all other existing and future senior unsecured indebtedness ranking *pari passu* with the Notes and the Guarantees. There is no guarantee that the value of the Collateral will be sufficient to enable the Issuer to satisfy its obligations under the Notes. The proceeds of any sale of the Collateral following an event of default with respect to the Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the Notes, the Revolving Credit Facility and the Term Loan.

No appraisals have been prepared by or on behalf of the Issuer or the Guarantors in connection with the issue of the Notes. The fair market value of the Collateral may be subject to fluctuations based on factors that include, among others, general economic conditions, industry conditions and similar factors. The amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the availability of buyers, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to readily liquidate the Collateral and the fair market value and condition of the Collateral. Further, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of our assets in the event of an enforcement action. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in our liquidation.

The Collateral will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral as well as the ability of the Security Agent (or the Security SPV acting on the instructions of the Security Agent) to realize or foreclose on such security.

To the extent that security interests and other rights granted to other parties encumber assets constituting Collateral owned by the Issuer or the Guarantors, those parties have or may exercise rights and remedies with respect to the property subject to their security interests or other rights that could adversely affect the value of that Collateral and the ability of the Security Agent, the Security SPV, Trustees or investors as holders of the Notes to realize or enforce that Collateral. If the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Notes and the Guarantees, investors (to the extent not repaid from the proceeds of the sale of the Collateral) would have only an unsecured claim (if the relevant guarantee has not been released) against the Issuer's and the Guarantors' remaining assets. Each of these factors or any challenge to the validity of the Collateral or the Intercreditor Agreement could reduce the proceeds realized upon enforcement of the Collateral.

Under the terms of the Intercreditor Agreement, holders of the Notes will not control certain decisions relating to the Collateral.

The Trustee will enter into the Intercreditor Agreement with, among others, the agent in respect of the Revolving Credit Facility and the Term Loan Facility (the "**Senior Agent**"). Other creditors may become parties to the Intercreditor Agreement in the future. As of the Issue Date, the Senior Secured Creditors (as defined in the Intercreditor Agreement) will include creditors under the Revolving Credit Facility and the Term Loan Facility and holders of Notes. Among other things, the Intercreditor Agreement governs the enforcement of the Security Documents, the sharing in any recoveries from such enforcement among such creditors and the release of the Collateral by the Security Agent. Each holder of Notes, by accepting a Note, will be deemed to have agreed to and be bound by the terms of the Intercreditor Agreement.

The Intercreditor Agreement will provide that the Security Agent shall act upon the instructions of the senior secured creditors whose senior secured credit participations at that time aggregate more than 50% of the total senior secured credit participations at that time (the "**Instructing Group**"), which will be determined in accordance with the terms and conditions of the Intercreditor Agreement. The Intercreditor Agreement provides that the Security Agent may refrain from enforcing the Security Documents unless instructed otherwise by the Instructing Group. As of February 28, 2017, after giving effect to the Transactions, we would have had US$671.5 million in borrowings outstanding in a combination of the Notes, borrowings under the Term Loan Facility, US$15.25 million primarily related to the Stanbic Zambia Facilities and certain other indebtedness. In addition, we expect to have undrawn capacity under the Revolving Credit Facility. Lenders under the Revolving Credit Facility or Term Loan Facility may have interests that are different from the interests of holders of the Notes and may not agree to pursue their remedies under their indebtedness at a time when it would otherwise be advantageous for the holders of the Notes to do so. Moreover, if additional secured indebtedness were incurred or the principal amount of the Notes outstanding were to be decreased such that lenders under the Senior Facilities Agreement or other secured *pari passu* creditors, individually or collectively, were to hold more than 50.1% or more of the senior secured credit participations, such other creditors would have absolute control over the ability to instruct the Security Agent with respect to the enforcement of the Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Under the terms of the Indenture, we will be permitted in the future to incur certain additional indebtedness and other obligations that may share in the liens on the Collateral securing the Notes and the Guarantees and the liens on the collateral securing our other secured debt. The Collateral will secure the obligations under the Notes, the Senior Facilities Agreement and certain hedging obligations that may share in transaction security (see "*Description of certain financing arrangements—Intercreditor Agreement*").

Further, disputes may arise among the holders of the Notes, the lenders under the Senior Facilities Agreement or other creditors forming part of the Instructing Group as to the appropriate manner of pursuing enforcement remedies with respect to the Collateral which may delay enforcement until agreement is reached.

Further, the holders of the Notes will not be able to effect foreclosure on such collateral or otherwise independently pursue the remedies of a secured creditor under the relevant security documents, which may lead to delays that reduce recoveries available to holders of the Notes. In addition, the Intercreditor

Agreement does not require independent valuations with respect to sales of Collateral and provides that security interests in the Collateral will be released if agreed to by majority of senior secured creditors or in the event of an enforcement or certain other permitted disposals. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Guarantees and the Collateral securing the Notes will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.

The Notes will be guaranteed by certain of our subsidiaries which are incorporated under the laws of Mauritius, South Africa, Kenya and England and Wales, and secured by security interests over the Collateral pursuant to the relevant Security Documents, which will be governed by the laws of these jurisdictions. The Indenture will provide that certain Guarantees, and the Indenture and the relevant Security Documents will provide that certain security interests, will be limited to the maximum amount that can be guaranteed or in respect of which security interests may be granted by the relevant Guarantor or grantor, as applicable, without rendering the relevant Guarantee or security interest, as it relates to that Guarantor or grantor, voidable or otherwise ineffective or limited under applicable law. See "*Certain Insolvency and Enforceability Considerations*." In relation to any guarantee or undertaking granted by a Mauritius incorporated Guarantor ("**Mauritian Guarantor**"), its obligations and liabilities shall be limited by the provision of the Mauritius Companies Act regulating (i) unlawful financial assistance within the meaning of Section 81 of the Mauritius Companies Act (ii) disclaimer of onerous property (Sub-Parts III of the Insolvency Act 2009) (iii) voidable transactions (Sub-Parts IV of the Insolvency Act 2009) and distribution of assets in accordance with Sub-Parts V of the Insolvency Act 2009.

Certain jurisdictions may impose regulatory conditions or limitations on the Guarantees to be provided by the Guarantors. In granting its pre-approval for the Guarantees to be granted by the South African Subsidiary Guarantors, the South African Reserve Bank ("**SARB**") stated that should there be a claim in respect of the Guarantee, they require to be advised thereof and that the claim may not exceed the net asset value of such Guarantors. The net asset value is an accounting determination with reference to the financial statements of the Guarantors. The limitation of the guarantees provided by the South African Subsidiary Guarantors in this way with reference to net asset value effectively subordinates claims under the Guarantees below those of creditors the claims of which may need be deducted in order to reach the net asset value. Because the SPV Guarantee guarantees the obligations under the guarantees of the South African Subsidiary Guarantors, the claims of Secured Parties under the SPV Guarantee will be limited in the same way. Further, the claims of the Security SPV under the Counter-Indemnity and the South African Collateral, to the extent these ultimately secure the claims under the guarantees by the South African Subsidiary Guarantors, will be limited in this manner such that the maximum recovery against the South African Subsidiary Guarantors in their capacity as such will be limited to their net asset value. As of February 28, 2017, Neotel's total assets were ZAR 6,009,067 thousand and Neotel's total liabilities were ZAR 5,122,907 thousand. See "*Certain Insolvency Law and Enforceability Considerations—South Africa.*"

The enforcement of any of the Guarantees against any Guarantor or security interests against any security provider will be subject to certain defenses available to Guarantors or security providers in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance, set-off counter-claim and prescription (time bar) or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor or grantor of security interests may have no liability or decreased liability under its Guarantee or security interest, as applicable, depending on the amount of its other obligations and applicable law.

In regards to the South African pledge over all of the Company's shares in Liquid Telecommunications Holdings South Africa (Pty) Ltd, the sale of any such shares in an enforcement action will be subject, under the Neotel Shareholders' Agreement (as defined herein), to a pre-emptive process, which may delay the process of enforcement. See "*Principal Shareholders—Neotel Shareholders' Agreement*."

In addition, the security interests in the Collateral that will secure the obligations of the Issuer and the Guarantors under the Notes and the Guarantees, respectively, will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent for the Notes, either directly or through Security SPV. See "*—The security over the Collateral will not be granted directly to the holders of the Notes.*"

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) subordinate or void any Guarantee or any security interest (ii) direct that the holders of the Notes return any amounts paid under a Guarantee or security interest to the relevant Guarantor or security provider, or to a fund for the benefit of the Guarantor's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the Guarantee or security interest was granted with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or the security provider or, in certain jurisdictions, even when the recipient was merely aware that the Guarantor or the security provider was insolvent when it granted the relevant Guarantee or security;
- the Guarantor or security provider did not receive fair consideration or reasonably equivalent value for the granting of the Guarantee and/or security interest and the Guarantor or security provider: (i) was insolvent or was rendered insolvent as a result of having granted the relevant Guarantee or security interest; (ii) was under-capitalized or became under- capitalized because of the relevant Guarantee or security interest; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the granting of the relevant Guarantee and/or security interest was held not to be in the best interests or not to be for the corporate benefit of the Guarantor or security provider or was held to exceed the corporate objects of the Guarantor or security provider; or
- the aggregate amounts paid or payable under the relevant Guarantee or enforcement proceeds under the relevant security were in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of our subsidiaries pursuant to the Indenture. In addition, for other circumstances contemplated in relation to certain jurisdictions, see "*Certain Insolvency and Enforceability Considerations*."

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable governing law. Generally, an entity would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair value of all its assets;
- the present fair value of its assets was less than the amount required to pay its existing debts and liabilities, including contingent liabilities, as they became due; or
- it could not pay its debts as they became due.

The liability of each Guarantor under its Guarantee, or security provider under the relevant Security Document, will be limited to the amount that will result in such Guarantee or security interest not constituting a fraudulent preference or conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurances as to what standard a court will apply in making a determination of the maximum liability of each Guarantor or security provider. There is a possibility that the entire Guarantee or security interest may be set aside, in which case the entire liability may be extinguished.

If a court were to find that the issuance of the Notes or a Guarantee, or the granting of the security, was a fraudulent preference or conveyance or unenforceable for any other reason, the court could hold that the payment obligations under the Notes or such Guarantee or Security Document are ineffective, could void the security over the Collateral, or could require the holders of the relevant Notes to repay any amounts received with respect to the Notes or such Guarantee or any enforcement proceeds received from enforcement of the security. In the event of a finding that a fraudulent preference conveyance occurred, or that one of the other instances referred to above has occurred, you may cease to have any claim in respect of the relevant Guarantor or security provider and would be a creditor solely of the Issuer, any other Guarantor or security provider, if applicable, under any Guarantees or Security Documents that have not been declared void.

Additionally, any future pledge or charge of Collateral that secures the Notes and the Guarantees directly or indirectly, including pursuant to Security Documents delivered after the date of the Indenture, might be avoidable by the security provider (as debtor-in-possession) or by its trustee in bankruptcy (or similar officer) if certain events or circumstances exist or occur, including, among others, if the security provider is insolvent at the time of the pledge or charge, the pledge or charge permits the holders of the Notes to receive a greater recovery than if the pledge or charge had not been given and a bankruptcy proceeding in respect of the security provider is commenced within a certain time period following the pledge or charge.

Enforcement of civil liabilities and judgments against the Issuer or the Guarantors or any of our directors or officers may be difficult.

The Issuer is a public company limited by shares organized under the laws of England and Wales and the Guarantors of the Notes are incorporated under the laws of Mauritius, South Africa, Kenya and England and Wales. All of their directors and executive officers are non-residents of the United States and all of the Issuer's and Guarantors' assets and those of such persons are located outside the United States. Although the Issuer will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action under U.S. securities laws, you may not be able to effect service of process on such persons or the Issuer or the Guarantors within the United States in any action, including actions predicated on civil liability provisions of the U.S. federal and state securities laws or other laws. As a result, investors may be unable to effect service of process within the United States upon such persons, or to enforce judgments against them obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. Federal and state securities laws. In addition, we cannot assure you that civil liabilities predicated upon the Federal securities laws of the United States will be enforceable in Mauritius, South Africa, Kenya and England and Wales. See "*Enforcement of Civil Liabilities*."

The security over the Collateral will not be granted directly to the holders of the Notes.

The security interests in the Collateral that will secure the obligations of the Issuer and the Guarantors under the Notes and the Guarantees, respectively, will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent for the Notes, either directly or through Security SPV. The Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the Security Agent mirroring the obligations of the Issuer and the Guarantors (as principal obligors) towards the holders of the Notes under or in connection with the Indenture. The Indenture and the Intercreditor Agreement will provide that only the Security Agent has the right to enforce the Security Documents (including by directing the Security SPV). As a consequence, the holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes and the Guarantees, except through the Trustee for the Notes, who will provide instructions to the Security Agent in accordance with the Intercreditor Agreement. Holders of the Notes will also bear some risks associated with a possible insolvency or bankruptcy of the Security Agent as the beneficiary of the Parallel Debt.

There can be no assurances that such a "parallel debt" structure will be recognized and effective in all cases in all relevant jurisdictions. See "*Certain Insolvency and Enforceability Considerations*."

To the extent that the security interests in the Collateral created to the benefit of the Security Agent as parallel debt creditor under the Parallel Debt construction are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral.

The Security Documents are in some instances also granted to the benefit of inter alia the Trustee or the holders of the Notes represented by the Trustee. The Trustee has certain assigned duties and rights under the Indenture that become particularly important following defaults or events of default, and acts in a fiduciary capacity in the best interests of the holders of the Notes. There can be no assurances that such a "trust" concept will be recognized and effective in all cases in all relevant jurisdictions. See "*Certain Insolvency and Enforceability Considerations*."

To the extent that the security interests in the Collateral created to the benefit of the Trustee are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. In addition, the holders of the Notes may bear risks associated with the possible insolvency or bankruptcy of the Trustee.

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the Collateral securing the Notes and the Guarantees will be released automatically, including:

- in connection with any sale or other disposition of Collateral (other than the pledge over the capital stock of the Issuer or Liquid Telecommunications Investments Limited) to a person that is not the

Company or a restricted subsidiary (but excluding any transaction subject to the merger and consolidation covenant, if such sale or other disposition does not violate the asset sales covenant);

- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and capital stock, of such Guarantor;
- as described under "*Description of the Notes—Guarantees—Release of the Guarantees" and "Description of the Notes—Collateral—Release of Collateral*";
- upon payment in full of principal, interest and all other obligations under the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*Description of the Note—Satisfaction and Discharge*";
- upon the designation of any restricted subsidiary as an unrestricted subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and capital stock, of such unrestricted subsidiary;
- in accordance with the Security Documents, the Intercreditor Agreement or any additional intercreditor agreement;
- as permitted by "*Description of the Notes—Certain Covenants—Merger, Consolidation or Sale of Assets*"; or
- as otherwise permitted in accordance with the Indenture.

In addition, under various circumstances, the Guarantees will be released automatically, including:

- upon a sale or other disposition (including by way of consolidation or merger) of the capital stock of the relevant Guarantor (other than Company or Liquid Telecommunications Investments Limited) (whether by direct sale or sale of a holding company) or the sale, assignment, transfer, conveyance or other disposition of all or substantially all the assets of the Guarantor (including by way of consolidation, merger or amalgamation) other than to the Company or a restricted subsidiary, if the sale assignment, transfer, conveyance or other disposition does not violate the asset sales covenant and the Guarantor ceases to be a restricted subsidiary of the Company as a result of the sale or other disposition;
- upon the designation in accordance with the Indenture of the Guarantor as an unrestricted subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in "*Description of the Notes—Legal Defeasance and Covenant Defeasance*" and "*Description of the Notes—Satisfaction and Discharge*";
- in accordance with the Intercreditor Agreement or any additional intercreditor agreement, including upon an enforcement action;
- as described under "*Description of the Notes—Amendment, Supplement and Waiver*";
- upon release of the guarantee of Indebtedness that resulted in the creation of the Guarantee under the covenant described below under the caption "*Description of the Notes—Certain Covenants—Additional Guarantees*"; or
- as a result of any transaction permitted by the merger covenant.

Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor, as applicable, of the security. The liens on the Collateral securing the Notes and the Guarantees may not be perfected with respect to the claims of such Notes if we fail or are unable to take the actions required to perfect any of these liens.

Absent perfection, the holder of the security interest may have difficulty enforcing such holder's rights in the Collateral with regard to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. In addition, a debtor may discharge its obligation by paying the security provider until, but not after, the debtor receives a notification of the existence of the security interest granted by the security provider in favor of the security taker over the claims the security taker (as creditor) has against the debtor. Finally, a security interest may not in all circumstances have priority over a security interest granted over the same Collateral on a later date. None of the Trustee or the Security Agent has any obligation to monitor the acquisition of additional property or rights that constitute Collateral or the perfection of, or to take steps to perfect, any security interest in the Notes against third parties.

It may be difficult to realize the value of the Collateral securing the Notes and the Guarantees.

The Collateral securing the Notes and the Guarantees will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and Intercreditor Agreement and accepted by other creditors that have the benefit of security interests in the Collateral from time to time. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes as well as the ability of the Security Agent to realize or foreclose on such security. Furthermore, the ranking of security interests with respect to the Notes and the Guarantees can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens, re-characterization under applicable law or regulatory approvals.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents or that such consents will be given when required. Accordingly, the Security Agent may not have the ability to foreclose upon security and the value of the security may significantly decrease.

In South Africa, the security interests will be granted to the Security SPV to secure the Counter-Indemnity Agreement, rather than directly to the Security Agent to secure our obligations under the Notes and the Guarantees. Enforcement of this indirect security interest may be subject to delays, judicial intervention and additional costs. The process of enforcing the security interests in South Africa may be more cumbersome and less efficient than in other jurisdictions.

The granting of the security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening periods, i.e., the periods of time following the granting of security interests during which such security interests may be challenged in accordance with the laws applicable in certain jurisdictions.

The granting of the security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening periods, i.e., the periods of time following the granting of security interests during which such security interests may be challenged in accordance with applicable laws.

The granting of security interests to secure the Notes and the Guarantees may create hardening periods for such security interests in each of the above-mentioned jurisdictions. The granting of shared security interests to secure future indebtedness permitted to be secured on the Collateral may restart or reopen such hardening periods in particular, because the Indenture permits the release and retaking of security granted in favor of the Notes in certain circumstances, including in connection with the incurrence of future indebtedness. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See "*Certain Insolvency and Enforceability Considerations*."

The same considerations also apply following the issuance of the Notes in connection with the accession of further subsidiaries as Guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Notes.

Our substantial debt could limit our flexibility, adversely affect our financial health and prevent us from fulfilling our obligations under the Notes.

We have a substantial amount of debt and significant debt service obligations. As at February 28, 2017, and as adjusted to give effect to the Transactions, our total indebtedness would have been US$671.5 million. In addition, we would have had approximately US$55.0 million of availability under the Revolving Credit Facility and the ZAR equivalent of US$50.0 million of availability under the Term Loan Facility. Our ability to fund capital expenditures and other expenses and to service our indebtedness will depend on our future operating performance and ability to generate sufficient cash. For a detailed description of our debt, please see "*Description of Certain Financing Arrangements*".

Our substantial debt could have important negative consequences for us and you as holder of the Notes. For example, our substantial debt could:

- make it difficult for us to satisfy our obligations with respect to the Notes and our other debt;
- require us to dedicate a substantial portion of our cash flow from operations to making payments on our debt, thereby limiting the availability of funds for investment capital expenditures, business opportunities and other general corporate purposes;
- increase our vulnerability to a downturn in our business or adverse general economic or industry conditions;
- limit our flexibility in reacting adequately to changes in our business or the industry in which we operate;
- place us at a competitive disadvantage compared to those of our competitors that have less debt than we do; or
- limit our ability to borrow additional funds or raise equity capital in the future and increase the costs of any such additional capital.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

Despite our high level of indebtedness, we and our subsidiaries may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We may be able to incur substantial additional debt in the future. Although the Indenture, the Revolving Credit Facility and the Term Loan Facility contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions. Debt incurred in compliance with these restrictions, including secured debt that shares in the Collateral securing the Notes and the Guarantees on a *pari passu* or subordinated basis, could be substantial. Incurring such additional debt could further increase the related risks we now face. In addition, the Indenture, the Revolving Credit Facility and the Term Loan Facility will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

We are subject to restrictive debt covenants under our financing agreements that limit our operating and financial flexibility.

The Indenture, the Revolving Credit Facility and the Term Loan Facility contain covenants that impose significant operating and financial restrictions on us. These agreements limit our ability to, among other things:

- incur or guarantee additional indebtedness;
- make certain restricted payments and investments;
- transfer or sell assets;
- enter into transactions with affiliates;
- create or incur certain liens;
- make certain loans, investments or acquisitions;
- issue or sell share capital of certain of our subsidiaries;
- issue or sell redeemable preferred shares;
- create or incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us; and
- merge, consolidate or transfer substantially all of our assets.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants.*" The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, the Revolving Credit Facility and the Term Loan Facility requires us to comply with certain affirmative and negative covenants and a financial ratio (as set out in the Revolving Credit Facility and the Term Loan Facility) while certain amounts under the Revolving Credit Facility remain outstanding. See "*Description of Certain Financing Arrangements—New Senior Facilities Agreement.*" Our ability to meet that financial ratio may be affected by events beyond our control, and we cannot assure you that we will meet such financial ratio. A breach of any of those covenants, ratio or restrictions could result in an event of default under the Revolving Credit Facility and the Term Loan Facility. Upon the occurrence of any event of default that is continuing under the Revolving Credit Facility and the Term Loan Facility, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the Revolving Credit Facility and the Term Loan Facility and elect to declare all amounts outstanding under the Revolving Credit Facility and the Term Loan Facility, together with accrued interest, immediately due and payable. In addition, a default under the Revolving Credit Facility and the Term Loan Facility could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions, including the Indenture. If our creditors, including the creditors under the Revolving Credit Facility and the Term Loan Facility, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries that would be due and payable and to make payments to enable us to repay the Notes. In addition, if we are unable to repay those amounts, our creditors could proceed against any Collateral granted to them to secure repayment of those amounts.

We will require a significant amount of cash to service our debt and sustain our operations, which we may not be able to generate or raise.

Our ability to make principal or interest payments when due on our indebtedness, including the *Revolving Credit Facility and the Term Loan Facility* and our obligations under the Notes, and to fund our ongoing operations or expansion plans, will depend on our future performance and ability to generate cash, which, to a certain extent, is subject to the success of our business strategy as well as general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flows from operations, that currently anticipated growth, cost savings or synergies will be realized or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs including the repayment at maturity of the then-outstanding amount under the Revolving Credit Facility, which will mature 4.5 years after the Issue Date, and the Term Loan Facility, which will mature prior to the maturity of the Notes. At the maturity of the Revolving Credit Facility and the Term Loan Facility, the Notes or any other debt that we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance or restructure our indebtedness.

If our future cash flows from operations and other capital resources (including borrowings under the *Revolving Credit Facility and the Term Loan Facility*, supplier financing and factoring agreements) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our capital expenditure plans;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In such an event, we may not have sufficient assets to repay all of our debt.

Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes, the Indenture, the Revolving Credit Facility and the Term Loan Facility, will limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. There can be no assurances that any assets that we could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale would be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

Drawings under the Revolving Credit Facility and the Term Loan Facility and any future variable interest rate debt we incur in the future will bear interest at floating rates that could rise significantly, thereby increasing our costs and reducing our cash flow.

Drawings under the Revolving Credit Facility and the Term Loan Facility will bear interest at floating rates as adjusted periodically, plus a spread. These interest rates could rise significantly in the future. While we may enter into certain hedging arrangements with respect to our interest obligations, hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

The Issuer and certain of the Guarantors are holding companies that have no revenue generating operations of their own and will depend on cash from other members of the Group to be able to meet their obligations on the Notes and the Guarantees, respectively; not all of our subsidiaries, including certain of the Guarantors, are wholly owned by us.

The Issuer is a wholly owned finance subsidiary of the Company with no business operations or significant assets, other than, following the completion of the Refinancing and the application of the proceeds therefrom, its rights under the Company Proceeds Loan and holdings in the capital stock of its subsidiaries (which, as at the date of this offering memorandum, comprise only Liquid Telecommunications Investments Limited, a wholly owned finance subsidiary of the Issuer with no business operations or significant assets of its own, other than its rights under the ZAR Proceeds Loan to Neotel). The Issuer is dependent upon the cash flow from our operating companies to meet its obligations under the Notes. We intend to provide funds to the Issuer in order for the Issuer to meet its obligations under the Notes, principally through payments under the Company Proceeds Loan and by way of dividends or distributions from Liquid Telecommunications Investments Limited, which will in turn be financed by payments under the ZAR Proceeds Loan to Neotel. We intend to provide funds to the Company to service the payments under the Company Proceeds Loan principally through the provisions of intercompany loans and dividends and other distributions. If the subsidiaries within the Group do not fulfill their obligations under any such intercompany loans and do not otherwise distribute cash to the Company, and in turn to the Issuer, in order for the Issuer to make scheduled payments on the Notes, the Issuer will not have any other source of funds that would allow it to make payments to the holders of the Notes.

In addition, certain of the Guarantors are holding companies with no independent business operations and no significant assets, other than the equity interests each of the companies holds in its subsidiaries. Each of these holding companies will be dependent upon the cash flow from its subsidiaries in the form of dividends or other distributions or payments to meet its obligations, including its obligations under the Notes and the Guarantees, respectively.

The amount of cash available to the Issuer will depend on the profitability and cash flows of the operating companies in the Group and the ability of those companies to transfer funds under applicable law. The amounts of dividends and distributions available to each holding company Guarantor will depend on the profitability and cash flows of its subsidiaries and the ability of its subsidiaries to issue dividends to it under applicable law. The operating companies in the Group, however, may not be able to, or may not be permitted under applicable law to, make distributions, move cash within their group or advance loans, directly or indirectly, to the Issuer or Guarantors to make payments in respect of the Issuer's indebtedness, including the Notes and Guarantees. The requirement to withhold tax on any such intra-group transfers may have an adverse impact on such payments. Various agreements governing the Group's debt may restrict, and in some cases, may prevent the ability of the members of the Group to transfer funds within the Group. In addition, the members of the Group that do not guarantee the Notes have no obligation to make payments with respect to the Notes. Furthermore, some of our subsidiaries, including certain of the

Guarantors (such as Liquid Telecommunications Holdings South Africa (Pty) Ltd, Liquid Telecommunications Operations SA Proprietary Limited, and Liquid Telecommunications South Africa Proprietary Limited (formerly Neotel Proprietary Limited)), are not wholly owned by us. When funds are distributed to us by such non wholly-owned subsidiaries, funds also will be distributed to their other owners.

We may not be able to convert certain of our local currency earnings into U.S. dollars, which could adversely affect our ability to make payments on the Notes.

The Notes are denominated and payable in U.S. dollars. Any currency constraints in one or more of the countries in which operate, which include expropriation, confiscation, nationalization, discriminatory legislative actions or other governmental measures, may limit our ability to convert our earnings in those countries into U.S. dollars, which in turn our ability to make payments on the Notes.

Future limitations on the movement of capital out of Zimbabwe may impair our ability to remove currency from the country on a regular basis.

The Zimbabwean banking system has recently experienced liquidity deficits and cash shortages in respect of international payments. We continue to manage the issues presented by these constraints in an effective manner. While we have approvals from the Reserve Bank of Zimbabwe to move funds out of Zimbabwe, we may be unable to do so in the future or our use of such funds may be otherwise restricted. Additionally, the Reserve Bank of Zimbabwe could revoke our approvals.

Any fall in the value of the South African Rand in relation to the U.S. dollar could adversely affect our ability to make payments on the Notes.

The Issuer's ability to make principal or interest payments on the Notes will depend, among other things, upon the cash flow from Liquid Telecommunications Investment Limited in the form of dividends or other distributions or payments, which in turn will depend, among other things, payments from Neotel to Liquid Telecommunications Investments Limited under the ZAR Proceeds Loan. Principal and interest payments on the ZAR Proceeds Loan are payable in South African Rand, while the Notes are denominated and payable in U.S. dollars. In case of any depreciation of the South African Rand in relation to the U.S. dollar, the value of any payments made by Neotel to Liquid Telecommunications Investments Limited under the ZAR Proceeds Loan will be reduced in relation to the U.S. dollar. Any such reduction will in turn result in a reduction in the amount of dividends or other distributions made, if any, by Liquid Telecommunications Investments Limited to the Issuer. Any shortfall as a result of such a reduction in the value of the South African Rand would need to be compensated through additional payments from the Company to the Issuer. We cannot assure you that the Company will have sufficient funds available to make such payments as required.

While we intend to enter into certain hedging arrangements to mitigate foreign exchange risk, hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements.

We may not be able to finance a change of control offer and the occurrence of certain important corporate events will not constitute a change of control.

Upon a change of control, as defined in the Indenture, we are required to make an offer to repurchase the Notes at 101% of their principal amount. Our ability to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our financial resources at that time. Sufficient funds may not be available when necessary to make any required repurchases. We expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the Revolving Credit Facility and the Term Loan Facility. Please see "*Description of the Notes—Change of Control.*" In addition, a change of control could constitute a default under our other indebtedness. In addition, the occurrence of certain of the events that constitute a change of control would also require the Issuer to make a similar offer to the creditors of any indebtedness outstanding under the Revolving Credit Facility and the Term Loan Facility. Enforcement of the pledge over the capital stock of the Issuer or Liquid Telecommunications Investments Limited may also result in a change of control. Future indebtedness of the Issuer, the Company or their respective subsidiaries may also contain prohibitions of certain events that would constitute a change of control or require such Indebtedness to be repurchased or repaid upon a change of control.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Indenture.

The definition of "change of control" contained in the Indenture includes a disposition of all or substantially all of the assets of the Issuer, the Company and their restricted subsidiaries, taken as whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer, the Company and their restricted subsidiaries, taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Your right to receive distributions on the assets of our subsidiaries other than the Collateral is effectively subordinated to the right of lenders who have a security interest in such assets to the extent of the value of those assets.

Subject to the restrictions in the Indenture and the agreements governing our other indebtedness, we may incur significant additional indebtedness secured by assets other than the Collateral. If we are declared bankrupt or insolvent, or if we default under any of our existing or future indebtedness that is secured by such assets, the holders of such indebtedness could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the holders of such indebtedness could foreclose on such assets to the exclusion of holders of the Notes, even if an event of default exists at such time under the Indenture. Furthermore, if the holders of such indebtedness foreclose and sell the pledged equity interests in any Guarantor under the Notes (to the extent such equity interests are not part of the Collateral), then that Guarantor will be released from its Guarantee of the Notes automatically and immediately upon such sale. In any such event, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims fully. In addition, the Indenture permits us to incur additional indebtedness secured on a *pari passu* basis with the Notes. Any such indebtedness may further limit the recovery from the realization of the assets available to satisfy holders of the Notes.

The consolidated financial information included in this offering memorandum may be of limited use in assessing the financial position of the subsidiaries guaranteeing the Notes.

The consolidated financial information included in this offering memorandum includes the financial information for our subsidiaries guaranteeing the Notes and our non-guarantor subsidiaries. As at and for the year ended February 28, 2017, the Guarantors represented (i) 75.3% of our Pro forma Adjusted EBITDA, excluding dividend income and profit from the sale of subsidiaries and (ii) 81.0% of our net assets, after adjusting for intercompany payables and receivables. As a result, our non-guarantor subsidiaries accounted for over 19.0% of our net assets excluding intercompany receivables and payables, and 24.7% of our Pro forma Adjusted EBITDA excluding dividend and profit from sale of subsidiaries as at and for the year ended February 28, 2017, and therefore the consolidated financial information included in this offering memorandum may be of limited use in assessing the financial position of the subsidiaries guaranteeing the Notes.

The insolvency laws of England and Wales, Mauritius, South Africa and Kenya may not be as favorable to prospective investors as other insolvency laws, and the Issuer's ability to recover any amounts due under the Company Proceeds Loan may be limited.

The Issuer and two of the Guarantors are organized under the laws of England and Wales. Some of the Guarantors and providers of security are incorporated under the laws of Mauritius, South Africa and Kenya. Consequently, in the event of a bankruptcy or insolvency of the Issuer or any of the Guarantors, insolvency proceedings with respect to the Issuer or the Guarantors would most likely be based on and governed by the insolvency laws of the jurisdiction under which the relevant entity is established. The insolvency laws of England and Wales, Mauritius, South Africa and Kenya may be less favorable to your interests as creditors than the bankruptcy laws of the United States or another jurisdiction with which you may be familiar, in particular with respect to priority of creditors, ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these laws, and any conflict between them, may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws. See also "*Certain Insolvency and Enforceability Considerations*" for additional information on the insolvency laws of England and Wales, Mauritius, South Africa and Kenya.

The market value of the Notes could decrease if our creditworthiness worsens.

The market value of the Notes will suffer if the market perceives us to be less likely to fully perform all obligations under the Notes when they fall due. This could occur, for example, because of the materialization of any of the risks listed in this "*Risk Factors*" section. Even if our ability to fully perform all obligations under the Notes when they fall due has not actually decreased, market participants could nevertheless have a different perception. In addition, market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as us could adversely change, causing the market value of the Notes to fall. If any of these events occurs, third parties would only be willing to purchase Notes for a lower price than before the materialization of these risks. Under these circumstances, the market value of the Notes could decrease.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurances can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

Many of the covenants in the Indenture will be suspended if the Notes are rated investment grade.

Many of the covenants contained in the Indenture will be suspended if the Notes are rated investment grade by each of Standard & Poor's Ratings Services, Moody's Investors Services and Fitch Ratings Inc., provided at such time no default under the Indenture has occurred and is continuing. These covenants will be suspended for the duration of the period during which the Notes maintain an investment grade rating and include covenants that restrict, among other things, our ability to pay dividends, to incur debt and to enter into certain other transactions. There can be no assurance that the Notes will ever be rated investment grade, or that if they are rated investment grade, the Notes will maintain such ratings. Suspension of these covenants, however, would allow us to engage in certain transactions that would not be permitted while these covenants were in force, and such transactions will not result in a breach of the Indenture if the Notes fail to maintain an investment grade rating. See "*Description of the Notes—Covenant Suspension.*"

Early redemption of the Notes may reduce the yield expected by the holders of the Notes.

The Notes may be redeemed at the option of the Issuer as more fully described in "*Description of the Notes*." Prior to July 13, 2020 we will have the ability to redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain equity offerings at a price of 108.50%. On or after, July 13, 2020 we will have the ability to redeem the Notes in whole or in part on one or more occasions at 104.25%, stepping down ratably each year. We will have the ability to redeem the Notes at any time, in whole but not in part, on the occurrence of certain events related to taxation. In the event that the Issuer exercises the option to redeem the Notes, the holders of the Notes may suffer a lower than expected yield and may not be able to reinvest the funds on the same terms.

Transfers of the Notes will be subject to certain restrictions.

The Issuer has not agreed to register and does not intend to register the Notes under the U.S. Securities Act or any securities laws of any state or any other jurisdiction of the United States. The holders of the Notes may not offer to sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or any other jurisdiction of the United States. The Issuer has not undertaken to register the Notes or to effect any exchange offer for the Notes in the future. Furthermore, the Issuer has not registered and does not intend to register the Notes under any other country's securities laws. Prospective investors in the Notes should read the discussion under the heading "*Notice to Investors*" for further information about these transfer restrictions. It is the obligation of the investors in the Notes to ensure that their subscription for or subsequent offers, sales or transfers of the Notes within the United States and other countries comply with any applicable securities laws.

There is no established trading market for the Notes and no assurance that the holders of the Notes will be able to sell them.

There is no existing market for the Notes. We will make an application to the Irish Stock Exchange to list the Notes on its Official List and admit them to trading on its Global Exchange Market, but cannot guarantee the liquidity of any market that may develop for the Notes, the ability of the holders of the Notes to sell such Notes or the price at which they may be able to sell such Notes. Liquidity and future trading prices of the Notes depend on many factors, including, among other things, prevailing interest rates, results of operations, the market for similar securities and general economic conditions. The Initial Purchasers have informed us that they intend to make a market in the Notes after completing the Offering. They are not, however, required to do so. Any market-making that begins may be halted at any time. In addition, changes in the overall market for high yield securities and changes in our financial performance in the markets in which we operate may adversely affect the liquidity of any trading market in the Notes that does develop and any market price quoted for the Notes. As a result, we cannot ensure that an active trading market will actually develop for the Notes.

Historically, markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in the prices of such debt. Any market for the Notes may be subject to similar disruptions. Any such disruptions may affect the liquidity and trading of the Notes independent of our financial performance and prospects and may have an adverse effect on the holders of the Notes.

The Notes may not remain listed on the Irish Stock Exchange.

Although the Issuer will, in the Indenture, agree to have the Notes listed on the Official List and admitted to trading on the Official List of the Irish Stock Exchange on the Issue Date and to use its commercially reasonable efforts to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure prospective investors that the Notes will become or remain listed. If the Issuer cannot maintain the listing of the Notes on the Official List on the Global Exchange Market of the Irish Stock Exchange or it becomes unduly onerous to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List on the Global Exchange Market of the Irish Stock Exchange, provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers, although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List on the Global Exchange Market of the Irish Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the Official List on the Global Exchange Market of the Irish Stock Exchange or another stock exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

Prospective investors may face foreign exchange risks by investing in the Notes.

The Notes are denominated and payable in U.S. dollars. If prospective investors measure their investment returns by reference to a currency other than the U.S. dollar, an investment in the Notes entails foreign exchange related risks due to, among other factors, possible significant changes in the value of the U.S. dollar, relative to the currency by reference to which such prospective investors measure their returns because of economic, political or other factors over which we have no control. Depreciation of the U.S. dollar, against the currency by reference to which prospective investors measure their respective investment returns could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return of the Notes is translated into the currency by reference to which such investors measure their investment returns. There may be tax consequences for prospective investors as a result of any foreign exchange gains or losses for any investment in the Notes.

The interests of our shareholders may not always coincide with those of the holders of the Notes.

Econet Global Limited owns a majority interest in our share capital and has certain control rights pursuant to a shareholders' agreement between the current shareholders of the Company. See "*Principal Shareholders*." As a result, Econet Global Limited has, directly or indirectly, the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as the ability to nominate the majority of our board of directors. The interests of our shareholders, in certain circumstances, may conflict with the interests of holders of the Notes. For instance, the shareholders could vote to cause us to incur additional indebtedness or to sell certain material assets, in each case, as permitted under the Indenture. Incurring additional indebtedness would increase our debt service obligations and selling assets could reduce our ability to generate revenue, each of which could affect the holders of the Notes adversely. Even if these shareholders and their affiliates make divestitures such that they control less than a majority of the equity in our parent company, they may still be able to effectively control or strongly influence our decisions. In addition, such divestitures may not trigger a change of control under the Indenture governing the Notes.

The Econet group was our largest customer in the year ended February 28, 2017. In addition to being our largest customer, Econet Global Limited has historically supported our business. For instance, we are a party to a strategic support agreement with Econet Global Limited and Econet Wireless International Limited, a wholly-owned subsidiary of Econet Global Limited, pursuant to which we receive strategic support and engineering network design services, as well as certain business opportunities, in return for a fixed management fee. For more detail, see "*Principal Shareholders—Econet Strategic Support Agreement.*" Econet Global Limited may not continue to provide comparable levels of support for our business in the future. Any decrease or cessation of Econet Global Limited's support could have a material adverse effect on our cash flows and our business, results of operations, financial condition and prospects.

The Notes will initially be held in book-entry form and therefore prospective investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until the Notes in definitive registered form, or definitive registered Notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or the holders of the Notes. The common depositary for Euroclear and/or Clearstream or their respective nominees will be the registered holders of the Regulation S Global Notes, and DTC, or its nominee, will be the registered holder of the Rule 144A Global Notes. After payment to the common depositary, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests.

Accordingly, if an investor owns a book-entry interest, it must rely on the procedures of DTC, Euroclear or Clearstream, as applicable, and if it is not a participant in DTC, Euroclear or Clearstream, on the procedures of the participant through which it owns its interest, to exercise any rights and obligations as a holder of the Notes. See "*Book-Entry; Delivery and Form*." Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon our solicitations for consents, requests for waivers or other actions from the holders of the Notes. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from DTC, Euroclear or Clearstream, or if applicable, from a participant in these systems. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable investors to vote on any matters or otherwise exercise their rights with respect to the Notes on a timely basis.

Similarly, upon the occurrence of an event of default, unless and until definitive registered Notes are issued in respect of all book-entry interests, if an investor owns a book-entry interest it will be restricted to acting through DTC, Euroclear or Clearstream, as applicable. No assurance can be provided that the procedures to be implemented through DTC, Euroclear or Clearstream, as applicable, will be adequate to ensure the timely exercise of the investors' rights under the Notes. See "*Book-Entry; Delivery and Form*."

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the merits and risks of investing in the Notes;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect their investment and their ability to bear the applicable risks.

Potential investors should not invest in the Notes unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. The investment activities of investors are subject to applicable investment laws and regulations and/or review or regulation by certain authorities and each potential investor should consult its legal advisers or the appropriate regulators.

Investors in the Notes may have limited recourse against the independent auditors.

See "*Independent Auditor*" for a description of the reports of the independent auditor of the Liquid Group, Deloitte, on the consolidated financial statements of Liquid Telecommunications Holdings Limited. Deloitte's reports state that the report was made solely to the Company and its shareholders as a body; that the independent auditor's work was undertaken so that the independent auditor might state to the shareholders of the Company those matters that were required to be stated to them in an auditor's report and for no other purpose; and that Deloitte does not accept or assume responsibility to anyone other than the Company and shareholders of the Company as a body for its audit work, for its report or the opinions it has formed.

Investors in the Notes should understand that in making these statements, Deloitte stated that it does not accept or assume any liability to parties (such as the purchasers of the Notes) other than to us and our shareholders as a body with respect to the reports and to the independent auditor's audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to such limiting language, the recourse that investors in the Notes may have against the independent auditor based on its report or the consolidated financial statements to which it relates could be limited.

USE OF PROCEEDS

We expect the gross proceeds from the issuance and sale of the Notes to be US$550 million.

We intend to use the gross proceeds of the Offering, together with amounts drawn under the Term Loan Facility (i) to repay certain existing indebtedness of the Group, including the LTH Senior Credit Facilities, the Neotel Senior Bridge Facility and the Tata Term Loan Facility (including any prepayment premium and accrued and unpaid interest); (ii) for general corporate purposes; and (iii) to pay costs, expenses and fees (including the Initial Purchasers' fees, legal, accounting and other fees and expenses) in connection with the Transactions.

The following table summarizes the currently expected sources and uses of funds in connection with the Transactions. Actual amounts may vary from estimated amounts depending on several factors, including estimated costs, fees and expenses.

Sources of funds	(US$ millions)	Uses of funds	(US$ millions)
Notes offered hereby(1)	550.0	Repayment of the LTH Senior Credit Facilities(3)	300.7
Term Loan Facility(2)	100.0	Repayment of the Neotel Senior Bridge Facility(4)	228.9
		Repayment of the Tata Term Loan Facility(5)	57.3
		General corporate purposes	43.1
		Fees and expenses(6)	20.0
Total sources	**650.0**	**Total uses**	**650.0**

(1) Reflects the gross proceeds from the issuance of the Notes, assuming the Notes are issued at par.

(2) On or about the Issue Date, the Company and Neotel expect to enter into the New Senior Facilities Agreement, which will provide for (i) a US$ Term Loan Facility Tranche of US$50.0 million, which we expect to draw on or about the Issue Date; (ii) a ZAR Term Loan Facility Tranche for the ZAR equivalent of US$100.0 million, of which we expect to draw the ZAR equivalent of US$50.0 million on or about the Issue Date; and (iii) a Revolving Credit Facility for a total committed amount of US$55.0 million, which will be undrawn on the Issue Date.

(3) Represents the repayment of principal of US$300.0 million under the LTH Senior Credit Facilities and accrued interest of US$2.2 million through the expected date of issue of the Notes.

(4) Represents the repayment of principal of ZAR2.95 billion under Neotel Senior Bridge Facility and accrued interest of ZAR1.0 million through the expected date of issue of the Notes, translated to U.S. dollars at a rate of 0.07726.

(5) Represents the repayment of principal of US$56.4 million under the Tata Term Loan Facility and accrued interest of US$0.1 million through the expected date of issue of the Notes.

(6) Represents estimated fees and expenses associated with the Offering, including the Initial Purchasers' fees, legal and accounting expenses and other transaction costs.

CAPITALIZATION

The following table sets forth the Group's capitalization, along with our cash and cash equivalents and restricted cash, as at February 28, 2017:

- on a historical basis, which is derived from the Financial Statements included elsewhere in this offering memorandum; and
- as adjusted to give effect to the Transactions, as if they had occurred on February 28, 2017.

You should read this table in conjunction with sections entitled "*Presentation of Financial Information,*" "*Use of Proceeds*," "*Business*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" "*Description of Certain Financing Arrangements*" and "*Unaudited Pro Forma Financial Information*," as well as the Financial Statements and the notes thereto included in this offering memorandum. Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses, fluctuations in cash on hand between February 28, 2017 and the Issue Date and fluctuations in applicable exchange rates.

	As at February 28, 2017	Adjustments	As at February 28, 2017 (adjusted)
		(US$ thousands)	
Cash and Cash Equivalents and Restricted Cash[1]	152,735	43,100	195,835
Long-term liability (current and non-current)			
LTH Senior Credit Facilities[2]	293,551	(293,551)	—
Neotel Senior Bridge Facility[3]	223,124	(223,124)	—
Tata Term Loan Facility[4]	56,487	(56,487)	—
Cisco Vendor Facilities[5]	5,071	—	5,071
Stanbic Zambia Facilities[6]	15,250	—	15,250
Other long-term liabilities[7]	1,129	—	1,129
Notes offered hereby	—	550,000	550,000
Term Loan Facility[8]	—	100,000	100,000
Total Long-term liability (current and non-current)	594,612	76,838	671,450
Shareholders' equity	428,307	—	428,307
Total capitalization	**1,022,919**	**76,838**	**1,099,757**

(1) As at February 28, 2017, an amount of US$11.7 million has been treated as restricted cash, representing 7.7% of our total cash and cash equivalents. Restricted cash comprises cash held in restricted accounts for bank guarantees, cash committed to capital expenditure and customer deposits. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity And Capital Resources.*"

(2) The LTH Senior Credit Facilities is a secured US$300.0 million facility bearing interest at the rate of LIBOR plus 5.25%, and is repayable by December 2022 in twenty quarterly instalments starting on March 22, 2018. The total contracted facility amount is US$300 million. The amount shown in the table above reflects US$2.2 million of accrued interest as at February 28, 2017, and is net of US$8.7 million unamortized financing fees.

(3) The Neotel Senior Bridge Facility is a secured ZAR3.3 billion facility, bearing interest at the rate of JIBAR plus 4.75% for the first nine months, 5.25% for the next three months and 5.75% for the last three months. The principal amount is payable in May 2018 in one lump-sum installment. As at February 28, 2017 an amount of ZAR2.95 billion has been drawn (equivalent to US$223.1 million using the exchange rate prevailing at the time). The amount shown in the table above reflects US$0.1 million of accrued interest as at February 28, 2017, and is net of US$4.9 million unamortized financing fees.

(4) The Tata Term Loan Facility is an unsecured term loan, for the U.S. dollar equivalent of ZAR750 million, bearing interest at the rate of 4.0% and repayable in February 2020.

(5) The Cisco Vendor Facilities is a secured US$10.0 million vendor facility, bearing interest at the rate of 3.076% and repayable by October 2019.

(6) The Stanbic Zambia Facilities is a secured US$15.25 million facility bearing interest at the rate of LIBOR plus 5.50%, and is repayable by February 2021 in sixteen quarterly instalments. As at February 28, 2017, an amount of US$15.25 million has been drawn. The Company entered a guarantee agreement with Stanbic Bank Zambia Limited, whereby the Company guaranteed US$6.5 million of principal amount due by CEC Liquid Telecommunications Ltd., under the Stanbic Zambia Facilities.

(7) Includes long-term liabilities related to certain vehicle finance leases, a capital expenditure loan and a dispute over the payment of VAT. See *"Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Resources—Financial Obligations*."

(8) The Term Loan Facility has a capacity of US$150.0 million (split into a U.S. dollar tranche of US$50.0 million, which is expected to be fully drawn as of the Issue Date, and a ZAR tranche of the ZAR equivalent of $100.0 million, of which we expect to draw the ZAR equivalent of US$50.0 million on or about the Issue Date. See "*Description of Certain Financing Arrangements—The New Senior Facilities Agreement.*"

Other than as disclosed above, there has been no material change in our total capitalization since February 28, 2017.

SELECTED FINANCIAL AND OTHER DATA

The tables below show selected consolidated financial information for each of (i) the Liquid Group as at and for the years ended February 28, 2017, February 29, 2016 and February 28, 2015, and (ii) Neotel as at and for the 11 months ended February 28, 2017, and the years ended March 31, 2016 and March 31, 2015. The financial information for the Liquid Group as at and for the years ended February 28, 2017, February 29, 2016 and February 28, 2015 has been extracted or derived from audited consolidated financial statements of Liquid Group as at and for the year ended February 28, 2017.

As described in Note 3 to Neotel's audited consolidated financial statements as at and for the 11 months ended February 28, 2017, Neotel changed its accounting policy in relation to the accounting for purchased IRUs. Historically, Neotel accounted for IRUs as prepayments in its statements of financial position and the related amortization had been accounted for as cost of sales in its statements of profit or loss and other comprehensive income. From April 1, 2016, Neotel changed its accounting policy to account for IRUs as intangible assets in its statements of financial position and the related amortization recognized in the Depreciation, impairment and amortization line item in the statements of profit or loss and other comprehensive income. This policy aligns the treatment of IRUs in Neotel's accounting policy with that of the Liquid Group's. Consistent with the requirements of IFRS, the comparative financial information of Neotel as at and for the years ended March 31, 2016 and March 31, 2015, included in the 2017 Neotel financial statements have been retrospectively restated for this change in accounting policy.

Liquid Group's audited consolidated financial statements as at and for the period ended February 29, 2016 reported the following reclassifications from the audited consolidated financial statements as at and for the period ended February 28, 2015. Investment income of US\$2,171,268 presented in the consolidated statement of profit or loss and other comprehensive income for the period ended February 28, 2015 was split into dividend income of US\$1,707,577 and interest income of US\$463,691 in 2016. Stock write off of US\$94,540 and provision for stock write off of US\$227,274 included in administrative expenses of US\$30,678,638 in the consolidated statement of profit or loss and other comprehensive income for the period ended February 28, 2015 financial statements have been included under depreciation, amortization and impairment of US\$23,383,122 in 2016 (which was stated at US\$23,061,308 in 2015). These reclassifications were done to ensure conformity of presentation with 2016 financial statements presentation and did not have any impact on the profit for the year.

Liquid Group's audited consolidated financial statements as at and for the period ended February 28, 2017 reported the following reclassifications from the audited consolidated financial statements as at and for the period ended February 29, 2016. Foreign exchange loss of \$9,600,720 presented in the consolidated statement of profit or loss and other comprehensive income for the period ended February 29, 2016 has been changed to \$9,927,811 to include the share of foreign exchange loss attributable to non-controlling interest. The amount attributable to non-controlling interest was previously included in the consolidated statements of changes in equity. Short term intercompany receivables of \$5,856,300 presented in the consolidated statement of profit or loss and other comprehensive income for the period ended February 29, 2016 has been included in trade and other receivables. These reclassifications were done to ensure conformity of presentation with 2017 financial statements presentation and did not have any impact on the profit for the year.

The Financial Statements are included elsewhere in this offering memorandum.

The information below should be read in conjunction with the Financial Statements and accompanying notes included elsewhere in the offering memorandum and the discussion in sections entitled "Presentation of Financial and Other Data," "Summary," "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

FINANCIAL AND OTHER INFORMATION FOR THE LIQUID GROUP AND PRO FORMA INFORMATION

Statements of Profit or Loss and Other Comprehensive Income

	For the year ended			For the year ended
	February 28, 2015	February 29, 2016	February 28, 2017(1)	February 28, 2017
				(Pro forma) (Unaudited)
	(US$ thousands)			
Revenue	**302,251**	**306,547**	**342,992**	**594,644**
Cost of sales	(118,855)	(115,515)	(137,734)	(235,056)
Gross profit.	**183,396**	**191,031**	**205,258**	**359,587**
Other income.	980	3,295	1,861	2.251
Dividend received	1,708	279	308	308
Selling and distribution costs	(5,432)	(6,718)	(7,721)	(18,549)
Administrative expenses	(30,357)	(29,782)	(32,038)	(87,696)
Staff costs	(43,197)	(43,009)	(51,471)	(98,181)
Profit before interest, tax, impairment and amortization.	**107,098**	**115,095**	**116,196**	**157,720**
Depreciation, impairment and amortization	(23,383)	(33,654)	(38,417)	(78,380)
Acquisition costs	—	—	(4,477)	—
Operating profit	**83,715**	**81,441**	**73,302**	**79,341**
Interest income	464	728	1,554	5,294
Finance costs	(4,388)	(7,256)	(13,785)	(53,862)
Foreign exchange gain / (loss)	(5,644)	(13,254)	2,032	5,911
Share of profits of associates	—	—	3	59
Profit before taxation	**74,146**	**61,659**	**63,106**	**36,742**
Tax expense	(11,878)	(11,774)	(9,037)	25,992
Profit for the year	**62,269**	**49,885**	**54,069**	**62,735**
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange gain / (loss)	(1,534)	(9,928)	11,019	n/a
Fair value gain / (loss) on available-for-sale investments.	(12,474)	(26,070)	1,681	n/a
Other comprehensive gain / (loss) for the year	**(14,008)**	**(35,998)**	**12,700**	**n/a**
Profit and total comprehensive income for the year	**48,260**	**13,887**	**66,769**	**n/a**

(1) Includes the results of operations of Neotel for the period from February 10, 2017 to February 28, 2017.

Statements of Financial Position

	As at		
	February 28, 2015	February 29, 2016	February 28, 2017[(1)]
	(US$ thousands)		
Assets			
Non-current assets			
Goodwill	7,112	9,558	151,794
Intangible assets	68,737	71,939	133,940
Property, plant and equipment	259,294	277,257	612,522
Investment in subsidiaries	—	—	—
Investment in associates	—	—	378
Investments	54,492	26,921	15,786
Deferred tax assets	1,951	1,272	38,836
Held to maturity investments	3,151	3,353	2,952
Long-term receivables	1,247	1,247	6,409
Total non-current assets	**395,985**	**391,547**	**962,617**
Current assets			
Inventories	32,098	24,382	22,135
Trade and other receivables	61,621	66,404	166,148
Taxation	—	1,761	—
Held to maturity investments	—	—	245
Cash and cash equivalents	36,595	33,497	141,048
Restricted cash[(2)] and cash equivalents	—	66,900	11,687
Total current assets	**130,314**	**192,944**	**341,262**
Total assets	**526,299**	**584,491**	**1,303,879**
Equity and liabilities			
Capital and reserves			
Stated capital	1	1	1
Share premium	2,333	2,333	2,333
Equity loans	—	—	—
Investment revaluation reserve	14,751	(11,319)	—
Retained earnings	280,188	294,865	283,583
Foreign currency translation reserve	(3,454)	(13,055)	(5,338)
Total equity attributable to owners of the parent	**293,820**	**272,825**	**280,579**
Non-controlling interests	43,083	54,564	147,727
Total equity	**336,903**	**327,390**	**428,307**
Non-current liabilities			
Long-term liabilities	98,292	116,807	597,431
Long term provisions	—	—	4,059
Deferred revenue	—	10,895	42,829
Deferred tax liabilities	18,468	25,618	33,709
Total non-current liabilities	**116,760**	**153,319**	**678,028**
Current liabilities			
Short-term portion of long-term liability	12,448	38,805	8,725
Trade and other payables	59,768	60,997	163,180
Short term provisions	38	184	1,801
Deferred Revenue	—	3,796	22,027
Taxation	382	—	1,811
Total current liabilities	**72,635**	**103,782**	**197,545**
Total equity and liabilities	**526,299**	**584,491**	**1,303,879**

(1) Including Neotel.

(2) Restricted cash comprises cash held in restricted accounts for bank guarantees, cash committed to capital expenditure and customer deposits.

Summary Statements of Cash Flow

	For the year ended		
	February 28, 2015	February 29, 2016	February 28, 2017[(1)]
	(US$ thousands)		
Cash flows from operating activities before working capital changes	**101,816**	**107,470**	**110,460**
Working capital changes	19,440	23,494	(22,770)
Cash generated from operations	**121,256**	**130,963**	**87,890**
Finance costs	4,388	7,256	13,786
Income tax paid	3,785	6,393	1,620
Net cash from operating activities	**113,083**	**117,313**	**72,284**
Net cash (used in) investing activities	**(127,233)**	**(74,038)**	**(110,860)**
Net cash generated from financing activities	**16,703**	**22,731**	**78,898**
Net increase in cash and cash equivalents	2,553	66,007	40,322
Cash and cash equivalents at beginning of the year	35,442	36,595	100,397
Translation of cash with respect to foreign subsidiaries	(1,401)	(2,205)	12,017
Cash and cash equivalents at end of the year	**36,595**	**100,397**	**152,735**

(1) Includes Neotel's cash flows for the period from February 10, 2017 to February 28, 2017.

FINANCIAL AND OTHER INFORMATION FOR NEOTEL

Statements of Profit or Loss and Other Comprehensive Income

	For the year ended		For the 11 months ended	
	March 31, 2015	March 31, 2016	February 28, 2017[(1)]	February 28, 2017[(1)]
	(Restated)	(Restated)		
	(ZAR thousands)		(ZAR thousands)	(US$ thousands)
Revenue	4,110,333	4,371,715	3,553,039	249,862
Interest received	36,775	48,440	52,310	3,679
Other income	136,063	14,249	12,250	861
Payments to other operators	(1,567,531)	(1,997,748)	(1,352,134)	(95,087)
Cost of phone devices	(38,603)	(41,639)	(24,396)	(1,716)
Employee expenses	(707,412)	(734,930)	(654,954)	(46,059)
Other expenses	(770,530)	(900,971)	(854,288)	(60,077)
Consulting expenses	(91,433)	(13,389)	(27,687)	(1,947)
Depreciation	(346,424)	(421,295)	(379,801)	(26,709)
Amortization	(63,946)	(78,605)	(72,500)	(5,098)
Finance charges	(652,145)	(665,396)	(747,695)	(52,581)
Share of profits from associate	253	761	574	40
Profit / (loss) before taxation	**45,400**	**(418,808)**	**(495,282)**	**(34,830)**
Taxation (charge) / credit	(716,191)	49,354	472,062	33,197
Loss for the year / period	**(670,791)**	**(369,454)**	**(23,220)**	**(1,633)**
Other comprehensive income	—	—	—	—
Total comprehensive loss for the year / period	**(670,791)**	**(369,454)**	**(23,220)**	**(1,633)**

(1) Includes the results of operations of Liquid Telecom SA for the period from February 13, 2017 to February 28, 2017.

Statements of Financial Position

	As at		As at	
	March 31, 2015	March 31, 2016	February 28, 2017	February 28, 2017
	(Restated)	(Restated)		
	(ZAR thousands)		(ZAR thousands)	(US$ thousands)
Assets				
Non-current assets				
Property, plant and equipment	3,543,706	3,631,797	3,830,300	295,929
Investment in subsidiary	—	—	—	—
Investments in associate	3,562	4,323	4,897	378
Intangible assets	377,070	353,021	361,672	27,943
Deferred tax asset	86,411	136,512	620,767	47,960
Other receivables	61,082	52,005	28,415	2,195
Other investments (including restricted cash)	1,271	1,429	5,059	391
Total non-current assets	**4,073,102**	**4,179,087**	**4,851,110**	**374,796**
Current assets				
Inventories	41,881	39,521	57,840	4,469
Trade and other receivables	723,807	831,299	880,736	68,046
Other investments (including restricted cash)	420,527	523,309	97,027	7,496
Loans to affiliate companies	—	—	33,376	2,579
Cash and cash equivalents	351,152	165,736	88,978	6,874
Total current assets	**1,537,367**	**1,559,865**	**1,157,957**	**89,464**
Total assets	**5,610,469**	**5,738,952**	**6,009,067**	**464,260**
Equity and liabilities				
Capital and reserves				
Share capital	3,133,525	3,133,525	3,133,525	231,975
Share premium	1,010,550	1,010,550	1,010,550	74,811
Other reserves	3,008	3,008	3,008	2,985
Equity loan	—	—	3,267,818	241,917
Accumulated deficit	(6,244,552)	(6,614,006)	(6,528,741)	(483,223)
Shareholders' (deficit) / surplus	**(2,097,469)**	**(2,466,923)**	**886,160**	**68,465**
Non-current liabilities				
Loan from shareholder	921,824	1,005,852	—	—
Loans from financial institutions	3,486,025	2,452,695	2,886,986	223,049
Loans from financial institutions for property purchase	106,260	89,320	—	—
Loans from affiliate companies	—	—	83,422	6,445
Trade and other payables	6,823	7,567	314,765	24,319
Provisions	77,595	86,222	52,534	4,059
Unearned revenue	236,922	239,678	245,489	18,966
Total non-current liabilities	**4,835,449**	**3,881,334**	**3,583,196**	**276,838**
Current liabilities				
Loans from financial institutions	1,538,363	2,598,982	976	75
Loans from financial institutions for property purchase	13,482	16,978	—	—
Loans from affiliate companies	—	—	995	77
Trade and other payables	787,866	1,218,911	1,084,287	83,772
Provisions	119,500	88,494	101,325	7,828
Taxation payable	—	—	19,599	1,514
Unearned revenue	413,236	401,176	320,965	24,798
Other financial liabilities	42	—	11,564	893
Total current liabilities	**2,872,489**	**4,324,541**	**1,539,711**	**118,957**
Total liabilities	**7,707,938**	**8,205,875**	**5,122,907**	**395,795**
Total equity and liabilities	**5,610,469**	**5,738,952**	**6,009,067**	**464,260**

Summary Statements of Cash Flow

	For the year ended		For the 11 months ended	
	March 31, 2015	March 31, 2016	February 28, 2017[(1)]	February 28, 2017[(1)]
	(Restated)	(Restated)		
	(ZAR thousands)		(ZAR thousands)	(US$ thousands)
Net cash generated from / (used in) operating activities	894,520	632,675	(122,431)	(8,610)
Net cash (used in) / generated from investing activities	(709,854)	(684,027)	91,848	6,459
Net cash used in financing activities	(239,240)	(134,064)	(46,175)	(3,247)
Net decrease in cash and cash equivalents	**(54,574)**	**(185,416)**	**(76,758)**	**(5,398)**
Cash and cash equivalents at beginning of the year / period	405,726	351,152	165,736	11,655
Cash and cash equivalents at the end of the year / period	**351,152**	**165,736**	**88,978**	**6,257**

(1) Includes Liquid Telecom SA's cash flows for the period from February 13, 2017 to February 28, 2017.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Unaudited Pro Forma Financial Information should not be taken as indicative of our future consolidated results of operations. The Unaudited Pro Forma Financial Information has not been prepared in accordance with any generally accepted accounting standards.

The Unaudited Pro Forma Financial Information is comprised of the unaudited pro forma consolidated statement of profit or loss for the year ended February 28, 2017 giving effect to the Neotel Acquisition as if it had occurred on March 1, 2016. A pro forma balance sheet is not presented as the Neotel Acquisition had already been reflected in the audited consolidated statement of financial position of the Company as at February 28, 2017.

The unaudited pro forma statement of profit or loss for the year ended February 28, 2017 has been prepared based on (i) the historical audited consolidated financial statements of the Company as at and for the year ended February 28, 2017 and (ii) the historical audited consolidated financial statements of Neotel as at and for the 11 months ended February 28, 2017.

The historical financial statements for the Company for the year ended February 28, 2017 and the historical financial statements for Neotel for the 11 months ended February 28, 2017 were prepared in accordance with IFRS on a basis consistent with the accounting policies and presentation adopted by the Company.

The Unaudited Pro Forma Financial Information has been prepared using the acquisition method of accounting in accordance with IFRS, under which the assets and liabilities of Neotel are recorded by the Company at their respective fair values as at the date the Neotel Acquisition was completed. The pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the Neotel Acquisition. Pro forma adjustments reflected in the pro forma financial information are based on items that are factually supportable, directly attributable to the Neotel Acquisition and are expected to have a continuing impact on the consolidated entity.

The unaudited pro forma adjustments reflecting the Neotel Acquisition have been prepared in accordance with business combination accounting guidance as provided in IFRS 3 Business Combinations (IFRS 3). The unaudited pro forma adjustments include the preliminary allocation of purchase price to the acquired assets and liabilities of Neotel based upon the preliminary estimate of fair values, using the assumptions set forth in the notes to the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is provided for informational purposes only and does not purport to represent what the actual results of operations of the Group would have been had the Neotel Acquisition occurred on the respective dates assumed, nor is it indicative of the future results of the consolidated company. The pro forma adjustments reflected in the accompanying Unaudited Pro Forma Financial Information reflect estimates and assumptions made by our management that we believe to be reasonable.

The Unaudited Pro Forma Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting unaudited pro forma financial data have been audited or reviewed in accordance with any generally accepted auditing standards.

The Unaudited Pro Forma Financial Information should be read in conjunction with the information contained in "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements of the Company and Neotel included elsewhere in this offering memorandum.

UNAUDITED PRO FORMA STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED FEBRUARY 28, 2017

	Historical financial information		Pro forma adjustments— Periodic (Note 2)	Pro forma adjustments— Neotel Acquisition (Note 3)	Pro forma adjustments— Neotel Refinancing (Note 4)	Pro forma consolidated statements of profit or loss
	Company	Neotel (Note 1)				
			(US$ thousands)			
Revenue	342,992	249,862	1,790	—	—	594,644
Cost of sales	(137,734)	(96,802)	(2,485)	1,965	—	(235,057)
Gross Profit	**205,258**	**153,060**	**(695)**	**1,965**	**—**	**359,588**
Other income	1,861	397	(7)	—	—	2,251
Dividend received	308	—	—	—	—	308
Selling and distribution costs	(7,721)	(11,655)	827	—	—	(18,549)
Administrative expenses	(32,038)	(52,775)	(2,883)	—	—	(87,696)
Staff costs	(51,471)	(46,059)	(651)	—	—	(98,181)
Profit before interest, taxation, impairment, depreciation and amortization	**116,196**	**42,968**	**(3,409)**	**1,965**	**—**	**157,721**
Depreciation, impairment amortization	(38,417)	(31,807)	(647)	(7,508)	—	(78,379)
Acquisition costs	(4,477)	—	—	4,477	—	—
Operating profit	**73,302**	**11,161**	**(4,056)**	**(1,066)**	**—**	**79,342**
Interest income	1,554	3,679	61	—	—	5,294
Finance costs	(13,785)	(52,581)	(2,354)	—	14,858	(53,861)
Foreign exchange gain / (loss)	2,032	2,871	1,008	—	—	5,911
Share of profits of associates	3	40	16	—	—	59
Profit (Loss) before taxation	**63,106**	**(34,830)**	**(5,325)**	**(1,066)**	**14,858**	**36,744**
Tax expense	(9,037)	33,197	280	1,552	—	25,992
Profit (Loss) for the year	**54,069**	**(1,633)**	**(5,045)**	**486**	**14,858**	**62,736**

Notes to the Unaudited Pro Forma Financial Information

1. Basis of presentation

This Unaudited Pro Forma Financial Information is based on the Company and the Neotel historical financial information as adjusted to give effect to the Neotel Acquisition. The unaudited pro forma consolidated statement of profit or loss for the year ended February 28, 2017 gives effect to the Neotel Acquisition as if it had occurred on March 1, 2016.

Neotel historical financial information

The historical audited consolidated statements of profit or loss of Neotel have been presented in ZAR. For purposes of the unaudited pro forma consolidated statement of profit and loss the historical audited financial statements was translated from ZAR to U.S. dollars, the Company's reporting currency, using a rate of 14.22 ZAR/US$, which represents the average exchange rate for the period from March 1, 2016 to February 28, 2017 (according to OANDA.com).

In addition, certain reclassifications have been made to Neotel's historical statement of profit or loss for the 11 months ended February 28, 2017 to conform to the Company's presentation as follows:

	Historical financial information of Neotel			
	Neotel before reclassification	Reclassifications	Notes	Neotel after reclassification
	(in US$ thousands)			
Revenue	249,862			249,862
Cost of sales	—	(96,803)		(96,803)
Gross Profit				**153,059**
Other income	862	(465)	(5)	397
Dividend received	—			—
Selling and distribution costs	—	(11,655)		(11,655)
Administrative expenses	—	(52,775)		(52,775)
Staff costs/Employee expenses	(46,059)			(46,059)
Payments to other operators	(95,087)	95,087	(1)	—
Cost of phone devices	(1,716)	1,716	(2)	—
Other expenses	(60,077)	60,077	(3)	—
Consulting expenses	(1,947)	1,947	(4)(5)	—
Profit before interest, taxation, impairment and amortization	**45,838**			**42,967**
Depreciation, impairment and amortization	(31,807)			(31,807)
Acquisition costs	—			—
Operating profit	**14,031**			**11,160**
Interest income/received	3,679			3,679
Finance costs/charges	(52,580)			(52,580)
Foreign exchange gain / (loss)	—	2,871	(5)	2,871
Share of profits of associates	40			40
Profit/(loss) before taxation	**(34,830)**			**(34,830)**
Tax expense	33,197			33,197
Profit for the year	**(1,633)**			**(1,633)**

(1) Reclassification of payments to other operators of $95,086,777 to cost of sales

(2) Reclassification of cost of phone devices of $1,715,595 to cost of sales

(3) Reclassification of other expenses of $50,890,793 to Administrative expenses

Reclassification of other expenses of $2,402,520 to Foreign exchange gain

Reclassification of other expenses of $11,655,078 to Selling and distribution costs

(4) Reclassification of consulting expenses of $1,947,060 to Administrative expenses

(5) Reclassification of Other income of $468,000 to Foreign exchange gain

Reclassification of $2,402,520 of other expenses to Foreign exchange gain

2. Periodic adjustments

Prior to the Neotel Acquisition, Neotel had a reporting period end of March 31 and after the acquisition changed its reporting period end date to February 28 to align with the reporting period end date of the Company. As such, the historical audited consolidated statements of profit or loss of Neotel for the year ended February 28, 2017 is comprised of 11 months of activity from April 1, 2016 to February 28, 2017. For purposes of the unaudited pro forma consolidated statements of profit or loss, pro forma adjustments have been made to arrive at twelve months of Neotel activity by i) adding in the Neotel activity from March 1, 2016 to March 31, 2016 and ii) removing the activity of Liquid Telecom SA which was merged into Neotel for the period from February 13, 2017 to February 28, 2017 and therefore reflected in the Neotel audited financial statements for the period ended February 28, 2017.

In addition, an adjustment was made to remove 19 days of Neotel activity for the period from February 10, 2017 to February 28, 2017. This adjustment is necessary as Neotel was consolidated into the Company subsequent to the Neotel Acquisition on February 10, 2017 and is therefore included in the audited historical financial statements of both entities. As such, this adjustment removes the activity during this period to avoid double counting. Each of the periodic adjustments were derived from accounting records of the Company and Neotel and have not been audited or reviewed.

3. Preliminary purchase price allocation

As described above, on February 10, 2017, the Company acquired 70% of Neotel for total consideration of US$61.9 million.

The Unaudited Pro Forma Financial Information has been prepared on the basis that the Neotel Acquisition will be treated as a business combination in accordance with IFRS 3, under which the assets and liabilities of Neotel are recorded by the Company at their respective fair values determined on a provisional basis as at the date the Neotel Acquisition was completed. The excess purchase consideration over the carrying amount of the net assets of the Neotel has been attributed to goodwill and other intangibles. The fair value adjustments, when finalized, may be material.

The following table summarizes the preliminary allocation of the purchase price to Neotel's assets and liabilities as of the acquisition date:

	Fair value as of February 10, 2017 (in US$ millions)
Intangible assets	57.6
Property, plant and equipment	276.9
Investment in associates	0.4
Net deferred tax asset	32.6
Inventories	3.1
Trade receivables	44.0
Bad debt provision	(15.3)
Other receivables	23.2
Cash at bank	41.3
Long-term loans payable	(403.0)
Trade payables	(53.0)
Accruals	(28.9)
Short term provisions	(1.6)
Long term provisions	(3.9)
Deferred revenue short term	(22.1)
Deferred revenue long term	(17.9)
Taxation payable	(0.5)
Other payables	(3.2)
Short term portion of unfavourable contracts	(2.4)
Net assets acquired	(72.7)
Goodwill	134.6
Total consideration	**61.9**

Impact of purchase price allocation on profit or loss

The historical depreciation and amortization expense has been adjusted for the fair value adjustments related to the acquired tangible and intangible assets as if the assets had been acquired on March 1, 2016.

The following table details the impact of these adjustments on the unaudited pro forma consolidated statements of profit and loss:

Asset type	Historical cost (ZAR million)	Fair value (ZAR million)	Adjustment (ZAR million)	Estimated useful life (years)	Line item impacted in unaudited pro forma statement of profit or loss	Amount of adjustment (ZAR million)	Amount of adjustment (US$ million)	Note
Intangibles assets—Material contracts	—	461	461	5	Depreciation, impairment and amortization	92	6.5	(i)
Property, plant and equipment—Land and buildings	202	240	38	20	Depreciation, impairment and amortization	2	0.1	(ii)
Property, plant and equipment—Fibre infrastructure	3,137	3,301	164	13	Depreciation, impairment and amortization	13	0.9	(ii)
Net deferred tax asset	—	(177)	(177)	N/A	Tax expense	(22)	(1.5)	(iii)
Short term portion of unfavourable contract	—	(33)	(33)	1.2	Cost of sales	(28)	(2.0)	(iv)

(i) The incremental amortization expense relates to the fair value adjustment for material contracts acquired as part of the Neotel Acquisition. The incremental amortization represents the amortization which would have been recognized had the Neotel Acquisition occurred on March 1, 2016.

(ii) The incremental depreciation expense relates to the fair value adjustment for land and buildings and fibre infrastructure acquired as part of the Neotel Acquisition. The incremental depreciation represents the depreciation which would have been recognized had the Neotel Acquisition occurred on March 1, 2016.

(iii) The tax charge relates to the timing differences resulting from the purchase price allocation using the statutory tax rate of South Africa of 28.0%.

(iv) The cost of sales adjustment relates to an unfavourable contract acquired as part of the Neotel Acquisition.

Neotel Acquisition related costs

We incurred a total of US$4.5 million in transaction costs during the period ended February 28, 2017 in relation to the Neotel Acquisition. An adjustment of US$4.5 million has been reflected in the unaudited pro forma consolidated statement of profit or loss to reverse these charges as these are nonrecurring charges that are direct and incremental to the Neotel Acquisition.

4. Neotel Refinancing adjustments

For the purposes of reflecting the Neotel Acquisition and the related financing under the Neotel Senior Bridge Facility, Tata Term Loan Facility and the LTH Senior Credit Facilities, a pro forma interest expense adjustment has been included for the Neotel Senior Bridge Facility, Tata Term Loan Facility and the LTH Senior Credit Facilities used to finance the Neotel Acquisition as though each were obtained on March 1, 2016 and were outstanding for the entire year ended February 28, 2017. A corresponding adjustment has been made to reverse the interest on certain then existing indebtedness of Neotel (including a Nexus shareholder loan, the Old Bridge Facility, the IDC mezzanine facility, the IDC term loan, the LCFTA facility and the Property Loan, each of which were relieved upon acquisition, and the interest of the Neotel Senior Bridge Facility since it was drawn down.

In addition, a pro forma interest expense adjustment has been made to remove the interest and fees on the Standard Chartered Term Loan Facility which were refinanced by the Company during the period and the interest on the LTH Senior Credit Facilities and Tata Term Loan Facility since they were drawn down.

The following table summarizes the components of the adjustment:

	US$ million
Add impact of the Neotel Senior Bridge Facility interest and amortization of borrowing costs	29.2
Add impact of LTH Senior Credit Facilities and Tata Term Loan Facility interest and amortization of borrowing costs	18.3
Remove impact of LCFTA facility, Property Loan, Old Bridge facility, Nexus shareholder loan, IDC mezzanine facility, IDC term loan interest and amortization of borrowing costs	(53.8)
Remove impact of Standard Chartered Term Loan Facility interest and amortization of borrowing costs	(8.6)
Total impact on pro forma interest from Neotel Acquisition	**(14.9)**

The interest payable on the Neotel Senior Bridge Facility, LTH Senior Credit Facilities and were calculated using interest rates of 4.75% margin plus JIBAR and 5.25% plus LIBOR respectively. A ⅛ per cent increase or decrease in interest rates would result in a change in interest expense of US$646 thousands for the year ended February 28, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of the Group should be read in conjunction with the historical consolidated financial statements appearing elsewhere in this offering memorandum and information in the sections captioned "Presentation of Financial and Other Data" and "Selected Financial and Other Information" of this offering memorandum. The following discussion should also be read in conjunction with the Financial Statements together with the related notes included elsewhere in this offering memorandum.

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in our results of operations and financial condition. Historical results may not indicate future performance. Some of the information in this section, including information in respect of our plans and strategies for the business and expected sources of financing, contain forward-looking statements that involve risk and uncertainties and are based on assumptions about our future business. Our actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including but not limited to those described in sections captioned "Forward-Looking Statements" and "Risk Factors" of this offering memorandum. Potential investors should read "Forward-looking Statements" for a discussion of the risks and uncertainties related to those statements and should also read "Risk Factors" for a discussion of certain factors that may affect our business, results of operations or financial condition.

OVERVIEW

We are one of the largest multi-country, open access fiber network and data center operators in Africa, delivering national and international connectivity solutions and hosting to mobile operators, carriers, enterprises, media and content companies, other internet service providers, as well as retail customers.

Our fiber optic network currently stretches over 50,000km across Sub-Saharan Africa, one of the world's fastest growing data market regions, and enables us to support high-bandwidth, low-latency applications, such as 3G/4G LTE mobile tower backhauling, OTT content delivery, entertainment video and security CCTV streaming, machine-to-machine connectivity, private connections to data center storage and computing services, cloud-services, and other applications.

We own and operate our own fiber optic and wireless networks across nine countries on the African continent: South Africa, Kenya, Tanzania, Rwanda, Uganda, Botswana, DRC, Zambia, and Zimbabwe, with further commercial presence in Nigeria, Mauritius, the United Arab Emirates and the United Kingdom. This makes us the only operator in Sub-Saharan Africa with a single multi-country fiber network of such geographic breadth. Our cross-border backbone fiber network links to our own extensive metropolitan and fiber network, which is composed of access fiber and fixed wireless access networks in all major cities and most secondary cities in the region. We have attracted a diverse customer base that includes some of the largest consumers of infrastructure-based solutions, such as mobile network operators ("**MNOs**"), financial institutions and other multinational corporations, international carriers, Internet service providers ("**ISPs**") and other leading national companies, as well as small-medium enterprises ("**SMEs**") and retail consumers.

In addition, our three data centers (in Nairobi, Johannesburg, Cape Town) and two co-location facilities (in Zambia and Zimbabwe), allow us to attract global enterprises and cloud solutions providers, which historically hosted African data in Europe, to partner with us and host content and computing capabilities on the African continent to reduce latency and improve customer experience. Our data centers, of which one is design certified as Tier 3 by the Uptime Institute and two others are built to Tier 3 standards (in South Africa), coupled with our extensive metropolitan and fiber-to-the-building networks, deliver high-bandwidth solutions enabling businesses to migrate their IT infrastructure to the cloud and expand across the region.

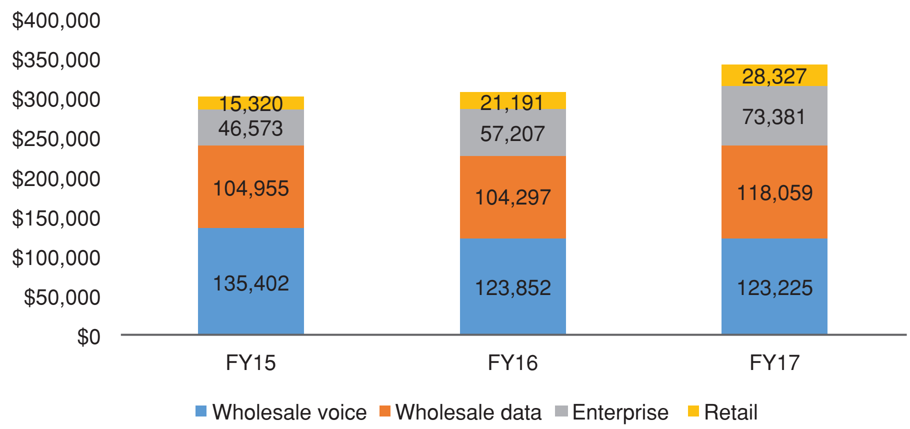
We believe digital services in Africa represent a significant revenue growth opportunity, with smartphone ownership, number of FTTH connections, and data center colocation demand all expected to rise over 20% per year between 2016 and 2021 (see "*Industry Overview—Key drivers of broadband demand*"). Our inclusive vision of helping to build Africa's digital future has also allowed us to provide high-bandwidth connectivity into regions that have never had any fixed-line infrastructure, allowing these emerging markets to leapfrog older fixed-line technologies to fiber optics and 4G LTE networks, providing greater bandwidth for voice and data communications and services. We believe we are well positioned to build and capture the potential of the African digital future, as digitization expands across Africa (as consumers switch from 2G to 3G/4G LTE enabled handsets, from traditional voice to broadband and VoIP, and from individual small screen data consumption to always-on multiscreen broadband in the home) and enterprises expand their geographical reach and increase their connectivity and reliability requirements.

We offer services to customers split into four segments:

- ***Wholesale Voice.*** Services offered include international wholesale voice termination and interconnect.
- ***Wholesale Data.*** Our wholesale data service and product offerings include leased dark fiber, national and international leased lines, fiber backhaul to sites (towers and buildings), IP transit, and data center services.
- ***Enterprise.*** Our service and product offerings to the enterprise customers include MPLS and Ethernet private connections, dedicated (uncontended) internet access, voice and PBX services, cloud-based storage and computing solutions, VSAT connections, and managed Wi-Fi and LAN solutions. In addition, our enterprise service offerings include payment solutions to financial institutions and retailers by processing credit card payments and managing points of sale and mobile money terminals.
- ***Retail.*** Our retail service and product offerings include broadband connections (with GPON FTTH, fixed LTE, and other access technologies), voice communication, entertainment, education and security solutions, and other bandwidth, connectivity and payment solutions.

For the year ended February 28, 2017, we had total revenue of US$343.0 million, net profit of US$54.1 million and Adjusted EBITDA of US$117.8 million. The following chart sets forth a breakdown of the Liquid Group's revenue by segment for the years ended February 28, 2017, February 29, 2016 and February 28, 2015.

Figure: Revenue by segment (in US$ thousands)



RECENT DEVELOPMENTS

Since February 28, 2017, recent developments include the acquisition of Zanlink in Tanzania, which complements our earlier Raha Acquisition, and the acquisition of a long-term 15-year IRU on one pair of dark fiber in DRC from power utility SNEL that extends our backbone from south-east DRC to Kinshasa.

Operationally we have recruited a new CEO for Liquid Telecommunications Kenya Limited, Adil El Youssefi, who was previously CEO of Airtel Kenya, and a new CEO for our South African operations, Kyle Whitehill, who was previously the Chief Executive Officer of Vodafone Qatar Q.S.C. and Chief Executive Officer of Vodafone Ghana Company Limited.

We are continuing to integrate Neotel into the Group, as financial systems are now able to provide consolidated accounts, and network, IT and other operational systems (such as CRM Salesforce) are also being aligned. Processes and policies (such as sales incentives) are also being reviewed.

For the 3 month period ended May 31, 2017, the EBITDA of the Group is tracking ahead of budget, based on strong underlying performance. The Company may draw the ZAR350 million remaining under the Neotel Senior Bridge Facility in the near term for use on planned capital expenditure as outlined in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Planned Cash Requirements and Capital Expenditure Plan*."

KEY FACTORS IMPACTING OUR RESULTS OF OPERATIONS

The following are the key factors that have significantly affected the Group's results of operations and financial condition during the periods under review, or which we expect will significantly affect the Group's operations in the future.

Acquisitions and Business Combinations and Integrations

We have from time to time made significant direct and indirect equity investments in a number of fixed telecommunication businesses in various jurisdictions. Most recently, we completed the Raha Acquisition (in January 2017), the Neotel Acquisition (in February 2017) and the acquisition of Zanlink (in June 2017). Acquisitions have been used to rapidly grow our fiber network footprint in new countries (for example in Kenya, Uganda, Rwanda and Tanzania) or to strengthen our market position (for example in South Africa, Zimbabwe and Zambia).

We have also entered into joint-venture agreements with local power utility companies, with Copperbelt Energy Corporation plc in Zambia and with Botswana Power Corporation in Botswana (in April 2017), to gain access to and commercialise their fiber infrastructure, typically installed on longhaul high-voltage powerlines. The two joint ventures gave us access to existing backbones, linking key cities in each country.

We now have fiber networks across nine countries and we seamlessly interconnect our networks across 13 border points (where we own or control the fiber in both countries across the border). We also interconnect across 14 other border points with third party networks and peer at 11 peering points (most of them in Africa). This has enabled us to interconnect with over 1,522 peers. We have also significantly invested in international submarine cable capacity, with part-ownership in SAT-3, EASSy, TEAMS and WACS cables, to exchange voice and data traffic globally and to connect our backbone networks together.

Integrating and improving a newly acquired business and network generally also requires expenditures related to implementing network upgrades to bring the acquired business in line with our high Group-wide standards, which affects network reliability and reduces operational costs; investing in staff to support a seamless integration into the Group, which affects staff costs; investing in sales and marketing activities to increase brand awareness and strengthen the brand in new geographical territories, which affects selling and distribution costs; and reviewing operations to identify excess costs or unprofitable contracts, which affects administrative expenses. In addition, we generally record goodwill in connection with such acquisitions. As at February 28, 2017, the goodwill recorded on our balance sheet amounted to US$151.8 million. Goodwill is subject to impairment reviews in accordance with IFRS and any impairment charge on goodwill would have a negative impact on operating income. We have not recognized any impairments to goodwill during the past three financial years. For the year ended February 28, 2017 we recognized acquisition costs of US$4.5 million related to the Neotel Acquisition.

After completing a business combination, we seek to grow EBITDA, profitability and operating cash flow of businesses we have acquired through operations improvements. For example, following the acquisition of Kenya Data Network in Kenya in February 2013, its EBITDA margin increased to 13.7% in 2017 compared to negative 104% in 2013. We achieved this improvement through the closing down of unprofitable divisions, cancelling unprofitable contracts, investing in the physical network, completing the data center in Kenya and introducing a new management team.

We currently expect that the Neotel Acquisition will help us reach approximately US$17 million of estimated annual revenue and cost synergies. We expect revenue synergies to be generated from Liquid Group being able to offer one service across the whole of Southern and Eastern Africa to Neotel's and to its own current customer base. Cost synergies are expected to come from the merging of offices, utilization of tax losses, reducing network leasing costs by moving services on-net, and merging of departments. This will allow our South Africa operations to deliver the same level of service, in terms of quality, reliability and reach, as in our other operations.

Neotel owns valuable blocks of radio spectrum in the 800MHz, 1,800MHz and 3.5GHz bands. This spectrum is currently largely unused, so we will look to turn the spectrum to profitable use, for example by establishing roaming and infrastructure sharing agreements with key market players, utilizing our own network in select areas in South Africa.

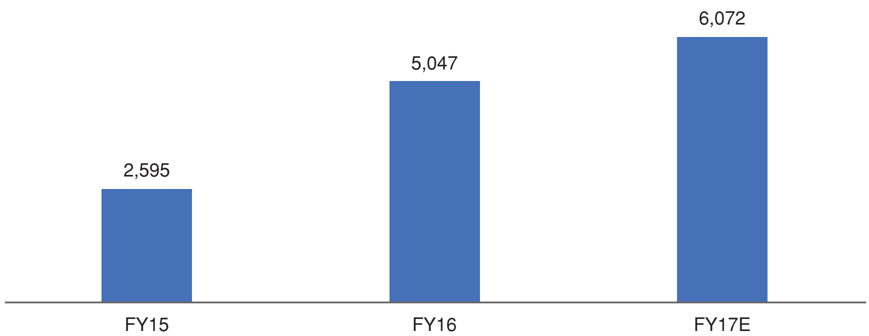
In general, following any acquisition, our results of operations are impacted by the results of the newly acquired business, the cost of servicing any debt incurred to acquire the business and expenditures made to integrate the newly acquired business into the Group. As a result, revenues and cost of sales, among other line items, may not be comparable between periods in which acquisitions were consummated.

Number of Customers Served and Composition of Customer Mix

Our revenue from wholesale data, enterprise and retail services are directly related to the number of customers we serve. Our ability to provide services to a larger number of customers and locations depends in part on our ability to extend our fiber network to connect new customer premises, to add base stations for radio transmission, and to upgrade key technical components of our network such as IP transmission equipment, VSAT teleport facilities, international connectivity and other core network elements.

Our fiber network spans over 50,000km across nine countries. During each of the years ended February 28 2015, February 29, 2016 and February 28, 2017, we deployed and extended a substantial part of our fiber network, as shown in the chart below.

Figure: Incremental fiber laid across the operations (excluding Neotel and Raha) each year (in km)



Our ability to retain customers is tied to the high quality of our networks and service offering. Our network is built and operated to high standards of reliability, with our achieved target being 99.999% availability. This depends on the quality of the initial build, which we monitor rigorously, and on operating an integrated network with multiple routes between any two points (this creates 'redundancy' whereby traffic can be seamlessly switched onto an alternative route in the event of an outage on the original route). We believe our network is now large enough to have excellent redundancy, whereas this is a real and expensive challenge for smaller networks.

We aim to increase the number of customers we serve by undertaking revenue-generating capital expenditures revenue-generating capital expenditures, such as fiber access network ("last mile") installations which connect newly contracted customers to the network. We decide to commit capital expenditure to expand our fiber network by applying strict investment return and payback criteria. For the financial years ended February 28, 2015, February 29, 2016 and February 28, 2017, we incurred capital expenditure of US$124.9 million, US$79.7 million and US$80.6 million, respectively. Of such capital expenditures in the year ended February 28, 2017, approximately 96.1% related to upgrading and expanding our network, 2.7% related to computer equipment and 1.2% related to other. As of February 28, 2017, we have over 113,122 customers with around 16,922 in Enterprise, 450 wholesale customers, and 95,750 retail customers. As of February 28, 2017, our GPON FTTH access networks cover 69,585 premises.

Our revenues are also driven by our ability to enter into enterprise service and connectivity arrangements with MNOs, other carriers and service providers with telecommunications services. For instance, we have entered into strategic master service agreements with MTN Enterprise Business, Orange Business Services and Airtel Africa, giving us the opportunity to provide all of their backhaul requirements in a number of countries or regions. We had 16,922 enterprise customers as of February 28, 2017, 5,265 enterprise customers as of February 29, 2016, and 3,977 enterprise customers as of February 28, 2015.

One of our most significant access network developments has been the roll out of fiber-to-the-home (FTTH) networks, which today connect over 70,000 premises in Zimbabwe, Zambia, Kenya and Rwanda, with an on-going roll-out in Uganda. These access network deployments, as first mover except in Kenya, enable us to offer connection speeds ranging from 5Mbps to 100Mbps to businesses and residential customers.

In certain countries, such as South Africa, Zambia, Zimbabwe and Rwanda, we also offer fast broadband connections to our network via fixed wireless (CDMA, WiMAX and LTE). We plan to expand these networks, thereby covering additional businesses and residential customers. In more remote areas and to be able to serve customers who are not located within coverage of our fiber and fixed-wireless networks, we offer high speed satellite connections, and for this purpose we lease satellite capacity on C-Band, Ku-Band and Ka-Band satellites operated by Intelsat and Eutelsat. We have our own satellite hubs in South Africa and Kenya (in addition to one in London), allowing us to route African traffic through Africa rather than backhauling it via Europe.

To maintain our service levels and retain customers, we continuously monitor and evaluate new technologies, and we sometimes invest in these either to improve the service quality of our network or to increase its capacity. For example, we are presently considering 400G DWDM, implementing fixed LTE as a replacement for WiMAX, and researching 5G technology. We have continuously updated and progressively upgraded our core network infrastructure and IT elements (including transmission network, IP core, bandwidth shaping and caching, provisioning and billing systems, VSAT teleport, FTTx, and wireless core) located in several major hubs (including South Africa, Zimbabwe, Kenya, and Zambia) and these are now able to serve multiple countries, enabling a rich product portfolio in all our operators with reduced costs and increased product affordability.

Underlying Demand for Voice, Data Connectivity and Value-Added Services

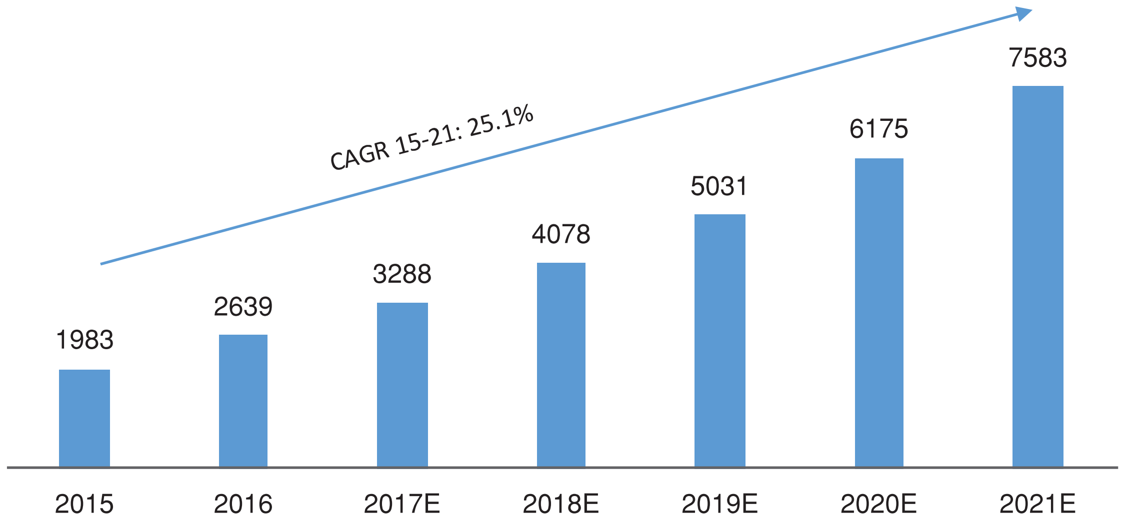
Our ability to increase the number of customers we serve and the volume of data transited through our networks depends on the underlying demand in our principal regions of operation for our services. We market our services on a retail basis to our enterprise and retail (small businesses and households) customers, and on a wholesale basis to MNOs, carriers and service providers. Our current customer base includes some of the leading national and international MNOs, international carriers, ISPs, software and cloud service providers, web service providers, OTT service providers, financial institutions, national and multinational corporations, as well as SMEs and retail consumers that require fast and secure data connectivity solutions and hosting.

Wholesale services

Revenue for our wholesale voice segment is tied to number of voice minutes on our network. We recognize revenue when calls our terminated on our network and costs of sales when calls originated on our network terminate on another network. While our wholesale revenue still significantly depends on the sale of wholesale voice minutes, revenue from voice services has been affected by a decrease in the number of voice minutes on our network and a decrease in the price per voice minute as a result of competitive pressure and the increase in the use of OTT services. Revenue from the wholesale voice segment made up 35.9% of our revenue in the year ended February 28, 2017, down from 40.4% for the year ended February 29, 2016, while revenue from the wholesale data segment made up 34.4% of such revenue, up from 34.0% for the year ended February 29, 2016.

IP transit traffic has become an increasingly important measure of demand and component of revenue, reflecting evolving customer trends across a range of customer segments. IP Transit traffic in Africa has grown rapidly since 2015 and is expected to continue with a CAGR of 25.1% from 2015 to 2021 (as shown below). Our operations had sold 64.5Gbps of IP Transit traffic as of February 28, 2017 (this excludes other products such as international leased fiber which may be used by our customers to buy IP transit from other providers).

Figure: Total IP Transit Traffic in Africa (Gbps)



Source: TeleGeography

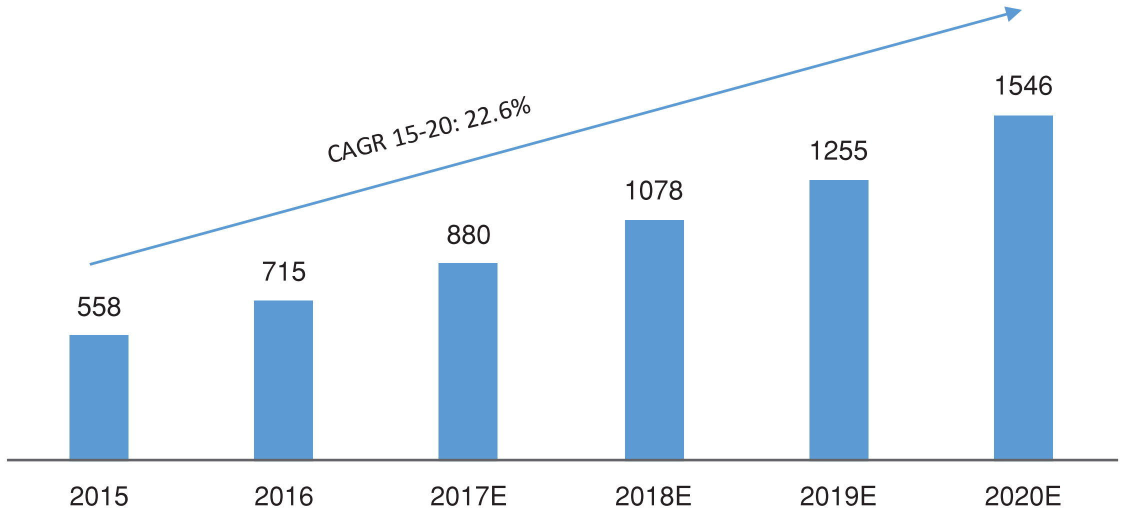
We also sell data center colocation services on a wholesale basis to MNOs, carriers and service providers as well as to enterprise customers. Our data centers are extremely well connected, to our own fiber network and other national and international networks. We obtained in May, 2017 the certification for the design of our custom-built data center in Nairobi (the East African Data Center) as Tier 3 by the Uptime Institute. The acquisition of Neotel added two data centers, built to Tier 3 design standards, in Johannesburg and Cape Town. We also have developed two smaller co-location facilities in Zambia and Zimbabwe.

Enterprise services

We focus particularly on large business and industry segments that require significant amounts of voice, data and internet services such as financial services, manufacturing, mining, security, retail and information technology sectors. The key selling proposition of our services is the local and international reach of our fiber networks. Our ability to cope with specific requirements from multi-site customers (with offices spread over several sub-Saharan countries) on an end-to-end basis has enabled us to attract significant contracts. We rely less on other carriers to provide an international service than our peers, which we market as a key differentiator. This also allows us to control the quality and the cost of delivering the services and to be price competitive. We also leverage satellite services (with VSAT antennas) to connect remote sites (such as mines and rural manufacturing plants).

While reliable research on the size of enterprise connectivity market is scarce in Africa, a useful proxy for market growth is the size of the co-location market. We provide data center services, including basic co-location services, across our regions of operation, and this market has grown rapidly since 2015 and is expected to continue with a CAGR of 22.6% from 2015 to 2020 (as shown below).

Figure: Third party colocation market forecast in Africa (US$ million)



Source: Xalam Analytics

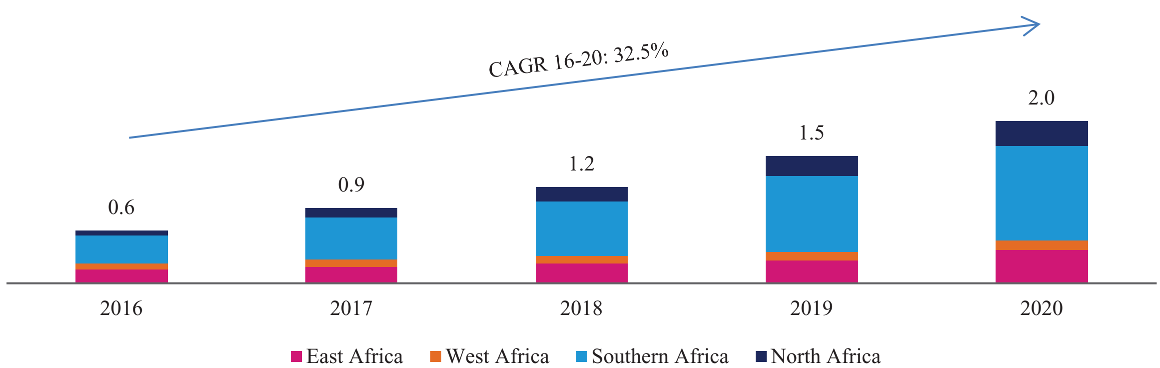
A growing number of enterprise customers rely on our telecommunications expertise to manage their internal telecommunication and IT systems, such as local access networks, internal and guest Wi-Fi networks, security solutions and cloud-based systems (e.g. backup, storage, virtual machines). As an example of solution-based data services for enterprise customers, we provide payment solutions to large financial institutions and retailers, including communication, transaction processing (payment by debit and credit cards), branch banking, and POS terminal solutions. This leverages our expertise in time- and mission-critical IT systems, our telecommunications network, multi-country presence, and our familiarity with the vagaries of electronic communications which may impact digital payment systems.

Retail services

We offer voice, broadband Internet access and value-added services to our retail residential, SoHo and SME customers. Retail customers are served by either fixed wireless networks (using technologies such as WiMAX and TDD LTE) or fiber access networks (GPON FTTH). We have attracted a significant number of retail customers by rolling out networks offering high-speed broadband and are currently upgrading WiMAX networks to LTE technology.

The size of the FTTH market in Africa is growing, from a small base, and is expected to continue (in terms of number of connections) with a CAGR of 32.5% from 2016 to 2020 (as shown below). The vast majority of new connections each year are in East and Southern Africa.

Figure: Total FTTH connections in Africa (millions)



Source: Xalam Analytics

GPON fiber access networks enable us to provide fast broadband Internet access to residential and SoHo (in rarer cases SMEs) customers, as well as voice, Wi-Fi LAN, education and other services. Other operations, including Zambia, Rwanda and Kenya, have also built GPON networks in niche/high-income residential neighborhoods. In Uganda, we are currently rolling out a new GPON network in Kampala, while our joint-venture in Botswana is planning a small GPON network in Gaborone. Being often one of the first movers to roll out GPON in specific areas, we have managed to capture a long-term, captive and stable customer base for telecommunications and value-added services.

Competition and Pricing Dynamics

The markets in which we operate include competition related to pricing and other factors.

Wholesale services

The wholesale voice market, which represents a significant proportion of our revenue (44.8%, 40.4% and 35.9% of revenue in the financial years ended February 28, 2015, February 29, 2016 and February 28, 2017, respectively), is highly competitive, with prices updated frequently based upon changing traffic patterns. We regard this market as largely commoditized, with low margins. Margins are mainly driven by international prices and there are limited scale efficiencies. Certain destinations or routes, however, such as landlocked African countries or countries where international voice termination prices are regulated at a certain level, remain less competitive and can offer higher margins. Additionally, non-conventional and OTT players are offering easily accessible internet based alternatives to traditional telephony services in some of our countries, thereby reducing the number of paid voice minutes generated in the country and cutting the number of voice minutes on our network.

In the wholesale data market, price competition varies considerably by country, depending on the number of fixed-line players, availability of fiber redundancy, sophistication of buyers and local regulation. South Africa and Kenya are particularly competitive, and customers have managed to push down prices by negotiating between carriers. Certain customers, for example the largest mobile operators in South Africa and Kenya, have invested directly in some of the city to city national fiber routes as leased dark fiber, either within a consortium or independently. Self-provisioning of that nature represents competition to us and can negatively affect the prices we are able to demand. Our strategy is to maintain strong relationships with key customers through service excellence, and to emphasize our open-access and carrier neutrality policies, such that our independence remains a strong value proposition for our wholesale services.

Enterprise services

Competition in the enterprise segment is largely defined by the different needs of customers, which vary depending on the size and business of the company. Large corporates are sophisticated and highly price-sensitive, and they value speed, security and reliability. They tend to unbundle services and put them out to tender instead of renewing existing contracts. Smaller companies are more apt to bundle and place a premium on provider proximity. Competition includes other national and international carriers, as well as ICT service companies that bundle the connectivity element with value-add services (e.g. IT integration, transformation services, software). Our revenue depends upon both our number of customers and the number of services those customers use. We therefore aim to cross-sell as many services and products (such as LAN management, managed Wi-Fi and other services) as we can as a bundle in order to increase revenue. We also aim to leverage our existing infrastructure whenever we can, such as by encouraging multiple enterprises within a single site or building to make use of our fiber connection once it has been installed.

Certain industry verticals attract specialized service providers with different levels of competition, such as financial institutions, mining and trading companies.

Retail services

Competition for our retail services varies by country and service. Pricing pressure is felt most acutely in markets such as South Africa and Kenya where several infrastructure players deliver competing service levels, using a range of technologies such as cellular, fixed-wireless and fiber access. Services such as medium-speed broadband at the 1Mbps to 10Mbps level are under significant price pressure. Our lowest FTTH package in Zimbabwe is advertised at US$29 per month (including taxes). Prices for high-speed broadband at the 100Mbps level are under much less competitive pressure, as they can only be reliably delivered at this stage with fiber infrastructure. Our 100Mbps residential FTTH package in Zimbabwe is retailed at US$339 per month (including taxes). Small companies are attracted to bundles (e.g. voice and data, with some services such as installation of PBX voice systems, CPEs and other IT systems) and easy-to-reach technical support. This creates room for differentiation, higher margins and less competition.

Residential customers are price-sensitive, attracted to off-the-shelf products, and churn levels are higher in this segment. Residential prices for specific packages have been stable, but packages with lower prices have been progressively introduced to serve lower income households. Un-capped (i.e. unlimited in terms of Internet traffic every month) packages are priced at a premium, while capped packages can be topped up when the data cap has been met. This provides additional opportunities to increase the average revenue per customer.

In addition to the negative affect on our revenue from price competition, we incur certain expenses related to customer relationship management and new billing systems, and expanding our offerings in the enterprise and retail segments to include value-add services such as computer and server backups, connection to data centers, hosting and virtual computing. We also employ advertising and targeted promotions to customers (such as volume discounts to our large enterprise customers, industry-specific marketing and offerings) to enhance the competitiveness of our enterprise business.

Impact of churn

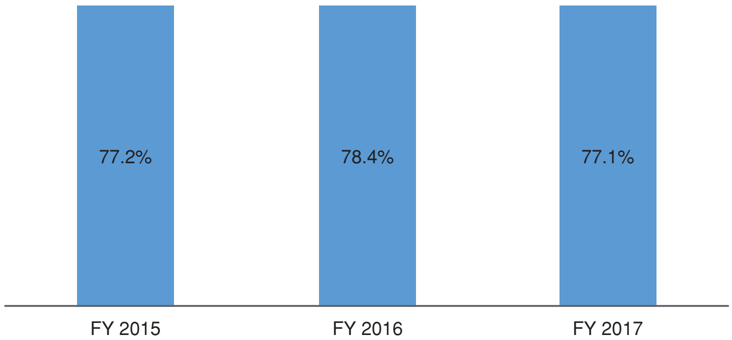
Churn refers to the value of revenue lost through customers terminating their service in any particular period, and includes lost customers, negative price changes, and disconnects associated with upgrades or replacement services. Churn is a factor which could negatively affect our results of operations through loss of revenue and lower return on investment due to the relatively high cost of acquiring new customers. Our average churn for the year ended February 28, 2017 was 0.74% of revenues. Our wholesale and enterprise segments encounter a lower level of churn than our retail segment, due to the complexity of the solutions provided and lower levels of competition. In addition to competitive alternatives, churn levels may be affected by changes in our own or our competitors' prices, our level of customer satisfaction, impact of new or higher taxes on prices, new technologies or services, service bundling, macro-economic environment, political stability and other external factors. Increases in churn may lead to increased costs (resulting from customer retention discount, marketing and advertising, staff cost, commissions and other expenses) and reduced revenue.

The success of our business and our ability to limit churn by retaining existing customers or acquiring new customers, depend upon, among other factors, the introduction of new or enhanced products and services, flexible and competitive pricing models, high quality customer service, end-to-end network quality and reliability, reach of the network, and improved network capabilities in response to evolving customer expectations. High churn rates also place significant pressure on us to find innovative ways of distinguishing ourselves from our competitors to gain, and retain, customers.

Fixed and Variable Costs

We provide most of our services on the networks that we own, operate and maintain. As the owner and operator of the network, we can control the investment, quality and reach of the network across our footprint. The cost of upgrading the data transmission equipment installed on our fiber network to transport a substantially higher amount of data is marginal, relatively to the initial investment to build the network. This fixed cost structure allows us to benefit from the fast growth in demand and associated potential revenues, with high margins for data services which have been 76.7%,78.2% and 76.8% in the year ended February 28, 2017, February 29, 2016, and February 28, 2015, respectively. Over time, we expect our margins on incremental business to continue to increase (to the extent competitive pressure does not adversely affect margins). Variable costs are principally our voice termination costs and equipment sales. These made up 72.2% of our costs of sales in the year ended February 28, 2017. The variable costs will principally vary with change in wholesale voice revenue and equipment sales.

Figure: Data services gross margin (in % of revenues)



We generally work towards achieving satisfactory operating margins in our businesses and focus on revenue enhancing measures once we have achieved such margins. We continuously work towards optimizing our cost base by implementing initiatives to improve our cost structure across the various regions in which we operate. We are implementing common technological platforms notably with respect to billing and account management systems. We have also achieved and expect to continue to achieve substantial reductions in our operating expenses as we implement the same best practice operational processes across the Group such as maximizing the use of local peering to reduce IP costs and the use of efficient route management to maximize the utilization of the network. We have centralized logistics through a centralized warehouse in Dubai and introduced common procurement processes across the Group services resulting in reduced operating and capital expenditure costs.

Interest costs and indebtedness

U.S. dollar and South African Rand denominated bank loans have been a significant source of our funding, primarily to finance both our organic and inorganic expansions. Our interest expense related to borrowings has therefore been a significant component of our finance costs in each of the years ended February 28, 2017, February 29, 2016 and February 28, 2015 at US$13.8 million, US$7.3 million and US$4.4 million, respectively. The LTH Senior Credit Facilities and the Stanbic Zambia Facilities are subject to floating and fixed interest rates based on LIBOR, and the Neotel Senior Bridge Facility is subject to floating interest rates based on Johannesburg Interbank Agreed Rate. Our interest expense will fluctuate with changes in these interest rates. In January 2017, we have entered into a US$ interest rate swap to fix the LIBOR rate on 50% of the LTH Senior Credit Facilities for the full term of the facility.

BASIS OF FINANCIAL PRESENTATION

The Liquid Annual Financial Statements for the years ended February 28, 2015, February 29, 2016 and February 28, 2017 have been prepared in accordance with IFRS as adopted by the EU. For the periods discussed in this offering memorandum, the Liquid Group's presentation currency was the U.S. dollar. The Liquid Group's financial year ends on the last day of February of each calendar year. See "*Presentation of Financial and Other Data*."

The Neotel Annual Financial Statements for the years ended March 31, 2015, March 31, 2016 and the 11 months ended February 28, 2017 have been prepared in accordance with IFRS as adopted by the EU. Following the Neotel Acquisition, Neotel changed its financial year from a financial year ending March 31 to a financial year ending on the last day of February of each calendar year, to match the financial year end of the Group. See "*Presentation of Financial and Other Data—Factors Affecting Comparability—Change of Neotel's Financial year*." For financial statements for the financial year ending February 28, 2017, Neotel restated the current year information and comparative information for the financial years ending March 31, 2016 and March 31, 2015 to reflect a change in accounting policy related to recognition of revenue from IRUs. See "*Presentation of Financial and Other Information—Factors Affecting Comparability—Changes in Accounting Policy.*"

Functional Currencies and Presentation Currency

The Liquid Group presents its consolidated financial statements in U.S. dollars. The Liquid Group uses the U.S. dollar as the presentation currency of its consolidated financial statements because management analysis and reporting is prepared in U.S. dollars.

Neotel presents its consolidated financial statements in ZAR. Neotel uses the ZAR as the presentation currency of its consolidated financial statements because it is the functional currency in South Africa, where the majority of the operations of Neotel take place.

HISTORICAL RESULTS OF OPERATIONS

The Liquid Group's results of operations

The following discussion presents the Liquid Group's results of operations for the periods indicated.

	For the year ended February 28, 2015	For the year ended February 29, 2016	For the year ended February 28, 2017[(1)]	2016 % change	2017 % change
		(US$ thousands)			
Revenue	**302,251**	**306,547**	**342,992**	**1.4%**	**11.9%**
Cost of sales	(118,855)	(115,515)	(137,734)	(2.8)%	19.2%
Gross profit	**183,396**	**191,031**	**205,258**	**4.2%**	**7.4%**
Other income	980	3,295	1,861	236.2%	(43.5)%
Dividend received	1,708	279	308	(83.7)%	10.4%
Selling and distribution costs	(5,432)	(6,718)	(7,721)	23.7%	14.9%
Administrative expenses	(30,357)	(29,782)	(32,038)	(1.9)%	7.6%
Staff costs	(43,197)	(43,009)	(51,471)	(0.4)%	19.7%
Profit before interest, tax, impairment and amortization	**107,098**	**115,095**	**116,196**	**7.5%**	**1.0%**
Depreciation, impairment and amortization	(23,383)	(33,654)	(38,417)	43.9%	14.2%
Acquisition costs	—	—	(4,477)	—	—
Operating profit	**83,715**	**81,441**	**73,302**	**(2.7)%**	**(10.0)%**
Interest income	464	728	1,554	57.0%	113.5%
Finance costs	(4,388)	(7,256)	(13,785)	65.4%	90.0%
Foreign exchange (loss) / gain	(5,644)	(13,254)	2,032	134.8%	(115.3)%
Share of profits of associates	—	—	3	—	—
Profit before taxation	**74,146**	**61,659**	**63,106**	**(16.8)%**	**2.3%**
Tax expense	(11,878)	(11,774)	(9,037)	(0.9)%	(23.2)%
Profit for the year	**62,269**	**49,885**	**54,069**	**(19.9)%**	**8.4%**

(1) Includes the results of operations of Neotel for the period from February 10, 2017 to February 28, 2017.

Revenue

The following table sets forth our revenue by segment for the periods indicated.

	For the year ended February 28, 2015	For the year ended February 29, 2016	For the year ended February 28, 2017[(1)]	2016 % change	2017 % change
		(US$ thousands)			
Revenue by segment					
Wholesale Voice Traffic	**135,403**	**123,852**	**123,225**	**(8.5)%**	**(0.5)%**
Data and Other services	**166,848**	**182,645**	**219,767**	**9.5%**	**20.3%**
Wholesale	104,955	104,297	118,059	(0.6)%	13.2%
Enterprise	46,573	57,207	73,381	22.8%	28.3%
Retail	15,320	21,191	28,327	38.3%	33.7%
Total revenue	**302,251**	**306,547**	**342,992**	**1.4%**	**11.9%**

(1) Includes the results of operations of Neotel for the period from February 10, 2017 to February 28, 2017.

Revenue

Revenue principally comprises (i) wholesale voice revenue, which arises from the termination of international voice minutes between international and national carriers and International and African mobile network operations, (ii) revenue from data and other services to wholesale customers principally arising from IP Transit, sale of dark fiber IRUs , IP backhaul and hosting and co-locations services, and (iii) revenue from data and other services to enterprise and retail customers principally arising from broadband connectivity, direct internet access, VPN connectivity, VOIP services and hosting and co-location services.

Revenue increased by US$36.4 million, or 11.9%, to US$343.0 million in the year ended February 28, 2017 from US$306.5 million in the year ended February 29, 2016. This increase was primarily due to (i) a 20.3% increase in revenue in our data and other services segment, with revenue from wholesale data growing by 13.2%, principally due to increased sales of capacity to MNOs in South Africa and DRC, partially offset by a lower sales of capacity in Zimbabwe, (ii) revenue in our enterprise data segment growing by 28.3%, principally due to the Neotel Acquisition (with Neotel contributing, from the date of the Neotel Acquisition until February 28, 2017, US$10.9 million to our total enterprise data revenue for the year ended February 28, 2017) and the expansion of our services in Zambia, Kenya and Zimbabwe and (iii) revenue in our retail data segment growing by 33.7% due to the expansion of FTTH services in Zambia and Zimbabwe.

Revenue increased by US$4.3 million, or 1.4%, to US$306.5 million in the year ended February 29, 2016 from US$302.3 million in the year ended February 28, 2015. This increase was primarily due to (i) a 9.5% increase in revenue in our data and other services segments, with revenue in our enterprise data segment growing by 26.0%, primarily due to our acquisition of Hai Zambia in April 2015 (which contributed US$5.3 million to our total enterprise data revenue in the year ended February 29, 2016) and the expansion of our International and Zimbabwean services and (ii) revenue in our retail services segment growing by 38.8% due to the expansion of FTTH services in Zimbabwe. The increase was partially offset by an 8.5% decline in wholesale voice traffic, primarily due to decline in traffic to and from Zimbabwe.

Cost of sales

Cost of sales principally comprises of wholesale voice termination fees paid to international and national carriers and International and African mobile network operations for the termination of wholesale voice minutes, licencing fees paid to regulators for providing data connectivity services, colocation costs, cost of equipment sold to customers, satellite leasing costs, and last mile connectivity services where the Group does not own or build the network.

Cost of sales increased by US$22.2 million, or 19.2%, to US$137.7 million in the year ended February 28, 2017 from US$115.5 million in the year ended February 29, 2016. This increase was primarily due to a 14.8% increase in wholesale voice traffic termination costs, primarily driven by a change in geographical mix of the voice traffic to higher cost destination such as Burundi, as well as the Neotel Acquisition (with Neotel contributing, from the date of the Neotel Acquisition until February 28, 2017, US$5.4 million to our total cost of sales for the year ended February 28, 2017).

Cost of sales decreased by US$3.3 million, or 2.8%, to US$115.5 million in the year ended February 29, 2016 from US$118.9 million in the year ended February 28, 2015. This decrease was primarily due to a 5.8% decline in wholesale voice termination cost, primarily driven by a decline in minutes terminating to and from Zimbabwe.

Other income

Other income decreased by US$1.4 million, or 43.5%, to US$1.9 million in the year ended February 28, 2017 from US$3.3 million in the year ended February 29, 2016. This decrease was primarily due to a reduction in the profit from sale of fixed assets in the year ended February 28, 2017.

Other income increased by US$2.3 million, or 236.2%, to US$3.3 million in the year ended February 29, 2016 from US$1.0 million in the year ended February 28, 2015. This increase was primarily due to an increase in sundry income, as well as a US$1.1 million gain realized in the year ended February 29, 2016 from the sale of an IRU in South Africa.

Selling and distribution costs

Selling and distribution costs increased by US$1.0 million, or 14.9%, to US$7.7 million in the year ended February 28, 2017 from US$6.7 million in the year ended February 29, 2016, primarily due to an increase in marketing costs that was driven by our rebranding of Neotel. See "*Business—Intellectual Property*."

Selling and distribution costs increased by US$1.3 million, or 23.7%, to US$6.7 million in the year ended February 29, 2016 from US$5.4 million in the year ended February 28, 2015. This increase was primarily due to increased marketing expenses to support the expansion of our sales team and the launch of a new "Hai" retail brand.

Administrative expenses

Administrative expenses principally comprises of rent, office expenses, consulting fees, travel and entertainment costs , and computer expenses.

Administrative expenses increased by US$2.3 million, or 7.6%, to US$32.0 million in the year ended February 28, 2017 from US$29.8 million in the year ended February 29, 2016. This increase was primarily due to the Neotel Acquisition (with Neotel contributing, from the date of the Neotel Acquisition until February 28, 2017, US$3.3 million to our total administrative expenses in the year ended February 28, 2017).

Administrative expenses decreased by US$0.6 million, or 1.9%, to US$29.8 million in the year ended February 29, 2016 from US$30.4 million in the year ended February 28, 2015. This decrease was primarily due to a decline in consultancy fees and motor vehicles costs, partially offset by an increase in travel and computer expenses.

Staff cost

Staff costs increased by US$8.5 million, or 19.7%, to US$51.5 million in the year ended February 28, 2017 from US$43.0 million in the year ended February 29, 2016. This increase was primarily due to an increase in our total number of employees. Excluding Neotel's employees, our total number of employees increased by 13.9%, from 991 employees as at February 29, 2016 to 1,129 as at February 28, 2017. This increase was primarily due to the acquisition of Raha, which added 99 staff members to our total number of employees, as well as the expansion of the sales department by 47 staff. In addition, Neotel contributed (from the date of the Neotel Acquisition until February 28, 2017) US$2.5 million to our total staff costs for the year ended February 28, 2017.

Staff costs decreased by US$0.2 million, or 0.4%, to US$43.0 million in the year ended February 29, 2016 from US$43.2 million in the year ended February 28, 2015. This decrease was primarily due to the depreciation of certain local currencies (including KES, ZMK and ZAR) against the U.S. dollar, resulting in lower staff costs upon translation into U.S. dollars. The decrease was partially offset by a 15.0% increase in our total number of employees, from 862 employees as at February 28, 2015 to 991 as at February 29, 2016, primarily due to the expansion of our sales department.

Depreciation, impairment and amortization

Depreciation, impairment and amortization increased by US$4.8 million, or 14.2%, to US$38.4 million in the year ended February 28, 2017 from US$33.7 million in the year ended February 29, 2016. This increase primarily resulted from a US$6.5 million increase in our depreciation expense, due to an increase in our total tangible fixed assets resulting from our investments in FTTH in Zimbabwe and Zambia, backbone networks in South Africa and Zambia, and new customer connections. The increase was partially offset by a US$2.0 million decrease in amortization expense, resulting from the correction of over amortization of certain assets in prior years in our East Africa entities. In addition, Neotel contributed (from the date of the Neotel Acquisition until February 28, 2017) US$1.8 million to our total depreciation, impairment and amortization expenses for the year ended February 28, 2017.

Depreciation, impairment and amortization increased by US$10.3 million, or 43.9%, to US$33.7 million in the year ended February 29, 2016 from US$23.4 million in the year ended February 28, 2015. This increase was primarily due to a US$9.2 million increase in our depreciation expense, resulting from an increase in our total tangible fixed assets. The increase in our total tangible fixed assets was primarily due to our investment in FTTH in Zimbabwe and Zambia, backbone network in Zambia and customer connections in Kenya, as well as our completion of the second phase of our data center in Kenya.

Acquisition costs

Acquisition costs increased by US$4.5 million, to US$4.5 million in the year ended February 28, 2017 from nil in the year ended February 29, 2016. In the year ended February 28, 2017, we incurred acquisition expenses of US$4.3 million toward the Neotel Acquisition (consisting mainly of advisory and legal fees) and US$0.1 million toward the Raha Acquisition, while no acquisition costs were incurred in the year ended February 29, 2016.

No acquisition costs were incurred in the years ended February 29, 2016 and February 28, 2015.

Finance costs

Finance costs increased by US$6.5 million, or 90.0%, to US$13.8 million in the year ended February 28, 2017 from US$7.3 million in the year ended February 29, 2016. This increase was primarily due to an 89.1% increase in interest on bank overdraft and loans, driven by an increase in our borrowings as a result of the LTH Senior Credit Facilities. In addition, Neotel contributed (from the date of the Neotel Acquisition until February 28, 2017) US$1.6 million to our total finance costs for the year ended February 28, 2017, consisting primarily of interest on the Neotel Senior Bridge Facility.

Finance costs increased by US$2.9 million, or 65.4%, to US$7.3 million in the year ended February 29, 2016 from US$4.4 million in the year ended February 28, 2015. This increase was primarily due to an increase in interest on bank overdrafts and loans resulting from incremental borrowings.

Foreign exchange (loss) / gain

We recognized a foreign exchange gain of US$2.0 million in the year ended February 28, 2017, compared with a foreign exchange loss of US$13.3 million in the year ended February 29, 2016. The foreign exchange gain in the year ended February 28, 2017 was primarily due to gains on the year-end retranslation of intercompany balances between Mauritius and South Africa, resulting from an increase in the value of the U.S. dollar in relation to the South African Rand.

Foreign exchange loss increased by US$7.6 million, or 134.8%, to US$13.3 million in the year ended February 29, 2016 from US$5.6 million in the year ended February 28, 2015. This increase was primarily due to losses on the year-end retranslation of balances denominated in South African Rand and Kenyan Shilling into U.S. dollars resulting from the devaluation of those currencies in relation to the U.S. dollar.

Tax expense

Tax expense decreased by US$2.7 million, or 23.2%, to US$9.0 million in the year ended February 28, 2017 from US$11.8 million in the year ended February 29, 2016. This decrease was primarily due to lower deferred tax charge due to the recognition of prior year unrecognized tax losses in Kenya during the year as a result of improving results of our Kenya operation

Tax expense decreased by US$0.1 million, or 0.9%, to US$11.8 million in the year ended February 29, 2016 from US$11.9 million in the year ended February 28, 2015.

Profit for the year

For the reasons discussed above, profit for the year increased by US$4.2 million, or 8.4%, to US$54.1 million in the year ended February 28, 2017 from US$49.9 million in the year ended February 29, 2016.

For the reasons discussed above, profit for the year decreased by US$12.4 million, or 19.9%, to US$49.9 million in the year ended February 29, 2016 from US$62.3 million in the year ended February 28, 2015.

Neotel's results of operations

The following discussion presents Neotel's results of operations for the periods indicated.

	For the year ended March 31, 2015 (Restated)	For the year ended March 31, 2016 (Restated)	For the 11 months ended February 28, 2017[(1)]	For the 12 months ended February 28, 2017[(2)] (Unaudited)	2016 % change	2017 % change[(3)]
	(ZAR thousands)					
Revenue	**4,110,333**	**4,371,715**	**3,553,039**	**3,867,146**	**6.4%**	**(11.5)%**
Interest received	36,775	48,440	52,310	54,710	31.7%	12.9%
Other income	136,063	14,249	12,250	12,334	(89.5)%	(13.4)%
Payments to other operators	(1,567,531)	(1,997,748)	(1,352,134)	(1,478,499)	27.4%	(26.0)%
Cost of phone devices	(38,603)	(41,639)	(24,396)	(27,514)	7.9%	(33.9)%
Employee expenses	(707,412)	(734,930)	(654,954)	(711,069)	3.9%	(3.2)%
Other expenses	(770,530)	(900,971)	(854,288)	(918,247)	16.9%	1.9%
Consulting expenses	(91,433)	(13,389)	(27,687)	(36,427)	(85.4)%	172.0%
Depreciation	(346,424)	(421,295)	(379,801)	(408,631)	21.6%	(3.0)%
Amortization	(63,946)	(78,605)	(72,500)	(79,059)	22.9%	0.6%
Finance charges	(652,145)	(665,396)	(747,695)	(803,768)	2.0%	20.8%
Share of profits from associate	253	761	574	796	200.8%	4.6%
Profit / (Loss) before taxation	**45,400**	**(418,808)**	**(495,282)**	**(528,228)**	**(1,022.5)%**	**26.1%**
Taxation (charge) / credit	(716,191)	49,354	472,062	476,220	(106.9)%	864.9%
Loss for the period	**(670,791)**	**(369,454)**	**(23,220)**	**(52,008)**	**(44.9)%**	**(85.9)%**

(1) Includes the results of operations of Liquid Telecom SA for the period from February 13, 2017 to February 28, 2017.

(2) The unaudited twelve months ended 28 February 2017 results of operations have been calculated by adding i) the activity for the month ended 31 March 2016 which has been extracted from the accounting records, and which has been adjusted for changes in accounting policies of bad debt and IRU applied during the 11 months ended February 28, 2017 to ii) the 11 months ended February 28, 2017 audited statement of comprehensive income.

(3) Represents the percentage change between the pro forma results of operations for the 12 months ended February 28, 2017, against the results of operations for the year ended March 31, 2016.

Revenue

Revenue principally comprises wholesale voice revenue which arises from the termination of international voice minutes between international and national carriers and International and African mobile network operations, revenue from data and other services to wholesale customers principally arising from IP Transit and hosting and colocations services, and revenue from data and other services to retail and enterprise customers principally arising from the sale of broadband connectivity, direct internet access, VPN connectivity, VOIP services, network management services, mobile voice services, and hosting and colocation services.

Revenue decreased by ZAR818.7 million, or 18.7%, to ZAR3,553.0 million in the 11 months ended February 28, 2017 from ZAR4,371.7 million in the year ended March 31, 2016. Revenue for the 12 months ended February 28, 2017 amounted to ZAR3,867.1 million, an 11.5% decrease in relation to the year ended March 31, 2016. This decrease was primarily due to: (i) a 49.7% decrease in revenue from wholesale voice, mainly due to a decrease in international traffic volume via South Africa as a result of focus on higher margin traffic and (ii) a 7.9% decrease in revenue from enterprise data services, mainly due to the contractual repricing of the Transnet contract. The decrease was partially offset by a 7.3% increase in revenue from wholesale data services, due to an increase in one off fiber infrastructure builds for customers.

Revenue increased by ZAR261.4 million, or 6.4%, to ZAR4,371.7 million in the year ended March 31, 2016 from ZAR4,110.3 million in the year ended March 31, 2015. This increase was primarily due to a 62.7% increase in revenue from wholesale voice, from ZAR428.2 million to ZAR696.9 million, mainly due to increased international traffic volumes via South Africa. Such increase was primarily driven by a strategic decision to increase wholesale voice volumes.

Interest received

Interest received increased by ZAR3.9 million, or 8.0%, to ZAR52.3 million in the 11 months ended February 28, 2017 from ZAR48.4 million in the year ended March 31, 2016. Interest received in the 12 months ended February 28, 2017 amounted to ZAR54.7 million, a 12.9% increase in relation to the year ended March 31, 2016. This increase was primarily due to an increase in average cash balance during the year as a result of the company under the terms of the loan agreement to increase its debt service reserve account.

Interest received increased by ZAR11.7 million, or 31.7%, to ZAR48.4 million in the year ended March 31, 2016 from ZAR36.8 million in the year ended March 31, 2015. This increase was primarily due to an increase in average cash balance during the year as a result of the company under the terms of the loan agreement to increase its debt service reserve account.

Other income

Other income decreased by ZAR2.0 million, or 14.0%, to ZAR12.3 million in the 11 months ended February 28, 2017 from ZAR14.2 million in the year ended March 31, 2016. Other income for the 12 months ended February 28, 2017 amounted to ZAR12.3 million, a 13.4% decrease in relation to the year ended March 31, 2016. This decrease was primarily due to lower insurance claims during the year.

Other income decreased by ZAR121.8 million, or 89.5%, to ZAR14.2 million in the year ended March 31, 2016 from ZAR136.1 million in the year ended March 31, 2015. This decrease was primarily due to a decrease in profits from the sale of assets. In the year ended March 31, 2015, profits from the sale of assets amounted to ZAR129.2 million, primarily driven by the sale of network infrastructure to one of our key customers, as compared with ZAR3.5 million loss in the year ended March 31, 2016.

Payments to other operators

Payments to other operators decreased by ZAR645.6 million, or 32.3%, to ZAR1,352.1 million in the 11 months ended February 28, 2017 from ZAR1,997.7 million in the year ended March 31, 2016. Payments to other operators for the 12 months ended February 28, 2017 amounted to ZAR1,478.5 million, a 26.0% decrease in relation to the year ended March 31, 2016. This decrease was primarily due to a 44.7% decrease in in voice interconnect costs, mainly driven by the decline in wholesale voice revenue as discussed above, as well as a 45.2% decrease in project costs due to a decline in one off network infrastructure builds for key enterprise customers.

Payments to other operators increased by ZAR430.2 million, or 27.4%, to ZAR1,997.7 million in the year ended March 31, 2016 from ZAR1,567.5 million in the year ended March 31, 2015. This increase was primarily due to a 42.2% increase in interconnect voice costs, mainly resulting from the increase in wholesale voice revenue as discussed above, as well as a 35.3% increase in leased circuit costs. The increase in leased circuit costs was primarily driven by demand for international leased circuits and certain cash flow constraints, which prompted Neotel to provide last mile connectivity services to certain customers using leased capacity rather than deploying the capital expenditure required to build the network.

Cost of phone devices

Cost of phone devices decreased by ZAR17.2 million, or 41.4%, to ZAR24.4 million in the 11 months ended February 28, 2017 from ZAR41.6 million in the year ended March 31, 2016. Cost of phone devices in the 12 months ended February 28, 2017 amounted to ZAR27.5 million, a 33.9% decrease in relation to the year ended March 31, 2016. This decrease was primarily due to the strategic decision to focus on the sale of higher margin phone devices.

Cost of phone devices increased by ZAR3.0 million, or 7.9%, to ZAR41.6 million in the year ended March 31, 2016 from ZAR38.6 million in the year ended March 31, 2015. This increase was primarily due to increase in retail data revenue.

Employee expenses

Employee expenses decreased by ZAR80.0 million, or 10.9%, to ZAR655.0 million in the 11 months ended February 28, 2017 from ZAR734.9 million in the year ended March 31, 2016. Employee expenses in the 12 months ended February 28, 2017 amounted to ZAR711.1 million, a 3.2% decrease in relation to the year ended March 31, 2016. This decrease was primarily due to a reduction in the number of senior management and other staff, coupled with a headcount freeze.

Employee expenses increased by ZAR27.5 million, or 3.9%, to ZAR734.9 million in the year ended March 31, 2016 from ZAR707.4 million in the year ended March 31, 2015. This increase was primarily due to an increase in annual salaries in line with inflation rates for South Africa.

Other expenses

Other expenses decreased by ZAR46.7 million, or 5.2%, to ZAR854.3 million in the 11 months ended February 28, 2017 from ZAR901.0 million in the year ended March 31, 2016. Other expenses in the 12 months ended February 28, 2017 amounted to ZAR918.3 million, a 1.9% increase in relation to the year ended March 31, 2016. This increase was primarily due to a ZAR84.8 million bad debt expense recorded in the 12 months ended February 28, 2017, resulting from the alignment of certain accounting policies of Neotel with those of the Liquid Group. This increase was partially offset by a reduction in unrealized / realized foreign exchange gain totaling ZAR40.8 million due to an increase in the value of the South African Rand in relation to the U.S. dollar due to the year-end revaluation of U.S. dollar denominated trade creditors.

Other expenses increased by ZAR130.4 million, or 16.9%, to ZAR901.0 million in the year ended March 31, 2016 from ZAR770.5 million in the year ended March 31, 2015. This increase was primarily due to increases in operational and maintenance costs, computer expenses, unrealized foreign exchange losses and facility costs.

Consulting expenses

Consulting expenses increased by ZAR 14.3 million, or 106.8%, to ZAR27.7 million in the 11 months ended February 28, 2017 from ZAR13.4 million in the year ended March 31, 2016. Consulting expenses in the 12 months ended February 28, 2017 amounted to ZAR36.4 million, a 172.1% increase in relation to the year ended March 31, 2016.

Consulting expenses decreased by ZAR78.1 million, or 85.4%, to ZAR13.4 million in the year ended March 31, 2016 from ZAR91.4 million in the year ended March 31, 2015. This decrease was primarily due to lower sales related consulting fees in the year ended March 31, 2016.

Depreciation

Depreciation decreased by ZAR41.5 million, or 9.8%, to ZAR379.8 million in the 11 months ended February 28, 2017 from ZAR421.3 million in the year ended March 31, 2016. Depreciation in the 12 months ended February 28, 2017 amounted to ZAR408.6 million, a 3.0% decrease in relation to the year ended March 31, 2016. This decrease was primarily due to lower capital expenditure over the last two years as the company provided last mile connectivity using leased circuit rather than incurring capital expenditure to build the network to maximize cashflows.

Depreciation increased by ZAR74.9 million, or 21.6%, to ZAR421.3 million in the year ended March 31, 2016 from ZAR346.4 million in the year ended March 31, 2015. This increase was primarily due to the correcting prior year depreciation on certain assets that had been under depreciated in previous years based on the company's accounting policy.

Amortization

Amortization increased by ZAR6.1 million, or 7.8%, to ZAR72.5 million in the 11 months ended February 28, 2017 from ZAR78.6 million in the year ended March 31, 2016. Amortization in the 12 months ended February 28, 2017 amounted to ZAR79.1 million, a 0.6% increase in relation to the year ended March 31, 2016.

Amortization increased by ZAR14.7 million, or 22.9%, to ZAR78.6 million in the year ended March 31, 2016 from ZAR63.9 million in the year ended March 31, 2015. This increase was primarily due to the correcting prior year amortization on certain assets that had been under amortized in previous years based on the company's accounting policy.

Finance charges

Finance charges increased by ZAR82.3 million, or 12.4%, to ZAR747.7 million in the 11 months ended February 28, 2017 from ZAR665.4 million in the year ended March 31, 2016. Finance charges in the 12 months ended February 28, 2017 amounted to ZAR803.8 million, a 20.8% increase in relation to finance charges in the year ended March 31, 2016. This increase was primarily due to incremental borrowings.

Finance charges increased by ZAR13.3 million, or 2.0%, to ZAR665.4 million in the year ended March 31, 2016 from ZAR652.1 million in the year ended March 31, 2015. This increase was primarily due to incremental increase in borrowing.

Share of profits from associate

Share of profits from associate decreased by ZAR0.2 million, or 24.6%, to ZAR0.6 million in the 11 months ended February 28, 2017 from ZAR0.8 million in the year ended March 31, 2016. Share of profits from associate in the 12 months ended February 28, 2017 amounted to ZAR0.8 million, a 4.6% increase in relation to the year ended March 31, 2016.

Share of profits from associate increased by ZAR0.5 million, or 200.8%, to ZAR0.8 million in the year ended March 31, 2016 from ZAR0.3 million in the year ended March 31, 2015. This increase was primarily due to an increase in the number of services and transactions provided by Number Portability Company (Pty) Ltd.

Taxation (charge) / credit

Taxation credit increased by ZAR422.7 million, or 856.5%, to ZAR472.1 million in the 11 months ended February 28, 2017 from ZAR49.4 million in the year ended March 31, 2016. In the 12 months ended February 28, 2017 (on a pro forma basis), a taxation credit of ZAR476.2 million was recognized, a 864.9% increase in relation to taxation credit in the year ended March 31, 2016. This increase was primarily due to the recognition of a deferred tax asset totaling ZAR476.4 million relating to recognition prior year tax losses as a result of the restructuring of the debt and the improved forecast for Neotel.

Taxation charge decreased by ZAR765.5 million, or 106.9%, to a taxation credit of ZAR49.4 million in the year ended March 31, 2016 from a taxation charge of ZAR716.2 million in the year ended March 31, 2015. This decrease was primarily due to the de-recognition of a deferred tax asset of ZAR671.4 million as a result of the derecognition of prior year tax losses due to increasing financing charges as a result of the higher debt.

Loss for the period

Loss for the period decreased by ZAR346.2 million, or 93.7%, to ZAR23.2 million in the 11 months ended February 28, 2017 from ZAR369.5 million in the year ended March 31, 2016. Loss for the 12 months ended February 28, 2017 amounted to ZAR52.0 million, a 85.9% decrease in relation to loss for the year ended March 31, 2016, for the reasons discussed above.

For the reasons discussed above, loss for the year decreased by ZAR301.3 million, or 44.9%, to ZAR369.5 million in the year ended March 31, 2016 from ZAR670.8 million in the year ended March 31, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity have been cash flows from operations and bank borrowings, and our principal uses of cash flows from operations include capital expenditures, interest, tax payments and principal loan repayments.

Our ability to fund planned capital expenditures and working capital, and to make scheduled payments of principal, or to pay the interest on, or to refinance, our indebtedness, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors that are beyond our control, as well as our ability to repatriate profits and capital from certain of the jurisdictions in which we operate which have jurisdictionally-specific restrictive exchange control policies, particularly the Democratic Republic of Congo and Zimbabwe.

We believe that our cash flows from operating activities, bank borrowings (including the Revolving Credit Facility) and issuance of securities will be sufficient to fund our anticipated capital expenditure, working capital requirements and debt service requirements as they become due. Furthermore, given that a substantial portion of our revenue is generated in Mauritius and the United Kingdom, we do not expect to face any hard currency shortages in the foreseeable future.

As at February 28, 2017, our cash and cash equivalents amounted to US$152.7 million, of which US$47.6 million were held in South Africa, 41.8 million in Rest of Africa (our operations in Africa other than South Africa), and US$63.3 million in our International geographical segment. Out of our total cash and cash equivalents as at February 28, 2017, an amount of US$11.7 million, or 7.7%, has been treated as restricted cash. Restricted cash comprises cash held in restricted accounts for bank guarantees, cash committed to capital expenditure and customer deposits.

Historical cash flows summary

The Liquid Group's historical cash flows

The following table sets forth, for the years ended February 28, 2015, February 29, 2016 and February 28, 2017 the Liquid Group's consolidated cash flows generated from operating activities, cash flows used in investing activities and cash flows generated from financing activities.

	For the year ended		
	February 28, 2015	February 29, 2016	February 28, 2017[(1)]
	(US$ thousands)		
Cash flows from operating activities before working capital changes	**101,816**	**107,470**	**110,460**
Working capital changes	19,440	23,494	(22,770)
Cash generated from operations	**121,256**	**130,963**	**87,690**
Finance costs	4,388	7,256	13,786
Income tax paid	3,785	6,393	1,620
Net cash from operating activities	**113,083**	**117,313**	**72,284**
Net cash (used in) investing activities	**(127,233)**	**(74,038)**	**(110,860)**
Net cash generated from financing activities	**16,703**	**22,731**	**78,898**
Net increase in cash and cash equivalents	2,553	66,007	40,322
Cash and cash equivalents at beginning of the year	35,442	36,595	100,397
Translation of cash with respect to foreign subsidiaries	(1,401)	(2,205)	12,017
Cash and cash equivalents at end of the year	**36,595**	**100,397**	**152,735**

(1) Includes Neotel's cash flows for the period from February 10, 2017 to February 28, 2017.

Cash flows from operating activities before working capital changes were US$110.5 million year ended February 28, 2017, US$107.5 million in the year ended February 29, 2016, and US$101.8 million year ended February 28, 2015, primarily due to the reasons discussed in "*—The Liquid Group's results of operations*."

The following table shows changes in our working capital:

	For the year ended		
	February 28, 2015	February 29, 2016	February 28, 2017(1)
	(Audited/Unaudited) (US$ thousands)		
Increase/(Decrease) in trade receivables and other receivables	2,170	(6,799)	(42,887)
Increase/(Decrease) in inventories	(2,002)	6,916	4,685
Increase in trade payables and other current liabilities	15,022	6,867	3,346
Increase in deferred revenue	997	7,015	7,538
Increase in accruals	3,922	10,164	4,921
Decrease in onerous contracts	(669)	(669)	(373)
Total	**19,440**	**23,494**	**(22,770)**

(1) Includes Neotel's cash flows for the period from February 10, 2017 to February 28, 2017.

We had a working capital requirement of US$22.8 million in the year ended February 28, 2017. This was primarily due to an increase in trade receivables and other receivables of US$42.9 million, principally as a result of increased prepayments, timing of customer payments and one off sales of IRUs to customers at year end. These developments were partially offset by an decrease in inventories of US$4.7 million, which was primarily due to the use of available inventory for purposes of building our OPGW network in Zimbabwe and the centralization of our network inventory in Dubai, as well an increase in accruals of US$4.9 million primarily due to unpaid acquisition costs. The increase in deferred revenue of US$7.5 million represents mainly the sale of IRUs during the year.

We had a working capital surplus of US$23.5 million in the year ended February 29, 2016. This was primarily due to an increase in accruals of US$10.2 million due to the accrual of a licence fee until a payment schedule was agreed, an increase in trade payables and other current liabilities of US$6.9 million due to increased trade payable days, a decrease in inventories of US$6.9 million, which was due to use of network inventory for the continued roll out of our FTTH in Zimbabwe and Zambia and the increase in deferred revenues of US$7.0 million represents mainly due to the sales of IRUs. These developments were partially offset by a decrease in trade receivables and other receivables of US$6.8 million, principally as a result of a reduction in prepayments.

We had working capital surplus of US$19.4 million in the year ended February 28, 2015. This was primarily due to an increase in trade payables and other current liabilities of US$15.0 million, principally as a result of unpaid dividend to a shareholder and increased trade payable days, an increase in accruals of US$3.9 million, and an increase in trade receivables and other receivables of US$2.2 million. These developments were partially offset by a decrease in inventories of US$2.0 million.

Cash flows generated from operating activities

Cash flows generated from operating activities were US$72.3 million in the year ended February 28, 2017 and US$117.3 million in the year ended February 29, 2016. The decrease in cash flows generated from operating activities in the year ended February 28, 2017, as compared with the year ended February 29, 2016, was primarily due to an increase in our trade and other receivables as a result of one off billing for IRUs at year end and timing of payments by key customers.

Cash flows generated from operating activities were US$117.3 million in the year ended February 29, 2016 and US$113.1 million in the year ended February 28, 2015. The increase in cash flows generated from operating activities in the year ended February 29, 2016, as compared to the year ended February 28, 2015, was primarily due to a US$8.0 million increase in our profit before interest, depreciation, amortization and impairment in the year ended February 28, 2017, partially offset by higher interest from increased borrowing and higher taxes

Cash flows used in investing activities

Cash flows used in investing activities were US$110.9 million in the year ended February 28, 2017 and US$74.0 million in the year ended February 29, 2016. The increase in cash flows used in investing activities in the year ended February 28, 2017, as compared with the year ended February 29, 2016 was primarily due to an increase in overall capital expenditure on property, plant and equipment (from US$66.8 million in the year ended February 29, 2016 to US$71.9 million in the year ended February 28, 2017), and to cash payments of US$27.7 million toward the Neotel Acquisition and the Raha Acquisition.

Cash flows used in investing activities were US$74.0 million in the year ended February 29, 2016 and US$127.2 million in the year ended February 28, 2015. The decrease in cash flows used in investing activities in the year ended February 29, 2016, as compared to the year ended February 28, 2015, was primarily due to a decrease in cash payments toward the purchase of property, plant, equipment and intangibles totaling US$45.2 million, and the acquisition of an investment in Burundi totaling US$6.5 million.

Cash flows generated from financing activities

Cash flows generated from financing activities were US$78.9 million in the year ended February 28, 2017 and US$22.7 million in the year ended February 29, 2016. The increase in cash flows generated from financing activities in the year ended February 28, 2017, as compared with the year ended February 29, 2016 was primarily due to proceeds from the issuance of share capital and an equity loan totaling US$75.6 million to minority shareholders in our South African holding company, Liquid Telecommunications Holdings South Africa (Pty) Ltd, in the year ended February 28, 2017, partially offset by a decrease in net proceeds from borrowings in the year ended February 28, 2017. The equity loan relates to third-party equity raised in connection with the Neotel Acquisition.

Cash flows generated from financing activities were US$22.7 million in the year ended February 29, 2016 and US$16.7 million in the year ended February 28, 2015. This increase was primarily driven by one-off payments made in the year ended February 28, 2015 that did not recur in the year ended February 29, 2016, partially offset by a US$36.7 million increase in net proceeds from borrowings in the year ended February 29, 2016 compared to the year ended February 28, 2015. The one-off payments in the year ended February 28, 2015 consisted principally of the Company's buyback of its own shares from a minority shareholder, for a total amount of US$55.7 million.

Neotel's historical cash flows

	For the year ended		For the 11 months ended
	March 31, 2015	March 31, 2016	February 28, 2017[(1)]
	Restated	Restated	
	(ZAR thousands)		
Net cash generated from / (used in) operating activities	894,520	632,675	(122,431)
Net cash (used in) / generated from investing activities	(709,854)	(684,027)	91,848
Net cash used in financing activities	(239,240)	(134,064)	(46,175)
Net (decrease) in cash and cash equivalents	**(54,574)**	**(185,416)**	**(76,758)**
Cash and cash equivalents at beginning of the year	405,726	351,152	165,736
Cash and cash equivalents at the end of the year / period	**351,152**	**165,736**	**88,978**

(1) Includes Liquid Telecom SA's cash flows for the period from February 13, 2017 to February 28, 2017.

Cash flows generated from / (used in) operating activities

Neotel had a ZAR122.4 million net cash outflow from operating activities in the 11 months ended February 28, 2017, while it had a net cash inflow of ZAR632.7 million in the year ended March 31, 2016. This was primarily due to a ZAR902.5 million decrease in customer receipts in the 11 months ended February 28, 2017 compared to the year ended March 31, 2016, primarily due to a decrease in revenue. This decrease was partially offset by a ZAR332.1 million decrease in payments made to suppliers as cost of sales decreased due to the reduction in wholesale voice revenue

Cash flows generated from operating activities were ZAR632.7 million in the year ended March 31, 2016, a ZAR261.8 million reduction compared to the year ended March 31, 2015, primarily due a ZAR274.2 million increase in payments made to suppliers as a result of increase in cost of sales.

Cash flows (used in) / generated from investing activities

Neotel had a ZAR91.8 million net cash inflow from investing activities in the 11 months ended February 28, 2017, while it had a net cash outflow of ZAR684.0 million in the year ended March 31, 2016. This was primarily due to a ZAR238 million decrease, or 42.5%, in capital expenditure made in the 11 months ended February 28, 2017 as compared with the year ended March 31, 2016.

Cash flows used in investing activities were ZAR684.0 million in the year ended March 31, 2016, a reduction of ZAR25.8 million compared to ZAR709.9 million in the year ended March 31, 2015, primarily driven by a 12.3% decrease in capital expenditure.

Cash flows used in financing activities

Cash flows used in financing activities were ZAR46.2 million in the 11 months ended February 28, 2017, a ZAR87.9 million reduction compared to ZAR134.1 million in the year ended March 31, 2016. This movement represented the net effect of a number of large transaction involving the repayment of Neotel's existing borrowings of ZAR5.4 billion and ZAR3.2 billion from an equity loan from its parent company, and new borrowing under the Neotel Senior Bridge Facility of ZAR2.95 billion.

Cash flows used in financing activities were ZAR134.1 million in the year ended March 31, 2016, a ZAR105.2 million reduction compared to ZAR239.2 million in the year ended March 31, 2015, primarily due to incremental increase in borrowing.

Planned Cash Requirements and Capital Expenditure Plan

We anticipate that our cash requirements in the near to medium term will consist principally of expenditures to service our debt and capital expenditures incurred to connect customers, maintain and upgrade our network (including one-off capital expenditure to upgrade Neotel's network), upgrade our South African data centers for a major new customer and expand our network within South Africa, Tanzania, Botswana and DRC. The following discussion sets out our principal cash needs based, among other things, on our existing capital expenditure plan, servicing our outstanding bank loans and other contractual commitments.

Based on our expectation of the evolution of our business and our industry, we believe that our total capital expenditures in the year ending February 28, 2018 will be higher than our total capital expenditures in the year ended February 28, 2017.

As at February 28, 2017 we were contractually committed to capital expenditures of US$17 million over the next financial year. These relate to the expansion of our network in South Africa, the roll out of FTTH in Rwanda and the upgrade of our data center in Kenya. Additional customer contracts have been concluded since that date which require us to make capital investments, and these are included in the descriptions below.

Our capital expenditure plans for the current financial year include spending US$35 million towards the general maintenance and upgrade of our existing network, of which an estimated is a one-off investment of $12.5 million to integrate and improve the performance of the Neotel network. The comparable figure for the year ended February 28, 2017 was US$25.3 million on a pro-forma basis.

We are planning a number of one-off, customer-driven capital expenditure projects expected to total some US$51 million in the current financial year. These include a major upgrade of our two data centers in South Africa for a new customer, spectrum activation costs in South Africa, and the construction of a new fiber route in DRC. Included in the above is a provision for limited expenditure to monetize our radio spectrum, in particular our 1,800MHz spectrum in South Africa. No decision has been taken at this stage, and any plans we pursue will be based on a strong business case, preferably entailing partnership with cash contributions from third parties.

We are planning a number of projects of a more recurring nature which, in line with our general approach to de-risking our capital expenditure, will be tied to committed orders from one or more customers. We will always seek, where possible, to take cash deposit towards such projects, either by way of an advance payment or as a committed stage payment. These include last mile customer connections in several of our presence countries, in particular for enterprise MPLS connections, and network expansion.

We are also evaluating projects to expand our network and maintain our growth momentum where we can extablish a strong business case for this investment. This is likely to include the continuing roll out of

FTTH in Zimbabwe, Rwanda, Uganda and Kenya, the expansion of our backbone network in Tanzania and Botswana, and LTE networks in Rwanda, Zambia and Zimbabwe.

Contractual obligations

Our principal contractual obligations consist of our obligations in respect of financial indebtedness that is owed under our credit facilities.

The table below sets out the maturities of our interest bearing loans, finances leases, trade and other payables, operating leases, capital commitments and other contractual commitments, including interest accrued as at February 28, 2017 and excluding the impact of netting agreements as at February 28, 2017, based on the agreements in place as at that date. We expect that our contractual commitments may evolve over time in response to current business and market conditions, with the result that future amounts due may differ considerably from the expected amounts payable set out in the table below.

	Carrying amount as at February 28, 2017[1]	Contractual cash flows as at February 28, 2017[1]	Less than 1 year[1]	1 to 5 years[1]	More than 5 years[1]
		(Unaudited) (US$ thousands)			
Non-derivative financial liabilities					
Interest bearing loans, finance leases and borrowings, including bonds	671,451	671,451	2,873	118,578	550,000
Trade and other payables and other liabilities[2]	180,582	168,901	172,554	2,676	5,352
Capital expenditure and operating expenditure contractual commitments[3]	129,257	129,257	43,147	63,364	22,746
Acquisition of subsidiaries	3,100	3,100	3,100	—	—
Total	**984,390**	**972,709**	**221,674**	**184,619**	**578,098**

(1) As adjusted to give effect to the Transactions.

(2) Includes trade payables and other long-term liabilities. Does not include income tax.

(3) Includes capital commitments (authorized and contracted) and operating lease commitments as of February 28, 2017.

Financial obligations

LTH Senior Credit Facilities

On October 28, 2016, the Company, as borrower, Liquid Telecommunications Operations Limited and Liquid Telecommunications Limited, as guarantors, and the lenders as described therein entered into the LTH Senior Credit Facilities, for the partial financing of the Neotel Acquisition and the refinancing of certain financial indebtedness of the Company's then existing facilities and for general corporate purposes, including the financing of certain permitted capital expenditures. The LTH Senior Credit Facilities consist of term loan facilities with a total capacity of US$300 million. The final maturity date of the LTH Senior Credit Facilities is December 22, 2022.

As at February 28, 2017, we had US$300 million outstanding under the LTH Senior Credit Facilities. We expect to repay the LTH Senior Credit Facilities in full on or about the Issue Date with the proceeds from issuance and sale of the Notes, together with amounts drawn under the Term Loan Facility, as described in "*Use of Proceeds*."

Tata Term Loan Facility

On October 27, 2016, the Company, as borrower, and Tata Communications International PTE Limited, as lender, entered into the Tata Term Loan Facility, for the partial repayment of certain of Neotel's then existing indebtedness. The Tata Term Loan Facility consists of a subordinated term loan facility for the U.S. dollar equivalent of ZAR750 million. The final maturity date of the Tata Term Loan Facility is February 10, 2020.

As at February 28, 2017, we had US$56.5 million outstanding under the Tata Term Loan Facility. We expect to repay the Tata Term Loan Facility in full on or about the Issue Date, with the proceeds from issuance and sale of the Notes, together with amounts drawn under the Term Loan Facility as described in "*Use of Proceeds*."

Neotel Senior Bridge Facility

On January 30, 2017, Neotel, as borrower, Liquid Telecommunications Holdings South Africa (Pty) Ltd, as the holding company of Neotel, Liquid Telecoms SA and Neotel Business Support Services Proprietary Limited, as original guarantors, and The Standard Bank of South Africa Limited and Nedbank Limited, as original lenders and lead arrangers, among others, entered into the Neotel Senior Bridge Facility. The Neotel Senior Bridge Facility is comprised of (i) the Neotel Term Loan Facility, a ZAR2.95 billion term loan facility that was secured for the purpose of refinancing certain of Neotel's then existing indebtedness, and (ii) the Neotel Revolving Credit Facility, a ZAR350 million revolving loan facility that was secured for the purpose of financing the capital expenditure and working capital requirements of Neotel's and for general corporate purposes.

As at February 28, 2017, we had US$223.1 million outstanding under the Neotel Senior Bridge Facility (US$223.1 million under the Neotel Term Loan Facility and US$nil under the Neotel Revolving Credit Facility). We expect to repay the Neotel Senior Bridge Facility in full on or about the Issue Date, with the proceeds from issuance and sale of the Notes, together with amounts drawn under the Term Loan Facility as described in "*Use of Proceeds*."

Revolving Credit Facility

See "*Description of Certain Financing Arrangements.*"

Term Loan Facility

See "*Description of Certain Financing Arrangements.*"

Cisco Vendor Facilities

On August 12, 2013, Liquid Telecommunications Limited, as borrower, and Cisco Systems Finance International ("**Cisco Finance**"), as lender, entered into a master loan agreement pursuant to which Cisco Finance agreed to extend from time to time non-revolving credit facilities to Liquid Telecommunications Limited for the purpose of financing its purchase of IT solutions, in accordance with the terms and conditions of the master loan agreement. The interest on facilities extended pursuant to the master loan agreement is payable at a rate of 3.076% per annum. From the date of the master loan agreement until the date of this offering memorandum, three credit facilities have been extended by Cisco Finance to Liquid Telecommunications Limited pursuant to the master loan agreement. As at February 28, 2017, US$5,071,455 was outstanding under these facilities. The Cisco Vendor Facilities are secured and guaranteed by the Company.

Stanbic Zambia Facilities

In 2016, our subsidiary in Zambia, CEC Liquid Telecommunication Limited, as the borrower, and Stanbic Bank Zambia Limited, as the lender and Facility Agent, entered into a term loan facility agreement (as amended) pursuant to which Stanbic Bank Zambia Limited agreed to extend to CEC Liquid Telecommunication Ltd two non-revolving term loan facilities with a maximum aggregate limit of US$15,250,000. The first facility was extended for the purpose of refinancing CEC Liquid Telecommunication Ltd's then existing indebtedness to Barclays Bank Zambia plc, and the second for the purpose of financing the completion of a certain aerial fiber project and other general corporate purpose. As at February 28, 2017, US US$15,250,000 was outstanding under these facilities. CEC Liquid Telecommunications Holdings Limited and Copperbelt Energy Corporation plc, CEC Liquid Telecommunication Limited's shareholders provided a guarantee in equal portions up to a maximum of US$13 million. CEC Liquid Telecommunication Ltd entered into a floating charge over its current assets for the remaining US$2,250,000 of the loan. The Company entered a guarantee agreement with Stanbic Bank Zambia Limited, whereby the Company guaranteed US$6.5 million of principal amount due by CEC Liquid Telecommunications Ltd., under the Stanbic Zambia Facilities.

Financial leasing agreements

As at February 28, 2017, we had two motor vehicle finance lease agreements in place with a total outstanding value of approximately US$0.1 million.

Pension obligations

We have pension arrangements in most of the countries in which we operate, and have implemented pension plans worldwide. All pension schemes are defined contribution schemes.

Contingent obligations

In addition to the commitments described above and in the section entitled "*Risk Factors*", we (i) provide financial support and have committed to provide further financial support to certain of our subsidiaries (specifically, Infocom 2013 Limited (Uganda) and Liquid Telecommunications Rwanda Ltd) for the next 12 months from the date of approval of the our Liquid Annual Financial Statements and (ii) have entered into a performance guarantee for US$3.0 million with Standard Bank (Mauritius) Limited on behalf of Neotel to secure certain works and services.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any material off-balance sheet arrangements other than those already disclosed in our consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

Market risk

Our activities expose us primarily to the financial risks of changes in foreign currency exchange rates and interest rates. We do not enter into derivative financial instruments to manage our exposure to interest rate and foreign currency risk.

Foreign currency risk management

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

The carrying amounts of our foreign currency denominated monetary assets and monetary liabilities as at February 28, 2017 are as follows:

	As at February 28, 2017	As at February 29, 2016
	(US$ thousands)	
Assets		
GBP	12,927	7,463
US$	173,887	152,553
ZAR	111,811	5,751
BWP (the lawful currency of Botswana)	210	230
KES (the lawful currency of Kenya)	9,423	12,244
ZMK (the lawful currency of Zambia)	2,024	1,002
RWF (the lawful currency of Rwanda)	2,207	4,605
NGN (the lawful currency of Nigeria)	120	221
UGX (the lawful currency of Uganda)	1,697	2,714
Total	**314,306**	**186,781**
Liabilities		
GBP	6,945	5,477
US$	427,616	197,649
ZAR	321,237	1,159
BWP (the lawful currency of Botswana)	31	32
KES (the lawful currency of Kenya)	10,988	8,585
ZMK (the lawful currency of Zambia)	1,116	78
RWF (the lawful currency of Rwanda)	2,047	2,499
NGN (the lawful currency of Nigeria)	4	40
UGX (the lawful currency of Uganda)	1,152	1,274
Total	**771,137**	**216,792**

Foreign currency sensitivity analysis

We are mainly exposed to the GBP, ZAR, Kenyan Shilling (KES) and Rwandan Franc (RWF).

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

	February 28, 2017	February 29, 2016
	(US$ thousands)	
Assets		
GBP currency impact	(598)	(199)
ZAR currency impact	20,943	(459)
KES (the lawful currency of Kenya) currency impact	156	(366)
RWF (the lawful currency of Rwanda)	(16)	(211)
Total	**20,485**	**(1,234)**

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

Interest rate risk management

We are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by securing an appropriate mix between fixed and floating rate borrowings on initial signing of borrowing contracts. For our exposures to interest rates on financial liabilities (see "*—Liquidity risk management.")*

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's and Company's (i) profit for the year ended 28 February, 2017 would decrease by US$4,305,571 (2016: US$399,918) and US$1,155,073 (2016: US$1,045,016) respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and (ii) no increase or decrease in other equity reserves for the year ended 28 February, 2017 (2016: no increase or decrease).

Credit risk management

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

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

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

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

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

	Weighted Average Effective Interest Rate	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	%			(US$ thousands)			
Group—year ended February 28, 2017							
Financial liabilities	8.10%	95,307	70,552	7,847	561,079	36,352	771,137
Group—year ended February 29, 2016							
Financial liabilities	4.94%	32,076	27,112	40,797	110,786	6,021	216,792

Fair value of financial instruments

The directors consider the financial assets and financial liabilities stated at amortized costs in the financial statements approximate their fair values.

ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGMENT AND DISCRETION

We prepare our financial statements in accordance with IFRS. Certain financial reporting standards under IFRS require us to make judgments or to use our discretion in determining the values to be recorded, as described in the notes to our audited financial statements included elsewhere in this offering memorandum. The most material of these include the following:

Residual value and useful life

The Group depreciates its assets over their estimated useful lives taking into account residual values, which, in compliance with of IAS16 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 programs 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 recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income.

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in used 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 present value.

Valuation of investment

Directors use their judgement in selecting an appropriate valuation techniques for valuing investments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

Sub-Saharan Africa Macroeconomic Overview

The macroeconomic outlook for sub-Saharan Africa ("**SSA**") remains positive with GDP growth projected to recover to 2.6% in 2017 from 1.3% in 2016, and to strengthen further to an average of 3.4% in 2018–19[1]. SSA's expected growth rate exceeds those of other regions and the world as a whole, with advanced economies (US, EU and Japan) expected to grow at 1.7% and global growth forecasted to be 2.9% by 2019[2]. SSA's positive outlook is supported by modestly rising commodity prices, strengthening external demand and improvements in domestic conditions in select countries. In addition, SSA's macroeconomic fundamentals such as its large and growing young population, rising urbanization rates, increasing access to information technology and wider policy reform are expected to support longer term economic growth and greater prosperity across the region. The region looks likely to continue these trends with 60% of SSA's population under the age of 25 and an overall population of 1.03 billion people expected to grow at an annual rate of 2.6% until 2021, faster than most other regions, including an OECD average population growth rate over the same period of 0.5%[3].

The slowdown in growth experienced across SSA in 2015–16 was primarily caused by short term, external factors such as a drop in commodity prices and weak external demand from major trading partners such as China. These external shocks have nonetheless forced select SSA economies into policy reform with the aim of diversifying away from dependence on oil exports and developing domestic production and manufacturing capacity. Growth in non-resource intensive countries is forecast to remain robust as these countries benefit from lower oil import prices, continued infrastructure investment and improved agricultural production. Given this, projected real GDP growth rates across SSA, excluding South Africa, Nigeria and Angola, are expected to be 4.8% in 2017, increasing to 5.2% by 2019[4]. Countries including Kenya, Côte d'Ivoire, Ethiopia, Senegal and Tanzania, are forecast to grow at more than 6% in the medium term.

Table 1: Summary statistics of Liquid Telecom core markets

	South Africa	Tanzania	Kenya	Zambia	Zimbabwe	Total
GDP (current US$bn)	314.6	45.6	63.4	21.2	14.4	459.2
GDP growth (real, annual %)	1.3%	7.0%	5.6%	2.9%	0.5%	
GDP growth forecast 2017 (real, annual %)	0.6%	7.2%	5.5%	4.1%	2.3%	
GDP per capita (US$)	5 718	879	1 377	1 305	924	
Population, total (m)	55.0	53.5	46.1	16.2	15.6	186.4

Source: The World Bank, 2015

Growth has been especially resilient in Kenya and Tanzania, where a rising middle class and the services sector continue to grow, supported by increased infrastructure investment. Tanzania, East Africa's second largest economy, has enjoyed robust real GDP growth of 6–7% over the last decade and recent offshore gas discoveries provide further support for continued growth above 7% by 2019.[5] Kenya's growth is expected to be similarly supported by its recent oil discoveries, with forecast real GDP growth of over 5% by 2019.[6] Reduced political uncertainty beyond 2017 in the region's most advanced economy, South Africa, is expected to improve growth in the country to 1.5% by 2018–19, boosting demand across SSA.

While the domestic macroeconomic fundamentals of SSA are supportive of continued near term growth, the projected rebound in developed economies and trading partners over the medium term is expected to provide a further boost to SSA's growth dynamics.

1 World Bank

2 Ibid

3 World Bank

4 Ibid

5 Ibid

6 Ibid

SSA Broadband Market Overview

With the exception of South Africa, there is little reliably researched information published on the fixed broadband sector in SSA. The lack of information is a challenge in providing a sector overview, but we believe that it is also a significant factor inhibiting competition from new entrants to the market.

History, development and characteristics

Broadband demand in SSA was historically (before about 2000) limited by poor infrastructure, exacerbated by the large areas and dispersed populations in many countries, and regulatory restrictions. Most markets were partially liberalized by economic and political shifts in the late 1990s and early 2000s, leading to the explosion of mobile phone ownership that has characterised the African telecommunications market for much of the last 15 years. However in many countries deployment of true broadband infrastructure (terrestrial fiber, submarine cables and landing stations, wired connections into homes and offices, and similar) was being pursued by only a small handful of companies. Sometimes, as for example in the case of South Africa, this could only be done by the incumbent (generally state-owned) fixed-line operator.

As a result, most end users only had access to narrowband connections—and consequently only to narrowband services such as voice and SMS, which are high margin products for those selling them.

The lack of international capacity was the primary infrastructure bottleneck prior to 2009, as only submarine cables could provide sufficient bandwidth to meet the demands of the developing SSA telecommunications markets. The two cables serving SSA prior to 2009 (SAT-3 and SAFE) were statutory monopolies in most countries where they landed, and their owners charged high prices. The only alternative was satellite capacity, which was high cost and introduced severe delay (latency) into connections. The amount of connectivity to the global internet was typically on the order of 1kbps across the region. There was also no business case for investing in national broadband networks, or in offering high speed fixed or mobile connections to end users, because onward connectivity to valuable content in Europe or the USA was and expensive—commonly more than US$100 per GB, equivalent to around US$17 for a one hour VoIP call. This lack of connectivity supply, combined with low demand that resulted from low level of computer ownership and expensive mobile handsets, made for low adoption of bandwidth-intensive applications (e.g. streaming video, cloud, mobile broadband, social media, etc.). Moreover, high cost of capital, shortfalls in transport and power infrastructure, and complicated regulatory and intraregional frameworks discouraged widespread broadband network development and "last mile" connections.

As the importance of digital connectivity became apparent to governments and under pressure from various quarters to liberalize markets further, investors realised the opportunities that were becoming available. The first privately-owned submarine cable in SSA, SEACOM, launched in July 2009, and was followed by further consortium cables EASSy, WACS, TEAMS, and ACE, and private cables GLO-1, and Main One between 2010 and 2012. During this period, competitive international capacity markets were established in most countries in SSA for the first time, and prices for international capacity in many countries dropped by more than 80%[7] within two years allowing retail prices to adjust to more reasonable levels.

With retail broadband becoming more affordable and demand growing, the bottlenecks developed down the line in backbone networks, metro (or backhaul) networks and access networks that reach to end users.

National backbone networks, which carried the submarine capacity to cities and towns across each country, needed to be upgraded; in many cases, these had previously used long-distance microwave links, markedly inferior to bundled fiber, which has many orders of magnitude more capacity than is typically available via microwave (hundreds of Gbps, compared with hundreds of Mbps). This led to further liberalization in many countries as new entities were created to deploy fiber (e.g. Broadband Infraco in South Africa and CEC Liquid Telecommunications Ltd in Zambia, both using the electricity company's transmission lines) and mobile operators deployed their own backbones, one of which was the origin of Liquid's current fiber network in Zimbabwe, deployed in 2009 in anticipation of greater international connectivity.

The "middle mile", also referred to as "backhaul", involves connecting sites that aggregate traffic, such as cellular towers, to large points of presence and thence to backbone networks. These commonly used microwave connectivity, and sometimes copper or satellite, but these technologies began to prove inadequate once 3G, 3.5G and later 4G LTE networks were deployed and data volumes started rising. A

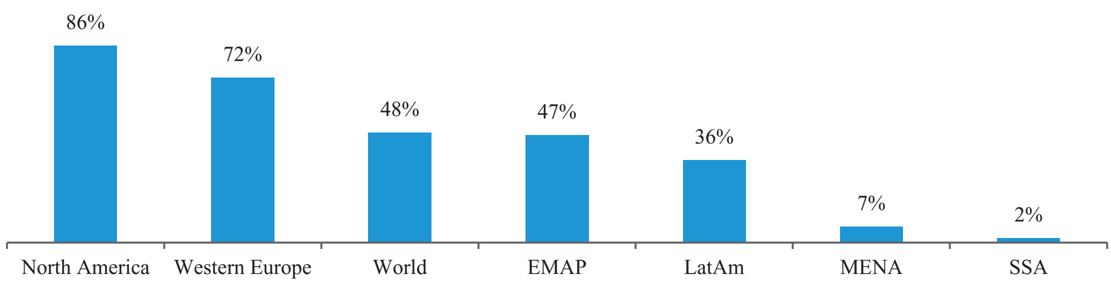
[7] Telegraphy.

tower site that had previously carried only voice traffic might need its backhaul capacity increased by two orders of magnitude—or more, if medium-term technology improvements are factored in—in order to carry data. Such sites, which may number hundreds or even thousands in a medium-sized city, increasingly require a fiber backhaul connection. MNOs can build these connections themselves, but Liquid's proposition is to allow a neutral carrier to undertake the build against a commitment to lease capacity. Once these backhaul networks become densely deployed in cities, they can be used to serve other high bandwidth sites such as the offices of MNOs and ISPs, enterprise solution providers, web-based service providers, cloud solution providers and OTT players.

Access networks, and in particular mobile networks, have attracted significant investment capital over the period described, and they continue to be a focus as upgrades, first to 3G and 3.5G in the period 2005–2010, and then to 4G LTE from around 2012 onwards, have dramatically increased the capacity of these networks. Spectruc strategies have also created capacity; technology to enhance spectral efficiency—the bits carried per unit of frequency—increased capacity by at least ten times in the last 15 years; more spectrum has been allocated to mobile data usage; and techniques have been developed to reuse frequency more effectively in congested areas. All this has driven the backhaul demand described above.

But as consumers have become accustomed to enjoying rich content on their handsets, they also began to demand a service that many had thought was irrelevant in Africa, given the almost insignificant deployments of copper landlines in most countries: end user fixed connections, in this case fiber to the home (FTTH) or fiber to businesses. Beginning with the rise of Wananchi's cable network in Nairobi in the early 2010s, there have been deployments of new fixed (FTTH or cable) networks in many cities in SSA including Johannesburg, Harare, Lusaka, Kigali, and Kampala. Given numerous national programmes particularly in developed countries since about 2008 to upgrade to "superfast broadband", SSA currently lags significantly behind other regions in this regard (as shown in the chart below): the percentage of premises passed by fiber (which is also referred to as next generation access ("**NGA**")) indicates significant growth potential for further fiber rollout.

Figure: 2016 premises passed by NGA as proportion of total premises (%)



Source: Analysys Mason Ltd

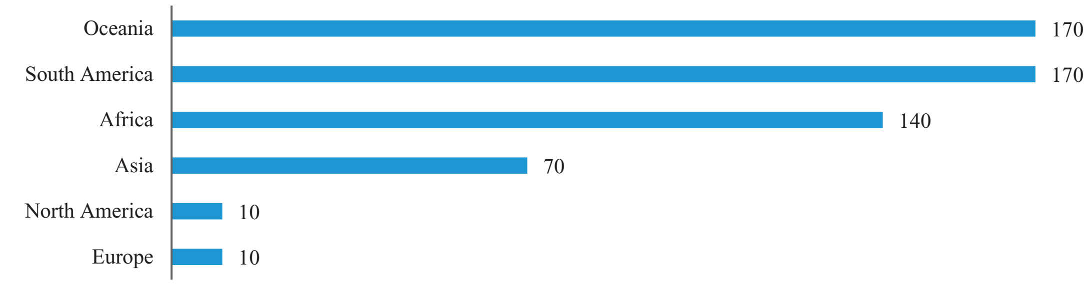
Market structure and supply dynamics

As described above, in the days of PTT switched voice SSA was poorly served by submarine cables, and gaps in service were generally filled by expensive satellite connections. The deficiencies in international connectivity have today been addressed following large scale investment in cables connecting Africa to the rest of the world. According to Xalam Analytics there were 14 operational submarine cables in SSA in 2016, providing approximately 70 Tbps of design capacity and approximately 5.3 Tbps of lit capacity (compared with approximately 0.5Tbps before 2010). Some 50% of that capacity was sold in 2016, compared with around 20% to 40% between 2010 and 2015. The same source records that US$4 billion had been spent on African international submarine cable buildout as at the end of 2016, approximately 85% of which occurred after 2009 (excluding upgrades).

Greater international capacity has caused the focus of investment to switch to terrestrial networks, which bring bandwidth closer to the end user. According to Hamilton Research, Africa's operational terrestrial fiber optic network route length has grown at a CAGR of 14.7% between June 2012 and June 2017 to reach approximately 820,000km of fiber as of June 2017. Liquid's investments form a part of this.

Increased capacity has also led to falling wholesale bandwidth prices in most African markets. According to Xalam Analytics, 2016 median prices across ten sample markets in SSA declined by 71% during the period 2010–2016. However, relative to Europe and the United States, African price points remain relatively high, indicating potential further price declines, further uptake of capacity, and consequently rising international traffic. This virtuous circle of rising usage and declining prices has already been observed since 2009.

Figure: Relative cost of international bandwidth (2016)



Source: Xalam Analytics

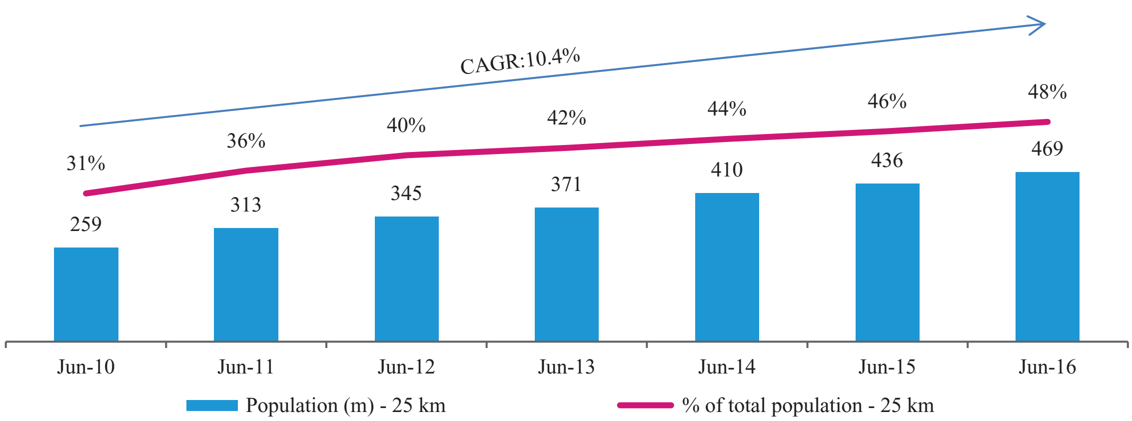
Material variations in pricing exist between African regions, which largely reflect a difference in price between coastal countries (with direct access to a landing cable) and landlocked countries, which landlocked countries are required to pay terrestrial transit fees to access international connectivity.

There are typically between one and three backbone providers in each country, sometimes including the former monopoly fixed-line provider, one or more of the mobile operators (most often not commercialising their own network), a network using electricity and/or train company rights of way, or an independent operator. Such networks may also be deployed collaboratively by competing operators, such as MTN, Vodacom and Neotel cooperating on the NLD network in South Africa and the consortium of operators in Tanzania. These models have sometimes run into some operational difficulties, for example when parties struggle to find areas of common interest to expand the network. In some countries the government owns the network (NOFBI in Kenya, NICTBB in Tanzania, Bofinet in Botswana), and various operating models are in use. Some routes were duplicated by competing operators in profitable areas or for the lack of reasonable access to existing networks (e.g. in Nigeria), despite the capacity of each network being far higher than conceivably required by all operators.

Metro networks have typically been deployed by new entrants such as DFA in South Africa or Liquid Telecom in various countries, or by mobile operators either alone (e.g. Safaricom in Nairobi) or in partnership (e.g. in Kinshasa).

As of June 2016, 210 million SSA residents had been brought within a 25km reach of a fiber-optic node since June 2010, representing 48% of the African population (as shown below). Operators are increasingly looking to cover key metro areas, those with large urban populations and numerous enterprises, where it is argued that the majority of future broadband demand would originate from.

Figure: SSA residents within 25km reach of fiber



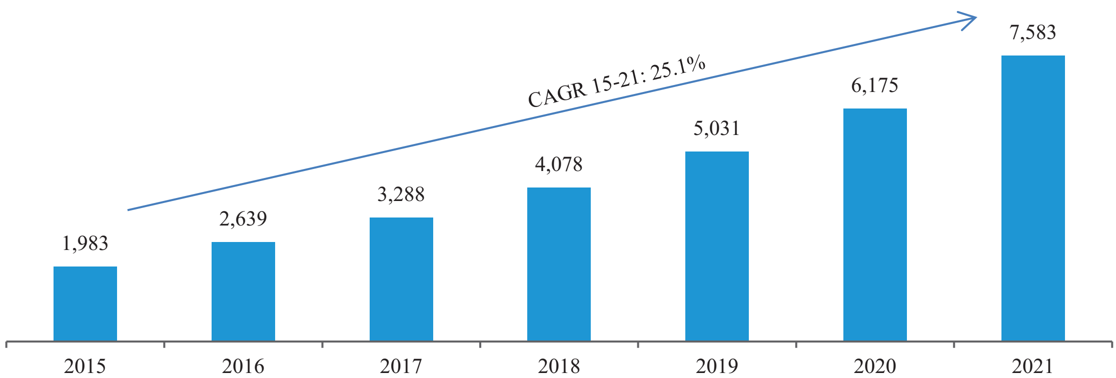
Source: Hamilton Research

In addition, the increasing metro fiber connectivity is enabling bandwidth providers in metro areas to address the currently underserved colocation space needs of the continent. According to Xalam Analytics there was approximately 50,000m^2 of data center space in use in 2015; supply remains focused around cities in the continent's three largest economies, Kenya (Nairobi), Nigeria (Lagos) and South Africa (Johannesburg, Cape Town), which together represent 95% of SSA data center supply. Although colocation space and attendant power supply in SSA has more than doubled between 2010 and 2015, the available colocation space supply in the entire SSA market is still around one seventh the size of Europe's single largest colocation market, London, and about one third the size of the second largest European market, Frankfurt.

Market size and growth prospects of data in Africa

African demand for data has been growing, driven by growth in broadband connections and growing internet usage. Cisco forecasts that the average internet user in the Africa-Middle East ("**AME**") region will generate 30.4GB of internet traffic per month in 2021, an increase of 321% from 7.2 gigabytes per month in 2016, growing at a CAGR of 33% (we are not aware of analyses that cover Africa alone). Substantial expansion in computing power, bandwidth-intensive applications, cheaper smartphones, increasing purchasing power amongst the consumer, technological changes via the introduction of 3G and particularly 4G LTE cellular networks, the rollout of Wi-Fi access points, and the increasing deployment of FTTH and enterprise fiber connectivity have had (and will continue to have) a meaningful impact on bandwidth traffic demand. Total IP Transit Traffic (internet traffic) in Africa is estimated to grow at a CAGR of 25.1% between 2015 and 2021 (as shown below).

Figure: Total IP Transit Traffic in Africa (Gbps)



Source: TeleGeography

The growth prospects for data in Africa are further illustrated by Ovum, who forecast the mobile data revenue market to increase from \$13.5 billion in 2016 to \$31.8 billion in 2021, growing at a CAGR of 18.7%. Mobile operators are increasingly seeing data as a percentage share of total mobile revenue increase—Ovum notes that this share will increase from 25.9% to 48.3% during the same period. That shift from voice to data on mobile drives demand from MNOs for fiber to base stations. It also increases consumer expectations of ubiquitous, unmetered connectivity which can only be cost-effectively delivered into homes and offices using fiber or fixed-wireless connections that are complementary to their mobile connections.

Key drivers of broadband demand

Key drivers of demand for broadband in SSA in the next five years are expected to be: increasing urban population and broadband penetration; increasing broadband requirements from enterprises; increase in smartphone penetration; acceleration of LTE deployments; intensification of FTTH deployments; and regulatory pressure.

Increasing urban population and broadband penetration

A rapidly growing population and increasing mobile penetration are leading to substantial increases in the number of mobile subscribers. SSA's 1.03 billion (2016) population is forecasted to more than double by 2050 to 2.2 billion people. Africa's urbanization rates are also forecast to increase, from 38% (urban as a percentage of total population) in 2016 to 55% by 2050 according to World Bank estimates. Urbanization is important for fiber as it improves the economics of delivering FTTH both because new buildings are delivered with space for fiber as standard, and because the same metro fiber infrastructure gets to carry more users and more revenue. Fiber broadband users also tend to consume vastly—typically an order of magnitude—more data on each connection than mobile users, so the ongoing deployment of FTTH will have a disproportionate impact on total bandwidth demand. Penetration of FTTH is clearly driven by its deployment, which is discussed in more detail below.

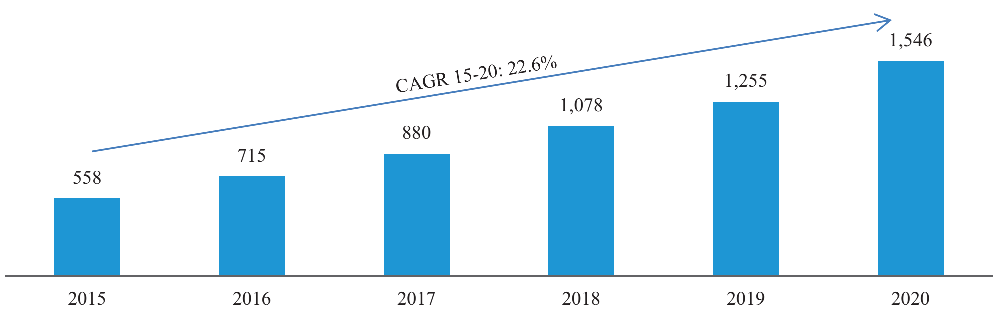
Ovum forecasts that mobile broadband penetration in Africa is expected to increase from approximately 25.5% in 2016 to 71.0% in 2021. Scale economies will help drive this growth, as more usage leads to lower unit prices. Combining a growing population, increased urbanization and population density, and ever greater use of data, it is clear that mobile operators' reliance on fiber backhaul is projected to increase significantly.

Increasing broadband requirements from enterprises

As connectivity improves in Africa and as its economies expand, business demand for managed services is becoming more sophisticated. Cisco forecasts that business internet traffic in the AME region will grow at a 2016–21 CAGR of 22%. Managed services can provide increased data storage, enhanced redundancy, reduced IT costs, improved connectivity and network efficiency; and in doing so they allow businesses to focus on core operations. Examples include financial institutions seeking modern and robust IT infrastructure for service delivery efficiency, security and disaster recovery purposes; media and content companies seeking more localized hosting infrastructure to feed local content across platforms to an increasingly digital audience; governments pushing e-government efforts to improve governance and service delivery to citizens; tech hubs emerging in key African urban centers; international carriers looking to integrate an African presence into their global networks and reduce latency; and online companies looking to extend their reach into the continent to facilitate access to their content and cloud services.

While these trends are evident to us as we go about our business, we note that there is little published market data or intelligence relating to SSA enterprise broadband or IT markets. One estimate, for the more easily identified multi-tenant colocation (i.e. data center) market, suggests that in Africa this will grow at a CAGR of 22.6% between 2015 and 2020 to $1.5 billion—as enterprise usage of data and managed services increases. We expected that either the total number of enterprises seeking connectivity, or the bandwidth required by each enterprise, will rise accordingly.

Figure: Third party colocation market forecast in Africa (US$ million)



Source: Xalam Analytics

Increase in smartphone penetration and usage per connection

Africa is generally less wealthy than other parts of the world, so affordability is a key driver. Falling handset prices, either new or used, continue to drive penetration. Touchscreen smartphones can already be purchased in many African cities for approximately $40. Access to smart devices encourages subscribers to upgradefrom basic 2G services to 3G and 4G LTE, and each of these upgrades, together with use of bandwith-hungry applications, results in consumption of an increasing amount of data. According to Ovum, at the end of 2016, smartphone penetration in Africa was 22.8% which is relatively low when compared to penetration rates in North America and Western Europe of 71.7% and 84.3% respectively. Ovum forecasts that smartphone penetration in Africa will increase to 64.6% by 2021, thus providing a catalyst for an increase in data usage per subscriber. In absolute numbers, this translates into an increase of 609 million new smartphone connections between 2016 and 2021, to reach 886 million smartphone connections by 2021, growing at a 2016–21 CAGR of 26.2%.

Increased smartphone penetration, coupled with higher broadband speeds—average broadband speeds in the MEA region are forecasted to increase by 2.3x between 2016 and 2021—are forecasted to drive data usage growth. Moreover, as more devices are 3G/4G LTE enabled, a migration of voice traffic from traditional switched networks (voice) to Voice-over-Internet Protocol networks ("**VoIP**") is also envisaged to drive data usage growth, as illustrated by TeleGeography noting that VoIP subscribers in Africa increased at a CAGR of 24.5% between 2012 and 2016.

Acceleration of 4G (LTE) deployments

Today's ongoing large scale roll-outs of 4G LTE, which delivers much faster speeds, will require further densification of wireless backhaul connectivity. According to Xalam Analytics, fifteen LTE networks became operational in 2015 and another twenty LTE networks were estimated to have been rolled out in 2016, resulting in over half of MNOs operating an LTE network by the end of 2016. This translated into a LTE penetration rate of 1.5% for Africa in 2016 with further bandwidth network demand anticipated as this number, as reported by Ovum, is expected to increase to 12.5% by 2021.

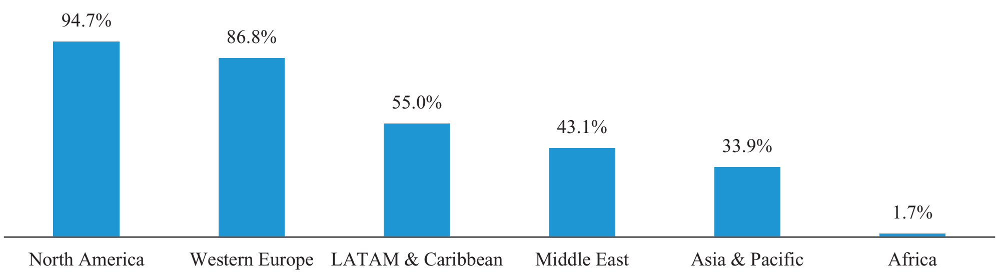
Significantly, a major benefit to rolling out LTE is the lower cost per MB delivered compared with 2G or 3G networks, which should lead to lower end user prices which in turn supports the increased mobile data usage per connection described previously.

Intensification of FTTH deployments

Demand for domestic and SME fiber connections is now taking off in Africa. Households and other premises derive great cost benefits from a fiber connection plus wifi router, rather than each household member connecting to a mobile signal. Online media and content are at the same time, becoming the norm, and the quality of afiber link supports easy access. Accordingly, Cisco forecasts that Internet video will grow at a CAGR of 50% between 2016 and 2021 in Africa and the Middle East.

These trends are leading to substantial capital investments in fiber networks by bandwidth infrastructure providers, although in Africa the numbers are currently small: Africa's median household broadband penetration at December 31, 2016 was 1.7% according to TeleGeography, compared to penetration rates of 86.8% and 94.7% respectively in Western Europe and North America.

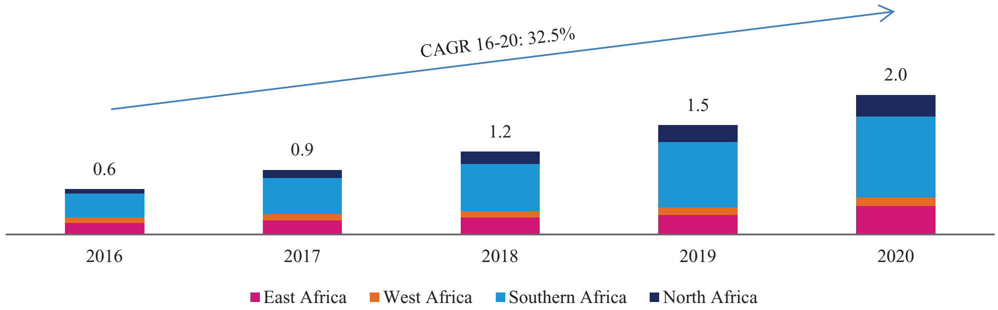
Figure: Household broadband penetration (December 2016)



Source: TeleGeography

This suggests there is substantial room for further growth, and change is very recent: Xalam Analytics notes that 75% of Africa's FTTH connection growth since 2010 had occurred between 2015 and 2016 alone. It is expected that the total number of FTTH connections in Africa will reach two million by 2020, with a run rate of approximately 330,000 new connections per year, resulting in FTTH being the second largest access technology in Africa by 2020.

Figure: FTTH connections in Africa (millions)



Source: Xalam Analytics

Regulatory pressure

Across Africa, MNOs are constantly under pressure to improve their quality of service. Most congestion problems arise because data traffic is growning faster than the mobile network can handle, and the bottleneck is often the backhaul. Regulatory intervention has therefore encouraged MNOs to find ways of deploying fiber backhaul, one of which is to partner with an independent bandwidth infrastructure provider using service level guarantees to ensure the quality of service and effectively using shared infrastructure to deliver solutions at a lower cost than for self-building.

Additionally, regulatory requirements that content be hosted locally are becoming increasingly popular in Africa—most banking regulations, for example, require sensitive customer information to be hosted locally, one of the core reasons why large banks tend to manage their own local data centers. However, pressure from cyber threats and the requirement to create backup sites will increasingly drive companies to look for secure, off-site storage options. This will drive investment in independent data centers, designed with collaction in mind, and will require dense, reliable fiber connections. Furthermore, governments are pursuing national broadband and financial inclusion plans, as they view increased connectivity and 'banking the unbanked' as important drivers of economic growth. This would further drive demand for network expansion, and also spur development of local expertise and local applications.

South Africa's Telecommunications Market Overview

Introduction

South Africa has a mature mobile telecommunications industry, with a high mobile penetration rate compared to the African region and a growing penetration rate across fiber as operators seek to connect more cities and towns. It was one of the first on the continent to commence the rollout of a mobile phone network and remains one of the largest telecommunications markets on the continent.

Mobile

South Africa's mobile telecommunications market is primarily served by three network operators—Vodacom Group Limited, MTN Limited and Cell C Limited. Vodacom is majority owned by Vodafone plc, a UK-listed mobile operator, and is listed on the Johannesburg Stock Exchange (JSE). MTN is also listed on the JSE with no shareholder of reference. Cell C is privately held, with Saudi Oger as its controlling shareholder. Cell C is currently subject to a debt restructure which is expected to see JSE-listed Blue Label Telecom become a large minority shareholder. Telkom SOC has a mobile service offering but has limited mobile network infrastructure. Virgin Mobile South Africa is the largest of several MVNOs operating in South Africa.[8]

The mobile network in South Africa covers the majority of the country, with 99% of the population having 3G coverage and 75% of the population having 4G LTE coverage in 2016. The expansion to 75% 4G LTE coverage was a 22 percentage point increase over the 4G LTE coverage available in 2015.[9]

8 Company websites

9 ICASA, from licensee reporting

As at 30 September 2016, there were 68.7 million prepaid mobile subscriptions and 12.6 million postpaid mobile subscriptions in the country, a total of 81.3 million subscriptions. Among this subscriber base, there were approximately 24.3 million smartphones in use. The industry generated approximately ZAR82.2 billion in revenue for the 12 months ended September 30, 2016. Mobile voice generated ZAR39.5 billion of this, a 6% decline from the same period in 2015, while mobile data generated ZAR37.9 billion in revenue, a 25% increase on the preceding period. In 2016 there was a 55% increase in mobile data traffic over 2015. Across South Africa, 47.6% of the population accessed the internet by use of their mobile phone, with less than 10% having access via home fixed broadband.[10]

South Africa is experiencing a shortage of 4G LTE spectrum which has seen most mobile operators being forced to re-farm spectrum previously used for GSM. In September 2016, ICASA was interdicted from continuing with a spectrum auction planned for 2017 in the 700MHz, 800MHz and 2.6GHz bands following an urgent application by the then Telecommunications and Postal Services Minister. The auction has been indefinitely postponed—the latest in a string of postponements since 2010. Switchover to digital television, which would free up some of these airwaves, has been repeatedly delayed and no firm date has yet been set.

Fixed Market Overview

Telkom SOC, a former state-controlled monopoly, is the largest fixed-line network operator in South Africa. It has been a listed public company since 2003 and the South African government currently owns a 39% stake. Neotel (now Liquid Telecommunications South Africa Proprietary Limited) was founded in 2006 as the second network operator to have a PSTN (public switched telephone network) license and is the second largest and only other fixed-line network operator with a network spanning the entire country. The country is served by 5 sub-sea cables—SEACOM, WACS, EASSy, SAT-2, SAT-3/SAFE.

The fixed-line market had approximately ZAR26.3 billion in revenue for the 12 month period ending September 30, 2016. This was primarily composed of fixed-line voice revenue of ZAR12.7 billion and fixed-line internet and data revenue of ZAR12.6 billion. While there has been pressure on revenues in the fixed-line segment owing to slowing voice revenue, the FTTH/B rollout underway in many of South Africa's metros is expected to increase adoption, although competition may place some pressure on FTTH/B prices. This rapid FTTH/B rollout, together with 4G LTE expansion, has seen the average internet connection speed in South Africa expand from 3.7 Mbps in 2015 to 6.0 Mbps in 2016.[11]

Enterprise

South Africa's enterprise segment is served by multiple industry players, primarily Telkom, Neotel (now called Liquid Telecommunications South Africa Limited), MWEB, Seacom and Internet Solutions (a Dimension Data company). The latter three own very limited fiber capacity of their own, and generally buy and re-sell capacity from third-party owners. Approximately 80% of enterprise market revenue stems from connectivity services such as Ethernet links, leased lines and managed IPVPN.[12] South Africa currently has 37 data centers, with demand expected to grow by 11% per year as a result of government digitization, cloud migration and the provision of content-rich services off the back of FTTH rollout.[13]

In 2016, Telkom acquired Business Connexion (BCX) for ZAR2.7 billion, merging its historically connectivity-focused Telkom Business unit with BCX which had a stronger managed service and integration offering across IT/VAS.

Wholesale

South Africa's wholesale voice and data segment is primarily served by Telkom and Neotel, with smaller wholesale networks linking major metros and select towns, such as Dark Fibre Africa, SEACOM, Fibreco, and state-owned Broadband Infraco. In 2015, Telkom created Openserve to house its wholesale operations and provide equal access to its fiber broadband and metro Ethernet network as well as IP Connect and South African Internet Exchange offerings.

[10] Ibid

[11] ICASA

[12] Detecon

[13] Ibid

Due to growing penetration of smart mobile devices, fixed-lines (especially FTTH) and data usage growth, Detecon expects South Africa's international bandwidth usage to grow at a 42% CAGR to 2021.

Broadband / retail

In recent years multiple open access fiber network operators have been laying cable in the more affluent areas of South Africa's major metros. This is a recent trend, and according to StatSA, in 2016 only 9.5% of the population had access to the internet at home.[14] Major companies focused on rolling out FTTH include Vumatel, Openserve, Vox Telecom and SA Digital Villages.

South Africa's retail broadband sector has undergone some consolidation in recent years, which has seen mobile operators such as MTN enter the market through their stake in Afrihost as well as integration across segments where Internet Solutions acquired former Naspers ISP and broadband provider MWEB.

Zambia's Telecommunications Market Overview

Mobile

There are three major mobile operators in Zambia, MTN, Airtel and Zamtel, who together had 2.2 million unique subscribers as of 2015[15]. The network covers 93% of the country. Approximately 65% of households in Zambia had access to a mobile phone in 2015. At an individual level, 51% of the population above 10 is an active user of a mobile phone (having used a mobile device in the last 3 months). Of these active users, approximately 81% own the device. In 2015, 13.5% of mobile phones were smartphones.[16] In 2015 the mobile sector earned approximately US$500 million in revenue, with an expected CAGR to 2021 of 6%.[17]

Fixed Market Overview

Zamtel is the only fixed-line voice provider in Zambia and the network remains small: approximately 0.3% of households in the country have access to a fixed-line.[18] In addition to Zamtel, CEC Liquid Telecommunications Ltd, ZESCO, Kenya Power and Powertel provide fiber network access. The fixed-line market is estimated to generate US$19 million in revenue in 2015, with a 3% CAGR forecast between 2015 and 2021.[19]

Internet / broadband

While internet access remains small, it has grown rapidly with the proportion of households having access to the internet doubling to 12.7% from 2013 to 2015. The majority of this (91%) however is over a mobile phone or mobile broadband dongle. Only 2% had access to a terrestrial fixed broadband network.[20] Wholesale data usage is expected to grow at a CAGR of 36% between 2015 and 2021.[21] Major local wholesale firms aside from CEC Liquid Telecommunications Ltd include Zesco, Zamtel and Smartnet. Over the period from 2017–2023 data center demand (by business) is expected to increase tenfold to over 1,100 businesses.[22]

[14] General Household Survey, 2016

[15] GHS 2016 released last week, updated

[16] Zambia Information and Communications Technology Authority (ZICTA), from licensee reporting

[17] Detecon

[18] ZICTA

[19] Detecon

[20] ZICTA

[21] Detecon

[22] Ibid

Zimbabwe's Telecommunications Market Overview

Mobile Market Overview

There were approximately 12.9 million active mobile phone subscriptions in Zimbabwe at the end of 2016 across three operators—Econet, Telecel and NetOne. Econet had approximately 49% of the subscriber market share, followed by NetOne with 37%. Prepaid makes up 99% of all subscriptions. Zimbabwe has a high mobile penetration rate of 95% at December 2016 and a rapidly growing mobile internet and data usage market, with a 149% CAGR between 2012 and 2016. Econet has a 71% share of the mobile data market as of 2016. Smartphone data is not reported by the regulator, however LTE use (by subscriber) grew 70% during 2016. The entire mobile market generated US$733 million in revenues for the year ended December 31, 2016.[23]

Fixed Market Overview

There were 0.3 million active fixed-line subscriptions in Zimbabwe as of December 31, 2016. Together with the fixed data market, the fixed-line segment earned approximately US$250 million in 2015.[24] TelOne is the sole PSTN fixed-line operator in Zimbabwe. TelOne's countrywide transmission backbone spans over 3,000km using microwave radio, fiber optic and open wire systems. As at November 2016, Tel One's CDMA service footprint outside the capital had reached only the surrounding towns of Chitungwiza and Ruwa. In June 2016, TelOne launched a new VoIP telephony service.

Other operators including Africom and PowerTel offer VoIP-based voice services—carried over their own fiber-based IP networks.[25] Both companies operate under internet access provider Class A (including VoIP) licences, and are not licensed as fixed-line telephony providers or mobile cellular network operators. In January 2012 Econet launched VoIP telephony services under its Econet Broadband division (since transferred to Econet's sister company, internet provider Zimbabwe Online (Pvt) Ltd (ZOL), under the name ZOLphone). The VoIP product is positioned as an alternative to TelOne's fixed voice services.

Internet / broadband

Zimbabwe had a 50% internet penetration rate at 31 December 2016, with 98% of those having access to the internet accessing it over a mobile device.[26] International bandwidth usage is forecast to grow at a 30% CAGR between 2015 and 2021 to 355Gbps. Over the same period, the data center demand by businesses is expected to grow tenfold.[27]

Kenya's Telecommunications Market Overview

Mobile Market Overview

The Kenyan mobile market had 39 million active subscriptions at 31 December 2016, representing a mobile penetration rate of 88%. Safaricom has the largest share of these subscriptions, with 71% of market. There are five mobile operators holding the remaining 29% of the market—Airtel, Finserve, Telkom Kenya and Sema Mobile Services. Of all active subscriptions, 96% are prepaid. For the year ended 31 December 2015, the mobile sector earned approximately US$2.1 billion in revenue (including for mobile data services). The number of mobile data/internet subscriptions has grown from approximately 8 million in 2012 to 27 million in 2016, representing a CAGR of 37%.[28] With the ongoing adoption of 4G LTE technologies, it is expected the mobile market will have a US$ CAGR of 4% between 2015 and 2021, bringing total mobile revenues of US$2.8 billion.[29]

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23 Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ), from licensee reporting

24 Detecon

25 TeleGeography

26 POTRAZ

27 Detecon

28 Communications Authority of Kenya (CA), from licensee reporting

29 Detecon

Fixed Market Overview

Kenya has a small fixed-line network with approximately 72,000 subscriptions. The fixed wireless and fixed-line traffic totaled 675,000 minutes in the three months ending December 31, 2016. There was approximately a 18% decline in fixed-line subscriptions over the preceding year.[30]

Internet / broadband

Kenya has an internet penetration level of approximately 90%. Of the population accessing the internet, 99% accessed on a mobile device. Kenya has an established wholesale market served primarily by Liquid Telecommunications Kenya Limited, Safaricom, Internet Solutions, BCS Group, FON, Kenya Power, Wananchi and Telkom Kenya (Telkom has the management of NOFBI, the government's fiber network). Current estimated international bandwidth usage is estimated at 294 Gbps. This is expected to grow at a 43% CAGR between 2015 and 2021 due to growing fixed and mobile penetration and an increase in mobile business subscriptions.[31] The current data center addressable market is estimated to be approximately 1,500 businesses and is expected to more than triple to over 5,000 businesses by 2023.[32]

Tanzania's Telecommunications Market Overview

Mobile Market Overview

There are seven mobile operators in Tanzania with approximately 40 million subscribers as of March 31, 2017—Vodacom Tanzania, Tigo Tanzania, Airtel Tanzania, Halotel, Zantel, Smart Telecom and TTCL. Vodacom, Tigo and Airtel have approximately 85% of the market share split approximately equally between the three operators. This represents a penetration rate of approximately 80%.[33] Revenue for the sector was estimated to be US$1.2 billion in 2016, forecast to grow at a 4% CAGR to US$1.5 billion by 2021.[34]

Fixed Market Overview

There were approximately 130,000 fixed-line voice subscriptions in 2016, representing a penetration rate of approximately 0.25%. Fixed data line subscriptions are substantially higher, with fixed wireless and fixed wired internet users numbering 1.8 million. Fixed data revenue was estimated to be US$134 million in 2016, with an expected CAGR of 13% between 2015 and 2021. Approximately 91% of internet users access the internet via a mobile device, although the internet penetration rate remains low at 40% in 2016.[35] This was still a significant increase over the 21% penetration rate in 2013. This trend is expected to continue with wholesale international bandwidth usage expected to grow at a CAGR of 48% between 2015 and 2021.[36] The addressable market for enterprise services is estimated to be 2,900 businesses, the number of which is expected to grow 4% annually between 2015 and 2023.[37]

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30 CA

30 World Bank

31 Detecon

32 Ibid

33 Tanzania Communications Regulatory Authority (TCRA), from licensee reporting

34 Detecon

35 TCRA

35 World Bank

36 Detecon

37 Ibid

OVERVIEW

We are one of the largest multi-country, open access fiber network and data center operators in Africa, delivering national and international connectivity solutions and hosting to mobile operators, carriers, enterprises, media and content companies, other internet service providers, as well as retail customers.

Our fiber optic network currently stretches over 50,000km across Sub-Saharan Africa, one of the world's fastest growing data market regions, and enables us to support high-bandwidth, low-latency applications, such as 3G/4G LTE mobile tower backhauling, OTT content delivery, entertainment video and security CCTV streaming, machine-to-machine connectivity, private connections to data center storage and computing services, cloud-services, and other applications.

We own and operate our own fiber optic and wireless networks across nine countries on the African continent: South Africa, Kenya, Tanzania, Rwanda, Uganda, Botswana, DRC, Zambia, and Zimbabwe, with further commercial presence in Nigeria, Mauritius, the United Arab Emirates and the United Kingdom. This makes us the only operator in Sub-Saharan Africa with a single multi-country fiber network of such geographic breadth. Our cross-border backbone fiber network links to our own extensive metropolitan and fiber network, which is composed of access fiber and fixed wireless access networks in all major cities and most secondary cities in the region. We have attracted a diverse customer base that includes some of the largest consumers of infrastructure-based solutions, such as mobile network operators ("**MNOs**"), financial institutions and other multinational corporations, international carriers, Internet service providers ("**ISPs**") and other leading national companies, as well as small-medium enterprises ("**SMEs**") and retail consumers.

In addition, our three data centers (in Nairobi, Johannesburg, Cape Town) and two co-location facilities (in Zambia and Zimbabwe), allow us to attract global enterprises and cloud solutions providers, which historically hosted African data in Europe, to partner with us and host content and computing capabilities on the African continent to reduce latency and improve customer experience. Our data centers, of which one is design certified as Tier 3 by the Uptime Institute and two others are built to Tier 3 standards (in South Africa), coupled with our extensive metropolitan and fiber-to-the-building networks, deliver high-bandwidth solutions enabling businesses to migrate their IT infrastructure to the cloud and expand across the region.

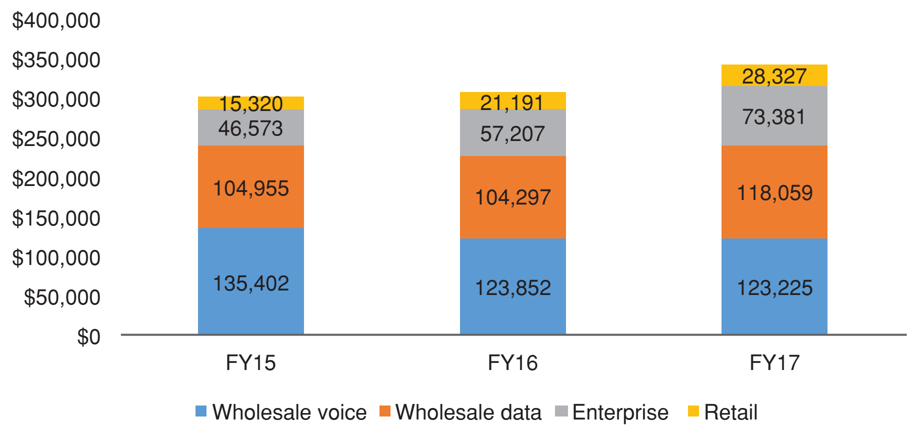
We believe digital services in Africa represent a significant revenue growth opportunity, with smartphone ownership, number of FTTH connections, and data center colocation demand all expected to rise over 20% per year between 2016 and 2021 (see "*Industry Overview—Key drivers of broadband demand*"). Our inclusive vision of helping to build Africa's digital future has also allowed us to provide high-bandwidth connectivity into regions that have never had any fixed-line infrastructure, allowing these emerging markets to leapfrog older fixed-line technologies to fiber optics and 4G LTE networks, providing greater bandwidth for voice and data communications and services. We believe we are well positioned to build and capture the potential of the African digital future, as digitization expands across Africa (as consumers switch from 2G to 3G/4G LTE enabled handsets, from traditional voice to broadband and VoIP, and from individual small screen data consumption to always-on multiscreen broadband in the home) and enterprises expand their geographical reach and increase their connectivity and reliability requirements.

We offer services to customers split into four segments:

- ***Wholesale Voice.*** Services offered include international wholesale voice termination and interconnect.
- ***Wholesale Data.*** Our wholesale data service and product offerings include leased dark fiber, national and international leased lines, fiber backhaul to sites (towers and buildings), IP transit, and data center services.
- ***Enterprise.*** Our service and product offerings to the enterprise customers include MPLS and Ethernet private connections, dedicated (uncontended) internet access, voice and PBX services, cloud-based storage and computing solutions, VSAT connections, and managed Wi-Fi and LAN solutions. In addition, our enterprise service offerings include payment solutions to financial institutions and retailers by processing credit card payments and managing points of sale and mobile money terminals.
- ***Retail.*** Our retail service and product offerings include broadband connections (with GPON FTTH, fixed LTE, and other access technologies), voice communication, entertainment, education and security solutions, and other bandwidth, connectivity and payment solutions.

For the year ended February 28, 2017, we had total revenue of US$343.0 million, net profit of US$54.1 million and Adjusted EBITDA of US$117.8 million. The following chart sets forth a breakdown of the Liquid Group's revenue by segment for the years ended February 28, 2017, February 29, 2016 and February 28, 2015.

Figure: Revenue by segment (in US$ thousands)



Key Operating Measures

The following table sets out certain key operating measures by business line for the periods indicated.

	February 28, 2015	February 29, 2016	February 28, 2017
Wholesale voice			
Total wholesale voice minutes (in millions) on our network, for the year ended	515	431	482(2)
Wholesale data			
Number of km of fiber laid(3), for the year ended	2,595	5,047	6,072
Amount of IP transit capacity sold (Mbps)(4), as at the year ended	6,217	21,084	64,562(1)
Enterprise			
Number of enterprise customers(5), as at the year ended	3,977	5,265	16,922(1)
Retail			
Number of broadband customers(6), as at the year ended	14,839	27,045	95,750(1)
Number of premises passed with GPON FTTH access networks(7), as at the year ended	48,333	60,083	69,585(1)

(1) Includes Neotel.

(2) Includes wholesale voice traffic on Neotel's network for 19 days, from February, 10, 2017 until February, 28, 2017.

(3) 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. Excludes Neotel and Raha.

(4) Amount of IP Transit capacity sold to our customers, by counting the IP Transit capacity purchased by each operation (on behalfof their own customers) from Group. It excludes all other products such as international leased lines.

(5) Represents the number of enterprise connections (or customer numbers if the number of connections per customer is not available) at a given time.

(6) Represents the number of broadband customers (including subscription customers and prepaid customers) by each operation at a given time.

(7) Represents the number of premises that are ready for service where a short (usually less than 200m) fiber link has been or can be installed to connect the premise.

Key Financial Measures

The following table sets out certain key financial measures by business line for the periods indicated.

	February 28, 2017
	(US$ thousands, unless otherwise indicated)
Average churn rate[(2)] during the year ended[(1)]	0.74%
New Sales ("Sold TCV for new services")[(3)] during the year ended[(1)]	84,664
Service Activation Pipeline ("MRR Backlog")[(4)] as at the year ended (including Raha and Neotel)	1,579

(1) Excluding Neotel and Raha.

(2) Churn is the monthly recurring revenue that was lost during the period following a termination of service due to disconnections, downgrades, price reduction, and non-renewals. Yearly average churn rate is calculated as the average of monthly churn.

(3) Sold TCV is the 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 our 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.

(4) Service Activation Pipeline, or MRR Backlog, is the monthly recurring revenue expected from service orders, signed by our wholesale and enterprise customers (excluding inter-company orders) that have not yet been installed, accepted by the customer or activated, and therefore not generated revenue yet.

	February 28, 2015	February 29, 2016	February 28, 2017
	(US$ thousands, unless otherwise indicated)		
Wholesale voice			
Revenue for the year ended	135,402	123,852	123,225
Revenue growth during the year ended		(8.5)%	(0.5)%
Wholesale data			
Revenue for the year ended	104,955	104,297	118,058
Revenue growth during the year ended		(0.6)%	13.2%
Enterprise			
Revenue for the year ended	46,573	57,207	73,381
Revenue growth during the year ended		22.8%	28.3%
Retail			
Revenue for the year ended	15,320	21,191	28,327
Revenue growth during the year ended		38.3%	33.7%

Key Strengths

We consider our key strengths to include the following:

Our network and communication infrastructure assets are difficult to replicate

We own and operate the largest independent, cross-border fiber network in Africa, connecting more countries on a single network than any other. This affords us a unique market position and provides a significant barrier to entry of competitors. We believe that replicating our extensive fiber network, or consolidating existing networks regionally, would be difficult given the significant capital, time, permitting and expertise required. We have been able to develop and maintain key relationships with blue chip customers and create synergies internally and externally that provide us with an efficient cost base. We believe that the vast majority of our customers, particularly our wholesale and enterprise customers, choose our services primarily because of the quality, reliability and reach of our network, which positions us as a time- and mission-critical infrastructure supplier in support of high-bandwidth usage.

Our fiber network spans over 50,000km, made up of densely laid local access connections to sites/buildings, metropolitan network rings as well as interconnected regional and cross-border backbones, and offers connectivity to the five main sub-sea cable systems—WACS, EASSy, SAT-3, and TEAMS (in which we are direct shareholders), and SEACOM—connecting Africa to the rest of the world. Our extensive VSAT network further facilitates international connectivity for remote locations and as secondary (backup) solution. We also have three large data centers (Tier 3 design) and two smaller co-location facilities across our operations allowing data storage and cloud computing capabilities to be integrated with our network offering. Additionally, we have rights to high demand spectrum in South Africa, Africa's most developed mobile and data market, in the 800MHz, 1,800MHz, and 3.5GHz bands. These bands are critical in the rollout of LTE/4G and universal access networks by MNOs. We further have a rich inventory of spectrum assets (typically in the 2.3GHz and 3.5GHz bands) across our other operations, used to provide enterprise and retail connectivity (fixed wireless access) services.

Except in South Africa where we operate the second largest network, as we have rolled out our fiber networks before most of our competitors, we believe we benefit from a significant advantage that makes our network difficult to replicate. Our first-mover advantage in rolling out fiber along the most efficient routes makes it uneconomical for a competitor to build a fiber network along similar paths after us. Further, our position as owner and operator of the network, allows us to have access to a low incremental cost structure to offer additional services (as our costs are mostly fixed), greater control than our competitors over the service levels we guarantee our clients, maximize overall network uptime and customer experience, and provide end-to-end connectivity while minimizing difficult interconnection between technically diverse national networks. This provides us with the advantage of competitively pricing contracts while aiming to achieve the best customer experience possible.

We operate our network on an open-access policy, which means that any market players, including direct competitors, can request and be granted access to our fiber network, on terms we might mutually find reasonable. This form of network sharing also degrades the financial attractiveness of building redundant networks along existing routes, as more attractive financial terms can be obtained by leasing our network. Additionally, a number of regulatory and local governments have begun to insist that once a fiber route has been laid, all new interested parties should use existing fiber routes.

We have been awarded a number of authorizations, licenses and wayleaves over the years that collectively form a significant barrier to entry, as it would take a substantial amount of effort and time for a rival operator to be awarded rights and authorizations to the same extent. Our assets include rights to use scarce resources such as spectrum, which in a number of countries where we operate is no longer available for additional allocation (in particular South Africa) in the medium term. Rights to use available spectrum in commonly used bands (typically 700MHz to 3.5GHz) is usually obtained in return for a significant regulatory fee.

We continue to build multiple fiber routes and system redundancies across our network, and actively peer with other networks to further support our service level offering to clients who depend on world-class connectivity.

We have a comprehensive product portfolio that provides revenue scale and flexibility

We believe we are the only African fixed network operator with a complete telecommunication service portfolio across the wholesale voice, wholesale data, enterprise, and retail segments, that is available in nine Sub-Saharan countries. Our key products include leased dark fiber, IP Transit, Ethernet and IP connectivity, voice services and other high-bandwidth offerings. We also offer wholesale voice interconnect, managed and public Wi-Fi, broadband Internet access and value added services, such as VPNs, computer backups, LAN installation and support, PBX installation and support, and other services.

Our access to an end-to-end network (on which we can provide the entire service, without relying on third party telecommunication infrastructure providers) allows us to differentiate ourselves by our ability to manage the quality of our service, ensuring the high quality and reliability levels. This platform ultimately allows us to provide more services to end users, such as LAN management, onsite and cloud-based PBX, and other IT services, which creates cross-selling and up-selling opportunities and revenue growth potential. We are able to capture a larger share of the total telecommunications and IT spend of our customers (including wholesale, enterprise and retail customers) by selling multiple products, which are all supported on our infrastructure (with limited variable increased operating costs).

Furthermore, our expanding data center capabilities (including the only design certified as Tier 3 by the Uptime Institute in East Africa) across our network distinctively position us to offer hosting and cloud-based solutions to our clients, combining connectivity services with data storage, retrieval and processing capabilities. Data center co-location and cloud service offering, beyond our wholesale and enterprise product range, are expected to be a major growth area as African enterprises becomes increasingly digitized.

We have established relationships with a blue-chip customer base

Our ability to provide pan-African connectivity services allows us to serve as a one-stop shop for blue-chip African and international carriers and enterprises, providing integrated software, cloud, hosting and connectivity capabilities. Our full-suite portfolio allows us to service a diverse customer base across Africa and across customer segments such as MNOs, global carriers, multi-national corporates, governments, non-governmental organizations, SMEs and other retail clients, providing us with diverse sources of revenue and earnings stability. We have established key relationships, formalized through MSAs, with enterprises such as AT&T, Verizon, MTN, Airtel, Vodacom, Orange Business Services, PCCW, BT Global Services, China Telecom, BICS, Econet Wireless and others. The average length of relationship with our top 5 customers is 8.7 years.

There is also a growing interest from enterprise cloud service providers and OTT players to work with us across Africa, potentially creating long-term relationships with global software and service company such as Microsoft, among others. The scale, reach and sophistication of our operations allow us to partner with global software companies with a specific focus on offering cloud hosting, connectivity and software-as-a-service to clients directly as well as large cloud and software solutions providers. Partnering with OTT, software companies, multi-national corporations, niche high-value customers and regional state organizations on long-term contracts provides us with blue-chip customers whose own product offerings are deeply embedded with ours. For such customers, having a single provider for multiple countries helps mitigate the lower profitability of these countries compared to developed European, US, and Asian markets where they already operate.

We believe the "Liquid Telecom" brand is now a well-recognized and highly-regarded brand across the African continent in the telecommunications industry, and is generally associated with quality, reliability, international reach and innovation. We benefit from this reputation when considering new opportunities, as large enterprise and wholesale customers, as well as governments, regard "Liquid Telecom" as a financially stable, expert and trusted group that provides a one-stop shop for all services. We have also invested in the development of segment-focused brands such as "ZOL" and "Hai" (retail services) and of product-specific brands such as "TPS" and "PayBay" (payment services). These brands are regarded as local telecommunication industry leaders and allow the Group to maintain national and segment-specific prominence, while still maintaining an international appeal with the "Liquid Telecom" brand.

We have a strong market position across our nine geographies with growing demand for telecommunication solutions and services

We believe we are the largest fiber network operator (in terms of both revenues and length of fiber routes) in Zimbabwe, Zambia, Kenya, Rwanda and Uganda, and the second largest in South Africa. We believe we are the largest wholesale data carrier and the largest enterprise connectivity service provider (in terms of revenues) in all our markets but South Africa, DRC (the largest in the south-east region of Katanga) and Tanzania (and Botswana where we only launched our operations in 2017). We believe that we are the largest FTTB and FTTH provider (in terms of buildings connected and premises passed) in Zimbabwe, Zambia, and Rwanda, and one of the largest in Kenya, Uganda and Tanzania.

Substantial growth is forecast in our target countries and industry. Africa's GDP growth is expected to be 3.4% by 2018–19, and even higher at 5.2% if resource-exporting economies South Africa, Angola, and Nigeria are excluded. Urban populations, which are both easier to serve with high speed broadband and tend to have higher demand, are expected to grow, 1.4 million FTTH connections are expected to be added between 2016 and 2021, and 610 million subscribers will acquire smartphones for the first time in the same period. This is expected to drive demand for Internet connectivity (IP transit) from 2.6Tbps to 7.6Tbps over that period.

As the owners and operators of the largest independent fiber network in Africa, we enjoy a first mover advantage in a sector with significant barriers to entry and no current competitor to match the scale of our cross-border network. The 'size factor' of the Group allows us to derive significant operational and cost synergies, including the ability to profitably launch services that were not previously available in the country, and to negotiate more favorable pricing and other commercial terms with our key suppliers. Our unique market position on the African continent attracts interest from the owners of smaller competitors in an industry under pressure to provide greater access to capital to cope with rapid growth. We undergo a rigorous process when selecting organic and inorganic growth opportunities following governance procedures which adhere to our financial, technical, planning and strategic process committees.

We have strategically designed our network footprint and product offerings to benefit from the growing market for telecommunication services in Africa. Africa represents one of the least penetrated fixed and mobile data connectivity markets in the world, poising it for sustained long-term growth as the continent is expected to be the fastest growth data market, with an expected CAGR of 33% in Internet traffic volume per user (for Africa and Middle East) and 25.1% in IP transit traffic (for Africa) in the world between 2015 and 2020 (see "*Industry Overview—Market size and growth prospects of data in Africa").*

Robust mobile, enterprise and retail data growth are expected to increase demand and reliance on fiber connectivity, which is critical to offload data traffic from cellular networks and deliver high-bandwidth services in buildings and residential premises. We believe that our unique and dense access, metro, regional, and long-haul networks position us in the long term as a mission-critical infrastructure supplier to the largest users of bandwidth.

Our robust financial performance is anchored on recurring revenues and a low incremental cost structure

The contractual nature of earnings and the inherent 'stickiness' of customers to our network and product offering provides further earning visibility and stability. Our strong operating cash flows have historically allowed us to fund the majority of our capital expenditure and investments from internal resources. In addition, a large portion of the initial cost of large infrastructure build (e.g. new fiber route connecting two cities) is sometimes shared with anchor customers, through indefeasible right of use agreements ("**IRUs**") (which include high initial connection costs) and sale of dark fiber. The cost of upgrading the data transmission equipment installed on our fiber network to transport a substantially higher amount of data is marginal, relative to the initial investment to build the network. Also the cost of operating and maintaining the network is broadly fixed, as efficiencies increase rapidly with the size of the fiber network routes. This fixed cost structure allows us to benefit from the fast growth in demand and associated potential revenues, with high margins.

We have multiple blue-chip clients that provide revenue stability and U.S. dollar denominated revenues. While we have some local currency exposure, 47.9% and 46.3% of our revenue in the year ended February 28, 2017 were in South African Rand and U.S. dollars, respectively (on a pro forma basis), which significantly reduces foreign exchange rate impacts on our revenues and profitability. Our market position and exposure to a rapidly growing market across Sub-Saharan Africa, and movement from wholesale voice services to higher margin data and enterprise connectivity solutions, support robust and sustained EBITDA performance. Capitalizing on our ability to invest in high-quality infrastructure to connect new customers, applying competitive pricing and delivering high quality of service levels, we have achieved substantial revenue growth in the wholesale data, enterprise, and retail segments in the year ended February 28, 2017, which increased by 13.2%, 28.3% and 33.7%, respectively.

We aim to expand and enhance revenue and profitability by improving efficiencies of recently-acquired assets. We invest in new infrastructure with strict payback period requirements (often partly funded by upfront non-recurring revenues) and a ROIC-focused investment philosophy. We strategically target dense metro areas where large populations, increasing urbanization rates and growing business parks lend themselves to large bandwidth data requirements. Ease of adding additional fiber into conduits (ducts) that have already been amortized and/or paid for, provides significant value expenditure. Fiber networks are resilient assets, mostly buried underground, requiring relatively low maintenance capital. At February 28 2017, our operations had a total Service Activation Pipeline (revenue expected from service orders that are not generating revenue yet) of over US$1.5 million.

Historically, we have maintained a low net leverage, which has only risen recently due to the Neotel Acquisition. We aim to keep our Net Debt to EBITDA ratio below 3x. If leverage peaks above this level due to acquisitions or unexpected changes, management seeks to bring back to normal level within an appropriate period of time.

Highly experienced management team with demonstrable and long-term track records.

We have an experienced senior management team, led by Group CEO, Mr. Nicholas Rudnick, Group CFO, Ms. Kate Hennessy, Group CSO, Mr. David Eurin, Group CTO, Mr. Ben Roberts, Group CIO, Mr. Raoul Du Plessis and other seasoned telecommunication executives, that brings with it a wealth of experience on the African continent (over 100 years combined), having grown the business from a small satellite services company to a group that boasts the largest independent cross-border fiber network in Africa. Mr. Rudnick has over 20 years of experience in the telecommunications industry. His legal background, with a profound experience and knowledge in Telecommunications Law across a number of

African countries, has positioned him in good stead, as he is able to navigate the many country-specific regulatory hurdles that come with a large multi-national network, establishing strong relationships with governments, regulators and key stakeholders. We benefit from a strong management team both at the Group and local levels, which allows strategic and operational planning to be undertaken from a top-down, holistic approach with considerations to day-to-day operations. We also benefit from a strong and a highly skilled local operational workforce in all of the countries in which we operate.

Strategy

Our mission is to build Africa's digital future, providing our customers with high-quality and reliable telecommunications services at competitive prices. Specific components of our strategy include the following:

Increase our revenue growth and profitability with a focus on the higher margin wholesale data and enterprise segments

We intend to continue focusing on the expansion of geographical service reach and our market share in the higher margin wholesale data and enterprise segments, while continuing to pursue growth in our wholesale voice and retail segments.

Wholesale data

We intend to grow our wholesale data segment, which is a highly profitable business segment for us due to relatively low incremental administrative costs and risks associated with wholesale arrangements, by leveraging our metro, regional, and cross-border fiber networks and interconnection with submarine cables. We aim to capitalize on the fast-growing needs for reliable and high-speed connectivity by multi-national corporations served by our global wholesale partners. We expect to also benefit from the growing penetration of smartphones and tablets in Sub-Saharan Africa, the increased popularity of social media, non-traditional voice services utilizing VoIP, OTT applications including video streaming, and the accompanying increased mobile data usage, leading our MNO customers to deploy 4G LTE networks that require fiber to their base stations and greater international bandwidth. The roll out by ISPs of new access networks using fixed wireless technology (e.g. LTE TDD) to offer broadband services to SMEs and households will, in some of our markets, also fuel growth in our international connectivity business.

To achieve this, we aim to maintain our core and national network reliability close to 100% while expanding our network reach by cautiously expanding into other Sub-Saharan African countries and establishing new profitable routes, laying new metropolitan networks and expanding existing ones, improving our network standards with better monitoring and quality of service (QoS) capabilities, and further developing key account management. We plan to nurture our existing partnerships with key customers and to continue exploring additional partnership opportunities, including with regional carriers, content and software providers, to capitalize on anticipated growth in demand for digital services across the African continent.

Enterprise

We intend to pursue revenue and profitability growth in our enterprise segment, which has historically underpinned our revenue growth and has now become a central pillar of our business, accounting for 21.4% and 18.7% of the Liquid Group's revenue for the years ended February 28, 2017 and February 29, 2016, respectively. To achieve this, we will focus on targeting large-scale consumers of bandwidth with complex, multi-country connectivity requirements, and partnering with leading software, content and Internet service providers to enhance enterprise service offerings, supported by fiber access and data center facilities. We also aim to continue expanding our metro and FTTB networks with a view to driving multi-tenancy growth (serving several customers in the same building) in the buildings enabled to use the fiber network. Complementary VSAT and fixed-wireless (LTE or point-to-point) networks extend the reach of the network to connect still-to-be-fibered or remote locations. In addition, we intend to continue growing 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 in this segment. We particularly aim to capitalize on the acquisition of Neotel to pursue cross-selling and up-selling opportunities and provide pan-African connectivity services to international companies based in Africa's largest economy, South Africa.

Wholesale voice

In an effort to counter the impact of competition and resulting declining voice tariffs, we intend to grow our wholesale voice volumes by opening new destinations from and into Africa and attracting new carrier accounts. 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 commoditized market place. 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. Following the Neotel Acquisition, we are progressively merging the way the international voice traffic is managed at the Liquid SA Group, which allows us to reach a greater scale as a provider. We expect these initiatives to provide us with an additional revenue stream and increase voice termination volumes. We believe that our growing scale in the region, combined with key relationships with the largest global voice carriers, will allow us to manage the decline in prices with increased traffic volumes.

Retail

We believe that both fiber-to-the-home (FTTH) and fixed wireless access (FWA) services, using our own infrastructure deployed in carefully selected areas, represents an interesting opportunity for retail revenue growth. We intend to promote the services and extend the reach our FTTH and FWA offerings, with the aim of increasing our market share in the middle and top ends of the broadband Internet service segment.

Our initial focus for FTTH network deployment has been on the high-income residential and mixed-use (residential/SME) neighborhoods offering high-quality, high speed (up to 100Mbps) broadband services where we enjoyed first mover advantage. Such position creates a significant barrier to entry for other infrastructure providers, as we have built a relationship with the most valuable customers. We have also offered our FTTH network as a wholesale service, on an open-access basis to other ISPs on a non-discriminatory basis. We have such independent resellers in Zimbabwe and Zambia. We will continue to research and identify new areas where FTTH can be profitably rolled out. Moreover, we will continue to launch promotional and social media campaigns in an effort to drive customer acquisitions and encourage greater demand.

Our strategy for FWA networks is to complement and extend the reach of our FTTH networks. FWA offers both an alternative to FTTH at a lower price point for middle-income customers as well as a reliable and high-speed service where FTTH networks have not been deployed. We are planning to upgrade our FWA networks to the latest LTE technology across our footprint and we are installing fiber backhaul to our transmission sites to ensure the highest speeds possible are delivered. We will continue to advertise and promote FWA networks to drive customer acquisitions, migrate our customer base to the new technology and encourage demand.

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). New digital services, available on a per-use or per-subscription basis (for example school-year education online services), will also be rolled out. We believe these initiatives will allow us increase our market share and drive revenues and reduce customer churn.

Capturing the market opportunity in South Africa following the Neotel Acquisition.

We believe that our recent acquisition of Neotel is highly complementary to our existing network and operations, and will allow us to realize significant operational, revenue and cost synergies, by leveraging a combined network and benefitting from complementary customer bases. The acquisition of Neotel has transformed our operations in South Africa into a full service provider, providing one-stop international solutions to South African companies expanding into Africa or international companies with subsidiaries across the African continent. We believe that a fully integrated network, managed from a single NOC will allow for a significantly streamlined customer experience.

In order to derive the anticipated synergies from the Neotel Acquisition, we intend to, among others, benefit from the existing 800MHz, 1,800MHz and 3.5GHz bands, including preparing for expansion to 5G, and look to establish roaming agreements with key market players, utilizing our own network in select areas in South Africa. We will also integrate all of our South African operations under the "Liquid

Telecom" brand, with a view to leveraging the excellence this brand represents, and make further investments in customer service, implementing a number of further measures to improve customer service and experience.

The achievement of revenue and cost synergies underlines our management team's ability to implement savings and is expected to be a key driver in our plan to improve gross and operating margins in the Liquid SA Group. We believe we will be able to replicate our historical success, in Kenya, Uganda and Rwanda, vis-a-vis synergy creation, and expect to realize significant revenue and cost synergies in connection with the Neotel Acquisition. However, there can be no assurance that the combination of our business with that of Neotel will result in the realization of the expected synergies. See "*Risk Factors—We may not be able to integrate successfully businesses that we have recently acquired or may acquire in the future, and we may not be able to realize the anticipated cost savings, revenue enhancements or other synergies from such acquisitions.*"

Expanding our metro network to meet the rapid growth in demand for data services.

We intend to further develop and expand our metro network, increasing the proximity between our fiber network and our current and future customer base to meet the rapid growth in demand for data services. We believe that growth in usage of rich-content browsing, online video streaming, media content, office-to-office communications (such as videoconferencing and database synchronization), and cloud services (particularly in African cities) represent significant data growth areas. We intend to capture a significant share of this expected growth by deploying substantial further investment towards strengthening and expanding our metro networks as well as fiber to the sites used by mobile operators (base stations) and FTTB. We began our metro and FTTB roll-out in Zimbabwe in 2009, and have significantly expanded this roll-out to every country where we operate. We believe that these local networks, combined with our regional fiber backbone that interconnects them together, provide us with an attractive value proposition, enabling us to benefit from the ongoing shift from wireless, or in some instances copper-based, technologies to FTTB as wholesale and enterprise customers demand higher speed and more reliable technologies, as well as cheaper access (per unit of usage) to data as demand for content and video streaming grows.

We intend to become the leading FTTB operator across all of our key markets and to benefit from economies of scale, while leveraging our fixed wireless LTE coverage to widen coverage at low cost and achieve lower price/service points.

Continued geographic expansion.

We are the leading independent fiber network and connectivity platform provider across Sub-Saharan Africa. We continue to pursue organic growth in our existing markets and will explore opportunities for acquisitive growth and new ventures aligned to our geographical focus and product specialization. Going forward, we intend to continue monitoring acquisition opportunities that will enhance our value to shareholders. However, our approach to any potential acquisition will remain cautious and disciplined. Inorganic growth will only be considered if and when there are opportunities to acquire other businesses that are complementary and value generative to our business in both the short and long terms.

HISTORY

We were initially founded as a satellite and voice operator, primarily to serve Econet Wireless Zimbabwe's backhaul and international connectivity needs. Employing the experience we gained from acting as a satellite and voice operator, we commenced the expansion of our service offerings and reach:

- In 2007, we began planning a new African fiber network to provide services in countries where fiber did not exist;
- In 2008, we began the construction of the fiber network and expanded our product and service offering to include payment solutions across seven countries;
- In 2009, we commercially launched our high-speed, cross-border fiber network first linking southern Africa to the undersea cables and the rest of the world and including the first cross-border fiber network between South Africa and Zimbabwe;
- In 2011, we expanded our operations into Zambia through a joint venture with Copperbelt Energy Corporation plc, a leading power transmission provider in Zambia, and commenced the build-out of a new fiber network connecting Zimbabwe and Zambia by fiber optic for the first time and linking the Capital Lusaka to the main mining and industrial areas known as the Copperbelt in the north of the country.

- In 2012, we expanded our operations into DRC and built the first cross-border fiber network between Zambia and in the south-eastern Katanga region of DRC providing services to MNO's, mines and enterprises in this resource rich region. We also acquired a 100% equity stake in Zimbabwe Online (Pvt) Ltd (ZOL), one of the largest ISPs in Zimbabwe, through our 49% owned subsidiary Data Control and Systems (1996) (Private) Limited.
- In 2013, we expanded our operations into East Africa through our acquisition from Altech South Africa of Kenya Data Networks Limited (now Liquid Telecommunications Kenya Limited), Infocom Limited (Uganda) and African Digital Networks SARL (DR Congo). We also acquired Rwandatel, the fixed-line operator in Rwanda, and launched an FTTH service in Zimbabwe.
- In 2014, we launched a new satellite hub in South Africa, completed the first Tier 3 data center in East Africa and successfully converted the newly acquired entities in East Africa into profitable businesses;
- In 2015, we entered into multi-country agreements with Airtel to provide fiber services to their operations, and through our joint venture with Copperbelt Energy Corporation plc, completed the acquisition of Realtime Zambia (now Hai Telecommunications Limited (Zambia)), one of the largest retail ISPs in the country;
- In 2017, we expanded our operations into Tanzania (through the acquisition of a 70% equity stake in Raha (in January 2017), a leading ISP and fiber provider, and Zanlink Limited (Zanzibar) (in June 2017) and into Botswana (in April 2017) through a joint venture with Botswana Power Corporation, the national power transmission provider in Botswana; and
- In February 2017, we acquired a 70% equity stake in Neotel, the second largest national fiber network operator in South Africa, thereby complementing our customer base, product offering, network footprint and spectrum asset inventory in South Africa, and benefiting from Neotel's extensive domestic fiber network, which covers all of the major metropolitan areas in the country and which has direct links to all international submarine cable systems landing in South Africa as well as data center facilities in Johannesburg and Cape Town.

We now provide services to more than 50 global wholesale carriers operating in eastern, central and southern Africa, Europe, North America and Asia Pacific, as well as national and international enterprises, SMEs and retail customers in select areas across Sub-Saharan Africa.

AREAS OF OPERATIONS

We operate our own fiber optic and wireless networks across nine countries on the African continent, South Africa, Kenya, Tanzania, Rwanda, Uganda, Botswana, DRC, Zambia, and Zimbabwe, with further commercial presence in four countries, Nigeria, Mauritius, United Arab Emirates and the United Kingdom. We also have a point of presence in Mozambique. The scope of services offered by our operations varies from country to country.

The table below shows the business lines available in each of our operations:

	Wholesale			
	Voice	**Data**	**Enterprise**	**Retail**
United Kingdom	✓			
South Africa	✓	✓	✓	✓
Kenya		✓	✓	✓
Zimbabwe		✓	✓	✓
Zambia		✓	✓	✓
Botswana		✓	✓	✓
DRC		✓	✓	
Rwanda		✓	✓	✓
Uganda		✓	✓	✓
Mauritius	✓	✓	✓	
Mozambique(1)		✓		

(1) Point of presence only. Sales of our products and services are carried out through third parties.

Our most significant countries by revenue are South Africa and Zimbabwe, but a large proportion of our revenues come from our International services.

OUR BUSINESS LINES

We offer services to four principal segments: wholesale voice, wholesale data, enterprise and retail.

Wholesale

We offer a full range of wholesale products and services, including wholesale voice and wholesale data. We have a wide product portfolio of products and customers, serving about 450 national and international MNOs, ISPs and global carriers.

Our recent acquisition of Neotel further established our reputation as a truly pan-African telecommunication service provider and established the basis for strong growth in our wholesale segment.

Wholesale Voice

Our wholesale voice segment provides voice interconnect services, primarily carrying traffic to and from African countries with the ambition of eventually providing our customers a single point of access into all the telephone networks in Africa. Apart from offering routes into the nine countries in our fiber network footprint, we also offer interconnection into Namibia, Ethiopia, Central African Republic and Nigeria.

Because we own our infrastructure in most of the countries in which we operate, we typically do not rely on third party services to carry traffic, and are therefore able to control the quality of direct routes in and out of Africa. Interconnection with operators outside our infrastructure footprint happens at global or regional hubs, notably London and Johannesburg where operators from those countries choose to locate switches. In some instances we use leased capacity or satellite capacity to provide alternate connections into some countries.

We are increasingly using our Johannesburg switch as a hub for traffic between countries in Southern Africa. In many cases, neighboring countries do not have direct interconnection because of the requirement to purchase dedicated capacity in each country and negotiate separate bilateral agreements, possibly with multiple operators in each country; as a result operators find it easier to hand over traffic for all regional countries at an existing domestic handover point, and allow Liquid Telecom to manage all routing and contractual issues. Providing such an aggregation service allows Liquid Telecom to maintain a higher margin than if it were simply brokering traffic transfer.

Prices are largely governed by forces in the mature and high volume, wholesale voice market—although prices in some countries are set by regulators. Interconnection agreements, which deal with the non-price aspects of the business, may be complicated to establish—for example, agreeing on payment terms which may require some acceptance of credit risk—but once in place price negotiation and traffic exchange occur on an ongoing basis. There are few extended contractual commitments to sell or purchase and typically none longer than one month. However, the price we pay to local operators for delivering the traffic is typically agreed in advance and remains relatively constant, and the difference between prices levied by local operators and the price we can charge in the market for delivering that traffic determines our margin.

Given the global decline in international switched voice traffic resulting from competition among OTT providers, we are actively working to ensure that our business model remains relevant. Part of this is ensuring we capture value from the quality we provide, as certain of our customers have price insensitive users who require our level of quality. We are also examining anti-fraud technology developed internally, such as a product to detect SIM boxes which are used to cheaply connect VoIP calls from abroad into the local network using banks of cheap local SIM cards.

Our wholesale voice customers include nearly all major global carriers, including Vodafone, Orange, AT&T, Verizon, and Airtel, as well as local operators in each country where we operate. Our team works across geographies, but we have a substantial presence in London which remains a significant global hub for the wholesale voice market.

Wholesale Data

Our wholesale data segment provides international, cross border, national, metro and last mile connectivity, IP transit and data center services to clients with significant data transit and co-location needs, most notably mobile (MNO) and fixed-line operators, internet service providers, system integrators and global carriers, and increasingly to over-the-top (OTT) providers. We provide leased dark fiber, fiber to core sites, cellular towers and small cell sites, dedicated wavelength connections, Ethernet (MEF2.0 certified), MPLS and IP connectivity, VSAT, and other high-bandwidth offerings linking directly to our pan-African network. We operate a pan-African IP transit network providing peering to all primary internet exchange points (IXP's) in the markets that our networks reach, including international transit to the main European exchanges. We operate an extensive high capacity fiber network with connectivity from 10Mbps to 100Gbps services and in almost all cases we contractually guarantee availability over our fully-resilient core transmission fiber network—for some products in some countries up to 99.99% availability, equating to less than one hour of downtime each year. Availability is lower in some countries where we operate due to less reliable infrastructure, or we may provide "best efforts" where we do not deem guarantees possible and the client agrees to it.

We provide wholesale data connectivity either on a monthly lease arrangement or under IRUs (which include upfront capital investment, with annual maintenance operating charges). Under IRUs, we provide customers unrestricted rights or access to the use of a defined capacity or network assets for agreed time periods, usually 5 to 20 years. The average lease agreement contract terms span 6 to 60 months. Prices for dark fiber typically bear some relation to the distance of the connection, but for some products prices are set on a per-site or per-connection basis, whereas for managed capacity pricing is based on volume and contract term.

Primary MNO clients include Orange, Vodafone, MTN, Airtel, Millicom and Cell C, and global carriers include Verizon, Orange, AT&T, BT Global Services, Telecom Italia Sparkle, China Telecom, CenturyLink/Level 3, Hutchison and PCCW. Customers typically sign up for 6 to 36 month contracts which are paid monthly.

Our VSAT platform is used to reach areas outside our fiber and wireless footprint—including beyond the countries where we have fiber network infrastructure—providing wholesale broadband connectivity to operators such as Metacom (who connect PEP stores), MTN Business, and the South African Council for Scientific and Industrial Research (CSIR). The VSAT platform is fully integrated into our IP/MPLS network providing seamless connectivity across both the fixed fiber and satellite networks.

Enterprise

We provide enterprise services to large corporate clients (such as financial institutions, mines, and airlines), governments and non-profit organizations; all other businesses are treated as retail customers. We deliver end-to-end telecommunications solutions to our enterprise customers by serving as the single point of contact for all the full array of their telecommunication needs. We seek to become a business partner to these customers by developing solutions tailored to customers' specific needs. We have a dedicated business solutions unit that works closely with enterprise customers across our operations to act as a communications consultant for our enterprise customers. Our enterprise services involve a combination of network, hardware, software and service solutions, together with support functions to achieve a customer's business objectives or provide a particular business solution. We provide a full suite of enterprise services, including corporate data solutions, satellite connectivity, infrastructure, networking, video-conferencing and system security, as well as cloud offerings.

Connectivity Solutions. Our enterprise connectivity offering provides national and international corporates with fully integrated connectivity solutions, ranging from dedicated secure access across their African operations, international and national MPLS, LAN, VSAT and other general data and voice connectivity needs. This segment offers high speed business broadband, hosting, as well as point-to-point and point-to multipoint connectivity services for corporate, institutional and SME customers.

We provide VSAT enterprise solutions to mines, banks, and other blue chip firms. In April 2017, we entered into a long term contract to provide African gateway and terrestrial backhaul services for Intelsat's next generation Epic^{NG} IS-33e satellite which began operations earlier this year. The three year initial contract will see us provide all of the ground segment services, hosting, Direct Internet Access and MPLS services for all Intelsat customers who procure services on this satellite. This contract leverages our multinational fiber presence while also giving us access to a high-throughput satellite platform with lower unit costs for delivering broadband.

Data centers and cloud offerings. We operate three data centers that are designed to meet international standards:

- Our East African Data Center in Nairobi offers a hosting capacity of around 2,000m^2 usable space with direct access to carrier networks across Kenya and long-distance fiber routes to all of East Africa, and 6MW of main power supply in place.

- Our Midrand (Johannesburg) data center has $1200m^2$ in operation, with another $1200m^2$ expansion underway (for a total of 800 racks once the expansion is complete), and a further $4000m^2$ immediately available for expansion if required. Power supply is currently being expanded from 2MW to 5MW, with potential to increase to 46MW.
- Our Cape Town facility has $500m^2$ in use and a further $700m^2$ currently being added (a total of 400 racks when complete), with additional building space available up to $2000m^2$.

All three data centers are designed to meet design certified as Tier 3 by the Uptime Institute standards (to offer 99.982% availability), and the design of our Nairobi facility is Tier 3 certified.

The data centers offer co-location and interconnection services to customers, who then house and power computing and networking equipment for the purpose of aggregating and distributing data, voice, internet, video traffic, data storage and co-location services. In addition to offering such infrastructure, we also offer a variety of services including virtual server / hybrid cloud services on a VMWare platform, storage as a service either for virtual servers or as backup for customers' own servers, managed security (which we have up to now largely offered in partnership with vendors), and in turn managing all these services for our customers.

Customers fall into two categories: global IT firms, and local/regional enterprises and operators. The global IT firms typically enter into long-term contracts for a sizeable proportion of our data center co-location space and services; these tend to be lower margin but higher volume and lower risk services. Local customers commonly enter 3–5 year contracts with higher margins.

In 2017, we entered into a partnership agreement with Microsoft, with a view to improving and accelerating the use of cloud services across Africa. This partnership aims at offering fast and affordable cloud services through a variety of products, including Microsoft Azure, Microsoft Office 365 and "Business in a Box" products (which offer SMEs a cloud-based toolkit of relevant applications, cloud services and connectivity). We believe that this partnership with Microsoft will provide us with a wide range of new customers, and allow us to take advantage of cross-selling opportunities in the enterprise segment.

Network Managed Services. We provide network management and technical resources to MNOs, local ISPs and government agencies. Monitoring and network surveillance are offered 24 hours per day, 365 days per year. A number of enterprise customers rely on our telecommunications expertise to manage their internal telecommunication and IT systems, such as local access networks, internal and guest Wi-Fi networks, security solutions and cloud-based systems (e.g. backup, storage, virtual machines).

Payment solutions. We provide communication, transaction processing (payment), and terminal solutions to financial institutions and retailers by processing credit card payments and managing points of sale and mobile money terminals. Historically as many as three quarters of POS terminals deployed in some African countries have been inactive because they functioned poorly in deployment. Liquid Group has specifically developed payment systems that are robust against some challenges encountered by African retailers, notably unreliable or low bandwidth local connectivity, and high latency (delay) in the signal reaching the payment provider's servers, which may be located on another continent. The products we provide are:

- **Electronic Funds Transfer (EFT) switching systems** including sale, implementation and support, with Postilion being the flagship product.
- **Payment Terminal service provider** including signing up merchants and deploying POS terminals.
- **Sales, Supply, Implementation, and support for POS terminals**, with PAX as primary product in Botswana, Ethiopia, Ghana, Kenya, Mauritius, Rwanda, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe—over 60,000 terminals deployed.
- **Third Party Processing**, as a managed service acquiring and issuing of MasterCard, VISA and UPI.
- **Mobile Financial Services Platform**, with emphasis on agency banking, mobile banking, pre-pay wallets, mobile money, internet banking solutions on mobile.
- **Sales of Stratus FT server system**, preeminent fault tolerant server systems.
- **Technical support and consultancy services**, including project management, EMV smartcard technical standard migration and certification, as well as certifications with major card associations like VISA, MasterCard and American Express.

The countries in which we operate (Botswana, Ethiopia, Ghana, Kenya, Mauritius, Rwanda, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe) are in most cases cash economies with most retail transactions being conducted in cash and with limited access to traditional banking services; South Africa and Zimbabwe have higher use of traditional banking, but currency shortages have recently spurred POS growth in the latter. While mobile money is taking a share of formerly cash transactions, there remains a significant place for card transactions—notably for high value transactions by tourists, but also as a general preference by those who have access to cards. We have 25 banking customers, who typically enter into multi-year contracts for the supply and operations of a network of POS terminals or our transaction software and systems.

We have expert Payments teams in Botswana, Kenya, Mauritius, South Africa, Zambia and Zimbabwe, as well as software development centers in Harare and London which lead the customization for each country. We are compliant with the Payments Card Industry (PCI) Data Security Standards (DSS).

Retail

Our retail segment encompasses services offered to both medium and small businesses that use broadband and other enterprise services, and home users of our broadband.

Medium and small businesses typically purchase a FTTx or wireless connection which is contended (i.e. the capacity is shared with other users at some point in the network) as opposed to enterprise services which are generally uncontended. These products are standardized and generally sold either through incoming sales channels—telephone, website or email—or via resellers. We typically have hundreds of customers for such products in most countries, with the exception of South Africa where we have thousands of small and medium business customers (some served indirectly by channel partners).

Our retail home offering gives consumers easy and fast connectivity to the internet either from their homes or mobile devices. Home broadband services are offered over fiber (referred to as FTTx or GPON, and offered in Zimbabwe and Zambia with the brand name Fibroniks) and wireless, which may use point-to-multipoint microwave, or WiMAX, or LTE. We aim to offer true broadband speeds above 10Mbps at prices comparable to those paid in more developed countries—although the quality will generally be lower than that offered to medium and small businesses. On top of the broadband service we also offer video content, education, security, and backup services. Although wireless services are offered to consumers in most countries where we operate there has tended to be relatively low uptake by consumers, due to the price point and service design.

OUR NETWORK AND INFRASTRUCTURE PLATFORM

Our network and infrastructure platform consists of our fiber network, fixed-wireless access networks, pan-African satellite capacity and our data centers where we provide co-location and interconnection services.

We provide our services over our largely self-owned and operated network, currently spanning 9 countries and stretching over 50,000km across Sub-Saharan Africa. Our cross-border fiber network is designed with a redundant architecture, which ensures superior customer uptime and high levels of overall service across the network. Our aggressive fiber roll-out strategy covers

- backbone extensions into new regions and redundancies between our Points of Presence ("**PoPs**"),
- metropolitan networks in key cities and major towns,
- fiber-to-the-business in high-density business areas, and
- fiber-to-the-home in high-affordability residential neighborhoods.

Our fiber rollout is currently progressing at over 110km of fiber per week with scope to increase this rate. We own the vast majority of our fiber network, the remainder of which is secured via long-term IRU contracts with typical remaining contract terms of over ten to fifteen years. We have a proven track record of successfully negotiating the acquisition of licenses in new countries and authorizations to cross international borders across complex and diverse regulatory environments. This network rollout success across Africa has resulted in us being active in more countries than other fiber operators in Africa. Our fiber network also has the following key attributes:

- *Extensive Coverage.* As described above, our network is geographically large as well as increasingly dense in cities where our customers are located. This network coverage allows us to address our target customers' needs in a variety of geographies and for a variety of applications and services, giving us the potential to earn a large share of their spend on both basic connectivity as well as more advanced value-added services.

- *Scalable Network Architecture.* Our network is scalable, meaning we have spare fiber, conduit access rights and/or rights of way that allow us to continue to add capacity to our network as our customers' demand for our services increases. In addition, the majority of our core fiber network segments utilize DWDM systems which allow multiple data streams to be carried on each fiber. Of the fiber currently "lit" (in active use) across the network, none is currently carrying more than 20% of possible maximum capacity.

- *Modern Technology.* Our entire fiber network is built with the most modern equipment and fiber, with few legacy systems (Neotel still has an operational SDH network). Although our network rollout began in 2007, a renewal completed in 2013 means that the entire network is built with 100Gbps DWDM systems; the capacity of the system can be easily quadrupled within days to the next generation (400Gbps) through an equipment upgrade.

The extensive fiber optic network and communication assets, complemented by submarine cables, fixed-wireless 4G LTE networks, pan-African satellite capacity and world-class data centers, are critical components of our overall network architecture in Africa, and include the following key components:

- Dense metro, regional and backbone single network spanning nine Eastern, Central and Southern African countries from Kenya to South Africa;

- Fiber-to-the-building networks connecting over 11,000 buildings in seven countries;

- Extensive FTTH network now connecting over 70,000 premises in Zimbabwe, Zambia, Rwanda and Kenya, with an on-going roll-out in Uganda;

- A Tier 3 certified custom-built data center in Nairobi (the East African Data Center), and two data centers built to Tier 3 standards in Johannesburg and Cape Town with a total of 5,600m^2 of floor space in use or being brought into use;

- Core network infrastructure and IT elements (including transmission network, IP core, bandwidth shaping and cashing, VSAT teleport, FTTx, and wireless core) able to serve multiple countries located in several major hubs (including South Africa, Zimbabwe, Kenya, and Zambia), enabling a rich product portfolio in all our operators with reduced costs and increased product affordability;

- Voice switches in the UK, Mauritius, Kenya, and South Africa, enabling switching of traffic all around the world—main destinations are South Africa, Mozambique, Zimbabwe, Burundi, CAR and Botswana;

- Leased capacity on C-Band, Ku-Band and Ka-Band satellites operated by Intelsat and Eutelsat, to provide high-speed, cost-effective connectivity anywhere (in remote areas and for redundancy) throughout Africa;

- State-of-the-art satellite hub situated in South Africa and Kenya (in addition to one in London) in order to route African traffic through Africa rather than backhauling it via Europe, reducing latency and costs;

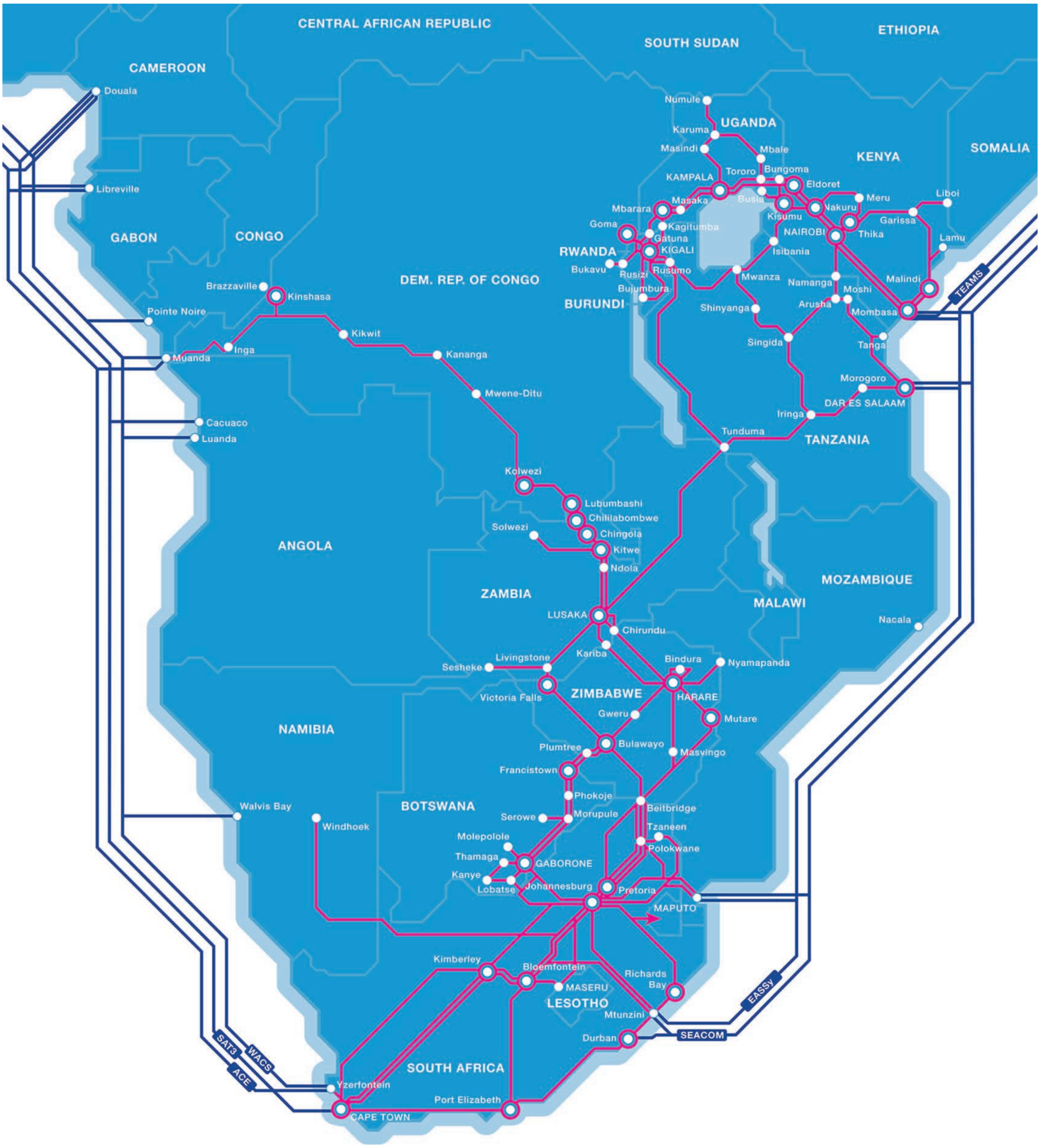
- Wireless access spectrum in the 800MHz, 1,800MHz, and 3.5GHz bands in South Africa and 2.3GHz bands in most other countries, which can support the roll-out of 4G/LTE fixed-line services, as well as similar LTE-compatible and/or 5G-suitable spectrum in most countries where we operate;

- A growing portfolio of wireless sites, currently numbering nearly 1400, to support fixed wireless service rollout;

- Large inventory of leased international capacity on submarine cable SEACOM and EIG, and part ownership of the four of main cables landing in Sub-Saharan Africa, EASSy, TEAMS (both East Africa), SAT-3 and WACS (both West Africa);

- Customer service and technical support centers in Harare, Nairobi, Johannesburg and London.

The following chart depicts our backbone network as at February 28, 2017.



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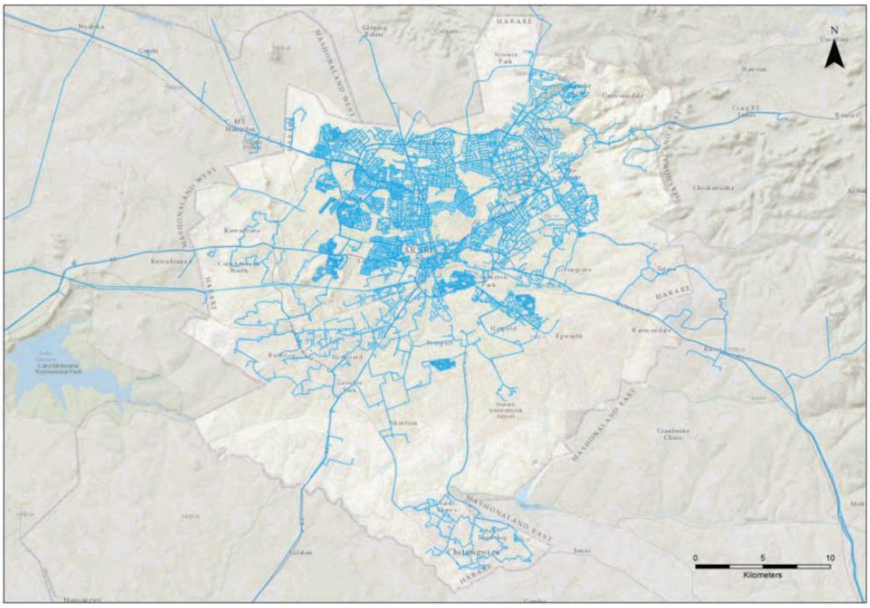
(1) The link between Kinshasa/Madimba and Muanda is planned but not built.

(2) The long link between Lubumbashi/Kolwezi/Kinshasa is an IRU that we have signed in terms of a World Bank Project, but our service is not yet available on this link.

(3) The link between CapeTown/PE/Durban is planned but not built.

The following chart depicts one of our access networks (here Harare in Zimbabwe) as at February 28, 2017. The map is generated by our in-house Geographical Information Systems. Blue lines are the fiber network routes. Dense areas are typically the GPON FTTH deployments.



Underlying Rights

We have the necessary rights of way agreements and other required rights, including governmental authorizations, to allow us to maintain and expand our fiber networks that are located on private property and public rights-of-way, including utility poles. When we expand our network, we obtain the necessary construction permits and license agreements to fully comply with local procedures and regulations.

Redundancy

Our network has been specifically designed to include redundant features to minimize the risk of network outages. It is designed in a ring topology to provide protection by moving traffic the opposite way on the ring if there is a local outage. Most critical links in the long-haul network are built with 3-way redundancy (a ring, plus direct link), with 2-way redundancy on most other long-haul links. Our metro networks also use a ring topology for protection. The final access connection into customer premises is not usually protected in this way but we do offer customers diverse access fiber or a fallback wireless link if required.

Network Planning

Our strong and proactive relationship with MNOs and other key customers enables us to position ourselves strategically when rolling out fiber and connectivity services, which allows us to direct capex to non-speculative projects that generate revenue as soon as they are commissioned. Our expert project management and network planning teams conduct economic, marketing, regulatory and operational feasibility studies when targeting new routes, metro areas and residential FTTx areas, in conjunction with our quality assurance team. The network footprint is designed with industry leading inventory and planning IT systems and tools (such as ConnectMaster and Smallworld), which is used to design, plan, capture and maintain data on existing and new infrastructure.

The expansion of our network is driven by customer demand. We generally pre-finance expansions of our backbone network and fiber links to MNO towers pursuant to IRUs, by selling IRUs, which feature large up front payments. Enterprise last mile connectivity (FTTB) and the majority of our data center expansion is driven by contracted revenue (which may also include a significant up-front payment). GPON FTTH and 4G LTE roll outs in select neighborhoods are built on the back of a detailed business case requiring returns in line with the Group's policy.

OPERATIONS

Management Structure

Our operating model combines a local sales and client focus with a centralized management structure that optimizes scale and expertise across our operating companies in the various jurisdictions. We successfully manage complex operations across nine countries and navigate the various regulatory hurdles that come with operating a large multi-national network.

We benefit from a strong management team at the Group level which allows key planning to be undertaken from a top-down, holistic approach with considerations to strategic negotiations and day-to-day operations from its high-technology support centers in Harare, Johannesburg, Nairobi, and London.

In addition to a highly experienced management team, we also benefit from a strong and a skilled local operational workforce in all of the countries in which we operate. This has enabled us to develop centers of excellence, allowing resources and expertise to be shared across the Group operations and between networks, to respond swiftly to market developments and to work closely with our customers, increasing our understanding of their overall business requirements and technical needs. Each of our operating companies, or in some instances group of operating companies within a specific country, are managed by an Executive Committee, who in turn reports to Board of Directors.

Group management and coordination is executed formally and informally, through regular meetings and workshops at every level of the organization. Monthly management meetings are held by Group senior executives with each local Executive Committee, supported by a standardized quantitative and qualitative reporting structure. Technical, commercial, marketing, sales (by segment) and finance departments coordinate resources and initiatives, and align their approach, at Group and local levels.

Network Management and Operations

Our primary network operating centers ("**NOC**") are located in Harare, Nairobi, and Johannesburg, and provide monitoring and network surveillance for their regions 24 hour per day, 365 days per year. As part of our business continuity plan, our primary NOCs are backed up by several regional operations centers located in London, Lusaka, Kigali, Kampala, and Dar Es Salaam, which are manned during working hours and have engineers on call outside of working hours. Our NOCs continually monitor for, and proactively respond to, any event that negatively impacts or interrupts the services we provide to our customers.

Prior to May 2017, four different trouble ticketing systems were used across our operating entities. We have now successfully transitioned the whole Group to a single system, ServiceNow, which should help to improve service quality particularly by allowing a unified response for issues that span multiple operating entities. Incidents that are entered onto the trouble ticketing system are ranked as low, medium, or high priority and customers are notified via telephone or email. Incidents are proactively logged and updated on the system until resolved. Management monitors customer satisfaction by tracking the number of tickets opened per client, and is in the process of identifying KPIs to be monitored in the new system which can help with improving service quality and allowing issues to be proactively identified before they become critical.

Our long-haul fiber network is equipped with OTDR systems which send test signals into the fiber every three minutes to identify and locate any fiber breaks, immediately notifying our NOCs if detected.

In addition, our customers have access to customer service support 24 hours a day, seven days a week through our customer service and technical support centers in Harare, Nairobi, and Johannesburg, which monitor, track and respond to customer queries. See "—*Customer Service and Retention.*"

Information Technology

Our policy is to maintain consistent information technology ("**IT**") systems across all of our operating entities. Our IT systems comprise operational support systems ("**OSS**", which support our telecommunications network and include processes such as service assurance, provisioning services, configuring network components and managing faults) and business support systems ("**BSS**", which support processes related to our customers, such as taking orders, processing bills, collecting payments and customer relationship management).

Our main IT systems are:

- Enterprise Resource Planning (Sage Evolution)—separate instance for each Operating Company feeding into a central database, adopted 2011
- Customer Relationship Management (Salesforce)—cloud system hosted by SalesForce.com, adopted January 2015
- Provisioning (Tibco Fulfillment Provisioning)—network element provisioning system, adopted 2015
- Process Management (Tibco BPM)—Business Process Management engine, adopted 2015
- Billing (Prism)—hosted centrally in London on rented data center space (with backup), adopted 2016
- Ticketing and Service Assurance (ServiceNow)—cloud-based system hosted in London, adopted 2017

Our current IT platform is continually enhanced over time to integrate our acquired companies and increase functionality in every area. We are currently in the process of rolling out our currently standardised IT platform across the Liquid Group, including Neotel and Raha, as part of our integration efforts. Systems are rolled out in a phased way to each operating entity as each one has products, teams, users, and local requirements that need to be catered for, and some of the systems above are still in the process of being deployed to some entities. In addition, Neotel has a number of systems that have the potential to add value back to the Liquid Group. Examples include advanced Network Inventory and GIS; these are being wrapped as managed services to be provided back to the Liquid Group as whole.

There are further systems run by each operating entity that are not suitable for centralization; these also tend to be less critical to operations.

We have a fully implemented business continuity and disaster recovery plan that provides near real-time data access. The systems that we host run on multiple virtual fabrics in Johannesburg, Harare, and several locations in London for full physical diversity, with each available as a hot standby in case of failure of the live system.

We believe that our existing IT systems are adequate for the purposes of our existing business.

DISTRIBUTION AND SALES

Our products and services are distributed through a variety of distribution channels, which vary by business line.

Wholesale

Since the number of potential customers is smaller in the wholesale segment than in enterprise or retail, we sell to wholesale customers directly via our team of wholesale executives. They are supported by local in-country account managers who will typically take the lead in ongoing account management. The sales team is incentivized based on total customer value achieved, rather than short-term revenue, and are tasked both with winning new customers and increasing the share of the customer's spend that comes to Liquid Group.

The wholesale voice and data sales teams are distinct. Wholesale data account executives sell products from across our technology portfolio, including dark fiber, national and international leased connectivity over fiber, high-bandwidth wireless leased connectivity, data center services, and satellite connectivity.

Wholesale accounts are managed by global account managers, due to the type of service and international aspect of the relationship we have with most of our wholesale accounts. Local teams handle sales to national players such as ISPs. Quoting and pre-sales design are done by specialist teams, using automated tools and price books.

Enterprise

Our enterprise business line relies entirely on direct sales via our own teams, based in country, supported by a team of global account managers. Our direct sales channel includes pre-sales engineers as well as sales administration staff. Quoting and pre-sales design are done by specialist teams, using automated tools and price books. The customer relationship management process is supported by the use of Saleforce.com across the Group.

In payments, we have a total of six sales executives that focus on direct sales: two each in South Africa, Zimbabwe, and Kenya. We also have six POS terminal resellers across South Africa, Ghana, Tanzania, Namibia, and Kenya. For our PayBay product in South Africa we have four regional sales managers and 26 sales representatives.

Retail

Home broadband products and services are sold through direct sales channels: our own website, inbound and outbound telesales, inbound email, or through a limited number of physical stores—for example our Zimbabwe ISP Zimbabwe Online (Pvt) Ltd has three in Harare, one each in Bulawayo and Mutare. We also run door-to-door sales campaigns and deploy mobile stores, particularly when launching consumer service in new areas. Our sales agents are paid commissions based on customers acquired.

Neotel has historically used indirect channels for small and medium sized business customers. This channel includes distributors (also channel partners) led by channel sales managers employed by us (who manage indirect sales through distributors), increasing our distribution footprint, accelerating order intake, and leveraging existing local relationships of resellers. In other countries, small and medium businesses are targeted via the retail direct channels described above.

CUSTOMERS, CUSTOMER CONTRACTS AND BILLING

At the Group level, our top five customers are Econet Global Limited, Transnet Limited, Vodafone Group, Cell C Limited and British Telecom. Our top five customers accounted for 30.9% of our revenue (on a pro forma basis) in the year ended February 28, 2017. See "*Principal Shareholders*", "*Related Party Transactions*." See also "*Risk Factors—Risks Relating to Our Business and Industry—A large percentage of our revenue in the year ended February 28, 2017 (on a pro forma basis) came from our top five customers."*

Wholesale

Wholesale Voice. Our major customers in our wholesale voice business line are national and international MNOs. Our extensive network coverage via both fiber and satellite has allowed us to develop and maintain key relationships with some of the largest global and national MNOs, as well as the leading national and international carriers across our markets. Of the Liquid Group's pro forma revenue generated from wholesale voice customers in the year ended February 28, 2017, the top five customers which make up 48.3% of total wholesale voice revenue are Cell C, Econet Zimbabwe, MTN South Africa, BT, and Tata Communications. See "*A large percentage of our revenue in the year ended February 28, 2017 (on a pro forma basis) came from our top five customers."*

Our wholesale voice contracts are typically rolling in nature. The majority of our customers sign "Traffic Termination Agreements" that are for an unlimited period of time, pursuant to which we and our customers agree to connect our respective telecommunication systems at certain meet points with a view to allowing the mutual conveyance of traffic. Under the terms of these agreements, the price per minute for the conveyance of traffic, which varies according to the destination, is initially agreed upon entering into the agreement and generally updated on a weekly basis. Charges are calculated by multiplying the billable conversation time with the respective prices, and billing occurs at the end of each month.

Wholesale Data. Our major customers in our wholesale data business line are MNOs, PTOs, ISPs and global carriers. We have attracted some of the largest international and national MNOs in Africa. Of the Liquid Group's pro forma revenue generated from wholesale data customers in the year ended February 28, 2017, the top five customers which make up 46.9% of the total wholesale data revenue are Econet Zimbabwe, MTN South Africa, BT South Africa, Vodacom South Africa and Tata Communications. See "*Risk Factors—Risks Relating to Our Business and Industry—A large percentage of our revenue in the year ended February 28, 2017 (on a pro forma basis) came from our top five customers."*

Our wholesale data services are largely contracted through capacity lease agreements and IRUs (which include high initial connection costs, but lower annual maintenance costs). We provide wholesale data connectivity pursuant to lease agreements with terms that typically range between one and five years. To a lesser extent, we also sell IRUs, which provide customers unrestricted rights or access to the use of our network assets for agreed time periods. IRUs are usually long term contracts running over a period from 10 to 20 years. Hosting and co-location services are also provided to our key wholesale customers with terms that typically ranged from three to ten years.

Our wholesale data customers also sign MSAs that contain standard terms and conditions including service level agreements, required response intervals, indemnification, default, force majeure, assignment and notification, limitation of liability, confidentiality and other key terms and conditions. Most MSAs also contain appendices that contain information that is specific to each of the services that we provide. The MSAs either have exhibits that contain service orders or, alternatively, terms for services ordered are set forth in a separate service order. Each service order sets forth the minimum contract duration, the monthly recurring charge, and the non-recurring charges.

Enterprise

Our major customers in our enterprise business line are large corporate clients (such as financial institutions, airlines and mining operators), governments and non-profit organizations. Of the Liquid Group's pro forma revenue generated from enterprise data customers in the year ended February 28, 2017, the top five customers making up 23.3% of total enterprise revenue are Transnet, SITA, ABSA, Investec and the United Nations.

We believe that our unique position as both owner and operator of our network, coupled with the density of our network footprint and its redundancy architecture, allow us to more competitively service and price our enterprise customers at the local, regional, national, and international level relative to our competitors. This competitive advantage has allowed us to develop and maintain key relationships with some of the largest global corporate clients, as well as governments and non-profit organizations.

Our enterprise contracts are tailored according to the specific needs of each customer, the size of the customer, the market in which it operates and the product. These contracts are generally for a period of two to five years, and provide for monthly, and quarterly billing. In addition to providing business services over our networks, we also provide hosting and co-location services, high quality enterprise voice services and transaction payment services to the banking industry.

The majority of our enterprise customers also sign MSAs that contain standard terms and conditions including service level agreements, required response intervals, indemnification, default, force majeure, assignment and notification, limitation of liability, confidentiality and other key terms and conditions. Most MSAs also contain appendices that contain information that is specific to each of the services that we provide.

Retail

Our major customers in our retail business line are residential consumers, SMEs and home offices.

Our retail contracts are generally for high speed broadband for a period of one month to 12 months, and generally provide for monthly in advance billing with prepayment required prior to the provision of service. In addition to providing broadband services, we also provide high quality voice over IP services, educational services and network security back up.

The majority of our retail customers also sign a local service order ("**LSOs**") that contain standard terms and conditions including payment terms, level of service, provision of equipment and description of service.

CUSTOMER SERVICE AND RETENTION

We believe that the quality of our customer service is critical to attracting and retaining customers. While we focus on providing high-quality after sale services, we also pay particular attention to other key processes, such as monitoring the overall quality of the services provided to our customers and receiving and resolving customer queries and complaints. Our approach to customer service and retention varies by segment (wholesale, enterprise and retail), as the relationship and customer/account management are differentiated. In the year ended February 28, 2017, the average churn across our operations was 0.74%.

The customer service function for our wholesale data segment is carried out by our customer service and technical support centers in Harare, Nairobi, Johannesburg and London. We also provide our customers with access to technical support help desks which operate at all times as well as clear escalation procedures to senior technical staff, in the event incidents are not resolved within our service level agreements. Visits to customers' premises are performed by our technicians and engineers. We believe we have some of the most highly qualified and capable technicians and IP transmission engineers across Africa. Our customer service function for our wholesale customers is available 24 hours a day. Customer retention initiatives are carried out by our global and national account managers, with support by our senior management when required. We aim to proactively inform our wholesale data customers of any technical and commercial change, such as technology upgrade, minor incidents, regulatory and legal environment change. We believe that our customers value our commitment to communicating regularly and effectively with their own technical and commercial teams. Customer feedback, through quarterly and annual review meetings, is generally very positive and we score high in most or all areas, such as quality of updates, responsiveness, regularity, management of third party suppliers, reliability of delivery dates, quality of handover, and easiness to work with.

Wholesale voice customers have a direct access to our relatively small team of experts who manage the technical and commercial aspects of our wholesale voice business. Prices in this segment are updated on a regular basis (generally almost every week) and a level of automation has been introduced to manage the pricing and billing processes. Escalation of technical issues, commercial enquiries or other enquiries, are dealt with by our global wholesale voice team, based in the United Kingdom, South Africa and Mauritius. Other business development and customer retention initiatives include presence at global and regional conference and meet-me events, one-to-one meetings and other events. Our commercial relationship with our top five customers averages 8.7 years.

For our enterprise customers, we have dedicated business service and technical centers. For example, in South Africa and in Kenya, we have customer service functions specifically adapted to the service quality requirements of our enterprise customers, including in respect of technical and administrative matters. Our contracts with enterprise customers generally include an undertaking (service level agreements) to re-establish service within a maximum of 4 to 8 hours. Our customer service function for our enterprise customers is available 24 hours a day. Improving customer retention in South Africa is a key focus for our senior management team and we aim to decrease churn to close to zero in this segment dramatically. In particular, our plans include the rehabilitation and integration of the existing South African assets, as well as investment in the expertise and skills of our commercial and technical teams, to ensure that the levels of service that our enterprise customers have come to expect across our footprint can be replicated in a consistent manner in South Africa.

For our retail customers, we have dedicated call centers that can answer a range of commercial and first-level technical questions. Detailed technical questions are forwarded to a technical desk. Customer retention strategies are in place to reduce and limit churn which is higher in this segment than others, due to lower cost of migration to other providers, shorter commitment (sometimes prepaid services renewable on a month-by-month basis). Customer loyalty teams are tasked with offering alternative solutions to customers who wish to change or terminate services, as well as win back customers who have already terminated or suspended a service. We believe the level of churn we experience in this segment is on par or lower than our peers, due to the quality and reliability of the service, the expertise of our call center representatives and the initiatives to retain customers.

We have launched and implemented initiatives aimed at improving our customers' experience. These initiatives include targeted campaigns which allow us to identify customers at risk of churning, handle complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers.

We actively monitor our customer satisfaction and seek customer feedback in connection with our service offerings and customer service efforts and routinely provide customers with questionnaires, annual and quarterly review meetings, or other requests for feedback through which they describe their level of satisfaction with our service offerings and quality of service, provide comments and requests or order additional services. We believe we have high customer satisfaction rates across all of our markets and business lines, except the CDMA voice business at Neotel, which we are working on improving rapidly.

COMPETITION

Wholesale

We face direct competition in wholesale voice in Africa primarily from PCCW and BICS, although neither of these operators has comparable assets in Africa which would allow them to offer comparable control over quality. However indirect competition from OTT players (WhatsApp, Skype) is causing ongoing reductions in revenue across the industry, and is causing some of our customers to become more price-sensitive as they attempt to counter OTT voice services. Conversely, some of our customers have price insensitive users who require our level of quality which has helped avoid declines in revenue and profit. A number of destinations or routes, such as landlocked African countries or countries where international voice termination price is regulated at a certain level, still offer areas of lower competition and higher margins.

Given the requirement to own the underlying infrastructure assets (e.g., fiber networks and assets) in order to provide wholesale data services, the competitive environment tends to be less intensive for these products and the barriers to entry high. Competition in the wholesale data market varies on a country by country basis, depending on the number of fixed-line players, redundancy of fiber infrastructures, sophistication of buyers and local regulation. We have recently experienced more aggressive pricing competition from our competitors in respect of wholesale voice and data services as they seek to win market share, particularly in South Africa and Kenya. In the coming years we expect to see some consolidation in the industry as a result of both economic and regulatory factors. We are seeing competition from submarine cable operators (SEACOM, WIOCC) who are entering deals which allow them to serve a limited number of terrestrial endpoints, from incumbent operators in each country who frequently have a large presence in the wholesale market, and from several disruptors who vary by country—for example DFA, Fibreco, and Broadband Infraco in South Africa, NOFBI in Kenya, and C Squared in Uganda (a joint effort by Google, World Bank, and others). Certain customers, including some of the largest mobile operators in South Africa and Kenya, have invested in some of the national fiber routes (city to city), as leased dark fiber, within a consortium or as their own fiber infrastructure.

Enterprise

The enterprise segment is largely defined by the different needs of customers, which vary depending on the size of the company. Although large corporates are sophisticated and price-sensitive, speed, capacity, security and reliability are very important to them, and thus tend to have demanding requirements. They may have the market insight to be able to unbundle their service requirements and put them out to tender frequently to ensure competitive pricing. Smaller enterprises are more apt to bundle and place a premium on provider proximity.

In connectivity services, the degree of competition and actual competitive parties vary by market; of these CMC Networks and MTN Business have a presence most comparable to ours. Competition includes other national and international carriers, as well as ICT service companies.

In data center services, we face competition in basic neutral co-location services from Teraco (in South Africa; no competitor in Kenya), and in various data center based services from systems integrators such as Internet Solutions. Some customers—including, for security reasons, banks—have historically chosen to self-provide data centers, although such independent operators commonly require third part data centers for business continuity. There is potential competition from various global cloud services providers such as Microsoft, OpenText, Dassault Systèmes, and BMC, but our particular market position means that partnerships with them are likely to be mutually profitable without cannibalizing revenue from either party.

In payment services, our main competition is from large global providers, primarily Verifone and Ingenico, who typically enter distributor agreements in each country or region. Few of these distributors or the providers behind them have adapted their terminals and systems to the demands of the African market and none share our same geographic footprint or have a comparable product range.

Retail

The infrastructure competition we face to our FTTx services for medium/small businesses and homes arises in Nairobi (from Wananchi and Safaricom), Kampala (from C Squared), and South Africa. In South Africa there is a well-developed metro fiber market, with both MTN and DFA having substantial networks, a number of smaller players (notably Vumatel) entering the FTTH market, and incumbent Telkom having substantial fiber and ADSL/VDSL coverage.

In fixed wireless access services, we face competition from other, generally small, fixed wireless operators, in every country where we operate. These include Afrimax, Smile, Internet Solutions, Wananchi Business Services, MTN Business and others, as well as the incumbent fixed operator in each country. Mobile operators typically do not offer broadband services comparable to our fixed service, but home users may consider their services as alternatives to our low-end offerings.

MARKETING

We believe that we enjoy strong recognition among customers in the majority of the markets in which we operate. We generally market our services under the "Liquid" and "Hai" brand names, with variations depending on the type of service we offer.

Currently, our South African operations are predominantly carried out under the joint brand names "Liquid" and "Neotel". We have recently launched a rebranding initiative aimed at integrating all of our South African operations under the unified "Liquid" brand umbrella. Once this rebranding initiative is complete, we expect to discontinue the use of the "Neotel" brand name. See "*—Intellectual Property.*"

We have a centralized marketing department responsible for strategic brand positioning and developing and monitoring our advertising campaigns. Working in conjunction with our sales and customer care divisions, our marketing divisions use a combination of individual and segmented promotions and general brand marketing to attract and retain customers. Our general marketing strategy aims to portray us as the leading independent fiber optic and wireless telecommunication network operator in Sub-Saharan Africa.

In all of the markets in which we operate, we use a variety of advertising and campaigning channels to promote our services and brand names.

SUPPLIERS

We have relationships with several suppliers that provide us with international wholesale voice, hardware, software and various other products and services necessary to operate our businesses. We use a limited number of subcontractors such as Soliton and Plessey, particularly in Kenya and South Africa, to maintain our network, with the vast majority of installation and maintenance works performed by our own highly qualified employees and engineers. Our agreements with third party providers generally require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by our subcontractors on a regular basis.

- In our wholesale voice business line, our principal suppliers are certain MNOs, carriers and service providers such as Tata, Vodafone, MTN, Econet and Cell C which we have "Traffic Termination Agreements".
- In our wholesale data business line, our principal suppliers are certain satellite providers who provide capacity such as Eutelsat, carriers and service providers such as Seacom, WIOCC and TTCL who provide international undersea capacity and national backbone capacity, fiber manufacturers such as Sterlite and M2FX and local subcontractors to install the capacity.
- In our enterprise business line, our principal suppliers are Cisco, Huawei and Juniper, which provide us with data network parts and customer premises equipment, such as servers; national network carriers who provide local metro capacity such as BT, Airtel, Broadband Infraco, tower companies such as the MNOs that provide co-location, and local subcontractors who will provide upgrades of data centers and network installations.
- In our retail business line, our principal suppliers are fiber manufacturers such as Sterlite and M2FX, local subcontractors to install the network, and sales agents.

Most of our equipment is supplied directly by the manufacturers. In nearly all cases, we believe alternate providers are readily available and only in rare occasions would replacing such providers be a lengthy process.

JOINT VENTURES

Our joint ventures include CEC Liquid Telecommunication Ltd, a leading Zambian fiber network operator, Data Control and Systems (1996) Ltd (trading as Liquid Telecom Zimbabwe), the largest data, voice and IP wholesale provider in Zimbabwe, and Liquid Telecommunications Botswana (Proprietary) Limited, a new fiber operator in Botswana.

- CEC Liquid Telecommunication Ltd is an equal partnership joint venture between ourselves and Copperbelt Energy Corporation plc. We have management control of CEC Liquid Telecommunication Ltd and consolidate it into our accounts for financial reporting purposes. CEC Liquid Telecommunication Ltd aims to provide telecommunication services to wholesale and enterprise customers in Zambia. It has an extensive national fiber network, several metropolitan and FTTB networks in key cities in Zambia and has rolled out a FTTH network in Lusaka. CEC Liquid

Telecommunication Ltd's wholesale services, in particular FTTH broadband services, are marketed and distributed to enterprise and retail customers by its subsidiary Hai Zambia (formerly Realtime) as well as other independent resellers.

- Data Control and Systems (1996) Ltd ("**Liquid Telecom Zimbabwe**") is a joint venture between ourselves and Econet Wireless Zimbabwe. Although Econet Wireless Zimbabwe owns 51% equity stake (with us owning the remaining 49%), we have management control of Liquid Telecom Zimbabwe and consolidate it into our accounts for financial reporting purposes. Liquid Telecom Zimbabwe aims to provide telecommunication services to wholesale and enterprise customers in Zimbabwe. It has an extensive national fiber network, several metropolitan and FTTB networks in key and secondary cities in Zimbabwe and has rolled out a large FTTH network in Harare, Bulawayo and Livingstone. Liquid Telecom Zimbabwe is a center of expertise for technical and engineering skills in the Southern African region. Liquid Telecom Zimbabwe's wholesale services, in particular FTTH broadband services, are marketed and distributed to retail customers by its subsidiary Zimbabwe Online (Pvt) Ltd (ZOL) as well as other independent resellers.
- Liquid Telecommunications Botswana (Proprietary) Limited is a joint venture between ourselves and Botswana Power Corporation (BPC). BPC received 42.5% of the shares in return for their in-kind contributions, in particular as a 15-year IRU on dark fiber installed on their powerlines, mainly between Gaborone and Francistown. We own 57.5% of the shares, we have management control of Liquid Telecommunications Botswana (Proprietary) Limited as well as majority at Board level. We consolidate the results of Liquid Telecommunications Botswana (Proprietary) Limited for financial reporting purposes. Liquid Telecommunications Botswana (Proprietary) Limited aims to provide wholesale, enterprise and retail services in Botswana, by extending the core fiber network to customer sites and premises as well as rolling out a fixed wireless broadband networks in key cities. Its infrastructure is part of a new regional ring backbone network between South Africa, Zimbabwe and Botswana, further increasing the reliability of our core network and services in Southern Africa.

INTELLECTUAL PROPERTY

The Group owns a relatively large number of trademarks. Our most important trademarks are registered as word mark trademarks, protecting words, including "Liquid Telecom" and "Hai" and logo trademarks, protecting our "Liquid Telecom" and "Hai" logos. The "Liquid Telecom" trade mark is registered in all of the territories in which they are used and it is also registered in additional territories for protective reasons in Africa where the Group does not have a presence so that no third party can use the Liquid Telecom brand. This is the same for the "Hai" trademark, which is presently either registered or it is a trade mark application pending registration in the territories where it is used and in additional territories for protective purposes.

In addition to the main "Liquid Telecom" and "Hai" trademarks the Group has also registered various trademarks in specific territories where they are used, including, "PayBay", "Fibroniks", "IPIDI" and "Liquid Money".

In all of the above cases, the protection offered by the registration of the trademarks lasts for seven years or ten years (depending on the relevant country) and can be extended for another ten years or fourteen years (depending on the relevant country) on the basis of a specific renewal request. During the course of our business, we regularly undergo the renewal of our trademarks and the registration of new trademarks (most of the later related to the protection of products).

Currently, our South African operations are predominantly carried out under the joint brand names "Liquid Telecom" and "Neotel". We have recently launched a rebranding initiative aimed at integrating all of our South African operations under the "Liquid Telecom" brand umbrella only. Once this rebranding initiative is complete, we expect to discontinue the use of the "Neotel" brand name. This rebranding initiative is premised on the objective of attracting new customers in South Africa by leveraging the "Liquid Telecom" brand.

We are generally not party to any license agreements in connection with any of the trademarks we own. The isolated cases when we have provided licenses for use of our trademarks has been to joint venture companies formed between ourselves and third party shareholders in Botswana and Zambia.

LICENSES

Our operating licenses specify the communications services we can offer. As at March 1, 2017, the Group companies held over forty communications licenses across the countries we operate in. These licenses are subject to review, interpretation, modification or termination by the relevant authorities. Some, but not all, of the licenses are subject to local citizenship ownership requirements. The operating licenses are generally renewable upon expiration, and are operated under terms ranging from between 5 and 15 years. In certain of the jurisdictions in which we operate, however, our operating licenses have a considerably shorter term. For instance, in some jurisdictions the licenses are annual licenses and in a single case in Zimbabwe, our operating license expired in September of 2016 and we are operating on extensions issued by the regulatory authority, each of which is valid for 30 days only, renewable upon expiration, whilst they complete processing the renewal application. We aim to ensure that we have the required licenses to meet our strategic objectives over the long term. However, there is no assurance that our licenses will be renewed or that any renewal on new terms will be commercially acceptable. See "*Risk Factors—It may be difficult for us to obtain all licenses, permits or other authorizations required to operate our existing network or any other required licenses, permits or other authorizations, and once obtained they may be amended, suspended or revoked or may not be renewed.*"

The table below sets forth details of material licenses we held as at March 1, 2017, 2017:

Country	Group Member	Type
Botswana	Transaction Payment Solutions Botswana (Pty) Ltd	Value Added Network Services (licence conversion in progress to Regional Network Facilities and Service and Applications licenses)
South Africa	Liquid Telecommunications Operations SA (Pty) Ltd	Individual Electronic Communications Service
	Liquid Telecommunications Operations SA (Pty) Ltd	Individual Electronic Communications Network Service
	Liquid Telecommunications Operations SA (Pty) Ltd	Spectrum licence: 2.4 MHz of Ku band spectrum
	Neotel (Liquid Telecommunications South Africa Pty Ltd)	Individual Electronic Communications Service
	Neotel (Liquid Telecommunications South Africa Pty Ltd)	Individual Electronic Communications Network Service
	Neotel (Liquid Telecommunications South Africa Pty Ltd)	Spectrum Licence: 2 × ~5 MHz in 800 MHZ band, 2 × 12 MHz in 1800 MHz band, 2 × 28 MHZ in 3,5 GHz band, 19,45 MHz in C band, 31 MHz in Ku band, 2 × 2 × 28 MHz in 7 GHz band, 2 × 28 MHz in 10,5 GHz, 2 × 2 × 28 MHz in 15 GHz band, 2 × 28 MHz in 26 GHz band, 2 × 56 MHz in 28 GHz band (national) 4 × 28 Mhz in 26 GHz band (regional)
	Neotel (Liquid Telecommunications South Africa Pty Ltd)	Individual Electronic Communications Service
	Neotel (Liquid Telecommunications South Africa Pty Ltd)	Individual Electronic Communications Network Service
Zambia	Transaction Payment Solutions Zambia Limited	Class Network Licence: Wireless Internet
	Transaction Payment Solutions Zambia Limited	Service Licence: Internet

Country	Group Member	Type
	CEC Liquid Telecommunication Limited	Service Licence: Internet Service
	CEC Liquid Telecommunication Limited	Network Licence (Carrier of Carriers)
	Hai Telecommunications Limited	Network license—Wireless Internet
	Hai Telecommunications Limited	Service License Internet
	Hai Telecommunications Limited	Spectrum License
United Kingdom . .	Liquid Telecommunications Ltd	Satellite (Permanent Earth Station)
Zimbabwe	Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	Internet Access Provider (IAP) Services (Class A upgrade)
	Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	Spectrum: 20 MHz in the 2,3 GHz band for LTE
Mauritius	TPS Indian Ocean	Computer / ICT related activities
Kenya	Liquid Telecommunications Kenya Limited	Content Service Provider Licence (CSP)
	Liquid Telecommunications Kenya Limited	Network Facilities Provider—Tier 2 (NFP)
	Liquid Telecommunications Kenya Limited	Applications Services Provider (ASP)
	Liquid Telecommunications Kenya Limited	International Gateway Systems and Services Provider Licence
	Liquid Telecommunications Kenya Limited	Fixed Wireless Access & Microwave Links—Spectrum Fees
	Liquid Telecommunications Kenya Limited	Domain registrar service provider licence
	Liquid Telecommunications Kenya Limited	Local Loop Operator Licence
Uganda	Infocom Ltd	Voice and Data Services
	Infocom Ltd	Public Infrastructure Services
	Infocom Ltd	Spectrum: 2.3 GHz and 3.5GHz
Democratic Republic of Congo	African Digital Networks S.A.R.L	Internet Service Provision (ISP)
	African Digital Networks S.A.R.L	Spectrum: 30 MHz in the 2.3 GHz band
Rwanda	Liquid Telecommunications Rwanda Ltd	RURA Licence—Radio Frequency Spectrum & Operation of Radio Communications Services
	Liquid Telecommunications Rwanda Ltd	Universal access
	Liquid Telecommunications Rwanda Ltd	Maintenance license
Tanzania	Zanlink Ltd	Spectrum: 30 MHz in the 3.5 GHz band
	Zanlink Ltd	Regional Network Facilities
	Zanlink Ltd	Regional Application Services

Country	Group Member	Type
	Raha Ltd	Spectrum: 30 MHz in the 1400 MHz band
	Raha Ltd	International and National Application Services
	Raha Ltd	National Application Services
	Raha Ltd	Numbering resources
	Raha Ltd	Sale, installation and maintenance of Electronic Communications Equipment
	Raha Ltd	Import Electronic Communications Equipment
	Raha Ltd	Regional Network Facilities

INSURANCE

While we had historically maintained insurance coverage locally at the various entities comprising our business, we have recently consolidated our insurance coverage as much as possible into master international insurance policies maintained at Group level. This consolidation effort has allowed us to negotiate more favorable pricing and other commercial terms with our current insurance providers. The operations of Neotel and Raha are currently only partly covered by the master policies but there are some local covers that will amalgamate when covers expire/local legislation allows. Our group and local insurance partners provide local advice and placement for these covers.

We currently maintain insurance policies for global property, business interruption, employers liability, global public liability, employers Liability, Professional Indemnity, Cyber Crime, as well as Directors and Officers Liability. These policies cover a range of risks including those related to physical damage to, and loss of property as well as coverage for losses arising out of our negligence for bodily injury or property damage to Third Parties and Employees. Travel and marine insurance is taken out on a case by case basis. We engage an insurance broker to advise on the necessary types and levels of coverage, and we review our coverage with our broker biannually and maintain a list of work in progress on outstanding matters. We renew our insurance policies annually and most of our insurance premiums are denominated in U.S. dollar.

We consider such insurance coverage to be adequate and in accordance with customary industry practice in the markets in which we operate. However, we currently do not have coverage for Employment Practices Liability or Personal Accident. We also do not insure against certain operational risks for which insurance is unavailable or which can only be insured at what we believe to be on unreasonable terms, such as political risk, war and terrorism.

PROPERTIES

We lease most of the principal properties upon which we operate. We also own certain of the properties where our data centers are located. We also operate a 1,759 square meter leased warehouse in Zimbabwe and a 1,053 square meter leased warehouse in Dubai, which are used to store fiber infrastructure equipment and material.

The following table sets forth our key properties:

Country	Location	Primary Function	Owned / Leased	Size (sqm)
Zimbabwe . . .	Borrowdale	New office development	Owned	20,000
South Africa .	Gauteng	Office Administration Building	Owned	13,950
South Africa .	Gauteng	Data Center	Owned	6,400
South Africa .	Gauteng South	POP—Access Point of Presence	Leased	2,795
Kenya	Nairobi	Company offices	Leased	2,582
South Africa .	Kwazulu Natal	Office Administration Building	Leased	2,090
Kenya	Nairobi	Data center and collocation services	Owned	2,000
Zimbabwe . . .	Willovale	Warehouse	Leased	1,759
South Africa .	Gauteng North	POP—Access Point of Presence	Leased	1,751
South Africa .	Kwazulu Natal	POP—Access Point of Presence	Leased	1,644
Zimbabwe . . .	Bulawayo	Warehouse	Leased	1,612
South Africa .	Western Cape	Data Center	Leased	1,400
South Africa .	Western Cape	Office Administration Building	Leased	1,196
UK	London	Office	Leased	1,093
UAE	Dubai (Jebel Ali Free Zone)	Warehouse	Leased	1,053

EMPLOYEES

As at February 28, 2017, we had 2,073 total employees. The following table details the numbers of our employees by function:

Employees by function (full and part time)

	As at		
	February 28, 2015	February 29, 2016	February 28, 2017
Finance	113	117	221
Administration	59	83	90
Commercial, Sales and Marketing	120	185	479
Customer Services	50	62	77
Human Resources	18	19	31
Information Systems	18	25	53
Networks / Technical / Operations	474	491	1,084
Legal	7	8	22
Other	3	1	16
Total	**862**	**991**	**2,073**

The following table details the numbers of our employees by location:

Employees by location (full and part time)

	As at		
	February 28, 2015	February 29, 2016	February 28, 2017
South Africa	68	86	1,054
Rest of Africa	700	798	903
Rest of the World	94	107	116
Total	**862**	**991**	**2,073**

We have not experienced any significant labor disputes or work stoppages. None of our employees are unionized.

We have pension arrangements in most countries in which we operate and are defined contribution in nature.

Employee health and safety is of high importance to us. Our Chief of Human Resources is responsible for implementing our group health and safety policy by developing specific management systems and governance structures while making sure the local operations follow the general policy adapted for any local legislation as necessary.

ENVIRONMENTAL MATTERS

We do not believe that our activities generally have a significant environmental impact. However, we are subject to a large number of environmental laws and regulations, which vary by geography. These laws and regulations govern, among other things, the management and disposal of hazardous materials, air emissions and water discharge, the cleanup of contaminated sites and health and safety matters. We are also required to obtain environmental permits, licenses and/or authorizations or provide prior notification to the appropriate authorities when building parts of our network or installing types of communications equipment. Some of our sites, including, but not limited to, our data centers, also store small amounts of diesel fuel for back-up power generator use and/or have a history of previous commercial operations. As a result of these activities or operations at our sites, we could incur costs, including fines, penalties and other sanctions, cleanup costs and third-party claims for property damage or personal injuries, as a result of violations of or liabilities under environmental laws and regulations.

We have not been subject to any material fines or legal or regulatory action involving non-compliance with applicable environmental regulations. We are unaware of any material non-compliance with or liability from relevant environmental protection regulations.

LITIGATION AND LEGAL PROCEEDINGS

Our operations are subject to regulation and control by various independent regulators and government authorities that exercise considerable discretion. We are not presently involved in litigation and administrative proceedings with such authorities in the countries where we operate, however, should cases arise relating to the interpretation and application of legal provisions in the various regulations we may institute proceedings against such regulators or government authorities or where such regulators or government authorities consider us to be in breach of any regulations we may be liable to pay a penalty. Further, we encounter disputes with our partners and/or competitors in the ordinary course of business that can ultimately lead to litigation. Due to the nature of the aforementioned proceedings, their results are uncertain. Most of these proceedings are in the ordinary course of business and, save as described below, no member of the Group is or, in the 12 months preceding the date of this offering memorandum, has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened, of which we are aware) which may have or have had a significant effect on the Group's financial position and/or profitability.

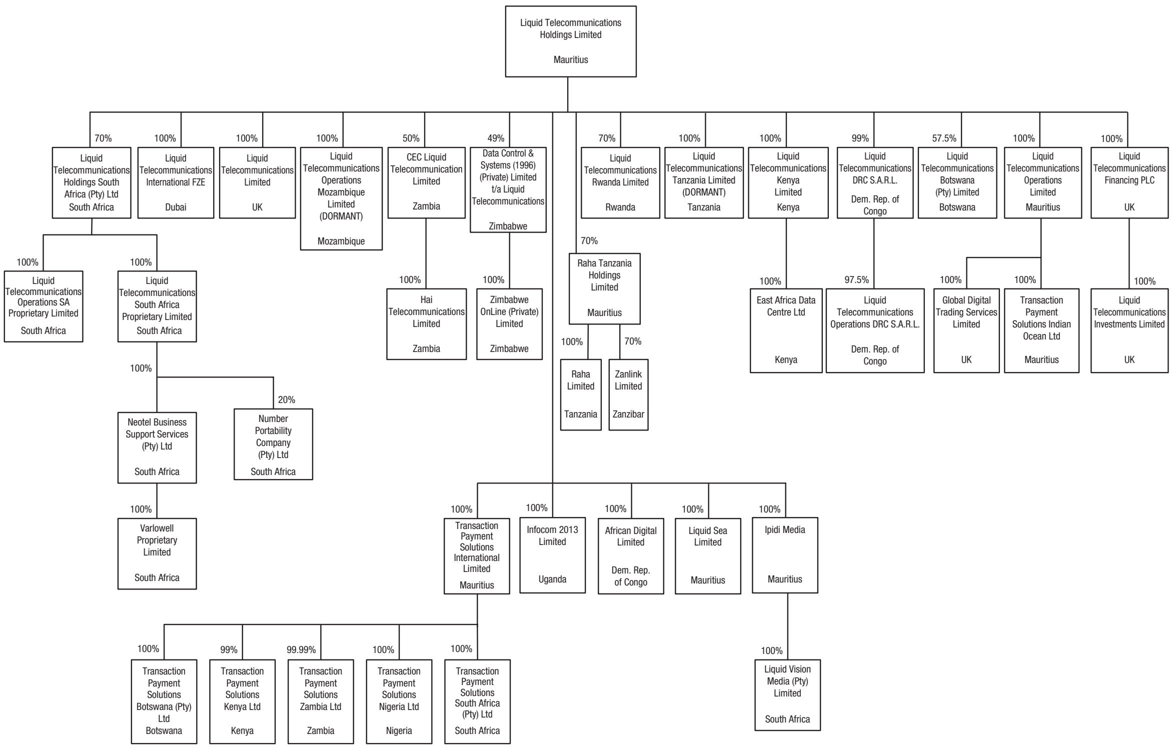
Homix Investigation

In 2014, prior to our acquisition of Neotel, Neotel's statutory auditors identified a potentially reportable irregularity involving Homix Proprietary Limited, a third party intermediary, which had been engaged to assist Neotel in its efforts to negotiate a revision of a previously existing agreement with Transnet. Upon being informed of the statutory auditors' concerns, the board of directors of Neotel appointed an independent South African law firm to investigate the concerns. The Neotel board of directors subsequently engaged the Johannesburg office of an international law firm, headquartered in the United Kingdom, to advise on the matter. These investigations were concluded by mid-2015. A Neotel employee involved with the Transnet negotiations and Neotel's CEO and its CFO resigned from their positions. In addition to the work performed by Neotel's external auditors and the two law firms, reports were lodged with the relevant authorities in South Africa. We are not aware of any further inquiries or statements from these authorities concerning this matter. We are also not aware of further investigations being made, or proceedings being instituted against Neotel by the relevant authorities, although any such decision as to whether or not further action is required is the decision of the relevant authorities. Furthermore, while we believe that robust procurement, payment and internal control processes were in place at Neotel immediately prior to the Neotel Acquisition, since completing our acquisition of Neotel in February 2017 we have since taken further steps to enhance its processes and internal control environment to ensure compliance with the highest standards of business conduct. For further details on this matter, including the supply arrangements under the contract with Transnet, see the Neotel Annual Financial Statements, including in particular note 37 of the audited financial statements of Neotel for the year ended March 31, 2016, and reportable irregularities 1, 2, 3 & 4, and 5 & 6 and note 37 of the audited financial statements of Neotel for the year ended March 31, 2015.

CORPORATE STRUCTURE

We have subsidiaries in each of the jurisdictions in which we perform our operations. A number of these subsidiaries, including certain of the Guarantors (such as Liquid Telecommunications Holdings South Africa (Pty) Ltd, Liquid Telecommunications Operations SA Proprietary Limited and Liquid Telecommunications South Africa Proprietary Limited (formerly Neotel Proprietary Limited)), are not wholly owned by us. Details of the subsidiaries that are not wholly owned are set out in the Liquid Group structure chart below. Typically, operations in a particular jurisdiction are undertaken under one corporate group.

The chart below depicts a summary of our corporate structure, showing our subsidiaries as at the date of this document:



MATERIAL CONTRACTS

Credit Facility Agreements

LTH Senior Credit Facility

See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Resources—Financial Obligations*."

Neotel Senior Bridge Facility

See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Resources—Financial Obligations*."

Tata Term Loan Facility

See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Resources—Financial Obligations*."

Interconnection agreements

We have entered into various interconnection agreements (also known as International Telecommunications Services Agreements, Reciprocal Telecommunications Services Agreements, and International Carrier Agreements) with fixed and mobile telecommunications operators for international termination of each party's telecommunications traffic on a reciprocal basis. Our interconnection agreements generally have indefinite terms and may be terminated in the event of a material breach (predominantly, subject to a cure period), the commencement of liquidation or insolvency proceedings, force majeure lasting for a period of more than ninety days, or one month's notice. Billing is generally done on a monthly basis with invoices issued within 15 days of the end of the billing period and payment due with 15 days of invoicing. Payments may also be netted between the Company and its counterparty to the interconnection agreement. The Company may impose credit limits or work on a deposit or prepayment basis to reduce credit risk for customers that do not have a high credit rating.

The East African Marine Systems Limited IRU Agreement

On 14 July 2009, our Kenyan subsidiary, Kenya Data Networks Limited (now Liquid Telecommunications Kenya Limited) entered into an IRU (Irrevocable Right of Usage) capacity purchase agreement with The East African Marine Systems Limited (TEAMS), pursuant to which Liquid Telecommunications Kenya Limited is entitled to 10.82% of TEAMS capacity and operations and maintenance service provide under the construction and maintenance agreement between TEAMS and Emirates Telecommunications Corporation (Etisalat). This agreement has a term of 25 years from the date when the IRU capacity became available (July 2009).

In exchange for the services performed by TEAMS under this agreement, Liquid Telecommunications Kenya Limited pays a quarterly maintenance fee to TEAMS for the services provided under the construction and maintenance agreement between TEAMS and Etisalat.

Master services agreement with West Indian Ocean Cable Company Limited (WIOCC)

Our Mauritian subsidiary, Liquid Telecommunications Operations Limited, is a party to a Master Services Agreement (the "**WIOCC MSA**") with West Indian Ocean Cable Company Limited (WIOCC), for the purchase of IRU (Indefeasible Right of Use) capacity on the WIOCC submarine cable and various subsequent service orders under the agreement. Individual service orders become effective on the date agreed by the two parties and, upon the expiration of the original service order, the applicable services will continue on a monthly basis unless either party provides thirty days' notice. In exchange for the services performed by WIOCC under this agreement, Liquid Telecommunications Operations Limited pays annual fees, as well as a payment for third-party charges passed on by WIOCC after the expiry of a given service that are not covered by the annual fees.

Seacom Ltd and Sea Submarine Communications Limited

Multiple IRUs for submarine capacity on the Seacom submarine cable system have been entered between Liquid Telecommunciations Operations Limited, Liquid Telecommunications Kenya Limited and Neotel with Seacom Ltd and Sea Submarine Communications Limited (Seacom) for 20 years terms from various activation dates between August 2009 and December 2013. In exchange for the services performed by Seacom under these agreements, Liquid Telecom pays O&M charges on a quarterly basis.

Allotment Agreement with Eutelsat S.A.

Liquid Telecommunications Operations Limited is party to an Allotment Agreement with Eutelsat S.A. for the purchase and allotment of satellite capacity on the EUTELSAT 7A (February 1, 2014 to July 16, 2014) and EUTELSAT 7B (from July 16, 2014) satellites. This agreement remains in force until 31 January, 2019. In exchange for the services performed by Eutelsat under this agreement, Liquid Telecommunications Operations Limited pays annual fees (VAT excluded) for capacity on EUTELSAT 7B and a fee per MHz per month (VAT excluded) for capacity on Transponder N2. The parties subsequently amended the agreement modifying, among other things, the allotted capacity and utilization charges.

Service Agreement with Eutelsat S.A.

On March 2, 2016 Liquid Telecommunications Operations Limited entered into a Service Agreement with Eutelsat S.A. for the procurement of capacity on the EUTELSAT 7 B satellite and Eutelsat Ground Services provided in connection with Eutelsat's Ground Facilities. The services are to be provided from March 1 2016 to April 30 2021. Utilization charges for the service are per MHz per month (after an initial free period for testing in March and April 2016). Payment is made monthly in arrears.

Master Services and Maintenance Agreement with Plessey

On September 18 2015, Liquid Telecommunications Kenya Limited entered into a Master Services and Maintenance Agreement with Plessey International Ltd for the fiber and facility maintenance services in Kenya. The agreement became effective on August 1 2015 with an initial term of two years, renewable for a further period of 3 years. If the agreement is not renewed (unless for cause) at the end of the two year initial period then Liquid Telecommunications Kenya Limited is liable to retrospectively pay the difference between the 2 year price and the 5 year price for the duration of the initial 2 year period. Schedule 1 set out pricing at the 2 year and 5 year rates for the route length existing at contact date, with increments for route extensions. Pricing is subject to annual CPI increases.

A similar agreement was entered into between Liquid Telecommunications Operations SA Proprietary Limited and Plessey South Africa (PTY) Ltd, effective April 1 2015 for fiber and facility maintenance services in South Africa, on substantially identical terms.

Master Tower Agreement (MTA) with Kenya Towers Limited

On April 18 2013 our Kenyan subsidiary, Liquid Telecommunications Kenya Limited entered into a Master Tower Agreement with Kenya Towers Limited in which Liquid Telecommunications Kenya Ltd is permitted to access the passive infrastructure located at telecommunications sites owned by Kenya Towers Limited (including the land tower, shelter, diesel generator sets, air conditioners and electrical and civil works) and related operations/maintenance services which the Communications Commission of Kenya has granted Kenya Towers Limited a licence for use. The agreement has an indefinite term. Either party can terminate on 90 days written notice and can terminate immediately for breach and other circumstances. If the MTA is terminated, then all service contracts pursuant to the MTA are also terminated

In exchange for the use of the passive infrastructure, Liquid Telecommunications Kenya Limited will pay Kenya Towers Limited in accordance with a schedule of charges which are revised and effective from 1st April each year.

Deed of Amendment to the Master Tower Agreement (MTA) with Kenya Towers Limited

On September 7 2015 a deed of amendment to the MTA was entered into between our Kenyan subsidiary Liquid Telecommunications Kenya Limited, Kenya Towers Limited and Airtel Networks Kenya Limited pursuant to which certain terms of the MTA were amended due to the service of a change control notice (CCN) by Kenya Towers Limited on May 2015 29. In the CCN, Kenya Towers Limited advised that all sites under partial billing would be converted to a full billing rate with effect from June 1 2015. The parties to the deed confirmed that the zero billed sites listed in the deed do not fall under the sites noted under the CCN and that for zero billed sites the billing remains unchanged.

Joint Provisioning Agreement between an international Indian telecommunications company (the Carrier) and Neotel (Pty) Limited

On June 25, 2009, our South African subsidiary Neotel entered into a Joint Provisioning Agreement (JPA) with the Carrier pursuant to which each party provides and supplies IT services to the other (including their respective customers) comprising of IPVPN, DGE and IPL services amongst others. The JPA term has an indefinite term.

In exchange for the services provided by and to each party under this agreement, the party who receives the services pays the other party monthly in accordance with respective price schedules attached to the agreement depending on the services provided and which are reviewed quarterly (excluding tax and VAT). These charges in the schedules are location and circuit specific. Charges can be on the basis of a revenue share of the amount charged to the end user of the service. There is provision for a discount to be applied on a case-by-case basis as agreed between the parties.

Joint Provisioning Agreement between an international Indian telecommunications company (the "Carrier") and Kenya Data Networks

On February 12 2010, the Carrier entered into a Joint Provisioning Agreement with Kenya Data Networks Limited (now Liquid Telecommunications Kenya Limited) pursuant to which either party contracts with an end user for the services detailed in a jurisdiction where the other is licensed, the other will provide those services it is licensed for and will receive in return a share of the revenue for providing that service. The party who provides the services shall be invoiced monthly by the other within 5 business days of the start of the month for services provided to the end user under contracts made by the other. Fees are based on a pricing schedule (exclusive of tax and VAT) depending on capacity. There is a term discount applicable to both parties ranging from 5%–15% based on the term.

In exchange for the services provided under this agreement, the party who contracts with the end user (not the party providing the service in their relevant jurisdiction) shall be responsible for the end user and the parties agree that the contracting party shall have the primary relationship with the end user. The initial term for this agreement is a period of 3 years and continues for successive periods of 12 months until notice of termination is given.

Joint Provisioning Agreement between an international Indian telecommunications company (the "Carrier") and Liquid Telecommunications Limited

On November 12 2012, Liquid Telecommunications Limited entered into a Joint Provisioning Agreement with the Carrier for the purchase by the Carrier of IPVPN and related services in Zimbabwe and Zambia to be provided via Liquid Telecommunications Limited's local affiliated entities. The agreement is effective from November 12 2012 with an initial term of 3 years and thereafter renewing for successive terms of 12 months. In exchange for the services ordered, the Carrier pays connection fees and monthly service fees for services ordered.

On August 4 2016 the parties entered into an amendment adding direct internet access to the services, adding further countries to the Territory and clarifying the nature and operation of the one-stop shopping arrangements.

Dark Fiber Lease with The Kenya Power & Lighting Company Limited

On June 8 2016, Liquid Telecommunications Kenya Limited, entered into an agreement for lease of dark fiber with The Kenya Power & Lighting Company Limited (KPLC). KPLC operates optical fiber networks with spare capacity that it leases to telecommunications operators. The lease allows for collocation facilities to be put in place for either a one-off payment or recurrent annual payments for a 19" Cabinet or for the construction of a space for a small container or small housing. The lease also provides for an interconnectivity charges per Core per year or a one-off Access Charge. Additionally, an Operation & Maintenance Charge shall be payable at a rate of 5% of the quarterly lease price, every quarter. The initial term of the lease is for a period of 5 years and can be extended by mutual agreement 3 months prior to its expiration. Under the lease, a deposit equivalent to 2 quarterly instalments was required on or before signing the lease.

INDUSTRY REGULATION

This section sets out the material regulations and regulatory concerns in certain of the countries in which the Group has operations.

South Africa

The Electronic Communications Act and the Independent Communications Authority of South Africa Act

The governing legislation for the telecommunications (electronic communications) industry in South Africa is the Electronic Communications Act, No 36 of 2005 ("**ECA**"), which came into effect on July 19 2006, as amended and the ICASA Act which established the industry regulator, the Independent Communications Authority of South Africa ("**ICASA**") in July 2000.

ICASA regulates the electronic communications sector pursuant to national policy, the custodians of which, since 2014 are the Department of Communications (for broadcasting matters and ICASA oversight) and the Department of Telecommunications and Postal Services ("**DTPS**"). Following the splitting of administrative powers in an erstwhile Department of Communications in 2014, the Minister of Communications is now responsible for the administration of a number of pieces of legislation including the ICASA Act. The Communications ministry is responsible for overarching communication policy and strategy, information dissemination and publicity as well as the branding of South Africa abroad.

The Ministry of Telecommunications and Postal Services is responsible for the operation and administration of the ECA, enabling it to make policies on radio frequency spectrum, universal service, the application of new technologies and any other matter that may be necessary for the application of the ECA.

Licensing

ICASA is the regulatory authority responsible for, amongst other things, licensing the providers of telecommunications and broadcasting services and monitoring compliance by licensees with their licences and various regulations which set out applicable minimum standards for end-users and subscribers, numbering, general license fees, universal service fees, code of conduct, interconnection, facilities leasing, mobile number portability, call termination, approvals for equipment and compliance procedures.

Unless exempted, a radio frequency spectrum licence is required to operate radio apparatus. Apparatus that have low power applications are generally exempt. ICASA has published a radio frequency band plan that takes into account the International Telecommunication Union (ITU) spectrum allotments for radio frequency spectrum use. ICASA has issued 900MHz, 1800MHz and 3G radio frequency spectrum licences to the mobile operators and has been delayed in its plans to award licences in the valuable 800 MHz, 2,5MHz and 3,6MHz ranges.

All licensees must be either citizens or entities registered in South Africa with their principal place of business in South Africa. However, there are no restrictions on the ownership of the shares of the licensed entities.

As part of compliance requirements, licensees are required to lodge their tariffs with ICASA and tariffs must be made known to the public. There is no retail price regulation in South Africa and no requirement for approvals of tariffs prior to commencement of service.

Consumer Protection Act

In addition to the ECA, the Consumer Protection Act, No 68 of 2008 ("**CPA**") is another key piece of legislation that regulates certain aspects of the electronic communications sector. The CPA came into effect on March 31 2011 and the CPA regulations came into effect on 1 April 2011. This legislation has significantly changed how business is conducted in South Africa. The CPA provides for fundamental consumer rights, fair and reasonable marketing, fair and honest dealing, fair, just and reasonable terms and conditions, and fair value, good quality and safety.

The CPA applies to all transactions for goods and services between a supplier and a consumer in South Africa, and applies to all industries involved in the supply of goods and services. Sanctions for non-compliance include fines and imprisonment. The National Consumer Commission ("**NCC**") was established to oversee the CPA and address consumer complaints and in the ICT sector, to date have launched investigations in respect of subscriber agreements, international roaming, handset subsidies and consumer complaints. A National Consumer Tribunal has also been established in terms of the National Credit Act 34 of 2005 ("NCA") and derives mandate from various regulations under the CPA in respect of consumer credit.

Competition law considerations

In addition to the ECA, the Competition Act, No 89 of 1998 ("**CA**") regulates certain aspects of conduct within the ICT sector as part of its remit to regulate competition matters across all industries, including the electronic communications industry. ICASA and the Competition Authorities—charged with the implementation of the CA, share jurisdiction in respect of competition issues and regularise those domains through a Memorandum of Agreement between the respective regulators, which defines their respective areas of jurisdiction and regulates interaction between them. The CA also establishes the Competition Tribunal with adjudicative powers, and the Competition Appeal Court.

Exchange Controls

An entity's ability to transfer funds (or provide guarantees) out of South Africa and to enter into agreements which require or potentially require the transfer of funds out of South Africa (for example, any debt financing agreement involving repayment to a foreign lender) is subject to South African exchange control regulations. The SARB, and in particular its Financial Surveillance Department, has been delegated the authority to administer the South African exchange control system. The Financial Surveillance Department has wide discretion that is exercised in accordance with the exchange control regulations and in particular its exchange control manuals in line with the policy guidelines laid down by the South African Minister of Finance. Any cash flows out of South Africa or financial obligations incurred to non-residents are regulated by exchange control regulations.

Broadband policy

Broadband has been a policy focus for the government since 2010. Various documents have outlined government's strategic intent to facilitate the provision of affordable, accessible and universal access to broadband infrastructure for citizens, businesses, communities and the three spheres of government. In 2013, the then Department of Communications published the National Broadband Policy 2013, termed "SA Connect". The national project is geared towards galvanising the capability, resources and energy of public and private entities towards realising a bold vision of a connected society. The policy further seeks to encapsulate the value of broadband services to promote economic development and growth, and act as an enabler for further social benefits and endeavours to clarify the roles of government, state-owned enterprises and the private sector in developing world-class broadband infrastructure in South Africa.

Kenya

Kenya Information and Communications Act

The telecommunications sector in Kenya is primarily governed by the Kenya Information and Communications Act, No. 2 of 1998 (as amended) ("**KICA**"), and the various regulations promulgated under it. ICT sector policies are set by the Ministry of Information Communications and Technology.

Under KICA, the Communications Authority of Kenya ("**CAK**") is established to licence and regulate postal, information and communication services. Section 24(1) of **KICA** provides that no person shall operate a telecommunication system or provide any telecommunication services except in accordance with a valid licence granted under KICA. The Kenyan Guarantor, Liquid Telecommunications Kenya Limited is a regulated company under KICA on account of its core business being in the information communication technology sector.

The CAK has listed the minimum requirements that would have to be satisfied by all applicants (for all licenses). This includes a requirement for the applicant to undertake to issue at least twenty percent (20%) of their shares to Kenyan persons on or before the end of three (3) years after getting their licence. The Cabinet Secretary in the Ministry of Information Communications and Technology however reserves the right to waive this requirement. The licence holder is required to formally write to the Cabinet Secretary setting out the reasons why they should be exempted from the requirement to cede the shareholding.

Transfer of shares

The transfer of shares in an entity licensed under KICA (a "**Licensee**") is regulated under the Licensing and Quality of Service Regulations, 2010 (the Licensing Regulations) and by the licensing conditions included in each license that is granted.

It is a requirement that where there is a proposed change in control in a licensed entity, such change should be notified to the CAK at least thirty days before the change is effected. However, it should be noted that any change in shareholding exceeding fifteen percent (15%) of the issued share capital or the acquisition by an existing shareholder of at least five percent (5%) of additional shares, requires the prior written consent of the CAK. The CAK can vary these percentages in the conditions set out in each licence. The CAK is required to notify the applicant of its acceptance or refusal stating the reasons for the refusal in the case of a refusal, within thirty (30) days of receipt of the application for the consent.

The licensing conditions included in each license with respect to the restrictions on the transfer of shares differ depending on the type of telecommunication license granted. The Kenyan Guarantor has the following licences from the CAK which have share transfer restrictions:

- An Applications Service Provider Licence (**ASP Licence**);
- A Content Service Provider Licence (**CSP Licence**); and
- A Network Facilities Provider Tier 2 Licence (**NFPT2 Licence**).

Conditions 20 of the ASP Licence, 13 of the CSP Licence and 18 of the NFPT2 Licence all regulate the transfer of shares as discussed above with respect to the Kenyan Guarantor. In this regard, since the Kenyan Guarantor is a licensed entity under KICA, a transfer of shares may need to be notified to CAK and/or approval sought for such transfer.

From the foregoing, in the event of a default by the Issuer resulting in the Collateral (memorandum of deposit of shares in the Kenyan Guarantor) being enforced by way of sale of the shares in the Kenyan Guarantor, the approval of CAK for the share transfer may be required.

In addition, it will be necessary to ensure compliance with the 20% local equity participation requirement or obtain a waiver of the same from the Cabinet Secretary in the Ministry of Information Communications and Technology.

Consumer Protection Act

The Consumer Protection Act (Number 46 of 2012) (the "**CPA**") is the substantive law that deals with consumers' rights and obligations vis-a-vis product and service liability. The CPA makes provisions for the promotion and enforcement of consumer rights as well as empowering consumers to seek redress for infringement of their rights as consumers and also provide for compensation. The CPA entrenches consumers constitutional rights envisaged under Article 46 of the Constitution of Kenya. The CPA gives a consumer the right to commence legal action on behalf of a class of persons in relation to any contract for the supply of goods or services to the consumer. This right cannot be ousted by any agreement between the parties. The CPA contains provisions that have significant implications on various transactions with consumers. It governs consumer relations both by individual economic sectors and, generally across all sectors in the market place. Two notable sector specific consumer rights are the right to pre-contractual disclosure of the terms of the consumer agreement and cancellation rights of the consumer agreement. It should be noted that the CPA defines "consumer" broadly to include not only the person who buys the goods or services but also a person who uses the goods or services irrespective of whether they were party to the transaction or not.

The Kenyan Guarantor is the business of providing ICT related services to consumers and therefore its interactions with Kenyan consumers is governed by the CPA.

Competition law considerations

The Competition Act (No. 12 of 2010) (the **CA**) is the principal law governing competition in Kenya. The CA essentially governs the promotion and safeguarding of competition in the national economy and protects consumers from unfair and misleading market conduct. The CA also establishes the Competition Authority of Kenya (the **Authority**) as a supervisory body in the Kenyan competition law regime. Under the CA an entity has the obligation to notify the Authority of any proposed merger. A merger is defined as "an acquisition of shares, business or other assets, whether inside or outside Kenya, resulting in the change of control of a business or part of a business in Kenya in any manner and includes a takeover."

The CA and Merger Guidelines published by the Authority provide guidance on what constitutes a merger.

If the Collateral is enforced by way of sale of the shares in the Kenyan Guarantor, it will be necessary for the parties to assess, prior to enforcement of the Collateral, whether a notification to the Authority will be required.

COMESA Competition Regulations

Mergers and acquisitions which have a regional dimension (where at least one merging party i.e. the target or the acquiring firm, operates in two (2) or more COMESA Member states) may be subject to the COMESA Competition Regulations and Competition Rules. Kenya is a member state of COMESA.

The COMESA Regulations define a merger as the direct or indirect acquisition or establishment of a controlling interest by one or more persons in the whole or part of the business of a competitor, supplier, customer or other person, whether that controlling interest is achieved as a result of:

- the purchase or lease of the shares or assets;
- the amalgamation or combination with a competitor, supplier, customer or other person; or
- any means other than those specified above.

Mergers that meet the prescribed specifications are required to make a notification to the COMESA Competition Commission (**CCC**). Pursuant to Article 24 of the COMESA Regulations, a notifiable merger must be notified to the CCC no later than thirty (30) days of the parties' decision to merge, which the CCC interprets as the date a legally binding agreement has been entered into or on the announcement of a public bid in the case of publicly traded securities.

Zimbabwe

Postal And Telecommunications Act

The Postal and Telecommunications Act (the "**Act**") is the main Statute governing the Telecommunications Industry in Zimbabwe. The Act establishes the Regulator for the Industry, known as the Postal and Telecommunications Regulatory Authority ("**POTRAZ**"), which is a body corporate capable of suing and being sued in its corporate name and, subject to the Act, of performing all acts that bodies corporate may by law perform. In addition, the Act sets minimum requirements for a person or entity to be eligible for licensing as a Telecommunications Operator and the framework for the operations of the telecommunications Industry in Zimbabwe. The function of POTRAZ is to ensure the provision of sufficient domestic and international telecommunication and postal services throughout Zimbabwe.

Licensing

The Act provides that no person shall provide a telecommunication service or operate a telecommunication system except in accordance with a telecommunication licence. All applications for telecommunications licenses are to be lodged with POTRAZ.

Section 37 of the Act prohibits POTRAZ from issuing a telecommunication licence to any person other than a body corporate in which a controlling interest is held, directly or indirectly, whether through any individual, company or association or otherwise, by one or more individuals who are citizens of Zimbabwe and ordinarily resident in Zimbabwe (subject to certain exemptions).

Competition Act

Some of the Competition Act's objectives are to encourage and promote competition in all sectors of the economy, reduce barriers to entry into any sector of the economy or to any form of economic activity and to investigate, discourage and prevent restrictive practices. It further seeks to provide information to interested persons on current policy with regard to restrictive practices, acquisitions and monopoly situations, to serve as guidelines for the benefit of those persons.

The Competition Act establishes a Competition Commission, which undertakes investigations and makes reports to the minister relating to tariff charges, unfair trade practices and the provision of assistance or protection to local industry.

Exchange Control Act

Exchange control in Zimbabwe is regulated. Repatriation of profits by foreign investors from Zimbabwe is to be expressly approved the Reserve Bank of Zimbabwe in line with any regulations it may set from time to time.

Zimbabwe Investment Authority Act

Any person who wishes to obtain the approval of the Zimbabwe Investment Authority ZIA (the "**Authority**") to invest in Zimbabwe or his or her business activity to be approved by the Authority as a foreign investment shall submit an application to the Authority in the prescribed form for an investment licence. The application shall be accompanied by the prescribed fee, if any, and such documents as the Authority may require.

In considering an application for an investment licence the Authority shall have regard to a number of considerations including skills and technology transfer, employment creation opportunities, use of local raw material beneficiation and the value of the convertible foreign currency transferred to Zimbabwe in connection with the project.

No projected or proposed investment in a prescribed sector of the economy available for investment by domestic or foreign investors for which an investment licence is required in terms of the Zimbabwe Investment Authority Act shall be approved unless a controlling interest in the investment is reserved for indigenous Zimbabweans.

MANAGEMENT

The following is a summary of certain information concerning our management. This summary is qualified in its entirety by reference to our articles of association and/or applicable law, as the case may be, and it does not purport to be complete.

THE ISSUER

Overview of Management Structure of the Issuer

The issuer is a public company limited by shares incorporated on May 8, 2017 under the laws of England and Wales.

The Issuer is managed by its board of directors in accordance with applicable law, constitutional documents and special resolutions of members. The Issuer's board is currently comprised of four directors. With few exceptions, meetings of the board are generally convened by four directors. Decisions of the board are validly taken if passed with the affirmative votes of at least a majority of the participating non-conflicted directors. In the event the number of votes for and against a proposal are equal, the chairman or other director chairing the meeting has a casting vote, provided he or she are non-conflicted.

The Issuer is legally and beneficially owned and controlled directly by the Company. The rights of the Company as a member in the Issuer are contained in the Issuer's articles of association and the Issuer will be managed in accordance with those articles and with the provisions of the laws of England and Wales. Among other rights, the Company may, by special member resolution, direct the directors to take or refrain from taking any specified action, provided that no such resolution would invalidate any lawful actions previously taken by the directors.

The business address of the directors of the Issuer is at the Issuer's registered office and principal place of business (at 6 New Street Square, London EC4A 3BF).

Board of Directors

The following table sets forth the name, age as at the date of this offering memorandum and position of each member of the board of directors of the Issuer:

Name	Age	Position
Strive Masiyiwa	56	Director
Hardwork Njodzi (Hardy) Pemhiwa	49	Director
Nicholas Rudnick	47	Director
Kate Hennessy	44	Director

For a description of the business and management experience of Mr. Masiyiwa, Mr. Pemhiwa and Mr. Rudnick, see "*—The Company—Board of Directors*". For a description of Ms. Hennessy's business and management experience, see "*—The Company—Management Team*", respectively.

Conflicts of Interest

There are no potential conflicts of interest between the duties to the Issuer of the directors listed above, and their private interests and other duties.

THE COMPANY

Overview of Management Structure of the Company

The Company is a private company limited by shares incorporated on January 26, 2007 under the laws of Mauritius.

The Company is managed by our board of directors. The appointment, duties and authority of the members of the board of directors are regulated by our articles of association and our shareholders' agreement dated November 25, 2013, as amended from time to time (the "**Shareholders' Agreement**").

Pursuant to our Shareholders' Agreement, each shareholder has the right to appoint one director to the board for each 10% of the Company's issued shares it holds, provided, however, that for so long as GW Fibre Limited continues to hold at least 37.5% of the 99 Class A shares it holds in the share capital of Company, it shall have the right to appoint a director to our board.

Our board of directors is currently composed of eight directors, four of whom are independent directors and four are non-independent directors. Our non-independent directors are Mr. Strive Masiyiwa, Mr. Hardwork Pemhiwa, Mr. Nicholas Rudnick and Mr. Anil Dua. Our non-executive independent directors are Mr. Donald H. Gips, Mr. Vassi Naidoo, Mr. Eric Venpin and Mr. Gaetan Lan. At present, the board is chaired by Mr. Strive Masiyiwa. Mr. Vassi Naidoo was appointed by Econet Global Limited in terms of its rights as contained in our Shareholders' Agreement, as indicated above. However, this manner of appointment does not in any way affect the independent, non-executive nature of their office, which is carried out in accordance with applicable corporate governance codes.

Subject to the matters reserved for the approval of our shareholders, all decisions relating to the business and affairs of the Company are decided by a simple majority of our board at a duly convened and quorate meeting. Among others, the following decisions require the prior approval of all of our shareholders:

(i) to pledge, encumber, issue guarantees or provide security for the obligations of third parties other than (a) on an arm's length basis, (b) where there is equal benefit for the Company, or (c) where this does not unfairly prejudice a minority shareholder;

(ii) to dispose of assets in excess of (a) 20% of the Group's gross assets (calculated on a consolidated basis), (b) 50% of the Group's net asset (calculated on a consolidated basis), or (c) 3.5 times the Group's consolidated EBITDA (calculated in the same manner as set out in the consolidated financial statements of the Group as at and for the year ended 29 February 2016);

(iii) to fundamentally alter the business of the Company;

(iv) to declare a dividend other than in accordance with the Company's dividend policy;

(v) to allot or issue additional shares other than for fair value;

(vi) to enter into a related party transaction requiring the approval of the shareholders (see "*Related Party Transactions—Transactions between the Group and Related Parties*");

(vii) to pass any special resolutions; and

(viii) to amend the Company's constitution.

In addition, pursuant to our Shareholders' Agreement, each shareholder has agreed to exercise all voting rights and powers of control available to it in relation to the Company and any other member of the Group, and the Company has agreed to exercise all voting rights and powers of control available to it in relation to the other members of the Group, to procure that neither the Company nor any other member of the Group shall effect any of the above matters without the prior written consent of all of our shareholders.

Board of Directors

The Company's directors and their respective ages as at the date of this offering memorandum and positions are as follows:

Name	Age	Position
Strive Masiyiwa	56	Executive Chairman
Nicholas Rudnick	47	Chief Executive Officer
Eric Venpin	51	Independent Non-Executive Director
Gaetan Lan Hun Kuen	63	Independent Non-Executive Director
Donald H. Gips	57	Independent Non-Executive Director
Hardwork Njodzi (Hardy) Pemhiwa	49	Non-Independent Non-Executive Director
Vassi Naidoo	62	Senior Independent Director
Anil Dua	64	Non-Independent Non-Executive Director

Strive Masiyiwa is the founder of the Group and Executive Chairman of our board of directors. Mr Masiyiwa founded the Econet Group, a diversified global telecommunications group with operations and investments in over fifteen countries. Mr Masiyiwa's business interests also include renewable energy, financial services, media and hospitality. Mr Masiyiwa serves on a number of international boards, including Unilever, Rockefeller Foundation, the Council on Foreign Relations' Global Advisory Board, the Africa Progress Panel, the UN Secretary General's Advisory Board for Sustainable Energy, Morehouse College, Hilton Foundation's Humanitarian Prize Jury and the Kenjin-Tatsujin International Advisory

Council. Mr Masiyiwa also serves as Chairman of the Alliance for a Green Revolution in Africa (AGRA). In addition, Mr Masiyiwa is one of the founders, with Sir Richard Branson, of the global think tank, the Carbon War Room, and a founding member of the Global Business Coalition on Education. In 2017, Fortune Magazine named Mr. Masiyiwa number 33 in the World's Greatest Leaders for 2017.

Nicholas Rudnick is the Chief Executive Officer of the Company and a member of our board of directors. Mr. Rudnick became the Company's CEO in 2004, when the Company was rebranded from Econet Carrier Services to Liquid Telecom. Mr Rudnick is also a director of Econet Global Limited. Mr. Rudnick has been listed in Global Telecom Business Magazine's 100 most influential people in the telecommunications industry for the last three consecutive years and is a very well-recognised entrepreneur and legal expert within the industry, helping develop the sector significantly in Africa. Mr. Rudnick is an England and Wales qualified attorney and holds a Master of Laws (Telecommunication) from the University of Strathclyde and BA and LLB degrees from the University of Cape Town.

Eric Venpin is an Independent Non-Executive Director on our board. Mr. Venpin is a fellow member of the Institute of Chartered Accountants in England and Wales and is currently the Managing Director of The Lins Consulting Ltd and sits on the board of several companies. He started his career in London, UK, where he was involved in international tax planning and restructuring. He then became a partner at Deloitte, Mauritius in charge of fiscal services and information technology. He was also one of the founder members of DTOS Ltd, one of the main service providers in the global business industry. In 2005, he was appointed as managing director of Mauritian Eagle Insurance Co Ltd, a listed insurance company in Mauritius and a year later became the chief operating officer of the financial services sector of IBL, one of the largest listed conglomerates in Mauritius and was in charge of insurance, leasing and global business clusters.

Gaetan Lan Hun Kuen is an Independent Non-Executive Director on our board. He was Chief Executive Officer of Mauritian Eagle Insurance Company Limited before holding the position of Chief Finance Officer within IBL Group from 2005 to 2014. Mr. Lan was also Chairman of The Stock Exchange of Mauritius and member of the Financial Services Consultative Council. Mr. Lan became a member of the Institute of Chartered Accountants in England and Wales in 1977 and was made Fellow of the same Institute in 1982. He also completed an Advanced Management Program at INSEAD, Fontainebleau, France and a Management Information System Program in Boston, Massachusetts.

Donald H. Gips is an Independent Non-Executive Director on our board. He is a Principal of Albright Stonebridge Group, a global strategic advisory and commercial diplomacy firm, also serving as Chair of the U.S.-South Africa Business Council, Senior Advisor at Blackstone, and outside director on the boards of Zayo, Black Rhino, Nextnav and Omnispace. Over the course of his career, Mr. Gips served as the U.S. Ambassador to South Africa, ran the Office of Presidential Personnel for the Obama Administration, served in the White House during the Clinton administration, and served as Chief of the International Bureau at the Federal Communications Commission. In addition, from 1998 to 2008, Mr. Gips was group vice president of global corporate development at Level 3 Communications. He received an MBA from the Yale School of Management, where he was honored as a Donaldson Fellow, and an undergraduate degree from Harvard University where he was presented with the Ames Award and the Paul Revere Frothingham Prize.

Hardwork Njodzi (Hardy) Pemhiwa is a Non-Executive Director on our board. Mr. Pemhiwa is group Managing Director and Chief Executive Officer of Econet Global Limited. In addition, he is a director of several of Econet's subsidiaries. He is also co-founder and director of Amana Capital Limited, a licensed investment management Company in Kenya, and an independent non-executive director of the pan-African housing finance provider, Shelter Afrique. Mr. Pemhiwa received a Bachelor's degree in Computer Engineering from Queen Mary College, University of London and holds a Master of Business Administration certificate in Finance from Edinburgh Business School.

Vassi Naidoo is the Senior Independent Director on our board. Mr. Naidoo is currently the chairman of Nedbank Group Limited and Nedbank Limited. He is also a non-executive director at Old Mutual plc and Old Mutual Group Holdings (SA) (Pty) Ltd. Previously, Mr. Naidoo held several leadership roles with Deloitte, including vice chairman of Deloitte UK for five years, deputy managing partner of Deloitte Europe Middle East Africa region for three years, and chief executive officer of Deloitte Southern Africa for eight years. He is a member of the South African Institute of Chartered Accountants (SAICA), with an honorary life membership for his contribution to the development of the profession in South Africa, and a member of the Institute of Chartered Accountants in England and Wales. Mr. Naidoo has a deep experience in the financial services industry.

Anil Dua is a Non-Independent Non-Executive Director on our board. He is currently a Partner of Gateway Partners, a private equity firm focused on Africa, Middle East, South Asia and Southeast Asia. Prior to Gateway, he was the chief executive officer of Standard Chartered Bank, West Africa, after having served in a number of senior positions with Standard Chartered Bank, including head of origination and client coverage for Africa and global head of project export and structured trade finance. Mr. Dua has been a non-executive director at Forte Oil plc since 2015, and a non-executive director at African Export-Import Bank since 2010. He holds a Master's degree in Economics from Delhi School of Economics.

The business address of the directors of the Company is at the Company's registered office (10^{th} Floor, Standard Chartered Tower, Cybercity, Ebene, 72201, Republic of Mauritius).

Management Team

The current senior management team of the Company and certain other members of the Group, in addition to the executive directors listed above, is as follows:

Name	Age	Position
Kate Hennessy	44	Chief Financial Officer
Mark Chetwynd	45	Chief Strategy and Financial Reporting Officer
David Eurin	43	Chief Strategy Officer
Ben Roberts	47	Chief Technology Officer
Shahzad Manzoor	40	Chief Network Architect
Ramzi Shalak	39	Chief of Wholesale Voice Services
Wellington Makamure	58	Group Executive, Southern Africa
Sam Nkusi	59	Group Executive, East Africa
Kyle Whitehill	55	Chief Executive Officer, South Africa
Raoul Du Plessis	50	Chief Information Officer

Kate Hennessy has been the Chief Financial Officer of the Company since 2007. Prior to joining the Company, Ms. Hennessy worked for Cable and Wireless (London) and was as an assistant manager at KPMG Johannesburg, where she spent more than three years in its auditing and advisory division. Ms. Hennessy has over 20 years of experience in the telecommunications industry in the United Kingdom and South Africa. She is a chartered accountant in South Africa and holds a Bachelor of Business Science with Honours from the University of Cape Town.

Mark Chetwynd has been the Company's Chief Strategy and Financial Reporting Officer since he joined the Company in 2013. Prior to joining the Company, Mr. Chetwynd served as the Chief Financial Officer of Gateway Communications for over seven years. Earlier in his career, he served as an audit manager at Arthur Andersen in London and the US for 9 years, as well as a reporting accountant for Anglo American plc, during which time he advised on a possible listing in the United States. Mr. Chetwynd has over 20 years of experience in finance management and control. He is a member of the Institute of Chartered Accountants in England and Wales and received a Bachelor of Arts in Economics from the University of Durham.

David Eurin has been the Company's Chief Strategy Officer since 2013, and is responsible for leading the formulation of the Group's commercial strategy. Prior to joining the Company, he was a partner and head of Africa at Analysys Mason, a management consultancy firm specializing in technology, media and telecommunications. Mr. Eurin has over 15 years of consulting and management experience in the fixed and mobile telecommunications industries in Europe, North Africa, the Middle East and Sub-Saharan Africa. He has been listed in Global Telecom Business Magazine's 50 "Strategists To Watch" in the telecommunications industry in 2017. He holds a Master's degree in Business Administration from Collège des Ingénieurs (France), a Master of Science degree from the University of British Columbia (Canada) and a Master of Science degree in Applied Science from ENSTA ParisTech (France).

Ben Roberts has been the Company's Chief Technical Officer since 2006. With over 20 years of experience across technology design, support, integration and operational management roles, Mr. Roberts led the Group's networking and product strategy, expanding its technology base and fiber network across Africa. He previously held a number of positions at Ericsson UK Limited, Clarent Corporation, Newport Components, and Lotus Cars. Mr. Roberts received a Bachelor of Science with Honors in Physics from the University of Bristol.

Shahzad Manzoor joined the Company in 2006 and is currently the Group Chief Network Architect, responsible for the overall network design and architecture for the Group, as well as new product design, services and network deployment across Africa. Mr. Manzoor has over 20 years of experience in IP, data, satellite and wireless technologies, and has served in various roles with leading telecommunication and IT companies including Cisco Systems, BT and Telephony.com. Mr. Manzoor received a Master's degree in Computer Science from the University of Punjab.

Ramzi Shalak is the Company's Chief Wholesale Voice Services and is responsible for the Group's Wholesale Voice business unit. Mr. Shalak started his career in the late 1990s working in the engineering department of one of Australia's largest telecommunication companies. He moved to the UK in 2002 to take up employment with the Royal Bank of Scotland and joined Liquid Telecom in 2005. Mr. Shalak has held various positions within the Company before assuming his current role in 2016. Mr. Shalak holds a Bachelor's degree in Telecommunications Engineering from Sydney University.

Wellington Makamure currently serves as Group Executive, Southern Africa and is the Managing Director of Data Control & Systems (1996) Ltd (trading as Liquid Telecom Zimbabwe) where he is responsible for the leadership, strategic and operational management of all Liquid Telecom business, which includes the retail arm, Zimbabwe Online (Pvt) Ltd. Mr. Makamure also sits on the board of directors of CEC Liquid Telecommunication Ltd and ZOL Zimbabwe. Before joining the Company in 2009, he had worked in the telecommunications industry, both in the United Kingdom and Africa, since 1982. He was previously the Managing Director of TelOne, Zimbabwe's fixed landline operator, senior divisional manager at Philips Zimbabwe, Sales Manager at Seimens Zimbabwe and a senior telecommunication engineer for the Zimbabwe President's Office. Mr. Makamure holds a Master of Business Administration from the University of Zimbabwe, a Bachelor of Science in Physics and Mathematics from the University of Lesotho and a London City and Guilds diploma in Telecommunications.

Sam Nkusi currently serves as Group Executive, East Africa and is also the chairman of Liquid Telecommunications Rwanda and Liquid Telecommunications Kenya Limited. Mr. Nkusi is a former Cabinet Minister for infrastructure in the Republic of Rwanda and was active in formulating ICT, regulatory and national energy policies. He was involved in several African and global infrastructure initiatives which required dealing with stakeholders, development partners and related funding entities. Mr. Nkusi holds a Master's Degree in engineering obtained in Canada and has over 30 years of experience in the utilities and telecommunications industries in Africa and North America. He has previously served on the board of directors of several leading telecommunication companies in Africa, including Rwandatel, MTN and Altech East Africa.

Kyle Whitehill joined the Group in May 2017 to serve as Chief Executive Officer of our South African business. Before he joined the Group, he served as Chief Executive Officer of Vodafone Qatar Q.S.C. and Chief Executive Officer of Vodafone Ghana Company Limited. He was also a member of the board of directors of Vodafone Qatar Q.S.C. and Vodafone Czech Republic. Earlier in his career, he held various positions with leading FMCG companies including L'Oreal, Jeyes, Guinness and PepsiCo. Mr. Whitehill holds a Bachelor of Arts degree in Marketing from the University of Strathclyde.

Raoul Du Plessis is the Group's Chief Information Officer, and is responsible for systems implementation and the management and development of the Group's entire IT infrastructure, including systems, integration, data and information security. Mr. du Plessis has over 20 years of experience in IT. He was previously a lecturer in Information Systems at the University of Cape Town (UCT). Mr. du Plessis holds a Master's degree in Information Systems from UCT.

Conflicts of Interest

There are no conflicts of interest between any duties owed by the Directors or senior management to the Company and their private interests or other duties.

Compensation for Directors and Managers

The Company's compensation policy for its board members and key management consists of a fixed salary with a performance based bonus structure. In addition, compensation for our key management includes certain benefits, such as season ticket travel cards. The aggregate amount of gross salary paid by the Company to its directors, management and key personnel as a group for services provided to the Company in all capacities during the year ended February 28, 2017, was approximately US$6.5 million.

Share Ownership

Mr. Nicholas Trevor Rudnick, the Company's Chief Executive Officer holds more than 1% of the Company's equity. For more detail on our shareholders, see "*Principal Shareholders*".

Corporate Governance

The Company complies with the corporate governance requirements applicable in Mauritius. In addition, pursuant to our Shareholders' Agreement, all related party transactions must be entered into and take place on an arm's length, after being disclosed in writing to the board and, if applicable, approved according to the terms of our Shareholders' Agreement. For more detail, see "*Related Party Transactions—Transactions between the Group and Related Parties.*"

The Company currently has an audit and risk committee in place which is chaired by Vassi Naidoo. The audit and risk committee's role is to assist the Board with the discharge of its responsibilities in relation to (i) financial reporting and (ii) risk management, risk appetite, strategy and exposure, reviewing and approving risk assessment and reporting processes.

Additional Information Relating to Directors and Managers

None of the Company's directors or executive officers for at least the previous five years:

- has any convictions in relation to any criminal proceedings or fraudulent offences;
- has held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation;
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body), or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, U.S. federal or state securities laws or a finding of any violation of U.S. federal or state securities laws.

PRINCIPAL SHAREHOLDERS

The Company's issued share capital as at the date of this offering memorandum is US$1,000, divided into 610 fully paid-up Class A ordinary shares with a nominal value of US$1.00 each, and 390 fully paid-up Class B ordinary shares with a nominal value of US$1.00 each. The class A shares and the class B shares rank equally in all respects.

Each of the Company's Class A shares and Class B shares entitle their holders to one vote and, without prejudice to the provisions of our Shareholders' Agreement, to exercise all voting rights and powers of control. They also provide for equal rights on distribution of income and capital; all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect of which dividend is paid.

The table below reflects the ownership of the Company's share capital as at the date of this offering memorandum:

Name	Class A shares	Class B shares	% of issued shares
Econet Global Limited(1)	511	—	51.1%
GW Fibre Limited(2)	99	—	9.9%
Nicholas Rudnick	—	90	9.0%
DTOS Trustees Limited as trustee of New ARX Trust(3)	—	150	15.0%
Consolidated Technology Holdings Limited(4)	—	150	15.0%
Total	**610**	**390**	**100.0%**

(1) Privately-held, diversified, telecommunications conglomerate operating through six main subsidiaries: Liquid Telecom Group, Econet Enterprises, Econet Global, Econet Wireless Africa, Econet Wireless Global and Econet Media. The Masiyiwa family is the beneficiary of two discretionary trusts (where the trustees have broad discretion over the respective trust corpuses) that directly or indirectly own the entire share capital of Econet Global Limited. As of the date hereof, 501 shares of the Class A shares held by Econet Global Limited are pledged in favor of Africa Export-Import Bank to secure the debt of certain subsidiaries of Econet Global Limited.

(2) Wholly owned subsidiary of Gateway Fund I, which is in turn indirectly owned and controlled by Mr. Rahul Goswamy, Mr. Vishwanathan Shankar, Mr. Anand Kumar and Mr. Anil Dua (who is also a member of our board of directors).

(3) The Rudnick family is the beneficiary of New ARX Trust, a discretionary trust where the trustee has broad discretion over the trust corpus.

(4) A wholly owned subsidiary of New ARX Trust. As of the date hereof, the 150 Class B shares held by Consolidated Technology Holdings Limited are pledged in favor of Africa Export-Import Bank to secure a term facility entered into between Consolidated Technology Holdings Limited and Africa Export-Import Bank.

The Issuer's issued share capital as at the date of this offering memorandum is £100,000, divided into 100,000 fully paid-up ordinary registered shares, with a nominal value of £1.00 each. The Issuer is a public company limited by shares incorporated under the laws of England and Wales, and is legally and beneficially owned and controlled directly by the Company. The registered office and principal place of business of the Issuer is at 6 New Street Square, London EC4A 3BF.

Company Shareholders' Agreement

Our shareholders are parties to the Shareholders' Agreement, which regulates their relation as shareholders in the Company.

The Shareholders' Agreement contains provisions that, among other things, govern matters such as distribution of dividends, related party transactions and decisions requiring the consent of shareholders. The Shareholder' Agreement further contains provisions regarding appointment of directors the board of the Company, dividend policy, proceedings of the board, the pre-emptive rights of shareholders and other corporate governance matters. The Shareholders' Agreement also provides that Econet Global Limited, as a shareholder in the Company, shall procure that all international voice and all data and transmission services of the Econet Wireless Group are provided on an exclusive basis by the Company. The Shareholders' Agreement also contains a number of other provisions, including provisions regarding tag-along and drag-along rights of the shareholders.

In addition, the Shareholders' Agreement requires each of our shareholders, and any of their respective subsidiaries, not to compete with any business carried out by the Company, or its subsidiaries, in Botswana, the Democratic Republic of Congo, Kenya, Rwanda, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

Neotel Shareholders' Agreement

The Company and the Option Holder are parties to a shareholders' agreement (the "**Neotel Shareholders' Agreement**") that regulates their relation as shareholders in Liquid Telecommunications Holdings South Africa (Pty) Ltd.

The Neotel Shareholders' Agreement contain provisions that, among other things, govern matters such as the distribution of dividends, the appointment of sub-committees of the board, the appointment of remuneration and transformation committees, the preparation and approval of the annual budget, related party transactions and provisions regarding the financing of Liquid Telecommunications Holdings South Africa (Pty) Ltd (including through a rights offer). The Neotel Shareholders' Agreement also contains a number of other provisions, including pre-emptive rights, provisions regarding tag along and drag along rights of the shareholders, and forced sale provisions. Furthermore, pursuant to the Neotel Shareholders' Agreement, any transaction which is proposed to be entered into between Neotel and any shareholder or any affiliate of any shareholder of Neotel (a "**Neotel Related Party**"), or any variation, waiver or amendment of any such transaction (each a "**Neotel Related Party Transaction**"), shall prior to being entered into, be disclosed to the board in a transparent manner. Should any director object to a Neotel Related Party Transaction being entered into, within 10 business days of the Neotel Related Party Transaction being disclosed to the board, then the Neotel Related Party Transaction will be referred by the board to a special committee of the board. Unless approved by the special committee, Neotel shall not enter into the relevant Neotel Related Party Transaction.

Econet Strategic Support Agreement

On March 1, 2014, Liquid Telecommunications Holdings Limited entered into a strategic support agreement (the "**Econet Strategic Support Agreement**") with our major shareholder, Econet Global Limited, and Econet Wireless International Limited, a wholly-owned subsidiary of Econet Global Limited. Pursuant to the strategic support agreement, in return for a yearly management fee of US$15.0 million (paid quarterly in arrears), Econet Wireless International Limited agreed to provide to Liquid Telecommunications Holdings Limited, among other things, strategic support and engineering network design services, as well as certain business opportunities including but not limited to (i) the absolute right to carry all telecommunications voice and data traffic to and from all subsidiaries of Econet Global Limited and any companies under its or Econet Wireless International Limited's control (as defined therein), (ii) the right to provide base station backhaul on an exclusive basis to and from all subsidiaries of Econet Global Limited and any companies under its or Econet Wireless International Limited's control (as defined therein), (iii) the right to provide any fiber optic transmission which all subsidiaries of Econet Global Limited (and any companies under its or Econet Wireless International Limited's control (as defined therein)) may require, and (iv) the provision of satellite services on an exclusive basis to all subsidiaries of Econet Global Limited and any companies under its or Econet Wireless International Limited's control (as defined therein). We receive separate payments from Econet Global Limited and the companies under its or Econet Wireless International Limited's control to which we provide any services. See "*Related Party Transactions*."

The management fee is payable in cash, but Liquid Telecommunications Holdings Limited, being a subsidiary of Econet Global Limited, may elect to pay the fee (or any part thereof) by way of special dividend, which would accrue to Econet Global Limited to the exclusion of all other shareholders of the Company.

The strategic support agreement is of indefinite term but may be mutually terminated by the parties.

The Option Holder flip-up right

The Company and the Option Holder are currently in advanced talks in respect of potentially completing the Option Holder Flip-Up within the next quarter or so. Any such flip-up would be subject to, among other things, regulatory approvals. For more detail, see "*Related Party Transactions—The Option Holder's flip-up right.*"

RELATED PARTY TRANSACTIONS

The following is a summary of the major transactions involving related parties for the financial periods discussed in this offering memorandum. For further details of these transactions, see the notes to our Financial Statements.

TRANSACTIONS BETWEEN THE GROUP AND RELATED PARTIES

We may enter into transactions with related parties in the ordinary course of business or otherwise. Pursuant our Shareholders' Agreement (as amended) dated July 7, 2016, all related party transactions (as defined therein), as well as any amendments, cancellations and/or waivers of rights under such related party transactions (collectively, a "**Related Party Transaction**"), must be entered into and take place on an arm's length, after being disclosed in writing to the board and, if applicable, approved according to the following:

(i) if a director objects to the entering into of a Related Party Transaction in the belief that such Related Party Transaction is not in the normal course of business, then the Related Party Transaction must be approved by the shareholders in accordance with our Shareholders' Agreement; or

(ii) if a director objects to the entering into of a Related Party Transaction on the basis of concerns about the scope and parameters of such Related Party Transaction (while believing that such transaction is in the normal course of business), then such Related Party Transaction may not be effected without the prior written consent of a simple majority of a special committee comprising three members: (a) a director appointed by GW Fibre Limited, (b) a director appointed by Econet Global Limited, and (c) a director appointed to the committee by agreement between GW Fibre Limited and Econet Global Limited (or, failing such agreement, a person acceptable to both who is not a director).

Described below are our most significant transactions with related parties.

Transactions with the Econet group

There are numerous related party contracts between the Group and the Econet group that predate the addendum to our Shareholders' Agreement dated July 7, 2016. Trading transactions carried out under these contracts are in the ordinary course of business and are concluded on an arm's length basis. To the extent any such pre-existing contracts are amended, cancelled or varied in any form, they are then subject to the provisions of our Shareholders Agreement set out above. For more detail on the Econet Strategic Support Agreement, see *"Principal Shareholders—Econet Strategic Support Agreement."*

The Option Holder's flip-up right

On June 26, 2016, the Company and the Option Holder entered into an option agreement pursuant to which the Option Holder was granted the option (the "**Option**") to require the Company to purchase all of the B shares and shareholder loan claims held by the Option Holder in Liquid Telecommunications Holdings South Africa (Pty) Ltd, in exchange for ordinary shares in the Company (the "**Option Holder Flip-Up**"). As at the date of this offering memorandum, the Option Holder holds 30% of all A shares and 30% of all B shares in the share capital of Liquid Telecommunications Holdings South Africa (Pty) Ltd, the remaining 70% being in each case held by the Company. The B shares hold all the economic interest (including the right to receive dividends), whilst the A shares hold the voting rights. Under the option agreement, the Option Holder is entitled to exercise the option by providing notice to the Company of its intention to exercise the option (the "**Option Notice**") on the earlier of: (i) 18 months after the completion of the Neotel Acquisition (which occurred on February 10, 2017), and (ii) within 90 days of receipt of notification from the Company to the Option Holder that (a) it has, or intends to, list its ordinary shares or dispose of the greater part of its assets or undertaking, or (b) Econet Global Limited disposes of the majority of its shares in the Company; provided that the notice from the Company under (a) or (b) must be provided no later than 90 days prior to the proposed implementation date of the events specified under (a) and (b). Upon receipt of the Option Notice, the Company may give effect to the Option, or, in its own discretion, temporarily reject the Option Notice for a period of time not to extend beyond three months prior to the date falling 36 months after the completion of the Neotel Acquisition, at which date the Company must accept the Option Holder's notice and exercise of the Option. The number of ordinary shares in the Company that the Company would be required to deliver to the Option Holder in case it exercises its option depends on a number of factors including the amount that the Option Holder invested to acquire its 30% equity stake in Neotel and the fair market value of the option, each as defined in the option agreement. Upon the consummation of the Option and at any time thereafter, the Company shall have the right, upon notice to the Option Holder in writing, to acquire all of the A shares held by the Option Holder at a price of ZAR1.00 per A share.

The exercise of the Option by the Option Holder is subject to the condition precedent that the Option Holder binds itself by the Shareholders' Agreement (unless the Option is exercised as a consequence of a listing of the Company's ordinary shares). As such, in the event of the consummation of the Option, the Option Holder would be bound by the Shareholders' Agreement, and it would have substantially the same rights and obligations under the Shareholders' Agreement as other shareholders with a similar percentage shareholding. The Company and the Option Holder are currently in advanced talks in respect of potentially completing the Option Holder Flip-Up within the next quarter or so. Any such flip-up would be subject to, among other things, regulatory approvals. If the Option Holder Flip-Up is completed in accordance with the current negotiation framework, it is expected that the Option Holder would own at least 10% of the Company's share capital (and which may increase depending on the actual consideration paid by the Option Holder). As per our Shareholders' Agreement, each shareholder has the right to appoint one director to the board for each 10% of the Company's issued shares it holds.

The Option Holder is a wholly-owned subsidiary of Royal Bafokeng Holdings Proprietary Limited ("**RBH**"). RBH is an African community investment company which, together with its sole shareholder, the Royal Bafokeng Nation Development Trust, is entrusted with the unique responsibility of preserving and growing the financial capital of the Royal Bafokeng Nation and ensuring its long-term future. Royal Bafokeng Holdings manages a portfolio with a net asset value of approximately R29 billion (as at December 2016) consisting of listed and unlisted assets in a diverse range of sectors, including infrastructure, property, financial services, telecoms, resources and industrials, located in diverse geographies.

Other related party transactions

The Group enters from time to time into other related party transaction in the ordinary course of business. For more detail, see Note 27 to the Liquid Group's audited consolidated financial statements as at and for the year ended February 28, 2017, and Note 36 to Neotel audited consolidated financial statements as at and for the 11 months ended February 28.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of principal additional indebtedness of the Group in addition to the Indenture after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements *and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in the following summaries and not otherwise defined in this offering memorandum have the meanings ascribed to them in their respective agreements.*

NEW SENIOR FACILITIES AGREEMENT

On or about the Issue Date, the Issuer and the Guarantors (including the Company) will enter into the New Senior Facilities Agreement with the various parties thereto as lenders. The New Senior Facilities Agreement consists of the Revolving Credit Facility with total commitments up to US$55.0 million, a US$ term loan facility up to a maximum of US$50.0 million (the "**US$ Term Loan Facility Tranche**"), which we expect to draw on or about the Issue Date, and the ZAR equivalent term loan facility up to a maximum of US$100.0 million (of which we expect to draw the ZAR equivalent of US$50.0 million on or about the Issue Date) (the "**ZAR Term Loan Facility Tranche**" and together with the US$ Term Loan Facility Tranche, the "**Term Loan Facilities**").

The US$ Term Loan Facility Tranche and the Revolving Credit Facility are available to the Company and the ZAR Term Loan Facility Tranche is available to Neotel.

The purpose of the Revolving Credit Facility is to finance or refinance the general corporate and working capital needs of the Group (but not towards acquisitions or prepayment of the Term Loan Facilities or redemption of the Notes). The purpose of the ZAR Term Loan Facility Tranche is to finance permitted acquisitions and joint ventures and capital expenditure of the Group, together with related fees and expenses. The US$ Term Loan Facility Tranche may be used for the same purpose as the ZAR Term Loan Facility Tranche but also to refinance certain existing indebtedness of the Group and financing the payment of transaction costs. See "*Use of Proceeds*".

The Revolving Credit Facility is available on and from the drawing of the US$ Term Loan Facility Tranche until one month prior to the date falling 54 months after the date of the New Senior Facilities Agreement. The Term Loan Facilities are available for 12 months from the date of the New Senior Facilities Agreement.

No utilisation may be made under the New Senior Facilities Agreement unless the Notes have been issued for a sum of at least US$550.0 million and the Group have satisfied other customary conditions precedent in form and substance satisfactory to the Agent.

Maturity and Repayment Requirements

The Revolving Credit Facility may be utilized in multiple utilizations and each loan shall be repaid on the last day of its interest period (being 1, 3 or 6 months, or any other period agreed with the lenders), and in any event no later than the date falling 54 months after the date of the New Senior Facilities Agreement. During the availability period of the Revolving Credit Facility, amounts repaid may be re-borrowed.

The Revolving Credit Facility is to remain undrawn for a minimum of 10 business days in each 12 month period after the date of the New Senior Facilities Agreement. The clean down may be deferred for a single 12 month period, but the applicable margin on the Revolving Credit Facility will increase by 50 basis points until it is cleaned down.

The aggregate loans outstanding under the Term Loan Facilities, as at 12 months from the date of the New Senior Facilities Agreement, shall be repaid in equal quarterly instalments commencing 18 months after the date of the New Senior Facilities Agreement and ending on the maturity date of the Term Loan Facilities. The maturity date for the Term Facilities shall be 54 months after the date of the New Senior Facilities Agreement.

Interest Rate and Fees

Each of the Revolving Credit Facility and the Term Loan Facility under the New Senior Facilities Agreement bears interest at the aggregate of the applicable: (a) the margin; and (b) JIBAR (in respect of the ZAR Term Loan Facility Tranche) / LIBOR (in respect of the US$ Term Loan Facility Tranche), each to include a floor, such that in each case if the rate is less than zero it shall be deemed to be zero. The margin for (i) the Revolving Credit Facility is 3.75% per annum; and (ii) the Term Loan Facilities: ZAR Term Loan Facility Tranche 4.15% per annum, US$ Term Loan Facility Tranche 4.65% per annum.

The borrowers under the Revolving Credit Facility and/or the Term Loan Facility will pay interest at 2% above the applicable interest rate (with respect to overdue amounts only) in the event of default.

The borrowers under the New Senior Facilities Agreement will pay (a) an arrangement fee for an amount to be agreed in a fee letter; (b) a participation fee for an amount to be agreed in a fee letter; (c) an agency and security agent fee for an amount to agreed with the Agent and the Security Agent; (d) a commitment fee computed at the rate of 35% of the applicable margin, which will accrue on unutilised amounts of the Revolving Credit Facility and the Term Loan Facilities during the applicable availability period and shall be payable quarterly in arrears, on the last day of the applicable availability period and on the cancelled amount of the Revolving Credit Facility and Term Loan Facility on the date that the respective facility may be cancelled; and (e) a utilisation fee while the Revolving Credit Facility remains drawn of: (i) 0 to 33.3% of the RCF Amount: 0.15% per annum of the daily amount utilised; (ii) greater than 33.3% to 66.6% of the RCF Amount: 0.25% per annum of the daily amount utilised; and (iii) greater than 66.6% of the RCF Amount: 0.50% per annum of the daily amount utilised.

Security

Each of the Guarantors will guarantee our obligations under the New Senior Facilities Agreement and, subject to agreed security principles, we will grant security interests in the Collateral to secure our obligations under the New Senior Facilities Agreement.

Representations and Warranties

The New Senior Facilities Agreement contains certain undertakings, representations and warranties, which are subject to agreed customary materiality thresholds, qualifications and other exceptions, including, but not limited to: (i) status, power and authority; (ii) *pari passu* ranking and validity of security; (iii) no conflicts with constitutional documents, laws or other obligations; (iv) authorizations; (v) solvency; (vi) title to assets; (vii) acquisitions and disposals; and (viii) no breach of laws.

Financial Undertakings

The New Senior Facilities Agreement contains certain financial undertakings, as to which compliance must be certified on a regular basis, subject to customary cures and exceptions. The Company shall ensure:

(i) the Net Leverage Ratio (being (a) the aggregate of all external indebtedness of the Group less Cash as at the end of the relevant period divided by (b) EBITDA for the relevant period (pro forma for the Neotel Acquisition) does not exceed:

a. for the relevant period expiring 28 February 2018 to and including 31 May 2019, 3.75:1;

b. for the relevant period expiring 31 August 2019 to and including 30 November 2019, 3.50:1;

c. for the relevant period expiring 28 February 2020 to and including 31 May 2020, 3.25:1;

d. for the relevant period expiring 31 August 2020 to and including 30 November 2020, 3.00:1; and

e. from the relevant period expiring 28 February 2020 and thereafter, 2.75:1;

(ii) the Forward Interest Cover Ratio (being (a) EBITDA for the most recently ended relevant period divided by (b) scheduled gross interest payable over the next 12 months on all indebtedness, including the Notes, any outstandings as at the covenant measurement date under the Revolving Credit Facility and Term Loan Facilities and any anticipated utilisations thereof during the next 12 months (interest projected forward for 12 months or the part thereof using the prevailing LIBOR / JIBAR fix rate supplied by the Security Agent) and any other external indebtedness (scheduled or projected interest as applicable)) to be greater than:

a. for the relevant period expiring 31 August 2017 to and including 31 August 2018, 2.25:1; and

b. for the relevant period expiring 30 November 2018 and thereafter, 2.50:1; and

(iii) the Cumulative Debt Service Cover Ratio (being (a) Free Cash Flow of the Group for the relevant period plus any Cash as at the beginning of the relevant period less dividends paid during the relevant period, divided by (b) Debt Service, for each relevant period shall not be less than 1.30:1.

The relevant period will be each period of 12 months ending on the applicable quarter-end date.

"Free Cash Flow" means in respect of any relevant period, EBITDA after adding/deducting as applicable changes in working capital, exceptional items, taxes/tax rebates and capital expenditure (including acquisition consideration) except to the extent the said capital expenditure was specifically funded from drawings of the Term Loan Facility or new equity proceeds.

"Debt Service" for the relevant period means the aggregate of finance charges for that relevant period, all scheduled and mandatory repayments of borrowings falling due, voluntary prepayments made during the relevant period and the capital element of any payment in respect of finance leases, but excluding principal amounts due under the Revolving Credit Facility which are available for simultaneous redrawing, mandatory prepayments pursuant to insurance proceeds, intra-Group obligations, and prepayment of existing borrowings refinanced with the Notes.

"Cash" means cash held with an acceptable bank that is (a) repayable within 60 days of the relevant calculation date, (b) not contingent on the prior discharge of any other indebtedness, (c) there is no security over that cash (other than permitted/required by the documentation), (d) the cash is freely and immediately transferrable and available to be applied in repayment or prepayment of the New Senior Facilities Agreement; provided that not less than 70% of all "Cash" must be denominated in US$, EUR, ZAR or GBP otherwise the aggregate amount of all "Cash" for the purposes of the financial covenant ratios shall be limited to the aggregate amount of all "Cash" denominated in US$, EUR, GBP or ZAR and held with an acceptable bank.

If the Company is not in compliance with the financial undertakings for any relevant period, the Company shall be entitled within 20 business days of the date on which the relevant compliance certificate was due to be delivered to (a) procure the provision of a cure amount and (b) apply the cash proceeds of the cure amount in prepaying the facilities (treated as a prepayment at the commencement of the relevant period reducing the debt service for the relevant period for the purposes of the Forward Interest Cover Ratio and Cumulative Debt Service Coverage Ratio or by reducing indebtedness at the measurement date for the purposes of the Net Leverage Ratio, as applicable). A maximum of four cure amounts may be applied over the life of the New Senior Facilities Agreement, provided that no more than two cure amounts may be used in any financial year and no cure amount may be used if a cure amount was used in the preceding relevant period.

Prepayment

The New Senior Facilities Agreement allows for voluntary prepayments and cancellations on three business days' prior notice.

The New Senior Facilities Agreement permits the lenders in to require the mandatory prepayment only under circumstances customary for facilities of this type including (a) lender illegality, (b) change of control, (c) the sale of all or substantially all the assets of the Group, (d) insurance proceeds and (e) sanctions. Mandatory prepayment rights with respect to illegality and sanctions are triggered on an individual lender basis.

Events of Default

The New Senior Facilities Agreement contains events of default that are customary for facilities of this type, which are subject to agreed customary materiality thresholds, qualifications, carve-outs, baskets, grace periods and other exceptions, including but not limited to: (a) failure to pay; (b) breach of covenant; (c) cross-default and cross-acceleration; (d) insolvency and (e) material adverse effect.

An event of default under the Notes shall constitute a cross-default under the New Senior Facilities Agreement.

Governing Law

The New Senior Facilities Agreement is governed by English law and the courts of England.

INTERCREDITOR AGREEMENT

To establish the relative rights of certain creditors under the financing arrangements of, among others, the Issuer and members of our Group, each of the Guarantors and certain other subsidiaries of the Issuer (together, along with any other subsidiaries of the Issuer that accede to the Intercreditor Agreement, the "**Debtors**") will on or prior to the Issue Date enter into an intercreditor agreement with, among others:

(a) the Security Agent;

(b) the Security SPV;

(c) the Lenders under (and as defined in) the Credit Facilities Agreement (the "**Senior Lenders**");

(d) the agent under the Credit Facilities Agreement (the "**Senior Agent**");

(e) the mandated lead arrangers under the Credit Facilities Agreement (the "**Senior Arrangers**");

(f) the Trustee of the Notes issued under the Indenture; and

(g) the hedging counterparties under secured hedging provided to the Issuer and the Guarantors, if any (the "**Hedge Counterparties**").

Owing to difficulties under the laws of South Africa around security being granted to a security agent for the benefit of multiple creditors and therefore in order to obtain security for the ultimate benefit of the Secured Creditors in respect of the Secured Obligations (as defined in the Intercreditor Agreement) under the laws of South Africa in respect of the Transaction Security which is governed by the laws of South Africa the following arrangements have been put in place:

(a) the Security SPV (a special purposes shelf company whose constitutional documents restrict its main objects and business to concluding the relevant transaction documents to which it is a party and performing its obligations and exercising its rights thereunder) issues a first ranking debt guarantee in favour of the Secured Creditors in respect of the Secured Obligations (the "**SPV Guarantee**");

(b) those Debtors providing Transaction Security under the laws of South Africa enter into a counter-indemnity agreement with the Security SPV where they agree to indemnify the Security SPV against claims made against it under the SPV Guarantee (the "**Counter-Indemnity Agreement**");

(c) as security for their obligations under the Counter-Indemnity Agreement the relevant Debtors grant the Transaction Security governed by the laws of South Africa in favour of the Security SPV.

In relation to this structure involving the Security SPV, the Intercreditor Agreement provides, amongst others for:

(a) the Security SPV to act on the instructions of the Security SPV in enforcing its rights under the Counter-Indemnity Agreement and the Transaction Security granted to it;

(b) the Security SPV is required to make payment of the proceeds of enforcement of the Transaction Security to the Security Agent as the agent of the Secured Creditors in respect of their claims under the SPV Guarantee.

The Senior Lenders, the Senior Agent, the Senior Arrangers, the Trustee, the Hedge Counterparties, the holders of the Notes, the Intra-Group Lenders (as defined in the Intercreditor Agreement), the Senior Secured Proceeds Loan Creditor (as defined in the Intercreditor Agreement), the Subordinated Creditors (as defined in the Intercreditor Agreement), the Security SPV and the Security Agent are together the "**Creditors**".

The Intercreditor Agreement sets forth, among other things:

(a) the relative ranking of certain indebtedness and security of the Debtors;

(b) when payments can be made in respect of certain indebtedness of the Debtors;

(c) when enforcement actions can be taken in respect of that indebtedness and the Collateral;

(d) the terms pursuant to which that indebtedness will be subordinated;

(e) turnover provisions;

(f) when security and guarantees will be released to permit a sale of any assets subject to transaction security; and

(g) the order for applying proceeds from enforcement action and other amounts received by the Security Agent.

The Intercreditor Agreement contains provisions relating to other and future indebtedness that may be incurred that is permitted by the Credit Facilities Agreement and not prohibited by the Notes, including:

(a) obligations to the Hedge Counterparties in respect of interest rate and foreign exchange liabilities in relation to the Senior Facilities and Senior Secured Notes (such obligations, the "**Hedging Liabilities**", and each finance document relating thereto, a "**Hedging Agreement**");

(b) indebtedness under credit facilities (if the Credit Facilities Agreement has been repaid in full) entitled to be treated *pari passu* with the Notes in respect of the Collateral and under the terms of the Intercreditor Agreement (such indebtedness, together with the Credit Facilities Agreement, the "**Senior Lender Liabilities**", and the holders of such indebtedness (including arrangers), the "**Senior Lenders**", and each finance document relating thereto, a "**Senior Finance Document**" and each such financing a "**Senior Facility**"); and

(c) indebtedness under additional Senior Secured Notes entitled to be treated *pari passu* with the Senior Facilities and Notes in respect of the Collateral and under the terms of the Intercreditor Agreement (such indebtedness, together with the Secured Notes, the "**Senior Secured Notes Liabilities**", and the holders of such indebtedness, the "**Senior Secured Noteholders**" (and together with any trustee under a Senior Secured Noted Indenture, "**Senior Secured Note Creditors**"), each finance document relating thereto, a "**Senior Secured Notes Indenture**", and each such financing "**Senior Secured Notes**").

The following description is a summary of certain provisions contained in the Intercreditor Agreement.

Ranking and Priority

The Intercreditor Agreement provides that the liabilities will rank in right and priority of payment in the following order and are postponed and subordinated to any prior-ranking liabilities as follows:

(a) *first*, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Hedging Liabilities and amounts payable to the Trustee or any other trustee for Senior Secured Notes in connection with their duties under the Senior Secured Notes Indenture (collectively "**Senior Secured Notes Trustee Amounts**") *pari passu* and without any preference between them;

(b) *second*, any present and future liabilities and obligations including any loan or other financial liabilities owed by the holder or borrower of any loan, bond or other debt instrument whereby any proceeds of the issue of Senior Secured Notes or any borrowing under the Senior Facilities are lent by the Issuer or Borrower to a Guarantor (the "**Senior Secured Proceeds Loan Liabilities**") *pari passu* and without any preference between them; and

(c) *third*, any present and future liabilities and obligations including any loan or other financial liabilities owed by any member of the Group to any other member of the Group (excluding any Senior Secured Proceeds Loan Liabilities (the "**Intra-Group Liabilities**") and any subordinated liabilities owed to a creditor or equity holder (the "**Subordinated Liabilities**").

Ranking and Priority of Security

The Intercreditor Agreement provides that the Transaction Security shall rank and secure the Senior Lender Liabilities, the Senior Secured Notes Liabilities and the Hedging Liabilities (only to the extent that such Transaction Security is expressed to secure those liabilities) *pari passu* and without any preference between them.

Restrictions on Senior Lender Liabilities and Senior Secured Notes Liabilities

The Debtors may make payment in respect of the Senior Lender Liabilities and the Senior Secured Notes Liabilities at any time in accordance with the provisions of the applicable documents governing the terms of the Senior Lender Liabilities (the "**Senior Finance Documents**") and the Senior Secured Notes Liabilities (the "**Senior Secured Notes Finance Documents**"), **provided that** following acceleration events (which have not subsequently been cancelled and/or irrevocably revoked in writing) under the Senior Finance Documents or the Senior Secured Notes Finance Documents or following certain insolvency events, payments may only be made by the Debtors and received by creditors in accordance with the provisions described under "*Application of Proceeds*", other than any distribution or dividend out of any Debtor's unsecured assets (pro rata to each unsecured creditor's claim) made by a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer appointed in respect of any Debtor or any of its assets.

The Intercreditor Agreement provides that the terms of the Senior Finance Documents may not be amended or waived if such amendment or waiver would conflict with the provisions of the Intercreditor Agreement or create a default or event of default with respect to any action that is permitted under the Intercreditor Agreement. The Senior Lenders may increase the principal amount of the Senior Facilities in an amount which is not prohibited by the Senior Secured Notes Finance Documents or is otherwise approved by the Trustee. The Intercreditor Agreement provides that the terms of the Senior Secured Notes Finance Documents may not be amended or waived without the consent of the Majority Senior Lenders (under as defined in the Intercreditor Agreement) if such amendment or waiver would result in the Senior Secured Notes Finance Documents ceasing to comply with the "Senior Secured Notes Major Terms". The Senior Secured Notes Major Terms stipulate requirements for Senior Secured Notes including the identity of the issuer, minimum maturity, ability to refinance liabilities under the Credit Facilities Agreement, being subject to the Intercreditor Agreement and a requirement for market terms.

Security and Guarantees

The Senior Lenders and the Senior Secured Note Creditors may take, accept or receive the benefit of:

(a) any security from members of the Group in respect of their liabilities if, at the same time it is offered to secure the other Senior Secured Liabilities to the extent required or legally possible under the applicable Senior Finance Documents, Senior Secured Notes Finance Documents, and Hedging Agreements (together, the "**Senior Secured Documents"**); and

(b) any guarantee, indemnity or other assurance against loss from any member of the Group in respect of the Senior Lender Liabilities or the Senior Secured Notes Liabilities in addition to those in the original form of the Senior Facilities Agreement or the Senior Secured Notes Indenture, the Intercreditor Agreement or any common assurance, if at the same time it is offered in respect the other Senior Secured Liabilities to the extent required or legally possible under the applicable Senior Secured Documents.

Enforcement of Collateral, Enforcement Instructions and Consultation

The Security Agent may refrain from enforcing the Collateral unless instructed otherwise by the Senior Secured Note Creditors, Senior Lenders and Hedge Counterparties whose senior secured credit participations at that time aggregate more than 50% of the total senior secured credit participations at that time (the "**Instructing Group**"). The Security Agent and the Security SPV are both entitled to rely on and comply with instructions given, or deemed to be given. No Secured Party shall have any independent power to enforce, or to have recourse to, any Transaction Security or to exercise any rights or powers arising under the Transaction Security Documents except through the Security Agent, provided that in respect of the South African Collateral, the Security SPV will, acting on the instructions of the Security Agent, take such actions.

Release of the Guarantees and the Security—Non-distressed disposal

In circumstances in which a disposal to a person is permitted or not prohibited under the relevant financing documents and is *not* being effected:

(a) at the request of the Instructing Group in circumstances in which the security has become enforceable in accordance with relevant debt documents,

(b) by the enforcement of security in accordance with relevant debt documents, or

(c) after an acceleration event in respect of the Senior Secured Liabilities has occurred ((b) and (c), a "**Distress Event**" and a disposal in the circumstances of (a), (b) or (c), a "**Distressed Disposal**"), the Intercreditor Agreement will provide that the Security Agent is authorized to release the security interests over that asset and, if the relevant asset consists of shares in the capital of a Debtor, to release the security interests and any other claim relating to the Senior Secured Liabilities over the assets of that Debtor and the shares in and assets of any of its subsidiaries and, to execute and deliver or enter into any release of the security or any claim in respect of the foregoing and issue any certificates or like required letter or any consent in dealing with such release, provided that, in each case, the release of security interests will only be effective upon the making of the disposal.

Release of the Guarantees and the Security—Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent (and the Security SPV, acting on the instructions of the Security Agent) is authorized:

(a) to release the security interests, or any other claim over the relevant asset and execute and deliver or enter into any release of that asset or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing;

(b) if the asset that is disposed of consists of shares in the capital of a Debtor, to release that Debtor and any subsidiary of that Debtor from all or any part of the liabilities under the Senior Secured Documents and certain other liabilities, security granted by that Debtor (or any subsidiary of that Debtor) or any Intra-Group Liabilities, Senior Secured Proceeds Loan Liabilities or Subordinated Liabilities;

(c) if the asset that is disposed of consists of shares in the capital of a holding company of a Debtor, to release that holding company and any subsidiary of that holding company from all or any part of the liabilities under the Senior Secured Documents and certain other liabilities, security granted by that holding company (or any subsidiary of that holding company) or any Intra-Group Liabilities, Senior Secured Proceeds Loan Liabilities or Subordinated Liabilities;

(d) if the asset that is disposed of consist of shares in the capital of a Debtor (or a holding company of a Debtor) and the disposal is on the basis that the transferee will not be treated as a Senior Secured Creditor or secured party under the Intercreditor Agreement, to dispose of all or any part of the liabilities of such Debtor (or holding company or any subsidiary of such Debtor or holding company) under the Senior Secured Documents and certain other liabilities owed by such Debtor (or holding company or any subsidiary of such Debtor); and

(e) if the asset that is disposed of consists of shares in the capital of a Debtor (or a holding company of a Debtor) and the disposal is on the basis that the transferee will be treated as a Senior Secured Creditor and secured party under the Intercreditor Agreement, to dispose of all but not part of the liabilities of such Debtor (or holding company of a Debtor or subsidiary of such Debtor) under the Senior Secured Debt Documents and certain other liabilities owed by that Debtor or holding company or any subsidiary of that holding company.

The net proceeds from each Distressed Disposal (and any disposal of liabilities pursuant to (d) above) shall be paid to the Security Agent for application in accordance with the provisions described under "*—Application of Proceeds*" as if those proceeds were an enforcement of the security. If a Distressed Disposal is being effected such that borrowing liabilities, guarantee liabilities or security will be released, it is a further condition to such release that the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of Liability in order to achieve a higher price and shall in any event not be liable to any party for the actual price obtained).

Turnover

The Intercreditor Agreement will provide that if any creditor receives or recovers any payments or proceeds which are not permitted under the terms thereof or not permitted in respect of liabilities owed to such creditor after a Distress Event, as a result of litigation or proceedings against a member of the Group or by way of set-off or the proceeds of the enforcement of any security, in each case, except in accordance with the order described under "*—Application of Proceeds*" it shall:

(a) in relation to receipts or recoveries not received or recovered by way of set-off (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement, and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds

The Intercreditor Agreement will provide that amounts received from the realization or enforcement of all or any part of the security or other amounts paid to the Security Agent for application as described below will be applied in the following order of priority:

(a) *first,* in discharging any sums owing to the Senior Agent (in respect of the Senior Agent Liabilities), Security Agent, the Security SPV any receiver or any delegate and any Senior Secured Notes Trustee Amounts on a *pari passu* basis;

(b) *second,* in payment of all costs and expenses incurred by any Senior Agent, any Senior Secured Notes Trustee, the Security Agent, the Security SPV or Senior Secured Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;

(c) *third*, in payment or distribution to the Senior Agent on its own behalf and on behalf of the Senior Arrangers and the Senior Lenders, each Senior Secured Notes Trustee on its own behalf and on behalf of the other Senior Secured Note Creditors and the Hedge Counterparties for application towards the discharge of (i) the Senior Arranger Liabilities and the Senior Lender Liabilities, (ii) the Senior Secured Notes Liabilities and (iii) the Hedging Liabilities, on a *pro rata* basis ranking *pari passu* between items (i) through (iii) above; and

(d) *fourth*, in payment of the balance (if any) to the relevant Debtor.

Option to Purchase

After a Distress Event, by giving not less than ten days' notice to the Security Agent, the Senior Secured Note Creditors will have the right (subject to certain conditions) to require the transfer to them (or a nominee), all, but not part of the rights, benefits and obligations in respect of the Senior Lender Liabilities.

Any such purchase will be on terms that will include, without limitation, (i) the Senior Agent, on behalf of the Senior Lenders, is paid an amount equal to (A) the aggregate of all of the Senior Lender Liabilities at that time (whether or not due) including all amounts that would have been payable under the Credit Facilities Agreement if the Senior Facilities were being prepaid by the relevant Debtors on the date of that payment and (B) all costs and expenses (including legal fees) incurred by the Senior Agent and/or the Senior Lenders and/or the Security Agent as a consequence of giving effect to that transfer (ii) the Senior Lenders have no further actual or contingent liability to a Debtor under the relevant documents; (iii) an indemnity is provided from each Senior Secured Note Creditor (other than the Trustee) or from another acceptable third party and (iv) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders.

Consents, Amendments and Override

In addition to customary minor, technical or administrative matter amendments by the Issuer, the Security Agent, the Security SPV, the Senior Agent and the Trustee, the Intercreditor Agreement will provide that it may be amended only with the consent of the requisite number of Credit Facility Lenders under the Credit Facility, the requisite number of creditors in respect of each Senior Secured Notes Issue, the Issuer and the Security Agent (save for amendments expressly permitted to be made under the relevant Senior Secured Documents without such consent) unless it is an amendment, waiver or consent that has the effect of changing or that relates to: (i) any amendment to the order of priority or subordination set forth in the Intercreditor Agreement; or (ii) any amendment to the application of proceeds, redistribution, enforcement or amendment provisions set forth in the Intercreditor Agreement, which shall not be made without the written consent of:

(a) the Security Agent;

(b) the Security SPV;

(c) the Senior Agent (acting for itself and on behalf of all of the Senior Lenders);

(d) each Notes Trustee (acting for itself and on behalf of the relevant series of the Senior Secured Noteholders);

(e) each Hedge Counterparty (to the extent such amendment or waiver would adversely affect the rights of such Hedge Counterparty); and

(f) the Parent.

Subject to the paragraphs above and certain other exceptions, no amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party to the Intercreditor Agreement without the prior written consent of that party.

Additional and/or Refinancing Debt

In the event that any Debtor incurs any additional indebtedness, or refinances existing indebtedness, that is permitted to be designated as a Senior Secured Liability under the terms of the Senior Secured Documents and is entitled to be secured by the Collateral, the liabilities in respect of such additional Senior Secured Liabilities, as the case may be, will share in the proceeds of any enforcement of Collateral on a pro rata basis with the applicable group of creditors, provided that such creditor accedes to the Intercreditor Agreement (if not already a party thereto).

Governing Law

The Intercreditor Agreement is governed by English law.

Stanbic Zambia Facilities

See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Resources—Financial Obligations*."

Cisco Vendor Facilities

See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Resources—Financial Obligations*."

DESCRIPTION OF THE NOTES

Liquid Telecommunications Financing plc, a public company limited by shares incorporated under the laws of England and Wales, having its registered office at 6 New Street Square, London EC4A 3BF, United Kingdom (the "*Issuer*"), will issue $550 million in aggregate principal amount of 8½% Senior Secured Notes due 2022 (the "*Notes*") under an indenture (the "*Indenture*") between, among others, the Issuer, Liquid Telecommunications Holdings Limited, a Mauritius company with registration number 068355 C2/GBL (the "*Company*"), certain subsidiaries of the Company that guarantee the Notes, (the "*Subsidiary Guarantors*" and, together with the Company, the "*Guarantors*"), Citibank, N.A., London Branch, as trustee (the "*Trustee*"), and The Standard Bank of South Africa Limited, as security agent (the "*Security Agent*") in a private transaction that is not subject to the registration requirements of the US Securities Act of 1933, as amended (the "*US Securities Act*"). Unless the context requires otherwise, references in this "*Description of Notes*" to the Notes include the Notes and any additional Notes having identical terms and conditions to the Notes (the "*Additional Notes*") that are issued under the Indenture on the Issue Date. The terms of the Notes include those set forth in the Indenture. The Indenture is not required to be, nor will it be, qualified under the US Trust Indenture Act of 1939, as amended.

The net proceeds of the Offering of the Notes sold on the Issue Date will be (a) loaned to the Company (the "*Company Proceeds Loan*") under the Company Proceeds Loan Document (as defined below) and (b) contributed to the equity (the "*LTIL Equity Contribution*") of the Issuer's wholly-owned direct Subsidiary Liquid Telecommunications Investments Limited ("*LTIL*") to enable LTIL to issue the ZAR Proceeds Loan (as defined below), in each case to refinance certain existing indebtedness of the Company and its Subsidiaries as set forth in this Offering Memorandum under the caption "*Use of Proceeds*". On or about the Issue Date, the Issuer, the Company and certain of the Company's Subsidiaries will enter into a senior secured facilities agreement (the "*Senior Facilities Agreement*") providing for a term loan facility (the "*Senior Term Loan Facility*"), under which $100.0 million is expected to be borrowed on or about the Issue Date and a revolving credit facility up to a committed amount of $55.0 million, which is expected to be undrawn on the Issue Date (the "*Revolving Credit Facility*" and, together with the Senior Term Loan Facility, the "*Senior Facilities*").

The following description is a summary of the material provisions of the Indenture, the Notes and the Security Documents and refers to the Intercreditor Agreement. This does not restate those agreements in their entirety. We urge you to read the Indenture, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Notes, the Security Documents and the Intercreditor Agreement will be available as set forth below under "*—Additional Information*".

Certain defined terms used in this description but not defined below under "*—Certain Definitions*" have the meanings assigned to them in the Indenture. You can find the definitions of certain terms used in this description under the subheading "*—Certain Definitions*". In this description, the term "Issuer" refers only to Liquid Telecommunications Financing plc and its successors and not to any of its Subsidiaries and the term "Company" refers only to Liquid Telecommunications Holding Limited and its successors and not to any of its Subsidiaries.

The Notes will be issued in registered form. The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes, the Proceeds Loans, the Note Guarantees and the SPV Guarantee

The Notes

The Notes:

- will be general senior obligations of the Issuer;
- will be secured on a first priority basis directly by the Global Collateral (as defined below) and indirectly by the South African Collateral (as defined below) (in each case, subject to certain perfection requirements, any Permitted Collateral Liens and limitations under applicable law), equally and ratably with the Issuer's obligations under the Senior Facilities, as described under "*—Security*";
- will rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes;

- will rank senior in right of payment to all future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes, if any;
- will be effectively senior to all existing and any future unsecured Indebtedness of the Issuer to the extent of the value of the Collateral (as defined below);
- will be effectively subordinated to any existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;
- will be structurally subordinated to all obligations of the Issuer's Subsidiaries that are not Guarantors, including the obligations under the Stanbic Zambia Facilities;
- will be unconditionally guaranteed by the Company and the Subsidiary Guarantors (subject to limitations under applicable law and certain contractual limitations as described below under "*—Note Guarantees and SPV Guarantee*"); and
- will be initially guaranteed on a limited recourse basis by Main Street 1535 Proprietary Limited (registration number 2017/211422/07) (the "*Security SPV*"), , which guarantee will, in turn, be initially supported by the Counter-Indemnity Agreement (as defined below) secured (subject to certain perfection requirements, any Permitted Collateral Liens and limitations under applicable law) by Liens over the South African Collateral, as described below under "*—Security—Security SPV*."

The Note Guarantees and the SPV Guarantee

The Notes will be guaranteed by the Guarantors. The Note Guarantee of the Company and each Subsidiary Guarantor:

- will be a general senior obligation of the Company and each Subsidiary Guarantor, as applicable;
- be secured, directly or indirectly, on a first priority basis by the Collateral (subject to certain perfection requirements, Permitted Collateral Liens and limitations under applicable law), equally and ratably with the Guarantors obligations under the Senior Facilities, as described under "*—Security*";
- will rank *pari passu* in right of payment with all existing and future Indebtedness of such Guarantor, that is not subordinated in right of payment to that Note Guarantee, including such Guarantor's obligations under the Senior Facilities;
- will rank senior in right of payment to all future Indebtedness of such Guarantor that is expressly subordinated in right of payment to that Note Guarantee, if any;
- will be effectively senior to all existing and any future unsecured Indebtedness of such Guarantor to the extent of the value of the Collateral securing such Note Guarantee either directly or indirectly;
- will be effectively subordinated to any existing and future Indebtedness of such Guarantor that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- will be structurally subordinated to all obligations of such Guarantor's Subsidiaries that are not Guarantors.

In order to provide the indirect security interests in the South African Collateral, the Security SPV will enter into a first-priority limited recourse South African law guarantee for the benefit of the holders of the Notes and in favor of the lenders under the Senior Facilities (the "*SPV Guarantee*"). The SPV Guarantee will guarantee the obligations of the Issuer and the Guarantors under the Notes and the borrowers and guarantors under the Senior Facilities, as well as any other secured obligations under the Intercreditor Agreement. Subject to the enforcement provisions in the Indenture, neither the Trustee nor the Security Agent will be entitled to take any direct enforcement action with respect to the South African Collateral other than pursuant to the provisions of the SPV Guarantee and Counter-Indemnity Agreement. The SPV Guarantee will be an unsecured obligation of the Security SPV supported by the Counter-Indemnity Agreement (as defined below). The obligations of the Company and the South African Subsidiary Guarantors under the Counter-Indemnity Agreement will be secured (after giving effect to the Transactions) by Liens over the South African Collateral, as described below under "*—Security—Security SPV*."

As at the Issue date, not all Subsidiaries of the Company will guarantee the Notes. In the event of a bankruptcy, liquidation, reorganization or commencement of business rescue proceedings of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer or the Guarantors. As of and for the year ended February 28, 2017, the Guarantors represented 75.3% of our Pro forma Adjusted EBITDA, excluding dividend income and profit from the sale of subsidiaries, and 81.0% of our net assets, after adjusting for intercompany payables and receivables.

The Issuer is a finance company and the only Subsidiary of the Issuer as of the Issue Date will be LTIL. From the Issue Date, the only significant assets of the Issuer will be the intercompany liability owing under the Company Proceeds Loan and the Capital Stock of LTIL. As such, the Issuer will be dependent on payments by the Company on the Company Proceeds Loan and dividends and other distributions from LTIL in order to service its Indebtedness.

The Issuer and each of the Guarantors will also guarantee the Senior Facilities on a senior secured basis, *pari passu* with the Notes and the Note Guarantees, as applicable.

As at the Issue Date, all of the Company's Subsidiaries will be "Restricted Subsidiaries" for the purposes of the Indenture. However, under the circumstances described below under the caption "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*", the Company will be permitted to designate Restricted Subsidiaries (other than the Issuer and LTIL) as "Unrestricted Subsidiaries". The Company's Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue $550 million in aggregate principal amount of Notes. The Issuer may issue Additional Notes under the Indenture from time to time after the Issue Date. Any issuance of Additional Notes will be subject to all of the covenants in the Indenture, including the covenant described below under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*". The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture; *provided, however*, that Additional Notes will be issued under a separate CUSIP, ISIN or other applicable identifying number unless such notes are fungible with the Notes for US federal income tax purposes. The Issuer will issue Notes in denominations of $200,000 and integral multiples of $1,000 in excess thereof. The Notes will mature on .

Interest on the Notes will accrue at the rate of 8.500% per annum. Interest on the Notes will be payable semi-annually in arrears on January 13 and July 13, commencing on January 13, 2018. The Issuer will make each interest payment to the holders of record on the immediately preceding December 29 and June 28.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on overdue principal and interest will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law.

Paying and Transfer Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes in the City of London. The initial Paying Agent will be Citibank, N.A., London Branch (the "*Paying Agent*" or "*Principal Paying Agent*").

The Issuer will also maintain a registrar (the "*Registrar*") and one or more transfer agents (each, a "*Transfer Agent*") with offices in the City of London. The initial Registrar and Transfer Agent will be Citibank, N.A., London Branch. The Registrar will maintain a register reflecting ownership of the Notes in the form of Global Notes (as defined below) definitive registered notes (the "*Definitive Registered Notes*") outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer.

The Registrar will send a copy of the register to the Issuer on the Issue Date and after any change to the register made by the Registrar, with such copy to be held by the Issuer at its registered office.

The Issuer may change the Paying Agent, the Registrar or the Transfer Agent without prior written notice to the holders. For so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Ireland (which is expected to be the *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Transfer and Exchange

Notes sold within the United States to qualified institutional buyers in reliance on Rule 144A under the US Securities Act ("*Rule 144A*") will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Note*"), and Notes sold outside the United States in reliance on Regulation S under the US Securities Act ("*Regulation S*") will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Note*" and, together with the 144A Global Note, the "*Global Notes*").

Ownership of interests in the Global Notes (the "*Book-Entry Interests*") will be limited to persons that have accounts with DTC, Euroclear or Clearstream or Persons that may hold interests through direct or indirect participants therein. Ownership of Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*". In addition, transfers of Book-Entry Interests between participants in DTC, Euroclear or Clearstream will be effected by DTC, Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by DTC, Euroclear or Clearstream and their respective participants.

Book-Entry Interests in a 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in a Regulation S Global Note only upon delivery by the transferor of a written certification (in the form to be provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S.

Book-Entry Interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in a Rule 144A Global Note only upon delivery by the transferor of a written certification (in the form to be provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities laws of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by DTC, Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*".

Subject to the restrictions on transfer referred to above, Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at DTC, Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions, and pay any Taxes in connection with such transfer or exchange.

Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

The Issuer, the Trustee and the Paying Agent will be entitled to treat the holder of a Note as the owner of it for all purposes.

Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to the Notes (whether or not in the form of Definitive Registered Notes) or any of the Guarantors with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated, organized, engaged in business for tax purposes or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a "*Tax Jurisdiction*") will at any time be required to be made from any payments made by or on behalf of the Issuer under or with respect to the Notes or any of the Guarantors under or with respect to any Note Guarantee, including, without limitation, payments of principal, redemption price, purchase price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each holder or beneficial owner of the Notes after such withholding, deduction or imposition (including any such withholding, deduction or imposition from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any actual or deemed (pursuant to applicable Tax law of the relevant Tax Jurisdiction, such as, if applicable, a connection of a partnership that is attributed to the partners/beneficial owners) present or former connection between the holder or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including being a resident of such jurisdiction for Tax purposes), other than acquisition or the holding of such Note, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift, sales, personal property, transfer or similar Taxes;

(4) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(5) any Taxes, to the extent such Taxes were imposed or withheld by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request of the Issuer addressed to the holder or beneficial owner and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes

imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to provide such certification or documentation;

(6) any Taxes imposed on or with respect to any payment by the Issuer or the relevant Guarantor to the holder if such holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Note;

(7) any Taxes, to the extent such Taxes were imposed pursuant to Section 1471(b) of the US Internal Revenue Code of 1986, as amended (the "*Code*"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto; or

(8) any combination of items (1) through (7) above.

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify the holder for any stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the (i) execution, delivery, issuance, or registration of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein (other than on or in connection with a transfer of the Notes that is not part of the initial resale of the Notes by the Initial Purchasers) or (ii) enforcement of any of the Notes or any Note Guarantee.

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate(s) must also set forth any other information necessary to enable the Paying Agent to pay such Additional Amounts to holders on the relevant payment date. The Issuer and the relevant Guarantor will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders and beneficial owners of the Notes.

Whenever in the Indenture or in this "*Description of Notes*" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated, organized, engaged in business for tax purposes, or otherwise resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Notes (or any Note Guarantee) and any department or political subdivision thereof or therein.

The Proceeds Loans

On the Issue Date, the Issuer will loan approximately $378 million of the proceeds of the offering of the Notes to the Company pursuant to an agreement governing the Company Proceeds Loan (the "*Company Proceeds Loan Document*") to be dated the Issue Date.

On or about the Issue Date, and subject to completion of the LTIL Equity Contribution, LTIL will loan approximately ZAR2.4 billion (the "*ZAR Proceeds Loan*" and, together with the Company Proceeds Loan, the "*Proceeds Loans*") from the LTIL Equity Contribution to Liquid Telecommunications South Africa Proprietary Limited pursuant to an agreement governing the ZAR Proceeds Loan (the "*ZAR Proceeds Loan Document*" and, together with the Company Proceeds Loan Document, the "*Proceeds Loan Documents*").

The Company Proceeds Loan will be denominated in US dollars, the ZAR Proceeds Loan will be denominated in ZAR, and each Proceeds Loan will bear interest at a rate at least equal to the interest rate of the Notes. Interest on the Proceeds Loans will be payable semi-annually in arrear with sufficient time in advance to permit the Issuer to make payments of interest on the Notes. The maturity date of the Proceeds Loans will be the same as the maturity date of the Notes.

The Proceeds Loan Documents will provide that the borrower thereunder will pay to the lender thereunder interest and principal that becomes payable on the Notes and any additional amounts and premium, if any, due thereunder. The ZAR Proceeds Loan Document will provide that payments to LTIL thereunder shall be used to enable LTIL to dividend or distribute sufficient funds for the payment of interest, principal and any additional amounts or premium payable on the Notes.

Except as otherwise required by law, all payments under the Proceeds Loan Documents will be made without deductions or withholding for, or on account of, any applicable Tax. In the event that the borrowers under the Proceeds Loans are required to make any such deduction or withholding, they shall gross-up each payment to the lenders thereunder to ensure that the lender receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

The Proceeds Loan Documents provides that all payments made pursuant thereto will be made by the borrower thereunder on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture and that LTIL can dividend or distribute sufficient funds for such purpose. The Proceeds Loans will be assigned by way of security to the Security Agent or made subject to pledge in favor of the Security Agent for the benefit of holders of the Notes described under the caption "*—Security*."

Note Guarantees and SPV Guarantee

The Notes will be guaranteed by the Guarantors. On the Issue Date, the Guarantors will consist of the (i) the Company, (ii) LTIL, Liquid Telecommunications Limited, Liquid Telecommunications Kenya Limited, and Liquid Telecommunications Operations Limited (collectively, the "*Non-South African Subsidiary Guarantors*"); and (iii) Liquid Telecommunications Operations SA Proprietary Limited, Liquid Telecommunications Holdings South Africa (Pty) Ltd and Liquid Telecommunications South Africa Proprietary Limited (collectively, the "*South African Subsidiary Guarantors*" and, together with the Non-South African Subsidiary Guarantors, the "*Subsidiary Guarantors*").

The Note Guarantees of the Guarantors will be joint and several obligations of the Guarantors and will be full and unconditional guarantees of the Issuer's obligations under the Notes, subject to the contractual limitations discussed below. The Note Guarantees will rank *pari passu* with the Guarantors' guarantee of the Senior Facilities.

The obligations of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law or conditions to regulatory consent with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal or regulatory restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "*Certain Insolvency and Enforceability Considerations*."

The SPV Guarantee will be a stand-alone obligation of the Security SPV, with recourse thereon limited to payments and assets made available from the Company and the South African Subsidiary Guarantors pursuant to the Counter-Indemnity Agreement.

Release of the Note Guarantees

A Note Guarantee of a Subsidiary Guarantor (other than LTIL) will be automatically released and discharged without any further action by the Issuer, the relevant Subsidiary Guarantor or the Trustee and such Guarantor's obligations under the Note Guarantee and the Indenture will terminate and be of no further force and effect:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Subsidiary Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sales" provisions of the Indenture;

(2) in connection with any sale or other disposition of Capital Stock of that Subsidiary Guarantor (or Capital Stock of any Parent Holdco of such Subsidiary Guarantor) (other than the Company, the Issuer or LTIL) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sales" provisions of the Indenture and the Subsidiary Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(3) if the Company designates any Restricted Subsidiary that is a Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(4) pursuant to an enforcement action taken in accordance with the Intercreditor Agreement as described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*" or any Additional Intercreditor Agreement;

(5) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*";

(6) upon the full and final payment of the Notes and performance of all Obligations of the Issuer or the relevant Guarantor under the Indenture and the Notes;

(7) as described under the caption "*—Amendment, Supplement and Waiver*";

(8) with respect to an additional Note Guarantee given under the covenant captioned "*—Certain Covenants—Additional Guarantees*", upon release of the guarantee that gave rise to the requirement to issue such additional guarantee so long as no Default or Event of Default would arise as a result thereof and no other Indebtedness that would give rise to an obligation to give an additional Note Guarantee is at that time guaranteed by the relevant Subsidiary Guarantor; and

(9) as a result of a transaction permitted by "*—Certain Covenants—Merger, Consolidation or Sale of Assets*".

The Note Guarantees of the Company or LTIL, as applicable, will be released in the circumstances described in clauses (4), (5), (6), (7) and (9).

Upon any occurrence giving rise to a release of a Note Guarantee, as specified above, the Trustee, subject to receipt of certain documents from the Issuer and/or Guarantor will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Note Guarantee. None of the Issuer, the Trustee or any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Security

General

The Notes and the Note Guarantees of the Company and the Non-South African Subsidiary Guarantors will be initially secured by first-priority Liens over the Collateral located outside of South Africa (the "*Global Collateral*"). The Notes and the Note Guarantees of the Company and the South African Subsidiary Guarantors will initially benefit from indirect security interests over certain assets located in South Africa by virtue of arrangements through the Security SPV (the "*South African Collateral*" and, together with the Global Collateral, the "*Collateral*"). See "*—Security SPV*." Subject to the terms of the Indenture and the Intercreditor Agreement, certain other Indebtedness will be permitted to be secured by the Collateral now and in the future.

The Global Collateral will be granted pursuant to the Security Documents to the Security Agent on behalf of the creditors of the secured obligations that are secured by Liens over the Global Collateral, including holders of the Notes. The Global Collateral will initially include the following properties and assets, which will be secured on a first-priority basis by:

(1) English law share charge in respect of the shares owned by the Company in the Issuer and Liquid Telecommunications Limited;

(2) English law security assignment agreement in respect of the Company's present and future rights, title and interest in certain inter-group agreements and related rights;

(3) English law assets debenture given by Liquid Telecommunications Limited, the Issuer and Liquid Telecommunications Investments Limited;

(4) Mauritian law share pledge in respect of the shares owned by the Company in Liquid Telecommunications Operations Limited;

(5) Mauritian law floating charge over the present and future, movable and immovable, corporeal and incorporeal properties of the Company;

(6) Mauritian law floating charge over the present and future, movable and immovable, corporeal and incorporeal properties of Liquid Telecommunications Operations Limited;

(7) Kenyan Memorandum of Deposit in respect of the shares in Liquid Telecommunications Kenya Limited; and

(8) an assignment by way of security or pledge of the Proceeds Loans (a "*Proceeds Loans Assignment*").

The South African Collateral will be granted pursuant to the Security Documents to the Security SPV to secure the obligations of the Company and the South African Subsidiary Guarantors under the Counter-Indemnity Agreement, which Security SPV will enforce under such Security Documents under the exclusive direction of the Security Agent. The South African Collateral will initially include the following properties and assets, which will be secured on a first-priority basis by:

(1) South African law pledge in respect of the shares and shareholder loan claims owned by the Company in Liquid Telecommunications Holdings South Africa (Pty) Ltd;

(2) South African pledge and cession over all shares, securities and other ownership interests, all debt claims, all present and future claims (including trade debtors), bank accounts, intellectual property rights, all insurances, of Liquid Telecommunications South Africa Proprietary Limited and Liquid Telecommunications Operations SA Proprietary Limited;

(3) South African pledge and cession over certain shares, securities and other ownership interests, all debt claims, all present and future claims (including trade debtors), and bank accounts of Liquid Telecommunications Holdings South Africa (Pty) Ltd; and

(4) South African deed of hypothecation over trademarks, a first-ranking mortgage bond over all immovable property, a first-ranking special notarial bond over certain movable assets and a general notarial bond over all movable assets of Liquid Telecommunications South Africa Proprietary Limited.

The Collateral will be contractually limited to reflect limitations under applicable law or conditions to applicable regulatory consents with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal or regulatory restrictions applicable to the security providers and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "*Certain Insolvency and Enforceability Considerations*."

Under the Indenture, the Company and the Restricted Subsidiaries will be permitted to incur certain additional Indebtedness in the future which may share in the Collateral, including additional Permitted Collateral Liens securing Indebtedness on a *pari passu* basis with the Notes. The amount of such Permitted Collateral Liens will be limited by the covenants described under the captions "*—Certain Covenants—Liens*" and "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*." Under certain circumstances, the amount of such additional Indebtedness secured by Permitted Collateral Liens could be significant.

On the Issue Date, the obligations under the Notes and the Senior Facilities will be secured equally and ratably by first-priority Liens over the Global Collateral and will be indirectly secured equally and ratably by the South African Collateral. Any proceeds received upon any enforcement action over any Collateral will be applied *pro rata* in repayment of all obligations under the Indenture and the Notes, the Senior Facilities, and any other Indebtedness or Obligations permitted to be incurred and secured on a *pari passu* basis with the Notes and Note Guarantees pursuant to the Indenture and the Intercreditor Agreement.

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes and creditors of any other Indebtedness of the Company and its Restricted Subsidiaries. No appraisals of the Collateral have been made in connection with this offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to the Notes and the Guarantees—Not all of our subsidaries will guarantee the Notes and the Notes and the Guarantees will be structurally subordinated to all claims of creditors of those subsidiaries that do not guarantee the Notes.*"

Security SPV

The Security SPV is a special purpose company incorporated under the laws of the Republic of South Africa. The Security SPV will enter into the Intercreditor Agreement governing, among other things, the enforcement of security interests in the South African Collateral. The Intercreditor Agreement will provide that the Security Agent, acting upon instructions as set out therein has the exclusive authority to direct and instruct the Security SPV as to the enforcement of the security interests in the South African Collateral and as to the release of any security interests in the South African Collateral.

The Security SPV will enter into the SPV Guarantee with the Security Agent (on behalf of the Trustee and the lenders under the Senior Facilities). See "*—Note Guarantees*." The Company and the South African Subsidiary Guarantors will, pursuant to a counter-indemnity agreement (the "*Counter-Indemnity Agreement*"), indemnify the Security SPV in respect of any amounts payable by the Security SPV under the SPV Guarantee. The obligations of the Company and the South African Subsidiary Guarantors under the Counter-Indemnity Agreement will secured by first-ranking security interests in the South African Collateral. Pursuant to the Counter-Indemnity Agreement and the security documents entered into in respect thereto, the Security SPV will be entitled to enforce the security interests in respect of the South African Collateral if it receives instructions from the Security Agent. The Security SPV has no assets or operations, other than those related to the granting of the SPV Guarantee and the entry into the Counter-Indemnity Agreement, and will only be liable to make payments under the SPV Guarantee to the extent it is able to enforce upon the security interests granted.

The SPV Guarantee and the Counter-Indemnity Agreement will each be governed by South African law.

Security Documents

The Issuer, the Guarantors, the other security providers, the Security SPV and the Security Agent will, as applicable, enter into Security Documents defining the terms of the Liens that secure the Notes, the Note Guarantees, the Counter-Indemnity Agreement and the other secured obligations that will be secured by the Collateral. Subject to the terms of, and limitations under, the Security Documents, these Liens will secure the payment and performance when due of all of the obligations of the Issuer and the Guarantors under the Notes, the Indenture, the Note Guarantees, the Security Documents and the Counter-Indemnity Agreement.

The Security Documents will, as described under the caption "*Description of Certain Financing Arrangements—Intercreditor Agreement*," permit the Trustee and/or the agent for the Senior Facilities to instruct the Security Agent to take enforcement action under the Security Documents (following the occurrence of an event of default under such Indebtedness, such Indebtedness being declared due and payable and the Trustee having received the requisite approval or consent of the holders of such Indebtedness).

There is some uncertainty under the laws of certain jurisdictions, as to whether trusts, including the security trust created pursuant to the Intercreditor Agreement, will be recognized and enforceable. To address this uncertainty about the enforceability of such trusts, a direct covenant to pay (the "*Parallel Debt*") will be granted to the Security Agent by each debtor under the Intercreditor Agreement, including each Guarantor of the Notes and provider of security therefore. The Parallel Debt provision allows the Security Agent to act in its capacity as creditor of a parallel debt. The Parallel Debt provisions constitute a secured obligation for purposes of each Security Document securing the Notes and the other indebtedness secured subject to the Intercreditor Agreement. See "*Risk Factors—Risks Related to Our Structure—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the relevant Notes. The Security Agent also has the benefit of a direct covenant to pay, or "parallel debt," from each debtor who is a party to the Intercreditor Agreement, including each Guarantor. The ability of the Security Agent to enforce security interests over the Collateral may be restricted by applicable local laws*."

Subject to the terms of the Indenture and the Security Documents, the Issuer, the Guarantors and the other security providers will have the right to remain in possession and retain exclusive control of the Collateral, to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

The Security Agent will enter into the Security Documents in its own name for the benefit of the Trustee and the holders and the Security SPV will enter into the Security Documents in its own name. Each holder, by accepting a Note, appoints the Security Agent as its agent under the Security Documents and authorizes it to act as such. Neither the Trustee nor the holders of the Notes may, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders of the Notes may only act through the Security Agent. The Security Agent will agree to any release of the security interest created by the Security Documents that is in accordance with the Indenture without requiring any consent of the holders of the Notes.

References herein to the enforcement or release of the Security Documents by the Security Agent encompass the Security Agent's instructing the Security SPV to enforce or release on the Security Documents and enforcement under the SPV Guarantee, in each case pursuant to the terms of the Intercreditor Agreement.

Release

The Issuer and the Guarantors will be entitled to the release of the Liens over the property and other assets constituting Collateral under any one or more of the following circumstances:

(1) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets constituting Collateral (other than a Lien on the Equity Interests of the Issuer or LTIL) (i) to a Person that is not (either before or after giving effect to such transaction) the Company or any of its Restricted Subsidiaries, if the sale or other disposition does not violate the "Asset Sales" provisions of the Indenture or (ii) if such assets become subject to an equivalent Lien in favor of the Security Agent for the benefit of the holders of the Notes or in favor of the Security SPV to secure the Counter-Indemnity Agreement concurrent with such sale, assignment, transfer, conveyance or other disposition; *provided* that such sale, assignment, transfer, conveyance or other disposition of such property or assets is not prohibited by the Indenture;

(2) in the case of a Subsidiary Guarantor (other than LTIL) that is released from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets of such Guarantor;

(3) if the Company designates any of its Restricted Subsidiaries (other than the Issuer or LTIL) to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets of such Restricted Subsidiary;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*;"

(5) pursuant to an enforcement action taken in accordance with the Intercreditor Agreement as described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*;"

(6) upon the full and final payment of the Notes and performance of all Obligations of the Issuer or the Guarantors, as applicable, under the Indenture and the Notes;

(7) as described in the second paragraph under the caption "*—Certain Covenants—Limitation on Liens*;"

(8) as described under the caption "*—Amendment, Supplement and Waiver*;" and

(9) in accordance with "*Certain Covenants—No Impairment of Security Interest*."

In addition to the foregoing, the SPV Guarantee maybe released in accordance with clauses (4), (5), (6), (8) or (9).

Intercreditor Agreement

To establish the relative rights of certain creditors of the Issuer and the Guarantors under certain financing arrangements, including, without limitation, the Notes, the Indenture and the Senior Facilities, the Issuer, the Guarantors, the Trustee, the agent under the Senior Facilities, the Security SPV and the Security Agent will enter into the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, any proceeds received upon any enforcement action over any Collateral will be applied *pro rata* in repayment of all obligations under the Indenture and the Notes, the Senior Facilities and any Indebtedness or Obligations permitted to be incurred and secured on a *pari passu* basis with the Notes and Note Guarantees pursuant to the Indenture and the Intercreditor Agreement. "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Subject to the provisions of the Indenture, the Company and its Restricted Subsidiaries may be able to incur significant amounts of additional Indebtedness in the future that may rank senior to the Notes and the Note Guarantees and be secured by security interests in the assets of the Company and its Restricted Subsidiaries that do not constitute Collateral, all of which would effectively rank senior to the Notes and the Note Guarantees.

The holders of the Notes and the Trustee have, and by accepting a Note, each holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents. The holders of the Notes and the Trustee have, and by accepting a Note, each holder will be deemed to have, authorized the Security Agent to (a) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, together with any other incidental rights, power and discretions; and (b) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf, including, as to both (a) and (b), such actions performed indirectly through directing the actions of the Security SPV.

Optional Redemption

At any time prior to July 13, 2020, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 10 nor more than 60 days' prior written notice to the holders, at a redemption price equal to 108.500% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of (i) any Public Equity Offering of the Company or (ii) any Equity Offering of any Parent Holdco of the Company, in the case of (i) and (ii) to the extent the proceeds from such Equity Offering are contributed to the Company's common equity capital or are paid to the Company as consideration for the issuance of ordinary shares of the Company or as Subordinated Shareholder Debt; *provided* that:

(1) at least 60% of the aggregate principal amount of the Notes originally issued under the Indenture (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

At any time prior to July 13, 2020, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 10 nor more than 60 days' prior written notice to the holders, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs and except pursuant to "*—Redemption for Changes in Taxes*", or "*—Repurchase at the Option of Holders—Change of Control*", the Notes will not be redeemable at the Issuer's option prior to July 13, 2020.

On or after July 13, 2020, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 10 nor more than 60 days' prior written notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed on or after the dates indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Date	Redemption Price
July 13, 2020	104.250%
July 13, 2021 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, without limitation, the incurrence of Indebtedness the proceeds of which will be used to redeem the Notes). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, at the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs.

Notwithstanding the foregoing, in connection with any tender offer for the Notes (including the Change of Control Offer) at a price of at least 100.000% of the principal amount of the Notes tendered, plus accrued and unpaid interest thereon to, but excluding, the applicable tender settlement date, if holders of the Notes of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or (with the approval of the Issuer) such third-party will have the right upon not less than 10 nor more than 60 days' notice, given not more than 30 days following such tender offer expiration date (as may be extended hereunder), to redeem the Notes that remain outstanding in whole, but not in part following such purchase at a price equal to the price offered to each other holder of the Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date.

Redemption for Changes in Taxes

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior written notice to the holders of the Notes (which notice will be given in accordance with the procedures described in "*—Selection and Notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer is or would be required to pay Additional Amounts, and the Issuer cannot avoid any such payment obligation by taking reasonable measures available to it, and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment (i) has not been enacted or promulgated prior to and (ii) becomes effective on or after, in each case, the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or

(2) any amendment to, or change in, an official written interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date) (each of the foregoing clauses (1) and (2), a "*Change in Tax Law*").

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer would be obligated to make such payment or withholding if a payment in respect of the Notes was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the Indenture, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that obligation to pay such Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it; and (b) a written opinion of independent tax counsel to the Issuer of recognized standing qualified under the laws of the relevant Tax Jurisdiction and reasonably satisfactory to the Trustee (the confirmation of which is not to be unreasonably withheld or delayed) to the effect that the Issuer has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee and the Principal Paying Agent will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

Mandatory Redemption

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of Notes will have the right to require the Issuer to repurchase all or any part (in integral multiples of $1,000; *provided* that Notes of $200,000 or less may only be redeemed in whole and not in part) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase (the "*Change of Control Payment*"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will mail a notice to each holder, with a copy to the Trustee, of the Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under "*—Selection and Notice*", stating that a Change of Control Offer is being made and offering to repurchase Notes on the date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with a Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Principal Paying Agent will promptly mail (or cause to be delivered) to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee (or an authentication agent approved by it, upon receipt of an authentication order from the Issuer) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would constitute a "change of control" mandatory prepayment event under the Senior Facilities. In addition, certain events that may constitute a change of control under the Senior Facilities may not constitute a Change of Control under the Indenture. Future Indebtedness (including the Senior Facilities) of the Company and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Accordingly, prior to complying with any of the provisions of this "Change of Control" covenant, the Issuer will need to either repay all such Indebtedness or obtain the requisite consents, if any, under all agreements governing such outstanding Indebtedness to permit the repurchase of Notes required by this covenant. Moreover, the exercise by the holders of the Notes of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company and its Subsidiaries. Finally, the ability of the Issuer to pay cash to the holders of the Notes, and any other Indebtedness then becoming payable, upon a repurchase may be limited by its then existing financial resources. The Issuer will be dependent upon the Company and the Restricted Subsidiaries that are the main operating subsidiaries of the Group and, as such, will be subject to their then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Relating to the Notes and the Guarantees—We may not be able to finance a change of control offer and the occurence of certain important corporate events will not constitute a change of control*" and "*Risk Factors—Risks Relating to the Notes and the Guarantors—The Issuer and certain of the Guarantors are holding companies that have no revenue generating operations of their own and will depend on cash from other members of the Group to be able to meet their obligations on the Notes and the Guarantees, respectively; not all of our subsidiaries, including certain of the Guarantors, are wholly owned by us.*".

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) an unconditional notice of redemption has been given pursuant to the Indenture as described above under the caption "*—Optional Redemption*", or all conditions to redemption have been satisfied or waived, unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Notes prior to the occurrence of the Change of Control.

If and for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Irish Stock Exchange (*www.ise.ie)*.

Asset Sales

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (determined at the time of contracting such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of (a) cash; (b) Cash Equivalents; or (c) to the extent the Asset Sale is a Permitted Asset Swap. For purposes of this provision, each of the following will be deemed to be cash:

    (a) any liabilities, as recorded on the balance sheet of the Company or any Restricted Subsidiary (other than contingent liabilities), that are assumed by the transferee of any such assets and as a result of which the Company and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

    (b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(c) any Capital Stock or assets of the kind referred to in clauses (3), (5) or (6) of the next paragraph of this covenant;

(d) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Company and each Restricted Subsidiary are released from any guarantee of such Indebtedness in connection with such Asset Sale;

(e) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Company or any Restricted Subsidiary that is cancelled;

(f) accounts receivable of a business retained by the Company or any Restricted Subsidiary, as the case may be, following the sale of such business; and

(g) any Designated Non-Cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sales having an aggregate Fair Market Value, when taken together with all other Designated Non-Cash Consideration received pursuant to this clause (g) that is at that time outstanding, not to exceed the greater of \$30.0 million or 2.3% of Total Assets of the Company, measured at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

Within 365 days after the receipt of any Net Proceeds from such Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds (at the option of the Company or such Restricted Subsidiary) to:

(1) (a) prepay, repay, purchase or redeem any Indebtedness incurred under clauses (1) and (21) of the second paragraph of the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*;" (b) unless included in (1)(a), prepay, repay, purchase or redeem Pari Passu Indebtedness that is secured by a Lien on the Collateral which ranks *pari passu* with the Liens securing the Notes and the Notes Guarantees, as applicable, at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer shall redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (b) only if the Issuer makes (at such time or subsequently in compliance with this covenant) an offer to all holders of the Notes to purchase their Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) (a "*Notes Offer*") on a *pro rata* basis with any such Pari Passu Indebtedness, that is Public Debt, so redeemed, repaid or repurchased; (c) with respect to assets of a Restricted Subsidiary that is not the Issuer or a Guarantor, prepay, repay, repurchase or redeem any of its Indebtedness; or (d) prepay, repay, repurchase or redeem any Indebtedness that is secured on any asset which security does not also secure the Notes on a *pari passu* or senior basis (in each case other than Subordinated Obligations of the Issuer or a Guarantor or Indebtedness owed to the Company or any Restricted Subsidiary);

(2) purchase Notes (a) pursuant to a Notes Offer or (b) pursuant to the "Optional Redemption" provisions of the Indenture;

(3) acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(4) make a capital expenditure;

(5) acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business;

(6) invest in any Replacement Assets;

(7) enter into a commitment approved by the Board of Directors or otherwise binding on the Company to apply the Net Proceeds pursuant to clause (3), (4), (5) or (6) of this paragraph; *provided* that such commitment shall be treated as a permitted application of the Net Proceeds from the date of such

commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365 day period; or

(8) any combination of the foregoing.

Pending the final application of any Net Proceeds, the Company (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*". When the aggregate amount of Excess Proceeds exceeds $25.0 million, within ten Business Days thereof, or at any earlier time at the Issuer's election, the Issuer will make an offer (an "*Asset Sale Offer*") to all holders of Notes and may, to the extent the Issuer so elects, make an offer to holders of Pari Passu Indebtedness to purchase, prepay or redeem with the proceeds of sales of assets the maximum principal amount of Notes and such other Pari Passu Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to (i) solely in the case of the Notes, 100% of the principal amount, which shall be repurchased in integral multiples of $1,000; *provided* that Notes of $200,000 or less may only be redeemed in whole and not in part; and (ii) solely in the case of any other Pari Passu Indebtedness, no greater than 100% of the principal amount, plus, in the case of (i) and (ii), accrued and unpaid interest and, in the case of (i), Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other Pari Passu Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, or if the aggregate principal amount of Notes tendered pursuant to an Asset Sale Offer that is an application of Net Proceeds pursuant to clause (1) of the second paragraph of this covenant exceeds the amount of the Net Proceeds so applied the Trustee or the Registrar, as applicable will select the Notes and such other Pari Passu Indebtedness, if applicable, to be purchased on a *pro rata* basis (or in the manner described under "*—Selection and Notice*"), based on the amounts tendered or required to be prepaid or redeemed in integral multiples of $1,000; *provided* that Notes of $200,000 or less may only be redeemed in whole and not in part. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero. Neither the Trustee nor the Registrar shall be liable for any selections made by it in accordance with this paragraph.

The Issuer will comply with the requirements of Rule 14e-1 under the US Securities Exchange Act of 1934, as amended (the "*US Exchange Act*") and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer, an Asset Sale Offer or a Notes Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control or Asset Sales provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control or Asset Sales provisions of the Indenture by virtue of such compliance.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee (or the Registrar, as applicable) will select Notes for redemption on a *pro rata* basis (or, in the case of Notes issued in global form as discussed under "*Book-entry, delivery and form*", based on a method that most nearly approximates a *pro rata* selection as the Trustee or the Registrar deems fair and appropriate), unless otherwise required by law or applicable stock exchange or depository requirements. Neither the Trustee nor the Registrar shall be liable for any selections made by it in accordance with this paragraph.

No Notes of $200,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge pursuant to the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Notes. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

For Notes which are represented by global notes held on behalf of DTC, Euroclear or Clearstream, notices may be given by delivery of the relevant notices to DTC, Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (*www.ise.ie*) and, in connection with any redemption, the Issuer will notify the Irish Stock Exchange of any change in the principal amount of Notes outstanding.

Certain Covenants

Restricted Payments

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's Equity Interests or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as holders (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock or Designated Preference Shares of the Company) and other than dividends or distributions payable to the Company or a Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any Parent Holdco of the Company;

(3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Obligations (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except (i) at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition;

(4) make any payment (except through capitalization) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt; or

(5) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (5) above being collectively referred to as "*Restricted Payments*"), unless, at the time of any such Restricted Payment:

- (a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (b) the Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four consecutive fiscal quarters, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to clause (1) the first paragraph of the covenant described below under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*"; and
- (c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the Issue Date (excluding Restricted

Payments permitted by clauses (2), (3), (4), (6), (7), (8), (10), (11), (12)(b), (13), (14)(ii), (15) and (17) of the next succeeding paragraph), is less than the sum, without duplication, of:

(i) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the fiscal quarter commencing immediately prior to the Issue Date to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(ii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities or other property received by the Company since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock, Excluded Contributions and Designated Preference Shares) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Company or convertible or exchangeable debt securities of the Company, in each case that have been converted into or exchanged for Equity Interests of the Company (other than Equity Interests (or Disqualified Stock, Designated Preference Shares or debt securities) sold to a Subsidiary of the Company) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Subsidiary of the Company); *plus*

(iii) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities or other property received by the Company or any Restricted Subsidiary, or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Company and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(iv) to the extent that any Unrestricted Subsidiary of the Company designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Company or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary, the Fair Market Value of the property received by the Company or Restricted Subsidiary or the Company's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such investments reduced the Restricted Payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(v) 100% of any dividends or distributions received by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Company for such period; *plus*

(vi) upon the full and unconditional release of a Restricted Investment that is a guarantee made by the Company or one of its Restricted Subsidiaries to any Person, an amount equal to the amount of such guarantee.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock, Designated Preference Shares or Excluded Contributions), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Indenture;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations made in exchange for, or out of the proceeds of a substantially concurrent incurrence of, Permitted Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations:

   (i) (i) from Net Proceeds to the extent permitted under the covenant described under the caption "*—Repurchase at Option of Holders—Asset Sales*", but only if the Issuer shall have first complied with the terms described under such covenant and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Obligations and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Obligations plus accrued and unpaid interest;

   (ii) to the extent required by the agreement governing such Subordinated Obligations, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under the covenant described under the caption "*—Repurchase at Option of Holders—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Obligations and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

   (iii) (i) consisting of Acquired Debt (other than Indebtedness incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (b) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Obligations plus accrued and unpaid interest and any premium required by the terms of any Acquired Debt;

(5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary held by any current or former officer, director, employee or consultant of the Company or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $2.0 million per annum (with unused amounts in any calendar year being carried over to the next succeeding two calendar years subject to a maximum unused amount of $4.0 million in the aggregate); and *provided*, *further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Company or a Restricted Subsidiary received by the Company or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Company, any Parent Holdco of the Company or any of its Restricted Subsidiaries to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph and are not Excluded Contributions;

(6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(7) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described below under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(8) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (a) the exercise of options or warrants or (b) the conversion or exchange of Capital Stock of any such Person;

(9) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Company or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity

Interests of the Company (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan, employee benefit trust or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Company (other than Disqualified Stock or Designated Preference Shares); *provided* that the total aggregate amount of Restricted Payments made under this clause (9) does not exceed $3.0 million at any one time outstanding;

(10) payments or distributions to dissenting shareholders pursuant to applicable law in connection with or contemplation of a merger, amalgamation, consolidation or transfer of assets that complies with the provisions of the Notes relating to mergers, amalgamations, consolidations or transfers of substantially all of a Guarantor's assets;

(11) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests (other than the Company or any Restricted Subsidiary) then entitled to participate in such dividends on a *pro rata* basis or otherwise in compliance with the terms of the instruments governing such Equity Interests;

(12) dividends, loans, advances or distributions to any Parent Holdco or other payments by the Company or any Restricted Subsidiary in an amount equal to (without duplication) (a) the amounts required to make Permitted Parent Payments; or (b) amounts constituting or to be used for purposes of making payments (i) as disclosed in the Offering Memorandum under the caption "*Use of Proceeds*" on or after the Issue Date; or (ii) to the extent specified in clauses (1), (4), (5) and (10) of the second paragraph under "*—Transactions with Affiliates*";

(13) Restricted Payments that are made with Excluded Contributions;

(14) so long as no Default or Event of Default has occurred and is continuing, the payment of (i) Management Fees and (ii) the declaration of dividends solely related to payment of Management Fees under the preceding clause (i) to the extent disavowed, foregone or declined and not paid;

(15) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; *provided*, *however*, that, the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the net proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution) of the Company or contributed as Subordinated Shareholder Debt to the Company, as applicable, from the issuance or sale of such Designated Preference Shares;

(16) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment by the Company of, or loans, advances, dividends or distributions to pay, dividends on the Capital Stock of the Company following a Public Equity Offering that results in a Public Market of the Capital Stock of the Company or a Parent Holdco of the Company, in an amount per annum not to exceed the greater of (a) 6.0% of the net cash proceeds received by the Company from such Public Equity Offering or contributed to the equity (other than through the issuance of Disqualified Stock or through an Excluded Contribution) of the Company or loaned as Subordinated Shareholder Debt to the Company; *provided*, that if such Public Equity Offering was of Capital Stock of a Parent Holdco of the Company, the net proceeds of any such or loans, advances, dividends or distributions are used to fund a corresponding dividend in equal or greater amount on the Capital Stock of such Parent Holdco; and (b) 6.0% of the Market Capitalization of the Company (or such Parent Holdco of the Company); *provided* that in the case of clause (b) of this paragraph, after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio of the Company and its Restricted Subsidiaries shall be equal to or less than 3.25 to 1.00;

(17) payment of Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing; and

(18) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed the greater of $30.0 million and 2.3% of Total Assets of the Company.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that:

(1) the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and the Issuer and any Subsidiary Guarantor may incur Indebtedness (including Acquired Debt) or issue preferred stock, if on the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be, the Consolidated Leverage Ratio would not exceed prior to the date that is 24 months subsequent to the Issue Date, 4.25 to 1.0, and thereafter, 3.75 to 1.0, in each case, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued on such date, and

(2) if the Indebtedness to be incurred is Senior Secured Indebtedness, the Issuer and the Guarantors may incur such Senior Secured Indebtedness if, on the date on which such Senior Secured Indebtedness is incurred, the Consolidated Senior Secured Leverage Ratio would not exceed prior to the date that is 24 months subsequent to the Issue Date, 4.0 to 1.0, and thereafter, 3.5 to 1.0, in each case, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Senior Secured Indebtedness had been incurred on such date.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) (a) the incurrence by the Issuer or any Guarantor of Indebtedness under Credit Facilities not to exceed the greater of (x) $60.0 million and (y) 4.6% of Total Assets of the Company, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1)(a) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing; and (b) the incurrence by the Issuer or any Guarantor of Indebtedness under Credit Facilities not to exceed $700.0 million amount *less* the aggregate principal amount of the Notes issued on the Issued Date *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1)(b) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing *less* any permanent repayments of such Indebtedness with the proceeds of Asset Sales made in accordance with the provisions set forth under "*—Repurchase at the option of Noteholders—Asset sales*;"

(2) Indebtedness outstanding on the Issue Date after giving *pro forma* effect to the Offering and the use of the net proceeds thereof (other than Indebtedness described in clauses (1) and (3));

(3) the incurrence by the Issuer and the Guarantors of Indebtedness represented by the Notes (other than Additional Notes), the related Note Guarantees (including any future Note Guarantees) and any related "parallel debt" obligations under the Intercreditor Agreement, the Proceeds Loans and any Additional Proceeds Loan;

(4) the incurrence by the Company or any Restricted Subsidiary of Indebtedness representing Capital Lease Obligations, mortgage financings or purchase money obligations or other Indebtedness incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Company or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred or issued to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of $25.0 million and 1.9% of Total Assets of the Company at any time outstanding;

(5) the incurrence by the Company or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) incurred under the first paragraph of this covenant or clauses (2), (3), (5) or (13) of this paragraph;

(6) the incurrence by the Company or any Restricted Subsidiary of intercompany Indebtedness between or among the Company or any Restricted Subsidiary; *provided* that:

   (a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the obligee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Company and its Restricted Subsidiaries and (ii) only to the extent legally permitted (the Company and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors of officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor; and

   (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Company or to any of its Restricted Subsidiaries of preferred stock; *provided* that:

   (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary; and

   (b) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary,

   will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Company or any Restricted Subsidiary of Hedging Obligations not for speculative purposes (as determined in good faith by the Issuer or such Restricted Subsidiary, as the case may be);

(9) the guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, then the guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(10) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business;

(11) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days;

(12) Indebtedness represented by guarantees of any Management Advances or Management Mortgage Advances;

(13) Indebtedness of (a) any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary (other than Indebtedness incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or

otherwise in connection with, or in contemplation of, such acquisition) or (b) the Issuer or any Guarantor incurred in relation to any such acquisition, merger, consolidation, amalgamation or combination; *provided, however*, with respect to this clause (13), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was incurred or deemed to be incurred (x) the Company would have been able to incur $1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness pursuant to this clause (13) calculated on a *pro forma* basis or (y) the Consolidated Leverage Ratio would be equal or less than the Consolidated Leverage Ratio immediately prior to giving effect to such acquisition or other transaction on a *pro forma* basis; *provided further* that, if such Indebtedness is Senior Secured Indebtedness, (a) the Company would have been able to incur $1.00 of additional Senior Secured Indebtedness pursuant to clause (2) of the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness pursuant to this clause (13) calculated on a *pro forma* basis or (b) the Consolidated Senior Secured Leverage Ratio would be equal or less than the Consolidated Senior Secured Leverage Ratio immediately prior to giving effect to such acquisition or other transaction on a *pro forma* basis;

(14) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary; *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by (or held in escrow as collateral for such Indebtedness for later release to) the Company and its Restricted Subsidiaries in connection with such disposition;

(15) Indebtedness of the Company and its Restricted Subsidiaries in respect of (a) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person or in respect of any governmental requirement and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, and (b) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, entered into in the ordinary course of business; *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing:

(16)

(a) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(b) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(c) Indebtedness incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business;

(17) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this clause (17) and then outstanding, will not exceed 100% of the net proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary of the Company) of its Subordinated Shareholder Debt or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Company, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such net proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (2), (5) and (16) of the second paragraph of the covenant described below under

"—*Restricted Payments*" to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any net proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (17) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (2), (5) and (16) of the second paragraph of the covenant described above under the caption "—*Restricted Payments*" in reliance thereon;

(18) guarantees by the Company or any Restricted Subsidiary granted to any trustee of any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust scheme approved by the Board of Directors of the Issuer, so long as the proceeds of the Indebtedness so guaranteed are used to purchase Equity Interests of the Company (other than Disqualified Stock); *provided* that the amount of any net cash proceeds from the sale of such Equity Interests of the Company will be excluded from clause (c)(ii) of the first paragraph of the covenant described above under the caption "—*Restricted Payments*" and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Indenture;

(19) Indebtedness under daylight borrowing facilities incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange); *provided* that such Indebtedness does not exceed the principal amount of the Indebtedness being refinanced and the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing, so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is incurred;

(20) Indebtedness incurred by a Receivables Subsidiary in a Qualified Receivables Financing;

(21) the incurrence of Indebtedness by the Company or any of its Restricted Subsidiaries in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (21), not to exceed the greater of $25.0 million or 1.9% of Total Assets of the Company at any time outstanding;

(22) Guarantees of Indebtedness of Permitted Joint Ventures in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (22), not to exceed $25.0 million at any time outstanding; and

(23) the incurrence of any Indebtedness by the Company or any of its Restricted Subsidiaries made available by any supplier of equipment or service provider in connection with the acquisition of any assets or services used in the development of telecommunications infrastructure, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred or issued to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (23), not to exceed the greater of $50.0 million at any time outstanding.

For purposes of determining compliance with this "*Incurrence of Indebtedness and Issuance of Preferred Stock*" covenant:

(1) in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (23) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant, *provided that* any Indebtedness outstanding under the Revolving Credit Facility on the Issue Date will be deemed to have been incurred under clause (1)(a) above and any Indebtedness outstanding under the Senior Term Loan Facility on the Issue Date will be deemed to have been incurred under clause (1)(b) above and may not be reclassified pursuant to this paragraph. For the avoidance of doubt, any refinancing of Indebtedness incurred under clause (1)(a) or clause (1)(b) of the definition of Permitted Debt shall be deemed to be incurred under clause (1)(a) or clause (1)(b), respectively, of the definition of Permitted Debt;

(2) guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are incurred pursuant to any Credit Facility and are being treated as incurred pursuant to clause (1), (4), (17) or (21) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included; and

(4) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant.

For purposes of determining compliance with the Consolidated Leverage Ratio, the US dollar equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, or at the option of the Company, the date first committed, in the case of Indebtedness incurred under Credit Facilities; *provided,* that (i) if such Indebtedness denominated in currency other than US dollars is subject to a Currency Exchange Protection Agreement with respect to US dollars the amount of such Indebtedness expressed in US dollars will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the US dollar equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the US dollar equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

(1) such US dollar equivalent was determined based on a Currency Exchange Protection Agreement, in which case the refinancing Indebtedness will be determined in accordance with the preceding paragraph; or

(2) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the US dollar equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness;

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

   (a) the Fair Market Value of such assets at the date of determination; and

   (b) the amount of the Indebtedness of the other Person;

(4) any "parallel debt" obligation relating to Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included; and

(5) the principal amount of any Disqualified Stock of the Company or preferred stock of a Restricted Subsidiary, which will be equal to the greater of the maximum mandatory redemption or repurchase

price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof.

Anti-Layering

Neither the Issuer nor any Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee (or, with respect to the Company, Liquid Telecommunications South Africa Proprietary Limited or any borrower under the applicable Proceeds Loan or any Additional Proceeds Loan) on substantially identical (or more favorable) terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely (1) by virtue of being unsecured, (2) by virtue of being secured with different collateral, (3) by virtue of being secured on a junior priority basis, (4) by virtue of not being guaranteed or (5) by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

Liens

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien (an "*Initial Lien*") of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, except (1) in the case of any property or asset that does not constitute Collateral, (a) Permitted Liens; or (b) if such Lien is not a Permitted Lien, to the extent that all obligations due under the Indenture, the Notes and the Note Guarantees are, in each case, secured on an equal and ratable basis or on a priority basis with the obligations secured by the Initial Lien (and on a priority basis if such obligations secured by the Initial Lien are subordinated in right of payment to either the Notes or any Note Guarantee); and (2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created under clause (1)(b) of the preceding paragraph in favor of the holders of Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates and (ii) otherwise as set forth under "*—Security—Release of Liens*."

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of (a) the borrower of any Proceeds Loan or Additional Proceeds Loan to make payments thereunder or (b) any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any Restricted Subsidiary;

(2) make loans or advances to the Company or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets (except for tax assets) to the Company or any Restricted Subsidiary,

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness (other than the Proceeds Loans or any Additional Proceeds Loan) incurred by the Company or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) any agreements or instruments with respect to the Company or any Restricted Subsidiary in effect or entered into on the Issue Date (including the Senior Facilities, the Security Documents, the SPV Guarantee and the Intercreditor Agreement) and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements referred to in

this clause (1); *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the Company) or would not, in the good faith determination of the Company, materially impair the ability of the Issuer to make payments on the Notes;

(2) the Indenture, the Notes, the Note Guarantees, the Senior Facilities Agreement, the Security Documents, the SPV Guarantee, the Intercreditor Agreement and any Additional Intercreditor Agreement and other agreements and instruments ancillary thereto;

(3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein (a) are not materially less favorable to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Company); or (b) would not, in the good faith determination of the Company, materially impair the ability of the Issuer to make payments on the Notes;

(4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(7) any encumbrance or restriction:

    (a) entered into in the ordinary course of business that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

    (b) contained in mortgages, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges or other security agreements; or

    (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced as determined in good faith by the Company or would not in the good faith determination of the Company, materially impair the ability of the Issuer to make payments on the Notes or comply with its obligations under the Intercreditor Agreement;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption "*—Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in

connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Company, are necessary or advisable to effect such Qualified Receivables Financing;

(14) any encumbrance or restriction pursuant to or ancillary to Hedging Obligations; or

(15) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (14), or in this clause (15); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced or would not in the good faith determination of the Issuer, materially impair the ability of the Issuer to make payments on the Notes.

Merger, Consolidation or Sale of Assets

The Company

The Company will not (a) consolidate or merge with or into another Person (whether or not it is the surviving Person) or (b) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties and assets in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of an Approved Jurisdiction;

(2) the Person formed by or surviving any such consolidation or merger with the Company (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Company under its Notes Guarantee, the Security Documents (to which the Company is a party), the Company Proceeds Loan, any Additional Proceeds Loan under which the Company is the borrower, the Intercreditor Agreement (including any Additional Intercreditor Agreement) and the Indenture pursuant to a supplemental indenture and, if applicable, any Additional Intercreditor Agreement;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four consecutive fiscal quarter period (a) be permitted to incur at least $1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" or (b) have a Consolidated Leverage Ratio not greater than it was immediately prior to giving effect to such transaction; and

(5) the Company delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Company's Note Guarantee constitutes legal, valid and binding obligations of the Company, or the Person formed by or surviving any such consolidation or merger (as applicable) enforceable in accordance with their terms; *provided that* in giving an opinion of counsel, counsel may rely of an Officer's Certificate as to any matters of fact.

The Issuer

The Issuer will not (1) consolidate or merge with or into another Person (whether or not it is the surviving Person) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties and assets in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of an Approved Jurisdiction;

(2) the Person formed by or surviving any such consolidation or merger with the Issuer (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Issuer under the Notes, the Indenture, the Proceeds Loans, any Additional Proceeds Loan, the Security Documents to which it is a party, the Intercreditor Agreement and any Additional Intercreditor Agreement pursuant to a supplemental indenture and, if applicable, any Additional Intercreditor Agreement or any other relevant documents;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four consecutive fiscal quarter period (a) be permitted to incur at least $1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" or (b) have a Consolidated Leverage Ratio equal to or greater than it was immediately prior to giving effect to such transaction; and

(5) the Company delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Notes constitutes legal, valid and binding obligations of the Issuer, or the Person formed by or surviving any such consolidation or merger (as applicable) enforceable in accordance with their terms; *provided that* in giving an opinion of counsel, counsel may rely of an Officer's Certificate as to any matters of fact.

Subsidiary Guarantors

A Subsidiary Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Note Guarantee and the Indenture as described under "*—The Note Guarantees*") will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Subsidiary Guarantor and its Subsidiaries that are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person (other than the Company, the Issuer or another Subsidiary Guarantor), unless:

(1) either:

    (a) such Subsidiary Guarantor is the surviving Person; or

    (b) the Person formed by or surviving any such consolidation or merger (if other than such Subsidiary Guarantor) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of such Subsidiary Guarantor under its Note Guarantee, the Security Documents to which such Subsidiary Guarantor was a party, the Counter-Indemnity Agreement (if applicable), any Additional Proceeds Loan under which such Subsidiary Guarantor is the borrower and the Indenture pursuant to a supplemental indenture and, if applicable, any Additional Intercreditor Agreement or any other relevant documents;

(2) immediately after giving *pro forma* effect to such transaction or transactions (and treating any Indebtedness which becomes an obligation of the surviving Person as a result of such transaction as having been incurred by the surviving Person at the time of such transaction or transactions), no Default or Event of Default exists; and

(3) the Company delivers to the Trustee an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation or merger and such supplemental indenture (if any) comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture, the Note Guarantee and the Counter-Indemnity Agreement, if applicable, constitute legal, valid and binding obligations of the Subsidiary Guarantor or the Person formed by or surviving any such consolidation or merger (as applicable) enforceable in accordance with their terms; *provided that* in giving an opinion of counsel, counsel may rely of an Officer's Certificate as to any matters of fact.

In addition, none of the Company, the Issuer or any Subsidiary Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of it and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

General

This "*Merger, Consolidation or Sale of Assets*" covenant will not apply to (a) any consolidation or merger of any Restricted Subsidiary that is not a Guarantor or the Issuer with and into the Issuer or a Guarantor; (b) any consolidation or merger of a Subsidiary Guarantor with or into a Restricted Subsidiary that is not a Guarantor or the Issuer in order to comply with any law, rule or regulation from a regulatory authority having jurisdiction over the Company or any of its Restricted Subsidiaries; (c) any consolidation or merger of any Subsidiary Guarantor with or into the Company, the Issuer or any other Subsidiary Guarantor; or (d) any consolidation or merger of the Company with or into the Issuer or any other Guarantor; *provided* that, in each case, clauses (2) and (5) of the first and second paragraphs of this covenant will be complied with. Clauses (3) and (4) of the first and second paragraphs and clause (2) of the third paragraph of this covenant will not apply to any merger or consolidation of the Company or any Guarantor with or into an Affiliate solely for the purpose of reincorporating the Company or such Guarantor in another jurisdiction.

Transactions with Affiliates

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any services) with any Affiliate of the Company (any such transaction or series of related transactions being, an "*Affiliate Transaction*") involving aggregate value in excess of $5.0 million, unless:

(1) the Affiliate Transaction is on terms that are not materially less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) the Company delivers to the Trustee:

    (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate value in excess of $10.0 million, a resolution of the Board of Directors of the Company set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company; and, in addition,

    (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate value in excess of $30.0 million, a written opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan,

program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent Holdco, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

(2) transactions between or among the Company and/or its Restricted Subsidiaries, or between and among Restricted Subsidiaries and any Receivables Subsidiary;

(3) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;

(5) the execution, delivery and performance (without duplication of any Permitted Parent Payments) of any Tax Sharing Agreement or any arrangement pursuant to which the Company or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(6) any Restricted Payment that is permitted pursuant to the covenant described above under the caption "*—Restricted Payments*" (other than pursuant to clause (12)(b)(ii) of the second paragraph of the covenant described under "*—Restricted Payments*");

(7) any Permitted Investment (other than Permitted Investments described in clauses (3), (10), (16) or (17) of the definition thereof);

(8) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Debt; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Debt are approved by a majority of the members of the Board of Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Debt made in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(9) transactions pursuant to, or contemplated by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not materially more disadvantageous to the holders of the Notes than the original agreement as in effect on the Issue Date;

(10) Management Advances, Management Mortgage Advances and the payment of Management Fees;

(11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Company or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Company or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;

(12) transactions, agreements or other arrangements with customers, suppliers, contractors, lessors or sellers of goods or services that are negotiated with an Affiliate or any Parent Holdco, in each case, which are otherwise in compliance with the terms of the Indenture; *provided* that the terms and conditions of any such transaction, agreement or other arrangement as applicable to the Company and its Restricted Subsidiaries (a) are fair to the Company and its Restricted Subsidiaries and are on terms no less favorable to the Company and its Restricted Subsidiaries than those that could have reasonably been obtained in respect of an analogous transaction or agreement that would not constitute an Affiliate Transaction (in each case, as determined in good faith by the Board of Directors of the Issuer), (b) the performance by the Company and any of its Restricted Subsidiaries in

respect of any such arrangements are for its own behalf and in its own name and (c) the Company and its Restricted Subsidiaries do not assume, and are otherwise not liable for any performance or breach in respect of, any such arrangements by the relevant Affiliate;

(13) any participation in a rights offer or public tender or exchange offer for publically-held securities or debt instruments issued by the Company or any of its Restricted Subsidiaries that are conducted on arm's length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such rights, tender or exchange offer;

(14) transactions between the Company or any Restricted Subsidiary and any other Person that would constitute an Affiliate Transaction solely because a director of such other Person is also a director of the Company or any Parent Holdco of the Company; *provided*, however, that such director abstains from voting as a director of the Company or such Parent Holdco, as the case may be, on any matter including such other Person; and

(15) any transaction effected as part of a Qualified Receivables Financing.

Additional Guarantees

The Company will not cause or permit any of its Restricted Subsidiaries that is not a Guarantor or the Issuer, directly or indirectly, to guarantee the payment of, assume or in any manner become liable with respect to any other Indebtedness of the Issuer or a Guarantor incurred under Credit Facilities in excess of $10.0 million or that constitutes Public Debt unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the guarantee of the payment of the Notes by such Restricted Subsidiary, which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness.

Notwithstanding the foregoing paragraph in this covenant:

(1) the Note Guarantee by such Restricted Subsidiary may be limited in amount to the extent such Note Guarantee may reasonably be expected to give rise to or result in (a) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (b) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (c) any material cost, expense, liability or obligation (including with respect to any Taxes but excluding any obligation under the Note Guarantee itself) that cannot be avoided by reasonable measures available to the Company other than reasonable out of pocket expenses (but, in such a case each of the Company and the Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal limit and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit);

(2) for so long as it is not permissible under applicable law or regulation for a Restricted Subsidiary to become a Guarantor, such Restricted Subsidiary need not become a Guarantor (but, in such a case, each of the Company and the Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal prohibition precluding the giving of the Note Guarantee and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant legal prohibition, and shall give such Note Guarantee at such time (and to the extent) that it thereafter becomes permissible); and

(3) This covenant shall not be applicable to any guarantees by any Restricted Subsidiary:

    (a) that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary; or

    (b) given to a bank or trust company having, at the time such guarantee was given, combined capital and surplus and undivided profits of not less than $500 million and whose debt has a rating of at least "A" or the equivalent thereof by S&P and at least "A2" or the equivalent thereof by Moody's in connection with the operation of cash management programs established for the Company's benefit or that of any Restricted Subsidiary.

No Impairment of Security Interests

Global Collateral

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission would have the result of materially impairing the security interest with respect to the Global Collateral (it being understood that the incurrence of Liens on the Global Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Global Collateral) for the benefit of the Trustee and the holders of the Notes, and the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Notes and the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Global Collateral; *provided* that (a) nothing in this provision will restrict the discharge or release of the Global Collateral in accordance with the Indenture, the Security Documents, the Proceeds Loan, any Additional Proceeds Loan, the Intercreditor Agreement and any Additional Intercreditor Agreement and (b) the Company and its Restricted Subsidiaries may incur Permitted Collateral Liens; and *provided further, however*, that, no Security Document with respect to the Global Collateral may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification or renewal, the Company delivers to the Trustee one of the following: (1) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee confirming the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, supplement, modification or replacement; (2) a certificate from the Board of Directors or chief financial officer of the Company (acting in good faith), substantially in the form set forth as an exhibit to the Indenture, that confirms the solvency of the Person granting such Lien after giving effect to any transaction related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that the Company complies with this covenant, the Trustee and the Security Agent, as applicable, shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification or replacement with no need for instructions from holders of the Notes.

South African Collateral

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission would have the result of materially impairing the security interest with respect to the South African Collateral (it being understood that the incurrence of Liens on the South African Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the South African Collateral) for the benefit of the Security SPV to secure the Counter-Indemnity Agreement, and the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security SPV, to secure the Counter-Indemnity Agreement and the secured obligations described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the South African Collateral; *provided* that (a) nothing in this provision will restrict the discharge or release of the South African Collateral in accordance with the Indenture, the Security Documents, the Counter-Indemnity Agreement, the Proceeds Loan, any Additional Proceeds Loan, the Intercreditor Agreement and any Additional Intercreditor Agreement and (b) the Company and its Restricted Subsidiaries may incur Permitted Collateral Liens; and *provided further, however*, that, none of the Security Documents, with respect to the South African Collateral the SPV Guarantee or the Counter-Indemnity Agreement may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification or renewal, the Company delivers to the Trustee one of the following: (1) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee confirming the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, supplement, modification or replacement; (2) a certificate from the Board of Directors or chief financial officer of the Company (acting in good faith), substantially in the form set forth as an exhibit to the Indenture, that confirms the solvency of the Person granting such Lien after giving effect to any transaction related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens securing the Notes created under the Security Documents, the SPV Guarantee or the Counter-Indemnity Agreement, as applicable, so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that the Company complies with this covenant, the Security SPV, the Security Agent and the Trustee, as applicable, shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification or replacement with no need for instructions from holders of the Notes.

Collateral

The Company will, and will procure that each of its Subsidiaries will, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (1) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and (2) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Company will, and will procure that each of its Subsidiaries will, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

At the directions of the Company and without the consent of any holder of Notes, the Issuer, the Company, the Guarantors, the Trustee and the Security SPV (as applicable and to the extent each is a party to the relevant document) may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) (but subject to compliance with the foregoing paragraph) provide for Permitted Collateral Liens; (iii) add to the Collateral; (iv) comply with the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement; (v) evidence the succession of another Person to the Issuer or Guarantor, as applicable, and the assumption by such successor of the obligations under the Indenture, the Notes and the Security Documents, in each case, in accordance with the covenant described above under the caption "*—Merger, Consolidation or Sale of Assets*"; (vi) provide for the release of property and assets constituting Collateral from the Lien created pursuant to the Security Documents, the release of a Note Guarantee and/or the release of the SPV Guarantee, in each case, in accordance with (and if permitted by) the terms of the Indenture; (vii) conform the Security Documents to this Description of Notes; (viii) evidence and provide for the acceptance of the appointment of a successor Trustee or Security SPV; or (ix) make any other change thereto that does not adversely affect the rights of the holders of Notes in any material respect.

Limitation on Issuer Activities

Notwithstanding anything contained in the Indenture to the contrary, the Company will not permit the Issuer to, and the Issuer will not, engage in any business activity or undertake any other activity, except:

(1) any activity relating to the offering, issuance and servicing, purchase, redemption, refinancing or retirement of the Notes or other Indebtedness permitted by the terms of the Indenture (and the application of the proceeds therefrom) or performance of the terms and conditions of such Indebtedness, to the extent such activities are otherwise permissible under the Indenture, the lending

or otherwise advancing the proceeds of such Indebtedness as contemplated in this Offering Memorandum and any other activities in connection therewith and the granting of Liens permitted pursuant to the covenant described above under the caption "*—Liens*;"

(2) any activity undertaken with the purpose of, and directly related to, exercising any rights and fulfilling any obligations arising under (a) the Notes, the Indenture, the Security Documents, the Proceeds Loans, any Additional Proceeds Loan, the Senior Facilities, the Intercreditor Agreement and any Additional Intercreditor Agreement and any other document (including, without limitation, any purchase agreement) relating to the Notes or Note Guarantees (including Additional Notes issued in accordance with the Indenture) or (b) any document governing Indebtedness permitted to be incurred by the terms of the Indenture or any other document (including, without limitation, any security or guarantee documents or any purchase agreement) entered into in connection with the incurrence of such Indebtedness;

(3) the LTIL Equity Contribution and any activity related to owning Equity Interests in LTIL;

(4) any activity related to investing amounts received by the Issuer in such manner not otherwise prohibited by the Indenture;

(5) any activity related or incidental to the establishment and/or maintenance of the Issuer's corporate existence or involving the provision of administrative services;

(6) related to the ownership of cash and Cash Equivalents;

(7) any activity reasonably related to the foregoing;

(8) related to consummating the Transactions; or

(9) other activities not specifically enumerated above that are *de minimis* in nature.

The Company will not permit the Issuer to, and the Issuer shall not:

(1) issue any Equity Interests other than the issuance of its ordinary shares to the Company (other than directors' qualifying shares or shares (or Capital Stock) required by applicable law to be held by a Person other than the Company);

(2) merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation) other than as permitted by the covenant under the caption "*—Merger, Consolidation or Sale of Assets*;"

(3) other than in connection with the incurrence of a Permitted Collateral Lien or Permitted Lien, sell, assign, transfer, lease, convey or otherwise dispose of any material property or assets to any Person in one or more related transactions; or

(4) create, incur, assume or suffer to exist any Lien in respect of borrowed money of any kind against or upon any of its property or assets, or any proceeds therefrom, except for Liens to secure the payment or performance of the Notes or other Liens securing Indebtedness of the Issuer which are not prohibited under the Indenture.

The Company shall cause the Issuer to, and the Issuer shall, at all times remain a Wholly-Owned Restricted Subsidiary of the Company (other than directors' qualifying shares or shares (or Capital Stock) required by applicable law to be held by a Person other than the Company).

For so long as any Notes are outstanding, the Company will not, and will not permit any of its Restricted Subsidiaries to, commence or take any action to facilitate a winding-up, liquidation or other analogous proceeding in respect of the Issuer.

Limitation on LTIL Activities

Notwithstanding anything contained in the Indenture to the contrary, the Company and the Issuer will not permit LTIL to, and LTIL will not, engage in any business activity or undertake any other activity, except any activity:

(1) related to the servicing, listing, purchase, redemption, amendment, exchange, refinancing, incurring or retirement of any intercompany indebtedness, lending or otherwise advancing the proceeds thereof and any other activities in connection therewith or complementary or useful thereto;

(2) related to the payment of dividends or the making of distribution to the Issuer;

(3) any activity undertaken with the purpose of, and directly related to, exercising any rights and fulfilling any obligations arising under (a) the Indenture, the Security Documents, the ZAR Proceeds Loan, the Senior Facilities, the Intercreditor Agreement and any Additional Intercreditor Agreement and any other document (including, without limitation, any purchase agreement) relating to the Notes or Note Guarantees (including Additional Notes issued in accordance with the Indenture) or (b) any document governing Indebtedness permitted to be incurred by the terms of the Indenture or any other document (including, without limitation, any security or guarantee documents or any purchase agreement) entered into in connection with the incurrence of such Indebtedness;

(4) related or reasonably incidental to the establishment and/or maintenance of LTIL's corporate existence;

(5) related to the ownership of cash and Cash Equivalents;

(6) reasonably related to the foregoing;

(7) related to consummating the Transactions; or

(8) not specifically enumerated above that is *de minimis* in nature.

The Company and the Issuer will not permit LTIL to, and LTIL shall not:

(1) issue any Equity Interests other than the issuance of its ordinary shares to the Issuer (other than directors' qualifying shares or shares (or Capital Stock) required by applicable law to be held by a Person other than the Issuer);

(2) merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not LTIL is the surviving corporation) other than as permitted by the covenant under the caption "*—Merger, Consolidation or Sale of Assets*;"

(3) other than in connection with the incurrence of a Permitted Collateral Lien or Permitted Lien, sell, assign, transfer, lease, convey or otherwise dispose of any material property or assets to any Person in one or more related transactions; or

(4) create, incur, assume or suffer to exist any Lien in respect of borrowed money of any kind against or upon any of its property or assets, or any proceeds therefrom, except for Liens to secure the payment or performance of the Notes or other Liens securing Indebtedness of LTIL which are not prohibited under the Indenture.

The Company and the Issuer shall cause LTIL to, and LTIL shall, at all times remain a Wholly-Owned Restricted Subsidiary of the Issuer (other than directors' qualifying shares or shares (or Capital Stock) required by applicable law to be held by a Person other than the Issuer).

For so long as any Notes are outstanding, the Company will not, and will not permit any of its Restricted Subsidiaries to, commence or take any action to facilitate a winding-up, liquidation or other analogous proceeding in respect of LTIL.

Limitation on Amendments to, or Prepayments of, Proceeds Loans and Additional Proceeds Loan

None of the Company, any Restricted Subsidiary that is the borrower of a Proceeds Loan or Additional Proceeds Loans, or the lender under any such Proceeds Loan or Additional Proceeds Loans will, with respect to any Proceeds Loan or Additional Proceeds Loan to which it is a party, except in accordance with "*—Amendment, Supplement and Waiver*" below: (1) change the Stated Maturity of any Proceeds Loan or any Additional Proceeds Loan; (2) reduce the rate of interest on any Proceed Loan or any Additional Proceed Loans; (3) change the currency for payment of any amount under any Proceed Loan or any Additional Proceed Loans; (4) prepay or otherwise reduce or permit the prepayment or reduction of any Proceed Loan or any Additional Proceed Loans (other than to facilitate a corresponding payment of principal on the relevant series of Notes or to reflect any repayment, redemption or reduction in the outstanding principal amount of such Notes); (5) assign or novate any Proceed Loan or any Additional Proceed Loans, or any rights or obligations under any Proceeds Loan Document or any document governing such Additional Proceed Loans, as the case may be, (other than to secure the Notes and the Note Guarantees or any other Permitted Collateral Lien or in any transaction effected in compliance with the covenant under the caption "*—Merger, Consolidation or Sale of Assets*"); or (6) amend, modify or alter any Proceed Loan or any Additional Proceed Loans, any Proceeds Loan Document or any document governing such Additional Proceed Loans, as the case may be, in any manner materially adverse to the holders of the Notes (other than in any transaction effected in compliance with the covenant under the caption "*—Merger, Consolidation or Sale of Assets"*). Notwithstanding the foregoing, any Proceed Loan or any Additional Proceed Loans may be prepaid or reduced to facilitate or otherwise accommodate or reflect a repayment, redemption or repurchase of outstanding Notes. Each borrower under a Proceed Loan or Additional Proceed Loans should make payments under and in accordance with such Proceed Loan or Additional Proceed Loans it has borrowed and the lender thereunder shall accept such payments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Company may designate any Restricted Subsidiary (other than the Issuer or LTIL) to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "*—Restricted Payments*" or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Company's Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complies with the preceding conditions and was permitted by the covenant described above under the caption "*—Restricted Payments*". If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*", the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary*; provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*", calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Payments for Consent

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Notwithstanding the foregoing, the Company and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude holders in any jurisdiction or any category of holders of Notes where (1)(a) the solicitation of such consent, waiver or amendment, including in connection with any tender offer or exchange offer, or (b) the payment of the consideration therefor could reasonably be interpreted as requiring the Company or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws or listing requirements (including, but not limited to, the United States federal securities laws and the laws of the European Union (including the United Kingdom) or any of its member states), which the Company in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (2) such solicitation would otherwise not be permitted under applicable law in such jurisdiction or with respect to such category of holders of Notes.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Official List of the Irish Stock Exchange for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Irish Stock Exchange, and thereafter use its best efforts to maintain, a listing of such Notes on another "recognised stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Reports

For so long as any Notes are outstanding, the Company will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the fiscal year ending February 28, 2018, annual reports containing the following information: (a) audited consolidated balance sheet of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the US Exchange Act), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause 2 or 3 below (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Company will provide, in the case of a material acquisition, acquired company financial statements)); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, a discussion of financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Company, material affiliate transactions and material debt instruments; and (e) material risk factors and material recent developments;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Company or, in the case of the report for the quarter ending May 31, 2017, 90 days, beginning with the quarter ending May 31, 2017, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Company, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the US Exchange Act), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Company will provide, in the case of a material acquisition, acquired company financial statements); (c) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations of the Company, and any material change between the current quarterly period and the corresponding period of the prior year; (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and the Restricted Subsidiaries, taken as a whole, or any changes of the Chief Executive Officer or Chief Financial Officer at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event,

In addition, if the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

All financial statements will be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

The Company will use its commercially reasonable efforts after the delivery of each report discussed in clauses (1) and (2) of the first paragraph of this covenant to conduct a conference call to discuss such report and the results of operation for the relevant reporting period.

In addition, for so long as any Notes remain outstanding, the Company has agreed that it will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act.

Substantially concurrently with the issuance to the Trustee of the reports specified in (1), (2) and (3) above, the Company shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Company and its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports to holders (as determined by the Company in good faith) or (b) to the extent the Company determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the holders and, upon their request, prospective purchasers of the Notes. The Company will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules and regulations of the Irish Stock Exchange so require, at the offices of the Paying Agent.

Suspension of Certain Covenants when Notes Rated Investment Grade

If on any date following the Issue Date:

(1) the Notes have achieved Investment Grade Status; and

(2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the "*Suspension Period*"), the covenants specifically listed under the following captions in herein will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries:

(1) "*—Repurchase at the Option of Holders—Asset Sales*";

(2) "*—Restricted Payments*";

(3) "*—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(4) "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*";

(5) "*—Transactions with Affiliates*";

(6) "*—Additional Guarantees*";

(7) "*—Designation of Restricted and Unrestricted Subsidiaries*"; and

(8) clause (4) of the first and second paragraph of the covenant described under "*—Merger, Consolidation or Sale of Assets*".

Such covenants and any related default provisions will again apply according to their terms from the first day on which the Notes cease to have Investment Grade Status. Such covenants will not, however, be of any effect with regard to the actions of Company and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period*; provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption "*—Restricted Payments*" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph of the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*". Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Company shall notify the Trustee in writing that the two conditions set forth in the first paragraph under this covenant have been satisfied, *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify holders of such event.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Financial Calculations for Limited Condition Acquisitions

When calculating the capacity of the Company or a Restricted Subsidiary to incur Indebtedness, make a Restricted Payment or make a Permitted Investment, in each case in connection with a Limited Condition Acquisition, the date of determination of any basket or ratio and of any Default or Event of Default shall, at the option of the Company, be the date the definitive agreements for such Limited Condition Acquisition are entered into, and such baskets or ratios shall be calculated with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* provisions set forth in the definition of Consolidated Leverage Ratio after giving effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (1) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Total Assets or Consolidated EBITDA of the Company or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition is permitted hereunder and (2) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition or related transactions; *provided, further*, that if the Company elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition.

Events of Default and Remedies

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Issuer or relevant Guarantor to comply with the provisions described under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(4) failure by the Issuer, the Company or any Subsidiary Guarantor for 60 days after written notice (i) to the Issuer by the Trustee or (ii) to the Issuer and the Trustee by the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (1), (2) or (3));

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:

    (a) is caused by a failure to pay principal of such Indebtedness following the expiration of the grace period provided in such Indebtedness and such failure to make any payment has not been waived or the maturity of such indebtedness has not been extended (a "*Payment Default*"); or

    (b) results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $25.0 million or more;

(6) failure by the Issuer, the Company or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $25.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(7) except as permitted by the Indenture (including with respect to any limitations), the Note Guarantee of the Company, any Note Guarantee of a Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary, or any Person acting on behalf of any such Guarantor or Guarantors denies or disaffirms its obligations under its Note Guarantee;

(8) (a) any Lien created by any Security Document ceases to be in full force and effect (except as permitted by the terms of the Indenture, such Security Document, the Counter-Indemnity Agreement, the Intercreditor Agreement or any Additional Intercreditor Agreement) or any assertion by the Company or any of its Restricted Subsidiaries that any Collateral is not subject to a valid, perfected security interest (except as permitted by the terms of the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement); or (b) the repudiation by the Company or any of its Restricted Subsidiaries of any of their respective material obligations under any Security Document, in each case, affecting the Collateral with aggregate Fair Market Value equal to or greater than $5.0 million and any such Default continues for ten days; and

(9) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company, the Issuer, LTIL or any of the Company's Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default specified in clause (9), all outstanding Notes will become due and payable immediately without further action or notice or other act on the part of the Trustee or any holders of Notes. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes by written notice to the Issuer (and to the Trustee if such notice is given by the holders) may, and the Trustee, upon the written request of such holders, shall declare all amounts in respect of the Notes to be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes, unless such holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under "*—Amendment, Supplement and Waiver*") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested, in writing, that the Trustee pursue the remedy;

(3) such holders have offered the Trustee security and/or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such written request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of not less than a majority in aggregate principal amount of the Notes outstanding may, on behalf of the holders of all outstanding Notes, waive any past default under the Indenture and its consequences, except a continuing default in the payment of the principal, premium, if any, any Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of holders of at least 90% of the aggregate principal amount of the then outstanding Notes).

The Issuer will be required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture, the Note Guarantees, the Security Documents, the Counter-Indemnity Agreement, the Proceeds Loans Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the "Legal Defeasance and Covenant Defeasance" provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that will be described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under "*—Events of Default and Remedies*" (except those relating to payments on the Notes or, solely with respect to the Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee (or such entity designated by the Trustee for this purpose), in trust, for the benefit of the holders of the Notes, cash in US dollars, non-callable US dollar-denominated Government Securities or a combination of cash in US dollars and non-callable US dollar-denominated Government Securities, in amounts as will be sufficient, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel confirming that (a) the Issuer has received from, or there has been published by, the US Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable US federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders and the beneficial owners of the outstanding Notes will not recognize income, gain or loss for US federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel confirming that the holders and the beneficial owners of the outstanding Notes will not recognize income, gain or loss for US federal income tax purposes as a result of such Covenant Defeasance and will be subject to US federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer or the Guarantors with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer, the Guarantors or others; and

(5) the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Additional or Amended Intercreditor Agreement

The Indenture will provide that, at the request of the Company, at the time of, or prior to, the incurrence by the Issuer or any other Guarantor of Indebtedness permitted pursuant to the covenant described under "*—Incurrence of Indebtedness and Issuance of Preferred Stock*," the Issuer, the relevant Guarantors, the Trustee and the Security Agent will (without the consent of the holders of the Notes) enter into an additional intercreditor agreement (each an "*Additional Intercreditor Agreement*") on terms substantially similar to the Intercreditor Agreement (or more favorable to the holders of the Notes) or an amendment to or an amendment and restatement of the Intercreditor Agreement (which amendment or an amendment and restatement does not adversely affect the rights of holder of the Notes); *provided* that such lntercreditor Agreement or Additional lntercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee and/or the Security Agent under the Indenture, any Additional lntercreditor Agreement or the lntercreditor Agreement. Only one such Intercreditor Agreement shall be outstanding at any one time or, if more than one such Intercreditor Agreement is outstanding at any one time, the collective terms of such Intercreditor Agreements must be no more disadvantageous to the holders of the Notes than if all such Indebtedness was a party to one such Intercreditor Agreement.

In relation to the lntercreditor Agreement, the Trustee shall consent, as applicable, on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any Subordinated Obligations; *provided, however,* that such transaction would comply with the covenant described herein under "*—Restricted Payments.*"

The Indenture will also provide that, at the written direction of the Company and without the consent of holders of Notes, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such Intercreditor Agreement or Additional Intercreditor Agreement that may be incurred by the Company or its Restricted Subsidiaries that is subject to any such Intercreditor Agreement (*provided* that such Indebtedness is incurred in compliance with the Indenture), (3) add new Guarantors to the Intercreditor Agreement or any Additional Intercreditor Agreement, (4) further secure the Notes (including additional Indebtedness incurred in compliance with the Indenture), or (5) make any other change to any such agreement that does not adversely affect the holders of Notes in any material respect.

The Company shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*" or as permitted by the terms of such Intercreditor Agreement or Additional Intercreditor Agreement, and the Company may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee and the Security Agent or, in the opinion of the Trustee or the Security Agent, as the case may be, adversely affect their respective rights, duties, liabilities or immunities under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture will provide that each holder of a Note, by accepting such Note, will be deemed to have agreed to and accepted the terms and conditions of each Intercreditor Agreement and Additional Intercreditor Agreement and any amendment referred to in the preceding paragraphs and neither the Trustee nor the Security Agent will be required to seek the consent of any holders of Notes to perform its obligations under and in accordance with this covenant.

Amendment, Supplement and Waiver

Except as provided otherwise in the succeeding paragraphs, the second paragraph under the caption "*—Certain Covenants—Collateral*" and under the caption "*—Additional or Amended Intercreditor Agreement*", the Indenture, the Notes, the Note Guarantees, the Security Documents, the Counter-Indemnity Agreement, the SPV Guarantee and the Intercreditor Agreement (including any Additional Intercreditor Agreement) may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Note Guarantees, the Security Documents, the Counter-Indemnity Agreement, the SPV Guarantee and the Intercreditor Agreement (including any Additional Intercreditor Agreement) may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the percentage of principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption "*—Repurchase at the Option of Holders*");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) impair the right of any holder of Notes to institute suit for the enforcement of any payment of principal of and interest or Additional Amounts (if any) on such holder's Notes or the associated Note Guarantee on or after the due dates therefore;

(5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except pursuant to a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);

(6) make any Note payable in money other than that stated in the Notes;

(7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(8) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "*—Repurchase at the Option of Holders*");

(9) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement;

(10) release all or substantially all of the Collateral from Liens granted for the benefit of the holders of the Notes or to secure the Counter-Indemnity Agreement, except in accordance with the terms of the relevant Security Documents, the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement; or

(11) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding two paragraphs, without the consent of any holder of Notes, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes, the Note Guarantees, the Security Documents, the Counter-Indemnity Agreement, the SPV Guarantee and the Intercreditor Agreement (including any Additional Intercreditor Agreement):

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(3) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;

(4) to conform the text of the Indenture, the Note Guarantees or the Notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees and the Notes;

(5) to release any Note Guarantee in accordance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement;

(6) to release Collateral in accordance with the terms of the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement;

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes;

(9) to enter into additional or supplemental Security Documents;

(10) to provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code);

(11) to add additional parties to the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document to the extent permitted hereunder or thereunder; or

(12) to evidence and provide the acceptance of the appointment of a successor Trustee or a Security Agent under the Indenture or to evidence and provide the acceptance of the appointment of a Security Agent under the Intercreditor Agreement, any Additional Intercreditor Agreement or a Security Document.

The consent of the holders of Notes will not be necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officer's Certificate.

For the avoidance of doubt, no amendment to or deletion of, or actions taken in compliance with, the covenants contained in the Indenture shall be deemed to impair or affect any rights of holders of the Notes to receive payment of principal of, or premium, if any, or interest, on the Notes.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

  (a) all Notes that have been authenticated and delivered, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture, have been delivered to the Trustee for cancellation; or

  (b) all Notes that have not been delivered to the Principal Paying Agent for cancellation have become due and payable by reason of the mailing of a notice of redemption by the Principal Paying Agent in the name, and at the expense, of the Issuer or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated by the Trustee for this purpose) as trust funds in trust solely for the benefit of the holders, cash in US dollars, non-callable US dollar-denominated Government Securities or a combination of cash in US dollars and non-callable US dollar-denominated Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Principal Paying Agent for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Issuer or any Guarantor has paid or caused to be paid all sums payable by the Issuer and the Guarantors under the Indenture; and

(3) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an opinion of independent counsel to the Trustee stating that all conditions precedent in the Indenture relating to satisfaction and discharge of the Indenture have been satisfied such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

If requested in writing by the Issuer, the Trustee may distribute any amounts deposited in trust to holders of the Notes prior to maturity or the redemption date, as the case may be.

Judgment Currency

Any payment on account of an amount that is payable in US dollars which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the "*Judgment Currency*"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or any Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of US dollars that such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of US dollars that could be so purchased is less than the amount of US dollars originally due to such holder or the Trustee, as the case may be, the Issuer and the Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the

Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Concerning the Trustee

Citibank, N.A., London Branch, is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during an Event of Default, the Trustee will perform only such duties as are set forth therein. During an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Issuer shall promptly deliver written notice to the Trustee after becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Issuer or any Guarantor, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *however,* if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture will provide that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

The Issuer and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with its duties.

Listing

Application has been made to list the Notes on the Official List of the Irish Stock Exchange and to admit the Notes to trading on the Global Exchange Market. There can be no assurance that the application to list the Notes on the Official List of the Irish Stock Exchange and to admit the Notes for trading on the Global Exchange Market will be approved and settlement of the Notes is not conditioned on obtaining this listing.

Additional Information

Anyone who receives this Offering Memorandum may, following the Issue Date, obtain a copy of the Indenture, the form of Note, the Security Documents, the Counter-Indemnity Agreement, the SPV Guarantee, the Intercreditor Agreement and any Additional Intercreditor Agreement without charge by writing to the Issuer.

So long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, copies, current and future, of all of the Company's annual audited consolidated financial statements and/or the Company's unaudited consolidated interim financial statements, as applicable, and this Offering Memorandum may be obtained, free of charge, during normal business hours at the offices of the Principal Paying Agent.

Governing Law

The Indenture, the Notes and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement will be governed by English law. The Security Documents will be governed by the laws of South Africa, Mauritius, Kenya and England and Wales, respectively. The Counter-Indemnity Agreement and the SPV Guarantee will be governed by the laws of South Africa.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer and each Guarantor, will appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any US federal or New York state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Since substantially all of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, may not be collectable within the United States. See "*Enforcement of Civil Liabilities and Foreign Judgments*".

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Additional Proceeds Loan*" means, any loan between the Issuer or LTIL and another Restricted Subsidiary that is a Guarantor pursuant to which the Issuer or LTIL lends, on terms substantially identical to those contained in the Proceeds Loans entered into on or about the Issue Date, as amended from time to time, the proceeds from the issuance of Additional Notes to such Restricted Subsidiary.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "*controlling*", "*controlled by*" and "*under common control with*" have correlative meanings.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; or

(2) the excess of:

    (i) the present value at such redemption date of (i) the redemption price of the Note at July 13, 2020 (such redemption price being set forth in the table appearing above under the caption "*—Optional Redemption*"), *plus* (ii) all required interest payments due on the Note through July 13, 2020 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

    (ii) the principal amount of the Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer may engage.

For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Registrar or any Paying Agent.

"*Approved Jurisdiction*" means any state which is a member of the European Union (including the United Kingdom), the Republic of South Africa, Mauritius, Switzerland, Canada, the United States, any state thereof or the District of Columbia.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets by the Company or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "*—Repurchase at the Option of Holders—Change of Control*" and/or the provisions described above under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" and not by the provisions described under the caption "*—Repurchase at the Option of Holders—Asset Sales*"; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Company or any of its Restricted Subsidiaries of Equity Interests in any Subsidiary of the Company (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $10.0 million;

(2) a transfer of assets or Equity Interests between or among the Company and any Restricted Subsidiary;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(4) the sale, lease or other transfer of accounts receivable, inventory or other assets in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets or assets disposed of in connection with any decommissioned sites or assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;

(5) licenses and sublicenses by the Company or any of its Restricted Subsidiaries in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Liens*";

(8) the sale or other disposition of cash or Cash Equivalents;

(9) a Restricted Payment that does not violate the covenant described above under the caption "*—Certain Covenants—Restricted Payments*", a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment;

(10) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(12) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person) related to such assets; and

(13) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business.

"*Asset Sale Offer*" has the meaning assigned to that term in the Indenture.

"*beneficial owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the US Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the US Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "*beneficially owns*", "*beneficially owned*" and "*beneficial ownership*" have corresponding meanings.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership or any committee thereof duly authorized to act on behalf of such board;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions in London (United Kingdom), New York city (United States), the jurisdiction of incorporation of the Issuer or a place of payment under the Indenture are authorized or required by law to close.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS as in effect on the Issue Date, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited), shares or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union (including the United Kingdom), the Republic of South Africa, the United States of America or Switzerland (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union (including the United Kingdom), the Republic of South Africa, the United States of America or Switzerland, as the case may be, and which are not callable or redeemable at the issuer's option;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company, or a local branch or Subsidiary of a bank or trust company, which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union (including the United Kingdom), the Republic of South Africa, or of the United States of America or any state thereof or Switzerland or any commercial banking institution that is a member of the US Federal Reserve System, in each case, either (a) having combined capital and surplus and undivided profits of not less than $250,000,000 (or the foreign currency equivalent thereof as of the date of such investment), whose long term, unsecured, unsubordinated and unguaranteed debt has a rating, at the time any investment is made therein, of at least "BBB" or the equivalent thereof from S&P and at least "Ba3" or the equivalent thereof from Moody's or the equivalent rating category of another internationally recognized rating agency; (b) which has its primary registration in a jurisdiction in which the Company or a Restricted

Subsidiary conducts its business or is organized and which would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long term debt, among the top ten such banks registered in such jurisdiction or (c) which is a lender under any Credit Facility to which the Issuer or any Guarantor is a party;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, to any Person (including any "person" (as that term is used in Section 13(d)(3) of the US Exchange Act)) other than one or more Permitted Holders (other than any such sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of the Company to an Affiliate of the Company for the purpose of reincorporating the Company in another jurisdiction; *provided* that such transaction complies with the covenant described under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*");

(2) the adoption of a plan relating to the liquidation or dissolution of the Company;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as defined above), other than one or more Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares; *provided* that any Voting Stock of which any Permitted Holder is the "beneficial owner" (other than deemed beneficial ownership derived from membership in a "group") shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock;

(4) the first day on which the Company fails to directly or indirectly own 100% of the issued and outstanding Capital Stock and Voting Stock of the Issuer (other than directors' qualifying shares or shares (or Capital Stock) required by applicable law to be held by a Person other than the Company); or

(5) the first day on which the Issuer fails to directly or indirectly own 100% of the issued and outstanding Capital Stock and Voting Stock of LTIL (other than directors' qualifying shares or shares (or Capital Stock) required by applicable law to be held by a Person other than the Issuer).

"*Change of Control Offer*" has the meaning assigned to that term in the Indenture.

"*Collateral*" means the Global Collateral and the South African Collateral.

"*Company Proceeds Loan*" means the loan made by the Issuer to the Company for a portion of the proceeds received by the Issuer from the offering of the Notes on the Issue Date, pursuant to a Proceeds Loan Document.

"*Company Proceeds Loan Document*" means that certain loan document, dated as of the Issue Date, by and between the Issuer, as lender, and the Company, as borrower, pursuant to which the Issuer has made the Proceeds Loan to the Company.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus* the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(1) provision for taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(2) without double counting, the Consolidated Interest Expense of such Person and its Subsidiaries which are Restricted Subsidiaries for such period and Receivables Fees; *plus*

(3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Company and its Restricted Subsidiaries for such period) of the Company and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*

(4) any expenses, charges or other costs related to the issuance of any Capital Stock, any Permitted Investment, acquisition, disposition, recapitalization, listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (including refinancing thereof) whether or not successful, including (a) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (b) any amendment or other modification of any incurrence; *plus*

(5) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness) of the Company and its Restricted Subsidiaries; *plus*

(6) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to any Parent Holdco of the Company to the extent permitted by the covenant described under "*—Certain Covenants—Transactions with Affiliates*"; *plus*

(7) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-Wholly-Owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*

(8) all expenses incurred directly in connection with any early extinguishment of Indebtedness; *minus*

(9) any foreign currency translation gains (including gains related to currency remeasurements of Indebtedness) of the Company and its Restricted Subsidiaries; *minus*

(10) any extraordinary, exceptional or unusual gain; *minus*

(11) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (11) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Company and its Restricted Subsidiaries, whether paid or accrued, including any pension liability interest cost, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, debt issuance cost and premium;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;

(5) costs associated with Hedging Obligations;

(6) dividends on other distributions in respect of all Disqualified Stock of the Company and all preferred stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a Subsidiary of the Company;

(7) the consolidated interest expense that was capitalized during such period; and

(8) interest actually paid by the Company or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person.

Notwithstanding any of the foregoing, Consolidated Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Debt, (ii) any commissions, discounts, yield and other fees and charges related to Qualified Receivables Financing and (iii) any payments on any operating leases, including without limitation any payments on any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date.

"*Consolidated Leverage*" means the sum, expressed in US Dollars, of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries on a consolidated basis (excluding Hedging Obligations except to the extent provided in clause (i) of the fifth paragraph and sub-clause (1) of the sixth paragraph of the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*"). The US Dollar equivalent of the principal amount of Indebtedness denominated in a different currency shall be calculated based on the applicable provisions of the covenant under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*".

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (a) Consolidated Leverage on such date to (b) the aggregate amount of Consolidated EBITDA of the Company for the most recently ended four consecutive fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or other transaction for which the Consolidated Leverage Ratio is being calculated is completed; *provided, however*, that, solely for the purpose of calculating the Consolidated Leverage Ratio for the incurrence of Indebtedness pursuant to the covenant under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*", the *pro forma* calculation of the Consolidated Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the "*Calculation Date*") pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (other than clause (13) of such paragraph, the incurrence of which is itself subject to the Consolidated Leverage Ratio) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (other than clause (13) of such paragraph).

In addition, for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four consecutive fiscal quarter reference period or subsequent to such reference period and on or prior to the relevant Calculation Date, or that are to be made on the relevant Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company and may include anticipated cost synergies and expense and cost reductions) as if they had occurred on the first day of the four consecutive fiscal quarter reference period;

(2) if since the beginning of such four consecutive fiscal quarter reference period the Company or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "*Sale*") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(3) any Person that is a Restricted Subsidiary on the relevant Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four consecutive fiscal quarter period; and

(4) any Person that is not a Restricted Subsidiary on the relevant Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four consecutive fiscal quarter period.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(1) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person; *provided* that, for the purposes of clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Restricted Payments*," such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under clause (16) or (17) of the definition of "Permitted Investments."

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "*—Certain Covenants—Restricted Payments*", any net income of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter, or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture or that are not prohibited pursuant to the covenant described under the caption "*—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*", (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the holders of the Notes than such restrictions in effect on the Issue Date; or (d) restrictions pursuant to applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit), except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor or the Issuer), to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer) will be excluded;

(4) any one time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Company or its Subsidiaries will be excluded;

(5) the cumulative effect of a change in accounting principles will be excluded;

(6) any extraordinary, exceptional or nonrecurring gains or losses or any charges in respect of any restructuring, redundancy or severance (in each case, as determined in good faith by the Issuer) will be excluded;

(7) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(8) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;

(9) any goodwill or other intangible asset impairment charges will be excluded;

(10) all deferred financing costs written off and premium paid in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded; and

(11) the impact of any capitalized interest (including accreting or pay-in-kind interest) on any Subordinated Shareholder Debt will be excluded.

"*Consolidated Senior Secured Leverage Ratio*" means, as of any date of determination, the ratio of (a) the aggregate amount of the Senior Secured Indebtedness of the Company on such date to (b) the Consolidated EBITDA of the Company for the most recently ended four consecutive fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Senior Secured Indebtedness is incurred; *provided, however*, that, solely for the purpose of calculating the Consolidated Senior Secured Leverage Ratio for the incurrence of Indebtedness pursuant to the covenant under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*", the *pro forma* calculation of the Consolidated Senior Secured Leverage Ratio shall not give effect to (i) any Senior Secured Indebtedness incurred on the date on which the event for which the calculation of the Consolidated Senior Secured Leverage Ratio is made (the "*Calculation Date*") pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (other than clause (13) of such paragraph, the incurrence of which is itself subject to the Consolidated Senior Secured Leverage Ratio) or (ii) the discharge on the Calculation Date of any Senior Secured Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (other than clause (13) of such paragraph).

In addition, for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four consecutive fiscal quarter reference period or subsequent to such reference period and on or prior to the relevant Calculation Date, or that are to be made on the relevant Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company and may include anticipated cost synergies and expense and cost reductions) as if they had occurred on the first day of the four consecutive fiscal quarter reference period;

(2) if since the beginning of such four consecutive fiscal quarter reference period the Company or any Restricted Subsidiary has made any Sale or if the transaction giving rise to the need to calculate the Consolidated Senior Secured Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(3) any Person that is a Restricted Subsidiary on the relevant Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four consecutive fiscal quarter period; and

(4) any Person that is not a Restricted Subsidiary on the relevant Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four consecutive fiscal quarter period.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (i) for the purchase or payment of any such primary obligation; or

  (ii) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Credit Facility*" means, one or more debt facilities, instruments or arrangements incurred (including the Senior Facilities) or commercial paper facilities and overdraft facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the Senior Facilities or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Exchange Protection Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-Cash Consideration" pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

"*Designated Preference Shares*" means, with respect to the Company or any Parent Holdco of the Company, preferred stock (other than Disqualified Stock) (1) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (2) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the net proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "*—Certain Covenants—Restricted Payments*".

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, (1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the six-month anniversary of the date that the Notes mature or (2) provides for, either mandatorily or at the option of the holder of the Capital Stock, the payment of dividends or distributions (other than in the form of Equity Interests that are not Disqualified Stock). Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"*Econet Strategic Support Agreement*" has the meaning given to such term in the section captioned "*Principal Shareholders*" of the Offering Memorandum, as such Econet Strategic Support Agreement may be amended, restated or replaced from time to time, in full or in part, by another arrangement of similar nature.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means any sale of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or a Parent Holdco of the Company pursuant to which the net cash proceeds are contributed to the Company in the form of a subscription for, or a capital contribution in respect of, Capital Stock (other than Disqualified Stock) of the Company or as Subordinated Shareholder Debt of the Company.

"*European Union*" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"*Excluded Contributions*" means the net cash proceeds, property or assets received by the Company after the Issue Date from:

(1) contributions to its Equity Interests; and

(2) the sale (other than to a Subsidiary of the Company) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company,

in each case designated as "Excluded Contributions" pursuant to an Officer's Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received by the Company), the net cash proceeds of which are excluded from the calculation set forth in the clause (c)(ii) of the first paragraph of the covenant described under the caption "*—Certain Covenants—Restricted Payments*" hereof.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Issuer's Chief Executive Officer, Chief Financial Officer or a responsible accounting or financial officer of the Issuer.

"*Fitch*" means Fitch Ratings Inc.

"*Global Collateral*" means the rights, property and assets securing the Notes and the Note Guarantees of the Company and the Non-South African Subsidiary Guarantors as described in the section entitled "*—Security*" and any other rights, property or assets over which a Lien has been granted to secure the Obligations of the Issuer, the Company and the Non-South African Subsidiary Guarantors under the Notes, the Note Guarantees and the Indenture, as applicable.

"*Government Securities*" means direct non-callable and non-redeemable obligations of, or obligations guaranteed by the United States government, and the payment for which the United States government pledges its full faith and credit.

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

"*Guarantors*" means each of the Company, the Subsidiary Guarantors and any other Person that executes a supplemental indenture in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) or any variation thereof with which the Company or its Restricted Subsidiaries comply. Except as otherwise set forth in the Indenture, all ratios and calculations (including the calculation of Total Assets) based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect from time to time; *provided, however* that, with respect to all ratios and calculations (including the calculation of Total Assets) based upon IFRS contained in the Indenture, any lease, concession or license of property that would be considered an operating lease under IFRS as of the Issue Date and any guarantee given by the Company or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Company or any Restricted Subsidiary under any such operating lease shall be computed in accordance with IFRS as in the effect on the Issue Date.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed;

(6) representing any Hedging Obligations in respect of interest rate or currency hedging; and

(7) the principal component of all obligations, or liquidation preferences, with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any preferred stock (but excluding, in each case, any accrued dividends),

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

The term "*Indebtedness*" shall not include:

(1) Subordinated Shareholder Debt;

(2) any lease, concession or license of property which would be considered an operating lease under IFRS and any guarantee given by the Company or a Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Company or a Restricted Subsidiary under any operating lease;

(3) Contingent Obligations in the ordinary course of business;

(4) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment

is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing;

(5) purchase price hold-backs in respect of a portion of the purchase price of an asset to satisfy warranty claims or other unperforming obligations of the seller;

(6) obligations under or in respect of Qualified Receivables Financing to the extent such obligations are non-recourse to the Company or any Restricted Subsidiary; or

(7) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"*Indenture*" means the indenture for the Notes dated as of the Issue Date and as it may be amended or modified, supplemented from time to time.

"*Intercreditor Agreement*" means the intercreditor agreement to be dated the Issue Date made between, among others, the agent for the Senior Facilities, the Trustee, the Security Agent, the Security SPV and the other parties named therein, as amended, restated or otherwise modified or varied from time to time.

"*Investment Grade Status*" shall occur when the Notes are rated "Baa3" or better by Moody's and "BBB−" or better by S&P and "BBB−" or better by Fitch (or, if either such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the US Exchange Act selected by the Issuer as a replacement agency).

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". The acquisition by the Company or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"*Issue Date*" means July 13, 2017.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

"*Limited Condition Acquisition*" means any acquisition, including by way of merger, amalgamation or consolidation, by the Company or one or more of its Restricted Subsidiaries whose consummation is not conditioned upon the availability of, or on obtaining, third party financing; *provided* that Consolidated EBITDA, other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition, shall not include any Consolidated EBITDA of or attributable to the target company or assets associated with any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"*Management Advances*" means loans or advances not exceeding $3.0 million in aggregate outstanding amount, and in each case made to, or guarantees with respect to loans or advances made to, directors, officers or employees of any Company or any Restricted Subsidiary: (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business; (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or (3) in the ordinary course of business.

"*Management Fees*" means (1) customary fees and related expenses for the performance of transaction, management, consulting, financial or other advisory services or underwriting, placement or other investment banking activities, including in connection with mergers, acquisitions, dispositions or joint ventures, by any Permitted Holder or any of its Affiliates for the Company or any Restricted Subsidiary, which payments in respect of this clause (1) have been approved by a majority of the disinterested members of the Board of Directors of the Company; and (2) payments (including by way of dividends) not to exceed an amount of $15.0 million annually pursuant to the Econet Strategic Support Agreement.

"*Management Mortgage Advances*" means loans or advances in aggregate outstanding amount not exceeding $1.0 million in each case made to, or guarantees with respect to loans or advances made to, directors, officers or employees of any Company or any Restricted Subsidiary in respect of real estate purchases.

"*Market Capitalization*" means an amount equal to (1) the total number of issued and outstanding shares of common stock or common equity interests of the Company (or a Parent Holdco of the Company, as applicable) on the date of the declaration of the relevant dividend multiplied by (2) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents substantially concurrently received in any Asset Sale), net of (1) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, (2) taxes paid or payable as a result of the Asset Sale, (3) all distributions and other payments required to be made to minority interest holders (other than the Company or any of its Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Sale, (4) any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS, and (5) all payments made on any Indebtedness incurred pursuant to clause (4) of the definition of Permitted Debt secured by any assets subject to such Asset Sale, as required in accordance with the terms of any Lien upon such assets, or which by applicable law is required be repaid out of the proceeds from such Asset Sale.

"*Non-Recourse Debt*" means Indebtedness as to which neither the Company nor any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly or indirectly liable as a guarantor or otherwise.

"*Non-South African Subsidiary Guarantors*" means each of LTIL, Liquid Telecommunications Limited, Liquid Telecommunications Kenya Limited, and Liquid Telecommunications Operations Limited.

"*Note Guarantee*" means the guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Offering Memorandum*" means this offering memorandum, dated July 12, 2017, relating to the sale of the Notes.

"*Officer*" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, director, manager or a responsible accounting or financial officer of such Person.

"*Officer's Certificate*" means a certificate signed by an Officer.

"*Parent Holdco*" means any Person (other than a natural person) which legally and beneficially owns more than 50% of the Voting Stock and/or Capital Stock of another Person, either directly or through one or more Subsidiaries.

"*Pari Passu Indebtedness*" means (1) with respect to the Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Notes and (2) with respect to a Guarantor, any Indebtedness that ranks *pari passu* in right of payment to the Note Guarantee of such Guarantor.

"Permitted Asset Swap" means the concurrent purchase and sale or exchange of tangible assets used or useful in a Permitted Business or a combination of such assets and cash or Cash Equivalents between the Company or any of its Restricted Subsidiaries and another Person; *provided* that:

(1) at the time of entering into such and immediately after giving effect to such transaction or series or transactions, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(2) with respect to any such transaction or series of transactions that involve the transfer of assets (including cash or Cash Equivalents) of the Company or its Restricted Subsidiaries with a Fair Market Value no greater than $20.0 million, the Company delivers to the Trustee a resolution of the Board of Directors of the Company set forth in an Officer's Certificate certifying that the Company (or the Restricted Subsidiary, as the case may be) is receiving consideration with respect to the Permitted Asset Swap at least equal to the value (determined at the time of contracting such Permitted Asset Swap) that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party;

(3) any Person acquired through such transaction or series of transactions will, upon the consummation thereof, become a Restricted Subsidiary;

(4) any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with "*Repurchase at the Option of Holders—Asset Sales.*"

"*Permitted Business*" means (1) any businesses activities engaged in by the Company or any of its Subsidiaries on the Issue Date and (2) any businesses, services and activities engaged in by the Company or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Permitted Collateral Liens*" means:

(1) Liens on the Collateral to secure the Notes (other than Additional Notes) or the related Notes Guarantees or the obligations under the Counter-Indemnity Agreement;

(2) Liens on the Collateral to secure (a) Indebtedness that is permitted by clauses (1) and (21) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*"; (b) Indebtedness that is permitted by clause (4) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (but only with respect to Liens on the Capital Stock of the Restricted Subsidiaries of the Company that own or lease the underlying assets); (c) Senior Secured Indebtedness that is permitted by clause (13) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*"; or (d) Senior Secured Indebtedness that is permitted by clause (2) of the first paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*;" *provided* that:

    (i) all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Note Guarantees on a senior or *pari passu* basis;

    (ii) each of the parties thereto or their representatives will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and

    (iii) any Permitted Collateral Liens on any Additional Proceeds Loans may only be implemented if and to the extent that: (i) the Issuer will have loaned cash in the amount of the proceeds of such Indebtedness to one or more Guarantors pursuant to an Additional Proceeds Loan; and (ii) such Additional Proceeds Loan will have been pledged in favor of the holders of the Notes on substantially the same terms (including with respect to priority) as the Proceeds Loan Assignments relating to the Proceeds Loans;

(3) Liens on the Collateral securing the Issuer's or a Guarantor's Hedging Obligations incurred under clause (8) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*"; *provided* that the property and assets (including, without limitation, the Collateral) securing such Hedging Obligations also secures the Notes and the Note Guarantees on a senior or *pari passu* basis; *provided further* that each of the parties thereto or their representatives will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) Liens on the Collateral to secure Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge, any Indebtedness which is secured by a Lien on the Collateral pursuant to the preceding clauses (1), clause (2)(c), clause (2)(d) or this clause (4); *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Note Guarantees with priority with respect to the Permitted Refinancing Indebtedness which is substantially similar to that of the Indebtedness that is being exchanged, renewed, refunded, refinanced, replaced or discharged; *provided further*, that each of the parties thereto or their representatives will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and

(5) Liens on the Collateral described in one or more of clauses (3), (7), (8), (9), (11), (13), (14), (15), (16), (17), (18), (19), (20), (21), (22), (23), (24), (25), (29) and (2) of the definition of "*Permitted Liens*" and that, in each case, would not materially interfere with the ability of the Security Agent to enforce any Lien over the Collateral.

"*Permitted Holders*" means Mr. Strive Masiyiwa, Mr. Nicholas Rudnick or any Related Person with respect thereto, or any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of the Company (or any Parent Holdco).

"*Permitted Investments*" means:

(1) any Investment in the Company or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment:

  (i) such Person becomes a Restricted Subsidiary; or

  (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale (other than a Permitted Asset Swap) that was made pursuant to and in compliance with the covenant described above under the caption "*—Repurchase at the Option of Holders—Asset Sales*";

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company or Subordinated Shareholder Debt;

(6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes or foreclosure of Liens;

(7) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(8) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(9) Investments in the Notes and any other Indebtedness of the Company or any Restricted Subsidiary (other than Indebtedness constituting Subordinated Obligations);

(10) any guarantee of Indebtedness permitted to be incurred by the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(11) guarantees of performance or other obligations (other than Indebtedness) arising in the ordinary course of the business of the Company and its Restricted Subsidiaries, including obligations under licenses, concessions or operating leases related to the ordinary course of the business of the Company and its Restricted Subsidiaries;

(12) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date by the Company or any Restricted Subsidiary of the Company and any Investment consisting of an extension, modification or renewal of any such Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(13) Investments acquired after the Issue Date as a result of the acquisition by the Company or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(14) Management Advances and Management Mortgage Advances;

(15) any Investment to the extent made using as consideration Capital Stock of the Company (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Holdco;

(16) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (16) that are at the time outstanding not to exceed the greater of (a) $10.0 million and (b) 0.8% of Total Assets of the Company; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "*—Certain Covenants—Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of "Permitted Investments" and not this clause; and

(17) Investments in a Permitted Joint Venture having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (17) that are at the time outstanding not to exceed the greater of (a) $15.0 million and (b) 1.2% of Total Assets of the Company.

"*Permitted Joint Venture*" means a joint venture formed by the Company or a Restricted Subsidiary of the Company in good faith to pursue a joint venture relating to a Permitted Business.

"*Permitted Liens*" means:

(1) Liens in favor of the Company or any Restricted Subsidiary;

(2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Company or any Restricted Subsidiary;

(3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, leases (including, without limitation, statutory and common law landlord's liens), performance bonds, surety and appeal bonds or other obligations of a like nature incurred (including Liens to secure letters of credit issued to assure payment of such obligations) or Liens in connection with bids, tenders, contracts or leases to secure licenses, public or statutory obligations, in each case, incurred in the ordinary course of business;

(4) Liens to secure Indebtedness permitted by clauses (4) or (23) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" covering only the assets acquired with or financed by such Indebtedness;

(5) Liens securing Indebtedness under Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant described under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(6) Liens existing on the Issue Date after giving effect to the offering of the Notes and the application of proceeds therefrom as described in this Offering Memorandum under the caption "*Use of Proceeds*";

(7) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or (b) are being contested in good faith by appropriate proceedings;

(8) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(9) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(10) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(11) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of customs duties in connection with the importation of goods;

(12) Liens to secure any Permitted Refinancing Indebtedness (excluding Liens to secure Permitted Refinancing Indebtedness initially secured pursuant to clause (32) of this definition) permitted to be incurred under the Indenture; *provided*, *however*, that:

  (i) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to such property or proceeds or distributions thereof); and

  (ii) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (i) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(13) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(14) Liens arising in favor of the Trustee for its own benefit and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred; *provided*, *however*, that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of the Indebtedness;

(15) filing of Uniform Commercial Code financing statements under US state law (or similar filings under other applicable laws) in connection with operating leases in the ordinary course of business;

(16) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(17) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(18) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(19) leases (including operating leases), licenses, subleases and sublicenses of assets in the ordinary course of business;

(20) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(21) (a) mortgages, liens, security interests, pledges, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any real property leased by the Company or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(22) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(23) (a) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities; or (b) Liens in connection with specified bank accounts (and cash therein) in connection with the incurrence and repayment of Indebtedness under any daylight facilities permitted to be incurred under the caption "*—Certain covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(24) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(25) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Company or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(26) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Company or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal;

(27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(28) Liens created on any asset of the Company or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Company or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(29) Liens (a) on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in the case of each of clause (a) and (b), to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(30) Liens on Receivables Assets incurred in connection with a Qualified Receivables Financing or Liens securing Indebtedness or other obligations of a Receivables Subsidiary;

(31) Liens on property or assets of a Restricted Subsidiary that is not a Guarantor to secure Indebtedness of such Restricted Subsidiary or any other Restricted Subsidiary that is not a Guarantor; and

(32) Liens incurred in the ordinary course of business of the Company or any Restricted Subsidiary securing Indebtedness of the Company and its Restricted Subsidiaries that does not exceed the greater of $40.0 million and 3.1% of the Total Assets of the Company at any one time outstanding.

"*Permitted Parent Payments*" means, without duplication as to amounts, payments to any Parent Holdco of the Company to permit such entity to pay:

(1) customary indemnification obligations of any Parent Holdco owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(2) obligations of any Parent Holdco in respect of directors' fees, remuneration and expenses (including director and officer insurance (including premiums therefore)) to the extent relating to the Company and its Subsidiaries;

(3) professional fees and expenses of any Parent Holdco related to the ownership of the Capital Stock of the Company and, indirectly through the Company, its Subsidiaries (including, without limitation, accounting, legal, audit corporate reporting, and administrative expenses and other reasonable and normal course expenses required to maintain such Parent Holdco's corporate existence or its holding of the Capital Stock of the Company); and

(4) expenses incurred by any Parent Holdco in connection with any public offering or other sale of Capital Stock or Indebtedness, whether consummated or not, (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Subsidiary of the Company; or (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; and

(5) any Related Taxes.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually subordinated in right of payment to the Notes or a Note Guarantee, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or such Note Guarantee, as the case may be, on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(4) if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Issuer or a Guarantor.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Proceeds Loans*" means each of the Company Proceeds Loan and the ZAR Proceeds Loan.

"*Proceeds Loan Documents*" means each of the Company Proceeds Loan Document and the ZAR Proceeds Loan Document.

"*Proceeds Loan Assignments*" means each of (i) that security agreement, dated as of the Issuer Date, pursuant to which all rights of the Issuer under the Company Proceeds Loan Document are assigned to the Security Agent for the benefit of the holders of the Notes; and (ii) that security agreement, dated as of the Issuer Date, pursuant to which all rights of LTIL under the ZAR Proceeds Loan Document are assigned to the Security Agent for the benefit of the holders of the Notes.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the US Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A under the US Securities Act or Regulation S under the US Securities Act, whether or not it includes registration rights entitling the holders of such securities to registration thereof with the SEC for public resale.

"*Public Equity Offering*" means, with respect to any Person, a bona fide underwritten public offering of the ordinary shares or common equity of such Person (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan).

"*Public Market*" means any time after:

(1) a Public Equity Offering has been consummated; and

(2) at least 20% or such other minimum percentage of public float required by the relevant stock exchange or listing authority of the total issued and outstanding ordinary shares or common equity of the Company (or a Parent Holdco of the Company) has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Company as of the Issue Date.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) an Officer or the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by an Officer or the Board of Directors of the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under Credit Facilities or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries), or (2) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly-Owned Restricted Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Company or any other Restricted Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Company or any other Restricted Subsidiary of the Company, (c) is recourse to or obligates the Company or any other Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (d) subjects any property or asset of the Company or any other Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings,

(2) with which neither the Company nor any other Restricted Subsidiary of the Company has any contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, and

(3) to which neither the Company nor any other Restricted Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Related Person*" with respect to any Permitted Holder means: (i) any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member, lineal descendant (including by adoption) or relative, or the estate, executor, administrator, committee, legal representatives or beneficiaries of any thereof; or (ii) any trust, corporation, partnership or other person for which the Permitted Holder and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or persons beneficially holding in the aggregate a majority (or more) controlling interest therein.

"*Related Taxes*" means:

(1) any Taxes required to be paid (*provided* such Taxes are in fact paid) by any Parent Holdco by virtue of its:

    (i) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries);

    (ii) issuing or holding Subordinated Shareholder Debt; or

    (iii) being a holding company, directly or indirectly, of the Company or any of the Company's Subsidiaries; and

(2) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent Holdco, any consolidated or combined Taxes measured by income for which such Parent Holdco is liable up to an amount not to exceed the lesser of the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on (i) a separate company basis or (ii) on a consolidated basis if the Company and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries; *provided* that distributions shall be permitted in respect of the income of an Unrestricted Subsidiary only to the extent such Unrestricted Subsidiary distributed cash for such purpose to the Company or its Restricted Subsidiaries.

"*Replacement Assets*" means (1) non-current properties and assets that replace the properties and assets that were the subject of an Asset Sale or (2) non-current properties and assets received in exchange (directly or indirectly through equity interests similar participations) for the properties and assets that are the subject of the Asset Sale and that, in each case, will be used in a Permitted Business.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Ratings Group.

"*SEC*" means the US Securities and Exchange Commission.

"*Security Documents*" means the security agreements, the pledge agreements, the collateral assignments, and other instruments and documents executed and delivered pursuant to the Indenture or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time and pursuant to which the Collateral is pledged, assigned or granted to or on behalf of (i) the Security Agent for the ratable benefit of the holders of the Notes and the Trustee or notice of such pledge, assignment or grant is given or (ii) the Security SPV to secure the obligations of certain of the Guarantors under the Counter-Indemnity Agreement.

"*Senior Secured Indebtedness*" means, as of any date of determination, the principal amount of (1) any Indebtedness that is secured, directly or indirectly, by a Lien on the Collateral ranking *pari passu* with the Lien securing the Notes and the Note Guarantees; (2) any Indebtedness that is secured by a Lien on assets other than the Collateral; and (3) Indebtedness of a Restricted Subsidiary of the Company that is not the Issuer or a Guarantor.

"*Significant Subsidiary*" means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries that are Restricted Subsidiaries (1) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Company or (2) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated Total Assets of the Company.

"*South African Collateral*" means the rights, property and assets securing the Counter-Indemnity Agreement as described in the section entitled "*—Security—Security SPV*" and any other rights, property or assets over which a Lien has been granted to secure the Obligations of the Company and the South African Subsidiary Guarantors under the Counter-Indemnity Agreement.

"*South African Subsidiary Guarantors*" means each of Liquid Telecommunications Operations SA Proprietary Limited, Liquid Telecommunications Holdings South Africa (Pty) Ltd and Liquid Telecommunications South Africa Proprietary Limited.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Obligation*" means, with respect to any Person, any Indebtedness of the Company which is expressly subordinated in right of payment to the Notes pursuant to a written agreement.

"*Subordinated Shareholder Debt*" means, collectively, any debt provided to the Company by any direct or indirect Parent Holdco of the Company or any Permitted Holder, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Company (other than Disqualified Stock) or for any other security or instrument meeting the requirements of the definition) or the making of any such payment is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes or the making of any such payment is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its holders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes or any such provision or right is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) is not secured by a Lien on any assets of the Company or a Restricted Subsidiary and is not guaranteed by the Company or any Subsidiary of the Company; and

(5) is contractually subordinated pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement in right of payment to the prior payment in full in cash of all obligations of the Company or Guarantor (as applicable) under the Notes and the Note Guarantees pursuant to subordination on insolvency, enforcement limitation, payment blockage, turnover, filing of claims and release of claims provisions pursuant to the terms of the Intercreditor Agreement or an Additional Intercreditor Agreement,

provided, *however*, that after any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Company or Guarantor, as applicable, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Subsidiary Guarantors*" means the Non-South African Subsidiary Guarantors and the South African Subsidiary Guarantors.

"*Successor Parent*" means, with respect to any Person, any other Person more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner", as such term is defined in Rules 13d-3 and 13d-5 under the US Exchange Act (as in effect on the Issue Date).

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax). "*Taxes*" and "*Taxation*" shall be construed to have corresponding meanings.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's length terms entered into with any Parent Holdco of the Company or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Total Assets*" means, with respect to any specified Person as of any date, the total assets of such Person, calculated on a consolidated basis in accordance with IFRS.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity at the time of computation of US Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available on a day no earlier than two Business Days prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market date selected by the Company in good faith)) most nearly equal to the period from the redemption date to July 13, 2020; *provided*, *however*, that if the period from the redemption date to July 13, 2020 is not equal to the constant maturity of a US Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields to US Treasury securities for which such yields are given, except that if the period from the redemption date to July 13, 2020 is less than one year, the weekly average yield on actually traded US Treasury securities adjusted to a constant maturity of one year shall be used.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company (other than the Issuer or LTIL) that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "*—Certain Covenants—Transactions with Affiliates*", is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company; and

(3) is a Person with respect to which neither the Company nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amounts of such Indebtedness.

"*Wholly-Owned Restricted Subsidiary*" means a Restricted Subsidiary of a Person, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the first Person or another Wholly-Owned Restricted Subsidiary) is owned by such Person or another Wholly-Owned Restricted Subsidiary of such Person.

"*ZAR Proceeds Loan*" means the loan made by LTIL to Liquid Telecommunications South Africa Proprietary Limited with the proceeds received by LTIL from the LTIL Equity Contribution, pursuant to a ZAR Proceeds Loan Document.

"*ZAR Proceeds Loan Document*" means that certain loan document, dated as of the Issue Date, by and between LTIL, as lender, and Liquid Telecommunications South Africa Proprietary Limited, as borrower, pursuant to which LTIL has made the ZAR Proceeds Loan to Liquid Telecommunications South Africa Proprietary Limited.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes will initially be issued in the form of several global notes in registered form without interest coupons attached. The Notes offered and sold in the United States to qualified institutional buyers in reliance upon Rule 144A will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons attached (the "**Rule 144A Global Notes**"). The Notes offered and sold outside the United States pursuant to Regulation S will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**").

The Rule 144A Global Notes will be deposited with a custodian for DTC, and registered in the name of Cede & Co. as nominee of DTC. The Regulation S Global Notes will be deposited with, or on behalf of a common depositary for, Euroclear and Clearstream. The Notes will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

Ownership of interests in the global notes will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream, as applicable, or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*". Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear, Clearstream or DTC, as applicable, and their respective participants.

The Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC, Euroclear or Clearstream as applicable, or to a successor of DTC, Euroclear or Clearstream as applicable, or their nominees. Book-Entry Interests in the global notes may not be exchanged for definitive notes in registered certificated form ("**Certificated Notes**") except in the limited circumstances described below. Please see "*—Exchange of Global Notes for Certificated Notes*". The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests.

In addition, while the Notes are in global form, "holders" of Book-Entry Interests will not be considered the owners or "Holders" of Notes for any purpose. So long as the Notes are held in global form, DTC, Euroclear and/or Clearstream, as applicable (or their respective nominees), will be considered the Holders of global notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC, Euroclear and/or Clearstream and indirect participants must rely on the procedures of DTC, Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of Holders under the Indenture. Neither we nor the Trustee nor any of our respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Payments on Global Notes

Payments of amounts owing in respect of the global notes (including principal, interest and premium, if any) will be made by us to the Paying Agents. The Paying Agents will, in turn, make such payments to DTC or its nominee (in the case of the Rule 144A Global Notes) and to the common depositary for Euroclear and Clearstream (in the case of the Regulation S Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, we, the Paying Agent, Registrar and the Trustee will treat the registered holder of the global notes (i.e., DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we nor the Paying Agents, Registrar and Trustee or any of our respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by

DTC, Euroclear, Clearstream or any participant or indirect participants, or for maintaining supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or

- any other matter relating to the actions and practices of DTC, Euroclear or Clearstream or any participant or indirect participant. Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name".

Action by Owners of Book-Entry Interests

DTC, Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of Notes of any series as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the global notes. However, if there is an event of default under the Notes, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form, and to distribute such definitive registered Notes to their respective participants.

Exchanges between the Global Notes

The global notes will bear a legend to the effect set forth in "*Notice to Investors*". Book-Entry Interests in the global notes will be subject to the restrictions on transfer discussed in "*Notice to Investors*". Book-Entry Interests in any Rule 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes of the same series only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act. Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of Rule 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Notice to Investors" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the global note from which it was transferred and will become a Book-Entry Interest in the global note of such series to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the global note to which it was transferred.

If definitive registered Notes are issued, they will be issued only in minimum denominations of US$200,000 principal amount and integral multiples of US$1,000, respectively, in excess thereof, as the case may be, upon receipt by the registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear, Clearstream or DTC, as applicable, from the participant who owns the relevant Book-Entry Interests. Definitive registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*". In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear, Clearstream or DTC, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Exchange of Global Notes for Certificated Notes

A global note is exchangeable for Certificated Notes if:

(1) in the case of a Rule 144A Global Note, if DTC (a) notifies us that it is unwilling or unable to continue as depositary for such global notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, we fail to appoint a successor depositary;

(2) in the case of a Regulation S Global Note, if Euroclear or Clearstream notifies us that it is unwilling or unable to continue as depositary for such global notes, and we have failed to appoint a qualified successor; or

(3) there has occurred and is continuing a default or event of default with respect to the Notes. In addition, Book-Entry Interests in a global note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC, Euroclear or Clearstream, as applicable, in accordance with the Indenture. In all cases, Certificated Notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the restrictive legend referred to in "*Notice to Investors*", unless that legend is not required by applicable law.

Information Concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we nor the Initial Purchasers are responsible for those operations or procedures. The Issuer and the Guarantors understand as follows with respect to DTC and Euroclear and Clearstream:

DTC

DTC is:

- a limited purpose trust company organized under New York Banking Law;
- a "banking organization" under New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC's owners are the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers and dealers and trust companies that clear through or maintain a custodial relationship with a direct participant also have access to the DTC system and are known as indirect participants.

Euroclear and Clearstream.

Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Global Clearance and Settlement under the Book-Entry System

The notes represented by the global notes are to be listed on the Official List of the Irish Stock Exchange and admitted to trading on its Global Exchange Market. The global notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in the Notes will, therefore, be required by DTC to be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the global notes, cross-market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by the common depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system. Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the global notes from DTC, and making and receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depositary.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received by Euroclear and Clearstream as a result of a sale of an interest in a global note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The Book-Entry Interests will trade through participants of DTC, Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the global notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee or the Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

TAX CONSIDERATIONS

The following summary describes certain tax consequences for holders of the Notes as in effect on the date of this offering memorandum and is subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. This discussion is not intended as tax advice to any particular investor and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules. It is also not a complete analysis or listing of all potential tax consequences related to your investment in the Notes. We urge you to consult your own tax adviser regarding the specific tax consequences of an investment in the Notes in your own particular factual circumstances, including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

U.K. TAX CONSIDERATIONS

The following is a summary of certain U.K. income tax considerations in relation to payments of interest and principal with respect to the Notes and certain other U.K. tax considerations in respect of the Notes. It is based on current law and the published practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other U.K. tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of persons, such as dealers in securities, to whom special rules may apply. The following is a general summary for information purposes and should be treated with appropriate caution. It is not intended to be tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of Notes. Holders of the Notes who may be liable to taxation in jurisdictions other than the U.K. in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisors as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain U.K. taxation aspects of payments in respect of the Notes. In particular, holders of the Notes should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the U.K. Holders of the Notes should consult their own professional advisors with respect to their tax position.

Interest on the Notes

The Notes will constitute "quoted Eurobonds", provided they are and continue to be "listed on a recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007. While the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of U.K. income tax.

The Notes will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a "recognised stock exchange" by an order made by the Commissioners for HMRC and either they are included in the U.K. official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in EEA states, in a country outside the U.K. in which there is a "recognised stock exchange." The Irish Stock Exchange is a "recognised stock exchange" for this purpose. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Official List of the Irish Stock Exchange may be regarded as "listed on a recognised stock exchange" for this purpose.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of U.K. income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty (a "**Treaty**"), or to any other exemption which may apply.

Payments by a Guarantor

Depending on the correct legal analysis of payments made by a Guarantor as a matter of U.K. tax law, it is possible that payments by a Guarantor would be subject to withholding on account of U.K. tax, subject to any applicable exemptions or reliefs (and noting that the exemption and relief set out above would not necessarily be applicable).

Other rules relating to withholding or deductions on account of U.K. income tax

Where Notes are to be, or may fall to be, redeemed at a premium any such element of premium may constitute a payment of interest. In certain cases, the same could be true for amounts of discount where Notes are issued at a discount. Payments of interest are subject to withholding or deduction on account of U.K. income tax as outlined above.

Where interest has been paid under deduction of U.K. income tax, holders of the Notes who are not resident in the U.K. for tax purposes may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" and "principal" in the statements above mean interest and principal (as applicable) as understood in U.K. tax law. The statements above do not take any account of any different definitions of interest or principal which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Holders of the Notes should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute interest or principal as those terms are understood in U.K. tax law.

The above description of the U.K. income tax position assumes that there will be no substitution, merger, consolidation or amalgamation of an Issuer and does not consider the tax consequences of any such substitution, merger, consolidation or amalgamation.

Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or stamp duty reserve tax is payable on the issue or transfer of the Notes.

THE PROPOSED FINANCIAL TRANSACTION TAX ("FTT")

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, save for Estonia, a "**participating Member State**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State, or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary based on present law of certain United States federal income tax considerations relevant to the purchase, ownership and disposition of Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Notes in the original Offering at the original issue price, hold Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. federal income tax considerations relating to the purchase, ownership and disposition of Notes and is not a substitute for tax advice. It does not address all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including tax consequences that may be applicable to prospective investors subject to special rules, such as banks, thrifts, certain other financial institutions, dealers in securities or currencies, traders that elect to mark-to-market, regulated investment companies, real estate investment trusts, insurance companies, S corporations, investors liable for the alternative minimum tax, certain U.S. expatriates, tax-exempt entities, persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction, or holders who own (directly, indirectly or constructively) at least 50% of the equity interests in the Issuer (by vote or by value). It also does not address the tax treatment of U.S. Holders that will hold the Notes in connection with a permanent establishment or fixed base outside of the United States. It does not consider U.S. federal taxes other than income taxes (such as estate or gift taxes, the alternative minimum tax or the Medicare tax on net investment income), U.S. state or local tax matters or non-U.S. tax considerations. The Notes are debt in form and, if required, the Issuer intends to treat the Notes as debt for all U.S. federal income tax purposes. The following discussion assumes that treatment is correct.

EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM ITS OWN TAX ADVISORS ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE NOTES UNDER THE LAWS OF THE U.K., MAURITIUS, THE EUROPEAN UNION, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a "**U.S. Holder**" is a beneficial owner that is, for purposes of U.S. federal income taxation, (i) a citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court, or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that acquires, holds and disposes of Notes will depend on the status of the partner and the activities of the partnership. Partnerships are urged to consult their own tax advisers regarding the specific tax consequences to their partners of purchasing, owning and disposing of Notes.

Notes Subject to Contingencies

The rules applicable to debt instruments with payment contingencies are unclear. In general, if the amount or timing of any payment on a debt instrument is contingent and the amount or the contingency is neither remote nor incidental, the debt instrument could be subject to special rules that apply to contingent payment debt instruments ("**CPDIs**"). The Issuer is obligated to offer to repurchase the Notes upon the occurrence of certain events constituting a change of control. The Issuer intends to take the position that the occurrence of such events is remote and that, therefore, the Notes are not CPDIs. The Issuer's determination is binding on a U.S. Holder unless such holder discloses its contrary position on a statement attached to its tax return. The Issuer's determination is not, however, binding on the U.S. Internal Revenue Service ("**IRS**") and if the IRS were successfully to challenge this determination, stated interest received by U.S. Holders generally would be treated as original issue discount ("**OID**") and a U.S. Holder may be required to accrue such OID prior to the receipt of stated interest payments and would generally be required to treat any gain realized on the taxable disposition of a Note as ordinary income rather than as capital gain. The remainder of this discussion assumes that the Notes will not be treated as CPDIs. Prospective purchasers of the Notes should consult their own tax advisors regarding the treatment of the Notes as CPDIs.

Interest

It is anticipated, and this discussion assumes, that the Notes will be issued with no more than de minimis amount of OID (generally an amount that is less than ¼ of 1% of the Notes' stated redemption price at maturity multiplied by the number of complete years to maturity). Interest on the Notes (including any tax withheld therefrom and additional amounts paid, if any, in respect of such withheld tax) generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. The interest on the Notes generally will be ordinary income from sources outside the United States. Each U.S. Holder should consult the sections in this offering memorandum under "*Tax Considerations—UK Tax Considerations—Interest on the Notes*" for a summary of possible withholding that may be imposed on interest payments on the Notes or under the Guarantees, respectively. A U.S. Holder that is eligible for benefits under the income tax treaty between the United States and the U.K. generally will be entitled to complete exemption from UK withholding tax on interest. There is no income tax treaty between the United States and Mauritius or Kenya. In the event any tax is withheld from a payment on the Notes or under the Guarantees, each U.S. Holder should consult its own tax advisor about its eligibility for, and the procedures for claiming, a reduced rate of or exemption from withholding tax. Subject to applicable limitations, a U.S. Holder may claim a deduction or a foreign tax credit only for tax withheld at the appropriate rate.

A U.S. Holder may elect to include in gross income all yield on a Note (including any de minimis OID) using a constant yield method. The constant yield election generally will apply only to the Note with respect to which it is made, and it may not be revoked without the consent of the IRS.

Sale, Redemption, Retirement or other Disposition

A U.S. Holder generally will recognize gain or loss on the sale, redemption, retirement or other disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realized (less any accrued but unpaid interest, which will be taxable as ordinary interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note, determined in U.S. dollars.

Gain or loss realized on disposition of a Note will generally be considered gain or loss from U.S. sources and will generally be U.S. source capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. The long-term capital gains of non-corporate U.S. Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

Information reporting and backup withholding

Payments of interest and proceeds from the sale, redemption or other disposition of a Note may be reported to the IRS unless the holder establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain non-corporate U.S. Holders are required to report information with respect to their investment in Notes not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors regarding the possible implications of these information reporting requirements on their investment in Notes.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

CERTAIN KENYAN TAX CONSIDERATIONS

Capital gains tax (CGT) and Income Tax

The creation of the Collateral and the issuance of the Guarantee will not have any income tax implications under the Income Tax Act (Chapter 470, Laws of Kenya) (the ITA).

In the event that the Issuer is unable to honor its obligations under the Notes, and the Security Agent enforces its rights under the Collateral and Guarantee, any gain or loss realized by the shareholders of the Kenyan Guarantor on enforcement of the Collateral and Guarantee will have CGT implications for the shareholders. It is important to note that under paragraph 5(2) of the Eighth Schedule to the ITA even though at enforcement the transfer of the shares will be effected by the security holders, the burden of paying CGT on any gain will be on the shareholders of the Kenyan Guarantor and not on the security holders.

Value added tax (VAT)

VAT is charged pursuant to the provisions of the Value Added Tax Act (No. 35 of 2013) (VATA). Section 5 of the VATA imposes VAT on taxable supplies made by a registered person in Kenya. The term "taxable supply" is defined as "a supply other than an exempt supply, made in Kenya by a person in the course or furtherance of a business carried on by the person, including a supply made in connection with the commencement or termination of a business".

The definition of the term "taxable supply" includes a "supply", which is in turn defined to mean "a supply of goods or services". "Supply of services" includes "the making available of any facility or advantage". The issuance of the Guarantee qualifies as a supply of services. However, paragraph 1(j) of Part II of the First Schedule to the VATA exempts from VAT "the provision of guarantees, letters of credit and acceptance and other forms of documentary credit". Therefore, there will be no VAT on the issuance of the Guarantee.

Stamp duty

The Stamp Duty Act (Chapter 480, Laws of Kenya), requires the stamping of any agreement or instrument relating to property situated in Kenya, or to any matter or thing done or to be done in Kenya. Any agreement or instrument that is chargeable with stamp duty can only be admitted as evidence in Kenyan courts, if it is duly stamped. If an agreement or instrument executed outside Kenya is brought into Kenya, stamp duty should be paid within thirty (30) days of the agreement or instrument being received in Kenya.

Stamp duty on the Guarantee to be issued by the Kenyan Guarantor will be payable at a nominal amount of Kenya Shillings two hundred (KES 200) (approximately US$2). Stamp duty on the Collateral will also be payable at a nominal amount of Kenya Shillings two hundred (KES 200).

CERTAIN MAURITIAN TAX CONSIDERATIONS

The following applies only to persons who are the beneficial owners of the Notes and is a summary of the Issuer's understanding of current law and practice in Mauritius relating to certain aspects of Mauritius taxation. This description does not purport to constitute legal or tax advice and any prospective noteholders who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than Mauritius, should consult their professional advisers.

Interest on the Notes—Payments by a Guarantor

If a Guarantor incorporated in Mauritius makes any payments in respect of interest on the Notes, such payments may be subject to Mauritius withholding tax at 15% subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other exemption which may apply. A Guarantor holding a Global Business License will be exempted from withholding tax on interest on the Notes. A Guarantor holding a category 2 Global Business License is not a resident for Mauritius tax purposes and is therefore not liable to tax in Mauritius. Therefore, the Company, being a company holding a category 2 Global Business License, will be exempt from tax in Mauritius.

Interest on the Company Proceeds Loan—Payments by the Company

If the Company makes any payments in respect of interest on the Company Proceeds Loan, such payments will be exempt from tax in Mauritius.

CERTAIN SOUTH AFRICAN TAX CONSIDERATIONS

The following is a general high level guide to the South African tax considerations relating to the Notes based on current law and practice. It does not purport to be a complete analysis of all tax considerations relating to the Notes and does not constitute legal or tax advice. Prospective holders of Notes should consult their own professional advisers.

Persons who are tax resident in South Africa will be subject to income tax on all interest and other income received by or accruing to them in respect of the Notes. Companies are generally taxed at the rate of 28% while individuals are taxed at progressive rates up to a maximum rate of 45%. Most trusts pay income tax at a flat rate of 45%. Proceeds arising in respect of the disposal of a Note by a South African tax resident will be subject to income tax or capital gains tax depending on the specific circumstances of the investor in question. Companies pay capital gains tax at an effective rate of 18.6% while individuals pay capital gains tax at progressive rates up to a maximum effective rate of 18%. Most trusts pay capital gains tax at the effective rate of 36%. Since the Notes are denominated in U.S. Dollars, certain South African resident investors should be aware that foreign exchange gains and losses arising in respect of the Notes could be taxable in South Africa upon translation of the Notes at year end and upon realization thereof. Interest paid to persons who are not tax resident in South Africa could be subject to withholding tax at the rate of

15% if the funds derived from the Notes are utilized in South Africa. The withholding tax will not apply if the Notes are listed on a recognized exchange. A double tax agreement may reduce the rate of withholding tax, if all the requirements thereof are fulfilled.

Section 50B of the Income Tax Act, 1962 (the "Income Tax Act") imposes a withholding tax on interest payments to persons who are not regarded as resident in South Africa for tax purposes, where the interest is sourced in South Africa. The withholding tax is levied at a rate of 15%, but could be reduced by applicable double taxation treaties. The lender under the ZAR Proceeds Loan Liquid Telecommunications Investments Limited, a company limited by shares incorporated under the laws of England and Wales, and the borrower is Neotel. In the circumstances, based on professional advice we have received, we believe that interest income on this loan should not be subject to South African tax in the hands of Liquid Telecommunications Investments Limited, given that the SA / UK Double Tax Agreement ("DTA") taxes such interest income in the UK, effectively reducing the SA interest withholding tax from 15% to 0% provided that Liquid Telecommunications Investments Limited is the beneficial owner of the interest. There should not be withholding obligation in respect of any guarantee issued by the South African Subsidiary Guarantors.

CERTAIN INSOLVENCY AND ENFORCEABILITY CONSIDERATIONS

The following is a brief description of certain insolvency and enforceability considerations in the jurisdictions in which Guarantees are initially being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes or the Guarantees. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the Guarantees. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. See "Risk Factors—Risks relating to the Notes and the Guarantees."

EUROPEAN UNION

Whilst the Issuer and certain of the Guarantors are companies incorporated under the laws of England and Wales and registered offices also located in England and Wales, pursuant to Council Regulation (EC) No 1346/2000 of May 29, 2000 on insolvency proceedings (as amended) (the "**EU Insolvency Regulation**"), the court which has jurisdiction to open main insolvency proceedings in relation to a company is the court of the Member State (in this section references to Member States exclude Denmark) in which that company has its "center of main interests" ("**COMI**"). There is a rebuttable presumption that a company's COMI is in the place where it registered office is located and so, unless this presumption was rebutted (about which see further below), any main insolvency proceedings in respect of the Issuer or certain of the Guarantors would be commenced in England and conducted in accordance with the requirements of English insolvency law. The forms of insolvency proceedings which can comprise main proceedings are listed in Annex A to the EU Insolvency Regulation and include, in respect of the UK, administration, compulsory liquidation and creditors' voluntary liquidation with confirmation by the court (see further "*—England and Wales—Administration*" and "*—England and Wales—Liquidation/Winding-Up.*")

It is possible to rebut the presumption that a company's COMI is in the place of its registered office if factors which are both objective and ascertainable by third parties (meaning that they are already in the public domain and what a typical third party would learn as a result of dealing with the company, without making specific enquiries) indicate that the company's COMI is elsewhere (*Re Eurofood IFSC Ltd* ECJ C-341/2004). Factors which may be taken into account include the location of any regulatory authorities and the places where the company's business is managed and operated, board meetings held and the accounts prepared and audited. Where the bodies responsible for the management and supervision of a company are in the same place as its registered office, and where the management decisions of the company are taken from there, the presumption cannot be rebutted (*Interedil Srl (in liquidation) v Fallimento Interedil Srl and another* C-396/09). The point at which a company's COMI falls to be determined is at the time that the relevant insolvency proceedings are opened.

Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in other Member States, although secondary proceedings may additionally be opened in any Member State where the company has an "establishment." An establishment is a place of operations where a company carries out non-transitory economic activities with human means and goods (Article 2(h) of the EU Insolvency Regulation). This means a fixed place of business and dealings with third parties (as opposed to purely internal administration). The effect of secondary proceedings is limited to the assets located in that Member State. The forms of insolvency proceedings which can comprise secondary proceedings are listed in Annex B to the EU Insolvency Regulation and include, in respect of the UK, compulsory liquidation and creditors' voluntary liquidation with confirmation by the court but not administration.

The EU Insolvency Regulation contains provisions dealing with the co-ordination of main and secondary proceedings.

The EU Insolvency Regulation has been replaced by the Regulation (EU) 2015/848 of the European Parliament and of the Council dated May 20, 2015 (the "**New EU Insolvency Regulation**"), which became effective as of June 26, 2015, and which will be applicable to insolvency proceedings opened after June 26, 2017 (subject to certain exceptions). The EU Insolvency Regulation remains applicable to insolvency proceedings opened before that date.

The New EU Insolvency Regulation, among other matters, codifies case law regarding the identification of the center of main interests. Pursuant to Article 3(1) of the New EU Insolvency Regulation, in the case of a company or legal person, the center of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the center of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in a member state other than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and the center of the management of its interests is located in that other member state. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (*e.g.,* by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means). Another change under the New EU Insolvency Regulation focuses on the definition of "establishment" as a prerequisite to open "territorial proceedings" (secondary proceedings). From June 26, 2017 onwards, "establishment" means any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. At this stage, it is not possible to conclusively determine what (if any) impact there might be in relation to the Notes.

It remains to be seen what impact the recent vote by the UK to leave the EU will have on the regulatory environment in the EU and the UK and on the applicability of EU law in the UK.

ENGLAND AND WALES

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. In the event that the Issuer or certain of the Guarantors experience financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, as follows.

Administration

There are two distinct methods for placing a company into administration: (i) an application to court following by a court order for administration (the "**in-court route**"); or (ii) the filing of certain prescribed forms with the court following which the administration takes effect (the "**out-of-court route**"). The in-court route is commenced by an application to court by the company itself, a majority of its directors, one or more of its creditors including contingent or prospective creditors, the Financial Conduct Authority or the Prudential Regulation Authority or certain other designated persons. The out-of-court method of appointment is available only to the directors, the company itself and the holder of a qualifying floating charge ("**QFC**") (see further below for the meaning of this term). No physical court hearing is required and the administrator's appointment takes effect when the court stamps receipt of the relevant forms.

A QFC is defined in paragraph 14 of Schedule B1 to the Insolvency Act 1986 (the "**IA86**") as being a floating charge created by an instrument which either: (i) states on its face that paragraph 14 applies to it; or (ii) purports to empower the holder of the floating charge to appoint an administrative receiver or an administrator of the company. A person is the holder of a QFC if he holds one or more debentures of the company secured by charges and other forms of security, which together relate to the whole or substantially the whole of the company's property and at least one of which is a qualifying floating charge.

When any person other than a holder of a QFC makes an administration appointment (whether by the in-court or out-of-court route), it will be necessary to show that the company is, or is likely to become, unable to pay its debts (see "*—The Insolvency test*"). Regardless of how an administrator is appointed, he will need to consent to act as administrator and to state that, in his opinion, one of the following statutory objectives can be satisfied (the second objective can only be considered if the first objective cannot be satisfied and similarly for the third objective): (i) to rescue the company as a going concern; (ii) to achieve a better result for creditors as a whole than would be likely if the company were wound up without first being in administration; or (iii) to realize property to make a distribution to one or more secured or preferential creditors (see "*—Statutory order of priorities*").

An interim moratorium takes effect when an application to appoint an administrator is made or a notice of intention to appoint an administrator is filed at court. This becomes final once the company is in administration. The moratorium means, among other things, that no other legal process (including legal proceedings, execution, distress or diligence) may be commenced or continued against the company and no step can be taken to enforce security over the company's property (in each case except with the consent of the administrator or the permission of the court), no administrative receiver can be appointed and, except in certain limited circumstances, no resolution can be passed or order be made for the winding-up of the company. This moratorium does not apply to financial collateral that has been created under a financial collateral arrangement within the meaning of the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226) (as amended) (the "**Financial Collateral Regulations**") (generally, such arrangements are in respect of cash or financial instruments, such as shares, bonds or tradable capital market debt instruments).

An administrator owes his duties to the creditors of the company as a whole. Upon appointment, he takes control of the day-to-day running of the company and takes custody or control of all property, to which he thinks the company is entitled. He has broad powers to deal with the company and its assets, except in respect of assets which are subject to fixed charge security. The permission of the court is required to dispose of any such fixed charge assets and the proceeds of sale must be paid to the fixed charge holder. An administrator's powers further extend to investigating why the company failed and, where appropriate, bringing actions against the directors or former directors or seeking to set aside certain transactions (see "*—Antecedent Transaction Laws*" in respect of the latter).

An administration does not itself terminate any contracts and, unlike a liquidator, an administrator does not have the power to disclaim or terminate contracts (although he can choose to breach a contract if he considers it to be in the best interests of the creditors as a whole, in which case the resulting damages will rank as an unsecured debt, see "*—Statutory order of priorities*"). Conversely, contractual terms providing for automatic termination or a right of termination by the counterparty upon the occurrence of an insolvency event (such as administration) will generally be enforceable as they are not considered to be against public policy as a matter of English law. However, there are exceptions to this general approach, most notably in the context of contractual supplies of services considered essential for the conduct of the administration. As of October 1, 2015, counterparties may not terminate these contracts (or the supplies they govern) simply because the company enters administration, except with the consent of the administrator or the permission of the court.

Administrative receivership

Section 72A(1) of the IA86 (which was introduced by the Enterprise Act 2002) imposes a general prohibition on the appointment of administrative receivers subject to limited exceptions set out in sections 72B to 72GA, none of which are relevant in the context of the Offering. The remedy for the holder of a QFC is instead to appoint an administrator (see "*—Administration*").

Liquidation/Winding-Up

Liquidation is a terminal insolvency process pursuant to which the assets of a company are realized by the liquidator and the proceeds distributed to creditors in accordance with a statutory order of priority (see "*—Statutory order of priorities*"), with any surplus paid to the shareholders. Once the liquidator has completed this task, the company will be dissolved and removed from the register of companies.

There are two different types of liquidation: (i) compulsory; and (ii) voluntary, which is in turn divided into members' voluntary liquidation ("**MVL**") and creditors' voluntary liquidation ("**CVL**").

Regardless of how he is appointed, a liquidator owes his duties to the company and its creditors as a whole and has wide powers to do whatever necessary for the conduct of the liquidation. This includes the power to: (i) agree, compromise and pay creditor claims; (ii) sell any of the company's property; (iii) bring or defend any legal proceedings on behalf of the company; (iv) disclaim onerous property or contracts in accordance with section 178 of the IA86; (v) bring actions against the directors or former directors; and (vi) bring actions to set aside certain transactions (see "*—Antecedent Transaction Laws*" in respect of the latter).

In a compulsory liquidation, there is an automatic stay on proceedings being commenced or continued against the company or its property except with the permission of the court. In a voluntary liquidation, there is no such automatic stay although the court may, upon the application of the liquidator or any creditor, order a stay under its general discretionary power in section 112 of the IA86.

Compulsory liquidation

Compulsory liquidation is a court-based procedure pursuant to which a creditor petitions for the winding up of a company and the court makes a winding up order. The grounds which entitle the court to make a winding up order are set out in section 122 of the IA86. The most common grounds are that: (i) the company is unable to pay its debts (see "—*The Insolvency Test*" for the meaning of this term); and (ii) it is just and equitable for the company to be wound up.

Under section 127 of the IA86, any disposition of the company's property, any transfer of the company's shares and any altering of the status of company members is void if made following the "commencement of a winding up", unless the court orders otherwise. If a winding up order is made, it is deemed to have commenced on the date on which the winding up petition was presented. This gives section 127 retrospective effect, meaning that the company cannot enter into any of the specified transactions during the period between the presentation of a winding up petition and the making of a winding up order without first seeking a validation order from the court.

Members' voluntary liquidation

An MVL is a solvent liquidation that is controlled by the shareholders. It commences when the shareholders pass a special resolution to place the company into liquidation and there is no involvement by the court.

Not more than five weeks prior to the making of the winding up resolution, the directors must swear a statutory declaration of solvency stating that, after making full enquiry into the company's affairs, they have formed the opinion that it will be able to pay its debts, including interest and the costs of the MVL process, within a stated period not exceeding 12 months from the start of the liquidation.

Creditors' voluntary liquidation

A creditors' voluntary liquidation is also commenced by the shareholders resolving to place the company into liquidation and has no court involvement. In contrast to an MVL, however, the directors do not swear a statutory declaration of solvency for a CVL (meaning the company can be solvent or insolvent) and, after the shareholders' meeting, a creditors' meeting must also resolve to place the company into liquidation. If the creditors choose a different person to act as liquidator from the shareholders, the creditors' choice will prevail.

The Insolvency Test

The IA86 has no test for or definition of insolvency *per se*, but instead relies on the concept of a company's "inability to pay its debts" as the keystone for many of its provisions. Pursuant to section 123 of the IA86, the circumstances in which a company is deemed unable to pay its debts include, among others, the following: (i) if a creditor to whom the company is indebted in a sum exceeding £750 then due has served a statutory demand on the company requiring the company to pay the sum so due and the company has failed for three weeks to pay, secure or compound the sum; (ii) if it is proved to the satisfaction of the court that the company is unable to pay its debts as they fall due; or (iii) if it is proved to the satisfaction of the court that the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities.

Statutory order of priorities

A liquidator or administrator will need to comply with the following statutory order of priority when he distributes the proceeds of realized assets to a company's creditors: (i) proceeds of realizations from assets subject to a fixed charge are paid to the fixed charge holder (less any costs of realization); (ii) expenses of the liquidation or the administration, which includes monies arising under a contract entered into by the administrator or liquidator, or any necessary disbursements made in the ordinary insolvency process; (iii) ordinary preferential debts, being contributions to occupational pension schemes, employment claims (up to a certain statutory maximum) and bank and building society deposits eligible for compensation under the Financial Services Compensation Scheme ("**FSCS**") up to the statutory limit; (iv) secondary preferential debts, being bank and building society deposits eligible for compensation under the FSCS to the extent that the claims exceed the statutory limit, and deposits made through a non-EEA branch of a credit institution that would otherwise have been eligible for FSCS compensation); (v) the prescribed part, which is a ring fenced amount of money that the administrator or liquidator must set aside from realizations from floating charge property to distribute to unsecured creditors—calculated as 50% of the first £10,000 of net realizations and 20% of the net realizations thereafter, up to a maximum of £600,000; (vi) proceeds of floating charge asset realizations (less any costs of realization, the preferential debts and the prescribed part); (vii) provable debts of unsecured creditors (these rank equally among themselves, unless there are subordination agreements in place between any of them); (viii) statutory interest that arises on debts after the insolvency at either the contractual or a statutory rate; and (ix) non-provable liabilities, being liabilities that do not fall within any of the categories above and which are therefore only recovered in the (unusual) event that all categories above are fully paid.

Any surplus will be paid to the shareholders in accordance with the company's articles of association. There are no equitable subordination provisions under English law, meaning that an unsecured shareholder loan ranks as a provable debt alongside other unsecured creditors and will not be subordinated by law.

In administration or liquidation, any debt payable in a currency other than pounds sterling must be converted into pounds sterling at the "official exchange rate"(which is defined from time to time in the subordinate legislation of the IA86) prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties.

Assets held on trust by the company generally fall outside the insolvent estate that is available for distribution.

Schemes of arrangement

Pursuant to Part 26 of the Companies Act 2006 the English courts have jurisdiction to sanction the compromise of a company's liabilities where such company (i) is liable to be wound-up under the IA86 and (ii) has "sufficient connection" to the English jurisdiction.

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on a detailed debt compromise. Such compromise can be proposed by the company or (theoretically) its creditors. If at least 75% by number and 50% by value of those creditors present and voting at the creditor meeting(s) vote in favor of the proposed compromise, irrespective of the terms and approval thresholds contained in the finance documents, that compromise will be binding on all affected creditors, including those affected creditors who did not participate in the vote on the scheme of arrangement and those who voted against the scheme of arrangement. In certain circumstances, a scheme of arrangement can also result in the release of guarantees in order to ensure the effectiveness of the compromise.

Antecedent Transaction Laws

There are five principal provisions of the IA86 under which transactions entered into prior to a company's insolvency are capable of being set aside. They are: (i) transactions at an undervalue (section 238); (ii) preferences (section 239); (iii) avoidance of certain floating charges (section 245); (iv) transactions defrauding creditors (section 423); and (v) extortionate credit transactions (section 244).

These provisions all apply where the company has gone into liquidation or administration, with the exception of section 423 which applies even if the company is not in insolvency proceedings.

Transactions at an undervalue

If a company goes into administration or liquidation and it has entered into a transaction at an undervalue, the court may, on the application of the insolvency officeholder, set the transaction aside.

A transaction will constitute a transaction at an undervalue if: (i) the transaction is at an undervalue (a gift or a transaction on terms that provide for the company to receive no consideration or a transaction for a consideration the value of which (in money or money's worth) is significantly less than the value (in money or money's worth) of the consideration provided by the company); (ii) the transaction took place within the relevant time (2 years before the onset of insolvency, being broadly the commencement of its liquidation or administration); and (iii) the company was at the time of the transaction, or became, as a result of the transaction, unable to pay its debts within the meaning of section 123 of the IA86 (although there is a rebuttable presumption that the company was unable to pay its debts at the time of the transaction if the transaction is made to a person connected to the company such as a shareholder or a director (a "**connected person**")).

The court will not make an order in respect of a transaction at an undervalue if it is satisfied that: (i) the company which entered into the transaction did so in good faith and for the purposes of carrying on its business; and (ii) when it did so, there were reasonable grounds for believing that the transaction would benefit the company.

Preferences

If a company goes into administration or liquidation and it has granted a preference the court may, on the application of the insolvency officeholder, set the transaction aside.

A company gives a preference to a person if: (i) that person is one of the company's creditors, a surety or a guarantor for any of the company's debts or other liabilities; (ii) the company has done something, or has suffered something to be done which (in either case) has had the effect of putting that person into a position which, in the event that the company goes into insolvent liquidation, will be better than the position he would have been in if that thing had not been done; (iii) the company was influenced in deciding to give the preference by a desire to put the creditor in a better position than he would have been in if the thing had not been done or suffered to be done (this desire is rebuttably presumed in the case of connected persons); (iv) the preference was given within the relevant time (6 months before the onset of the insolvency or 2 years from the onset of insolvency where the transaction is with a connected person); and (v) the company was at the time of the transaction, or became as a result of the transaction, unable to pay its debts within the meaning of section 123 of the IA86.

The desire to prefer requires a "positive wish to improve the creditor's position in the event of the company's insolvent liquidation" (Re Fairway Managaines Ltd [1993] BCLC 643. A preferential effect for a creditor may be foreseen by the company without being desired. Where a company is influenced by "proper commercial considerations" there will be no desire to prefer and therefore no voidable preference (MC Bacon [1990] BCLC 324).

Voidable floating charges

A floating charge created by a company over its property may be invalid if it was created in the relevant time. Where the transaction is with a connected person, this means within a period of 2 years before the onset of insolvency. In all other cases, this means within a period of 12 months before the onset on insolvency when the company was at the time of the transaction, or became as a result of the transaction, unable to pay its debts within the meaning of section 123 of the IA86.

This is the only requirement for setting aside the floating charge and, if met, the security is automatically invalid except to the extent of the aggregate of the value of so much of the consideration for the creation of the charge (as consists of money paid, goods or services supplied or debts discharged and interest thereon) supplied to the company at the time of, or after the creation of, the charge. No court action is required.

Section 245 of the IA86 does not apply to a floating charge that has been created under a financial collateral arrangement within the meaning of the Financial Collateral Regulations.

Transactions defrauding creditors

A transaction entered into by a company can be set aside if: (i) the transaction is at an undervalue (see above); and (ii) it was entered into for the purpose of putting assets beyond the reach of a person who may make a claim against the company or otherwise prejudicing his interests.

It is not necessary for the company to be in insolvency proceedings and unlike a transaction at an undervalue or a preference, the claim is not restricted to the officeholder. The victim of the transaction can apply to the court himself. The IA86 also does not prescribe a set time limit within which to bring the action. The fact that the transaction was not entered into with a dishonest motive is no defense to the claim. It will suffice that the company's subjective purpose was to place the assets out of the reach of creditors or a particular creditor. There is no need to show that the intention was the sole purpose and a substantial purpose is likely to suffice.

Extortionate credit transactions

If a company goes into administration or liquidation and it has entered into an extortionate credit transaction, the court may, on the application of the insolvency officeholder, set the transaction aside.

A transaction is extortionate if, having regard to the risk accepted by the person providing the credit, either: (i) its terms require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit; or (ii) it otherwise grossly contravenes ordinary principles of fair dealing.

The court can make an order in relation to extortionate credit transactions entered into by the company up to three years before the day on which the company entered into administration or went into liquidation (which is slightly different to the concept of the onset of insolvency used in relation to transactions at an undervalue and preferences).

Orders

In the case of any of the above applying and where a court order is required (*i.e.,* not section 245 of the IA86), the court has very wide statutory powers to make such orders as it thinks fit to restore the position to that which existed before the transaction was entered into.

Maintenance of capital

The granting of upstream (or cross-stream) guarantees or security by an English company could be subject to challenge if it results in a reduction in that company's net assets as properly recorded in its books or, to the extent that it does, the company does not have sufficient distributable reserves to cover that reduction.

Additional considerations

Post-petition interest

Any interest accruing under or in respect of amounts due under the Notes or any English Guarantee to which an English company is a party in respect of any period after the commencement of administration or liquidation proceedings would only be recoverable by the holders of the Notes from any surplus remaining after payment of all other debts proved in the English company's insolvency proceedings and accrued and unpaid interest up to the date of the commencement of those proceedings provided that such interest may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries.

Dispositions in winding-up

Under section 127 of the IA86, any dispositions of a company's property made after a winding-up has commenced is, unless the court orders otherwise, void. The compulsory winding-up of a company by the court is deemed to start when a winding-up petition is presented by a creditor against the company, rather than the date on which the court makes the winding-up order (if any). However, this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Arrangements Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms.

MAURITIUS

Insolvency Proceedings

Certain Guarantors are incorporated in Mauritius (the "**Mauritian Guarantors**"). Under Mauritian insolvency laws, the following types of proceedings may be commenced against a Mauritian Guarantor incorporated under the laws of Mauritius.

Voluntary Administration

A voluntary administration is a mechanism with the aim of rescuing a company or its business. If it is not possible to save the company or its business, the aim is to administer the business, property and affairs of the company in a way that results in a better return for the company's creditors and shareholders than would result from the immediate winding up of the company.

Administration begins when an administrator is appointed. An administrator may be appointed by the company, the company's liquidator (if it is in liquidation), a provisional liquidator, a secured creditor holding a charge over the whole or substantially the whole of the company's property or the court. If a company is already in administration, an administrator may be appointed only by the court, the creditors (as a replacement for an administrator that the creditors have removed) or the appointer of the first administrator (if that administrator has died, resigned or been disqualified).

The appointment of an administrator vests control of the company's business, affairs and property in the administrator. The administrator must investigate the company's affairs and consider ways of salvaging the business in the interests of creditors, employees and shareholders. He or she may carry on the business and manage the company's property with that objective. The administrator may terminate or dispose of all or part of the company's business and may dispose of any of its property, and may perform any function and exercise any power that the company or any of its officers could perform or exercise if the company were not in administration.

The directors remain in office but cannot act as officers of the company without the prior written approval of the administrator. Except for payments made by a bank out of the company's account with the bank, made in good faith and in the ordinary course of banking business and at a time before the bank is notified in writing of the appointment of an administrator or if earlier, at a time when the bank had reason to believe that the company was in administration, transactions or dealings by the company in administration or by a person on behalf of the company, which affect the company's property are void unless they are entered into by the administrator on behalf of the company, with his or her written consent or under a court order.

A key effect of administration is the operation of a statutory moratorium. Unless the administrator consents in writing or the court gives permission:

- no person can enforce a charge over the property of the company;
- an owner or lessor cannot take possession of or otherwise recover property that was used or occupied by, or is in the possession of, the company; and
- proceedings in a court shall not be commenced or continued against the company.

Also, during the administration of a company, an enforcement process (i.e., an execution against the property of the company or any other enforcement process involving a court or usher) in relation to the company's proceeds of the sale of the company's property under an execution process, shall not be commenced or continued except with the permission of the court and on terms that the court thinks appropriate. Where a court officer (including an usher or registrar of the court) receives written notice that a company is in administration, the court officer shall not:

- take action to sell property of the company under an execution process;
- pay to a person other than the administrator:
  - proceeds of the sale of the company's property under an execution process;
  - money of the company seized under an execution process; or
  - money paid to avoid the seizure or sale of property of the company under an execution process;
- take action in relation to the attachment of a debt due to the company; or
- pay to any person other than the administrator money received because of the attachment of a debt due to the company.

The moratorium therefore prevents vital assets from being stripped away from the company during the administration by means of individual enforcement by creditors. For secured creditors, the result is that they cannot enforce and realize their security. There is scope, however, for a secured creditor to apply to the court for leave to enforce its security; the court may make an order granting such leave where it is satisfied that serious prejudice will be caused to the secured creditor if the application is not granted which outweighs the prejudice caused to other creditors if it is granted. A secured creditor who is granted leave shall from time to time at intervals not exceeding three months report to the administrator on the enforcement of his or her security and the proceeds thereby recovered by the secured creditor. In the case of perishable property, the court may make an order granting leave to a secured creditor to forthwith enforce his or her security over such property and to hold the proceeds that are recovered by the secured creditor on trust for the administrator pending the conduct of a hearing about whether the secured creditor should be allowed to enforce his or her security.

The administrator must call at least the following meetings within a set time frame:

- the first creditors' meeting for (1) a decision whether to replace the administrator and (2) whether to appoint a committee of creditors; and

- a watershed meeting.

In the ordinary course, the administration will end when one of the following occurs:

- the company's creditors resolve at the watershed meeting that a deed of company arrangement be approved and such deed is executed by the company and the deed administrator;
- the company's creditors resolve at the watershed meeting that the administration should end; or
- the company's creditors resolve at the watershed meeting to appoint a liquidator by a resolution passed at a watershed meeting.

Receivership

A receiver may be appointed:

- under any instrument that confers on a chargee the power to appoint a receiver; or
- by the Court.

In the event where an instrument confers on the chargee the power to appoint a receiver, (or a receiver and manager) the chargee may appoint a receiver by an instrument in writing signed by him or on his behalf. The receiver appointed under a power conferred by an instrument, shall be the agent of the chargor, unless the instrument expressly provides otherwise. The person appointed as receiver may act as receiver and manager unless the instrument appointing him excludes appointment as manager. A power conferred by an instrument to appoint a receiver includes, unless the instrument expressly provides otherwise, the power to appoint (i) two or more receivers, (ii) a receiver additional to a receiver in office and (iii) a receiver to succeed a receiver whose office has become vacant.

A receiver (or a receiver and manager) may be appointed by the Court on the application of a chargee or of any interested person and on notice to the company, where the court is satisfied that (i) the company has failed to pay a debt due to the chargee or has otherwise failed to meet any obligation to the chargee, of that any principal money borrowed by the company or interest is in arrears for more than 21 days; (ii) the company proposes to sell or otherwise dispose of the secured property in breach of the terms of any instrument creating the security or charge; or (iii) it is necessary to do so to ensure the preservation of the secured property for the benefit of the chargee. The person appointed by the Court as a receiver shall be appointed receiver and manager unless the Court directs that the person is to be appointed only as a receiver.

The general duties of a receiver is to exercise his powers in good faith in a manner in which he believes on reasonable grounds to be in the interests of the person in whose interest he was appointed. A receiver shall exercise his powers with reasonable regard to the interests of (i) the chargor; (ii) persons claiming, through the chargor, interests in the property in the receivership; (iii) unsecured creditors of the chargor; and (iv) sureties who may be called upon to fulfil obligations of the chargor. A receiver shall not be bound to act in accordance with the directions of the person who appointed him and any such failure will not be regarded as being a breach of duty.

A receiver who exercises a power of sale of property in a receivership owes a duty to the chargor to obtain the best price reasonably obtainable as at the time of the sale.

A receiver shall pay moneys received by him to the chargee of the charge by virtue of which he was appointed in or towards satisfaction of the debt secured by the charge. However, the following persons shall be entitled to payment out of the property of a company in receivership in priority to the charge of the charge and in the following order of priority:-

(a) first, the receiver for his expenses and remuneration and any indemnity to which he is entitled from out of the property of the company;

(b) second, any amounts secured by any charge that ranks in priority to the charge in relation to which the receiver was appointed; and

(c) third, where the company is in liquidation, the persons entitled to preferential claims to the extent and in the order of priority required by the Fourth Schedule to the Insolvency Act 2009.

A receiver may continue to act as a receiver and exercise all the powers of a receiver in respect of property of a company that has been put into liquidation unless the Court orders otherwise. However, after the commencement of winding up of a company, a receiver may not be appointed in respect of the property of a company except under an order of the Court on such terms as the Court thinks appropriate.

A receiver holding office in respect of property, mentioned above, may act as the agent of the chargor only (i) with the written approval of the Court; or (ii) with the written consent of the liquidator. A debt or liability incurred by a chargor through the acts of a receiver acting as the agent of the company is not a cost, charge or expense of liquidation.

Liquidation/Winding-up

The liquidation or winding-up of a company may be effected by:

- a shareholders' voluntary winding-up where the company is solvent and the liquidator is appointed at a shareholders' meeting;
- a creditors' voluntary winding-up where the company is insolvent and the liquidator is appointed by a resolution of creditors;
- a winding-up order made by the court; or
- a resolution of creditors passed at a watershed meeting of creditors in a voluntary administration (see above).

In the case of a shareholders' voluntary winding-up, a majority of the directors of the company must make a declaration of solvency to the effect that they have made an inquiry into the affairs of the company and at/by a meeting/resolution of directors, they have formed the opinion that the company will be able to pay its debts in full within a period not exceeding 12 months after the commencement of the winding-up. The declaration of solvency must be accompanied by a statement of the affairs of the company showing (i) the assets of the company and the total amount expected to be realized from those assets, (ii) the company's liabilities and (iii) the estimated expenses of the winding-up, made up to the latest practicable date before making the declaration of solvency. In addition, the liquidation must be approved by the resolution of at least 75% of the shareholders at a general meeting of the company.

In a creditors' voluntary winding-up, the directors must (i) cause a resolution of the creditors of the company to be summoned, (ii) cause a full statement of the company's affairs showing the method and manner in which the valuation of the assets was arrived at, together with a list of the creditors and the estimated amount of their claims to be laid before the meeting of creditors and (iii) appoint one of their number to attend the meeting to disclose to the meeting the company's affairs and the circumstances leading up to the proposed winding-up.

A liquidator in a voluntary winding-up has broad powers, including to:

- commence, continue, discontinue and defend legal proceedings on behalf of the company;
- carry on the business of the company to the extent necessary for the liquidation;
- in the case of a creditors' voluntary winding-up, with the leave of the court or the creditors' committee of inspection (if there is one in the liquidation, failing which the role of the committee may be exercised by the official receiver, another public official given certain powers by the Insolvency Act 2009 in insolvency proceedings); and in the case of a shareholders, voluntary winding-up, with the approval of a special resolution of the company, pay any class of creditors in full;
- in the case of a creditors' voluntary winding up, with the approval of the court or the committee of inspection; and in the case of a shareholders' voluntary winding up, with the approval of a special resolution of the company make a compromise or an arrangement with creditors or persons claiming to be creditors or who have or allege the existence of a claim against the company, whether present or future, actual or contingent, or ascertained or not;
- sell or otherwise dispose of the property of the company with the approval of the committee of inspection (or official receiver if there is none);
- act in the name and on behalf of the company and enter into deeds, contracts and arrangements in the name and on behalf of the company; and
- borrow money whether with or without providing security over the company's assets.

A winding-up by the court commences when the winding-up order by the bankruptcy court is made. The winding-up order is made on the presentation of a winding-up petition to the court by an applicant (who is among certain persons listed in the Insolvency Act 2009 and which include a creditor, the company itself or a shareholder). Once a winding-up order is made, no action or proceedings shall be proceeded with or commenced against the company except by leave of the court and on such terms as the court thinks appropriate. Also, a disposition of any property of a company and a transfer of shares or alteration in the status of a shareholder made after the commencement of the winding-up by the court shall, unless the court otherwise directs, be void.

The principal duty of a liquidator appointed under a winding-up order is to act in a reasonable and efficient manner so as to (i) take possession of, protect, realize, and distribute the assets, or the proceeds of the realization of the assets, of the company to its creditors and (ii) where there are surplus assets remaining, distribute them or the proceeds of the realization of the surplus assets in accordance with the provisions of the Insolvency Act 2009.

A liquidator in a winding-up by the court has similar powers as in a voluntary winding-up. When the liquidator has (i) realized all the property of the company or so much as can in his opinion be realized without needlessly protracting the liquidation, (ii) distributed a final dividend, if any, to the creditors, (iii) adjusted the rights of the contributors among themselves and (iv) made a final return, if any, to the contributors, he or she may apply to the court for an order that he or she be released or for an order that he or she be released and that the company be dissolved.

Limitations on Enforcement

Any exercise of a right by a party under the Notes or the Guarantees to which it is a party must not be made in bad faith or abusively and any abusive exercise of such right is subject to the provisions of article 17 of the Mauritius Civil Code which provides that "no right shall be exercised with the intent of injuring another or in a manner which would inflict on the person against whom such right is exercised, a prejudice that outweighs the benefit which can be derived from the exercise of such right".

Claims may become time-barred under the laws of Mauritius or may be, or become subject to, defences of set-off or counterclaims.

Mauritius insolvency law contains specific provisions dealing with transactions (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party and any other legal act having similar effect) that may be avoided by a liquidator.

A transaction (e.g., the giving of a charge or payments effected to a third party) may be avoided by a liquidator where such transaction takes place within two years immediately before the company was placed in liquidation. It is, however, a defence to an action to set aside a transaction that if at the time the transaction was entered into:

- the person acted in good faith;
- a reasonable person in his or her position would not have suspected that the debtor was, or would become, unable to pay his or her due debts; and
- the person gave value for the property or altered his or her position in the reasonable reliance upon the belief that the transfer of the property was valid and would not be set aside.

A liquidator may disclaim onerous property such that a disclaimer may bring to an end on and from the date of the disclaimer the rights, interests and liabilities of the company in relation to the property disclaimed, but does not, except so far as is necessary to release the company from a liability, affect the rights or liabilities of any other person. An "onerous property" means an unprofitable contract or a property of a company that is unsalable, or not readily salable or which may give rise to a liability to pay money or perform an onerous act.

Under Mauritian law an *action paulienne* may be resorted to by a creditor who has suffered prejudice as a result of a renunciation in a succession made fraudulently by a debtor in order to thwart the right of the creditor to have his or her debt satisfied. It needs to be observed that in order for such an action to succeed not only must the debt be certain but the debt must also precede the renunciation. In order for an *action paulienne* to succeed, it is incumbent upon the creditor to establish on a balance of probabilities two essential elements: (i) fraud on the part of the debtor and (ii) the prejudice suffered by the creditor as a result of such fraud.

SOUTH AFRICA

Neotel, Liquid Telecommunications Holdings South Africa (Pty) Ltd and Liquid Telecommunications Operations SA Proprietary Limited are incorporated and domiciled under the laws of the South Africa. The insolvency laws of South Africa may not be as favorable to your interests as a creditor as the laws of the jurisdiction with which you are familiar. In the event of insolvency, the claims of holders of notes under the guarantee of Neotel, Liquid Telecommunications Holdings South Africa (Pty) Ltd and Liquid Telecommunications Operations SA Proprietary Limited would be subject to the insolvency laws of South Africa.

The following is a brief description of certain aspects of insolvency law in South Africa.

Insolvency in South Africa is currently regulated by the Insolvency Act, 1936 (the "**Insolvency Act**") and the South African Companies Act, which incorporates part of the repealed Companies Act, 1973.

Any creditor, or the debtor itself, may initiate insolvency proceedings in South Africa. Generally a guarantor or an issuer will be subject to winding-up if it is unable to pay its debts as and when they become due.

In the period commencing on the date of the initiation of liquidation proceedings and ending on the effective date of liquidation, the debtor must refrain from any actions that are not in the ordinary course of business and which would reduce its assets. These actions are, once the order of liquidation is granted, retrospectively automatically void and South African courts are only likely to validate such actions if they amount to no more than the bona fide carrying of the company's operations in the ordinary course of business. Therefore, once a company is liquidated, all of its assets vest in a liquidator and that company can no longer dispose of any of its property.

The Insolvency Act makes provision for the setting aside of the certain dispositions made prior to the company's winding-up if such dispositions constitute "impeachable transactions", namely:

(i) ***Disposition not made for value***. Any disposition not made for value by the insolvent can be set aside by the Court:

- if the disposition was made more than two years before the date of liquidation, and immediately after such disposition, the debtor was insolvent;
- if the disposition was made less than two years prior to the date of liquidation, the Court can set it aside if the person who benefited by the disposition cannot prove that the assets of the debtor exceeded its liabilities immediately after the disposition was made.

The person who benefited by a disposition need not be the person to whom the disposition was in fact made. Where it is proven that at any time after a disposition has been made, the debtor's liabilities exceeded its assets by less than the amount of the disposition, the extent to which it can be set aside is limited to the amount of such excess.

If a disposition not made for value has been set aside or if the debtor did not complete the disposition, the beneficiary cannot compete with the creditors of the insolvent estate. However, in the event of the disposition not being completed nor set aside as a disposition not made for value, and which disposition arose by way of a suretyship, guarantee or indemnity, the beneficiary concerned can compete for an amount not exceeding the amount with which the debtor's assets, immediately preceding the disposition, exceeded its liabilities.

(ii) ***Voidable preferences.*** A disposition of its property by a debtor prior to its liquidation may have the effect of preferring one of its creditors above another. A disposition by a debtor can be set aside as a voidable preference if it appears that the debtor, due to its dire financial situation, was unable to pay all its creditors fully but nevertheless favored a particular creditor for instance by full payment of its pre-existing debts. If the disposition had such effect and was made within 6 months before the date of liquidation, and immediately after it was made, the liabilities of the debtor exceeded the value of its assets, the Court may set aside the disposition unless it was made in the ordinary course of business and that it was not intended thereby to prefer one creditor above another.

The test to be applied in a determination as to whether a disposition had the effect of preferring one creditor above another is an objective one. However, the test with regard to the intention is a subjective one and can only be present if the debtor actually applied its mind to the matter.

(iii) ***Undue preference***. A disposition by a debtor of its property at any time before the date of liquidation and while its liabilities exceeded its assets may be set aside by the Court as an undue preference if it was made with the intention of preferring one of the debtor's creditors and the debtor's estate is thereafter liquidated. The intention of the debtor may be proven where it can be shown that the debtor was aware of tis insolvent state or contemplated liquidation but nevertheless made the disposition, or the intention can be inferred from actions or statements made by the debtor.

(iv) ***Collusion.*** Where prior to the liquidation, the debtor had disposed of property belonging to it in a manner which had the effect of prejudicing its creditors or of preferring one of its creditors above another, the court may set aside the disposition if it was effected by the insolvent in collusion with another. By collusion, in this context, is meant an agreement between the insolvent and another pursuant to which the disposition ensued where the contracting parties' intention actually was to defraud the insolvent's creditors. If such agreement was concluded without such intention, the disposition cannot be set aside as a collusive dealing notwithstanding that in fact it prejudiced creditors or resulted in one being preferred above another or others.

Every disposition made after the commencement of liquidation proceedings by a debtor being liquidated and unable to pay its debts, shall be void, unless the court otherwise orders.

A surety for the debtor and a person in a position by law analogous to that of a surety is deemed to be a creditor of the debtor concerned;

Under South African insolvency law, there are three types of creditors which exist for ranking purposes, namely:

- concurrent creditors;
- secured creditors; and
- preferred creditors.

Concurrent creditors do not enjoy any advantage over other creditors of the insolvent company. Concurrent creditors are paid out of the free residue of unsecured assets after any preferential creditors have been paid. Concurrent creditors all rank equally pro rata according to their claims. Should the free residue be insufficient to meet their claims, each receives a pro rata portion of its claim by way of a dividend.

A secured creditor is one who holds security for its claim in the form of a mortgage bond over immovable property, mortgage over movable property, landlord's legal hypothec, pledge, right of retention or goods delivered in terms of an instalment sale transaction. A secured creditor must have real security. A creditor whose claim is secured by suretyship or guarantee is not classed as a secured creditor but as a concurrent creditor. A secured creditor is entitled to be paid out of the proceeds of the sale of the property subject to the security, after payment of certain expenses and any secured claim which ranks higher. If the proceeds emanating from a sale of the encumbered property are insufficient to cover the secured creditor's claim, it has a concurrent claim for the balance. Should the secured creditor choose to rely exclusively on its security, it waives the right to participate in the free residue.

Preferred creditors are creditors whose claim is not secured but nevertheless rank above the claims of concurrent creditors. Preferred creditors are entitled to payment out of the free residue of the estate (that portion which is not subject to any security interests) and rank in right of payment before concurrent creditors.

The South African Companies Act brought significant changes to the corporate law of South Africa, including introducing a new regime of "business rescue" for financially distressed companies, which could significantly affects the rights of creditors.

The South African Companies Act repealed the Companies Act, No. 61 of 1973, with the exception of the provisions that deal with the winding-up and liquidation of insolvent companies (which will remain in effect until new insolvency legislation is enacted). The South African Companies Act introduces significant changes to the corporate law of South Africa, corporate actions, and the responsibilities of directors. In addition the South African Companies Act introduces the concept of "business rescue", a concept similar to Chapter 11-bankruptcy proceedings in the United States or administration in the United Kingdom. Business rescue allows a company that is "financially distressed" and which appears to have a "reasonable prospect" of rescue to facilitate its rehabilitation by developing and implementing a plan to rescue a company by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of the company continuing in existence on a solvent basis or, if it's not possible for the company to so continue in existence, results in a better return for the company's creditors or shareholders than would result from the immediate liquidation of the company.

Business rescue proceedings may be instituted by the board of directors of the company, through the adoption of a board resolution or by any "affected person" (including a shareholder, creditor, registered trade union or employee), on application to court or by the court of its own accord at any time during the course of any liquidation proceedings or proceedings to enforce any security against the company.

After initiating business rescue proceedings, the board of directors or the creditors, as the case may be, must appoint a business rescue practitioner, who will assume full management control of the company and supervise the board and pre-existing management during business rescue. The company must publish a notice of the appointment of a practitioner to each affected person. However, directors continue to exercise their functions, subject to the supervision of the practitioner. The practitioner, after consultation with the creditors, other affected persons and the management of the company, must prepare a business rescue plan for consideration and possible adoption at a meeting of creditors convened in accordance with the provisions of the South African Companies Act listing, among other things, all details of the plan envisaged to rescue the company.

The proposed business rescue plan will be approved if it was supported by the holders of more than 75% of the creditors' voting interests that were voted and the votes in support of the proposed plan included at least 50% of the independent creditors' voting interests, if any, that were voted. In addition, if the plan alters the rights of the holders of the company's securities, the majority of such holders must also approve the proposed business rescue plan. If not approved, the appointed business rescue practitioner or any affected person may seek a vote of approval from the holders of voting interests to prepare and publish a revised plan or apply to court to set aside the result of the vote by the holders of voting interests or shareholders, as the case may be, on the grounds that it was inappropriate. Furthermore, any affected person may make a binding offer to purchase the voting interests of one or more persons who oppose the adoption of the business rescue plan. Note however that in terms of the Supreme Court of Appeal case African Bank Corporation of Botswana Ltd v Kariba Furniture Manufacturers (Pty) Ltd the court held that a purportedly binding offer at liquidation value made to a dissenting creditor is not automatically binding on the creditor. The impact of this judgment is that the option of buying claims of dissenting creditors at liquidation value is generally considered to be no longer workable.

During a company's business rescue proceedings, the business rescue practitioner is empowered to suspend entirely, partially or conditionally, any contractual obligations to which the company is a party (other than an employment contract or an agreement on the terms of the ISDA master agreements) at the commencement of the business rescue proceedings. Any cancellations of contractual obligations will be subject to court approval.

The suspension of a contract does not preclude the other contracting party to cancel the contract in terms of the provisions of contract, if there was a breach of contract prior to the commencement of the business rescue proceedings. The suspension of any obligations of the company does not result in the company automatically maintaining provisions relating to the creditor's performance obligations. On cancellation of any agreement, the creditor will be entitled to institute a claim for damages against the company. Further, if a practitioner suspends a provision of an agreement relating to security granted by the company to a creditor that provision continues to apply with respect to any proposed disposal of property by the company.

During business rescue proceedings, a general moratorium is placed on legal proceedings against the company and no legal action, including enforcement action, against the company, or in relation to property of the company, may be commenced except with inter alia the written approval of the practitioner or leave of court.

The South African Companies Act provides a degree of protection of property interests of a party that has security over, or title interest in, property held by the company. It states that if the company wishes to dispose of any property in which another person has any security over, or title interest in, the company must obtain the prior consent of that other person, unless the proceeds of the disposal would be sufficient to fully discharge the indebtedness protected by that person's security or the title interest and, following the disposal, either promptly pays to that person the sale proceeds attributable to that property up to the amount of the company's indebtedness to that other person or provides security for the amount of those proceeds, to the reasonable satisfaction of that other person.

Although business rescue has been in operation for approximately six years as of the date of this offering memorandum rescue certain interpretive questions are yet to be decided by the courts. It is therefore difficult to determine what the long term impact of the regime ultimately will be.

Limitation on Enforcement

The Neotel Senior Bridge Facility is expected to be refinanced on or about the Issue Date (the "**Neotel Refinancing**"). See "*Use of Proceeds*". The Indenture, the Intercreditor Agreement, the Guarantees to be provided by the South African Subsidiary Guarantors, the security documents relating to any Collateral located in or governed by the laws of the Republic of South Africa, the SPV Guarantee and Counter-Indemnity Agreement will become fully effective with respect to, and binding on, the Company, the South African Subsidiary Guarantors and the Security SPV, as applicable, following the completion of the Neotel Refinancing.

Neotel, Liquid Telecommunications Holdings South Africa (Pty) Ltd and Liquid Telecommunications Operations SA Proprietary Limited will issue a guarantee and provide the South African Collateral.

Under South African law, the formalities for establishing a valid security interest in an asset (including shares) are those of the place where the asset is situated. If the asset is situated in South Africa, formalities under South African law must be satisfied. The shares which form the subject of the pledge are for purposes of establishing a security interest, located in South Africa. In terms of the Exchange Control Regulations, issued under the Currency and Exchange Act, 1933, no South African resident may transfer any assets (including shares or the proceeds of such shares) out of South Africa without the prior approval the Financial Surveillance Department of the South Africa Reserve Bank ("**SARB**").

The SARB's current policy is to "pre-approve" certain types of transactions, payments and transfers for exchange control purposes. The issuing of a guarantee and the granting of security interests by South African residents is not a category of transaction that is pre-approved. Therefore, in order for a South African resident to issue a guarantee or to grant a security interest to a non-South African resident, the South African resident will be required to obtain the necessary approval from the SARB. In this regard, the SARB has provided an approval in respect of Neotel, Liquid Telecommunications Holdings South Africa (Pty) Ltd and Liquid Telecommunications Operations SA Proprietary Limited providing a guarantee and providing a pledge of the shares that each such company holds in the other South African Subsidiary Guarantors. No further approval will be required for the repatriation of funds realized by the non-resident secured party subject to any other conditions set out in the SARB approval, such as providing notice to the SARB of the repatriation. In granting its pre-approval for the Guarantees to be granted by Liquid Telecommunications South Africa Proprietary Limited (formerly Neotel Proprietary Limited), Liquid Telecommunications Holdings South Africa (Pty) Ltd and Liquid Telecommunications Operations SA Proprietary Limited, SARB stated that should there be a claim in respect of the Guarantee, they require to be advised thereof and that the claim may not exceed the net asset value of such Guarantors. There is uncertainty regarding how this net asset value limitation should be interpreted and applied and we cannot assure you that the effect of this limitation is not to effectively subordinate claims under the Guarantee below those of creditors the claims of which may need be deducted in order to reach the net asset value. As of February 28, 2017, Neotel's total assets were ZAR6,009,097 thousand and Neotel's total liabilities were ZAR5,122,907 thousand. See "*Risk Factors—Risks Related to the Notes and Guarantees—The Guarantees and the Collateral securing the Notes will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*"

Key considerations relating to South African Collateral

General notarial bonds

A general notarial bond does not automatically constitute the holder as a secured creditor in terms of the Insolvency Act, 1936, except if the bond has been perfected by way of a court order prior to the commencement of the liquidation of the company. This perfection involves (i) obtaining a court order allowing the creditor to take possession of the moveable assets secured under the bond; and (ii) the creditor actually taking such possession. If the bond is not so perfected prior to commencement of the liquidation of the company, the bondholder will enjoy a preference over the proceeds of the inventory and other moveable corporeal assets of the company after secured creditors have been paid in full. In addition, a general notarial bond may only be perfected after an event of default has occurred and is continuing, and only if the relevant finance parties elect to pursue such perfection;

Competition laws

If enforcement action in respect of secured assets would result in a "merger" as defined in and for the purposes of the Competition Act, 1998 (either as a result of the Security SPV or the beneficiaries of the SPV Guarantee, or any third party to whom the secured assets may be disposed of, acquiring a controlling interest in the relevant firm or assets, for example, through a disposal of shares in Neotel or the business of Neotel), it will be notifiable to and subject to approval by the South African competition authorities.

Independent Communications Authority of South Africa

Where a South African entity is the holder of licenses ("Relevant Licenses") issued to it in terms of the Electronic Communications Act, 2005 ("ECA") by the Independent Communications Authority of South Africa ("ICASA"), enforcement of security over (i) the Relevant Licenses of the South African Entity; or (ii) the issued share capital of the licensee, would be subject to the ECA. Section 13(1) of the ECA (as amended by the Electronic Communications Amendment Act 1 of 2014 ("the Amendment Act")) states that an individual license (such as the licenses issued to Neotel) may not be let, sub-let, assigned, ceded or transferred, and the control of an individual license may not be assigned, ceded, or in any way transferred, to any person without the prior written permission of ICASA. Similarly, section 31(2A) of the ECA states that a radio frequency spectrum license may not be let, sub-let, assigned, ceded or transferred, and the control of a radio frequency spectrum license may not be assigned, ceded, or in any way transferred, to any person without the prior written permission of ICASA. In terms of sections 13(1) and section 31(2A) of the ECA, any proposed transfer of an individual license and/or a radio frequency spectrum license will require ICASA's prior written approval. This means that if the Security SPV were, in the future, to seek to take transfer or give effect to transfer to a third party of (i) the licenses issued to a South African entity or (ii) the issued share capital comprising a controlling stake in the licensee (pursuant to the exercise of its security rights), such transfer would require the prior written approval of ICASA. It is also important to note that ICASA will not approve the assignment, ceding or transfer of an individual license and/or a radio frequency spectrum license or a controlling interest therein if such transfer will result in the reduction of equity ownership held by historically disadvantaged persons to be less than 30%.

Effect of general banking facilities on South African Collateral

It is possible that Neotel and the other South African Subsidiary Guarantors will have general banking facilities in place which could include overdraft facilities supplied by the relevant bank. These facilities may be provided on a net basis and allow netting of overdraft debit amounts against cash balances across different bank accounts held with the relevant bank providing such facilities. To the extent security is required over bank accounts of Neotel or the other South African Subsidiary Guarantors these arrangements should be closely considered because the effect of such arrangements may be to limit the ability of creditors to obtain meaningful security over bank accounts and cash balances of the South African Subsidiary Guarantors.

Special Notarial bonds

According to the Security by Means of Movable Property Act, 1993 the corporeal property purported to be provided as collateral must be specified and described in the bond in a manner which renders it readily recognizable otherwise security will not be conferred over the relevant assets. We can't guarantee that the asset lists attached to the special notarial bond will be sufficient for these purposes.

Other considerations

In terms of the Insolvency Act, 1936:

- lodgment for registration of mortgage bonds, special notarial bonds and general notarial bonds must occur within a period of 2 (two) months from the date on which the relevant underlying debt to which the registerable South African law security is accessory was incurred, failing which in the case of the liquidation of a South African entity within 6 (six) months of the date of registration of the relevant registerable South African law security, that security will not confer any protection on liquidation;
- every disposition of a debtor's property (which includes the granting of collateral over the property) made by a debtor not more than six months before the sequestration of his estate or, if he is deceased and his estate is insolvent, before his death, which has had the effect of preferring one of his creditors above another, may be set aside by the court if immediately after the making of such disposition the

liabilities of the debtor exceeded the value of his assets, unless the person in whose favor the disposition was made proves that the disposition was made in the ordinary course of business and that it was not intended thereby to prefer one creditor above another.

KENYA

Validity

In Kenya, for a company to give a guarantee or issue a security, certain requirements must be satisfied. As part of these requirements, the giving of a guarantee and creation of collateral by a Kenyan company must be for its commercial benefit. There is no statutory definition of commercial benefit under Kenya law. The existence or the absence of a commercial benefit is assessed on a case-by-case basis. In addition for certain securities governed by Kenya law to be enforceable in Kenya, it is a requirement that they be drawn by an Advocate of the High Court of Kenya. Section 34 (1) of the Advocates Act (Cap. 16, Laws of Kenya) lists the documents that have to be prepared by an Advocate and these do not include a guarantee. However, the Supreme Court of Kenya recently passed a judgement holding that a guarantee as a security document should be prepared by an Advocate.

Under Kenyan law, the document by which the security interest is evidenced or created, must be stamped with stamp duty in accordance with the provisions of the Stamp Duty Act (Cap. 480 Laws of Kenya) so as to be admissible in evidence.

The Kenyan Collateral (memorandum of deposit over the Kenyan Guarantor's stock) will be in the form of a Memorandum of Deposit of the shares of the Kenyan Guarantor. There is no express requirement to register a Memorandum of Deposit of the shares of a company under the Companies Act (No. 17 of 2015) (the **Companies Act**).

Kenyan insolvency law considerations

The Insolvency Act (No.18 of 2015, Laws of Kenya) (the **Insolvency Act**) empowers Kenyan courts to place a company in liquidation or administration in accordance with sections 424 and 523 respectively. A court may on the application of a creditor or a company or its director(s) make an order placing the company in liquidation or administration. A company, its director(s) or a holder of a qualifying floating charge of may also appoint an administrator in respect of the company. Administration in the Kenyan context is different from liquidation as the main objective of an administrator is to rescue the company. The circumstances under which Kenyan courts make orders to liquidate or place a company under administration are mainly in instances where the company is unable or likely to become unable to pay its debts or where the court is of the opinion that it is just and equitable to liquidate the company or place it under administration. Section 384 of the Insolvency Act states that the circumstances under which a company is deemed to be unable to pay its debts are:

- if a creditor serves a notice to pay an amount of K.Shs.100,000/= (approximately US$1,000) or more and the company fails to pay within 21 days; or
- if an order is obtained against the company directing the company to pay its due debts and the order is returned to court unsatisfied; or
- if it is proved to the satisfaction of the court that the company is unable to pay its debts; or
- if it is proved to the satisfaction of the court that the company's assets are less than the amount of its liabilities (including contingent and prospective liabilities).

In addition, if the company has secured any of its assets under fixed charges, the holders of those charges will usually have the power to appoint a receiver to realize assets and recover the debt owed. A qualifying floating charge holder has the right to appoint an administrator to take over the operations of the company. The members/shareholders and creditors can also sanction the liquidation of a company by passing resolutions to that effect. Once a company is placed in liquidation legal proceedings against the company may only be begun or continued with the leave of court.

A disposition of the assets (including shares or alteration of the members' register) of a company in liquidation (where the liquidation was ordered by the court) is void unless sanctioned by the court. A liquidator can also reverse a transaction (with the leave of court) entered into by the company before the commencement of the liquidation where the contract places an unconscionable burden on the company to perform the contract; or where an officer of the company disposes of the company's assets fraudulently knowing that the company is insolvent, twelve (12) months before the commencement of the liquidation.

A company that is eligible to obtain a moratorium under the Insolvency Act may, if its directors wish to make a proposal for a voluntary arrangement, obtain a moratorium by lodging certain prescribed documents in court. While a moratorium is in effect, certain actions are restricted. These include enforcement of security over the company's property without the approval of the court or disposal of any property or payment of any debts and liabilities except where there are reasonable grounds to believe that the disposal or the payment will benefit the company or where the disposal is approved by the provisional supervisor or the moratorium committee.

The Notes are being secured by inter alia, the Guarantee and the Kenya Collateral which for purposes of Kenyan Insolvency law, could be voided and/or rescinded and any payments made pursuant to them ordered to be refunded if a court were to determine that: the issuance of the Guarantee and the Kenya Collateral was tantamount to preference or the directors knew or ought to have known that the Kenyan Guarantor was insolvent; or disbursements payable under the Guarantee and Kenya Collateral were unconscionable and did not reflect the true and/or fair value supposed to be paid. If a competent court were to order that the Guarantee and/or the Kenya Collateral be voided for any reason holders of the Notes would have to prove their debts as unsecured creditors.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement (the "**Purchase Agreement**") to be dated as of the date of this offering memorandum, among the Issuer, the Guarantors, and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase, the Notes from the Issuer.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if they purchase any of them.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. The Initial Purchasers may change the price at which the Notes are offered and other selling terms of the Notes at any time without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates (as defined under Rule 501(b) of the U.S. Securities Act). To the extent the Initial Purchasers intend to effect any sales of the Notes in the United States, they will do so through their respective selling agents, or through one or more U.S. registered broker dealers or as otherwise permitted by applicable U.S. law.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the Offering may be terminated.

The Purchase Agreement provides that the Issuer and the Guarantors will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer will pay certain of the Initial Purchasers a commission and pay certain fees and expenses relating to the offering of the Notes. The Issuer, the Guarantors and subsidiaries or other affiliates of the Guarantors have agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, any debt (including, without limitation, any debt securities, loans or other instruments) of, or guaranteed by, the Issuer or the Guarantors and having a tenor of more than one year during the period from the date of the Purchase Agreement through and including the date 60 days after the date of the Purchase Agreement, in each case, without the prior written consent of the Initial Purchasers.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Notes (and the Guarantees) have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Notice to Investors*."

Each Initial Purchaser, severally and not jointly, has represented, warranted and agreed that it:

(1) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and the Guarantors; and

(2) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each Initial Purchaser, severally and not jointly, has represented, warranted and agreed that any Notes will only be offered to qualified investors (as defined in the Prospectus Directive).

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See "*Notice to Investors*."

The Notes are a new issue of securities for which there currently is no market. We have applied, through our listing agents, to list the Notes on the Official List and trade them on the Global Exchange Market of the Irish Stock Exchange. The Global Exchange Market of the Irish Stock Exchange is an exchange regulated market and not a regulated market for the purposes of Directive 2004/39/EC. There is no assurance that the Notes will be listed and admitted to trading on the Global Exchange Market or that any such listing or admission will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price that will be favorable to you. See "*Risk Factors—Risks relating to the Notes and the Guarantees—There is no established trading market for the Notes and no assurance that the holders of the Notes will be able to sell them*."

We expect that delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this offering memorandum, which will be the fifth business day (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+5"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding two business days will be required, by virtue of the fact that the Notes initially will settle T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding seven business days should consult their advisors.

In connection with the offering of the Notes, the Stabilizing Manager, or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over-allot the offering of the Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase the Notes in market-making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks relating to the Notes and the Guarantees—There is no established trading market for the Notes and no assurance that the holders of the Notes will be able to sell them*."

The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. The Initial Purchasers or their respective affiliates may also receive allocations of the Notes. The Initial Purchasers and their respective affiliates may be currently advising us or other interested parties, and may advise us or other interested parties from time to time on other transactions in the future. In particular, certain of the Initial Purchasers or their affiliates act as arrangers, lenders or other counterparties to certain of our financing arrangements, for which they have received, or may in the future receive, customary fees, commissions and payments. In particular, certain of the Initial Purchasers have credit exposure via credit facilities outstanding to which the Company or its subsidiaries are borrowers, and such Initial Purchasers will receive from the proceeds of the Notes funds sufficient to repay and cancel such facilities. The Standard Bank of South Africa has credit exposure (i) through its affiliate Stanbic Zambia as the lender to CEC Liquid Telecommunication Ltd under a US$15.25 million term loan, which will remain outstanding following completion of the Transactions, (ii) as initial mandated lead arranger, global coordinator, underwriter, facility agent, security agent and hedge bank under the LTH Senior Credit Facilities, with Standard Bank Mauritius and Standard Finance Limited as lenders, and (iii) as joint mandated lead arranger and lender under the ZAR3.3 billion Neotel Senior Bridge Facility and in the case of (ii) and (iii), such financings will be repaid using certain proceeds of this Offering. Standard Chartered Bank acts as a senior mandated lead arranger and lender under the US$300 million LTH Senior Credit Facilities, which is being repaid using the proceeds of this Offering. See *"Summary—The Transactions," "Use of Proceeds" and "Capitalization".*

The Standard Bank of South Africa will act as security agent under the Indenture and the New Senior Facilities Agreement, pursuant to the terms thereof.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Notes and the Guarantees are being offered and sold only (i) to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) ("**QIBs**") in compliance with Rule 144A; and (ii) outside the United States in offshore transactions in accordance with Regulation S. The terms "offshore transaction" and "United States" have the meanings given to them in Regulation S.

In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of the Notes (including the Guarantees) within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A under the U.S. Securities Act.

Each purchaser of the Notes hereunder (other than each of the Initial Purchasers) will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A and Regulation S are used herein as defined therein):

(1) It understands and acknowledges that the Notes (and the Guarantees) have not been registered under the U.S. Securities Act or any applicable state securities law; are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any state securities law, including sales pursuant to Rule 144A; and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any applicable state securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or acting on behalf of the Issuer and it is either:

- a QIB and is aware that any sale of the Notes to it will be made in reliance on Rule 144A, and the acquisition of Notes will be for its own account or for the account of another QIB; or
- person purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) It acknowledges that none of us, the Issuer or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the offering or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum. It also acknowledges that (i) it has been afforded an opportunity to request from us and the Initial Purchasers and to review and has received all additional information considered by it to be necessary to verify the accuracy and completeness of the information provided to it and (ii) that it has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision and (iii) no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained in this offering memorandum, and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

(4) It is purchasing the Notes and the Guarantees for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and

subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) It acknowledges that each Note issued pursuant to Rule 144A will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A")) OR (B) IT IS ACQUIRING THE SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) (THE "RESALE RESTRICTION TERMINATION DATE") ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

Each purchaser will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(7) It acknowledges that the Transfer Agent will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set forth therein have been complied with.

(8) It acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(9) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

(10) Each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes constitutes assets of any employee benefit plan subject to Title I of ERISA, any plan, individual retirement account or other arrangement subject to Section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of Similar Law, or any entity whose underlying assets are considered to include "plan assets" of any such plan or account, or (ii) the purchase and holding of the Notes will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Freshfields Bruckhaus Deringer LLP, with respect to U.S. federal, New York and English law, BLC Robert & Associates with respect to Mauritian law, Cliffe Dekker Hofmeyr Inc, with respect to South African law and Anjarwalla & Khanna, with respect to Kenyan law.

Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, with respect to U.S. federal, New York and English law, Appleby (JV) Ltd & Cie, with respect to Mauritian law, Webber Wentzel, with respect to South African law and Coulson Harney LLP, with respect to Kenyan law.

INDEPENDENT AUDITORS

The consolidated financial statements of the Liquid Group as at and for the years ended February 28, 2015, February 29, 2016 and February 28, 2017 included in this offering memorandum have been audited by Deloitte, independent auditors, as stated in their reports appearing herein.

Deloitte's report states that the report was made solely to the Company and its shareholders as a body; that the independent auditor's work was undertaken so that the independent auditor might state to the shareholders of the Company those matters that were required to be stated to them in an auditor's report and for no other purpose; and that Deloitte does not accept or assume responsibility to anyone other than the Company and shareholders of the Company as a body for its audit work, for its report or the opinions it has formed.

The consolidated financial statements of Neotel as at and for the years ended March 31, 2015 and March 31, 2016 included in this offering memorandum have been jointly audited by Deloitte & Touche in South Africa and SNG (a local South African audit firm), independent auditors as stated in their reports appearing therein (which reports express a qualified opinion on the consolidated financial statements in relation to the possible effects of certain agreements entered into with a consultant company in pursuit of and in connection with securing customer contracts as described in Note 37 of those consolidated financial statements, and which report also includes an explanatory paragraph related to Neotel's ability to continue as a going concern).

The consolidated financial statements of Neotel as at and for the 11 months ended February 28, 2017 included in this offering memorandum have been audited by Deloitte & Touche, independent auditors, as stated in their report appearing therein (which report includes an explanatory paragraph related to Neotel's ability to continue as a going concern).

Deloitte & Touche LLP, based in the United Kingdom, is an independent auditor with respect to the Issuer and its subsidiary.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and, to the extent provided to the Initial Purchasers by us for such purpose, any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this offering memorandum acknowledges that:

(i) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(iii) except as provided pursuant to point (i) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes remain "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) of the U.S. Exchange Act, make available to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirement of Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. All of the above documents will be available at the offices of the Issuer.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public company limited by shares organized under the laws of England and Wales and the Guarantors of the Notes are incorporated under the laws of Mauritius, South Africa, Kenya and England and Wales. All of their directors and executive officers are non-residents of the United States and all of the Issuer's and Guarantors' assets and those of such persons are located outside the United States. Although the Issuer and the Guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action under U.S. securities laws, you may not be able to effect service of process on such persons or the Issuer or the Guarantors within the United States in any action, including actions predicated on civil liability provisions of the U.S. federal and state securities laws or other laws.

Additionally, because the planned Revolving Credit Facility and Term Loan Facility are to be governed by the law of England and Wales, it is likely that a claim arising therefrom will be brought in an English court, following which enforcement of any judgment rendered against the Issuer or a Guarantor would need to be sought in an English court.

Under the terms of the Indenture, the Issuer, the Guarantors (including the Company) and the Trustee agree that any dispute, controversy or cause of action against the Issuer, the Company, the Guarantors and/or the Trustee arising out of the Indenture or any transaction contemplated therein, the Notes or other deposited securities, will be referred to and resolved by the courts of New York, as more fully described in the Indenture.

If a judgment is obtained in a U.S. court against the Issuer, the Guarantors (including the Company) or any directors or officers, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for Mauritius, South Africa, Kenya and England and Wales, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

ENGLAND AND WALES

The following is a discussion with respect to the enforceability of certain U.S. court judgments in England and Wales and is based upon advice provided to the Issuer by its English counsel. The United States and the United Kingdom do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters (although the United States and the United Kingdom are both parties to the New York Convention on Arbitral Awards). Any judgment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities law, would not be directly enforceable in England and Wales. In order to enforce any such judgment in England and Wales, proceedings must be initiated by way of civil law action on the judgment debt before a court of competent jurisdiction in England and Wales. In this type of action, an English court generally will not (subject to the matters identified below) reinvestigate the merits of the original matter decided by a U.S. court if:

- the relevant U.S. court had jurisdiction (under English rules of private international law) to give the judgment and;
- the judgment is final and conclusive on the merits and is for a definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty or otherwise based on a U.S. law that an English court considers to be a penal, revenue or other public law).

An English court may refuse to enforce such a judgment, however, if it is established that:

- the enforcement of such judgment would contravene public policy or statute in England and Wales (including, for the avoidance of doubt, the European Convention of Human Rights);
- the enforcement of the judgment is prohibited by statute (including, without limitation, if the amount of the judgment has been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained);
- the English proceedings were not commenced within the relevant limitation period;

- before the date on which the U.S. court gave judgment, the issues in question had been the subject of a final judgment of an English court or of a court of another jurisdiction whose judgment is enforceable in England;
- the judgment has been obtained by fraud or in proceedings in which the principles of natural justice were breached;
- the bringing of proceedings in the relevant U.S. court was contrary to an agreement under which the dispute in question was to be settled otherwise than by proceedings in that court (to whose jurisdiction the judgment debtor did not submit); or
- an order has been made and remains effective under section 9 of the U.K. Foreign Judgments (Reciprocal Enforcement) Act 1933 applying that section to U.S. courts including the relevant U.S. court.

If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available for this purpose. These methods generally permit the court discretion to prescribe the manner of enforcement. In addition, it may not be possible to obtain an English judgment or to enforce that judgment if the judgment debtor is subject to any insolvency or similar proceedings, or if the judgment debtor has any set-off or counterclaim against the judgment creditor. Subject to the foregoing, investors may be able to enforce in England and Wales judgments in civil and commercial matters obtained from U.S. federal or state courts in the manner described above using the methods available for enforcement of a judgment of an English court.

It is, however, uncertain whether an English court would impose liability on the Issuer, the Company or other persons in an action predicated upon the U.S. federal securities law brought in England and Wales.

MAURITIUS

The United States and Mauritius do not currently have a treaty providing for reciprocal recognition and enforcement of court judgments (other than arbitration awards) in civil and commercial matters (although the United States and Mauritius are both parties to the 1958 New York Convention on the recognition and enforcement of foreign arbitral awards). As a result, any judgment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities law, would not be directly enforceable in Mauritius. In order to enforce any such judgment in Mauritius, proceedings must be initiated by way of Exequatur in accordance with article 546 of the Code de procédure civile. In this type of action, the Supreme Court of Mauritius will register and enforce the original judgment without reconsideration of the merits, if;

(a) the judgment remains valid and capable of execution in the United States;

(b) the company has been regularly summoned to the proceedings leading to the judgment; and

(c) the court of United States had jurisdiction over the Company and the matter submitted to it.

The Mauritius Supreme Court will not recognize and enforce a foreign judgment if:

(a) the judgement is contrary to any principle affecting public order, as such term is interpreted under Mauritian law;

(b) the judgement was obtained by fraud or in a manner contrary to the principles of natural justice, including in respect of procedure; or

(c) the judgement is for a claim that, under Mauritian law, would be characterized as based on a tax, expropriation, penal or other public law.

The Supreme Court of Mauritius has discretion to stay or decline to hear an action on the foreign judgement if the foreign judgement is under appeal or there is another subsisting judgment in any jurisdiction relating to the same cause of action as the foreign judgement.

Currency of judgment

The courts in Mauritius will only render judgment for a sum of money in Mauritian currency. If a foreign judgment is in a foreign currency, the courts in Mauritius will give a judgment in the Mauritian currency equivalent of such foreign currency; conversion will be calculated on the date which the Mauritian courts consider the most appropriate to fully compensate the judgment creditor.

SOUTH AFRICA

The following is a discussion with respect to the enforceability of certain U.S. court judgments in South Africa and is based upon advice provided to the Issuer by its South African counsel.

Choice of Law

In any proceedings for the enforcement of the obligations of any South African party, the South African courts will generally give effect to the choice of foreign law as contemplated in the Notes as the governing law thereof.

Jurisdiction

Any party's (i) irrevocable submission under the Indenture to the jurisdiction of a New York court; and (ii) agreement not to claim any immunity to which it or its assets may be entitled, is generally legal, valid, binding and enforceable under the laws of South Africa and, subject to the qualifications referred to below, any judgment obtained in the foreign jurisdiction will be recognized and be enforceable by the courts of South Africa without the need for re-examination of the merits. The appointment by any party of an agent in a New York court to accept service of process in respect of the jurisdiction of the New York courts is generally valid and binding on that party.

Under South African law, a court will not accept a complete ouster of jurisdiction, although generally it recognizes party autonomy and gives effect to choice of law and choice of jurisdiction provisions. However, jurisdiction remains within the discretion of the court and a court may, in certain instances, assume jurisdiction provided there are sufficient jurisdictional connecting factors. South African courts may, in rare instances, choose not to give effect to a choice of jurisdiction clause, if, for example, such choice is contrary to public policy. Proceedings before a court of South Africa may be stayed if the subject of the proceedings is concurrently before any other court.

Recognition of foreign judgments

The consent of the South African Minister of Trade and Industry may in certain circumstances specifically be required in respect of judgments, orders, directors or arbitration awards given outside of South Africa in connection with, *inter alios*, mining activities or the use or sale of ownership of any matter or material. Subject to obtaining the permission of the South African Minister of Trade and Industry under the South African Protection of Businesses Act No. 99 of 1978 (the "**SA PB Act**"), if required, an authenticated judgment obtained in a competent court of jurisdiction other than South Africa will be recognized and enforced in accordance with procedures ordinarily applicable under South African law for the enforcement of foreign judgments, namely a provisional sentence summons, application or action claiming enforcement of the foreign judgment; provided that the judgment was pronounced by a proper court of law, was final and conclusive (in the case of a judgment for money, on the face of it), has not become stale, and has not been obtained by fraud or in any manner opposed to natural justice or contrary to the international principles of due process and procedural fairness, the enforcement thereof is not contrary to South African public policy and the foreign court in question had jurisdiction and competence according to the applicable South African rules on international competence. South African courts will not enforce foreign revenue or penal laws (such as fines or governmental levy (distinct from private judgments)) and South African courts have, as a matter of public policy, generally not enforced awards for multiple or punitive damages. Permission from the Minister of Trade and Industry will similarly not be granted if it would result in the recovery of punitive damages.

Where obligations are to be performed in a jurisdiction outside South Africa they may not be enforceable under the laws of South Africa to the extent that such performance would be illegal or contrary to public policy under the laws of South Africa or the foreign jurisdiction, or to the extent that the law precludes South African courts from granting extra-territorial orders. South African courts have the discretion of refusing the granting of orders with extra-territorial effect if the granting of such order would be ineffectual.

Under the South African Recognition and Enforcement of Foreign Arbitral Awards Act, No. 40 of 1977 (the "**SA Enforcement Act**"), any foreign arbitral award may, subject to the provisions of sections 3 and 4 thereof, be made an order of court. Any such award which has been made an order of court pursuant to the provisions of the SA Enforcement Act may be enforced in the same manner as any judgment or order to the same effect (subject to the provisions of the SA PB Act, which apply *mutatis mutandis* to foreign arbitral awards).

Effect of liquidation on civil proceedings

In general and subject to certain exceptions, civil proceedings (including arbitration proceedings) instituted by or against a company are automatically stayed upon the winding-up of the company until the appointment of a final liquidator. Execution against the company in liquidation's assets is similarly stayed. A plaintiff wishing to continue with such proceedings against the company in liquidation must give the final liquidator three weeks' notice of its intention to do so within a period of four weeks from the date on which that liquidator is finally appointed, failing which, the proceedings are deemed to be abandoned. However, where the court finds that there was a reasonable excuse for a failure to give the requisite notice, it has a discretion to allow a plaintiff to continue with proceedings on such conditions as it deems fit. Any attachment or execution put in force against the estate or assets of the company after the commencement of the winding-up (i.e. the date upon which the application for the winding-up was lodged with the Court or a resolution to voluntarily wind-up the company was filed) shall be void.

KENYA

Choice of law and jurisdiction

There is no specific statute dealing with conflict of laws in Kenya. However, it is a general principle of common law applicable in Kenya that where the parties to a contract expressly stipulate that the contract shall be governed by a particular law, that law will be the proper law of the contract, provided that the selection is *bona fide* and reasonable, and there is no objection on the grounds of public policy even where the law has no real connection with the contract. Accordingly, courts in Kenya generally respect the choice of law provisions agreed to by the parties to a contract and the application of foreign law in such a case would not be viewed as an infringement of Kenya's sovereignty. Choice of law in commercial contracts is a well-recognized principle in Kenyan law and the courts will generally enforce a clause ousting their jurisdiction and the application of Kenyan law provided that certain pre-requisites are met.

The general rule is that the exclusive jurisdiction clause should normally be respected because the parties themselves freely fixed the forum for the settlement of their disputes; and the court should carry out the intention of the parties and enforce the agreement made by them. This rationale is partially founded on the common law principle of privity and freedom of contract between parties and that a court should not re-write a contract for the parties.

The recurrent theme in cases where Kenyan courts have been faced with the question of whether or not to respect an exclusive jurisdiction clause is that the courts should exercise their discretion by taking into account all the circumstances of the particular case to determine whether or not to uphold an exclusive jurisdiction clause. The following are issues that Kenyan courts have held, need to be considered on questions of choice of law and jurisdiction:

- in what country the evidence on the issues of fact is situated or more readily available and the effect of that on the relative convenience and expense of trial as between the court of the country and the court of the foreign country. The rationale here being that it would not be proper in all reasonableness to have a matter heard in a different country whereas all the evidence is situated in a different country and that it would be expensive and inconvenient to try the matter in a different country;

- whether the law of the foreign court applies, and if so, whether it differs from the law of the country in any material respects;

- with what country either party is connected, and how closely;

- whether either of the parties to the dispute genuinely desires trial in the foreign country, or is only seeking procedural advantage. The rationale here being that it would not be proper to allow forum shopping where the only objective it to defeat a claim by the other party; or

- whether either of the parties would be prejudiced by having to sue in the foreign court because they would be deprived of security for their claim, be unable to enforce any judgment obtained or be faced with a time bar not applicable in their country.

For the purposes of the issuance of the Notes, Guarantee and Collateral, choice of law will be respected by Kenyan courts subject however to the above test being applied in the event of a dispute. It should be noted, that the choice of law or legal system is construed as referring to the substantive law of that state and not to its conflict of laws rules or procedural rules. Therefore, if a contract stipulates, for example, that English law is to apply, a Kenyan court would uphold English law but apply Kenyan conflict of laws and procedural rules.

Recognition of foreign judgments

Foreign judgments are enforceable in Kenya if they originate from countries whose courts are recognized under the Foreign Judgments (Reciprocal Enforcement) Act (Chapter 43, Laws of Kenya) (the **FJEA**) as "designated courts". A designated court is defined in section 2 of the FJEA as a superior court of a reciprocating country which is a Commonwealth country, a superior court of any other reciprocating country which is specified in an order made under section 13 of the FJEA or a subordinate court of a reciprocating country which is specified in an order made under section 13. The foreign judgments enforceable under the FJEA are set out in sub-sections 3(1) and 3(2) of the FJEA and include:

- a judgment or order of a designated court in civil proceedings whereby a sum of money is made payable;
- a judgment or order of a designated court in civil proceedings under which movable property is ordered to be delivered to any person;
- a judgment given in any court on appeal against a judgment or order or a designated court referred to in paragraphs (a) and (b);
- a judgment of a designated superior court for the costs of an appeal from a subordinated court, whether or not a designated court, or from an award referred to in paragraph (e); and
- an award in arbitration proceedings, if the award has become enforceable (under the laws in force in the country where it was made) in the same manner as a judgment given by a designated court in that country.

The FJEA however applies to a judgment referred to in section 3(1) in instances where the foreign judgment requires the judgment debtor to make an interim payment of a sum of money to the judgment creditor; or the judgment is final and conclusive as between the parties thereto. It should be noted that a judgment is deemed to be final and conclusive notwithstanding that an appeal may be pending against it, or that it may still be subject to appeal, in the courts of the country of the original court.

Once a judgement is obtained in a foreign jurisdiction, the judgement needs to be registered in the High Court of Kenya upon the making of an application. The application must comply strictly with the requirements set out in section 5 of the FJEA. Elaborate rules are set out under the FJEA setting out how the application for registration is to be made, how the order is to be drawn up, notice of registration to the judgement debtor, how an application to set aside registration is to be made and for appeal.

Once the judgement has been registered it will be recognized by the Kenyan courts, and it will have the same force and effect as if the judgement was entered in Kenya. The enforcement thereof will then follow the same procedure set out in the Civil Procedure Act (Cap 21, Laws of Kenya). The registration of the judgement must however be done within six (6) years from the date of the judgement save where the judgement is subject to appeal in which case the six year period is from the date of the determination of the appeal. Judgements registered in Kenya for enforcement are payable in the Kenyan shilling equivalent of the currency in which the judgement was entered at the exchange rate prevailing at the date of registration of that judgement. Where the High Court is satisfied that the judgement is partially satisfied in the country in which it was made, the judgement may be registered only in respect of the sums or the items of movable property remaining payable or deliverable in the proceedings. Kenyan courts may also reserve jurisdiction over some peripheral matters or on issues dealing with immovable property located in Kenya even though parties have settled on the laws of another country as the choice of law;

With respect to the finality of the foreign judgement, section 9 of the Civil Procedure Act provides that a foreign judgement shall be conclusive as to any matter thereby directly adjudicated upon between the parties or between parties under whom they or any of them was claiming. What this means is that Kenyan courts will not seek to revise and/or review the foreign judgement on its merits or seek to review the facts and will enforce it as it was passed in the foreign court.

However there are certain instances when the Kenyan courts will not recognize a foreign judgement. These instances include:

- where a foreign court lacked jurisdiction to adjudicate on the matter the subject of its judgment;
- where the merits of the case were not considered by the foreign court;
- where the proceedings in the foreign court were based on an incorrect view of Kenyan law in cases where such law is applicable;
- where the proceedings in the foreign court were in contravention of the rules of natural justice;
- where the judgement was obtained by fraud; and
- where the judgement sustains a claim founded on a breach of any law in force in Kenya.
- Judgment obtained in the English Courts is enforceable in the courts of Kenya by registration under the FJEA.

Enforceability of U.S. judgements in Kenya

The United States is not a reciprocating country under the FJEA. In addition, the New York courts are not designated courts for purposes of enforcing reciprocal judgements. Kenyan courts have on various occasions been faced with instances where parties have sought to enforce judgments from non-reciprocating countries. In the absence of a reciprocal enforcement arrangement, a foreign judgment is enforceable in Kenya as a claim in common law. Under English common law, which has the force of law in Kenya, a judgment of a competent foreign court condemning a party to pay a certain sum constitutes a good cause of action and is regarded as creating a debt in respect of which a suit may be filed in Kenyan courts. The process entails instituting a claim in a competent court with the resultant effect of obtaining a judgment from a Kenyan court based on using the foreign judgement. The Court of Appeal in Kenya has previously held that the following requirements must be fulfilled before enforcement in such a case:

- The party seeking to enforce the foreign judgment must file a plaint at the High Court of Kenya providing a concise statement of the nature of the claim, claiming the amount of the judgment debt, supported by a verifying affidavit, list of witnesses and bundle of documents intended to be relied upon. A certified copy of the foreign judgment should be exhibited to the plaint. It is open to a defendant to challenge the validity of the foreign judgment under the grounds set out in Section 9 of the Civil Procedure Act (set out in our analysis above paragraph 2.6).
- A judgment creditor is entitled to summary judgment under Order 36 of the Civil Procedure Rules unless the defendant judgment debtor can satisfy the Court that there is a real prospect of establishing at trial one of the grounds set out in Section 9 of the Civil Procedure Act.
- If the foreign judgment creditor is successful after trial, the judgment creditor will have the benefit of a High Court judgment and the judgment creditor will be entitled to use the procedures of the Kenyan courts to enforce the foreign judgment which will now be executed as a Kenyan judgment.
- The money judgment in the foreign judgment must be final and conclusive and must be filed within six (6) years from the date of judgement. It may be final and conclusive even though it is subject to an appeal;
- The foreign court must have had jurisdiction, (according to the Kenyan rules on conflict of laws) to determine the subject matter of the dispute and the parties to the foreign court's judgment and the enforcement proceedings must be the same or must derive their title from the original parties.

The Kenya High Court will generally consider the foreign court to have had jurisdiction where the person against whom the judgment was given:

- was, at the time the proceedings were commenced, habitually resident or incorporated in or having a principal place of business in the foreign jurisdiction; or
- was the claimant or counter-claimant in the foreign proceedings; or
- willingly submitted to the jurisdiction of the foreign court; or
- agreed, before commencement, in respect of the subject matter of the proceedings to submit to the jurisdiction of the foreign court.

Where the above requirements are established to the satisfaction of the Kenya High Court, the High Court will not re-examine the merits of the foreign court judgment. The foreign judgment will be enforced on the basis that the defendant has a legal obligation as a matter of common law, recognized by the High Court, to satisfy the money decree of the foreign judgment.

Effect of liquidation on civil proceedings

Generally according to the Insolvency Act the consequences of placing a company (registered in Kenya) into insolvency (for example, administration, winding up or liquidation) is that no new court proceedings can be brought against the company for recovery of a debt without leave of the court. Similarly, any enforcement of securities, execution and/or attachment of the company's assets are stayed until finalisation of the insolvency process. If a company is liquidated and/or wound up the claims of the beneficiary of a guarantee will rank *pari passu* with the claims of an unsecured creditor. Schedule 2 of the Insolvency Act sets out the preferential debtors in priority as being (i) expenses of the liquidation; (ii) wages and other employee costs; (iii) certain taxes and other levies due in law; and (iv) unsecured creditors to be paid *pari passu*.

Assets pledged as security do not form part of the insolvency estate in Kenya and the secured creditor has a right to realise the security and set off debts due to it but must account for any excess funds from the realisation which must be remitted to the liquidator for distribution.

LISTING AND GENERAL INFORMATION

1. Liquid Telecommunications Financing plc is a public company limited by shares incorporated under the laws of England and Wales. Liquid Telecommunications Financing plc was incorporated on May 8, 2017, and is registered under company number 10759673. Liquid Telecommunications Financing plc's registered office is located at 9th Floor, 6 New Street Square, London EC4A 3BF, and its telephone number is +44 20 7101 6100. The Issuer is a finance company and the only subsidiary of the Issuer as of the Issue Date will be Liquid Telecommunications Investments Limited.

2. The issue of the Notes was authorized by the written resolutions of the General Meeting of Shareholders of the Issuer dated July 5, 2017 and the written resolutions of the board of directors of the Issuer dated July 4, 2017.

3. The Notes will be guaranteed by the following Guarantors:

   a. The Company (Liquid Telecommunications Holdings Limited), a private company limited by shares incorporated under the laws of Mauritius, registered under company number 068355, with registered address 10th Floor, Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebene, 72201, Republic of Mauritius;

   b. Liquid Telecommunications Operations Limited, a private company limited by shares incorporated under the laws of Mauritius, registered under company number 068753, with registered address 10th Floor, Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebene, 72201, Republic of Mauritius;

   c. Liquid Telecommunications Limited, a private company limited by shares incorporated under the laws of England and Wales, registered under company number 04946019, with registered address 9th Floor, 6 New Street Square, London EC4A 3BF;

   d. Liquid Telecommunications Investments Limited, a private company limited by shares incorporated under the laws of England and Wales, registered under company number 10762104, with registered address 9th Floor, 6 New Street Square, London EC4A 3BF;

   e. Liquid Telecommunications Kenya Limited, a limited company incorporated under the laws of Kenya under company number C41705, with registered address Sameer Business Park, Block A, Mombasa Road, Nairobi, Kenya (with a postal address of Post Office Box Number 62499-00200, Nairobi, Kenya);

   f. Liquid Telecommunications Holdings South Africa (Pty) Ltd, a limited company incorporated under the laws of the Republic of South Africa under company number 2016/272836/07, with registered address 401 Old Pretoria Main Road, Halfway House, Midrand, 1685, Gauteng, South Africa;

   g. Liquid Telecommunications Operations SA Proprietary Limited, a limited company incorporated under the laws of the Republic of South Africa under company number 2007/016703/07, with registered address 401 Old Pretoria Main Road, Halfway House, Midrand, 1685, Gauteng, South Africa; and

   h. Liquid Telecommunications Operations SA Proprietary Limited, a limited company incorporated under the laws of the Republic of South Africa, with registered address 401 Old Pretoria Main Road, Halfway House, Midrand, 1685, Gauteng, South Africa.

4. Application has been made to the Irish Stock Exchange for the Notes to be admitted to its Official List and trading on its Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange. This offering memorandum constitutes the Listing Particulars for the purposes of listing on the Official List of the Irish Stock Exchange.

5. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the admission of the Notes to the Official List of the Irish Stock Exchange and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its Global Exchange Market.

6. Notes sold pursuant to Regulation S in this Offering have been accepted for clearance through the facilities of Euroclear and Clearstream under the common code 164441890. Notes sold pursuant to Rule 144A in this Offering have been accepted for clearance through the facilities of DTC under the common code 164536017 and have been assigned CUSIP number 536333 AA5. The international

securities identification number (ISIN) for the Notes sold pursuant to Regulation S is XS1644418904 and the ISIN for the Notes sold pursuant to Rule 144A is US536333AA58.

7. The Notes will be fully and unconditionally guaranteed by certain of our subsidiaries, as described elsewhere in this listing particulars, on a joint and several basis. The Financial Statements included in this Listing Particulars include consolidated financial information for our subsidiaries guaranteeing the Notes and our non-guarantor subsidiaries.

8. As at and for the year ended February 28, 2017, the Guarantors represented (i) 75.3% (or US$125.0 million) of our Pro forma Adjusted EBITDA (amounting to US$166.0 million), excluding dividend income and profit from the sale of subsidiaries and (ii) 81.0% (or US$324.1 million) of our net assets (amounting to US$400.0 million), after adjusting for intercompany payables and receivables. As at and for the year ended February 28, 2017 our non-guarantor subsidiaries represented 24.7% (or US$41.0 million) of our Pro forma Adjusted EBITDA, excluding dividend income and profit from the sale of subsidiaries, and, as at and for the year ended February 28, 2017, 19.0% (or US$75.9 million) of our net assets, after adjusting for intercompany payables and receivables.

9. Other than Liquid Telecommunications Holdings South Africa (Pty) Ltd, Liquid Telecommunications Operations SA Proprietary Limited, and Liquid Telecommunications South Africa Proprietary Limited (formerly Neotel Proprietary Limited), each of the Guarantors is a wholly-owned subsidiary of the Group. We own 70% equity stake in Liquid Telecommunications Holdings South Africa (Pty) Ltd, which in turn owns 100% equity stake in both Liquid Telecommunications Operations SA Proprietary Limited and Liquid Telecommunications South Africa Proprietary Limited (formerly Neotel Proprietary Limited). The remaining 30% equity stake in Liquid Telecommunications Holdings South Africa (Pty) Ltd is held by Lisinfo 213 Property Proprietary Limited, a wholly-owned subsidiary of Royal Bafokeng Holdings Proprietary Limited. As at the date of this offering memorandum, Lisinfo 213 Property Proprietary Limited is entitled to require the Company to purchase all of the B shares and shareholder loan claims held by Lisinfo 213 Property Proprietary Limited in Liquid Telecommunications Holdings South Africa (Pty) Ltd in exchange for ordinary shares in the Company. For more detail, see "*Related Party Transactions—The Option Holder's flip-up right.*"

10. We have appointed The Standard Bank of South Africa Limited as Security Agent, and Citibank, N.A., London Branch, as Trustee.

11. We have appointed Citibank, N.A., London Branch, as Registrar, Transfer Agent and Paying Agent.

12. Electronic or physical copies of the following documents will be available for inspection free of charge, during normal business hours on any weekday, at our offices located at 6 New Street Square, London EC4A 3BF from the date of publication of this offering memorandum for as long as the securities are listed on the Official List of the ISE and admitted to trading on the Global Exchange Market:

   - the offering memorandum;
   - the articles of association of the Issuer and the Guarantors;
   - the Guarantees;
   - the Indenture;
   - the Intercreditor Agreement and the documents creating the security interests in the Collateral as contemplated by the Indenture; and
   - the audited consolidated financial statements of the Liquid Group as at and for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, together with the auditors' report and including the related notes thereto; and
   - the audited consolidated financial statements of Neotel as at and for the years ended March 31, 2015 and March 31, 2016, and the 11 months ended February 28, 2017, together with the auditors' report and including the related notes thereto.

13. There has been no material adverse change in the prospects of the Group since February 28, 2017, the end of the period to which our audited financial statements relate.

14. There has been no significant change in the Group's financial or trading position since February 28, 2017, the end of the period to which our audited financial statements relate, except as set forth in the sections entitled "*Summary—Recent Developments*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*."
15. The results of the Offering will be made public by us through a press release promptly upon the closing of the Offering.
16. Holders of the Notes may contact the Transfer Agent with questions relating to the transfer of Notes on the books of the Registrar, which shall be maintained at the Trustee's principal office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.
17. Although the Issuer does not currently contemplate making any applications to list the Notes and have them admitted to trading on a regulated market for the purposes of Directive 2004/39/EC, such application may be made in the future. If any such application is made, there will be no assurance that the Notes will be so listed or admitted to trading.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
(Registration Number: 068355 C2/GBL)

ANNUAL FINANCIAL STATEMENTS
28 February 2017

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Deloitte.

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19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Shareholders of Liquid Telecommunications Holdings Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **Liquid Telecommunications Holdings Limited (the "company") and its subsidiaries (collectively referred to as the "Group")** set out on pages 7 to 57, which comprise the consolidated and separate statement of financial position as at 28 February 2017, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and Company as at 28 February 2017, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the IESBA Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern of a material component

We draw attention to Note 39 in the financial statements, which indicates that Neotel (Pty) Ltd, a significant component of the Group, has a bridge loan of US$240 million (ZAR 2.95 billion) repayable in May 2018. The repayment of this loan is entirely dependent on the Group's ability to raise new finance through debt capital or refinancing through term loan. As stated in Note 39, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on Neotel (Pty) Ltd's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the Report of the directors and Secretary's certificate, but does not include consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Deloitte

Deloitte
Chartered Accountants
Date: 16 June 2017

Pradeep Malik

Pradeep Malik, FCA
Licensed by FRC

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2017

		Group		Company	
	Notes	28/02/2017	29/02/2016	28/02/2017	29/02/2016
		US$	US$	US$	US$
Revenue	4	342,991,933	306,546,631	—	—
Cost of sales	5	(137,734,003)	(115,515,337)	—	—
Gross Profit		205,257,930	191,031,294	—	—
Other Income	5	1,860,987	3,294,683	64,335,576	1,571,830
Dividend received		307,633	278,605	30,307,633	70,000,000
Selling and distribution costs		(7,721,363)	(6,717,946)	(1,203,597)	(987,120)
Administrative expenses		(32,037,905)	(29,782,373)	(13,025,524)	(14,646,574)
Staff costs		(51,471,309)	(43,009,342)	(2,291,790)	(912,468)
Profit before interest, taxation, impairment and amortisation		116,195,973	115,094,921	78,122,298	55,025,668
Depreciation, impairment and amortisation		(38,417,347)	(33,653,731)	(5,440,857)	7,767,706
Acquisition costs	5	(4,476,896)	—	(4,476,896)	—
Operating profit		73,301,730	81,441,190	68,204,545	62,793,374
Interest income	6	1,554,463	728,156	10,933,177	9,861,274
Finance costs	7	(13,785,437)	(7,256,314)	(11,142,727)	(7,569,868)
Foreign exchange gain / (loss)	5	2,031,913	(13,254,178)	50,171	365,567
Share of profits of associates	13	3,133	—	—	—
Profit before taxation		63,105,802	61,658,854	68,045,166	65,450,347
Tax expense	8	(9,037,065)	(11,774,182)	(155,740)	(196,355)
Profit for the year		**54,068,737**	**49,884,672**	**67,889,426**	**65,253,992**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange gain / (loss)		11,019,024	(9,927,811)	—	—
Fair value gain / (loss) on available-for-sale investments	14	1,681,432	(26,070,330)	—	—
Other comprehensive gain / (loss) for the year		12,700,456	(35,998,141)	—	—
Profit and total comprehensive income for the year		**66,769,193**	**13,886,531**	**67,889,426**	**65,253,992**
Profit attributable to:					
Owners of the company		45,687,380	39,647,902	67,889,426	65,253,992
Non-controlling interest		8,381,357	10,236,770	—	—
		54,068,737	**49,884,672**	**67,889,426**	**65,253,992**
Profit and total comprehensive income attributable to:					
Owners of the company		55,085,695	3,976,852	67,889,426	65,253,992
Non-controlling interest		11,683,498	9,909,679	—	—
		66,769,193	**13,886,531**	**67,889,426**	**65,253,992**
Earnings per share					
Basic and diluted ($ per share)	33	45,687	39,648	67,889	65,254

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

at 28 February 2017

		Group		Company	
	Notes	28/02/2017	29/02/2016	28/02/2017	29/02/2016
		US$	US$	US$	US$
Non-current assets					
Goodwill	9	151,794,088	9,557,849	—	—
Intangible assets	10	133,939,534	71,939,223	93,862	15,694,459
Property, plant and equipment	11	612,522,089	277,257,217	75,598	41,417
Investment in subsidiaries	12	—	—	290,491,251	88,523,829
Investment in associates	13	378,300	—	—	—
Investments	14	15,786,033	26,921,079	15,000,000	6,500,000
Deferred tax assets	15	38,836,294	1,272,224	—	—
Held to maturity investments	16	2,951,535	3,352,693	—	—
Long-term receivables	17	6,408,828	1,246,908	132,360,308	123,231,005
Total non-current assets		**962,616,701**	**391,547,193**	**438,021,019**	**233,990,710**
Current assets					
Inventories	18	22,134,646	24,381,746	—	—
Trade and other receivables	19	166,147,595	66,404,198	78,430,679	45,080,182
Taxation	8	—	1,761,072	—	—
Held to maturity investments	16	245,032	—	—	—
Cash and cash equivalents	20	141,047,854	33,496,817	53,488,687	5,369,173
Restricted cash and cash equivalents	20	11,687,323	66,900,000	3,000,000	66,900,000
Total current assets		**341,262,450**	**192,943,833**	**134,919,366**	**117,349,355**
Total assets		**1,303,879,151**	**584,491,026**	**572,940,385**	**351,340,065**
Equity and liabilities					
Capital and reserves					
Stated capital	21	1,000	1,000	1,000	1,000
Share premium	21	2,333,247	2,333,247	2,333,247	2,333,247
Equity loans	27	—	—	(36,856,046)	(13,536,532)
Investment revaluation reserve		—	(11,319,281)	—	—
Retained earnings		283,582,515	294,865,023	244,477,085	225,485,171
Foreign currency translation reserve		(5,337,667)	(13,054,550)	—	—
Total equity attributable to owners of the parent		**280,579,095**	**272,825,439**	**209,955,286**	**214,282,886**
Non-controlling interests	12.2	147,727,458	54,564,305	—	—
Total equity		**428,306,553**	**327,389,744**	**209,955,286**	**214,282,886**
Non-current liabilities					
Long-term liability	22	597,430,827	116,806,886	347,775,502	94,715,099
Long term provisions	24	4,058,779	—	—	—
Deferred Revenue	25	42,829,336	10,894,638	—	—
Deferred tax liabilities	15	33,708,733	25,617,897	—	—
Total non-current liabilities		**678,027,675**	**153,319,421**	**347,775,502**	**94,715,099**
Current liabilities					
Short-term portion of long-term liability	22	8,725,204	38,804,518	2,262,898	35,294,118
Trade and other payables	23	163,180,194	60,996,753	12,946,699	7,047,962
Short term provisions	24	1,800,730	184,193	—	—
Deferred Revenue	25	22,027,359	3,796,397	—	—
Taxation	8	1,811,436	—	—	—
Total current liabilities		**197,544,923**	**103,781,861**	**15,209,597**	**42,342,080**
Total equity and liabilities		**1,303,879,151**	**584,491,026**	**572,940,385**	**351,340,065**

Approved by the Board of Directors and authorised for issue on 16 June 2017

Eric Venpin
Director

Mike Moolien
Alternate Director to Gaetan Lan

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2017

Group

	Notes	Share Capital	Share Premium	Investment Revaluation reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total Equity
		US$	US$	US$	US$	US$	US$	US$
At 1 March 2015		1,000	2,333,247	14,751,049	(3,453,830)	280,188,480	43,083,267	336,903,213
Change in ownership	12.3	—	—	—	—	(71,359)	1,571,359	1,500,000
Profit for the year		—	—	—	—	39,647,902	10,236,770	49,884,672
Foreign exchange loss		—	—	—	(9,600,720)	—	(327,091)	(9,927,811)
Dividend	31	—	—	—	—	(24,900,000)	—	(24,900,000)
Fair value loss on available-for sale investments		—	—	(26,070,330)	—	—	—	(26,070,330)
At 29 February 2016		**1,000**	**2,333,247**	**(11,319,281)**	**(13,054,550)**	**294,865,023**	**54,564,305**	**327,389,744**
Change in ownership	12.3	—	—	—	—	(3,529,930)	68,241,213	64,711,283
Profit for the year		—	—	—	—	45,687,380	8,381,357	54,068,737
Foreign exchange gain		—	—	—	7,716,883	—	3,302,141	11,019,024
Dividend	31	—	—	—	—	(48,897,512)	—	(48,897,512)
Fair value loss on available-for sale investments		—	—	1,681,432	—	—	—	1,681,432
Acquisition of subsidiaries	26	—	—	—	—	—	3,244,364	3,244,364
Profit on disposal under common control	26	—	—	—	—	5,095,403	—	5,095,403
Reclassifaction upon disposal	26	—	—	9,637,849	—	(9,637,849)	—	—
Equity Loan	12.2	—	—	—	—	—	9,994,078	9,994,078
At 28 February 2017		**1,000**	**2,333,247**	**—**	**(5,337,667)**	**283,582,515**	**147,727,458**	**428,306,553**

Company

	Notes	Stated capital	Share premium	Equity loans	Retained earnings	Total Equity
		US$	US$	US$	US$	US$
At 1 March 2015		1,000	2,333,247	(14,188,856)	185,131,179	173,276,570
Equity loans repayment		—	—	652,324	—	652,324
Profit and total comprehensive income for the year		—	—	—	65,253,992	65,253,992
Dividends	31	—	—	—	(24,900,000)	(24,900,000)
At 29 February 2016		**1,000**	**2,333,247**	**(13,536,532)**	**225,485,171**	**214,282,886**
Profit and total comprehensive income for the year		—	—	—	67,889,426	67,889,426
Dividends	31	—	—	—	(48,897,512)	(48,897,512)
Additions	27	—	—	(23,319,514)	—	(23,319,514)
At 28 February 2017		**1,000**	**2,333,247**	**(36,856,046)**	**244,477,085**	**209,955,286**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 28 February 2017

	Notes	Group 28/02/2017	Group 29/02/2016	Company 28/02/2017	Company 29/02/2016
		US$	US$	US$	US$
Cash flows from operating activities:					
Profit before tax		63,105,802	61,658,854	68,045,166	65,450,347
Adjustments for:					
Depreciation	5	31,933,615	25,617,038	40,913	23,413
Amortisation	5	5,142,559	7,309,731	2,080,031	2,336,203
Profit on disposal / transfer of subsidiary	5	—	—	(61,423,021)	—
Impairment of intangible assets	5	—	280,303	—	280,303
Impairment of property, plant and equipment	5	136,209	9,329	—	—
Impairment of investment	5	—	—	471,941	—
Impairment of intercompany loans		—	—	2,847,972	—
Stock written off	5	1,193,598	249,008	—	—
Obsolete stock provision	5	11,366	188,322	—	—
Bad debts provision		(422,009)	329,257	—	—
Bad debts recovered	5	(1,207,177)	(221,742)	—	—
Bad debts written off	5	22,580	118,953	—	—
(Decrease) / Increase in provisions	24	(53,017)	170,577	—	—
Foreign exchange (gain) / loss		(1,650,913)	6,493,244	—	—
Profit on disposal of fixed assets	5	19,457	(1,261,103)	—	—
Interest income	6	(1,554,463)	(728,156)	(10,933,177)	(9,861,274)
Finance costs	7	13,785,437	7,256,314	11,142,727	7,569,868
Share of profits of associates	13	(3,133)	—	—	—
		110,459,911	107,469,929	12,272,552	65,798,860
Working capital changes:					
Increase in trade and other receivables		(42,887,188)	(6,799,001)	(28,232,955)	(17,771,109)
Decrease in inventories		4,684,688	6,915,541	—	4,470,165
Increase / (Decrease) in trade and other payables		3,345,989	6,866,867	(1,310,015)	(2,627,656)
Increase in deferred revenue		7,537,955	7,015,116	—	—
Increase / (Decrease) in accruals		4,921,221	10,163,568	7,208,752	(238,937)
Decrease in onerous contracts		(372,970)	(669,031)	—	—
Cash generated from / (used in) operations		87,689,606	130,962,989	(10,061,666)	49,631,323
Income tax paid	8	(1,620,271)	(6,393,302)	(155,740)	(196,355)
Finance costs	7	(13,785,437)	(7,256,314)	(11,142,727)	(7,569,868)
Net cash from/(used in) operating activities		72,283,898	117,313,373	(21,360,133)	41,865,100

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

for the year ended 28 February 2017

	Notes	Group 28/02/2017 US$	Group 29/02/2016 US$	Company 28/02/2017 US$	Company 29/02/2016 US$
Cash flows from investing activities:					
Interest income		1,554,463	728,156	10,933,177	9,861,274
Acquisition of other investments	14	(781,048)	—	—	—
Disposal of investments in subsidiary	12	—	—	—	853,945
Additional investment in subsidiary	12	—	—	(163,148,854)	(1,500,000)
Disposal of subsidiary companies	26	(2,743)	—	—	—
Acquisition of subsidiary companies	26	(27,674,341)	(1,386,957)	—	—
Purchase of property, plant and equipment	11	(71,879,847)	(66,772,998)	(75,094)	(41,929)
Proceeds on disposal of property, plant and equipment	11	1,729,898	5,859,372	—	272,234
Purchase of intangible assets	10	(8,714,939)	(12,918,555)	(61,976)	(128,506)
Proceeds on disposal of intangible assets	10	29,785	654,444	—	141,247
Proceeds / (Purchase) of held to maturity investments	16	156,126	(201,347)	—	—
Increase in long term receivables	17	(5,278,038)	—	(11,977,275)	(1,870,263)
Net cash (used in) / generated from investing activities		(110,860,684)	(74,037,885)	(164,330,022)	7,588,002
Cash flows from financing activities:					
Dividend paid	31	(26,800,000)	(24,900,000)	(26,800,000)	(24,900,000)
Issue of subsidiary share capital & equity loans to minorities		75,566,244	—	—	—
Change in ownership of a subsidiary		—	1,500,000	—	—
(Decrease) / increase in short-term portion of long-term borrowings		(127,654,516)	(16,195,197)	(33,031,220)	26,523,872
(Increase) / decrease in equity loans		—	—	(23,319,514)	652,324
Increase in external long-term loan borrowings		584,514,080	62,326,212	253,060,403	23,604,890
Repayments of external long-term loan borrowings		(426,727,343)	—	—	—
Decrease in intercompany long-term loans payable		—	—	—	(6,955,324)
Net cash generated from financing activities		78,898,465	22,731,015	169,909,669	18,925,762
Net increase / (decrease) in cash and cash equivalents		40,321,679	66,006,502	(15,780,486)	68,378,864
Cash and cash equivalents at beginning of the year		100,396,817	36,595,110	72,269,173	3,890,309
Translation of cash with respect to foreign subsidiaries		12,016,681	(2,204,795)	—	—
Cash and cash equivalents at end of the year	**20**	**152,735,177**	**100,396,817**	**56,488,687**	**72,269,173**

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. The company's main activity is to carry on the business of a holding company in respect of subsidiary companies throughout the world.

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

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

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

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

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

IAS 1 Presentation of Financial Statements—Amendments resulting from the disclosure initiative.

IAS 16 Property, Plant and Equipment—Amendments regarding the clarification of acceptable method of depreciation and amortization.

IAS 16 Property, Plant and Equipment—Amendments bringing bearer plants into the scope of IAS 16.

IAS 19 Employee Benefits—Amendments resulting from September 2015 Annual Improvements to IFRSs.

IAS 27 Separate Financial Statements—Amendments reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements.

IAS 38 Intangible Assets—Amendments regarding the clarification of acceptable methods of depreciation and amortization.

IFRS 7 Financial Instruments: Disclosures—Amendments resulting from September 2014 Annual Improvements to IFRSs.

IFRS 10 Consolidated Financial Statements—Amendments regarding the application of the consolidation exception

IFRS 12 Consolidated Financial Statements—Amendments regarding the application of the consolidation exception

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

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

IAS 7 Statement of Cash Flows—Amendments as result of the Disclosure initiative (effective on or after 1 January 2017)

IAS 12 Amendments regarding the recognition of deferred tax assets for unrealised losses (effective 1 January 2017)

1. General information (Continued)

IAS 39	Financial Instruments: Recognition and Measurement—Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective 1 January 2018)
IFRS 7	Financial Instruments: Disclosures—Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018)
IFRS 7	Financial Instruments: Disclosures—Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)
IFRS 9	Financial Instruments—Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective 1 January 2018)
IFRS 9	Financial Instruments—Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9 (effective 1 January 2018)
IFRS 10	Consolidated Financial Statements—Amendments regarding the sale or contribution of assets between an investor and its associated or joint venture deferred indefinitely.
IFRS 12	Amendments resulting from Annual Improvements 2014-2016 Cycle (clarifying scope) (effective on or after 1 January 2017)
IFRS 15	Revenue from Contracts with Customers—Original issue (effective 1 January 2018)
IFRS 15	Revenue from Contracts with Customers—Amendments to defer the effective date to 1 January 2018 (effective 1 January 2018)
IFRS 15	Revenue from Contracts with Customers—Clarifications to IFRS 15 (effective 1 January 2018)
IFRS 16	Leases—Original issue (effective 1 January 2017)
IFRIC 22	Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

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

2. Summary of significant accounting policies

The financial statements have been prepared under the historical cost convention, except for certain financial instruments carried at fair value. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) up to the reporting date each year. Control is achieved when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2. Summary of significant accounting policies (Continued)

When the Company has less than a minority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decision need to be made, including voting patterns at previous shareholder's meetings.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the net of the acquisition-date amounts of the identified assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in the consolidated statements of profit or loss and other comprehensive income as a bargain purchase gain.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company cease to control the subsidiary.

Profit or loss and each component of the comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the equity interests issued by the Group, liabilities incurred by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

2. Summary of significant accounting policies (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities, assumed are recognised at their fair value, except that:

- deferred tax or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the evet of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree' s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less that the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Common controlled transactions

Common controlled transactions are recorded at book value. Any difference between cost and book value is taken directly to equity.

Property, plant and equipment

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

2. Summary of significant accounting policies (Continued)

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

Land and buildings	2%-5%
Furniture and fittings	10%-20%
Computer equipment	10%-50%
Satellite equipment	20%
Switching and network equipment	20%
Leasehold improvements	10%-20%
Motor vehicles	20%-25%
Fibre infrastructure	4%-20%
Fibre equipment	20%
POS terminals	25%

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

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

Investment in subsidiaries

The total carrying values of investments in subsidiaries represent the cost of each investment. The carrying values of investments in subsidiaries are reviewed on a regular basis and if an impairment in value has occurred, it is written off in the period in which those circumstances are identified.

Investments in associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the method of equity accounting, except when the investment, or part of the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter by an increase or decrease in the carrying amount of the investee by the Group's share of profit or loss of the investee.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behaf of the associate.

Investments

Investments are classified as available-for-sale investments, and are measured at subsequent reporting dates at fair value. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in consolidated statements of profit or loss and other comprehensive income for the period. Impairment losses recognised in the consolidated statements of profit or loss and other comprehensive income for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

2. Summary of significant accounting policies (Continued)

Valuation of investments

Investments are valued at fair value. In the event that fair value cannot be determined or reliably measured, investments are recorded at cost. Investments are valued according to one of the following bases as set out below:

- Cost (less any provision required for a diminution in value)
- Third party valuation
- Discounted cash flow methodology
- Net assets
- Price of a recent transaction

For unlisted investments in which the company and group typically invests, the fair value of an investment is expected to be its initial cost for the first 12 months. Thereafter, one of the bases above is applied.

Although best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique involving investments of the type in which the company and group invests. Therefore, the fair values presented herein are not necessarily indicative of the amount that the company and group could realise in a current transaction.

Project costs

Project costs are recognised as assets only if all of the following conditions are met:

- An asset is created that can be identified; and
- It is probable that the asset created will generate future economic benefits.

A provision for impairment against project costs asset is raised when appropriate.

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

2. Summary of significant accounting policies (Continued)

Inventories

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

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories:

- cash and bank balances or
- held-to-maturity investments or
- available-for-sale' ("AFS") financial assets or
- loans and receivables.

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

Held-to-maturity investments:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost less any impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables or (b) held-to-maturity investments.

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value because the Directors consider that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to the consolidated statements of profit or loss and other comprehensive income.

Dividends on AFS equity instruments are recognised in the consolidated statements of profit or loss and other comprehensive income when the Group's right to receive the dividends is established.

2. Summary of significant accounting policies (Continued)

Valuation of AFS financial assets:

Fair values are determined annually at the reporting date. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

For AFS investments, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The levels are as follows:

- Level 1 fair value measurements are those derived from unadjusted quoted prices for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs which are not based on observable market data.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in the consolidated statements of profit or loss and other comprehensive income.

Loans and receivables:

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

Impairment of financial assets:

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

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including finance lease receivables, objective evidence of impairment could include:

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

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

2. Summary of significant accounting policies (Continued)

the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statements of profit or loss and other comprehensive income in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets:

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated statements of profit or loss and other comprehensive income.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Financial liabilities and equity instruments classification as debt or equity:

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

2. Summary of significant accounting policies (Continued)

Equity instruments:

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

Share capital and share premium are classified as equity.

Financial liabilities:

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

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities:

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

Cash or cash equivalents

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

Restricted cash comprises cash held in restricted accounts for bank guarantees, cash committed to capital expenditure and customer deposits.

Tax

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

Current tax

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

Deferred tax

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

2. Summary of significant accounting policies (Continued)

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the consolidated statements of profit or loss and other comprehensive income, except when they relate to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Provisions

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

Revenue recognition

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

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

Management fees is recognised when the right time to receive payment have been established.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Rentals payable under operating leases are charged to the consolidated statements of profit or loss and other comprehensive income on the straight-line basis over the term of the relevant lease.

2. Summary of significant accounting policies (Continued)

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in US Dollars, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are expensed in the year in which they are incurred.

Intangible assets

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

Fibre optical—IRU	5-25 years
Computer Software	2-8 years
Customer relationships	3-5 years
Operating Licence	10-25 years
Other Intangible Assets	10 years

2. Summary of significant accounting policies (Continued)

Upon acquistion of Neotel (Pty) Limited and Raha Limited a valuation was assigned to the existing customer base of each entity and is classified as Customer relationships in Intangible asset (note 10).

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

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

Cash flows

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

Equity Loans

Equity loans to subsidiaries arising on acquisition are recognized in shareholders' funds on the date of acquisition, pending investments.

3. Significant accounting judgements and estimates

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

Residual value and useful life

The group depreciates its assets over their estimated useful lives taking into account residual values, which, in compliance with of IAS16 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 income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

Contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

3. Significant accounting judgements and estimates (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in used 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 present value.

Valuation of investment

Directors use their judgement in selecting an appropriate valuation techniques for valuing investments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

4. 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

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Wholesale Voice Traffic	123,225,333	123,852,111	—	—
Data and Other services			—	—
Wholesale	118,058,610	104,296,693	—	—
Enterprise	73,381,182	57,207,087	—	—
Retail	28,326,808	21,190,740	—	—
	342,991,933	**306,546,631**	**—**	**—**

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, profit, assets and liabilities are shown in note 34.

5. Profit before taxation

Profit before taxation is arrived at after taking the following into account:

	Group 28/02/2017 US$	Group 29/02/2016 US$	Company 28/02/2017 US$	Company 29/02/2016 US$
Cost of goods and services	120,734,569	107,792,089	—	—
Cost of inventories expensed	16,999,434	7,723,248	—	—
	137,734,003	**115,515,337**	**—**	**—**
Auditors' fees	858,527	585,198	44,841	35,999
Non-audit services	69,122	111,545	—	—
Consultancy fees	3,081,736	4,066,326	1,415,360	1,923,154
Depreciation	31,933,615	25,617,038	40,913	23,413
Amortisation of intangible assets	5,142,559	7,309,731	2,080,031	2,336,203

5. Profit before taxation (Continued)

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Stock written off	1,193,598	249,008	—	—
Provision for obsolete stock (note 18)	11,366	188,322	—	—
Bad debts written off	22,580	118,953	—	—
Bad debts recovered	(1,207,177)	(221,742)	—	—
Increase in allowance for doubtful debts (note 19)	283,271	79,280	—	—
Impairment loss on property, plant and equipment (note 11)	136,209	9,329	—	—
Impairment loss on intangible assets (note 10)	—	280,303	—	280,303
Impairment loss on loans (note 27)	—	—	2,847,972	14,291,206
Impairment loss on investment in subsidiaries (note 12.1)	—	—	471,941	—
Reversal of impairment loss on intercompany loans	—	—	—	24,698,831
Acquisition costs:				
Neotel (Pty) Limited	4,342,597	—	4,342,597	—
Raha Tanzania Holdings Limited	134,299	—	134,299	—
	4,476,896	**—**	**4,476,896**	**—**
Other income:				
(Loss) / Profit on disposal of property, plant and equipment	(19,457)	1,261,103	—	—
Management fees received (note 27)	—	—	2,544,601	1,367,325
Sundry income	1,464,494	365,086	367,954	163,126
Other operating income	415,950	1,668,494	—	—
Equipment Sale (note 27)	—	—	—	41,379
Profit on disposal / transfer of subsidiary	—	—	61,423,021	—
	1,860,987	**3,294,683**	**64,335,576**	**1,571,830**
Net foreign exchange gain / (loss):				
Exchange losses—unrealised	(6,858,606)	(11,912,611)	—	—
Exchange losses—realised	(1,065,200)	(7,564,330)	—	—
Exchange gains—unrealised	9,955,719	6,222,763	50,171	365,567
	2,031,913	**(13,254,178)**	**50,171**	**365,567**

6. Interest income

Interest received—bank / external	470,375	348,085	28,291	4,544
Interest received—inter-group (note 27)	1,084,088	380,071	10,904,886	9,856,730
	1,554,463	**728,156**	**10,933,177**	**9,861,274**

7. Finance costs

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Interest on bank overdraft and loans	13,701,984	7,247,252	11,027,614	6,896,241
Interest paid—related party (note 27)	83,453	9,062	83,453	9,062
Interest paid—inter-group (note 27)	—	—	21,660	664,565
Guarantee fees—inter-group (note 27)	—	—	10,000	—
	13,785,437	**7,256,314**	**11,142,727**	**7,569,868**

8. Tax

Current taxation	3,682,278	3,338,201	—	—
Deferred taxation (note 15)	4,243,571	7,448,167	—	—
Withholding taxation	1,111,216	987,814	155,740	196,355
Total taxation	**9,037,065**	**11,774,182**	**155,740**	**196,355**

The charge for the year can be reconciled to profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

Profit before taxation	63,105,802	61,658,854	68,045,166	65,450,347
Taxation at domestic rate for foreign subsidiaries in tax paying jurisdictions	12,614,804	11,276,299	—	—
Tax effect of non-deductible expenses	801,024	693,350	—	—
Tax effect of non-taxable income	63,587	4,212	—	—
Tax effect of change in foreign subsidiary domestic tax rate	(2,523,922)	(1,186,528)	—	—
Capital allowance in deficit of depreciation	(3,029,591)	—	—	—
Withholding taxation	1,111,216	987,814	155,740	196,355
Other	(53)	(965)	—	—
	9,037,065	**11,774,182**	**155,740**	**196,355**

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:

Mauritius (tax credit of 80%)	15.00%	15.00%
South Africa	28.00%	28.00%
Kenya	30.00%	30.00%
United Kingdom	19.00%	21.17%
Tanzania	30.00%	30.00%
Zambia	35.00%	35.00%
Zimbabwe	25.75%	25.75%

8. Tax (Continued)

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Taxation liability / (assets)				
Opening balance	(1,761,072)	382,286	—	—
Acquisition of subsidiaries (note 26)	493,733	(24,217)	—	—
Provision for the year	3,682,278	3,338,201	—	—
Withholding tax	1,111,216	987,814	155,740	196,355
Foreign exchange differences	116,522	16,697	—	—
Disposals	—	2,002	—	—
Payment during the year	(1,831,241)	(6,463,855)	(155,740)	(196,355)
Closing balance	**1,811,436**	**(1,761,072)**	**—**	**—**

9. Goodwill

	Group	
	28/02/2017	29/02/2016
	US$	US$
Cost		
Opening balance	9,557,849	7,111,952
Acquisition of subsidiaries (note 26)	136,362,474	2,445,897
Foreign exchange differences	5,873,765	—
Closing balance	**151,794,088**	**9,557,849**

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.

10. Intangible assets

Group

	Operating Licence	Computer Software	Fibre Optical—IRU	Customer Relationships	Work in Progress	Other Intangible Assets	Total
	US$	US$	US$	US$	US$	US$	US$
Cost:							
At 1 March 2015	2,242,842	5,060,578	78,912,607	—	976,468	2,402,694	89,595,189
Restatement	—	—	418,500	—	—	—	418,500
Purchases during the year	5,500,000	991,356	6,116,910	—	310,289	—	12,918,555
Disposals during the year	(7,670)	(80,695)	—	—	(489,410)	(102,219)	(679,994)
Reclassification	99,595	202,000	—	—	(301,595)	—	—
Transfers from fixed assets (note 11)	—	693,556	513,646	—	—	—	1,207,202
Write offs	(1,757,186)	—	—	—	—	—	(1,757,186)
Impairment	—	—	—	—	(280,303)	—	(280,303)
Foreign exchange differences	(40,981)	(434,428)	(3,271,315)	—	—	—	(3,746,724)
At 29 February 2016	6,036,600	6,432,367	82,690,348	—	215,449	2,300,475	97,675,239
Acquisition of subsidiaries (note 26)	9,075,702	32,246,121	11,269,906	38,385,265	—	—	90,976,994
Purchases during the year	62,035	710,627	4,730,301	—	3,211,976	—	8,714,939
Disposals during the year	—	(2,816,936)	—	—	—	—	(2,816,936)
Reclassification (note 14)	—	4,366	(8,500,000)	—	(4,366)	—	(8,500,000)
Transfers from fixed assets (note 11)	882,017	27,070	1,294,635	—	(268,709)	—	1,935,013
Foreign exchange differences	384,094	1,436,316	1,397,713	1,490,088	—	(28,093)	4,680,118
At 28 February 2017	16,440,448	38,039,931	92,882,903	39,875,353	3,154,350	2,272,382	192,665,367
Accumulated amortisation:							
At 1 March 2015	2,009,670	3,329,558	13,144,840	—	—	2,373,941	20,858,009
Restatement	—	—	418,500	—	—	—	418,500
Amortisation	391,709	1,250,214	5,645,684	—	—	22,124	7,309,731
Disposals during the year	(353)	(18,568)	—	—	—	(6,629)	(25,550)
Transfers from fixed assets (note 11)	—	323,258	117,711	—	—	—	440,969
Reclassification	(20,308)	20,308	—	—	—	—	—
Write offs	(1,757,186)	—	—	—	—	—	(1,757,186)
Foreign exchange differences	(40,246)	(369,924)	(1,009,326)	—	—	(88,961)	(1,508,457)
At 29 February 2016	583,286	4,534,846	18,317,409	—	—	2,300,475	25,736,016
Acquisition of subsidiaries (note 26)	2,742,741	26,348,516	—	—	—	—	29,091,257
Amortisation	833,297	1,120,528	4,689,656	50,368	—	(1,551,290)	5,142,559
Disposals during the year	(10,226)	(2,776,925)	—	—	—	—	(2,787,151)
Foreign exchange differences	114,597	1,154,028	290,580	—	—	(16,053)	1,543,152
At 28 February 2017	4,263,695	30,380,993	23,297,645	50,368	—	733,132	58,725,833
Carrying amount:							
At 28 February 2017	12,176,753	7,658,938	69,585,258	39,824,985	3,154,350	1,539,250	133,939,534
At 29 February 2016	5,453,314	1,897,521	64,372,939	—	215,449	—	71,939,223

During the 2017 Financial year, $8,500,000 of Fibre Optical IRUs were reclassified as other investments.

During the 2016 Financial year, SAP project costs were impaired due technical issues and disclosed under Depreciation, Impairment and Amortisation.

10. Intangible assets (Continued)

Company

	Software	Fibre Optical—IRU	Other Intangible Assets	Work in Progress	Total
	US$	US$	US$		US$
Cost:					
At 1 March 2015	1,188,401	16,970,902	102,219	314,306	18,575,828
Purchases during the year	—	—	—	128,506	128,506
Reclassification	99,595	—	—	(99,595)	—
Disposals during the year	—	—	(102,219)	(45,657)	(147,876)
Impairment	—	—	—	(280,303)	(280,303)
At 29 February 2016	1,287,996	16,970,902	—	17,257	18,276,155
Purchases during the year	—	—	—	61,976	61,976
Reclassification (note 14)	—	(8,500,000)	—	—	(8,500,000)
Disposals during the year	—	(8,470,902)	—	—	(8,470,902)
At 28 February 2017	1,287,996	—	—	79,233	1,367,229
Accumulated amortisation:					
At 1 March 2015	245,493	—	6,629	—	252,122
Amortisation	642,023	1,694,180	—	—	2,336,203
Disposals	—	—	(6,629)	—	(6,629)
At 29 February 2016	887,516	1,694,180	—	—	2,581,696
Amortisation	385,851	1,694,180	—	—	2,080,031
Disposals	—	(3,388,360)	—	—	(3,388,360)
At 28 February 2017	1,273,367	—	—	—	1,273,367
Carrying amount:					
At 28 February 2017	14,629	—	—	79,233	93,862
At 29 February 2016	400,480	15,276,722	—	17,257	15,694,459

During the 2017 Financial year, $8,500,000 of Fibre Optical IRUs were reclassified as other investments.

During the 2016 Financial year, SAP project costs were impaired due technical issues and disclosed under Depreciation, Impairment and Amortisation.

11. Property, plant and equipment

Group

	Land and buildings	Furniture and fittings	Computer equipment	Network equipment	Motor vehicles	Work in progress	Fibre infrastructure	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Cost:								
At 1 March 2015	23,486,115	6,814,541	10,893,323	63,382,058	6,713,839	46,741,831	251,743,101	409,774,808
Acquisition of subsidiaries (note 26)	—	99,097	642,829	1,541,860	598,566	62	—	2,882,414
Additions	—	839,622	1,736,763	3,122,805	745,234	44,221,947	16,106,627	66,772,998
Disposals	—	(138,900)	(689,510)	(618,985)	(280,244)	(251,917)	(4,072,395)	(6,051,951)
Impairment	—	—	—	—	(29,297)	—	—	(29,297)
Reclassification	855,579	17,848	72,315	7,822,887	254,286	(54,262,665)	45,239,750	—
Transfer to intangible assets (note 10)	—	—	(676,241)	(513,647)	—	(17,314)	—	(1,207,202)
Transfer to prepayments (note 19)	—	—	—	—	—	(948,835)	—	(948,835)
Foreign exchange differences	(2,663,155)	(643,003)	(1,393,689)	(7,657,737)	(494,581)	(2,404,178)	(12,988,260)	(28,244,603)
At 29 February 2016	21,678,539	6,989,205	10,585,790	67,079,241	7,507,803	33,078,931	296,028,823	442,948,332
Acquisition of subsidiaries (note 26)	29,761,008	3,076,008	19,818,353	1,082,078	256,584	10,385,121	449,714,245	514,093,397
Additions	8,243	302,595	1,473,571	5,145,265	609,877	38,595,893	25,744,403	71,879,847
Disposals	—	(267,445)	(2,626,867)	(894,084)	(182,356)	(1,448,952)	(4,056,264)	(9,475,968)
Impairment	—	—	—	—	—	(136,209)	—	(136,209)
Reclassification	4,282,316	66,416	142,018	5,727,588	87,150	(37,381,307)	27,075,819	—
Transfer from / to intangible assets (note 10)	—	—	268,709	—	—	(2,203,722)	—	(1,935,013)
Foreign exchange differences	1,144,949	58,866	1,048,591	(420,136)	82,239	614,724	21,680,707	24,209,940
At 28 February 2017	56,875,055	10,225,645	30,710,165	77,719,952	8,361,297	41,504,479	816,187,733	1,041,584,326
Accumulated depreciation								
At 1 March 2015	899,066	3,952,531	8,065,672	47,991,401	2,683,251	(2,256,870)	89,145,368	150,480,419
Acquisition of subsidiaries (note 26)	—	62,559	278,945	1,046,702	318,139	—	—	1,706,345
Impairment	—	—	—	—	(19,968)	—	—	(19,968)
Depreciation charge for the year	424,734	889,971	1,168,464	6,769,705	1,341,070	—	15,023,094	25,617,038
Disposals	—	(87,430)	(200,368)	(628,474)	(220,053)	—	(317,357)	(1,453,682)
Transfer to intangible assets (note 10)	—	—	(323,258)	(117,711)	—	—	—	(440,969)
Foreign exchange differences	(114,298)	(419,037)	(919,379)	(5,104,830)	(222,143)	—	(3,418,381)	(10,198,068)
At 29 February 2016	1,209,502	4,398,594	8,070,076	49,956,793	3,880,296	(2,256,870)	100,432,724	165,691,115
Acquisition of subsidiaries (note 26)	11,993,759	2,669,070	15,793,039	398,304	135,604	—	198,518,239	229,508,015
Depreciation charge for the year	531,994	868,274	1,357,755	7,865,934	1,259,623	—	20,050,035	31,933,615
Disposals	—	(235,200)	(2,430,058)	(893,780)	(157,398)	—	(4,010,177)	(7,726,613)
Foreign exchange differences	513,128	63,031	589,543	(288,141)	37,840	—	8,740,704	9,656,105
At 28 February 2017	14,248,383	7,763,769	23,380,355	57,039,110	5,155,965	(2,256,870)	323,731,525	429,062,237
Carrying amount:								
At 28 February 2017	42,626,672	2,461,876	7,329,810	20,680,842	3,205,332	43,761,349	492,456,208	612,522,089
At 29 February 2016	20,469,037	2,590,611	2,515,714	17,122,448	3,627,507	35,335,801	195,596,099	277,257,217

During the 2017 financial year, $67,279 of network equipment and $68,930 of work in progress were impaired and disclosed under Depreciation, Impairment and Amortisation.

During the 2016 financial year, motor vehicles with a net book value of $9,329 were impaired and disclosed under Depreciation, Impairment and Amortisation.

11. Property, plant and equipment (Continued)

Company

	Computer equipment	Work in progress	Total
	US$	US$	US$
Cost:			
At 1 March 2015	61,343	242,191	303,534
Additions	32,203	9,726	41,929
Disposals	(30,475)	(251,917)	(282,392)
At 29 February 2016	63,071	—	63,071
Additions	75,094	—	75,094
At 28 February 2017	138,165	—	138,165
Accumulated amortisation:			
At 1 March 2015	8,399	—	8,399
Depreciation charge for the year	23,413	—	23,413
Disposals	(10,158)	—	(10,158)
At 29 February 2016	21,654	—	21,654
Depreciation charge for the year	40,913	—	40,913
At 28 February 2017	62,567	—	62,567
Carrying amount:			
At 28 February 2017	75,598	—	75,598
At 29 February 2016	41,417	—	41,417

12. Investments in subsidiaries

12.1 Subsidiaries

Name of Company		Principal business activity	Country of Incorporation	Status	Percentage Holding	Company 28/02/2017	Company 29/02/2016
					%	US$	US$
Liquid Telecommunications Operations Limited	H	Telecommunications	Mauritius	Active	100	100	100
• Global Digital Trading Services Limited	S	Telecommunications	United Kingdom	Active	100	—	—
• Transaction Payment Solutions Indian Ocean Limited	S	Transaction Payment Solutions & Technology	Mauritius	Active	100	—	—
Liquid Telecommunications Limited	H	Telecommunications & Technology	United Kingdom	Active	100	8,000,000	8,000,000
Liquid Telecommunications Operations South Africa (Pty) Limited	H	Telecommunications	South Africa	Active	70	—	0.10
Transaction Payment Solutions International Limited	H	Transaction Payment Solutions & Technology	Mauritius	Active	100	100	100
• Transaction Payment Solutions Botswana (Pty) Limited	S	Transaction Payment Solutions & Technology	Botswana	Active	100	—	—
• Transaction Payment Solutions Kenya Limited	S	Transaction Payment Solutions & Technology	Kenya	Active	99	—	—
• Transaction Payment Solutions Zambia Limited	S	Transaction Payment Solutions & Technology	Zambia	Active	99.995	—	—
• Transaction Payment Solutions Nigeria Limited	S	Transaction Payment Solutions & Technology	Nigeria	Active	100	—	—
• Transaction Payment Solutions South Africa Limited	S	Transaction Payment Solutions & Technology	South Africa	Active	100	—	—
Austin Eco Holdings Limited	H	Investments	British Virgin Islands	Active	—	—	12,495,634
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	H	Telecommunications	Zimbabwe	Active	49	5,903,040	5,903,040
• Liquid Telecommunications Zimbabwe Online Private Limited	S	Telecommunications	Zimbabwe	Active	49	—	—
CEC Liquid Telecommunication Limited	H	Telecommunications	Zambia	Active	50	17,196,056	17,196,056
• HAI Telecommunications Limited	S	Telecommunications	Zambia	Active	50	—	—
Liquid Telecommunications Kenya Ltd	H	Telecommunications	Kenya	Active	100	38,287,358	38,287,358
• East Africa Data Centre	S	Telecommunications	Kenya	Active	100	—	—
Infocom 2013 Limited	H	Telecommunications	Uganda	Active	100	348,592	348,592
Liquid Telecommunications Rwanda Limited	H	Telecommunications	Rwanda	Active	70	5,090,024	5,090,024
Liquid Telecommunications DRC SPRL	H	Telecommunications	Democratic Republic of Congo	Dormant	99	49,500	49,500
• Liquid Telecommunications Operations DRC SPRL	S	Telecommunications	Democratic Republic of Congo	Dormant	97.5	—	35,000
Liquid Telecommunications Operations Mozambique Limitada	H	Telecommunications	Mozambique	Dormant	100	1,784	1,784
Ipidid Media	H	Telecommunications	Mauritius	Active	100	100	100
• Liquid Vision Media (Pty) Limited	S	Telecommunications	South Africa	Active	100	—	—
Liquid Telecommunications Tanzania Limited	H	Telecommunications	United Republic of Tanzania	Dormant	100	—	471,941
Liquid Sea Limited (Mauritius)	H	Telecommunications	Mauritius	Active	100	100	100
Africa Digital Networks SPRL Limited	H	Telecommunications	Democratic Republic of Congo	Active	100	100,000	100,000
Liquid Telecommunications International FZE	H	Telecommunications	United Arab Emirates	Active	100	544,500	544,500
Liquid Telecommunications Botswana (Pty) Limited	H	Telecommunications	Botswana	Active	57.5	—	—
• *Raha Tanzania Holding Limited*	H	Telecommunications	Mauritius	Active	70	9,300,000	—

12. Investments in subsidiaries (Continued)

Name of Company		Principal business activity	Country of Incorporation	Status	Percentage Holding	Company 28/02/2017	Company 29/02/2016
					%	US$	US$
Raha Limited	S	Telecommunications	United Republic of Tanzania	Active	70	0.46	—
• *K2016272836 (South Africa) (Pty) Ltd*	H	Telecommunications	South Africa	Active	70	205,669,997	—
Liquid Telecommunications Operations South Africa (Pty) Limited	S	Telecommunications	South Africa	Active	70	—	—
Neotel (Pty) Limited	S	Telecommunications	South Africa	Active	70	—	—
Neotel Business support services (Pty) Limited	S	Telecommunications	South Africa	Active	70	—	—
						290,491,251	88,523,829

H = This is a direct holding by Liquid Telecommunications Holdings Limited.

S = This is an indirect holding.

The directors have valued the unquoted investments at book value which in their opinion reflects fairly the value of the investments. The financial statements of Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe and CEC Liquid Telecommunications Limited have been consolidated, despite owning a 49% and 50% shareholding respectively, on the basis that Liquid Telecommunications Holdings Limited exerts sufficient management control and power over these entities.

During the 2017 financial year, the investment in Liquid Telecommunications Tanzania Limited amounting to US$471,941 was impaired and disclosed under Depreciation, Impairment and Amortisation.

12.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests 28/02/2017	29/02/2016	Profit / (Loss) allocated to non-controlling interests 28/02/2017	29/02/2016	Accumulated non-controlling interests 28/02/2017	29/02/2016
			US$	US$	US$	US$
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	51%	51%	7,207,026	9,515,332	45,038,894	37,831,867
CEC Liquid Telecommunication Limited	50%	50%	250,682	718,771	16,812,626	16,579,027
K2016272836 (South Africa) (Pty) Ltd	30%	—	948,308	—	82,334,726	—
Individually immaterial subsidiaries with non-controlling interests					3,541,212	153,411
Total					**147,727,458**	**54,564,305**

Included in the accumulated non-controlling interests is an equity loan to Royal Bafokeng Holding Ltd for $9,994,077. The loan is denominated in Rand and shall at all times be subordinated in favour of all other amounts owing by the Borrower to third parties. The Borrower will at its discretion, repay the loan capital, in one or a number of instalments.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

12. Investments in subsidiaries (Continued)

	28/02/2017	29/02/2016
	US$	US$
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe		
Current Assets	70,472,343	36,937,234
Non-current assets	195,546,309	183,968,178
Current liabilities	(76,451,481)	(50,505,100)
Non-current liabilities	(101,255,614)	(96,220,180)
Equity attributable to owners of the company	43,272,663	36,348,265
Non-controlling interests	45,038,894	37,831,867
Revenue	93,076,225	84,130,419
Expenses	(78,944,801)	(65,472,903)
Profit for the year	14,131,424	18,657,516
Profit attributable to owners of the company	6,924,398	9,142,184
Profit attributable to the non-controlling interests	7,207,026	9,515,332
Profit for the year	14,131,424	18,657,516
CEC Liquid Telecommunications Ltd		
Current Assets	8,314,333	9,664,558
Non-current assets	56,328,496	46,116,368
Current liabilities	(12,596,685)	(13,193,216)
Non-current liabilities	(18,420,892)	(9,429,656)
Equity attributable to owners of the company	16,812,626	16,579,027
Non-controlling interests	16,812,626	16,579,027
Revenue	22,068,914	18,407,438
Expenses	(21,567,550)	(16,969,896)
Profit for the year	501,364	1,437,542
Profit attributable to owners of the company	250,682	718,771
Profit attributable to the non-controlling interests	250,682	718,771
Profit for the year	501,364	1,437,542
K2016272836 (South Africa) (Pty) Ltd		
Current Assets	124,356,951	—
Non-current assets	550,325,273	—
Current liabilities	(151,772,936)	—
Non-current liabilities	(248,460,201)	—
Equity attributable to owners of the company	192,114,361	—

12. Investments in subsidiaries (Continued)

	28/02/2017	29/02/2016
	US$	US$
Non-controlling interests	82,334,726	—
Revenue	20,299,236	—
Expenses	(17,138,208)	—
Profit for the year	3,161,028	—
Profit attributable to owners of the company	2,212,720	—
Profit attributable to the non-controlling interests	948,308	—
Profit for the year	3,161,028	—

12.3 Change in the group's ownership interest in a subsidiary

During the year ended 28 February 2017,the group received $65,572,166 (ZAR 885,748,814) for a 30% non controlling stake in K2016272836 (South Africa) (Pty) Ltd. The ownership structure of Liquid Telecommunications Operations DRC SPRL was also amended, with the group increasing its ownership from 70% to 97.5%. No consideration was paid to the non-controlling interest.

During the year ended 28 February 2016, the company transfered 5% of shares held in Liquid Telecommunications Rwanda Limited to the non-controlling interests. This resulted in a change in the equity structure from 75% to 70%. The group recorded a decrease in equity attributable to owners of the parent of USD 71,359. The effect of changes in the ownership interests of both subsidiaries on the equity attributable to owners of the company during the year is summarised as follows:

Carrying amount of non-controlling interest disposed	(68,241,213)	(1,571,359)
Carrying amount of initial investment	64,711,283	1,500,000
Excess of consideration paid to recognise in parent's equity	(3,529,930)	(71,359)

13. Investment in associates

Name of associate	Principal activity	Country of incorporation	Proportion of ownership interest / voting rights held by the group 28/02/2017	29/02/2016
			%	%
Number Portability Company (Pty) Ltd	Telecommunications	South Africa	20	—

13. Investment in associates (Continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	28/02/2017	29/02/2016
	US$	US$
Number Portability Company (Pty)Ltd		
Total assets	2,075,391	—
Total liabilities	2,615	—
Net assets	2,078,006	—
Revenue	100,120	—
Profit for the period	15,664	—
Group's share of net assets of associate	415,601	—
Carrying amount of the Group's interest in Number Portability Company (Pty) Ltd:		
At 1 March 2016	—	—
Acquisition of associates (note 26)	359,455	—
Share of profits of associates	3,133	—
Foreign exchange difference	15,712	—
At 28 February 2017	378,300	—

14. Investments

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$		
Opening balance	26,921,079	54,492,041	6,500,000	6,500,000
Additions	781,048	—	—	—
Advance payment for acquisition of subsidiary (note 26)	—	(1,500,000)	—	—
Fair value gain / (loss) on investment	1,681,432	(26,070,330)	—	—
Reclassification (note 10)	8,500,000	—	8,500,000	—
Disposals	(22,097,512)	—	—	—
Foreign exchange differences	(14)	(632)	—	—
Total investments	**15,786,033**	**26,921,079**	**15,000,000**	**6,500,000**
Investment details:				
Listed shares—at fair value	—	20,346,674	—	—
Other investments—at cost	15,786,033	6,574,405	15,000,000	6,500,000
Total investments	**15,786,033**	**26,921,079**	**15,000,000**	**6,500,000**

The directors value these investments at their fair value. During the year, fair value gains of US$ 1,681,432 (2016: loss US$ 26,070,330) were made to the consolidated statements of changes in equity to reflect the movement in share price of the share investments.

14. Investments (Continued)

During the year, the company carried out a review of the recoverable amount of the investments. The review led to no recognition of impairment. The company estimated the fair value less costs to sell of the investments, which is based on the share prices of investments with similar characteristics. The fair value less costs to sell is less than the value of the investments and hence the recoverable amount of the relevant investments have been determined on the basis of their fair value less costs to sell.

During the 2017 Financial Year, $8,500,000 was transferred to investments from intangible assets. This relates to 5% of the share capital of West Indian Ocean Cable Company Ltd ("WIOCC") which the company acquired on 28 February 2015. The investment has been recorded at cost and classified as available-for-sale investments.

On 28 February 2015, the company acquired 34% of the share capital of Burundi Backbone Systems SM ("BBS") for a total purchase consideration of US$ 6,500,000. BBS has not been recognized as an associate on the basis that the company does not have significant influence over BBS. The investment has been recorded at cost and classified as available-for-sale investments.

15. Deferred taxation

The following are the major deferred tax assets and liabilities recognised by the group, and the movements thereon:

	Deferred revenue	Property, plant and equipment	Assessed Losses	Other	Total
	US$	US$	US$	US$	US$
Group—Deferred tax assets:					
At 1 March 2015	995,980	459,005	—	495,965	1,950,950
(Charge) / Credit to profit for the year	(462,437)	891,862	—	(298,174)	131,251
Reclassification	649,895			(649,895)	—
Reallocation: Deferred tax liabilities	(229,353)	—	—	(267,556)	(496,909)
Foreign exchange difference	(39,863)	(304,741)	—	31,536	(313,068)
At 29 February 2016	914,222	1,046,126	—	(688,124)	1,272,224
Credit / (Charge) to profit for the year	42,114	(481,899)	—	3,073,926	2,634,141
Acquisition of subsidiaries (note 26)	—	—	32,605,495	—	32,605,495
Disposal of subsidiaries	—	—	—	—	—
Reallocation: Deferred tax liabilities	—	—	—	671,601	671,601
Foreign exchange difference	21,089	240,868	1,422,515	(31,639)	1,652,833
At 28 February 2017	977,425	805,095	34,028,010	3,025,764	38,836,294

15. Deferred taxation (Continued)

	Deferred revenue	Property, plant and equipment	Other	Total
	US$	US$	US$	US$
Group—Deferred tax liabilities:				
At 1 March 2015	(16,445)	(18,451,766)	—	(18,468,211)
Charge to profit for the year	(1,119,480)	(6,459,938)	—	(7,579,418)
Reallocation: Deferred tax assets	174,561	54,792	267,556	496,909
Foreign exchange difference	(67,177)	—	—	(67,177)
At 29 February 2016	(1,028,541)	(24,856,912)	267,556	(25,617,897)
Charge to profit for the year	(1,842,278)	(5,035,434)		(6,877,712)
Reallocation: Deferred tax assets	—	—	(671,601)	(671,601)
Acquisition of subsidiaries (note 26)	—	(330,553)	—	(330,553)
Disposal of subsidiaries	—	—	—	—
Reclassification	—	32,541	(32,541)	—
Foreign exchange difference	(210,970)	—	—	(210,970)
At 28 February 2017	(3,081,789)	(30,190,358)	(436,586)	(33,708,733)

16. Held to maturity investments

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Current				
TN motor vehicle scheme	245,032	—	—	—
Non-current				
TN motor vehicle scheme	—	612,053	—	—
CABS housing scheme	2,951,535	2,740,640	—	—
	2,951,535	3,352,693	—	—

The TN Bank balance is an investment initially placed in April 2011 that backs the Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe Motor Vehicle Scheme. It matured in June 2014 and the funds were re-invested with a new maturity date of June 2017. It carries a pre-tax interest rate of 10% p.a.

The CABS balance is an investment initially placed in March 2011 that backs the Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe Staff Housing Scheme that matures in 2025 at a pre-tax interest rate of 8% p.a.

17. Long term receivables

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Long term intercompany receivables (note 27)	5,278,037	—	132,360,308	123,231,005
Other receivable (see note below)	1,130,791	1,246,908	—	—
Closing Balance	6,408,828	1,246,908	132,360,308	123,231,005

Other receivable relates to the Group operating leases with Zimbabwe Electricity Transmission and Distribution Company (ZETDC) to rent their infrastructure over a minimum period of 25 years. The Group made a prepayment of $1,406,286 which will be amortised monthly over the life of the lease.

17. Long term receivables (Continued)

Furthermore from that the Group is also supplying Zimbabwe Electricity Transmission and Distribution Company (ZETDC) with monthly broadband worth $14,570 as part of the arrangement.

18. Inventories

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
At Net Realiseable Value:				
Goods for resale	22,334,334	24,570,068	—	—
Provision for obsolete stock	(199,688)	(188,322)	—	—
	22,134,646	**24,381,746**	**—**	**—**

The directors are of the opinion that the inventory amounts are recorded at values that are not in excess of their recoverable amounts. No inventories were written down to net realisable value.

Inventory was reduced by US$ 199,688 (2016: US$ 188,322) in respect of provision for obsolete stock.

19. Trade and other receivables

Trade receivables	102,745,362	39,500,694	1,596,390	1,528
Allowance for doubtful debts	(20,067,505)	(4,286,601)	—	—
Affiliated entities (note 27)	14,116,434	4,695,590	12,086,066	3,763,150
Other related parties (note 27)	6,690,323	—	—	—
Short-term inter-company receivables (note 27)	6,043,071	5,856,300	45,682,118	39,010,631
Other receivables	56,619,910	19,689,380	19,066,105	2,304,873
Transfer from property, plant and equipment (note 11)	—	948,835	—	—
	166,147,595	**66,404,198**	**78,430,679**	**45,080,182**

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.

19. Trade and other receivables (Continued)

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	
	28/02/2017	29/02/2016
	US$	US$
Group		
31-60 Days	15,167,872	5,466,066
61-90 Days	5,053,910	2,516,195
91-120 Days	6,135,055	1,393,928
121+Days	17,341,328	6,994,311
	43,698,165	**16,370,500**

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Movement in the allowance for doubtful debt				
Opening balance	(4,286,601)	(4,207,321)	—	—
Acquisition of subsidiaries (note 26)	(15,497,633)	—	—	—
Movement for the year	(283,271)	(79,280)	—	—
Closing balance	**(20,067,505)**	**(4,286,601)**	**—**	**—**
The breakdown of other receivables is as follows:				
Sundry debtors	24,039,976	6,544,075	5,490,271	—
Deposits paid	3,742,100	3,800,299	—	—
Prepayments	18,091,036	7,906,006	3,799,036	865,873
Prepayments to related parties (note 27)	10,746,798	1,439,000	9,776,798	1,439,000
Closing balance	**56,619,910**	**19,689,380**	**19,066,105**	**2,304,873**

20. Cash and cash equivalents

Cash and bank balances	141,047,854	33,496,817	53,488,687	5,369,173
Restricted cash and bank balances	11,687,323	66,900,000	3,000,000	66,900,000
	152,735,177	**100,396,817**	**56,488,687**	**72,269,173**

The Group and Company have restricted cash for the following purposes:

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Guarantees	10,346,625	—	3,000,000	—
Commitment to capital projects	—	66,900,000	—	66,900,000
Customer deposits held	1,340,698	—	—	—
	11,687,323	**66,900,000**	**3,000,000**	**66,900,000**

21. Share capital and share premium

	Group and Company	
	28/02/2017	29/02/2016
	US$	US$
'A' Ordinary shares	600	600
'B' Ordinary shares	400	400
'C' Ordinary shares	—	—
Issued and paid share capital	**1,000**	**1,000**
Share premium	2,333,247	2,333,247

Movement in capital:

	Number of shares	Share capital	Share Premium
		US$	US$
Balance at 1 March 2015	1,000	1,000	2,333,247
Balance at 29 February 2016	1,000	1,000	2,333,247
Balance at 28 February 2017	**1,000**	**1,000**	**2,333,247**

The share capital above represents 1,000 ordinary shares with a par value of US$ 1 each. The holders of ordinary shares have voting rights of one vote per ordinary share. Each ordinary share has equal rights on distribution of income and capital.

22. Short term portion of long term liability and long term liability

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Long term liabilities:				
Alios Finance	89,102	151,114	—	—
Standard Chartered Bank	—	94,715,099	—	94,715,099
Standard Bank of South Africa Limited	291,288,343	—	291,288,343	—
Stanbic Bank of Zambia Limited	15,250,000	—	—	—
Tata Communications International Pte Limited	56,487,159	—	56,487,159	—
Barclays Bank Zambia	—	8,250,000	—	—
CISCO Capital	3,144,393	4,993,264	—	—
Bank M Tanzania Limited	94,936	—	—	—
Standard Bank of South Africa and Nedbank Limited	223,048,516	—	—	—
Onerous contracts	8,028,378	8,697,409	—	—
	597,430,827	**116,806,886**	**347,775,502**	**94,715,099**
Short term portion of long term liabilities:				
Huawei Technologies Investment Company Limited	922,034	922,034	—	—
Standard Chartered Bank	—	35,294,118	—	35,294,118
Standard Bank of South Africa Limited	2,262,898	—	2,262,898	—
CISCO	1,927,062	1,802,181	—	—
FNB Bank	23,098	64,120	—	—
Stanbic Bank of Zambia Limited	449	53,034	—	—
Standard Bank of South Africa and Nedbank Limited	75,400	—	—	—
Onerous contracts	3,514,263	669,031	—	—
	8,725,204	**38,804,518**	**2,262,898**	**35,294,118**

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 Chartered Bank is secured, denominated in US$, bears interest at the rate of Libor plus 4.5% and has been repaid in January 2017. The total contracted loan facility was $150,000,000. The loan was fully repaid in the 2017 Financial Year.

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 (note 36.1).

The long term loan from Barclays Bank Zambia is secured. It is denominated in US$, bears interest at the rate of Libor plus 4% and has been repaid in June 2016.

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.

22. Short term portion of long term liability and long term liability (Continued)

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 (note 36.3).

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 28 February 2017 ZAR 2,950,000,000 has been drawn down (Equivalent US$ 223,123,916) (note 36.2).

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 breakdown of Onerous contracts is as follows:

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
SEACOM, Ltd	8,028,378	8,697,409	—	—
Short term portion of onerous contracts:				
SEACOM, Ltd	669,032	669,031	—	—
Tata Communications International Pte Limited	2,518,744	—	—	—
Tiber Property Group (PTY) Ltd	326,487	—	—	—
	3,514,263	**669,031**	**—**	**—**

The onerous contract with SEACOM, Ltd results from the indefeasible right of use (IRU) for 28 STM1s which were acquired when Liquid Telecommunications Holdings Limited purchased Liquid Telecommunications Data International Limited. As the IRU's OA&M charges' present value exceeds the present value of the OA&M charges of an IRU purchased today, an onerous liability was raised for the excess OA&M charges.

The onerous contract with Tata Communications International Pte Limited relates to an unfavourable contract for the supply of IP Transit. A liabillity was raised for the difference between the current market price for IP Transit and the committed contract price.

The onerous contract with Tiber Property Group (Pty) Ltd is for an offer to lease that was entered into by Liquid Telecommunications Operations South Africa (Pty) Limited prior to the transaction with Neotel (Pty) Ltd being finalised. The contract expires in January 2018.

23. Trade and other payables

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Trade and other payables:				
Trade accounts payable	79,071,484	18,391,464	150,260	396,151
Payable balance to affiliated entities (note 27)	3,812,558	6,782,749	4,110,307	2,572,086
Short-term inter-company payables (note 27)	—	—	897,074	1,339,419
Other short term payables	80,296,152	33,662,540	7,789,058	580,306
Other payable to related company (note 27)	—	2,160,000	—	2,160,000
	163,180,194	**60,996,753**	**12,946,699**	**7,047,962**

23. Trade and other payables (Continued)

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.

24. Long term and short term provisions

	Leave provision	Licence fee provision	Total
	US$	US$	US$
Group			
Short term provisions:			
At 1 March 2015	37,578	—	37,578
Acquisition of subsidiaries (note 26)	(10,454)	—	(10,454)
Additional provisions raised	170,577	—	170,577
Foreign exchange difference	(13,508)	—	(13,508)
At 29 February 2016	184,193	—	184,193
Acquisition of subsidiaries (note 26)	—	1,592,456	1,592,456
Additional provisions raised	21,046	—	21,046
Reversal	(74,063)	—	(74,063)
Foreign exchange difference	7,622	69,476	77,098
At 28 February 2017	138,798	1,661,932	1,800,730
Long term provisions:			
At 29 February 2016	—	—	—
Acquisition of subsidiaries (note 26)	—	3,889,105	3,889,105
Additional provisions raised	—	—	—
Reversal	—	—	—
Foreign exchange difference	—	169,674	169,674
At 28 February 2017	—	4,058,779	4,058,779

25. Deferred revenue

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Deferred revenue	42,829,336	10,894,638	—	—
Short term portion of deferred revenue	22,027,359	3,796,397	—	—
	64,856,695	**14,691,035**	**—**	**—**

26. Acquisition / disposal of subsidiary company

2017: Group

On 10 February 2017, the company acquired 100% in Neotel (Pty) Limited based in South Africa through K2016272836 (South Africa) (Pty) Ltd.

26. Acquisition / disposal of subsidiary company (Continued)

The purpose of the acquisition was to follow the strategic direction of the group in acquiring companies that extend the fibre coverage of the Liquid Telecommunications Group within Africa.

The transaction has been accounted for using the purchase method of accounting.

	Fair value
	US$
Intangible assets	57,654,195
Property, plant and equipment	276,968,276
Investment in associates	359,455
Net Deferred tax assets	32,605,494
Inventories	3,097,120
Trade receivables	44,071,453
Bad debt provision	(15,330,201)
Other receivables	23,152,501
Cash at bank	41,294,127
Long-term loans payable	(403,047,028)
Trade payables	(53,011,391)
Accruals	(28,895,898)
Short term provisions	(1,592,456)
Long term provisions	(3,889,105)
Deferred revenue short term	(22,225,613)
Deferred revenue long term	(17,901,219)
Taxation (payable) receivable	(493,733)
Other payables	(3,140,117)
Onerous contracts	(2,413,450)
Net assets value (100%)	(72,737,590)
Non-controlling interest	—
Net liabilities acquired	(72,737,590)
Goodwill	134,632,655
Total consideration	61,895,065
Net cash outflow on acquisition of subsidiary	
Total cash consideration	(61,895,065)
Consideration payable	2,226,597
Total Cash consideration	(59,668,468)
Bank balances and cash equivalents	41,294,127
Net cash outflow arising on acquisition	(18,374,341)
Consideration transferred	61,895,066
Cash settlement of liabilities of Neotel (Pty) Ltd by K2016272836 (South Africa) (Pty) Ltd	156,678,819

The initial accounting for the acquisition of Neotel (Pty) Limited has only been provisionally determined at the end of the reporting period due to the proximity of the acquisition to the financial year end date.

Consideration has been given to the current assets and liabilities acquired in arriving at the recognised fair value of these assets at the acquisition date.

Further valuation procedures are being undertaken to assess the fair value of the fibre network and intangible assets acquired.

At the date of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore been provisionally determined based on the

26. Acquisition / disposal of subsidiary company (Continued)

directors' best estimate of the likely values. This is expected to be finalised within the first half of the 2018 financial year.

In arriving at the fair values of assets and liabilities, a tax base difference arises and this is accounted for as part of the fair value adjustments. This has been included above as indicated.

No contingent liabilities have been recognised in the business combination.

No non-controlling interests arose on the acquisition of Neotel (Pty) Ltd

On 2 January 2017, the company acquired 70% in Raha Tanzania Holdings Limited.

The purpose of the acquisition was to follow the strategic direction of the group in acquiring companies that extend the fibre coverage of the Liquid Telecommunications Group within Africa.

The transaction has been accounted for using the purchase method of accounting.

	Fair value
	US$
Intangible assets	4,231,542
Property, plant and equipment	7,617,106
Net Deferred tax liabilities	(330,553)
Inventories	156,072
External trade receivables	768,856
Intercompany trade receivables	52,236
Bad debt provision	(167,432)
Other receivables	2,023,833
External trade payables	(2,476,428)
Intercompany trade payables	(306,200)
Accruals	(153,988)
Deferred revenue short term	(503,004)
Other payables	(97,495)
Net assets value (100%)	10,814,545
Non-controlling interest	(3,244,364)
Net assets acquired	7,570,181
Goodwill	1,729,819
Total consideration	9,300,000
Net cash outflow on acquisition of subsidiary	
Total consideration	(9,300,000)
Bank balances and cash equivalents	—
Net cash outflow arising on acquisition	(9,300,000)

The initial accounting for the acquisition of Raha Tanzania Holdings Limited has only been provisionally determined at the end of the reporting period due to the proximity of the acquisition to the financial year end date.

Consideration has been given to the current assets and liabilities acquired in arriving at the recognised fair value of these assets at the acquisition date.

Further valuation procedures are being undertaken to assess the fair value of the fibre network and intangible assets acquired.

At the date of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore been provisionally determined based on the

26. Acquisition / disposal of subsidiary company (Continued)

directors' best estimate of the likely values. This is expected to be finalised within the first half of the 2018 financial year.

In arriving at the fair values of assets and liabilities, a tax base difference arises and this is accounted for as part of the fair value adjustments. This has been included above as indicated.

No contingent liabilities have been recognised in the business combination.

The non-controlling interest (30% ownership interest in Raha Tanzania Holdings Limited) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $3,244,364.

Impact of acquisitions on the results of the group

Included in the profit for the year is $283,249 attributable to the additional business generated by Raha Tanzania Holdings Limited and a loss of $201,983 attributable to Neotel (Pty) Limited. Revenue for the year includes $1,458,481 in respect of Raha Tanzania Holdings Limited and $15,940,640 in respect of Neotel (Pty) Limited from the respective dates of acquisitions.

Had these business combinations been effected at 1 March 2016, the revenue of the group for continuing operations would have been $594,643,831, and profit for the year from continuing operations would have been $62,734,501. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an anualised basis and to provide a reference point for the comparison of future periods.

In determining the 'pro-forma' revenue and profit of the Group had Neotel (Pty) Limited been acquired at the beginning of the current financial year, the directors have:

- calculated depreciation of plant and equipment and amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements
- calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination
- calculated the onerous contract based on the difference between the current market price and the committed contract price for the supply of IP Transit.

26. Acquisition / disposal of subsidiary company (Continued)

On 31 March 2016 the Group disposed 100% of Austin Eco Holdings Limited via a dividend in specie.

	Fair value
	US$
Other investments	22,097,512
Cash at Bank	2,743
Intercompany loans payable	(5,098,146)
Net assets value (100%)	17,002,109
Non-controlling interest	—
Net assets disposed	17,002,109
Gain on disposal of subsidiaries	5,095,403
Total consideration	22,097,512
Net cash inflow on disposal of subsidiary	
Total consideration	22,097,512
Less: Dividend in specie (note 31 and 37)	(22,097,512)
Total cash consideration	—
Bank balances and cash equivalents	(2,743)
Net cash outflow arising on disposal	(2,743)

Upon disposal of Austin Eco Holdings Limited, the accumulated revaluation reserve of US$9,637,849 was reclassified to retained earnings.

2016: Group

On 1 April 2015 the group acquired 100% of Realtime Technology Alliance Africa Limited and on 31 December 2015 100% of Transaction Payment Solution Indian Ocean Limited.

The purpose of the above acquisitions was to follow the strategic direction of the group in acquiring companies that extend the fibre coverage of the Liquid Telecommunications Group within Africa.

26. Acquisition / disposal of subsidiary company (Continued)

These transactions have been accounted for using the purchase method of accounting.

	Fair value US$
Property, plant and equipment	1,176,065
Inventories	261,571
Trade receivables	721,634
Other receivables	1,049,118
Short-term deposits and cash	242,282
Long-term loans payable	(93,759)
Trade payables	(946,385)
Inter-company short-term payables	(1,374,053)
Accruals	(182,344)
Provisions	10,454
Short-term loans payable	(217,156)
Taxation (payable) receivable	24,217
Other payables	11,698
Bank overdraft	(129,210)
Net assets value (100%)	554,132
Non-controlling interest	—
Net assets acquired	554,132
Excess of cost of subsidiaries acquired over fair value	2,445,897
Total consideration	3,000,029
Net cash outflow on acquisition of subsidiary	
Total consideration	(3,000,029)
Less: Advance payment for acquisition of subsidiary (note 14)	1,500,000
Total cash consideration	(1,500,029)
Bank balances and cash equivalents	113,072
Net cash outflow arising on acquisition	(1,386,957)

27. Related party transactions

In addition to the subsidiary companies disclosed in note 12, the following 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.

27. Related party transactions (Continued)

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 year, the group and company entered into the following trading transactions with related parties:

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Sales of goods and services:				
Econet Global Related Group Companies	68,375,278	84,274,097	—	—
Other Econet Global Related Group Companies	5,678,333	—	—	—
	74,053,611	**84,274,097**	**—**	**—**
Purchase of goods and services:				
Econet Global Related Group Companies	35,134,475	50,200,050	—	—
	35,134,475	**50,200,050**	**—**	**—**
Equipment sale:				
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	—	7,044
Liquid Telecommunications Operations SA (Proprietary) Limited (South Africa)	—	—	—	3,795
Liquid Telecommunications Limited (United Kingdom)	—	—	—	8,143
CEC Liquid Telecommunication Limited (Zambia)	—	—	—	6,102
Africa Digital Networks (SPRL) Ltd (DRC)	—	—	—	1,619
Liquid Telecommunications Rwanda Limited	—	—	—	4,723
HAI Zambia	—	—	—	9,953
	—	**—**	**—**	**41,379**
Management fees paid:				
Econet Global Related Group Companies	1,500,000	1,500,000	1,500,000	1,500,000
Liquid Telecommunications Limited (United Kingdom)	—	—	4,985,687	6,022,002
Liquid Telecommunications Operations Limited (Mauritius)	—	—	1,046,943	962,009
Liquid Telecommunications International FZE (UAE)	—	—	960,118	86,246
	1,500,000	**1,500,000**	**8,492,748**	**8,570,257**
Management fees received:				
Liquid Telecommunications Operations Limited (Mauritius)	—	—	413,120	—
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	1,823,197	1,367,325
HAI Zambia	—	—	308,284	—
	—	**—**	**2,544,601**	**1,367,325**
Dividend received:				
Econet Global Related Group Companies	—	278,605	—	—
Liquid Telecommunications Operations Limited (Mauritius)	—	—	30,000,000	70,000,000
	—	**278,605**	**30,000,000**	**70,000,000**
Dividend paid:				
Econet Global Ltd (Mauritius)	32,858,507	22,740,000	32,858,507	22,740,000
AMRO International Holdings Ltd (Mauritius)	15,049,005	2,160,000	15,049,005	2,160,000
GW Fibre Limited (Cayman Islands)	990,000	—	990,000	—
	48,897,512	**24,900,000**	**48,897,512**	**24,900,000**

27. Related party transactions (Continued)

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Interest Income:				
Econet Global Ltd (Mauritius)	876,543	355,945	876,543	355,945
Econet Global Related Group Companies	27,653	24,126	—	—
Austin Eco Holdings Limited (BVI)	179,892	—	195,607	173,076
CEC Liquid Telecommunication Limited (Zambia)	—	—	4,125	6,566
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	5,183,728	5,449,781
Liquid Telecommunications Operations DRC SPRL	—	—	25,356	22,122
Liquid Telecommunications Operations Limited (Mauritius)	—	—	670,895	—
Africa Digital Networks (SPRL) Ltd (DRC)	—	—	302,016	135,880
East Africa Data Centre (Kenya)	—	—	106,605	90,471
Infocom 2013 Limited (Uganda)	—	—	727,690	436,330
Liquid Telecommunications International FZE (UAE)	—	—	166,904	38,241
Liquid Telecommunications Kenya Ltd	—	—	2,291,212	1,710,950
Liquid Telecommunications Data International (Mauritius)	—	—	—	1,216,832
Liquid Telecommunications Rwanda Ltd	—	—	69,176	61,418
Liquid Sea Limited (Mauritius)	—	—	31,365	—
Ipidi Media (Mauritius)	—	—	253,664	159,118
	1,084,088	**380,071**	**10,904,886**	**9,856,730**
Finance costs:				
AMRO International Holdings Ltd (Mauritius)	83,453	9,062	83,453	9,062
Liquid Telecommunications Limited (United Kingdom)	—	—	21,660	44,779
Liquid Telecommunications Operations Limited (Mauritius) (Guarantee fee)	—	—	10,000	619,786
	83,453	**9,062**	**115,113**	**673,627**
Long term intercompany receivables:				
Austin Eco Holdings Limited (BVI)	5,278,037	—	5,278,037	5,082,430
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	71,630,824	71,630,824
Liquid Telecommunications Kenya Ltd	—	—	28,964,057	24,665,221
Liquid Sea Limited (Mauritius)	—	—	958,746	—
Africa Digital Networks (SPRL) Ltd (DRC)	—	—	5,224,220	2,424,993
Liquid Telecommunications Rwanda Ltd	—	—	1,153,632	1,094,833
East Africa Data Centre (Kenya)	—	—	3,319,193	3,212,588
Infocom 2013 Limited (Uganda)	—	—	11,200,925	9,587,120
Ipidi Media (Mauritius)	—	—	1,500,000	3,764,160
Liquid Telecommunications International FZE (UAE)	—	—	3,130,674	1,768,836
	5,278,037	**—**	**132,360,308**	**123,231,005**

The long term intercompany receivable from Data & Control System (Private) Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 6.25% and is repayable in December 2025.

The long term intercompany receivable from Africa Digital Networks SPRL Ltd is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in February 2019.

The long term intercompany receivable from Austin Eco Holdings Limited is unsecured, bears interest at the rate of Libor plus 2.5% with first drawdown effected in April 2011. There is no fixed repayment date and the company will not recall the loan within the next 12 months.

The long term intercompany receivable from Liquid Telecommunications Kenya Ltd is unsecured, denominated in US$ and bears interest at the rate of Libor plus 5.5%. Repayment of the loan is pegged to Liquid Telecommunications Kenya Ltd generating free cash flows for a period of at least 3 months during which time the company must also report positive working capital.

27. Related party transactions (Continued)

The long term intercompany receivable from Liquid Sea Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in December 2021 with first drawdown effected in March 2016.

The long term intercompany receivable from East Africa Data Centre Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in February 2019.

The long term intercompany receivable from Liquid Telecommunications Rwanda Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in February 2019.

The long term intercompany receivable from Infocom 2013 Limited is unsecured, denominated in US$ and bears interest at the rate of Libor plus 5.5%. Repayment of the loan is pegged to Infocom 2013 Limited generating free cash flows for a period of at least 3 months during which time the company must also report positive working capital.

The long term intercompany receivable from Liquid Telecommunications International FZE is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in June 2020 with first drawdown effected in December 2014.

The long term intercompany receivable from Ipidi Media (Mauritius) is unsecured, denominated in US$, is interest free and is repayable in November 2019 with first drawdown effected in March 2014.

US$ 2,847,972 of the long term intercompany receivable from Ipidi Media (Mauritius) was impaired during the 2017 financial year as the amount was assumed to be unrecoverable.

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Short term intercompany payables:				
Liquid Telecommunications Limited (United Kingdom)	—	—	846,870	920,839
Liquid Telecommunications DRC SPRL	—	—	49,500	49,500
Liquid Telecommunications Mozambique	—	—	703	1,026
Liquid Telecommunications Tanzania Limited	—	—	—	367,954
Liquid Sea Limited (Mauritius)	—	—	—	100
K2016272836 (South Africa) (Pty) Ltd	—	—	1	—
	—	**—**	**897,074**	**1,339,419**

The amount payable to Liquid Telecommunications Limited (United Kingdom) bears interest at the rate of GBP LIBOR plus 2.5%, is unsecured and is to be repaid within the next 12 months.

The amounts payable to the other related parties are interest free, unsecured and are to be repaid within the next 12 months.

Short term intercompany receivables:				
Econet Global Related Group Companies	6,043,071	5,856,300	4,997,862	4,838,744
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	3,704,138	4,219,193
Liquid Telecommunications Operations DRC SPRL	—	—	885,917	825,561
Liquid Telecommunications Operations Limited (Mauritius)	—	—	36,083,510	28,858,870
CEC Liquid Telecommunication Limited (Zambia)	—	—	10,691	268,263
	6,043,071	**5,856,300**	**45,682,118**	**39,010,631**

27. Related party transactions (Continued)

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

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Receivables balances from affiliated entities and other related parties:				
Econet Global Related Group Companies	14,116,434	4,695,590	—	—
Other Econet Global Related Group Companies	6,690,323	—	—	—
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	5,239,807	3,096,102
CEC Liquid Telecommunication Limited (Zambia)	—	—	30,404	101,813
Liquid Telecommunications Limited (United Kingdom)	—	—	8,368	135,081
Liquid Telecommunications Rwanda Limited	—	—	—	68,437
Liquid Telecommunications Operations DRC SPRL	—	—	8,303	8,303
Neotel (Pty) Limited (South Africa)	—	—	685,045	156,688
Raha Limited (Tanzania)	—	—	4,911	—
Liquid Telecommunications Operations Limited (Mauritius)	—	—	5,531,217	2,230
ZOL Zimbabwe (Private) Limited	—	—	26,780	32,317
Liquid Telecommunications Kenya Ltd (Kenya)	—	—	68,361	55,172
Africa Digital Networks SPRL Limited (DRC)	—	—	74,006	17,889
Infocom 2013 Limited (Uganda)	—	—	6,096	5,028
Transaction Payment Solutions International Limited (Mauritius)	—	—	4,638	1,235
Transactions Payment Solutions Botswana (Proprietary) Limited (Botswana)	—	—	3,090	1,774
Transactions Payment Solutions Kenya Limited (Kenya)	—	—	—	71
Transactions Payment Solutions Zambia Limited (Zambia)	—	—	—	1,713
HAI Telecommunications Limited (Zambia)	—	—	374,178	74,119
Liquid Media (Mauritius)	—	—	—	524
Liquid Telecommunications International FZE (UAE)	—	—	10,004	—
Transaction Payment Solutions South Africa Limited	—	—	10,858	4,654
	20,806,757	**4,695,590**	**12,086,066**	**3,763,150**
Payable balance to affiliated entities:				
Econet Global Related Group Companies	3,812,558	6,782,749	—	—
Liquid Telecommunications Limited (United Kingdom)	—	—	988,273	2,311,309
Liquid Telecommunications Operations Limited (Mauritius)	—	—	720,291	52,878
Neotel (Pty) Limited (South Africa)	—	—	2,344,922	114,151
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	50,306	—
Liquid Telecommunications International FZE (UAE)	—	—	—	86,246
Liquid Rwanda	—	—	6,515	—
Liquid Telecommunications Kenya Ltd (Kenya)	—	—	—	7,502
	3,812,558	**6,782,749**	**4,110,307**	**2,572,086**
Other payable to related company:				
AMRO International Holdings Ltd (Mauritius)	—	2,160,000	—	2,160,000
GW Fibre Limited (Cayman Islands)	990,000	—	990,000	—
	990,000	**2,160,000**	**990,000**	**2,160,000**
Equity loans owed by:				
Liquid Telecommunications Kenya Ltd	—	—	12,421,752	12,421,752
Infocom 2013 Limited (Uganda)	—	—	1,114,780	1,114,780
K2016272836 (South Africa) (Pty) Ltd	—	—	23,319,514	—
	—	**—**	**36,856,046**	**13,536,532**

27. Related party transactions (Continued)

The equity loans are unsecured. There are no fixed repayment terms and these amounts are repayable at the discretion of each respective borrower and thus considered to represent equity.

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Prepayments:				
Econet Global Related Group Companies (note 19)	10,746,798	1,439,000	9,756,798	1,439,000
Liquid Telecommunications Operations Limited (Mauritius) (note 19)	—	—	20,000	—
	10,746,798	**1,439,000**	**9,776,798**	**1,439,000**

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Proceeds from disposal / transfer of subsidiary				
Econet Global Related Group Companies (notes 31 and 37)	22,097,512	—	22,097,512	—
K2016272836 (South Africa) (Pty) Ltd (note 37)	—	—	51,821,143	—
	22,097,512	**—**	**73,918,655**	**—**
Administration fees paid:				
DTOS Ltd	198,290	183,892	91,275	62,733

Other transactions

During the 2017 Financial Year, the company disposed of intangible assets with a carrying value of $5,082,542 to Liquid Telecommunications Operations Limited. There was no profit/(loss) on the sale.

Compensation of key management personnel

Key management personnel were paid US$ 649,765 during the 2017 financial year (2016: US$ 528,010).

28. Capital commitments

At 28 February 2017 the group was committed to making the following capital commitments:

Authorised and contracted	17,217,397	12,146,030	—	—
Authorised by directors but not contracted	78,217,981	97,453,788	25,581,117	66,900,000
	95,435,378	**109,599,818**	**25,581,117**	**66,900,000**

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

29. Operating lease arrangements

Payments recognised as an expense:

Minimum lease payments	23,309,207	12,756,787	—	—

29. Operating lease arrangements (Continued)

Operating lease commitments

At 28 February 2017 the group was committed to making the following annual payments in respect of operating leases:

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Lease which expire:				
Within one year	25,929,375	11,056,176	—	—
Between two to five years	63,364,153	25,839,075	—	—
After five years	22,746,241	23,622,824	—	—
	112,039,769	**60,518,075**	**—**	**—**

Operating lease payments represent rentals payable by the Group for certain of its office properties, capacity on satellites, equipment and buildings. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

30. Financial instruments

30.1 Capital risk management

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

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

30.2 Significant accounting policies

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

30.3 Gearing Ratio

The group's directors review the capital structure on a periodic basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the directors' recommendations, the group expects to increase its gearing ratio.

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Debt(i)	594,613,390	146,244,964	350,038,400	130,009,217
Cash and cash equivalents	(152,735,177)	(100,396,817)	(56,488,687)	(72,269,173)
Net Debt	**441,878,213**	**45,848,147**	**293,549,713**	**57,740,044**
Equity(ii)	428,306,553	327,389,744	209,955,286	214,282,886
Net Debt to Equity Ratio	103.17%	14.00%	139.82%	26.95%

(i) Debt is defined as long and short-term borrowings, as detailed in note 22, excluding onerous contracts.

(ii) Equity includes all capital and reserves of the group and the company, as detailed in the statement of changes in equity.

30. Financial instruments (Continued)

30.4 Categories of financial assets and liabilities

Financial assets				
Cash and cash equivalents	152,735,177	100,396,817	56,488,687	72,269,173
Held-to-maturity investments	3,196,567	3,352,693	—	—
Available-for-sale financial assets	15,786,033	26,921,079	15,000,000	6,500,000
Loans and receivables	142,587,798	56,110,357	197,215,153	166,006,314
	314,305,575	**186,780,946**	**268,703,840**	**244,775,487**
Financial liabilities				
Amortised cost	771,136,955	216,792,350	362,985,099	137,057,179

30.5 Financial risk management objectives

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

30.6 Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note 30.7 and 30.8) and interest rates (see Note 30.9 and 30.10). The group does not enter into derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

30.7 Foreign currency risk management

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

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

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Assets				
Currency of the United Kingdom (GBP)	12,926,514	7,463,485	—	—
Currency of United States (USD)	173,887,405	152,552,598	263,696,427	244,775,487
Currency of South Africa (ZAR)	111,810,871	5,750,504	5,007,413	—
Currency of Botswana (BWP)	210,478	229,611	—	—
Currency of Kenya (KES)	9,422,992	12,243,664	—	—
Currency of Zambia (ZMK)	2,024,112	1,001,506	—	—
Currency of Rwanda (RWF)	2,206,517	4,604,549	—	—
Currency of Nigeria (NGN)	119,515	220,595	—	—
Currency of Uganda (UGX)	1,697,171	2,714,434	—	—
	314,305,575	**186,780,946**	**268,703,840**	**244,775,487**

30. Financial instruments (Continued)

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Liabilities				
Currency of the United Kingdom (GBP)	6,945,317	5,477,494	1,837,319	1,799,149
Currency of United States (USD)	427,615,835	197,648,556	358,768,735	135,143,879
Currency of South Africa (ZAR)	321,236,596	1,159,258	2,370,180	114,151
Currency of Botswana (BWP)	31,114	31,770	—	—
Currency of Kenya (KES)	10,987,861	8,584,657	8,865	—
Currency of Zambia (ZMK)	1,116,338	78,099	—	—
Currency of Rwanda (RWF)	2,047,488	2,498,577	—	—
Currency of Nigeria (NGN)	3,958	39,787	—	—
Currency of Uganda (UGX)	1,152,448	1,274,152	—	—
	771,136,955	**216,792,350**	**362,985,099**	**137,057,179**

30.8 Foreign currency sensitivity analysis

The Group is mainly exposed to the currencies of United Kingdom (GBP) South Africa (ZAR) Kenyan Shilling (KES) and Rwandan Franc (RWF).

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

Profit / (Loss)

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Group				
GBP Currency impact	(598,120)	(198,599)	183,732	179,915
ZAR Currency impact	20,942,573	(459,125)	(263,723)	11,415
KES Currency impact	156,487	(365,901)	887	—
RWF Currency impact	(15,903)	(210,597)	—	—
	20,485,037	**(1,234,222)**	**(79,104)**	**191,330**

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

30.9 Interest rate risk management

The group is exposed to interest rate risk as entities in the group borrow funds at both fixed and floating interest rates. The risk is managed by the group by securing an appropriate mix between fixed and floating rate borrowings on initial signing of borrowing contracts. The group's exposures to interest rates on

30. Financial instruments (Continued)

financial liabilities are detailed in the liquidity risk management table (see 30.12 below). Interest rates have been disclosed in the respective notes where applicable.

30.10 Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the group's and company's:

- Profit for the year ended 28 February 2017 would decrease by $ 4,305,571 (2016: $ 399,918) and $ 1,155,073 (2016: $ 1,045,016) respectively. This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings; and
- No increase or decrease in other equity reserves for the year ended 28 February 2017 (2016: no increase or decrease)

30.11 Credit risk management

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

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

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

30.12 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

30. Financial instruments (Continued)

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

	Weighted Average Effective Interest Rate	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
		US$	US$	US$	US$	US$	US$
Group—2017							
Financial Liabilities	8.10%	95,307,466	70,552,025	7,846,637	561,078,575	36,352,252	771,136,955
Group—2016							
Financial Liabilities	4.94%	32,076,320	27,111,885	40,797,259	110,785,603	6,021,283	216,792,350
Company—2017							
Financial Liabilities	5.75%	4,260,567	7,789,058	3,159,972	316,775,502	31,000,000	362,985,099
Company—2016							
Financial Liabilities	5.11%	2,968,237	580,306	38,793,537	94,715,099	—	137,057,179

30.13 Fair values

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

31. Dividend

Dividends of $48,897,512 were declared and paid during the 2017 financial year (2016: $24,900,000) including a dividend in specie where 100% of the shares held in Austin Eco Holdings Limited were distributed at value of $22,097,512.

32. 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).

32. Fair value measurements recognised in the consolidated statement of financial position (Continued)

- 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).

	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
28 February 2017				
Econet Wireless Zimbabwe	—	—	—	—
Meikles Limited	—	—	—	—
Onerous contract	—	—	11,542,641	11,542,641
Total	**—**	**—**	**11,542,641**	**11,542,641**
29 February 2016				
Econet Wireless Zimbabwe	20,275,227	—	—	20,275,227
Meikles Limited	71,447	—	—	71,447
Onerous contract	—	—	9,366,440	9,366,440
Total	**20,346,674**	**—**	**9,366,440**	**29,713,114**

33. Earnings per share

	Group		Company	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
Basic and diluted earnings per share	45,687	39,648	67,889	65,254
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:				
Profit attributable to owners of the company	45,687,380	39,647,902	67,889,426	65,253,992
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,000	1,000	1,000	1,000

34. Segment information

34.1 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).

34. Segment information (Continued)

The following is an analysis of the Group's revenue and results by reportable segment for the 2017 Financial Year.

	South Africa	Zimbabwe	Rest of Africa	Rest of the World	Intercompany Transactions	Total
	US$	US$	US$	US$	US$	US$
Revenue	51,033,453	92,365,809	66,433,106	202,330,042	(69,170,477)	342,991,933
Cost of sales	(26,150,981)	(34,892,533)	(26,707,441)	(119,153,525)	69,170,477	(137,734,003)
Gross Profit	**24,882,472**	**57,473,276**	**39,725,665**	**83,176,518**	**—**	**205,257,930**
Operating costs	(14,007,105)	(19,571,448)	(27,077,504)	(20,296,832)	—	(80,952,889)
Other Income/ (Expenses)	(1,837,870)	(13,891,001)	(17,913,065)	2,003,258	(898,294)	(32,536,972)
Total	**9,037,497**	**24,010,827**	**(5,264,904)**	**64,882,943**	**(898,294)**	**91,768,069**
Central administration costs						(18,463,206)
Foreign exchange gain						2,031,913
Interest income						1,554,463
Finance costs						(13,785,437)
Profit before tax						**63,105,802**

The following is an analysis of the Group's revenue and results by reportable segment for the 2016 Financial Year.

	South Africa	Zimbabwe	Rest of Africa	Rest of the World	Intercompany Transactions	Total
	US$	US$	US$	US$	US$	US$
Revenue	33,765,901	84,130,420	59,322,237	186,423,237	(57,095,164)	306,546,631
Cost of sales	(24,373,300)	(21,425,051)	(25,541,392)	(101,270,758)	57,095,164	(115,515,337)
Gross Profit	**9,392,601**	**62,705,369**	**33,780,845**	**85,152,479**	**—**	**191,031,294**
Operating costs	(4,008,118)	(18,707,018)	(23,853,747)	(24,301,142)	—	(70,870,025)
Other Income/ (Expenses)	757,420	(12,726,986)	(12,245,551)	462,900	(6,211,395)	(29,963,612)
Total	**6,141,903**	**31,271,365**	**(2,318,453)**	**61,314,237**	**(6,211,395)**	**90,197,657**
Central administration costs						(8,756,467)
Foreign exchange loss						(13,254,178)
Interest income						728,156
Finance costs						(7,256,314)
Profit before tax						**61,658,854**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. 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 27).

For details on revenue by product, see note 4.

34. Segment information (Continued)

34.2 Segment assets and liabilities

	28/02/2017	29/02/2016
	US$	US$
Segment assets		
South Africa	657,241,917	19,706,861
Zimbabwe	254,715,081	212,152,819
Rest of Africa	176,107,549	146,338,956
Rest of the World	215,814,604	206,292,390
Total segment assets	1,303,879,151	584,491,026
Consolidated total assets	1,303,879,151	584,491,026
Segment liabilities		
South Africa	369,309,524	1,594,417
Zimbabwe	46,421,730	46,633,972
Rest of Africa	50,583,687	34,804,839
Rest of the World	59,219,257	44,058,838
Total segment liabilities	525,534,198	127,092,066
Unallocated	350,038,400	130,009,216
Consolidated total liabilities	875,572,598	257,101,282

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments.
- all liabilities are allocated to reportable segments other than group borrowings.

34.2 Other segment information

	Depreciation, impairment and amortisation		Additions to property, plant and equipment and intangible assets	
	28/02/2017	29/02/2016	28/02/2017	29/02/2016
	US$	US$	US$	US$
South Africa	3,664,710	1,765,900	14,675,566	4,776,289
Zimbabwe	12,496,451	11,422,917	24,615,569	37,441,241
Rest of Africa	15,205,646	13,491,563	21,787,441	19,969,828
Rest of the World	7,050,540	6,973,351	19,516,210	17,504,195
	38,417,347	33,653,731	80,594,786	79,691,553

35. Contingent Liabilities

35.1 Financial support

The company provides financial support and has committed to provide further financial support to the following subisdiaries for the next 12 months from the date of approval of the Group Financial Statements:

- Infocom 2013 Limited (Uganda)
- Liquid Telecommunications Rwanda Ltd

35. Contingent Liabilities (Continued)

35.2 Performance guarantee

The company has entered into a performance guarantee for $3,000,000 (2016: nil) with Standard Bank (Mauritius) Limited on behalf of Neotel Proprietary Limited to secure certain works and services.

36. Guarantees

36.1 Long term liability from Standard Bank South Africa Limited

The US$300M loan facility agreement between Liquid Telecommunications Holdings Limited and Standard Bank of South Africa Limited for which Liquid Telecommunications Operations Limited and Liquid Telecommunications Limited (United Kingdom) are financial guarantors has various types of security. This includes first ranking charge over assets, charge over all bank accounts, assignment over intercompany loans, assignment over intercompany receivables and assignment over receivables of obligators. The facility agreement prohibits Liquid Telecomunications Holdings Limited from creating security over its assets and providing security in favour of any third party without the Bank's formal approval.

36.2 Long term liability from Nedbank Limited

The ZAR2,950,000,000 (Equivalent US$ 223,123,916) loan facility agreement between Neotel Proprietary Limited and Nedbank Limited for which Neotel Business Support Services Proprietary Limited (South Africa) Limited and K2016272836 (South Africa) Proprietary Limited (South Africa Holding Company Limited) are financial guarantors has various types of security. This includes first ranking charge over assets, charge over all bank accounts, assignment over intercompany loans, assignment over intercompany receivables and assignment over receivables of obligators. The facility agreement prohibits Neotel Proprietary Limited from creating security over its assets and providing security in favour of any third party without the Bank's formal approval.

36.3 Long term liability from Stanbic Bank Zambia Limited

The US$ 15,250,000 loan facility agreement between CEC Liquid Telecommunication Limited and Stanbic Bank Zambia Limited for which Liquid Telecommunications Holdings Limited and Copperbelt Energy Corporation Plc are corporate guarantors.

37. Non-cash transactions

During the current financial year, the Group and Company entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- the group and company disposed of its shares in Austin Eco Holdings Limited ($22,097,512 see note 26) via a dividend in specie.
- proceeds in respect of the company's disposal of an intangible asset to Liquid Telecommunications Operations Limited ($5,082,542 see note 27) had not been received in cash at the end of the reporting period.
- proceeds in respect of the company's disposal of shares in Liquid Telecommunications Operations DRC SPRL to Liquid Telecommunications DRC SPRL ($35,000 see note 27) had not been received in cash at the end of the reporting period. At group level, no consideration was paid to the non-controlling interest for the increase in ownership from 70% to 97.5%.
- The company disposed of its shares in Liquid Telecommunications Operations SA (Proprietary) Limited ($51,821,143 see note 27) in return for an equivalent investment in K2016272836 (South Africa) (Pty) Ltd.

38. Royal Bafokeng Holdings Option

Liquid Telecommunications Holdings Limited (LTH) and Lisinfo 213 (Pty) Limited (RBH) have agreed that RBH may under certain circumstances dispose of its equity in K2016272836 (Pty) Limited (SA Holdco) at the higher of the fair market value or the capital investment plus CPI plus 5.5% in exchange for LTH ordinary shares at fair market value. RBH also has an additional option to increase their LTH shareholding at fair market value to 10% of the voting rights of LTH.

39. Going concern

The directors have reviewed the consolidated cash flow projections of Liquid Telecommunications Holdings Limited ("the Group"), both including and excluding the South African operations, for the forthcoming period of twelve months from 01 March 2017 up to and including 28 February 2018 as well as the material cash flows that could result through to June 2018. Considering the available cash position as of 28 February, the cash flow projections for the period, the repayment of existing obligations and access to new capital and loan funding, the directors are satisfied that the Group, both including and excluding the South African operations, has access to adequate cash resources to settle obligations as these arise and that operations reflect financial sustainability to enable the business to continue in operational existence for the foreseeable future.

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

- The Group has acquired, along with Royal Bafokeng Holdings (RBH), the business of Neotel Proprietary Limited (Neotel) with effect from 10 February 2017. This acquisition in South Africa is fundamental to the going concern assumption for Neotel as it allowed Neotel the refinancing of existing debt arrangements in place at 10 February and contributed equity type capital to that business of around US$207 million (ZAR2.8 billion) which provided additional funding to that business to allow it to continue operating for the foreseeable future.
- Within Neotel, a revolving credit facility of US$27 million (ZAR350.0 million) has been entered into with financial institutions to provide funding to the business. This facility is undrawn as of 28 February 2017. The Group has vendor finance arrangements of US$27 million (ZAR350.0 million) which will be utilised for capital expenditure required in terms of the annual operating plan (AOP) of Neotel.
- The merger of Liquid Telecommunications Operations South Africa (Pty) Limited existing operations in South Africa with Neotel operations has also been completed in February 2017 and this will increase the business footprint and result in improved economies of scale to the business operations along with the consequential positive cash flows from the business that has been brought in.
- The performance and trading of Neotel for the new financial year and following financial year indicates positive future projected earnings and the resulting cash flow generated from operating activities is positive.
- As part of the acquisition of Neotel, on 10 February 2017, US$240 million (ZAR2.95 billion) has been provided as bridge loan by a consortium of two banks. This bridge loan facility and was set up due to the impending longer term loan funding and capital raising activities of the Group. Management with the respective Lenders are currently in the process of negotiating the re-financing options of this existing bridge loan facility which matures on 10 May 2018. Banks have been mandated to raise financing in the debt capital markets with an anticipated close date of July 2017. As an alternative plan, the debt will be refinanced into longer term bank facilities and this would have an anticipated close date of November 2017. The new loan funding, extension or re-financing of the bridge loan facility is essential to Neotel being able to deal with the cash flow obligations arising from the repayment of the existing bridge facility in May 2018. Given that the Group has been successful at raising the bridge loan facility in February 2017 and considering the current activities underway in terms of loan and capital raising activities, the directors are confident that adequate funding will be in place to deal with the repayment of the bridge loan in May 2018.

39. Going concern (Continued)

- In addition, the manner in which the debts are structured currently within the Group, default of the debt obligations at the Neotel level does not cause a default of the debt obligations at the Company level. The covenants surrounding the Company's debt obligations relate to the Group excluding the South African operations. The resulting position is that the Group, excluding the South African operations, would continue even if there was a going concern issue at the Neotel level.

Based on the assessment made and articulated in the reasons set out above, the directors are of the opinion, that the adoption of the going concern assumption for the preparation of the financial statements as of 28 February 2017 is justified.

40. Post balance sheet events

On 1 June 2017, the company has acquired 70% of Zanlink Limited, a company incorporated in the United Republic of Tanzania, for a consideration of $3,100,000.

41. Comparative figures

Certain comparatives have been reclassified to conform with the current year's presentation.

Liquid Telecommunications
Holdings Limited
(Registration Number: 068355 C2/GBL)

Annual Financial statements
For the year ended 29 February 2016

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
(Registration Number: 068355 C2/GBL)
ANNUAL FINANCIAL STATEMENTS
29 February 2016

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Mauritius

Independent auditor's report to the shareholders of Liquid Telecommunications Holdings Limited

This report is made solely to the company's shareholders, as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of **Liquid Telecommunications Holdings Limited (the "company") and its subsidiaries (collectively referred to as the "Group")** on pages 5 to 44 which comprise the statements of financial position as at 29 February 2016 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 5 to 44 give a true and fair view of the financial position of the group and the company as at 29 February 2016, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte

Pradeep Malik

Deloitte
Chartered Accountants
27 MAY 2016

Pradeep Malik, FCA
Licensed by FRC

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2016

	Notes	Group 29/02/2016 US$	Group 28/02/2015 US$	Company 29/02/2016 US$	Company 28/02/2015 US$
Revenue	4	306,546,631	302,250,773	—	—
Cost of sales	5	(115,515,337)	(118,854,866)	—	—
Gross Profit		191,031,294	183,395,907	—	—
Other Income		3,294,683	980,014	1,571,830	1,264,067
Dividend received		278,605	1,707,577	70,000,000	80,000,000
Selling and distribution costs		(6,717,946)	(5,432,149)	(987,120)	(701)
Administrative expenses		(29,782,373)	(30,356,824)	(14,646,574)	(10,953,458)
Staff costs		(43,009,342)	(43,196,569)	(912,468)	(36,262)
Profit before interest, taxation, impairment and amortisation		115,094,921	107,097,956	55,025,668	70,273,646
Depreciation, impairment and amortisation		(33,653,731)	(23,383,122)	7,767,706	(2,083,913)
Operating profit		81,441,190	83,714,834	62,793,374	68,189,733
Interest income	6	728,156	463,691	9,861,274	8,204,011
Finance costs	7	(7,256,314)	(4,387,921)	(7,569,868)	(6,352,082)
Foreign exchange (loss) / gain	5	(13,254,178)	(5,644,359)	365,567	1,907
Profit before taxation		61,658,854	74,146,245	65,450,347	70,043,569
Taxation	8	(11,774,182)	(11,877,719)	(196,355)	(152,199)
Profit for the year		**49,884,672**	**62,268,526**	**65,253,992**	**69,891,370**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange loss		(9,600,720)	(1,534,204)	—	—
Fair value loss on available-for-sale investments	13	(26,070,330)	(12,473,846)	—	—
Other comprehensive loss for the year		(35,671,050)	(14,008,050)	—	—
Profit and total comprehensive income for the year		**14,213,622**	**48,260,476**	**65,253,992**	**69,891,370**
Profit attributable to:					
Owners of the parent		39,647,902	55,597,333	65,253,992	69,891,370
Non-controlling interest		10,236,770	6,671,193	—	—
		49,884,672	**62,268,526**	**65,253,992**	**69,891,370**
Profit and total comprehensive income attributable to:					
Owners of the parent		3,976,852	41,589,283	65,253,992	69,891,370
Non-controlling interest		10,236,770	6,671,193	—	—
		14,213,622	**48,260,476**	**65,253,992**	**69,891,370**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
at 29 February 2016

		Group		Company	
	Notes	29/02/2016	28/02/2015	29/02/2016	28/02/2015
		US$	US$	US$	US$
Non-current assets					
Goodwill	9	9,557,849	7,111,952	—	—
Intangible assets	10	71,939,223	68,737,180	15,694,459	18,323,706
Property, plant and equipment	11	277,257,217	259,294,389	41,417	295,135
Investment in subsidiaries	12	—	—	88,523,829	87,877,774
Investments	13	26,921,079	54,492,041	6,500,000	6,500,000
Deferred tax assets	14	1,272,224	1,950,950	—	—
Held to maturity investments	15	3,352,693	3,151,346	—	—
Other long-term receivables	16	1,246,908	1,246,908	—	—
Long term intercompany receivables	23	—	—	123,231,005	121,360,742
Total non-current assets		**391,547,193**	**395,984,766**	**233,990,710**	**234,357,357**
Current assets					
Inventories	17	24,381,746	32,097,923	—	4,470,165
Trade and other receivables	18	60,547,898	55,757,851	6,069,551	11,850,620
Short term intercompany receivables	19	5,856,300	5,863,044	39,010,631	15,458,453
Taxation	8	1,761,072	—	—	—
Cash and cash equivalents	20	33,496,817	36,595,110	5,369,173	3,890,309
Restricted cash and cash equivalents	20	66,900,000	—	66,900,000	—
Total current assets		**192,943,833**	**130,313,928**	**117,349,355**	**35,669,547**
Total assets		**584,491,026**	**526,298,694**	**351,340,065**	**270,026,904**
Equity and liabilities					
Capital and reserves					
Stated capital	21	1,000	1,000	1,000	1,000
Share premium	21	2,333,247	2,333,247	2,333,247	2,333,247
Equity loans	22	—	—	(13,536,532)	(14,188,856)
Revaluation reserve		(11,319,281)	14,751,049	—	—
Retained earnings		294,865,023	280,188,480	225,485,171	185,131,179
Foreign currency translation reserve		(13,054,550)	(3,453,830)	—	—
Total equity attributable to owners of the parent		**272,825,439**	**293,819,946**	**214,282,886**	**173,276,570**
Non-controlling interests		54,564,305	43,083,267	—	—
Total equity		**327,389,744**	**336,903,213**	**214,282,886**	**173,276,570**
Non-current liabilities					
Long-term liability	23	116,806,886	98,291,926	94,715,099	71,110,209
Long-term intercompany payables	23	—	—	—	6,955,324
Deferred tax liabilities	14	25,617,897	18,468,211	—	—
Total non-current liabilities		**142,424,783**	**116,760,137**	**94,715,099**	**78,065,533**
Current liabilities					
Short-term portion of long-term liability	23	38,804,518	12,447,980	35,294,118	8,770,246
Trade and other payables	24	75,687,788	59,767,500	5,708,543	6,685,931
Provisions	25	184,193	37,578	—	—
Short-term intercompany payables	26	—	—	1,339,419	3,228,624
Taxation	8	—	382,286	—	—
Total current liabilities		**114,676,499**	**72,635,344**	**42,342,080**	**18,684,801**
Total equity and liabilities		**584,491,026**	**526,298,694**	**351,340,065**	**270,026,904**

Approved by the Board of Directors and authorised for issue on 27 May 2016

Eric Venpin
Director

Gaetan Lan
Director

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 29 February 2016

	Notes	Share Capital	Share Premium	Investment Revaluation reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total Equity
		US$	US$	US$	US$	US$	US$	US$
At 1 March 2014		1,094	57,998,906	27,224,895	(1,916,050)	252,783,446	31,553,108	367,645,399
Share buyback	21	(94)	(55,665,659)	—	—	—	—	(55,665,753)
Change in ownership	12.3	—	—	—	—	(15,858,966)	4,858,966	(11,000,000)
Foreign exchange loss on disposal of subsidiaries		—	—	—	(3,576)	—	—	(3,576)
Profit for the year		—	—	—	—	55,597,333	6,671,193	62,268,526
Foreign exchange loss		—	—	—	(1,534,204)	—	—	(1,534,204)
Dividend	33	—	—	—	—	(12,333,333)	—	(12,333,333)
Fair value loss on available-for sale investments		—	—	(12,473,846)	—	—	—	(12,473,846)
At 28 February 2015		**1,000**	**2,333,247**	**14,751,049**	**(3,453,830)**	**280,188,480**	**43,083,267**	**336,903,213**
Change in ownership	12.3	—	—	—	—	(71,359)	1,571,359	1,500,000
Profit for the year		—	—	—	—	39,647,902	10,236,770	49,884,672
Foreign exchange loss		—	—	—	(9,600,720)	—	(327,091)	(9,927,811)
Dividend	33	—	—	—	—	(24,900,000)	—	(24,900,000)
Fair value loss on available-for sale investments		—	—	(26,070,330)	—	—	—	(26,070,330)
At 29 February 2016		**1,000**	**2,333,247**	**(11,319,281)**	**(13,054,550)**	**294,865,023**	**54,564,305**	**327,389,744**

Company

	Notes	Stated capital	Share premium	Equity loans	Retained earnings	Total Equity
		US$	US$	US$	US$	US$
At 1 March 2014		1,094	57,998,906	(14,451,375)	127,573,142	171,121,767
Transfer to long term loan		—	—	262,519	—	262,519
Share buyback	21	(94)	(55,665,659)	—	—	(55,665,753)
Profit and total comprehensive income for the year		—	—	—	69,891,370	69,891,370
Dividends	33	—	—	—	(12,333,333)	(12,333,333)
At 28 February 2015		**1,000**	**2,333,247**	**(14,188,856)**	**185,131,179**	**173,276,570**
Profit and total comprehensive income for the year		—	—	—	65,253,992	65,253,992
Equity loans repayment		—	—	652,324	—	652,324
Dividends	33	—	—	—	(24,900,000)	(24,900,000)
At 29 February 2016		**1,000**	**2,333,247**	**(13,536,532)**	**225,485,171**	**214,282,886**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 29 February 2016

	Notes	Group		Company	
		29/02/2016	28/02/2015	29/02/2016	28/02/2015
		US$	US$	US$	US$
Cash flows from operating activities:					
Cash generated from operations	27	131,632,020	121,256,847	49,631,324	121,180,700
Income tax paid	8	(6,393,302)	(3,785,437)	(196,355)	(152,199)
Finance costs	7	(7,256,314)	(4,387,921)	(7,569,868)	(6,352,082)
Net cash generated from / (used in) operating activities		117,982,404	113,083,489	41,865,101	114,676,419
Cash flows from investing activities:					
Interest income		728,156	463,691	9,861,274	8,204,011
Acquisition of other investments	13	—	(6,500,000)	—	(6,500,000)
Disposal of investments in subsidiary	13	—	—	853,945	—
Additional investment in subsidiary	12	—	—	(1,500,000)	—
Acquisition of subsidiary companies	12	(1,386,957)	—	—	(1,116,550)
Purchase of property, plant and equipment	11	(66,772,998)	(100,824,700)	(41,929)	(286,540)
Proceeds on disposal of equipment	11	5,859,372	703,142	272,234	13,100
Purchase of intangible assets	10	(12,918,555)	(24,074,465)	(128,506)	(19,937,585)
Proceeds on disposal of intangible assets		654,444	10,126	141,247	—
Purchase of held to maturity investments	15	(201,347)	(198,067)	—	—
Decrease / (increase) in intercompany long term loans receivable		—	3,130,626	(1,870,263)	(23,655,697)
Decrease in long-term receivables	16	—	56,251	—	—
Net cash (used in) / generated from investing activities		(74,037,885)	(127,233,396)	7,588,001	(43,279,261)
Cash flows from financing activities:					
Dividend paid	33	(24,900,000)	(12,333,333)	(24,900,000)	(12,333,333)
Share buy back		—	(55,665,753)	—	(55,665,753)
Change in ownership of a subsidiary		1,500,000	(11,000,000)	—	(11,000,000)
Decrease / increase in short-term portion of long-term payables		(16,195,197)	(3,669,549)	26,523,872	8,770,246
Increase in equity loans		—	—	652,324	262,519
Increase in external long-term loan payable		62,326,212	100,041,055	23,604,890	71,110,209
(Decrease) in intercompany long-term loans payable		—	—	(6,955,324)	(68,997,788)
Short term loan received		—	45,000,000	—	45,000,000
Repayment of short term loan		—	(45,000,000)	—	(45,000,000)
Decrease in onerous contract		(669,032)	(669,032)	—	—
Net cash generated from / (used in) financing activities		22,061,983	16,703,388	18,925,762	(67,853,900)
Net increase in cash and cash equivalents		66,006,502	2,553,481	68,378,864	3,543,258
Cash and cash equivalents at beginning of the year		36,595,110	35,442,403	3,890,309	347,051
Translation of cash with respect to foreign subsidiaries		(2,204,795)	(1,400,774)	—	—
Cash and cash equivalents at end of the year	20	**100,396,817**	**36,595,110**	**72,269,173**	**3,890,309**

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. The company's main activity is to carry on the business of a holding company in respect of subsidiary companies throughout the world.

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

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

In the current year, the company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 March 2015.

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

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

IAS 16	Property, Plant and Equipment—Amendments resulting from Annual Improvements 2010-2012 cycle (proportionate restatement of accumulated depreciation on revaluation)
IAS 24	Related Party Disclosures—Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)
IAS 38	Intangible Assets—Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)
IFRS 13	Fair Value Measurement—Amendments resulting from Annual Improvements 2010-2012 Cycle (short-term receivables and payables)
IFRS 13	Fair Value Measurement—Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)

1. General information (Continued)

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

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

IAS 1	Presentation of finanial statement—Amendments results form the disclosure initiative (effective 1 January 2016)
IAS 7	Statement of Cash Flows—Amendments as result of the Disclosure initiative (effective on or after 1 January 2017)
IAS 12	Amendments regarding the recognition of deferred tax assets for unrealised losses (effective 1 January 2017)
IAS 16	Property, Plant and Equipment—Amendments bringing bearer plants into the scope of IAS 16 (effective 1 January 2016)
IAS 16	Property, Plant and Equipment—Amendments bringing bearer plants into the scope of IAS 16 (effective 1 January 2016)
IAS 27	Separate Financial Statements (as amended in 2011)—Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective on or after 1 January 2016)
IAS 38	Intangible Assets—Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)
IAS 39	Financial Instruments: Recognition and Measurement—Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception.
IFRS 7	Financial Instruments: Disclosures—Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 1 January 2016)
IFRS 7	Financial Instruments: Disclosures—Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)
IFRS 7	Financial Instruments: Disclosures—Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018)
IFRS 9	Financial instruments—Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derocgnition (effective 1 January 2018)
IFRS 10	Consolidated Financial Statements—Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (effective on or after 1 January 2016)
IFRS 10	Consolidated Financial Statements—Amendments regarding the application of the consolidation exception (effective on or after 1 January 2016)
IFRS 10	Consolidated Financial Statements—Amendments deferring the effective date of the September 2014 amendments (effective immediately)
IFRS 12	Disclosure of Interests in Other Entities—Amendments regarding the application of the consolida tion exception (effective on or after 1 January 2016)
IFRS 15	Revenue from contracts with customer (effective 1 January 2017)
IFRS 16	Leases—original Issue (effective on or after 1 January 2019)

1. General information (Continued)

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

2. Summary of significant accounting policies

The financial statements have been prepared under the historical cost convention, except for certain financial instruments carried at fair value. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) up to the reporting date each year. Control is achieved when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the net of the acquisition-date amounts of the identified assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in the consolidated statements of profit or loss and other comprehensive income as a bargain purchase gain. The interest of non-controlling interest shareholders is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less that the carrying

2. Summary of significant accounting policies (Continued)

amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

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

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

Land and buildings	2%
Furniture and fittings	10%-20%
Computer equipment	20%-50%
Satellite equipment	20%
Switching and network equipment	20%
Leasehold improvements	10%-20%
Motor vehicles	20%-25%
Fibre infrastructure	4%-20%
Fibre equipment	20%
POS terminals	25%

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

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

Investment in subsidiaries

The total carrying values of investments in subsidiaries represent the cost of each investment. The carrying values of investments in subsidiaries are reviewed on a regular basis and if an impairment in value has occurred, it is written off in the period in which those circumstances are identified.

Investments

Investments are classified as available-for-sale investments, and are measured at subsequent reporting dates at fair value. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in consolidated statements of profit or loss and other comprehensive income for the period. Impairment losses recognised in the consolidated statements of profit or loss and other comprehensive income for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

2. Summary of significant accounting policies (Continued)

Valuation of investments

Investments are valued at fair value. In the event that fair value cannot be determined or reliably measured, investments are recorded at cost. Investments are valued according to one of the following bases as set out below:

- Cost (less any provision required for a diminution in value)
- Third party valuation
- Discounted cash flow methodology
- Net assets
- Price of a recent transaction

For unlisted investments in which the company and group typically invests, the fair value of an investment is expected to be its initial cost for the first 12 months. Thereafter, one of the bases above is applied.

Although best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique involving investments of the type in which the company and group invests. Therefore, the fair values presented herein are not necessarily indicative of the amount that the company and group could realise in a current transaction.

Project costs

Project costs are recognised as assets only if all of the following conditions are met:

- An asset is created that can be identified; and
- It is probable that the asset created will generate future economic benefits.

A provision for impairment against project costs asset is raised when appropriate.

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

2. Summary of significant accounting policies (Continued)

Inventories

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

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories:

- cash and bank balances or
- held-to-maturity investments or
- available-for-sale' ("AFS") financial assets or
- loans and receivables.

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

Held-to-maturity investments:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost less any impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables or (b) held-to-maturity investments.

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value because the Directors consider that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to the consolidated statements of profit or loss and other comprehensive income.

Dividends on AFS equity instruments are recognised in the consolidated statements of profit or loss and other comprehensive income when the Group's right to receive the dividends is established.

2. Summary of significant accounting policies (Continued)

Valuation of AFS financial assets:

Fair values are determined annually at the reporting date. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

For AFS investments, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The levels are as follows:

- Level 1 fair value measurements are those derived from unadjusted quoted prices for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs which are not based on observable market data.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in the consolidated statements of profit or loss and other comprehensive income.

Loans and receivables:

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

Impairment of financial assets:

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

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including finance lease receivables, objective evidence of impairment could include:

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

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

2. Summary of significant accounting policies (Continued)

the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statements of profit or loss and other comprehensive income in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets:

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated statements of profit or loss and other comprehensive income.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Financial liabilities and equity instruments classification as debt or equity:

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

2. Summary of significant accounting policies (Continued)

Equity instruments:

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

Share capital and share premium are classified as equity.

Financial liabilities:

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

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities:

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

Cash or cash equivalents

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

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits

2. Summary of significant accounting policies (Continued)

against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the consolidated statements of profit or loss and other comprehensive income, except when they relate to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Provisions

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

Revenue recognition

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Rentals payable under operating leases are charged to the consolidated statements of profit or loss and other comprehensive income on the straight-line basis over the term of the relevant lease.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in US

2. Summary of significant accounting policies (Continued)

Dollars, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are expensed in the year in which they are incurred.

Intangible assets

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

Fibre optical—IRU	10-20 years
Computer Software	2 years
Operating Licence	10 years
Other Intangible Assets	10 years

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

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

2. Summary of significant accounting policies (Continued)

Cash flows

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

Equity Loans

Equity loans to subsidiaries arising on acquisition are recognized in shareholders' funds on the date of acquisition, pending investments.

3. Significant accounting judgements and estimates

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

Residual value and useful life

The group depreciates its assets over their estimated useful lives taking into account residual values, which, in compliance with of IAS16 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 income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

Contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in used 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 present value.

Valuation of investment

Directors use their judgement in selecting an appropriate valuation techniques for valuing investments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

4. Revenue

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Telecommunication traffic	124,295,427	136,000,183	—	—
Data services	167,611,416	155,087,338	—	—
Equipment	7,326,861	5,972,458	—	—
Services	5,186,068	4,511,005	—	—
Other	2,126,859	679,789	—	—
	306,546,631	**302,250,773**	**—**	**—**

5. Profit before taxation

Profit before taxation is arrived at after taking the following into account:

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
Cost of goods and services	107,792,089	111,234,963	—	—
Cost of inventories expensed	7,723,248	7,619,903	—	—
	115,515,337	**118,854,866**	**—**	**—**
Auditors' fees	585,198	730,007	35,999	36,354
Non-audit services	111,545	—	—	—
Consultancy fees	4,066,326	5,476 767	1,923,154	1,721,616
Profit on disposal of property, plant and equipment	1,261,103	13,232	—	—
Depreciation	25,617,038	16,428,700	23,413	6,511
Amortisation of intangible assets	7,309,731	4,740,857	2,336,203	249,685
Stock written off	249,008	94,540	—	—
Provision for stock write off	188,322	227,274	—	—
Bad debts written off	118,953	104,760	—	—
Bad debts recovered	221,742	85,505	—	—
Allowance for doubtful debts	—	301,723	—	—
Reversal of allowance for doubtful debts	79,280	—	—	—
Impairment loss on investment	—	432,400	—	432,400
Impairment loss on property, plant and equipment	9,329	4,985	—	—
Impairment loss on intangible assets	280,303	1,454,366	280,303	1,395,317
Impairment loss on loans (note 22)	—	—	14,291,206	—
Reversal of impairment loss on intercompany loans	—	—	24,698,831	—

5. Profit before taxation (Continued)

The reversal of impairment loss relates to a loan owed by Liquid Telecommunications Data International which was initially impaired at acquisition.

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Net foreign exchange (loss) / gain:				
Exchange losses—unrealised	(11,912,611)	(9,211,834)	—	—
Exchange losses—realised	(7,564,330)	(793,180)	—	(154)
Exchange gains—unrealised	6,222,763	610,893	365,567	2,061
Exchange gains—realised	—	3,749,762	—	—
	(13,254,178)	**(5,644,359)**	**365,567**	**1,907**

6. Interest income

Interest received—bank / external	348,085	223,483	4,544	—
Interest received—inter-group (note 29)	380,071	240,208	9,856,730	8,204,011
	728,156	**463,691**	**9,861,274**	**8,204,011**

7. Finance costs

Interest on bank overdraft and loans	7,256,314	4,385,273	6,896,241	2,134,794
Interest paid—inter-group (note 29)	—	2,648	673,627	4,217,288
	7,256,314	**4,387,921**	**7,569,868**	**6,352,082**

8. Taxation

Current taxation	3,338,201	2,714,704	—	—
Deferred taxation (note 14)	7,448,167	8,244,749	—	—
Withholding taxation	987,814	918,266	196,355	152,199
Total taxation	**11,774,182**	**11,877,719**	**196,355**	**152,199**

The charge for the year can be reconciled to profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

Profit before taxation	61,658,854	74,146,245	65,450,347	70,043,569
Tax effect of non-deductible expenses	693,350	2,190,899	—	—
Tax effect of non-taxable income	4,212	(8,377,710)	—	—
Tax effect of change in foreign subsidiary domestic tax rate	(1,186,528)	(2)	—	—
Capital allowance in deficit of depreciation	—	(151,723)	—	—
Taxation at domestic rate for foreign subsidiaries in tax paying jurisdictions	11,276,299	16,994,372	—	—
Withholding taxation	987,814	918,266	196,355	152,199
Other	(965)	303,617	—	—
	11,774,182	**11,877,719**	**196,355**	**152,199**

8. 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:

South Africa—28%
United Kingdom—21.17%
Zimbabwe—25.75%

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Taxation (assets) / liability				
Opening balance	382,286	554,238	—	—
Acquisition of subsidiaries	(24,217)	—	—	—
Provision for the year	4,326,015	2,714,704	—	—
Withholding tax	987,814	918,266	196,355	152,199
Foreign exchange differences	(6,463,855)	17,627	—	—
Disposals	2,002	—	—	—
Payment during the year	(971,117)	(3,822,549)	(196,355)	(152,199)
Closing balance	**(1,761,072)**	**382,286**	**—**	**—**

9. Goodwill

	Group	
	29/02/2016	28/02/2015
	US$	US$
Cost		
Opening balance	7,111,952	7,111,952
Acquisition of subsidiaries (note 28)	2,445,897	—
Closing balance	**9,557,849**	**7,111,952**

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.

10. Intangible assets

Group

	Operating Licence	Computer Software	Fibre Optical—IRU	Work in Progress	Other Intangible Assets	Total
	US$	US$	US$	US$	US$	US$
Cost:						
At 1 March 2014	2,392,856	3,495,530	56,908,888	3,288,855	2,447,871	68,534,000
Purchases during the year	7,670	296,184	20,194,932	3,181,282	394,397	24,074,465
Disposals during the year	(10,126)	(23,636)	—	—	—	(33,762)
Reclassification	(68,943)	2,964,304	2,598,308	(5,493,669)	—	—
Transfers from fixed assets (Note 11)	—	(83,744)	—	—	—	(83,744)
Transfers to other investments (Note 13)	—	—	—	—	(5,631)	(5,631)
Impairment	(59,049)	(1,405,724)	—	—	—	(1,464,773)
Foreign exchange differences	(19,566)	(182,336)	(789,521)	—	(433,943)	(1,425,366)
At 28 February 2015	2,242,842	5,060,578	78,912,607	976,468	2,402,694	89,595,189
Restatement	—	—	418,500	—	—	418,500
Purchases during the year	5,500,000	991,356	6,116,910	310,289	—	12,918,555
Disposals during the year	(7,670)	(80,695)	—	(489,410)	(102,219)	(679,994)
Reclassification	99,595	202,000	—	(301,595)	—	—
Transfers from fixed assets (Note 11)	—	693,556	513,646	—	—	1,207,202
Write offs	(1,757,186)	—	—	—	—	(1,757,186)
Impairment	—	—	—	(280,303)	—	(280,303)
Foreign exchange differences	(40,981)	(434,428)	(3,271,315)	—	—	(3,746,724)
At 29 February 2016	6,036,600	6,432,367	82,690,348	215,449	2,300,475	97,675,239
Accumulated amortisation:						
At 1 March 2014	1,651,193	3,024,553	10,173,215	—	1,991,433	16,840,394
Impairment	—	(10,407)	—	—	—	(10,407)
Amortisation	369,139	589,120	3,264,890	—	517,708	4,740,857
Disposals during the year	—	(23,636)	—	—	—	(23,636)
Transfers from fixed assets (Note 11)	—	(83,744)	—	—	—	(83,744)
Reclassification	8,575	1,126	(9,701)	—	—	—
Foreign exchange differences	(19,237)	(167,454)	(283,564)	—	(135,200)	(605,455)
At 28 February 2015	2,009,670	3,329,558	13,144,840	—	2,373,941	20,858,009
Restatement	—	—	418,500	—	—	418,500
Amortisation	391,709	1,250,214	5,645,684	—	22,124	7,309,731
Disposals during the year	(353)	(18,568)	—	—	(6,629)	(25,550)
Transfers from fixed assets (Note 11)		323,258	117,711	—	—	440,969
Reclassification	(20,308)	20,308	—	—	—	—
Write offs	(1,757,186)	—	—	—	—	(1,757,186)
Foreign exchange differences	(40,246)	(369,924)	(1,009,326)	—	(88,961)	(1,508,457)
At 29 February 2016	583,286	4,534,846	18,317,409	—	2,300,475	25,736,016
Carrying amount:						
At 29 February 2016	5,453,314	1,897,521	64,372,939	215,449	—	71,939,223
At 28 February 2015	233,172	1,731,020	65,767,767	976,468	28,753	68,737,180

During the 2016 Financial year, SAP project costs were impaired due technical issues and disclosed under Depreciation, Impairment and Amortisation.

10. Intangible assets (Continued)

During the 2015 Financial year, license fees paid to the Environmental Management Agency in Zimbabwe for fibre trenching expired and software were impaired and disclosed under Depreciation, Impairment and Amortisation.

Company

	Software	Fibre Optical—IRU	Other Intangible Assets	Work in Progress	Total
	US$	US$	US$		US$
Cost:					
At 1 March 2014	—	—	33,560	—	33,560
Purchases during the year	2,583,718	16,970,902	68,659	314,306	19,937,585
Impairment	(1,395,317)	—	—	—	(1,395,317)
At 28 February 2015	1,188,401	16,970,902	102,219	314,306	18,575,828
Purchases during the year	—	—	—	128,506	128,506
Reclassification	99,595	—	—	(99,595)	—
Disposals during the year	—	—	(102,219)	(45,657)	(147,876)
Impairment	—	—	—	(280,303)	(280,303)
At 29 February 2016	1,287,996	16,970,902	—	17,257	18,276,155
Accumulated amortisation:					
At 1 March 2014	—	—	2,437	—	2,437
Amortisation	245,493	—	4,192	—	249,685
At 28 February 2015	245,493	—	6,629	—	252,122
Amortisation	642,023	1,694,180	—	—	2,336,203
Disposals	—	—	(6,629)	—	(6,629)
At 29 February 2016	887,516	1,694,180	—	—	2,581,696
Carrying amount:					
At 29 February 2016	400,480	15,276,722	—	17,257	15,694,459
At 28 February 2015	942,908	16,970,902	95,590	314,306	18,323,706

During the 2016 Financial year, SAP project costs were impaired due to technical issues and disclosed under Depreciation, Impairment and Amortisation.

During the 2015 Financial year, OSS software was impaired and disclosed under Depreciation, Impairment and Amortisation.

11. Property, plant and equipment

Group

	Land and buildings	Furniture and fittings	Computer equipment	Satellite equipment	Switching and network equipment	Leasehold improvements	Motor vehicles	Work in progress	Fibre infrastructure	Fibre Equipment	POS terminals	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Cost:												
At 1 March 2014	15,379,205	4,499,660	9,109,654	3,662,248	58,631,883	1,968,283	4,806,754	36,500,705	173,668,663	14,330,961	—	322,558,016
Additions	9,185,808	480,925	1,846,372	126,394	4,155,185	232,435	2,214,059	67,672,880	12,059,518	2,390,393	460,731	100,824,700
Disposals	—	(36,027)	(91,708)	(624,930)	—	—	(307,857)	(380,452)	(6,355)	(2,932)	—	(1,450,261)
Impairment	—	—	(16,643)	—	—	—	—	(3,745)	—	—	(345)	(20,733)
Reclassification	—	(2,431)	19,878	—	1,007,971	—	102,305	(55,860,405)	51,457,719	3,274,963	—	—
Transfer to intangible assets (Note 10)	—	—	83,744	—	—	—	—	—	—	—	—	83,744
Transfer to inventory (note 17)	—	—	—	—	—	—	—	(19,941)	—	—	—	(19,941)
Transfer from inventory (note 17)	—	—	—	—	1,633	—	—	—	—	—	—	1,633
Foreign exchange differences	(1,078,898)	(225,697)	(492,548)	(230,113)	(3,348,213)	(102,607)	(101,422)	(1,167,211)	(5,384,306)	(45,523)	(25,812)	(12,202,350)
At 28 February 2015	23,486,115	4,716,430	10,458,749	2,933,599	60,448,459	2,098,111	6,713,839	46,741,831	231,795,239	19,947,862	434,574	409,774,808
Acquisition of subsidiaries	—	47,683	642,829	—	1,541,860	51,414	598,566	62	—	—	—	2,882,414
Additions	—	442,531	864,045	15,893	3,106,912	397,091	745,234	44,221,947	15,014,972	1,091,655	872,718	66,772,998
Disposals	—	(60,673)	(689,211)	(13,349)	(605,636)	(78,227)	(280,244)	(251,917)	(4,024,274)	(48,121)	(299)	(6,051,951)
Impairment	—	—	—	—	—	—	(29,297)	—	—	—	—	(29,297)
Reclassification	855,579	17,848	72,315	—	7,822,887	—	254,286	(54,262,665)	41,967,582	3,272,168	—	—
Transfer to intangible assets (Note 10)	—	—	(676,241)	—	(513,647)	—	—	(17,314)	—	—	—	(1,207,202)
Transfer to prepayments (note 18)	—	—	—	—	—	—	—	(948,835)	—	—	—	(948,835)
Foreign exchange differences	(2,663,155)	(457,799)	(1,100,065)	(313,748)	(7,343,989)	(185,204)	(494,581)	(2,404,178)	(12,805,498)	(182,762)	(293,624)	(28,244,603)
At 29 February 2016	21,678,539	4,706,020	9,572,421	2,622,395	64,456,846	2,283,185	7,507,803	33,078,931	271,948,021	24,080,802	1,013,369	442,948,332
Accumulated depreciation												
At 1 March 2014	627,690	2,682,945	7,439,164	3,438,283	43,470,039	657,654	1,662,127	(2,254,415)	77,463,268	5,582,165	—	140,768,920
Depreciation charge for the year	314,291	460,839	993,342	52,129	3,535,232	356,893	1,191,575	—	5,927,109	3,547,118	50,172	16,428,700
Disposals	—	(5,624)	(64,205)	(557,651)	—	—	(130,491)	—	—	(2,380)	—	(760,351)
Impairment	—	—	(15,719)	—	—	—	—	—	—	—	(29)	(15,748)
Reclassification	—	(6,654)	6,654	—	619,668	—	—	—	(619,668)	—	—	—
Transfer to intangible assets (Note 10)	—	—	83,744	—	—	—	—	—	—	—	—	83,744
Foreign exchange differences	(42,915)	(151,385)	(424,640)	(221,850)	(2,344,449)	(42,137)	(39,960)	(2,455)	(2,739,713)	(12,531)	(2,811)	(6,024,846)
At 28 February 2015	899,066	2,980,121	8,018,340	2,710,911	45,280,490	972,410	2,683,251	(2,256,870)	80,030,996	9,114,372	47,332	150,480,419
Acquisition of subsidiaries	—	21,814	278,945	—	1,046,702	40,745	318,139	—	—	—	—	1,706,345
Impairment	—	—	—	—	—	—	(19,968)	—	—	—	—	(19,968)
Depreciation charge for the year	424,734	436,086	957,723	48,949	6,720,756	453,885	1,341,070	—	11,577,464	3,445,630	210,741	25,617,038
Disposals	—	(32,855)	(200,318)	(13,349)	(615,125)	(54,575)	(220,053)	—	(307,686)	(9,671)	(50)	(1,453,682)
Transfer to intangible assets (Note 10)	—	—	(323,258)	—	(117,711)	—	—	—	—	—	—	(440,969)
Foreign exchange differences	(114,298)	(318,858)	(865,910)	(288,754)	(4,816,076)	(100,179)	(222,143)	—	(3,343,969)	(74,412)	(53,469)	(10,198,068)
At 29 February 2016	1,209,502	3,086,308	7,865,522	2,457,757	47,499,036	1,312,286	3,880,296	(2,256,870)	87,956,805	12,475,919	204,554	165,691,115
Carrying amount:												
At 29 February 2016	20,469,037	1,619,712	1,706,899	164,638	16,957,810	970,899	3,627,507	35,335,801	183,991,216	11,604,883	808,815	277,257,217
At 28 February 2015	22,587,049	1,736,309	2,440,409	222,688	15,167,969	1,125,701	4,030,588	48,998,701	151,764,243	10,833,490	387,242	259,294,389

11. Property, plant and equipment (Continued)

Company

	Computer equipment	Work in progress	Total
	US$	US$	US$
Cost:			
At 1 March 2014	16,994	13,100	30,094
Additions	44,349	242,191	286,540
Disposals	—	(13,100)	(13,100)
At 28 February 2015	61,343	242,191	303,534
Additions	32,203	9,726	41,929
Disposals	(30,475)	(251,917)	(282,392)
At 29 February 2016	63,071	—	63,071
Accumulated amortisation:			
At 1 March 2014	1,888	—	1,888
Depreciation charge for the year	6,511	—	6,511
At 28 February 2015	8,399	—	8,399
Depreciation charge for the year	23,413	—	23,413
Disposals	(10,158)	—	(10,158)
At 29 February 2016	21,654	—	21,654
Carrying amount:			
At 29 February 2016	41,417	—	41,417
At 28 February 2015	52,944	242,191	295,135

12. Investments in subsidiaries

12.1 Subsidiaries

Name of Company		Principal business activity	Country of Incorporation	Percentage Holding	Company 28/02/2016	Company 28/02/2015
				%	US$	US$
Liquid Telecommunications Operations Limited	H	Telecommunications	Mauritius	100	100	100
• Global Digital Trading Services Limited	S	Telecommunications	United Kingdom	100	—	—
• Transaction Payment Solutions Indian Ocean Limited	S	Transaction Payment Solutions & Technology	Mauritius	100	—	—
Liquid Telecommunications Limited	H	Telecommunications & Technology	United Kingdom	100	8,000,000	8,000,000
Liquid Telecommunications Operations South Africa (Pty) Limited	H	Telecommunications	South Africa	100	0.10	0.10
Transaction Payment Solutions International Limited	H	Transaction Payment Solutions & Technology	Mauritius	100	100	100
• Transaction Payment Solutions Botswana (Pty) Limited	S	Transaction Payment Solutions & Technology	Botswana	100	—	—
• Transaction Payment Solutions Kenya Limited	S	Transaction Payment Solutions & Technology	Kenya	99	—	—
• Transaction Payment Solutions Zambia Limited	S	Transaction Payment Solutions & Technology	Zambia	100	—	—
• Transaction Payment Solutions Nigeria Limited	S	Transaction Payment Solutions & Technology	Nigeria	100	—	—
• Transaction Payment Solutions South Africa Limited	S	Transaction Payment Solutions & Technology	South Africa	100	—	—
Austin Eco Holdings Limited	H	Investments	British Virgin Islands	100	12,495,634	12,495,634
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	H	Telecommunications	Zimbabwe	49	5,903,040	5,903,040
• Liquid Telecommunications Zimbabwe Online Private Limited	S	Telecommunications	Zimbabwe	49	—	—
CEC Liquid Telecommunication Limited	H	Telecommunications	Zambia	50	17,196,056	15,696,056
• HAI Telecommunications Limited	S	Telecommunications	Zambia	50	—	—
Liquid Telecommunications Kenya Ltd	H	Telecommunications	Kenya	100	38,287,358	38,287,358
• East Africa Data Centre	S	Telecommunications	Kenya	100	—	—
Infocom 2013 Limited	H	Telecommunications	Uganda	100	348,592	348,592
Liquid Telecommunications Data International Limited	H	Telecommunications	Mauritius	100	—	0.33
Liquid Telecommunications Rwanda Limited	H	Telecommunications	Rwanda	70	5,090,024	5,943,968
Liquid Telecommunications DRC SPRL	H	Telecommunications	Democratic Republic of Congo	99	49,500	49,500
Liquid Telecommunications Operations DRC SPRL	H	Telecommunications	Democratic Republic of Congo	70	35,000	35,000

12. Investments in subsidiaries (Continued)

Name of Company		Principal business activity	Country of Incorporation	Percentage Holding	Company 28/02/2016	Company 28/02/2015
				%	US$	US$
Liquid Telecommunications Operations Mozambique Limitada	H	Telecommunications	Mozambique	99	1,784	1,784
Liquid Media (Mauritius) Limited	H	Telecommunications	Mauritius	100	100	100
• Liquid Vision Media (Pty) Limited	S	Telecommunications	South Africa	100	—	—
Liquid Telecommunications Tanzania Limited	H	Telecommunications	United Republic of Tanzania	100	471,941	471,941
Liquid Sea Limited (Mauritius)	H	Telecommunications	Mauritius	100	100	100
Africa Digital Networks SPRL Limited	H	Telecommunications	Democratic Republic of Congo	100	100,000	100,000
Liquid Telecommunications International FZE	H	Telecommunications	United Arab Emirates	100	544,500	544,500
					88,523,829	87,877,774

H = This is a direct holding by Liquid Telecommunications Holdings Limited.

S = This is an indirect holding.

The directors have valued the unquoted investments at book value which in their opinion reflects fairly the value of the investments. The financial statements of Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe and CEC Liquid Telecommunications Limited have been consolidated, despite owning a 49% and 50% shareholding respectively, on the basis that Liquid Telecommunications Holdings Limited exerts sufficient management control and power over these entities.

On the 31 December 2015, as part of a restructuring exercise, Liquid Telecommunications Data International (LTDI) amalgamated with Liquid Telecommunications Operations Limited.

12.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests		Profit / (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015	29/02/2016	28/02/2015
			US$	US$	US$	US$
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	51%	51%	9,515,333	9,048,016	37,831,867	28,316,534
CEC Liquid Telecommunication Limited	50%	50%	718,771	(440,452)	15,156,146	14,437,375
Individually immaterial subsidiaries with non-controlling interests					1,576,292	329,358
Total					**54,564,305**	**43,083,267**

12. Investments in subsidiaries (Continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	29/02/2016	28/02/2015
	US$	US$
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe		
Current Assets	36,937,234	35,269,097
Non-current assets	183,968,178	158,558,581
Current liabilities	(50 505,100)	(48,222,473)
Non-current liabilities	(96,220,180)	(90,082,589)
Equity attributable to owners of the company	36,348,265	27,206,082
Non-controlling interests	37,831,867	28,316,534
Revenue	84,130,419	74,095,309
Expenses	(65,472,903)	(56,354,100)
Profit / (Loss) for the year	18,657,516	17,741,209
Profit / (Loss) attributable to owners of the company	9,142,183	8,693,193
Profit / (Loss) attributable to the non-controlling interests	9,515,333	9,048,016
Profit / (Loss) for the year	18,657,516	17,741,209
Other comprehensive income attributable to owners of the company	—	—
Other comprehensive income attributable to the non-controlling interests	—	—
Other comprehensive income for the year	—	—
Total comprehensive income attributable to owners of the company	9,142,183	8,693,193
Total comprehensive income attributable to the non-controlling interests	9,515,333	9,048,016
Total comprehensive income for the year	18,657,516	17,741,209
Dividends paid to non-controlling interests	—	—
Net cash inflow from operating activities	39,893,872	57,405,863
Net cash outflow from investing activities	(37,292,798)	(53,929,415)
Net cash outflow from financing activities	(27,853)	(275,173)
Net cash inflow	2,573,221	3,201,275
CEC Liquid Telecommunications Ltd		
Current Assets	9,664,558	13,860,369
Non-current assets	46,116,368	36,683,272
Current liabilities	(13,193,216)	(10,668,891)
Non-current liabilities	(9,429,656)	(11,000,000)
Equity attributable to owners of the company	16,579,027	14,437,375
Non-controlling interests	16,579,027	14,437,375

12. Investments in subsidiaries (Continued)

	29/02/2016 US$	28/02/2015 US$
Revenue	18,407,438	13,498,304
Expenses	(16,969,896)	(14,379,208)
Loss for the year	1,437,542	(880,904)
Loss attributable to owners of the company	718,771	(440,452)
Loss attributable to the non-controlling interests	718,771	(440,452)
Loss for the year	1,437,542	(880,904)
Other comprehensive income attributable to owners of the company	—	—
Other comprehensive income attributable to the non-controlling interests	—	—
Other comprehensive income for the year	—	—
Total comprehensive income attributable to owners of the company	718,771	(440,452)
Total comprehensive income attributable to the non-controlling interests	718,771	(440,452)
Total comprehensive income for the year	1,437,542	(880,904)
Dividends paid to non-controlling interests	—	—
Net cash inflow / (outflow) from operating activities	10,149,946	(2,770,030)
Net cash outflow from investing activities	(12,732,463)	(6,614,627)
Net cash inflow from financing activities	329,131	11,000,000
Net cash (outflow) / inflow	(2,253,386)	1,615,343

12.3 Change in the group's ownership interest in a subsidiary

During the year ended 28 February 2016, the company transfered 5% of shares held in Liquid Telecommuniactions Rwanda Limited to the non-controlling interests. This resulted in a change in the equity structure from 75% to 70%. The group recorded a decrease in equity attributable to owners of the parent of USD 71,359.

On 31 December 2014, the company acquired the remaining 20% of the issued shares of Liquid Telecommunications Kenya Ltd and Infocom 2013 Limited respectively for a total purchase consideration of USD 11,000,000. The group now holds 100% of the equity share capital in each subsidiary. The carrying amount of the non-controlling interests in both subsidiaries on the date of acquisition was (USD 4,858,966). The group derecognised non controlling interests of (USD 4,858,966) and recorded a decrease in equity attributable to owners of the parent of USD 15,858,966. The effect of changes in the ownership interests of both subsidiaries on the equity attributable to owners of the company during the year is summarised as follows:

Carrying amount of non-controlling interest squired	(1,571,359)	(4,858,966)
Consideration paid to non-controlling interest	1,500,000	(11,000,000)
Excess of consideration paid to recognise in parent's equity	(71,359)	(15,858,966)

13. Investments

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$		
Opening balance	54,492,041	60,892,656	6,500,000	432,400
Additions	—	6,500,000	—	6,500,000
Advance payment for acquisition of subsidiary (note 28)	(1,500,000)	—	—	—
Impaiment	—	(432,400)	—	(432,400)
Fair value loss on investment	(26,070,330)	(12,473,846)	—	—
Transfer to intangible assets (note 10)	—	5,631	—	—
Foreign exchange differences	(632)	—	—	—
Total investments	**26,921,079**	**54,492,041**	**6,500,000**	**6,500,000**
Investment details:				
Listed shares—at fair value	20,346,674	46,417,004	—	—
Unlisted shares—at cost	74,405	75,037	—	—
Other investments—at cost	6,500,000	8,000,000	6,500,000	6,500,000
Total investments	**26,921,079**	**54,492,041**	**6,500,000**	**6,500,000**

The directors value these investments at their fair value. During the year, fair value losses of US$ 26,070,330 (2015: loss US$ 12,473,846) were made to the consolidated statements of changes in equity to reflect the movement in share price of the share investments.

During the year, the company carried out a review of the recoverable amount of the investments. The review led to no recognition of impairment (2015: US$ 432,400). The company estimated the fair value less costs to sell of the investments, which is based on the share prices of investments with similar characteristics. The fair value less costs to sell is less than the value of the investments and hence the recoverable amount of the relevant investments have been determined on the basis of their fair value less costs to sell.

On 28 February 2015, the company acquired 34% of the share capital of Burundi Backbone Systems SM ("BBS") for a total purchase consideration of US$ 6,500,000. BBS has not been recognized as associate on the basis that the company does not have significant influence over BBS. The investment has been recorded at cost and classified as available-for-sale investments.

14. Deferred taxation

The following are the major deferred tax assets and liabilities recognised by the group, and the movements thereon:

	Deferred revenue	Property, plant and equipment	Other	Total
	US$	US$	US$	US$
Group—Deferred tax assets:				
At 1 March 2014	2,075,596	1,341,914	1,317,384	4,734,894
Credit to profit for the year	(1,033,463)	(838,072)	(826,106)	(2,697,641)
Foreign exchange difference	(46,153)	(44,837)	4,687	(86,303)
At 28 February 2015	995,980	459,005	495,965	1,950,950
Credit / (Charge) to profit for the year	(462,437)	891,862	(298,174)	131,251
Disposal / (Acquisition) of subsidiaries	649,895	—	(649,895)	—
Reallocation: Deferred tax liabilities	(229,353)	—	(267,556)	(496,909)
Foreign exchange difference	(39,863)	(304,741)	31,536	(313,068)
At 29 February 2016	914,222	1,046,126	(688,124)	1,272,224
Group—Deferred tax liabilities:				
At 1 March 2014	—	(12,921,576)	—	(12,921,576)
Charge to profit for the year	(16,918)	(5,530,190)	—	(5,547,108)
Foreign exchange difference	473	—	—	473
At 28 February 2015	(16,445)	(18,451,766)	—	(18,468,211)
Charge to profit for the year	(1,119,480)	(6,459,938)	—	(7,579,418)
Reallocation: Deferred tax assets	174,561	54,792	267,556	496,909
Foreign exchange difference	(67,177)	—	—	(67,177)
At 29 February 2016	(1,028,541)	(24,856,912)	267,556.00	(25,617,897)

15. Held to maturity investments

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Non-current				
TN motor vehicle scheme	612,053	606,763	—	—
CABS housing scheme	2,740,640	2,544,583	—	—
	3,352,693	3,151,346	—	—

The TN Bank balance is an investment initially placed in April 2011 that backs the Liquid Telecommunications Zimbabwe Motor Vehicle Scheme. It matured in June 2014 and the funds were re-invested with a new maturity date of June 2017. It carries a pre-tax interest rate of 10% p.a.

The CABS balance is an investment initially placed in March 2011 that backs the Liquid Telecommunications Zimbabwe Staff Housing Scheme that matures in 2025 at a pre-tax interest rate of 8% p.a.

16. Other long term receivables

	Group	
	29/02/2016	28/02/2015
	US$	US$
Opening Balance	1,303,159	1,359,410
Utilised	(56,251)	(56,251)
Closing Balance	1,246,908	1,303,159
Short term portion (Included in Other Receivables—Note 18)	—	56,251
Long term portion	1,246,908	1,246,908
	1,246,908	1,303,159

The Group has entered into operating leases with Zimbabwe Electricity Transmission and Distribution Company to rent their infrastructure over a minimum period of 25 years. The Group made a prepayment of $1,406,286 which will be amortised monthly over the life of the lease furthermore from that the Group is also supplying Zimbabwe Electricity Transmission and Distribution Company with monthly broadband worth $14,570 as part of the arrangement.

17. Inventories

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
At Net Realiseable Value:				
Transfer from Work in progress (Note 11)	—	19,941	—	—
Transfer to Work in progress (Note 11)	—	(1,633)	—	—
Goods for resale	24,570,068	32,306,889	—	4,470,165
Provision for stock write off	(188,322)	(227,274)	—	—
	24,381,746	32,097,923	—	4,470,165

The directors are of the opinion that the inventory amounts are recorded at values that are not in excess of their recoverable amounts. No inventories were written down to net realisable value.

18. Trade and other receivables

Trade receivables	39,500,694	32,150,777	1,528.00	—
Allowance for doubtful debts	(4,286,601)	(4,207,321)	—	—
Affiliated entities	4,695,590	4,042,584	3,763,150	1,690,893
Other receivables	19,689,380	23,771,811	2,304,873	10,159,727
Transfer from property, plant and equipment (note 11)	948,835	—	—	—
	60,547,898	**55,757,851**	**6,069,551**	**11,850,620**

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.

18. Trade and other receivables (Continued)

The receivable balances from affiliated entities 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	
	29/02/2016	28/02/2015
	US$	US$
Group		
31-60 Days	5,466,066	8,287,620
61-90 Days	2,516,195	2,259,630
91-120 Days	1,393,928	1,396,415
121 + Days	6,994,311	5,810,557
	16,370,500	**17,754,222**

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Movement in the allowance for doubtful debt				
Opening balance	(4,207,321)	(4,509,044)	—	—
Movement for the year	(79,280)	301,723	—	—
Closing balance	**(4,286,601)**	**(4,207,321)**	**—**	**—**

An allowance for doubtful debts against trade receivables above 180 days has not been recognised due to the telecommunications netting principle which provides for accounts payable to be netted off against accounts receivable, other than a specific provision for one debtor where the directors believe there is little chance of recovery.

19. Short-term inter-company receivables

Liquid Telecommunications Operations Limited (Mauritius)	—	—	28,858,870	—
Transaction Payment Solutions (Private) Limited (Zimbabwe)	1,017,556	1,306,430	—	—
CEC Liquid Telecommunications Limited (Zambia)	—	—	268,263	1,904,640
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	4,219,193	8,193,760
Econet Wireless Global Limited (Mauritius)	4,838,744	4,556,614	4,838,744	4,556,614
Liquid Telecommunications Operations DRC SPRL	—	—	825,561	803,439
	5,856,300	**5,863,044**	**39,010,631**	**15,458,453**

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

20. Cash and cash equivalents

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Cash and bank balances	33,496,817	36,595,110	5,369,173	3,890,309
Restricted cash and bank balances	66,900,000	—	66,900,000	—
	100,396,817	**36,595,110**	**72,269,173**	**3,890,309**

The group has a balance of cash called restricted because it is already committed to Liquid's capital projects and therefore not available for general use.

21. Share capital and share premium

	Group and Company	
	29/02/2016	28/02/2015
	US$	US$
'A' Ordinary shares	600	600
'B' Ordinary shares	400	400
Issued and paid share capital	**1,000**	**1,000**
Share premium	2,333,247	2,333,247

Movement in capital:

	Number of shares	Share capital	Share Premium
		US$	US$
Balance at 1 March 2014	1,094	1,094	57,998,906
Share buyback	(94)	(94)	(55,665,659)
Balance at 28 February 2015	1,000	1,000	2,333,247
Balance at 29 February 2016	**1,000**	**1,000**	**2,333,247**

The share capital above represents 1,000 ordinary shares with a par value of US$ 1 each. The holders of ordinary shares have voting rights of one vote per each ordinary share. Each ordinary share has equal rights on distribution of income and capital.

22. Equity loans

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Liquid Telecommunications Kenya Ltd	—	—	12,421,752	—
Infocom 2013 Limited (Uganda)	—	—	1,114,780	—
Liquid Telecommunications Data International (Mauritius)	—	—	—	14,188,856
	—	**—**	**13,536,532**	**14,188,856**

US $14,291,206 of the equity loan to Liquid Telecommunications Kenya Limited was impaired during the 2016 financial year as the amount was assumed to be unrecoverable. During the 2015 financial year, the equity loan to Infocom 2013 Ltd was transferred to the long term loan.

23. Long-term (receivables) / payables

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Long term intercompany receivables:				
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	—	—	(71,630,824)	(71,630,824)
Africa Digital Networks SPRL Ltd (DRC)	—	—	(2,424,993)	(918,642)
Austin Eco Holdings Limited (BVI)	—	—	(5,082,430)	(5,259,354)
Liquid Telecommunications Kenya Ltd	—	—	(24,665,221)	(29,161,525)
Global Digital Trading Services Ltd (United Kingdom)	—	—	—	(37,179)
East Africa Data Centre Limited (Kenya)	—	—	(3,212,588)	(3,129,777)
Liquid Telecom Data International Limited (Mauritius)	—	—	—	(1,546,902)
Liquid Telecommunications Rwanda Limited	—	—	(1,094,833)	(1,042,628)
Infocom 2013 Limited (Uganda)	—	—	(9,587,120)	(6,978,869)
Liquid Telecommunications International FZE (UAE)	—	—	(1,768,836)	—
Liquid Media (Mauritius)	—	—	(3,764,160)	(1,655,042)
	—	**—**	**(123,231,005)**	**(121,360,742)**
Long term liability:				
Alios	151,114	—	—	—
Standard Chartered Bank	94,715,099	71,110,209	94,715,099	71,110,209
Barclays Bank Zambia	8,250,000	11,000,000	—	—
CISCO Capital	4,993,264	6,815,276	—	—
Seacom—Onerous Contract	8,697,409	9,366,441	—	—
	116,806,886	**98,291,926**	**94,715,099**	**71,110,209**
Long term intercompany payables:				
Liquid Telecommunications Operations Limited (Mauritius)	—	—	—	6,955,324
	—	**—**	**—**	**6,955,324**
Short term portion of long term payables:				
Huawei Technologies Investment Company Limited	922,034	1,163,681	—	—
PORTRAZ	—	27,853	—	—
Standard Chartered Bank	35,294,118	8,770,246	35,294,118	8,770,246
CISCO	1,802,181	1,817,168	—	—
FNB Bank	64,120	—	—	—
Stanbic Bank	53,034	—	—	—
Seacom—Onerous Contract	669,031	669,032	—	—
	38,804,518	**12,447,980**	**35,294,118**	**8,770,246**

The long term intercompany receivable from Data & Control System (Private) Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 6.25% and is repayable in December 2025.

The long term intercompany receivable from Africa Digital Networks SPRL Ltd is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in February 2019.

The long term intercompany receivable from Austin Eco Holdings Limited is unsecured, bears interest at the rate of Libor plus 2.5% with first drawdown effected in April 2011.

23. Long-term (receivables) / payables (Continued)

The long term intercompany receivable from Liquid Telecommunications Kenya Ltd is unsecured, denominated in US$ and bears interest at the rate of Libor plus 5.5%. Repayment of the loan is pegged to Liquid Telecommunications Kenya Ltd generating free cash flows for a period of at least 3 months during which time the company must also report positive working capital.

The long term intercompany receivable from Global Digital Trading Services Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in February 2019.

The long term intercompany receivable from East Africa Data Centre Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in February 2019.

The long term intercompany receivable from Liquid Telecommunications Data International Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in February 2018 with first drawdown effected in February 2013.

The long term intercompany receivable from Liquid Telecommunications Rwanda Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in February 2019.

The long term intercompany receivable from Infocom 2013 Limited is unsecured, denominated in US$ and bears interest at the rate of Libor plus 5.5%. Repayment of the loan is pegged to Infocom 2013 Limited generating free cash flows for a period of at least 3 months during which time the company must also report positive working capital.

The long term intercompany receivable from Liquid Telecommunications International FZE is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in June 2020 with first drawdown effected in December 2014.

The long term intercompany receivable from Liquid Media is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable in November 2019 with first drawdown effected in March 2014.

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 liability from Standard Chartered Bank is secured, denominated in US$, bears interest at the rate of Libor plus 4.5% and is repayable by October 2019 in seventeen instalments. The total contracted loan facility is $150,000,000.

The long term liability from Barclays Bank Zambia is secured by Liquid Telecommunications Holdings Limited and CEC Liquid Telecommunications Limited. It is denominated in US$, bears interest at the rate of Libor plus 4% and is repayable in sixteen quarterly instalments by April 2019.

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 intercompany payable to Liquid Telecommunications Operations Limited is unsecured, bears interest at the rate of Libor plus 5.5% and is repayable from December 2025.

Seacom—Onerous contract

On the 28th of February 2013 Liquid Telecommunications Holdings Limited purchased an 80% shareholding in Liquid Telecommunications Kenya Limited, Infocom 2013 Limited and Liquid Telecommunications Data International Limited. Part of the acquisition is an indefeasible right of use (IRU) for 28 STM1s from Seacom, refer to note 10 for further details.

IFRS 3 requires the acquirer to fair value the identifiable assets and liabilities at acquisition date. The IRU was fairly valued based on the current market price for 28 STM1s, however, the IRU has an annual operations administration and maintenance (OA&M) charge that is based on the contract value. The

23. Long-term (receivables) / payables (Continued)

future OA&M charges were fairly valued based on the present value of the difference between the current future annual OA&M charges and the future annual OA&M charges for a similar IRU purchased today.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. As the current OA&M charges' present value exceeds the present value of the OA&M charges of an IRU purchased today, an onerous liability was raised for the excess OA&M charges.

24. Trade and other payables

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Trade accounts payable	18,391,464	22,576,894	396,151	143,875
Payable balance to affiliated entities	6,782,749	1,473,288	2,572,086	1,482,179
Deferred revenue	14,691,035	9,161,598	—	—
Other payables	33,662,540	22,315,086	580,306	819,243
Other payable to related company	2,160,000	4,240,634	2,160,000	4,240,634
	75,687,788	**59,767,500**	**5,708,543**	**6,685,931**

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 related company is unsecured, interest free and with no fixed date of repayment.

25. Provisions

	Leave provision	Total
	US$	US$
Group		
At 1 March 2014	186,907	186,907
Additional provisions raised	(143,484)	(143,484)
Foreign exchange difference	(5,845)	(5,845)
At 28 February 2015	37,578	37,578
Acquisition of subsidiaries	(10,454)	(10,454)
Payment	170,577	170,577
Foreign exchange difference	(13,508)	(13,508)
At 29 February 2016	184,193	184,193

26. Short term inter-company payable

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Liquid Telecommunications DRC	—	—	49,500	49,500
Liquid Telecommunications Limited (United Kingdom)	—	—	920,839	2,353,675
Liquid Telecommunications Mozambique	—	—	1,026	1,784
Liquid Telecommunications Tanzania Limited	—	—	367,954	471,941
Liquid Sea Limited (Mauritius)	—	—	100	100
Liquid Telecommunications International FZE (UAE)	—	—	—	351,624
	—	**—**	**1,339,419**	**3,228,624**

Amount payable to Liquid Telecommunications Limited (United Kingdom) bears interest at the rate of GBP LIBOR plus 2.5%,is unsecured and is to be repaid within the next 12 months.

Amount payable to the other related parties are interest free, unsecured and are to be repaid within the next 12 months.

27. Cash generated from operations

Operations profit	81,441,190	83,714,834	62,793,374	68,189,733
Adjustments for:				
Depreciation	25,617,038	16,428,700	23,413	6,511
Amortisation	7,309,731	4,740,857	2,336,203	249,685
impairment of investments	—	432,400	—	432,400
Impairment of intangible assets	280,303	1,454,366	280,303	1,395,317
Impairment of property, plant and equipment	9,329	4,985	—	—
Stock written off	249,008	94,540	—	—
Obsolete stock provision	188,322	227,274	—	—
Bad debts provision	329,257	(167,242)	—	—
Bad debts recovered	(221,742)	(85,505)	—	—
Bad debts written off	118,953	104,760	—	—
Increase / (Decrease) in provisions	170,577	(143,484)	—	—
Foreign exchange (loss) / gain	(6,760,934)	(5,644,359)	365,567	1,907
Profit on disposal of fixed assets	(1,261,103)	(13,232)	—	—
Increase in deferred revenue	7,015,116	996,799	—	—
	114,485,045	**102,145,693**	**65,798,860**	**70,275,553**
Working capital changes:				
Increase / (Decrease) in inventories	6,915,541	(2,002,424)	4,470,165	(284,450)
(Increase) / Decrease in trade and other receivables	(6,799,001)	2,169,605	(17,771,109)	47,277,409
Increase / (Decrease) in trade and other payables	6,866,867	15,022,335	(2,627,656)	3,897,260
Increase / (Decrease) in accruals	10,163,568	3,921,638	(238,937)	14,928
	17,146,975	**19,111,154**	**(16,167,536)**	**50,905,147**
	131,632,020	**121,256,847**	**49,631,324**	**121,180,700**

28. Acquisition of subsidiary company

Group

On 1st April 2015 the group acquired 100% of Realtime Technology Alliance Africa Limited and on 31 December 2015 100% of Transaction Payment Solution Indian Ocean Limited

The purpose of the above acquisitions was to follow the strategic direction of the group in acquiring companies that extend the fibre coverage of the Liquid Telecommunications Group within Africa.

These transactions have been accounted for using the purchase method of accounting.

	Book value	Fair value
	US$	US$
Property, plant and equipment	1,176,065	1,176,065
Inventories	261,571	261,571
Trade receivables & bad debts provision	721,634	721,634
Other receivables	1,049,118	1,049,118
Short-term deposits and cash	242,282	242,282
Long-term loans payable	(93,759)	(93,759)
Trade payables	(946,385)	(946,385)
Inter-company short-term payables	(1,374,053)	(1,374,053)
Accruals	(182,344)	(182,344)
Provisions	10,454	10,454
Short-term loans payable	(217,156)	(217,156)
Taxation (payable) receivable	24,217	24,217
Other payables	11,698	11,698
Bank overdraft	(129,210)	(129,210)
Net assets value (100%)	554,132	554,132
Non-controlling interest	—	—
Net assets acquired	554,132	554,132
Excess of net fair value over the cost of the subsidiaries acquired		2,445,897
Total consideration		3,000,029
Net cash outflow on acquisition of subsidiary		
Total consideration		(3,000,029)
Less: Advance payment for acquisition of subsidiary (note 13)		1,500,000
Total cash consideration		(1,500,029)
Bank balances and cash equivalents		113,072
Net cash outflow arising on acquisition		(1,386,957)

2015

No acquisition during the 2015 financial year.

29. Related party transactions

In addition to the subsidiary companies disclosed in note 12, the following are related parties to the Liquid Telecommunications Holdings Limited Group: Econet Wireless International (Pty) Limited (incorporated in South Africa), Econet Wireless Global Ltd. (Mauritius), Econet Wireless Burundi s.a. (Burundi), Econet Wireless Private Limited (Zimbabwe), Econet Telecom Lesotho (Lesotho), Transaction Payment Solutions (Private) Limited (Zimbabwe) and HAI Zambia. They have been disclosed as related parties due to their common control.

29. Related party transactions (Continued)

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 year, the group and company entered into the following trading transactions with related parties:

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Sales of goods and services:				
Econet Wireless Related Group Companies	84,274,097	93,035,795	—	—
	84,274,097	**93,035,795**	**—**	**—**
Purchase of goods and services:				
Econet Wireless Related Group Companies	50,200,050	56,818,756	—	—
	50,200,050	**56,818,756**	**—**	—
Other income:				
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	7,044	3,107
Liquid Telecommunications Operations SA (Proprietary) Limited (South Africa)	—	—	3,795	961
Liquid Telecommunications Limited (United Kingdom)	—	—	8,143	—
CEC Liquid Telecommunication Limited (Zambia)	—	—	6,102	—
Africa Digital Networks (SPRL) Ltd (DRC)	—	—	1,619	—
Liquid Telecommunications Rwanda Limited	—	—	4,723	—
HAI Zambia	—	—	9,953	—
	—	**—**	**41,379**	**4,068**
Management fees paid:				
Econet Wireless Related Group Companies	1,500,000	1,529,099	1,500,000	1,529,099
Liquid Telecommunications Limited (United Kingdom)	—	—	6,022,002	3,967,261
Liquid Telecommunications Operations Limited (Mauritius)	—	—	962,009	968,014
Liquid Telecommunications International FZE (UAE)	—	—	86,246	—
	1,500,000	**1,529,099**	**8,570,257**	**6,464,374**
Management fees received:				
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	1,367,325	1,259,999
	—	**—**	**1,367,325**	**1,259,999**
Dividend received:				
Econet Wireless Related Group Companies	278,605	1,707,577	—	—
Liquid Telecommunications Operations Limited (Mauritius)	—	—	70,000,000	80,000,000
	278,605	**1,707,577**	**70,000,000**	**80,000,000**
Dividend paid:				
Econet Wireless Global Ltd (Mauritius)	22,740,000	7,400,000	22,740,000	7,400,000
AMRO International Holdings Ltd (Mauritius)	2,160,000	4,933,333	2,160,000	4,933,333
	24,900,000	**12,333,333**	**24,900,000**	**12,333,333**

29. Related party transactions (Continued)

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Interest Income received:				
Econet Wireless Global Ltd (Mauritius)	355,945	217,716	355,945	217,716
Econet Wireless Related Group Companies	24,126	22,492	—	—
Austin Eco Holdings Limited (BVI)	—	—	173,076	193,044
CEC Liquid Telecommunication Limited (Zambia)	—	—	6,566	—
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	5,449,781	5,468,001
Liquid Telecommunications Operations DRC SPRL	—	—	22,122	26,633
Liquid Telecommunications Operations Limited (Mauritius)	—	—	—	593,087
Africa Digital Networks (SPRL) Ltd (DRC)	—	—	135,880	34,323
East Africa Data Centre (Kenya)	—	—	90,471	84,052
Infocom 2013 Limited (Uganda)	—	—	436,330	255,512
Liquid Telecommunications International FZE (UAE)	—	—	38,241	—
Liquid Telecommunications Kenya Ltd	—	—	1,710,950	635,398
Liquid Telecommunications Data International (Mauritius)	—	—	1,216,832	636,193
Liquid Telecommunications Rwanda Ltd	—	—	61,418	40,221
Global Digital Trading Services Ltd (United Kingdom)	—	—	—	869
Liquid Media (Mauritius)	—	—	159,118	18,962
	380,071	**240,208**	**9,856,730**	**8,204,011**
Finance costs paid:				
AMRO international Holdings Ltd (Mauritius)	—	—	9,062	2,005,574
Econet Wireless Global Ltd (Mauritius)	—	2,648	—	2,648
Liquid Telecommunications Limited (United Kingdom)	—	—	44,779	24,720
Liquid Telecommunications Operations Limited (Mauritius)	—	—	619,786	2,184,346
	—	**2,648**	**673,627**	**4,217,288**
Long term loans owed to / (from):				
Austin Eco Holdings Limited (BVI)	—	—	(5,082,430)	(5,259,354)
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	(71,630,824)	(71,630,824)
Liquid Telecommunications Kenya Ltd	—	—	(24,665,221)	(29,161,525)
Liquid Telecommunications Operations Limited (Mauritius)	—	—	—	6,955,324
Liquid Telecommunications Data International (Mauritius)	—	—	—	(1,546,902)
Africa Digital Networks (SPRL) Ltd (DRC)	—	—	(2,424,993)	(918,642)
Liquid Telecommunications Rwanda Ltd	—	—	(1,094,833)	(1,042,628)
East Africa Data Centre (Kenya)	—	—	(3,212,588)	(3,129,777)
Infocom 2013 Limited (Uganda)	—	—	(9,587,120)	(6,978,869)
Global Digital Trading Services Limited (United Kingdom)	—	—	—	(37,179)
Liquid Media (Mauritius)	—	—	(3,764,160)	(1,655,042)
Liquid Telecommunications International FZE (UAE)	—	—	(1,768,836)	—
	—	**—**	**(123,231,005)**	**(114,405,418)**

29. Related party transactions (Continued)

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Short term amounts owed to:				
Liquid Telecommunications Limited (United Kingdom)	—	—	920,839	2,353,675
Liquid Telecommunications DRC SPRL	—		49,500	49,500
Liquid Telecommunications Mozambique	—	—	1,026	1,784
Liquid Telecommunications Tanzania Limited	—	—	367,954	471,941
Liquid Sea Limited (Mauritius)	—	—	100	100
Liquid Telecommunications International FZE (UAE)	—	—	—	351,624
	—	**—**	**1,339,419**	**3,228,624**

Short term payables bear interest at the rate of LIBOR plus 2.5%, are unsecured and are to be repaid within the next 12 months.

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Short term amounts owed by:				
Econet Wireless Related Group Companies	5,856,300	5,863,044	4,838,744	4,556,614
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	4,219,193	8,193,760
Liquid Telecommunications Operations DRC SPRL	—	—	825,561	803,439
Liquid Telecommunications Operations Limited (Mauritius)	—	—	28,858,870	—
CEC Liquid Telecommunication Limited (Zambia)	—	—	268,263	1,904,640
	5,856,300	**5,863,044**	**39,010,631**	**15,458,453**

29. Related party transactions (Continued)

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

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Receivables balances due from:				
Econet Wireless Related Group Companies	4,695,590	4,042,584	—	5,000,000
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	3,096,102	1,629,540
Liquid Telecommunications Operations SA (Proprietary) Limited (South Africa)	—	—	156,688	19,109
CEC Liquid Telecommunication Limited (Zambia)	—	—	101,813	6,043
Liquid Telecommunications Limited (United Kingdom)	—	—	135,081	5,472
Liquid Telecommunications Rwanda Limited	—	—	68,437	21,650
Liquid Telecommunications Operations DRC SPRL	—	—	8,303	8,303
Austin Eco Holdings Ltd (BVI)	—	—	—	155
Transaction Payment Solutions Limited (Nigeria)	—	—	—	621
Liquid Telecommunications Operations Limited (Mauritius)	—	—	2,230	—
ZOL Zimbabwe (Private) Limited	—	—	32,317	—
Liquid Telecommunications Kenya Ltd (Kenya)	—	—	55,172	—
Africa Digital Networks SPRL Limited (DRC)	—	—	17,889	—
Infocom 2013 Limited (Uganda)	—	—	5,028	—
Transaction Payment Solutions International Limited (Mauritius)	—	—	1,235	—
Transactions Payment Solutions Botswana (Proprietary) Limited (Botswana)	—	—	1,774	—
Transactions Payment Solutions Kenya Limited (Kenya)	—	—	71	—
Transactions Payment Solutions Zambia Limited (Zambia)	—	—	1,713	—
HAI Telecommunications Limited (Zambia)	—	—	74,119	—
Liquid Media (Mauritius)	—	—	524	—
Transaction Payment Solutions South Africa Limited	—	—	4,654	—
	4,695,590	**4,042,584**	**3,763,150**	**6,690,893**
Payable balances owed to:				
Econet Wireless Related Group Companies	6,782,749	1,473,288	—	—
Liquid Telecommunications Limited (United Kingdom)	—	—	2,311,309	1,400,402
Liquid Telecommunications Operations Limited (Mauritius)	—	—	52,878	78,023
Liquid Telecommunications Operations SA (Proprietary) Limited (South Africa)	—	—	114,151	3,391
CEC Liquid Telecommunication Limited (Zambia)	—	—	—	363
Liquid Telecommunications International FZE (UAE)	—	—	86,246	—
Liquid Telecommunications Kenya Ltd (Kenya)	—	—	7,502	—
	6,782,749	**1,473,288**	**2,572,086**	**1,482,179**
Other payable balance owed to:				
AMRO International Holdings Ltd (Mauritius)	2,160,000	4,240,634	2,160,000	4,240,634
Equity loans owed by:				
Liquid Telecommunications Kenya Ltd	—	—	12,421,752	—
Infocom 2013 Limited (Uganda)	—	—	1,114,780	—
Liquid Telecommunications Data International (Mauritius)	—	—	—	14,188,856
	—	**—**	**13,536,532**	**14,188,856**

29. Related party transactions (Continued)

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Prepayments:				
Econet Wireless Related Group Companies	1,439,000	4,500,000	1,439,000	4,500,000
Loan received and repaid:				
AMRO International Holdings Ltd (Mauritius)	—	20,000,000	—	20,000,000
Purchase of intangible assets (Fibre optical IRU):				
Econet Wireless Related Group Companies	—	16,970,902	—	16,970,902
Purchase of property, plant and equipment (Fibre infrastructure):				
Econet Wireless Related Group Companies	—	5,000,000	—	—
Purchase of investments:				
Econet Wireless Related Group Companies	—	6,500,000	—	6,500,000
Administration fees paid:				
DTOS Ltd	183,892	148,973	62,733	54,041

Compensation of key management personnel

Key management personnel were paid US$ 528,010 during the 2016 financial year (2015: US$ Nil).

30. Capital commitments

At 29 February 2016 the group was committed to making the following capital commitments:

Authorised and contracted	12,146,030	17,237,410	—	—
Authorised by directors but not contracted	97,453,788	67,241,778	66,900,000	—
	109,599,818	**84,479,188**	**66,900,000**	**—**

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

31. Operating lease arrangements

Payments recognized as an expense:				
Minimum lease payments	12,756,787	10,924,091	—	—

Operating lease commitments

At 29 February 2016 the group was committed to making the following annual payments in respect of operating leases:

Lease which expire:				
Within one year	11,056,176	8,898,189	—	—
Between two to five years	25,839,075	20,791,237	—	—
After five years	23,622,824	25,185,346	—	—
	60,518,075	**54,874,772**	**—**	**—**

Operating lease payments represent rentals payable by the Group for certain of its office properties, capacity on satellites, equipment and buildings. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

32. Financial instruments

32.1 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2015.

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

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

32.2 Significant accounting policies

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

32.3 Gearing Ratio

The group's directors review the capital structure on a periodic basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the directors' recommendations, the group expects to increase its gearing ratio.

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Debt[(i)]	148,404,964	104,945,067	133,508,636	94,305,037
Cash and cash equivalents	(100,396,817)	(36,595,110)	(72,269,173)	(3,890,309)
Net Debt	**48,008,147**	**68,349,957**	**61,239,463**	**90,414,728**
Equity[(ii)]	327,389,744	336,903,213	214,282,886	173,276,570
Net Debt to Equity Ratio	14.66%	20.29%	28.58%	52.18%

(i) Debt is defined as long and short-term borrowings, as detailed in note 22, 23 and 24.

(ii) Equity includes all capital and reserves of the group and the company, as detailed in the statement of changes in equity.

32.4 Categories of financial assets and liablities

Financial assets				
Cash and cash equivalents	100,396,817	36,595,110	72,269,173	3,890,309
Held-to-maturity investments	3,352,693	3,151,346	—	—
Available-for-sale financial assets	26,921,079	54,492,041	6,500,000	6,500,000
Loans and receivables	56,110,357	49,927,169	166,006,314	138,510,308
	186,780,946	**144,165,666**	**244,775,487**	**148,900,617**
Financial liabilities				
Amortised cost	216,792,350	161,383,386	137,057,179	96,750,334

32. Financial instruments (Continued)

32.5 Financial risk management objectives

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

32.6 Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note 32.7 and 32.8) and interest rates (see Note 32.9 and 32.10). The group does not enter into derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

32.7 Foreign currency risk management

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

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

	Group		Company	
	29/02/2016	28/02/2015	29/02/2016	28/02/2015
	US$	US$	US$	US$
Assets				
Currency of the United Kingdom (GBP)	7,463,485	10,960,115	—	—
Currency of United States (USD)	152,552,598	104,776,971	244,775,487	148,900,617
Currency of South Africa (ZAR)	5,750,504	7,235,897	—	—
Currency of Botswana (BWP)	229,611	73,997	—	—
Currency of Kenya (KES)	12,243,664	14,990,751	—	—
Currency of Zambia (ZMK)	1,001,506	580,667	—	—
Currency of Rwanda (RWF)	4,604,549	3,825,722	—	—
Currency of Nigeria (NGN)	220,595	141,997	—	—
Currency of Uganda (UGX)	2,714,434	1,579,549	—	—
	186,780,946	**144,165,666**	**244,775,487**	**148,900,617**
Liabilities				
Currency of the United Kingdom (GBP)	5,477,494	15,979,505	1,799,149	3,754,077
Currency of United States (USD)	197,648,556	131,980,835	135,143,879	92,992,866
Currency of South Africa (ZAR)	1,159,258	1,030,787	114,151	3,391
Currency of Botswana (BWP)	31,770	58,359	—	—
Currency of Kenya (KES)	8,584,657	9,361,830	—	—
Currency of Zambia (ZMK)	78,099	82,002	—	—
Currency of Rwanda (RWF)	2,498,577	2,321,222	—	—
Currency of Nigeria (NGN)	39,787	72,188	—	—
Currency of Uganda (UGX)	1,274,152	496,658	—	—
	216,792,350	**161,383,386**	**137,057,179**	**96,750,334**

32. Financial instruments (Continued)

32.10 Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the group's:

- Profit for the year ended 29 February 2016 would increase/decrease by US$ 399,613 (2015: US$ 582,463). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings; and
- No increase or decrease in other equity reserves for the year ended 29 February 2016 (2015: no increase or decrease)

32.11 Credit risk management

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

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

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

32.12 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

32. Financial instruments (Continued)

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

	Weighted Average Effective Interest Rate	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
		US$	US$	US$	US$	US$	US$
Group—2016							
Financial Liabilities .	4.75%	30,571,502	27,111,885	40,797,260	110,785,603	6,021,283	215,287,533
Group—2015							
Financial Liabilities .	4.75%	33,074,284	17,736,800	16,521,356	91,601,611	6,690,315	165,624,366
Company—2016							
Financial Liabilities .	3.13%	2,968,237	580,277	3,499,419	—	—	7,047,933
Company—2015							
Financial Liabilities .	3.18%	1,626,054	819,243	7,690,409	884,606	8,061,081	19,081,393

32.13 Fair values

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

33. Dividend

Dividends of $24,900,000 were declared and paid during the 2016 financial year (2015: $12,333,333).

34. 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).

34. Fair value measurements recognised in the consolidated statement of financial position (Continued)

- 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).

	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Available-for-sale financial assets				
29 February 2016				
Econet Wireless Zimbabwe	20,275,227	—	—	20,275,227
Meikles Limited	71,447	—	—	71,447
Onerous contract	—	—	9,366,440	9,366,440
Total	20,346,674	—	9,366,440	29,713,114
28 February 2015				
Econet Wireless Zimbabwe	46,284,317	—	—	46,284,317
Meikles Limited	132,687	—	—	132,687
Onerous contract	—	—	10,035,473	10,035,473
Total	46,417,004	—	10,035,473	56,452,477

There was no transfer between level 1, 2 and 3 during the year.

35. Guarantees

The US$150M term loan facility agreement agreement between Liquid Telecommunications Holdings Limited, Liquid Telecommunications Operations Limited, Liquid Telecommunications Operations SA (Pty) Ltd and Standard Chartered Bank, contains various types of broad and onerous security, including deeds of subordination, fixed and floating charges and debenture agreements. Further, there is a general prohibition in that no Group company can create security over its assets and no security can be created over Liquid Telecom Zimbabwe and its assets. The security agreements prohibit Liquid Telecom group providing security in favour of any third party without the Bank's formal approval.

36. Post balance sheet events

As per the board resolution signed on 31 March 2016, Liquid Telecommuncations Holdings Limited has declared a dividend in specie of all 50,000 shares held in Austin Eco Holdings Limited and a dividend of $3,300,000 to its shareholders in proportion to their shareholding in the company.

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
(Registration Number: 068355 C2/GBL)

ANNUAL FINANCIAL STATEMENTS
28th February 2015

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
(Registration Number: 068355 C2/GBL)
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Deloitte.

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19 Cybercity
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Independent auditor's report to the shareholders of Liquid Telecommunications Holdings Limited

This report is made solely to the company's shareholders, as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of **Liquid Telecommunications Holdings Limited (the "company") and its subsidiaries (collectively referred to as the "Group")** on pages 5 to 42 which comprise the statements of financial position as at 28 February 2015 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 5 to 42 give a true and fair view of the financial position of the group and the company as at 28 February 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte

Deloitte
Chartered Accountants
22 June 2015

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2015

		Group		Company	
	Notes	28/02/2015	28/02/2014	28/02/2015	28/02/2014
		US$	US$	US$	US$
Revenue	4	302,250,773	288,047,991	—	275,000
Cost of sales		(118,854,865)	(124,009,561)	—	(250,000)
Gross Profit		183,395,907	164,038,430	—	25,000
Other Income		980,014	344,123	1,264,067	20,037
Selling and distribution costs		(5,432,149)	(4,323,921)	(701)	—
Administrative expenses		(30,678,638)	(29,310,899)	(10,953,458)	(9,748,884)
Staff costs		(43,196,569)	(34,176,561)	(36,262)	(5,561)
Profit before interest, taxation, impairment and amortisation		105,068,565	96,571,172	(9,726,354)	(9,709,408)
Depreciation, impairment and amortisation		(23,061,308)	(15,258,396)	(2,083,913)	(120,286)
Operating profit		82,007,257	81,312,776	(11,810,267)	(9,829,694)
Investment income	6	2,171,268	546,113	88,204,011	97,063,148
Finance costs	7	(4,387,921)	(792,435)	(6,352,082)	(2,828,171)
Foreign exchange (loss) / gain	5	(5,644,359)	(9,532,402)	1,907	(63,024)
Excess of net assets over the cost of subsidiaries acquired	27	—	(767,011)	—	—
Profit before taxation		74,146,245	70,767,041	70,043,569	84,342,259
Taxation	8	(11,877,719)	(7,557,871)	(152,199)	(321,807)
Profit for the year		**62,268,526**	**63,209,170**	**69,891,370**	**84,020,452**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange (loss) / gain		(1,534,204)	1,126,678	—	—
Fair value loss on available-for-sale investments	13	(12,473,846)	(5,153,350)	—	—
Other comprehensive loss for the year		(14,008,050)	(4,026,672)	—	—
Profit and total comprehensive income for the year		48,260,476	59,182,498	69,891,370	84,020,452
Profit attributable to:					
Owners of the parent		55,597,333	60,064,654	69,891,370	84,020,452
Non-controlling interest		6,671,193	3,144,516	—	—
		62,268,526	**63,209,170**	**69,891,370**	**84,020,452**
Profit and total comprehensive income attributable to:					
Owners of the parent		41,589,283	56,037,982	69,891,370	84,020,452
Non-controlling interest		6,671,193	3,144,516	—	—
		48,260,476	**59,182,498**	**69,891,370**	**84,020,452**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
at 28 February 2015

	Notes	Group		Company	
		28/02/2015	28/02/2014	28/02/2015	28/02/2014
		US$	US$	US$	US$
Non-current assets					
Goodwill	9	7,111,952	7,111,952	—	—
Intangible assets	10	68,737,180	51,693,606	18,323,706	31,123
Property, plant and equipment	11	259,294,389	181,789,096	295,135	28,206
Investment in subsidiaries	12	—	—	87,877,774	75,761,224
Investments	13	54,492,041	60,892,656	6,500,000	432,400
Deferred tax assets	14	1,950,950	4,734,894	—	—
Held to maturity Investments	15	3,151,346	2,346,766	—	—
Other long-term receivables	16	1,246,908	1,303,159	—	—
Long term intercompany receivables	23	—	2,381,130	121,360,742	97,705,045
Total non-current assets		**395,984,766**	**312,253,259**	**234,357,357**	**173,957,998**
Current assets					
Held to maturity investments	15	—	606,513	—	—
Inventories	17	32,097,923	30,547,689	4,470,165	4,185,735
Trade and other receivables	18	55,757,851	64,356,551	11,850,620	10,580,450
Short term intercompany receivables	19	5,863,044	1,008,650	15,458,453	64,006,032
Cash and cash equivalents	20	36,595,110	35,442,403	3,890,309	347,051
Total current assets		**130,313,928**	**131,961,806**	**35,669,547**	**79,119,248**
Total assets		**526,298,694**	**444,215,065**	**270,026,903**	**253,077,246**
Equity and liabilities					
Capital and reserves					
Ordinary shares	21	—	94	—	94
Stated capital	21	1,000	1,000	1,000	1,000
Share premium	21	2,333,247	57,998,906	2,333,247	57,998,906
Equity loans	22	—	—	(14,188,856)	(14,451,375)
Revaluation reserve		14,751,049	27,224,895	—	—
Retained earnings		280,188,480	252,783,446	185,131,178	127,573,142
Foreign currency translation reserve		(3,453,830)	(1,916,050)	—	—
Total equity attributable to owners of the parent		**293,819,946**	**336,092,291**	**173,276,569**	**171,121,767**
Non-controlling interests		43,083,267	31,553,108	—	—
Total equity		**336,903,213**	**367,645,399**	**173,276,569**	**171,121,767**
Non-current liabilities					
Long-term liability	23	98,291,926	10,298,825	71,110,209	—
Long-term intercompany payables	23	—	—	6,955,324	75,953,112
Deferred tax liabilities	14	18,468,211	12,921,576	—	—
Total non-current liabilities		**116,760,137**	**23,220,401**	**78,065,533**	**75,953,112**
Current liabilities					
Short-term portion of long-term liability	23	12,447,980	5,213,479	8,770,246	—
Trade and other payables	24	59,767,500	47,394,641	6,685,931	5,822,305
Provisions	25	37,578	186,907	—	—
Short-term intercompany payables	26	—	—	3,228,624	180,062
Taxation	8	382,286	554,238	—	—
Total non-current liabilities		**72,635,344**	**53,349,265**	**18,684,801**	**6,002,367**
Total equity and liabilities		**526,298,694**	**444,215,065**	**270,026,903**	**253,077,246**

Approved by the Board of Directors and authorised for issue on 22 Jun 2015

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the year ended 28 February 2015

Group

	Notes	Share Capital	Share Premium	Invetsment Revaluation reserve	Foreign currency translation reserve	Retained earnings	Other reserves	Non-controlling interest	Total Equity
		US$	US$	US$	US$	US$	US$	US$	US$
At 1 March 2013		1,094	57,998,906	32,378,245	(3,042,728)	188,642,421	4,076,371	28,377,749	308,432,058
Non-controlling interest arising on business combination		—	—	—	—	—	—	30,843	30,843
Transfers to retained earnings		—	—	—	—	4,076,371	(4,076,371)	—	—
Profit for the year		—	—	—	—	60,064,654	—	3,144,516	63,209,170
Foreign exchange gain . . .		—	—	—	1,126,678	—	—	—	1,126,678
Fair value loss on available-for sale investments		—	—	(5,153,350)	—	—	—	—	(5,153,350)
At 28 February 2014		**1,094**	**57,998,906**	**27,224,895**	**(1,916,050)**	**252,783,446**	**—**	**31,553,108**	**367,645,399**
Share buyback	21	(94)	(55,665,659)	—	—	—	—	—	(55,665,753)
Change in ownership	12.3	—	—		—	(15,858,966)	—	4,858,966	(11,000,000)
Foreign exchange loss on disposal of subsidiaries .		—	—	—	(3,576)	—	—	—	(3,576)
Profit for the year		—	—		—	55,597,333	—	6,671,193	62,268,526
Foreign exchange loss . . .		—	—	—	(1,534,204)	—	—	—	(1,534,204)
Dividend	33	—	—	—	—	(12,333,333)	—	—	(12,333,333)
Fair value loss on available-for sale investments		—	—	(12,473,846)	—	—	—	—	(12,473,846)
At 28 February 2015		**1,000**	**2,333,247**	**14,751,049**	**(3,453,830)**	**280,188,480**	**—**	**43,083,267**	**336,903,213**

Company

	Notes	Stated capital	Share premium	Equity loans	Retained earnings	Other reserves	Total Equity
		US$	US$	US$	US$	US$	US$
At 1 March 2013		1,094	57,998,906	(23,257,810)	41,025,712	3,263,147	79,031,049
Capitalisation of equity loan .	22	—	—	8,806,435	—	—	8,806,435
Non-controlling interest arising on business combination	28	—	—	—	(736,169)	—	(736,169)
Transfers to retained earnings		—	—	—	3,263,147	(3,263,147)	
Profit and total comprehensive income for the year		—	—	—	84,020,452	—	84,020,452
At 28 February 2014		**1,094**	**57,998,906**	**(14,451,375)**	**127,573,142**	**—**	**171,121,767**
Transfer to long term loan . .		—	—	262,519	—	—	262,519
Share buyback	21	(94)	(55,665,659)	—	—	—	(55,665,753)
Profit and total comprehensive income for the year		—	—	—	69,891,370	—	69,891,370
Dividends	33	—	—	—	(12,333,333)	—	(12,333,333)
At 28 February 2015		**1,000**	**2,333,247**	**(14,188,856)**	**185,131,179**	**—**	**173,276,570**

LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 28 February 2015

	Notes	Group		Company	
		28/02/2015	28/02/2014	28/02/2015	28/02/2014
		US$	US$	US$	US$
Cash flows from operating activities:					
Cash generated from operations	27	119,549,270	98,913,393	41,180,700	(58,463,760)
Income tax paid	8	(3,785,437)	(4,666,770)	(152,199)	(321,807)
Finance costs	7	(4,387,921)	(792,435)	(6,352,082)	(2,828,171)
Net cash generated from / (used in) operating activities		111,375,912	93,454,188	34,676,419	(61,613,738)
Cash flows from investing activities:					
Investment income		463,691	546,113	8,204,011	7,063,148
Dividend received		1,707,577	—	80,000,000	90,000,000
Acquisition of other investments	13	(6,500,000)	(1,527,529)	(6,500,000)	—
Disposal of investments	13	—	1,237,683	—	1,210,154
Acquisition of subsidiary companies	12	—	—	(1,116,550)	(24,824,858)
Purchase of property, plant and equipment	11	(100,824,700)	(71,719,442)	(286,540)	(3,253,218)
Proceeds on disposal of equipment	11	703,142	3,178,073	13,100	49,856
Purchase of intangible assets	10	(24,074,455)	(10,323,806)	(19,937,585)	(24,393)
Proceeds on disposal of intangible assets		10,126	161,151	—	—
Purchase of held to maturity investments	15	(198,057)	(154,189)	—	—
(Decrease)/ increase in intercompany long term loans receivable		3,130,626	(3,335,021)	(23,655,697)	(13,514,604)
(Decrease) / increase in long-term receivables	16	56,251	(1,303,159)	—	—
Net cash (used in)/ generated from investing activities		(125,525,819)	(83,240,126)	36,720,739	56,706,085
Cash flows from financing activities:					
Dividend paid	33	(12,333,333)	—	(12,333,333)	—
Share buy back		(55,665,753)	—	(55,665,753)	—
Change in ownership of a subsidiary		(11,000,000)	—	(11,000,000)	—
(Increase) / decrease in short-term portion of long-term payables		(3,669,549)	(7,288,466)	8,770,246	—
Decrease in equity loans		—	—	262,519	—
Increase in external long-term loan payable		100,041,055	—	71,110,209	—
Increase/ (decrease) in intercompany long-term loans payable		—	(4,462,047)	(68,997,788)	4,440,559
Short term loan received		45,000,000	—	45,000,000	—
Repayment of short term loan		(45,000,000)	—	(45,000,000)	—
Decrease in onerous contract		(669,032)	(669,031)	—	—
Net cash generated from / (used in) financing activities		16,703,388	(12,419,544)	(67,853,900)	4,440,559
Net increase / (decrease) in cash and cash equivalents		2,553,481	(2,205,482)	3,543,258	(467,094)
Cash and cash equivalents at beginning of the year		35,442,403	38,763,087	347,051	814,145
Translation of cash with respect to foreign subsidiaries		(1,400,774)	(1,115,202)	—	—
Cash and cash equivalents at end of the year		**36,595,110**	**35,442,403**	**3,890,309**	**347,051**

1. General information

Liquid Telecommunications Holdings Limited is a private company incorporated in Mauritius on the 26th January 2007 and is holder of a Category 2—Global Business Licence Company as from 29th January 2007. Its registered office is situated at 10th floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius. The company's main activity is to carry on the business of a holding company in respect of subsidiary companies all over the world.

These financial statements are presented in US Dollars since that is the currency in which the majority of the group and company's transactions are denominated.

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

In the current year, the company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 March 2014.

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

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

IAS 16	Property, plant and equipment—Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)
IAS 19	Employee Benefits—Amended standard resulting from the post-employment benefits and termination benefits projects
IAS 27	Separate Financial Statements
IAS 27	Separate Financial Statements—Amendments for investment entities
IAS 32	Financial Instruments: Presentation—Amendments resulting from Annual Improvements 2009-2011 cycle (tax effect of equity distributions)
IAS 32	Financial Instruments: Presentation—Amendments relating to the offsetting of assets and liabilities
IAS 36	Impairment of Assets—Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Financial instruments: Recognition and Measurement—Amendments for novations of derivatives
IFRS 7	Financial Instruments: Disclosures—Amendments relating to the offsetting of assets and liabilities
IFRS 13	Fair Value Measurement

1. General information (Continued)

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

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

IAS 1	Presentation of financial statement—Amendments results form the disclosure initiative (affective 1 January 2016)
IAS 24	Related Party Disclosures—Amendments resulting from Annual improvements 2010-2012 Cycle (management entities) (effective 1 July 2014)
IAS 27	Separate financial statements—Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. (1 January 2016)
IAS 39	Financial Instruments: Recognition and Measurement—Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception.
IFRS 7	Financial Instruments: Disclosures—Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 1 January 2016)
IFRS 7	Financial Instruments: Disclosures—Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)
IFRS 7	Financial Instruments: Disclosures—Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018)
IFRS 13	Fair Value Measurement—Amendments resulting from Annual Improvements 2010-2012 Cycle (short-term receivables and payables)
IFRS 13	Fair Value Measurement—Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52) (effective 1 July 2014)
IFRS 15	Revenue from contracts with customer (effective 1 January 2017)

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

2. Summary of significant accounting policies

The financial statements have been prepared under the historical cost convention, except for certain financial instruments carried at fair value. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) up to the reporting date each year. Control is achieved when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2. Summary of significant accounting policies (Continued)

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the net of the acquisition-date amounts of the identified assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in the consolidated statements of profit or loss and other comprehensive income as a bargain purchase gain. The interest of non-controlling interest shareholders is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less that the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

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

2. Summary of significant accounting policies (Continued)

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

Land and buildings	2%
Furniture and fittings	10%-20%
Computer equipment	20%-50%
Satellite equipment	20%
Switching and network equipment	20%
Leasehold improvements	10%-20%
Motor vehicles	20%-25%
Fibre infrastructure	4%-20%
Fibre equipment	20%
POS terminals	25%

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

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

Investment in subsidiaries

The total carrying values of investments in subsidiaries represent the cost of each investment. The carrying values of investments in subsidiaries are reviewed on a regular basis and if an impairment in value has occurred, it is written off in the period in which those circumstances are identified.

Investments

Investments are classified as available-for-sale investments, and are measured at subsequent reporting dates at fair value. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in consolidated statements of profit or loss and other comprehensive income for the period. Impairment losses recognised in the consolidated statements of profit or loss and other comprehensive income for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Valuation of investments

Investments are valued at fair value. In the event that fair value cannot be determined or reliably measured, investments are recorded at cost. Investments are valued according to one of the following bases as set out below:

- Cost (less any provision required for a diminution in value)
- Third party valuation
- Discounted cash flow methodology
- Net assets
- Price of a recent transaction

For unlisted investments in which the company and group typically invests, the fair value of an investment is expected to be its initial cost for the first 12 months. Thereafter, one of the bases above is applied.

2. Summary of significant accounting policies (Continued)

Although best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique involving investments of the type in which the company and group invests. Therefore, the fair values presented herein are not necessarily indicative of the amount that the company and group could realise in a current transaction.

Project costs

Project costs are recognised as assets only if all of the following conditions are met:

- An asset is created that can be Identified; and
- It is probable that the asset created will generate future economic benefits.

A provision for impairment against project costs asset is raised when appropriate.

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Inventories

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

Financial instruments

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

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

2. Summary of significant accounting policies (Continued)

Financial assets

Financial assets are classified into the following specified categories:

- cash and bank balances or
- held-to-maturity investments or
- available-for-sale' ("AFS") financial assets or
- loans and receivables.

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

Held-to-maturity investments:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost less any impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables or (b) held-to-maturity investments.

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value because the Directors consider that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to the consolidated statements of profit or loss and other comprehensive income.

Dividends on AFS equity instruments are recognised in the consolidated statements of profit or loss and other comprehensive income when the Group's right to receive the dividends is established.

Valuation of AFS financial assets:

Fair values are determined annually at the reporting date. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

For AFS investments, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The levels are as follows:

- Level 1 fair value measurements are those derived from unadjusted quoted prices for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs which are not based on observable market data.

2. Summary of significant accounting policies (Continued)

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in the consolidated statements of profit or loss and other comprehensive income.

Loans and receivables.

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

Impairment of financial assets:

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

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including finance lease receivables, objective evidence of impairment could include:

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statements of profit or loss and other comprehensive income in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that

2. Summary of significant accounting policies (Continued)

the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets:

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated statements of profit or loss and other comprehensive income.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Financial liabilities and equity instruments classification as debt or equity:

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

Equity instruments:

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

Share capital and share premium are classified as equity.

Financial liabilities:

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

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost with interest expense recognised on an effective yield basis.

2. Summary of significant accounting policies (Continued)

Derecognition of financial liabilities:

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

Cash or cash equivalents

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

2. Summary of significant accounting policies (Continued)

Current end deferred tax for the year

Current and deferred tax are recognised as an expense or income in the consolidated statements of profit or loss and other comprehensive income, except when they relate to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Provisions

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

Revenue recognition

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Rentals payable under operating leases are charged to the consolidated statements of profit or loss and other comprehensive income on the straight-line basis over the term of the relevant lease.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in US Dollars, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in statements of comprehensive income for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in statements of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect

2. Summary of significant accounting policies (Continued)

of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are expensed in the year in which they are incurred.

Intangible assets

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

Fibre optical—IRU	10-20 years
Computer Software	2 years
Operating Licence	10 years
Other Intangible Assets	10 years

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

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

Cash flows

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

Equity Loans

Equity loans to subsidiaries arising on acquisition are recognized in shareholders' funds on the date of acquisition, pending investments.

3. Significant accounting judgements and estimates

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

Residual value and useful life

The group depreciates its assets over their estimated useful lives taking into account residual values, which, in compliance with of IAS16 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 income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

Contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in used 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 present value.

Valuation of investment

Directors use their judgement in selecting an appropriate valuation techniques for valuing investments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

4. Revenue

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Telecommunication traffic	136,000,183	147,324,920	—	—
Data services	155,087,338	126,614,590	—	—
Equipment	5,972,458	8,818,688	—	—
Services	4,511,005	3,814,140	—	275,000
Other	679,789	1,475,653	—	—
	302,250,773	**288,047,991**	**—**	**275,000**

5. Profit before taxation

Profit before taxation is arrived at after taking the following into account:

	Group 28/02/2015 US$	Group 28/02/2014 US$	Company 28/02/2015 US$	Company 28/02/2014 US$
Cost of goods and services	111,234,963	115,925,158	—	250,000
Auditors' fees	730,007	688,327	36,354	37,332
Non-audit services	—	126,131	—	—
Consultancy fees	5,476,767	5,536,882	1,721,616	1,739,375
Profit on disposal of property, plant and equipment	13,232	85,327	—	—
Amortisation of intangible assets	4,740,857	3,107,680	249,685	2,336
Allowance for doubtful debts	301,723	(2,371,117)	—	—
Impairment loss on investment	432,400	116,062	432,400	116,062
Impairment loss on property, plant and equipment	4,985	2,895	—	—
Impairment loss on intangible assets	1,454,366	433,911	1,395,317	—
Cost of inventories expensed	7,619,903	8,084,403	—	—
Depreciation	16,428,700	11,597,848	6,511	1,888
Net foreign exchange gain / (loss):				
Exchange losses—unrealised	(9,211,834)	(9,990,165)	—	(28,130)
Exchange losses—realised	(793,180)	(2,723,877)	(154)	(34,894)
Exchange gains—unrealised	610,893	2,586,927	2,061	—
Exchange gains—realised	3,749,762	594,713	—	—
	(5,644,359)	**(9,532,402)**	**1,907**	**(63,024)**

6. Invetsment income

	Group 28/02/2015 US$	Group 28/02/2014 US$	Company 28/02/2015 US$	Company 28/02/2014 US$
Dividend received	1,707,577	—	80,000,000	90,000,000
Interest received—bank / external	223,483	495,907	—	—
Interest received—inter-group (note 29)	240,208	50,206	8,204,011	7,063,148
	2,171,268	**546,113**	**88,204,011**	**97,063,148**

7. Finance costs

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Interest on bank overdraft and loans	4,385,273	699,184	2,134,794	—
Interest paid—inter-group (note 29)	2,648	93,251	4,217,288	2,828,171
	4,387,921	**792,435**	**6,352,082**	**2,828,171**

8. Taxation

Current taxation	2,714,704	4,081,533	—	—
Deferred taxation (note 14)	8,244,749	2,898,256	—	—
Withholding taxation	918,266	578,082	152,199	321,807
Total taxation	**11,877,719**	**7,557,871**	**152,199**	**321,807**

The charge for the year can be reconciled to profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

Profit before taxation	74,146,245	70,767,041	70,043,569	84,342,259
Tax effect of non-deductible expenses	2,190,899	1,299,055	—	—
Tax effect of non-taxable income	(8,377,710)	(9,777,744)	—	—
Tax effect of change in foreign subsidiary domestic tax rate	(2)	—	—	—
Capital allowance in deficit of depreciation	(151,723)	38,543	—	—
Taxation at domestic rate for foreign subsidiaries in tax paying jurisdictions	16,994,372	15,419,935	—	—
Withholding taxation	918,266	578,082	152,199	321,807
Other	303,617	—		
	11,877,719	**7,557,871**	**152,199**	**321,807**

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

South Africa—28%
United Kingdom—21.17% (2014: 23.1%)
Zimbabwe—25.75%

Taxation liability

Opening balance	554,238	680,139	—	—
Provision for the year	2,714,704	4,081,533	—	—
Withholding tax	918,266	578,082	152,199	321,807
Foreign exchange differences	17,627	(67,866)	—	—
Payment during the year	(3,822,549)	(4,717,650)	(152,199)	(321,807)
Closing balance	**382,286**	**554,238**	**—**	**—**

9. Goodwill

	Group	
	28/02/2015	28/02/2014
	US$	US$
Cost		
Opening balance	7,111,952	7,111,952
Closing balance	**7,111,952**	**7,111,952**

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.

10. Intangible assets

Group

	Operating Licence	Software	Fibre Optical—IRU	Work in Progress	Other Intangible Assets	Total
	US$	US$	US$		US$	US$
Cost:						
At 1 March 2013	3,726,135	416,819	33,539,995	—	9,167	37,692,116
Adjustment*	380,632	2,643,205	4,241,490	—	1,530,890	8,796,217
Purchases during the year	89,939	209,278	7,088,193	2,365,946	570,450	10,323,806
Disposals during the year	(35,578)	(127,670)	—	—	—	(163,248)
Reclassification	(1,781,375)	365,033	110,645	922,909	382,788	—
Transfers from fixed assets (Note 11)	—	17,206	1,574,249	—	—	1,591,455
Transfers from other investments (Note 13)	—	—	11,000,000		—	11,000,000
Foreign exchange differences	13,103	(28,341)	(645,684)	—	(45,424)	(706,346)
At 28 February 2014	2,392,856	3,495,530	56,908,888	3,288,855	2,447,871	68,534,000
Purchases during the year	7,670	296,184	20,194,932	3,181,282	394,397	24,074,465
Disposals during the year	(10,126)	(23,636)	—	—	—	(33,762)
Reclassification	(68,943)	2,964,304	2,598,308	(5,493,669)	—	—
Transfers from fixed assets (Note 11)	—	(83,744)	—	—	—	(83,744)
Transfers to other investments (Note 13)	—	—	—	—	(5,631)	(5,631)
Impairment	(59,049)	(1,405,724)	—	—	—	(1,464,773)
Foreign exchange differences	(19,566)	(182,336)	(789,521)	—	(433,943)	(1,425,366)
At 28 February 2015	2,242,842	5,060,578	78,912,607	976,468	2,402,694	89,595,189

10. Intangible assets (Continued)

	Operating Licence	Software	Fibre Optical—IRU	Work in Progress	Other Intangible Assets	Total
	US$	US$	US$		US$	US$
Accumulated amortisation:						
At 1 March 2013	995,032	57,901	2,025,128	—	101	3,078,162
Adjustment*	380,632	2,643,205	4,241,490	—	1,530,890	8,796,217
Impairment	—	—	—	—	433,911	433,911
Amortisation	276,936	328,383	2,467,407	—	34,954	3,107,680
Disposals during the year	—	(2,097)	—	—	—	(2,097)
Transfers from fixed assets (Note 11)	—	12,998	1,539,947	—	—	1,552,945
Foreign exchange differences	(1,407)	(15,837)	(100,757)		(8,423)	(126,424)
At 28 February 2014	1,651,193	3,024,553	10,173,215	—	1,991,433	16,840,394
Impairment	—	(10,407)		—	—	(10,407)
Amortisation	369,139	589,120	3,264,890		517,708	4,740,857
Disposals during the year	—	(23,636)	—	—		(23,636)
Transfers from fixed assets (Note 11)	—	(83,744)	—	—		(83,744)
Reclassification	8,575	1,126	(9,701)	—	—	—
Foreign exchange differences	(19,237)	(167,454)	(283,564)	—	(135,200)	(605,455)
At 28 February 2015	2,009,670	3,329,558	13,144,840	—	2,373,941	20,858,009
Carrying amount:						
At 28 February 2015	233,172	1,731,020	65,767,767	976,468	28,753	68,737,180
At 28 February 2014	741,663	470,977	46,735,673	3,288,855	456,438	51,693,606

* Intangible assets acquired from the acquistion of subsidiaries in the 2013 Financial Year (note 28) were accounted for at net book value. These assets were grossed up in the 2014 Financial Year to show the cost and accumulated amortization.

During the 2014 Financial year, license fees paid to the Environmental Management Agency in Zimbabwe for fibre trenching expired and therefore have been impaired and disclosed under Depreciation, Impairment and Amortisation.

10. Intangible assets (Continued)

Company

	Licence in Zimbabwe	Software	Fibre Optical—IRU	Other Intangible Assets	Work in Progress	Total
	US$	US$	US$	US$		US$
Cost:						
At 1 March 2013	—	—	—	9,167	—	9,167
Purchases during the year	—	—	—	24,393	—	24,393
At 28 February 2014	—	—	—	33,560	—	33,560
Purchases during the year	—	2,583,718	16,970,902	68,659	314,306	19,937,585
Impairment	—	(1,395,317)	—	—	—	(1,395,317)
At 28 February 2015	—	1,188,401	16,970,902	102,219	314,306	18,575,828
Accumulated amortisation:						
At 1 March 2013		—	—	101	—	101
Amortisation	—	—	—	2,336	—	2,336
At 28 February 2014	—	—	—	2,437	—	2,437
Amortisation	—	245,493	—	4,192	—	249,685
At 28 February 2015	—	245,493	—	6,629	—	252,122
Carrying amount:						
At 28 February 2015	—	942,908	16,970,902	95,590	314,306	18,323,706
At 28 February 2014	—	—	—	31,123	—	31,123

11. Property, plant and equipment

Group

	Land and buildings	Furniture and fittings	Computer equipment	Satellite equipment	Switching and network equipment	Leasehold improvements	Motor vehicles	Work in progress	Fibre infrastructure	Fibre Equipment	POS terminals	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Cost:												
At 1 March 2013	11,327,550	2,696,609	5,028,020	3,686,624	74,308,252	1,838,221	3,891,214	34,206,785	13,107,390	—	—	150,090,665
Adjustment*	400,391	1,320,443	3,933,746	47,267	39,740,956	42,369	312,031	(1,528,729)	71,686,551	—	—	115,955,025
Additions	3,639,679	834,653	1,873,259	67,279	4,336,954	853,737	1,685,386	48,369,370	5,755,972	4,303,153	—	71,719,442
Disposals	—	(412,870)	(750,048)	(405,145)	(1,773,121)	(810,115)	(1,227,704)	(1,212,207)	—	(45,856)	—	(6,637,066)
Assets transferred in	—	66,533	(1,112,604)	—	(57,704,860)	—	272,898	(37,725,596)	86,075,745	10,127,884	—	—
Transfer to intangible assets (Note 10)	—	—	(17,143)	—	—	—	—	—	(1,574,312)	—	—	(1,591,455)
Transfer to inventory (note 17)	—	—	—	—	—	—	—	(4,873,570)	—		—	(4,873,570)
Transfer from inventory (note 17)	—	—	—	—	—	—	—	1,022,313	—	—	—	1,022,313
Foreign exchange differences	11,585	(5,708)	154,424	266,223	(276,298)	44,071	(127,071)	(1,757,661)	(1,382,683)	(54,220)	—	(3,127,338)
At 28 February 2014	15,379,205	4,499,660	9,109,654	3,662,248	58,631,883	1,968,283	4,806,754	36,500,705	173,668,663	14,330,961	—	322,558,016
Additions	9,185,808	480,925	1,846,372	126,394	4,155,185	232,435	2,214,059	67,672,880	12,059,518	2,390,393	460,731	100,824,700
Disposals	—	(36,027)	(91,708)	(624,930)	—	—	(307,857)	(380,452)	(6,355)	(2,932)	—	(1,450,261)
impairment	—	—	(16,643)	—	—	—	—	(3,745)	—	—	(345)	(20,733)
Reclassification	—	(2,431)	19,878	—	1,007,971	—	102,305	(55,860,405)	51,457,719	3,274,963	—	—
Transfer to intangible assets	—	—	83,744	—	—	—	—	—	—	—	—	83,744
Transfer to inventory (note 17)	—	—	—	—	—	—	—	(19,941)	—	—	—	(19,941)
Transfer from inventory (note 17)	—	—	—	—	1,633	—	—	—	—	—	—	1,633
Foreign exchange differences	(1,078,898)	(225,697)	(492,548)	(230,113)	(3,348,213)	(102,607)	(101,422)	(1,167,211)	(5,384,306)	(45,523)	(25,812)	(12,202,350)
At 28 February 2015	23,486,115	4,716,430	10,458,749	2,933,599	60,448,459	2,098,111	6,713,839	46,741,831	231,795,239	19,947,862	434,574	409,774,808
Accumulated depreciation												
At 1 March 2013	—	349,896	2,841,612	3,360,064	10,098,238	813,952	830,437	—	—	—	—	18,294,199
Adjustment*	400,391	1,320,443	3,933,746	47,267	39,740,956	42,369	312,031	(1,528,729)	71,686,551	—	—	115,955,025
Impairment	—	2,895	—	—	—	—	—	—	—	—	—	2,895
Depreciation charge for the year	229,965	408,731	725,203	132,983	2,614,255	442,963	908,851	—	3,968,759	2,166,138	—	11,597,848
Disposals	—	(294,012)	(656,373)	(393,234)	(1,171,816)	(655,149)	(371,717)	—	—	(2,019)	—	(3,544,320)
Assets transferred in	—	899,079	461,782	(12,320)	(7,735,272)	—	(1,543)	(725,302)	3,689,051	3,424,525	—	—
Transfer to intangible assets (Note 10)	—	—	(12,998)	—	—	—	—	—	(1,539,947)	—	—	(1,552,945)
Foreign exchange differences	(2,666)	(4,087)	146,192	303,523	(76,322)	13,519	(15,932)	(384)	(341,146)	(6,479)	—	16,218

11. Property, plant and equipment (Continued)

	Land and buildings	Furniture and fittings	Computer equipment	Satellite equipment	Switching and network equipment	Leasehold improvements	Motor vehicles	Work in progress	Fibre infrastructure	Fibre Equipment	POS terminals	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
At 28 February 2014	627,690	2,682,945	7,439,164	3,438,283	43,470,039	657,654	1,662,127	(2,254,415)	77,463,268	5,582,165	—	140,768,920
Depreciation charge for the year	314,291	460,839	993,342	52,129	3,535,232	356,893	1,191,575	—	5,927,109	3,547,118	50,172	16,428,700
Disposals	—	(5,624)	(64,205)	(557,651)	—	—	(130,491)	—	—	(2,380)	—	(760,351)
Impairment	—	—	(15,719)	—	—	—	—	—	—	—	(29)	(15,748)
Reclassification	—	(6,654)	6,654	—	619,668	—	—	—	(619,668)	—	—	—
Transfer to intangible assets (Note 10)	—	—	83,744	—	—	—	—	—	—	—	—	83,744
Foreign exchange differences	(42,915)	(151,385)	(424,640)	(221,850)	(2,344,449)	(42,137)	(39,960)	(2,455)	(2,739,713)	(12,531)	(2,811)	(6,024,846)
At 28 February 2015	899,066	2,980,121	8,018,340	2,710,911	45,280,490	972,410	2,683,251	(2,256,870)	80,030,996	9,114,372	47,332	150,480,419
Carrying amount:												
At 28 February 2015	22,587,049	1,736,309	2,440,409	222,688	15,167,969	1,125,701	4,030,588	48,998,701	151,764,243	10,833,490	387,242	259,294,389
At 28 February 2014	14,751,515	1,816,715	1,670,490	223,965	15,161,844	1,310,629	3,144,627	38,755,120	96,205,395	8,748,796	—	181,789,096

* Property, plant and equipment acquired from the acquisition of subs diaries in the 2013 Financial Year (note 28) were accounted for at net book value. These assets were grossed up in the 2014 Financial Year to show the cost and accumulated depreciation.

11. Property, plant and equipment (Continued)

During the 2015 Financial year, Furniture and fittings amounting to USD 4,986 were found to be useless and therefore have been impaired and disclosed under Depreciation, Impairment and Amortisation (2014 USD 2,895).

Company

	Land and buildings	Furniture and fittings	Computer equipment	Satellite equipment	Switching and network equipment	Leasehold improvements	Motor vehicles	Work in progress	Fibre infrastructure	Fibre Equipment	POS terminals	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Cost:												
At 1 March 2013	—	—	—	—	—	—	—	1,012,448	—	—	—	1,012,448
Additions	—	—	16,994	—	—	—	—	3,236,224	—	—	—	3,253,218
Transfer to inventory	—	—	—	—	—	—	—	(4,185,715)	—	—	—	(4,185,715)
Disposals	—	—	—	—	—	—	—	(49,857)	—	—	—	(49,857)
At 28 February 2014	—	—	16,994	—	—	—	—	13,100	—	—	—	30,094
Additions	—	—	44,349	—	—	—	—	242,191	—	—	—	286,540
Disposals	—	—	—	—	—	—	—	(13,100)	—	—	—	(13,100)
At 28 February 2015	—	—	61,343	—	—	—	—	242,191	—	—	—	303,534
Accumulated amortisation:												
At 1 March 2013	—	—	—	—	—	—	—		—	—	—	—
Depreciation charge for the year	—	—	1,888	—	—	—	—	—	—	—	—	1,888
At 28 February 2014	—	—	1,888	—	—	—	—	—	—	—	—	1,883
Depreciation charge for the year	—	—	6,511	—	—	—	—	—	—	—	—	6,513
At 28 February 2015	—	—	8,399	—	—	—	—	—	—	—	—	8,399
Carrying amount:												
At 28 February 2015	—	—	52,944	—	—	—	—	242,191	—	—	—	295,135
At 28 February 2014	—	—	15,106	—	—	—	—	13,100	—	—	—	23,206

12. Investments in subsidiaries

12.1 Subsidiaries

Subsidiary	Date of Acquisition	Country of incorporation	Principal business activity	Percentage Holding	Company 28/02/2015	Company 28/02/2014
				%	US$	US$
Liquid Telecommunications Operations Limited	28 February 2007	Mauritius	Telecommunications,	100	100	100
Liquid Telecommunications Limited	01 March 2005	United Kingdom	Telecommunications & Technology	100	8,000,000	8,000,000
Liquid Telecommunications Operations South Africa (Pty) Limited	19 June 2007	South Africa	Telecommunications	100	0.10	0.10
Transaction Payment Solutions International Limited	14 March 2008	Mauritius	Transaction Payment Solutions & Technology	100	100	100
Austin Eco Holdings Limited	10 June 2009	British Virgin islands	Investments	100	12,495,634	12,495,634
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	02 March 2011	Zimbabwe	Telecommunications	49	5,903,040	5,903,040
CEC Liquid Telecommunication Limited	01 August 2011	Zambia	Telecommunications	50	15,696,056	15,656,056
Liquid Telecommunications Operations DRC SPRL	02 May 2012	Democratic Republic of Congo	Telecommunications	70	35,000	35,000
Liquid Telecommunications Kenya Ltd	28 February 2013	Kenya	Telecommunications	100	38,287,358	27,636,041
Infocom 2013 Limited	28 February 2013	Uganda	Telecommunications	100	348,592	0.33
Liquid Telecommunications Data International Limited	28 February 2013	Mauritius	Telecommunications	100	0.33	0.33
Liquid Telecommunications Rwanda Limited	28 February 2013	Rwanda	Telecommunications	75	5,943,968	5,943,968
Liquid Telecommunications DRC SPRL	09 March 2012	Democratic Republic of Congo	Telecommunications	99	49,500	49,500
Liquid Telecommunications Operations Mozambique Limitada	17 August 2012	Mozambique	Telecommunications	99	1,784	
Liquid Media	07 March 2014	Mauritius	Telecommunications	100	100	
Liquid Telecommunications Tanzania Limited	03 June 7014	United Republic of Tanzania	Telecommunications	99 98	471,941	
Liquid Sea Limited	04 December 2014	Mauritius	Telecommunications	102	100	
Africa Digital Networks SPRL Limited	25 February 2015	Democratic Republic of Congo	Telecommunications	100	100,000	
Liquid Telecommunications International FZE	22 December 2014	United Arab Emirates	Telecommunications	100	544,500	
					87,877,774	**75,761,224**

The directors have valued the unquoted investments at book value which in their opinion reflects fairly the value of the investments. The financial statements of Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe and CEC Liquid Telecommunications Limited have been consolidated,

12. Investments in subsidiaries (Continued)

despite owning a 49% and 50% shareholding respectively. on the basis that Liquid Telecommunications Holdings Limited exerts sufficient management control and power over these entities.

12.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

	Proportion of ownership interests and voting rights held by non-controlling interests		Profit / (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
Name of subsidiary	**28/02/2015**	**28/02/2014**	**28/02/2015**	**28/02/2014**	**28/02/2015**	**28/02/2014**
			US$	**US$**	**US$**	**US$**
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	51%	51%	9,043,016	6,707,066	28,316,534	19,268,518
CEC Liquid Telecommunication Limited	50%	50%	(440,452)	(327,196)	14,437,375	14,877,828
Individually immaterial subsidiaries with non-controlling interests					329,358	(2,593,238)
Total					**43,083,267**	**31,553,108**

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	28/02/2015	**28/02/2014**
	US$	**US$**
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe		
Current Assets	35,269,097	39,823,759
Non-current assets	158,558,581	114,378,538
Current liabilities	(48,222,473)	(31,868,490)
Non-current liabilities	(90,082,589)	(84,552,400)
Equity attributable to owners of the company	27,206,082	18,512,889
Non-controlling interests	28,316,534	19,268,518
Revenue	74,095,309	59,353,260
Expenses	(56,354,100)	(46,202,150)
Profit / (Loss) for the year	17,741,209	13,151,110
Profit / (Loss) attributable to owners of the company	8,693,393	6,444,044
Profit / (Loss) attributable to the non-controlling interests	9,048,016	6,707,066
Profit / (Loss) for the year	17,741,209	13,151,110
Other comprehensive income attributable to owners of the company		
Other comprehensive income attributable to the non-controlling interests		
Other comprehensive income for the year	—	—
Total comprehensive income attributable to owners of the company	8,693,193	6,444,044
Total comprehensive income attributable to the non-controlling interests	9,048,016	6,707,066
Total comprehensive income for the year	17,741,209	13,151,110

12. Investments in subsidiaries (Continued)

	28/02/2015 US$	28/02/2014 US$
Dividends paid to non-controlling interests	—	—
Net cash inflow from operating activities	57,405,863	26,599,282
Net cash outflow from investing activities	(53,929,415)	(40,732,399)
Net cash (outflow) / inflow from financing activities	(275,173)	15,280,375
Net cash inflow	3,201,275	1,147,258
CEC Liquid Telecommunications Ltd		
Current Assets	13,860,369	6,037,610
Non-current assets	36,683,272	33,184,180
Current liabilities	(10,668,891)	(9,466,135)
Non-current liabilities	(11,000,000)	—
Equity attributable to owners of the company	14,437,375	14,877,827
Non-controlling interests	14,437,375	14,877,828
Revenue	13,498,304	11,097,563
Expenses	(14,379,208)	(11,751,954)
Loss for the year	(880,904)	(654,391)
Loss attributable to owners of the company	(440,452)	(327,195)
Loss attributable to the non-controlling interests	(440,452)	(327,196)
Loss for the year	(880,904)	(654,391)
Other comprehensive income attributable to owners of the company	—	—
Other comprehensive income attributable to the non-controlling interests	—	—
Other comprehensive income for the year	—	—
Total comprehensive income attributable to owners of the company	(440,452)	(327,195)
Total comprehensive income attributable to the non-controlling interests	(440,452)	(327,196)
Total comprehensive income for the year	(880,904)	(654,391)
Dividends paid to non-controlling interests	—	—
Net cash (outflow) / inflow from operating activities	(2,770,030)	4,648,725
Net cash outflow from investing activities	(6,614,627)	(4,364,098)
Net cash inflow from financing activities	11,000,000	—
Net cash inflow	1,615,343	284,627

12.3 Change in the group's ownership interest in a subsidiary

On 31 December 2014, the company acquired the remaining 20% of the issued shares of Liquid Telecommunications Kenya Ltd and Infocom 2013 Limited respectively for a total purchase consideration of USD 11,000,000. The group now holds 100% of the equity share capital in each subsidiary. The carrying amount of the non-controlling interests in both subsidiaries on the date of acquisition was (USD 4,858,966). The group derecognised non-controlling interests of (USD 4,858.966) and recorded a decrease in equity attributable to owners of the parent of USD 15,858.966. The effect of changes on the

12. Investments in subsidiaries (Continued)

ownership interests of both subsidiaries on the equity attributable to owners of the company during the year us summarised as follows:

	28/02/2015	28/02/2014
	US$	US$
Carrying amount of non-controlling interest aquired	(4,858,966)	—
Consideration paid to non-controlling interest	(11,000,000)	—
Excess of consideration paid to recognise in parent's equity	(15,858,966)	—

13. Investments

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$		
Opening balance	60,892,656	76,872,222	432,400	1,758,616
Additions	6,500,000	1,527,529	6,500,000	—
Disposals	—	(1,237,683)	—	(1,210,154)
Impairment	(432,400)	(116,062)	(432,400)	(116,062)
Fair value loss on investment	(12,473,846)	(5,153,350)	—	
Transfer to intangible assets	5,631	(11,000,000)	—	
Total investments	**54,492,041**	**60,892,656**	**6,500,000**	**432,400**
Investment details:				
Listed shares	46,417,004	58,890,850	—	
Unlisted shares	75,037	69,406		
Other investments	8,000,000	1,932,400	6,500,000	432,400
Total investments	**54,492,041**	**60,892,656**	**6,500,000**	**432,400**

The directors value these investments at their fair value. During the year, fair value losses of $12,473,846 (2014: loss US$ 5,153,350) were made to the consolidated statements of changes in equity to reflect the movement in share price of the share investments.

During the year, the company carried out a review of the recoverable amount of the investments. The review led to the recognition of an impairment loss of US$ 432,400 (2014: US$ 116,062) included in Depreciation, Impairment and Amortisation. The company estimated the fair value less costs to sell of the investments, which is based on the share prices of investments with similar characteristics. The fair value less costs to sell is less than the value of the investments and hence the recoverable amount of the relevant investments have been determined on the basis of their fair value less costs to sell.

14. Deferred taxation

The followings are the major deferred tax assets and liabilities recognised by the group, and the movements thereon:

	Deferred revenue	Property, plant and equipment	Other	Total
	US$	US$	US$	US$
Group—Deferred tax assets:				
At 1 March 2013	832,411	438,132	397,476	1,668,019
Temporary differences	1,125,995	—	—	1,125,995
Credit to profit for the year	150,978	1,067,409	692,606	1,910,993
Reallocation: Deferred tax liabilities	—	—	235,015	235,015
Foreign exchange difference	(33,788)	(163,627)	(7,713)	(205,128)
At 28 February 2014	2,075,596	1,341,914	1,317,384	4,734,894
Credit to profit for the year	(1,033,463)	(838,072)	(826,106)	(2,697,641)
Foreign exchange difference	(46,153)	(44,837)	4,687	(86,303)
At 28 February 2015	995,980	459,005	495,965	1,950,950
Group—Deferred tax liabilities:				
At 1 March 2013	—	(8,138,524)	261,212	(7,877,312)
Reallocation: Deferred tax assets	—	—	(235,015)	(235,015)
Charge to profit for the year	—	(4,783,052)	(26,197)	(4,809,249)
At 28 February 2014	—	(12,921,576)	—	(12,921,576)
Charge to profit for the year	(16,918)	(5,530,190)	—	(5,547,108)
Foreign exchange difference	473	—	—	473
At 28 February 2015	(16,445)	(18,451,766)	—	(18,468,211)

15. Held to maturity investments

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Current				
TN motor vehicle scheme	—	606,513	—	—
Non-current	606,513	—	—	—
TN motor vehicle scheme	2,544,583	2,346,766	—	—
CABS housing scheme	3,151,346	2,346,766	—	—

The TN Bank balance is an investment initially placed in April 2011 that backs the Liquid Telecommunications Zimbabwe Motor Vehicle Scheme. It matured in June 2014 and the funds were re-invested with a new maturity date of June 2017. It carries a pre-tax interest rate of 10% p.a.

The CABS balance is an investment initially placed in March 2011 that backs the Liquid Telecommunications Zimbabwe Staff Housing Scheme that matures in 2025 at a pre-tax interest rate of 8% p.a.

16. Other long term receivables

	Group	
	28/02/2015	28/02/2014
	US$	US$
Opening Balance	1,359,410	—
Additions	—	1,406,286
Utilised	(56,251)	(46,876)
Closing Balance	1,303,159	1,359,410
Short term portion (Included in Other Receivables—Note 18)	56,251	56,251
Long term portion	1,246,908	1,303,159
	1,303,159	1,359,410

The Group has entered into operating leases with Zimbabwe Electricity Transmission and Distribution Company to rent their infrastructure over a minimum period of 25 years. The Group made a prepayment of $1,406,286 which will be amortised monthly over the life of the lease furthermore from that the Group is also supplying Zimbabwe Electricity Transmission and Distribution Company with monthly broadband worth $14,570 as part of the arrangement.

17. Inventories

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
At Net Realiseable Value:				
Transfer from Work in progress (Note 11)	19,941	4,873,570	—	4,185,715
Transfer to Work in progress (Note 11)	(1,633)	(1,022,313)	—	—
Goods for resale	32,079,615	26,696,432	4,470,165	—
	32,097,923	**30,547,689**	**4,470,165**	**4,185,715**

The directors are of the opinion that the inventory amounts are recorded at values that are not in excess of their recoverable amounts. No inventories were written down to net realisable value.

18. Trade and other receivables

Trade receivables	32,150,777	28,350,869	—	—
Allowance for doubtful debts	(4,207,321)	(4,509,044)	—	—
Affiliated entities	4,042,584	7,823,630	1,690,893	354,028
Other receivables	23,771,811	32,691,096	10,159,727	10,226,422
	55,757,851	**64,356,551**	**11,850,620**	**10,580,450**

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.

18. Trade and other receivables (Continued)

The receivable balances from affiliated entities 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	
	28/02/2015	28/02/2014
	US$	US$
Group		
31-60 Days	8,287,620	2,320,604
61-90 Days	2,259,630	1,333,528
91-120 Days	1,396,415	802,234
121 + Days	5,810,557	1,561,293
	17,754,222	**6,017,659**

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Movement in the allowance for doubtful debt				
Opening balance	(4,509,044)	(2,137,927)	—	—
Movement for the year	301,723	(2,371,117)	—	—
Closing balance	**(4,207,321)**	**(4,509,044)**	**—**	**—**

An allowance for doubtful debts against trade receivables above 180 days has not been recognised due to the telecommunications netting principle which provides for accounts payable to be netted off against accounts receivable, other than a specific provision for one debtor where the directors believe there is little chance of recovery.

19. Short-term inter-company receivables

Liquid Telecommunications Operations Limited (Mauritius)	—	—	—	52,928,400
Transaction Payment Solutions (Private) Limited (Zimbabwe)	1,306,430	1,008,650	—	—
CEC Liquid Telecommunications Limited (Zambia)	—	—	1,904,640	1,904,640
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	8,193,760	8,374,043
Econet Wireless Global Limited (Mauritius)	4,556,614	—	4,556,614	—
Liquid Telecommunications Operations DRC SPRL	—	—	803,439	798,949
	5,863,044	**1,008,650**	**15,458,453**	**64,006,032**

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

20. Cash and cash equivalents

Cash and bank balances	36,595,110	35,442,403	3,890,309	347,051

20. Cash and cash equivalents (Continued)

The group operates in certain countries where the existence of exchange controls may restrict the use of certain cash balances. These restrictions are not expected to have any material effect on the group's ability to meet its ongoing obligations.

21. Share capital and share premium

	Group and Company	
	28/02/2015	28/02/2014
	US$	US$
'A' Ordinary shares	600	600
'B' Ordinary shares	400	400
'C' Ordinary shares	—	94
Issued and paid share capital	1,000	1,094
Share premium	2,333,247	57,998,906

Movement in capital:

	Number of shares	Share capital	Share Premium
		US$	US$
Balance at 1 March 2013	1,094	1,094	57,998,906
Balance at 28 February 2014	1,094	1,094	57,998,906
Share buyback	(94)	(94)	(55,665,659)
Balance at 28 February 2015	**1,000**	**1,000**	**2,333,247**

The share capital above represents 1,000 ordinary shares with a par value of US$ 1 each.

The holders of ordinary shares have voting rights of one vote per each ordinary share. Each ordinary share has equal rights on distribution of income and capital. However the 94 'C' ordinary shares issued on 28 February 2012 shall not be entitled to any dividends.

The 94 'C' ordinary shares were bought back in the current financial year and subsequently cancelled.

22. Equity loans

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Infocom 2013 Limited (Uganda)	—	—	—	262,519
Liquid Telecommunications Data International (Mauritius)	—	—	14,188,856	14,188,856
	—	**—**	**14,188,856**	**14,451,375**

The equity loans in Liquid Telecommunications Holdings Limited are unsecured, interest free and arise from the acquisition of Liquid Telecommunications Kenya Limited, Infocom 2013 Limited and Liquid Telecommunications Data International Limited in the 2013 financial year. During the 2014 financial year, the equity loan with Liquid Telecommunications Kenya Ltd was capitalised. During the 2015 financial year, the equity loan to Infocom 2013 Ltd was transferred to the long term loan.

23. Long-term (receivables) / payables

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Long term intercompany receivables:				
Data Control and Systems (1996) (Private) Limited t/a Liquid Telecom Zimbabwe	—	—	(71,630,824)	(71,630,824)
Africa Digital Networks SPRL Ltd (DRC)	—	—	(518,642)	(99,848)
Austin Eco Holdings Limited (BVI)	—	—	(5,259,354)	(7,066,311)
Liquid Telecommunications Kenya Ltd	—	—	(29,161,525)	(9,706,917)
Global Digital Trading Services Ltd (United Kingdom)	—	—	(37,179)	(36,309)
East Africa Data Centre Limited (Kenya)	—	—	(3,129,777)	(3,058,254)
Liquid Telecom Data International Limited (Mauritius)	—	—	(1,546,902)	(1,349,709)
Econet Wireless Global Limited (Mauritius)	—	(2,381,130)	—	(2,381,130)
Liquid Telecommunications Rwanda Limited	—	—	(1,042,628)	(1,008,440)
Infocom 2013 Limited (Uganda)	—	—	(6,978,869)	(1,367,303)
Liquid Media (Mauritius)	—	—	(1,655,042)	—
	—	**(2,381,130)**	**(121,360,742)**	**(97,705,045)**
Long term liability:				
Huawei Technologies Investment Company Limited		263,352	—	—
PORTRAZ	—	—	—	—
Standard Chartered Bank	71,110,209	—	71,110,209	—
Barclays Bank Zambia	11,000,000	—	—	—
CISCO Capital	6,815,276	—	—	—
Seacorm—Onerous Contract	9,366,441	10,035,473	—	—
	98,291,926	**10,298,825**	**71,110,209**	**—**
Long term intercompany payables:				
Liquid Telecommunications Operations Limited (Mauritius)	—	—	6,955,324	75,953,112
	—	—	6,955,324	75,953,112
Short term portion of long term payables:				
Huawei Technologies investment Company Limited	1,163,681	4,185,170	—	—
PORTRAZ	27,853	359,277	—	—
Standard Chartered Bank	8,770,246	—	8,770,246	—
CISCO	1,817,168	—	—	—
Seacom—Onerous Contract	669,032	669,032	—	—
	12,447,980	**5,213,479**	**8,770,246**	**—**

The long term intercompany receivable from Data & Control System (Private) Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 6.25% and is repayable at December 2025.

The long term intercompany receivable from Africa Digital Networks SPRL Ltd is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable at February 2019.

The long term intercompany receivable from Austin Eco Holdings Limited is unsecured, bears interest at the rate of Libor plus 2.5% and is payable after 5 years.

23. Long-term (receivables) / payables (Continued)

The long term intercompany receivable from Liquid Telecommunications Kenya Ltd is unsecured, denominated in US$ and bears interest at the rate of Libor plus 5.5%. Repayment of the loan is pegged to Liquid Telecommunications Kenya Ltd generating free cash flows for a period of at least 3 months during which time the company must also report positive working capital.

The long term intercompany receivable from Global Digital Trading Services Limited is unsecured, denominated in USS, bears interest at the rate of Libor plus 5.5% and is repayable at February 2019.

The long term intercompany receivable from East Africa Data Centre Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable at February 2019.

The long term intercompany receivable from Liquid Telecommunications Data International Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable after 5 years.

The long term intercompany receivable from Econet Wireless Global Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 2.5% and is repayable after 5 years.

The long term intercompany receivable from Liquid Telecommunications Rwanda Limited is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable at February 2019.

The long term intercompany receivable from Infocom 2013 Limited is unsecured, denominated in US$ and bears interest at the rate of Libor plus 5.5%. Repayment of the loan is pegged to Infocom 2013 Limited generating free cash flows for a period of at least 3 months during which time the company must also report positive working capital.

The long term intercompany receivable from Liquid Media is unsecured, denominated in US$, bears interest at the rate of Libor plus 5.5% and is repayable after 5 years.

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 liability from Standard Chartered Bank is secured, denominated in US$, bears interest at the rate of Libor plus 4.5% and is repayable by October 2019. The total contracted loan facility is $150,000,000. As at year end, the amount drawn down on the facility was $83,780,178.

The long term liability from Barclays Bank Zambia is unsecured, denominated in US$, bears interest at the rate of Libor plus 4% and is repayable by April 2019.

The long term liability from Cisco Capital is unsecured, denominated in US$, bears interest at the rate of 3.07% and is repayable by October 2019.

The long term intercompany payable to Liquid Telecommunications Operations limited is unsecured, bears interest at the rate of Libor plus 5.5% and is repayable from December 2025.

Seacom—Onerous contract

On the 28th of February 2013 Liquid Telecommunications Holdings Limited purchased an 80% shareholding in Liquid Telecommunications Kenya Limited, Infocom 2013 Limited and Liquid Telecommunications Data International Limited. Part of the acquisition is an indefeasible right of use (IRU) for 28 STM1s from Seacom refer to note 10 for further details.

IFRS 3 requires the acquirer to fair value the identifiable assets and liabilities at acquisition date. The IRU was fairly valued based on the current market price for 28 STM1s, however, the IRU has an annual operations administration and maintenance (OA&M) charge that is based on the contract value. The future OA&M charges were fairly valued based on the present value of the difference between the current future annual OA&M charges and the future annual OA&M charges for a similar IRU purchased today.

23. Long-term (receivables) / payables (Continued)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. As the current OA&M charges' present value exceeds the present value of the OA&M charges of an IRU purchased today, an onerous liability was raised for the excess OA&M charges.

24. Trade and other payables

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Trade accounts payable	22,576,894	15,356,753	143,875	4,598
Payable balance to affiliated entities	1,473,288	3,357,839	1,482,179	5,013,392
Deferred revenue	9,161,598	8,859,329	—	—
Other payables	22,315,086	19,820,720	819,243	804,315
Other payable to related company	4,240,634	—	4,240,634	—
	59,767,500	**47,394,641**	**6,685,931**	**5,822,305**

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 related company is unsecured, interest free and with no fixed date of repayment.

25. Provisions

	Leave provision	Total
	US$	US$
Group		
At 1. March 2013	—	—
Additional provisions raised	187,500	187,500
Foreign exchange difference	(593)	(593)
At 28 February 2014	186,907	186,907
Payment	(143,484)	(143,484)
Foreign exchange difference	(5,845)	(5,845)
At 28 February 2015	37,578	37,578

26. Short term inter-company payable

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Liquid Telecommunications DRC	—	—	49,500	49,500
Liquid Telecommunications Limited (United Kingdom)	—	—	2,353,675	128,778
Liquid Telecommunications Mozambique	—	—	1,784	1,784
Liquid Telecommunications Tanzania Limited	—	—	471,941	—
Liquid Sea Limited (Mauritius)	—	—	100	—
Liquid Telecommunications International FZE (UAE)	—	—	351,624	—
	—	—	3,228,624	180,062

Amount payable to Liquid Telecommunications Limited (United Kingdom) bears interest at the rate of LIBOR plus 2.5%, is unsecured and is to be repaid within the next 12 months.

Amount payable to the other related parties are interest free, unsecured and are to be repaid within the next 12 months.

27. Cash generated from operations

Operations profit	82,007,257	81,312,776	(11,810,267)	(9,829,694)
Adjustments for:				
Depreciation	16,428,700	11,597,848	6,511	1,888
Amortisation	4,740,857	3,107,680	249,685	2,336
Impairment of investments	432,400	116,062	432,400	116,062
Impairment of intangible assets	1,454,366	433,911	1,395,317	—
Impairment of property, plant and equipment	4,985	2,895	—	—
Stock written off	94,540	130,798	—	—
Obsolete stock provision	227,274	206,850	—	—
Bad debts provision	(167,242)	2,378,722	—	—
Bad debts recovered	(85,505)	(211,339)	—	—
Bad debts written off	104,760	111,440	—	—
(Decrease) / Increase in provisions	(143,484)	187,500		
Foreign exchange (loss) / gain	(5,644,359)	(9,532,402)	1,907	(63,024)
Profit on disposal of fixed assets	(13,232)	(85,327)	—	—
(Increase) / decrease in deferred revenue	996,799	(731,360)	—	—
	100,438,116	**89,026,054**	**(9,724,447)**	**(9,772,432)**
Working capital changes:				
Increase in inventories	(2,002,424)	(14,322,803)	(284,450)	—
Decrease / (Increase) in trade and other receivables	2,169,605	10,571,048	47,277,409	(44,897,880)
Increase / (Decrease) in trade and other payables	15,022,335	10,340,207	3,897,260	(4,267,835)
Increase in accruals	3,921,638	3,298,887	14,928	474,387
	19,111,154	**9,887,339**	**50,905,147**	**(48,691,328)**
	119,549,270	**98,913,393**	**41,180,700**	**(58,463,760)**

28. Acquisition of subsidiary company

Group

2015

No acquisition during the 2015 financial year.

2014

The Acquisition of subsidiaries—Measurement adjustment of $767,011 relates to the 80% share purchase in the Eastern African Group as per note 28. Per IFRS 3—Business Combination, if the initial accounting for a business combination is incomplete for the reporting period in which the combination occurs, the acquirer shall report provisional amounts and adjust the provision amounts to recognise the new amounts based on the subsequent information obtained. The adjustment relates to changes in the completion accounts, over 30 days payables and unrecoverable tax credits.

29. Related party transactions

In addition to the subsidiary companies disclosed in note 12, the following are related parties to the Liquid Telecommunications Holdings Limited Group: Econet Wireless International (Pty) Limited (incorporated in South Africa), Econet Wireless Global Ltd. (Mauritius), Econet Wireless Burundi s.a. (Burundi), Econet Wireless Private Limited (Zimbabwe), Econet Telecom Lesotho (Lesotho), Transaction Payment Solutions (Private) Limited (Zimbabwe). 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 year, the group and company entered into the following trading transactions with related parties:

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Sales of goods and services:				
Econet Wireless Related Group Companies	93,035,795	89,476,723	—	—
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	—	275,000
	93,035,795	**89,476,723**	**—**	**275,000**
Purchase of goods and services:				
Econet Wireless Related Group Companies	56,818,756	62,336,730	—	—
Liquid Telecommunications Operations Limited (Mauritius)	—	—	—	250,000
	56,818,756	**62,336,730**	**—**	**250,000**
Other income:				
CEC Liquid Telecommunication Limited (Zambia)	—	—	—	20,037
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	3,107	—
Liquid Telecommunications Operations SA (Proprietary) Limited (South Africa)	—	—	961	—
	—	**—**	**4,068**	**20,037**
Investment income:				
Econet Wireless Related Group Companies	1,707,577	—	—	—
Liquid Telecommunications Operations Limited (Mauritius)	—	—	80,000,000	90,000,000
	1,707,577	**—**	**80,000,000**	**90,000,000**
Management fees paid:				
Econet Wireless Related Group Companies	1,529,099	1,623,645	1,529,099	1,623,645
Liquid Telecommunications Limited (United Kingdom)	—	—	3,967,261	4,656,358
Liquid Telecommunications Operations Limited (Mauritius)	—	—	968,014	—
	1,529,099	**1,623,645**	**6,464,374**	**6,280,003**

29. Related party transactions (Continued)

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Management fees received:				
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	1,259,999	—
	—	**—**	**1,259,999**	**—**
Dividend paid:				
Econet Wireless Global Ltd (Mauritius)	7,400,000	—	7,400,000	—
AMRO International Holdings Ltd (Mauritius)	4,933,333	—	4,933,333	—
	12,333,333	**—**	**12,333,333**	**—**
Interest Income received:				
Econet Wireless Global Ltd (Mauritius)	217,716	23,707	217,716	23,707
Econet Wireless Related Group Companies	22,492	26,499	—	—
Austin Eco Holdings Limited (BVI)	—	—	193,044	242,491
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	5,468,001	4,502,256
Liquid Telecommunications Operations DRC SPRL	—	—	26,633	16,172
Liquid Telecommunications Operations Limited (Mauritius)	—	—	593,087	114,648
Africa Digital Networks (SPRL) Ltd (DRC)	—	—	34,323	19,016
East Africa Data Centre (Kenya)	—	—	84,052	68,626
Infocom 2013 Limited (Uganda)	—	—	255,512	133,378
Liquid Telecommunications Kenya Ltd	—	—	635,398	1,942,854
Liquid Telecommunications Data International (Mauritius)	—	—	636,193	—
Liquid Telecommunications Rwanda Ltd	—	—	40,221	—
Global Digital Trading Services Ltd (United Kingdom)	—	—	869	—
Liquid Media (Mauritius)	—	—	18,962	—
	240,208	**50,206**	**8,204,011**	**7,063,148**
Finance costs paid:				
AMRO International Holdings Ltd (Mauritius)	—	—	2,005,574	379,315
Econet Wireless Global Ltd (Mauritius)	2,648	93,251	2,648	93,251
Liquid Telecommunications Limited (United Kingdom)	—	—	24,720	9,147
Liquid Telecommunications Operations Limited (Mauritius)	—	—	2,184,346	2,346,458
	2,648	**93,251**	**4,217,288**	**2,828,171**
Long term loans owed to / (from):				
Econet Wireless Global Limited	—	(2,381,130)	—	(2,381,130)
Austin Eco Holdings Limited (BVI)	—	—	(5,259,354)	(7,066,311)
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	(71,630,824)	(71,630,824)
Liquid Telecommunications Kenya Ltd	—	—	(29,161,525)	(9,706,917)
Liquid Telecommunications Operations Limited (Mauritius)	—	—	6,955,324	75,953,112
Liquid Telecommunications Data International (Mauritius)	—	—	(1,546,902)	(1,349,709)
Africa Digital Networks (SPRL) Ltd (DRC)	—	—	(918,642)	(99,848)
Liquid Telecommunications Rwanda Ltd	—	—	(1,042,628)	(1,008,440)
East Africa Data Centre (Kenya)	—	—	(3,129,777)	(3,058,254)
infocom 2013 Limited (Uganda)	—	—	(6,978,869)	(1,367,303)
Global Digital Trading Services Limited (United Kingdom)	—	—	(37,179)	(36,309)
Liquid Media (Mauritius)	—	—	(1,655,042)	—
	—	**(2,381,130)**	**(114,405,418)**	**(21,751,933)**
Short term amounts owed to:				
Liquid Telecommunications Limited (United Kingdom)	—	—	2,353,675	128,778
Liquid Telecommunications DRC SPRL	—	—	49,500	49,500
Liquid Telecommunications Mozambique	—	—	1,784	1,784
Liquid Telecommunications Tanzania Limited	—	—	471,941	—
Liquid Sea Limited (Mauritius)	—	—	100	—
Liquid Telecommunications International FZE (UAE)	—	—	351,624	—
	—	**—**	**3,228,624**	**180,062**

29. Related party transactions (Continued)

Short term payables bear interest at the rate of LIBOR plus 2.5%, are unsecured and are to be repaid within the next 12 months.

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Short term amounts owed by:				
Fconet Wireless Related Group Companies	5,863,044	1,008,650	4,556,614	—
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	8,193,750	8,374,043
Liquid Telecommunications Operations DRC SPRL	—	—	803,439	798,949
Liquid Telecommunications Operations Limited (Mauritius)	—	—	—	52,928,400
CEC Liquid Telecommunication Limited (Zambia)	—	—	1,904,640	1,904,640
	5,863,044	**1,008,650**	**15,458,453**	**64,006,032**

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

Receivables balances due from:				
Econet Wireless Related Group Companies	4,042,584	7,823,630	5,000,000	—
Data Control Systems (1996) (Private) t/a Liquid Telecom Zimbabwe	—	—	1,629,540	314,143
Liquid Telecommunications Operations SA (Proprietary) Limited (South Africa)	—	—	19,109	—
CEC liquid Telecommunication Limited (Zambia)	—	—	6,043	39,885
Liquid Telecommunications Limited (United Kingdom)	—	—	5,472	—
Liquid Telecommunications Rwanda Limited	—	—	21,650	—
Liquid Telecommunications Operations DRC SPRL	—	—	8,303	—
Austin Eco Holdings Ltd (BVI)	—	—	155	—
Transaction Payment Solutions Limited (Nigeria)	—	—	621	
	4,042,584	**7,823,630**	**6,690,893**	**354,028**
Payable balances owed to:				
Econet Wireless Related Group Companies	1,473,288	3,357,839	—	—
Liquid Telecommunications Limited (United Kingdom)	—	—	1,400,402	5,012,399
Liquid Telecommunications Operations Limited (Mauritius)	—	—	78,023	—
Liquid Telecommunications Operations SA (Proprietary) Limited (South Africa)	—	—	3,391	993
CEC Liquid Telecommunication Limited (Zambia)	—	—	363	—
	1,473,288	**3,357,839**	**1,482,179**	**5,013,392**
Other payable balance owed to:				
AMRO International Holdings Ltd (Mauritius)	4,240,634	—	4,240,634	—
Equity loans owed by:				
Infocom 2013 Limited (Uganda)	—	—	—	262,519
Liquid Telecommunications Data International (Mauritius)	—	—	14,188,856	14,188,856
	—	**—**	**14,188,856**	**14,451,375**

29. Related party transactions (Continued)

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Loan received and repaid:				
AMRO International Holdings Ltd (Mauritius)	20,000,000	—	20,000,000	
Purchase of intangible assets (Fibre optical IRU):				
Econet Wireless Related Group Companies	16,970,902	—	16,970,902	—
Purchase of property, plant and equipment (Fibre infrastructure):				
Econet Wireless Related Group Companies	5,000,000	—	—	—
Purchase of investments:				
Econet Wireless Related Group Companies	6,500,000	—	6,500,000	—

Compensation of key management personnel

No remuneration has been paid to key management personnel for the year under *review* (2014: US$ Nil).

30. Capital commitments

At 28 February 2015 the group was committed to making the following capital commitments.

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Authorised and contracted	17,237,410	18,146,361	—	—
Authorised by directors but not contracted	67,241,778	48,851,632	—	—
	84,479,188	**66,997,993**	**—**	**—**

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

31. Operating lease arrangements

Payments recognized as an expense:

Minimum lease payments	10,924,091	11,400,076	—	—

Operating lease commitments

At 28 February 2015 the group was committed to making the following annual payments in respect of operating leases:

Lease which expire:				
Within one year	8,898,189	12,265,168	—	—
Between two to five years	20,791,237	19,946,431	—	—
After five years	25,185,346	7,742,129	—	—
	54,874,772	**39,953,728**	**—**	**—**

Operating lease payments represent rentals payable by the Group for certain of its office properties, capacity on satellites, equipment and buildings. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

32. Financial instruments

32.1 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2014.

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

32.2 Significant accounting policies

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

32.3 Gearing Ratio

The group's directors review the capital structure on a periodic basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the directors' recommendations, the group expects to increase its gearing ratio.

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Debt(i)	104,945,067	4,807,799	94,305,037	76,133,174
Cash and cash equivalents	(36,595,110)	(35,442,403)	(3,890,309)	(347,051)
Net Debt	**68,349,957**	**(30,634,604)**	**90,414,728**	**75,786,123**
Equity(ii)	336,903,213	367,645,399	173,276,570	171,121,767
Net Debt to Equity Ratio	20.29%	−8.33%	52.18%	44.29%

(i) Debt is defined as long and short-term borrowings, as detailed in note 22, 23 and 24.

(ii) Equity includes all capital and reserves of the group and the company, as detailed in the statement of changes in equity.

32.4 Categories of financial assets and liabilities

Financial assets				
Cash and cash equivalents	36,595,110	35,442,403	3,890,309	347,051
Held-to-maturity investments	3,151,346	2,953,279	—	
Available-for-sale financial assets	54,492,041	60,892,656	6,500,000	432,400
Loans and receivables	49,927,169	57,660,500	138,510,308	172,170,306
	144,165,666	**156,948,838**	**148,900,617**	**172,949,757**
Financial liabilities				
Amortised cost	161,383,386	54,234,523	96,750,334	81,955,479

32.5 Financial risk management objectives

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

32. Financial instruments (Continued)

32.6 Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note *32.7* and 32.8) and interest rates (see Note 32.9 and 32.10). The group does not enter into derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

32.7 Foreign currency risk management

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

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

	Group		Company	
	28/02/2015	28/02/2014	28/02/2015	28/02/2014
	US$	US$	US$	US$
Assets				
Currency of the United Kingdom (GBP)	10,960,115	6,565,206	—	—
Currency of United States (USD)	104,776,971	118,763,281	148,900,617	172,949,757
Currency of South Africa (ZAR)	7,235,897	14,224,207	—	—
Currency of Botswana (BWP)	73,997	62,131	—	—
Currency of Kenya (KES)	14,990,751	11,387,451	—	—
Currency of Zambia (ZMK)	580,667	693,378	—	—
Currency of Rwanda (RWF)	3,825,722	4,330,588	—	—
Currency of Nigeria (NGN)	141,997	386,051	—	—
Currency of Uganda (UGX)	1,579,549	536,545	—	—
	144,165,666	**156,948,838**	**148,900,617**	**172,949,757**
Liabilities				
Currency of the United Kingdom (GBP)	15,979,505	4,972,771	3,754,077	5,135,760
Currency of United States (USD)	131,980,835	36,438,789	92,992,866	76,818,726
Currency of South Africa (ZAR)	1,030,787	2,291,878	3,391	993
Currency of Botswana (BWP)	58,359	14,597	—	—
Currency of Kenya (KES)	9,361,830	8,080,350	—	—
Currency of Zambia (ZMK)	82,002	69,246	—	—
Currency of Rwanda (RWF)	2,321,222	1,636,184	—	—
Currency of Nigeria (NGN)	72,188	78,134	—	—
Currency of Uganda (UGX)	496,658	652,574	—	—
	161,383,386	**54,234,523**	**96,750,334**	**81,955,479**

32.8 Foreign currency sensitivity analysis

The Group is mainly exposed to the currencies of United Kingdom (GBP) South Africa (ZAR) and Kenyan Shilling (KES).

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

32. Financial instruments (Continued)

against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	(Loss) or profit	
	28/02/2015	28/02/2014
	US$	US$
Group		
GBP Currency impact	(501,939)	159,244
ZAR Currency impact	620,511	1,193,233
KES Currency impact	562,892	330,710
	681,464	**1,683,187**

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

32.9 Interest rate risk management

The group is exposed to interest rate risk as entities in the group borrow funds at both fixed and floating interest rates. The risk is managed by the group by securing an appropriate mix between fixed and floating rate borrowings on initial signing of borrowing contracts. The group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management table (see 32.12 below). Interest rates have been disclosed in the respective notes where applicable.

32.10 Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the group's:

- Profit for the year ended 28 February 2015 would increase/decrease by US$ 582,463 (2014 US$ 320,244) This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings; and
- No increase or decrease in other equity reserves for the year ended 28 February 2015 (2014: no increase or decrease)

32.11 Credit risk management

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

Apart from sales to related companies, the company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds

32. Financial instruments (Continued)

and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

32.12 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and resolve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

	Weighted Average Effective Interest Rate	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
		US$	US$	US$	US$	US$	US$
Group—2015							
Financial Liabilities .	4.75%	33,074,284	17,736,800	16,521,356	91,601,611	6,690,315	165,624,366
Group—2014							
Financial Liabilities .	4.75%	24,454,863	14,457,742	5,059,760	2,939,593	7,359,347	54,271,305
Company—2015							
Financial Liabilities .	3.18%	1,626,054	819,243	7,690,409	884,606	8,061,081	19,081,393
Company—2014							
Financial Liabilities .	3.07%	5,017,998	804,307	2,503,329	9,313,057	89,922,712	107,566,413

32.13 Fair values

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

33. Dividend

Dividends of $12,333,333 were declared and paid during the 2015 financial year (2014: Nil).

34. 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).

34. Fair value measurements recognised in the consolidated statement of financial position (Continued)

- 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)

	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Available-for-sale financial assets				
28 February 2015				
Econet Wireless Zimbabwe	46,284,317			46 284,317
Meikles Limited	132,687			132,687
Total	**46,417,004**	**—**	**—**	**46,417,004**
28 February 2014				
Econet Wireless Zimbabwe	58,686,716	—	—	58,686,716
Meikles Limited	204,134	—	—	204,134
Total	**58,890,850**	**—**	**—**	**58,890,850**

There was no transfer between level 1, 2 and 3 during the year.

35. Guarantees

The US$150M term loan facility agreement agreement between Liquid Telecommunications Holdings Limited, Liquid Telecommunications Operations Limited, Liquid Telecommunications Operations SA (Pty) Ltd and Standard Chartered Bank, contains various types of board and onerous security, including deeds of subordination, fixed and floating charges and debenture agreements. Further, there is a general prohibition in that no Group company can create security over its assets and no security can be created over Liquid Telecom Zimbabwe and its assets. The security agreements prohibit Liquid Telecom providing security in favour of any third party without the Bank's formal approval.

NEOTEL (PTY) LTD
REG. NO. 2004/004619/07

AUDITED ANNUAL FINANCIAL STATEMENTS
for the 11 months ended 28 February 2017

NEOTEL (PTY) LTD
(Registration Number: 2004/004619/07)
AUDITED ANNUAL FINANCIAL STATEMENTS
28 February 2017

Country of incorporation and domicile	South Africa
Nature of business	Provider of telecommunication services
Directors	Edge ME***** Gugushe N Masiyiwa S**** Meyer MR Pemhiwa HN**** Rudnick NT****** Wilson DR*****
	**** Zimbabwean ***** British ****** German
Business address	Neovate Park, 401 Old Pretoria Main Road, Halfway House, Midrand, 1685.
Postal address	Gallo Manor, 2052.
Holding company	Liquid Telecommunications Holdings Ltd
Bankers	Investec Bank Standard Bank Nedbank
Auditors	Deloitte & Touche
Preparer of the annual financial statements	Napo Mafihlo CA (L)—General Manager: Finance
Reviewer of the annual financial statements	Frederick Nel CA (SA)—Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF NEOTEL (PROPRIETARY) LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Neotel Proprietary Limited ("the company') and its subsidiaries (collectively referred to as the "Group") set out on pages 12 to 52, which comprise the consolidated and separate statements of financial position as at 28 February 2017, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Neotel Proprietary Limited as at 28 February 2017, and its consolidated and separate financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 39 in the financial statements, which indicates that the company has a bridge loan of R2.95 billion repayable in May 2018. The repayment of this loan is dependent on the company's ability to secure funding for repayment of this loan through either new debt, capital or refinancing. These conditions, along with other matters as set forth in Note 39, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

R Campbell
Partner
15 June 2017

NEOTEL (PTY) LTD

STATEMENTS OF COMPREHENSIVE INCOME

for the period ended 28 February 2017

	Notes	Group 11 months ended 28 Feb 2017	Group Restated 12 months ended 31 Mar 2016	Group Restated 12 months ended 31 Mar 2015	Company 11 months ended 28 Feb 2017	Company Restated 12 months ended 31 Mar 2016	Company Restated 12 months ended 31 Mar 2015
		R000	R000	R000	R000	R000	R000
Revenue	4	3 553 039	4 371 715	4 110 333	3 553 039	4 371 715	4 113 171
Interest received	5	52 310	48 440	36 775	52 310	48 440	36 756
Other income		12 250	14 249	136 063	12 250	14 249	136 044
Payments to other operators		(1 352 134)	(1 997 748)	(1 567 531)	(1 352 134)	(1 997 748)	(1 567 531)
Cost of phone devices		(24 396)	(41 639)	(38 603)	(24 396)	(41 639)	(38 603)
Employee expenses		(654 954)	(734 930)	(707 412)	(534 845)	(598 691)	(569 487)
Other expenses		(854 288)	(900 971)	(770 530)	(998 047)	(1 058 104)	(927 552)
Consulting expenses		(27 687)	(13 389)	(91 433)	(27 687)	(13 389)	(91 433)
Depreciation		(379 801)	(421 295)	(346 424)	(379 801)	(421 274)	(345 616)
Amortisation		(72 500)	(78 605)	(63 946)	(72 500)	(78 605)	(63 946)
Finance charges	6	(747 695)	(665 396)	(652 145)	(747 695)	(665 381)	(652 145)
Share of profits from associate	11	574	761	253	574	761	253
(Loss) / profit before taxation	7	(495 282)	(418 808)	45 400	(518 932)	(439 666)	29 911
Taxation credit / (charge)	8	472 062	49 354	(716 191)	478 623	50 025	(716 429)
Loss for the period		(23 220)	(369 454)	(670 791)	(40 309)	(389 641)	(686 518)
Other comprehensive income		—	—	—	—	—	—
Total comprehensive loss for the period		(23 220)	(369 454)	(670 791)	(40 309)	(389 641)	(686 518)

NEOTEL (PTY) LTD

STATEMENTS OF FINANCIAL POSITION

at 28 February 2017

	Notes	Group 28 Feb 2017	Group Restated 31 Mar 2016	Group Restated 31 Mar 2015	Company 28 Feb 2017	Company Restated 31 Mar 2016	Company Restated 31 Mar 2015
		R000	R000	R000	R000	R000	R000
ASSETS							
Non-current assets							
Property, plant and equipment	9	3 830 300	3 631 797	3 543 706	3 916 868	3 718 365	3 630 253
Investment in subsidiary	10	—	—	—	—	—	—
Investment in associate	11	4 897	4 323	3 562	4 897	4 323	3 562
Intangible assets	12	361 672	353 021	377 070	361 672	353 021	377 070
Deferred tax asset	13	620 767	136 512	86 411	592 839	108 694	57 922
Other receivables	14	28 415	52 005	61 082	28 415	52 005	61 082
Other investments (including restricted cash)	15	5 059	1 429	1 271	5 059	1 429	1 271
Total non-current assets		4 851 110	4 179 087	4 073 102	4 909 750	4 237 837	4 131 160
Current assets							
Inventories	16	57 840	39 521	41 881	57 840	39 521	41 881
Trade and other receivables	17	880 736	831 299	723 807	925 286	867 736	759 067
Other investments (including restricted cash)	15	97 027	523 309	420 527	97 027	523 309	420 527
Loans to affiliate companies	18	33 376	—	—	33 376	—	—
Cash and cash equivalents	19	88 978	165 736	351 152	88 976	165 542	351 138
Total current assets		1 157 957	1 559 865	1 537 367	1 202 505	1 596 108	1 572 613
TOTAL ASSETS		6 009 067	5 738 952	5 610 469	6 112 255	5 833 945	5 703 773
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	20	3 133 525	3 133 525	3 133 525	3 133 525	3 133 525	3 133 525
Share premium	21	1 010 550	1 010 550	1 010 550	1 010 550	1 010 550	1 010 550
Other reserves		3 008	3 008	3 008	3 008	3 008	3 008
Equity loan		3 267 818	—	—	3 267 818	—	—
Accumulated deficit	22	(6 528 741)	(6 614 006)	(6 244 552)	(6 539 557)	(6 607 733)	(6 218 092)
Shareholders' surplus / (deficit)		886 160	(2 466 923)	(2 097 469)	875 344	(2 460 650)	(2 071 009)
Non-current liabilities							
Loan from shareholder	22	—	1 005 852	921 824	—	1 005 852	921 824
Loans from financial institutions	23	2 886 986	2 452 695	3 486 025	2 886 986	2 452 695	3 486 025
Loans from financial institutions for property purchase	24	—	89 320	106 260	—	89 320	106 260
Loans from affiliate companies	25	83 422	—	—	83 422	—	—
Trade and other payables	26	314 765	7 567	6 823	314 765	7 567	6 823
Provisions	28	52 534	86 222	77 595	52 534	86 222	77 595
Unearned revenue	27	245 489	239 678	236 922	245 489	239 678	236 922
Total non-current liabilities		3 583 196	3 881 334	4 835 449	3 583 196	3 881 334	4 835 449
Current liabilities							
Loans from financial institutions	23	976	2 598 982	1 538 363	976	2 598 982	1 538 363
Loans from financial institutions for property purchase	24	—	16 978	13 482	—	16 978	13 482
Loans from affiliate companies	25	995	—	—	995	—	—
Trade and other payables	26	1 084 287	1 218 911	787 866	1 223 016	1 324 971	875 001
Provisions	28	101 325	88 494	119 500	83 269	71 154	99 209
Taxation payable	29	19 599	—	—	12 930	—	—
Unearned revenue	27	320 965	401 176	413 236	320 965	401 176	413 236
Other financial liabilities		11 564	—	42	11 564	—	42
Total current liabilities		1 539 711	4 324 541	2 872 489	1 653 715	4 413 261	2 939 333
Total liabilities		5 122 907	8 205 875	7 707 938	5 236 911	8 294 595	7 774 782
TOTAL EQUITY AND LIABILITIES		6 009 067	5 738 952	5 610 469	6 112 255	5 833 945	5 703 773

NEOTEL (PTY) LTD

STATEMENTS OF CHANGES IN EQUITY

for the period ended 28 February 2017

	Ordinary share capital	Preference share capital	Preference share premium	Other reserves	Accumulated deficit	Total
	R000	R000	R000	R000	R000	R000
Group						
Balance at 31 March 2014	1	3 133 524	1 010 550	3 008	(5 573 761)	(1 426 678)
Total comprehensive loss for the year	—	—	—	—	(670 791)	(670 791)
Balance at 31 March 2015	1	3 133 524	1 010 550	3 008	(6 244 552)	(2 097 469)
Total comprehensive loss for the year	—	—	—	—	(369 454)	(369 454)
Balance at 31 March 2016	1	3 133 524	1 010 550	3 008	(6 614 006)	(2 466 923)
Gain arising on common controlled assets arising on acquisition of business	—	—	—	—	108 485	108 485
Total comprehensive loss for the period	—	—	—	—	(23 220)	(23 220)
Balance at 28 February 2017	1	3 133 524	1 010 550	3 008	(6 528 741)	(2 381 658)
Company						
Balance at 31 March 2014	1	3 133 524	1 010 550	3 008	(5 531 574)	(1 384 491)
Total comprehensive loss for the year	—	—	—	—	(686 518)	(686 518)
Balance at 31 March 2015	1	3 133 524	1 010 550	3 008	(6 218 092)	(2 071 009)
Total comprehensive loss for the year	—	—	—	—	(389 641)	(389 641)
Balance at 31 March 2016	1	3 133 524	1 010 550	3 008	(6 607 733)	(2 460 650)
Gain arising on common controlled assets arising on acquisition of business	—	—	—	—	108 485	108 485
Total comprehensive loss for the period	—	—	—	—	(40 309)	(40 309)
Balance at 28 February 2017	1	3 133 524	1 010 550	3 008	(6 539 557)	(2 392 474)

NEOTEL (PTY) LTD

STATEMENTS OF CASH FLOWS

for the period ended 28 February 2017

	Note	Group 11 months 2017	Group Restated 12 months 2016	Group Restated 12 months 2015	Company 11 months 2017	Company Restated 12 months 2016	Company Restated 12 months 2015
		R000	R000	R000	R000	R000	R000
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash generated from operations							
Receipts from customers		3 881 359	4 783 832	4 763 258	3 873 247	4 782 654	4 762 563
Payments made to suppliers		(3 384 223)	(3 716 403)	(3 442 247)	(3 375 918)	(3 715 420)	(3 450 421)
Cash flows generated from operations	31.1	497 136	1 067 429	1 321 011	497 329	1 067 234	1 312 142
Interest received		52 310	48 440	36 775	52 310	48 440	36 756
Foreign exchange gains / (losses)		40 826	(49 003)	(1 544)	40 826	(49 003)	(1 544)
Finance charges paid		(710 660)	(433 444)	(459 450)	(710 660)	(433 429)	(459 450)
Taxation paid		(2 043)	(747)	(2 272)	(2 043)	(747)	(2 272)
Net cash (outflow) / inflow from operating activities		(122 431)	632 675	894 520	(122 238)	632 495	885 632
CASH FLOWS FROM INVESTING ACTIVITIES							
Additions to property, plant and equipment		(321 070)	(558 850)	(637 291)	(321 071)	(558 850)	(628 184)
Additions to intangible assets		(34 273)	(47 633)	(55 146)	(34 273)	(47 633)	(55 146)
Proceeds from disposal of property, plant and equipment		949	—	200 977	949	—	200 977
Decrease in other receivables		23 590	25 396	166 218	23 590	25 396	166 218
Decrease / (increase) in other investments		422 652	(102 940)	(384 612)	422 652	(102 940)	(384 612)
Net cash inflow / (outflow) from investing activities		91 848	(684 027)	(709 854)	91 847	(684 027)	(700 747)
CASH FLOW FROM FINANCING ACTIVITIES							
Proceeds from borrowings from financial institutions—(New funding)		2 886 986	—	—	2 886 986	—	—
Proceeds from Equity loan from shareholders		3 238 818	—	—	3 238 818	—	—
Acquisition of business—cash and cash equivalents	31.2	24 893	—	—	24 893	—	—
Repayment of loan from shareholders (existing shareholders)		(1 005 852)	—	—	(1 005 852)	—	—
Proceeds from borrowings from financial institutions—(Old funding)		250 000	607 185	—	250 000	607 185	—
Repayment of borrowings from financial institutions—(Old funding)		(5 334 760)	(727 809)	(229 020)	(5 334 760)	(727 809)	(229 020)
Repayment of property funding		(106 260)	(13 440)	(10 220)	(106 260)	(13 440)	(10 220)
Net cash outflow from financing activities		(46 175)	(134 064)	(239 240)	(46 175)	(134 064)	(239 240)
Net decrease in cash and cash equivalents		(76 758)	(185 416)	(54 574)	(76 566)	(185 596)	(54 355)
Cash and cash equivalents at the beginning of the period		165 736	351 152	405 726	165 542	351 138	405 493
Cash and cash equivalents at the end of the period		88 978	165 736	351 152	88 976	165 542	351 138

1 BASIS OF PREPARATION

The Group and Company's annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB) and the Companies Act of South Africa, 2008.

The annual financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments which are measured at fair value or amortised cost. The principle accounting policies adopted are set out below and are consistent in all material aspects with those applied in the previous financial year, except for the change in accounting policy for IRU's (indefeasible right of use). (Refer note 30)

The new standards effective in the current year were adopted but had no significant impact.

2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of annual financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that the Group and Company may undertake in the future, actual results may ultimately differ from those estimates.

The presentation of the results of operations, financial position and cash flows in the annual financial statements of the Group and Company is dependant upon and sensitive to the accounting policies, assumptions, and estimates that are used as a basis for the preparation of these annual financial statements. Management has made certain judgements in the process of applying the accounting policies. These, together with the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, are discussed as follows:

2.1 Interconnect income and payments to other telecommunications operators

In certain instances, Neotel relies on other operators to measure the traffic flows interconnecting with the Group and Company's network. Estimates are used in this case to determine the amount of income receivable from, or payments the Group and Company need to make to other operators. The prices at which these services are charged are often regulated and are subject to retrospective adjustment and therefore estimates are used in assessing the likely effect of these adjustments.

2.2 Provisions and contingent liabilities

Management's judgement is required when recognising and measuring provisions and when measuring contingent liabilities. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and discounted where the effect of discounting is material. The discount rate used is the rate that reflects current market assessments of the time-value of money and, where appropriate, the risks specific to the liability, all of which require management's judgement. The Group and Company are required to recognise provisions for legal contingencies when the occurrence of the contingency is probable and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the reporting date.

2.3 Property, plant and equipment and intangible assets

The useful lives of assets are based on management's judgement. Management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine optimum useful life expectation for each of the individual items of

2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

property, plant and equipment. Due to the rapid technological advancement in the telecommunications industry, the estimation of useful lives could differ significantly on an annual basis.

The estimation of residual values of assets is also based on management's judgement that the assets will be sold and what their condition will be at that time. For assets that incorporate both a tangible and intangible portion, management uses judgement to assess which element is more significant to determine whether it should be treated as property, plant and equipment or intangible assets.

Determination of impairment of property, plant and equipment and intangible assets is based on management's judgement. Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of service and other circumstances that could indicate that impairment exists.

Neotel applies the impairment assessment to its cash-generating units. This requires management to make significant judgements concerning the existence of impairment indicators, identification of cash-generating units, remaining useful lives of assets and estimates of projected cash flows and fair value less cost to sell. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount of a cash-generating unit requires management to make assumptions to determine fair value less costs to sell and value in use. A key assumption on which management has based its determination of fair value less costs to sell include the existence of binding sale agreements, and for the determination of value in use includes projected revenues, gross margins, average revenue per unit, capital expenditure, expected customer bases and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of any impairment.

2.4 Financial assets

At each reporting date, management assesses whether there are indicators of impairment of financial assets. If such evidence exists, the estimated present value of the future cash flows of that asset is determined. Management's judgement is required when determining the expected future cash flows. In measuring impairment, quoted market prices are used, if available, or projected business plan information from the investee for those financial assets not carried at fair value.

Impairment of receivables

Impairment is raised for estimated losses on trade receivables that are deemed to contain a collection risk. The impairment is based on an assessment of the extent to which customers have defaulted on payments already due and an assessment of their ability to make payments based on credit worthiness and historical write-off experience. Should the financial condition of the customer change, actual write-off's could differ significantly from the impairment.

2.5 Taxation

Management's judgement is exercised when determining the probability of future taxable profits which will determine whether deferred tax assets on deductible temporary differences and unused tax losses should be recognised or derecognised. The utilisation of deferred tax assets will depend on whether Neotel and its subsidiary will generate sufficient taxable income, taking into account any legal restrictions on the length and nature of the taxation asset.

2.6 Revenue recognition on back to back transactions

Management applies judgement in assessing the risk and rewards associated in back to back transactions with a certain customer. In these transactions, where Neotel has exposure to the significant risks and

2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

rewards associated with the transaction, revenue is recorded on a gross basis. Neotel's exposure to risk and rewards is assessed in accordance with IAS 18, which includes four indicators for gross revenue recognition, namely, primary responsibility for providing goods or services, exposure to inventory risk, exposure to credit risk, and latitude in establishing prices.

3 ACCOUNTING POLICIES

3.1 Consolidated financial statements

Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the Company and all the entities controlled by the Company, as if they are a single economic entity. Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use it's power to affect its returns.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the date of disposal. Inter-company transactions and the resulting unrealised profits and balances between Group entities are eliminated on consolidation.

Investments in associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or part of an investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter by an increase or decrease in the carrying amount of the investee by the share of the Group's share of profit or loss of the investee.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Common controlled transactions

Common controlled transactions are recorded at book value. Any difference between cost and book value is taken directly to equity.

3.2 Property, plant and equipment

Freehold land is not depreciated.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes all directly attributable expenditure incurred in the acquisition, establishment and installation of the asset so as to bring it to the location and condition necessary for it to be capable of operating in the manner intended. Interest costs incurred during construction of qualifying assets are also capitalised. Depreciation commences from the date the asset is available for use on a straight-line basis over the estimated useful life and ceases at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 *Non-Current assets Held for Sale and Discontinued Operations* or the date that the asset is derecognised. Idle assets continue to attract depreciation. The depreciable amount is determined after deducting the residual value of the asset. The

3 ACCOUNTING POLICIES (Continued)

residual value is the estimated amount that the Group and Company would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual values, the estimated useful lives of individual assets and the depreciation methods thereof are reviewed on an annual basis with the effect of any changes in the estimate accounted for on a prospective basis.

Assets under construction represent network and support equipment and include all direct expenditure as well as related borrowing costs capitalised, but excludes the costs of abnormal amounts of waste material, labour or other resources incurred in the production of self-constructed assets. Depreciation of these assets commences when they are available for use.

Improvements to assets that are held in terms of operating lease agreements are depreciated on a straight-line basis over the shorter of the remaining useful life of the applicable assets or the remainder of the lease period. Where it is reasonably certain that the lease agreement will be renewed, the lease period equals the period of the initial agreement plus the renewal periods.

Maintenance and repairs, which neither materially add to the value of the assets nor prolong their useful lives, are expensed in the period incurred. Minor plant and equipment items are also recognised as an expense during the period incurred.

Gains arising from derecognition of property, plant and equipment shall not be classified as revenue.

The estimated useful lives assigned to property, plant and equipment are:

	Estimated useful life (Years)	
	2017	**2016**
Asset class		
Leasehold improvements	Lease period	Lease period
Buildings	20	20
Plant and equipment		
• Cable (fibre and duct)	0 to 20	0 to 20
• Network equipment	2 to 15	2 to 15
• Other plant and equipment	5 to 20	5 to 20
Furniture and fittings	5 to 10	5 to 10
Motor vehicles	5	5
Computer equipment	3 to 10	3 to 10
Assets under construction	Not depreciated	Not depreciated

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in statement of comprehensive income in the year in which the asset is derecognised.

3.3 Intangible assets

An intangible asset shall be recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably.

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses, if any.

3 ACCOUNTING POLICIES (Continued)

The following are the main intangible assets:

Licences

Licences, that are acquired to yield an enduring benefit, are initially measured at cost and amortised from the date of commencement of usage rights over the duration of the licence agreement.

ICASA licence obligation

Neotel has a corporate social responsibility obligation in respect of the licence held with ICASA. Neotel has capitalised the obligation and will amortise over the remaining licence period.

Computer software

Computer software that is not considered to form an integral part of any hardware equipment is recorded as an intangible asset. The software is capitalised at cost and amortised over its estimated useful life.

Indefeasible right of use (IRU)

IRU's correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRU's are recognised at cost as an intangible asset when the Group or Company has the specific indefeasible right to use an identified portion of the underlying asset, generally optic fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 and 25 years.

Amortisation commences when the intangible assets are available for their intended use and is recognised on a straight-line basis over the assets'

The estimated useful lives assigned to intangible assets are:

	Estimated useful life (Years)	
Asset class	**2017**	**2016**
ECS and ECNS licence	25 years	25 years
Licence obligation	15 years	15 years
Computer software	3-8 years	3-8 years
Indefeasible Right of Use (IRU)	10-25 years	10-25 years

Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. The residual value is assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life or there is an active market for the asset that is likely to exist at the end of its useful life, which can be used to estimate the residual value. The useful lives, amortisation methods and residual values are reviewed on an annual basis.

3.4 Impairment of non-current assets

Assets that are subject to amortisation and depreciation are reviewed for impairment at the end of each reporting period to assess the recoverability of the carrying values.

The recoverable amount of assets or cash-generating units are measured using the higher of the fair value less costs to sell and its value in use (which is the present value of the projected cash flows expected to be derived from an asset). If, and only if, the recoverable amount of an asset is less than the carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. Impairment losses are recognised immediately as an expense in profit or loss when the asset's carrying value exceeds its estimated recoverable amount. Where applicable, the recoverable amount is determined for the cash generating unit to which the asset belongs.

3 ACCOUNTING POLICIES (Continued)

Previously recognised impairment losses, other than for goodwill, are reviewed annually for any indication that they may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. Such impairment losses are reversed through profit or loss if the recoverable amount has increased as a result of a change in the estimates used to determine the recoverable amount. The revised carrying amount shall not be higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. No goodwill impairment losses are reversed.

After the recognition of an impairment loss, any depreciation or amortisation charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount, less its estimated residual value, on a systematic basis over it's remaining useful life.

3.5 Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax

3 ACCOUNTING POLICIES (Continued)

are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.6 Inventory

Inventory is measured at the lower of cost or net realisable value. Cost is determined by the weighted average method and comprises all the costs of purchase, costs of conversion and other costs incurred in bringing inventory to its present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventory to net realisable value and all losses of inventory are recognised as an expense in the period in which the writedown or a loss occurs.

3.7 Financial instruments

Financial assets

Loans and receivables

Trade and other receivables (excluding Value Added Taxation (VAT), prepayments, IRU's and operating lease receivables), finance loans, lease assets and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Trade and other receivables are carried at original invoice amount less any impairment loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held on call, net of bank borrowings, all of which are available for use by the Group and Company unless otherwise stated.

Deposits held on call are classified as loans and receivables by the Group and Company, and carried at amortised cost. Due to the short term nature of these, the amortised cost normally approximates its fair value.

Cash placed in restricted bank accounts for bank guarantees and loan repayments are classified as other investments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted and the Group and Company will not be able to collect all amounts due according to the original terms of the financial asset. For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

3 ACCOUNTING POLICIES (Continued)

Financial liabilities

Loans and other borrowings

Loans and other borrowings are initially recognised at fair value plus directly attributable transaction costs. Loans and other borrowings are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derivative financial instruments

The Group and Company use derivative financial instruments mainly to reduce exposure to foreign currency risks and interest rate movements. The Group and Company do not hold or issue derivative financial instruments for financial trading purposes.

The Group and Company's principal derivative financial instruments are forward foreign exchange contracts.

Derivative financial instruments are classified as financial assets at fair value through profit or loss and initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit and loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge. Derivative financial instruments are classified as current assets or current liabilities where they are neither designated in a hedging relationship or have a maturity period within 12 months. Where derivative financial instruments have a maturity period greater than 12 months and are designated in a hedge relationship, they are classified within either non-current assets or non-current liabilities. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of host contracts and host contracts are not carried at fair value. Changes in fair value of embedded derivatives are recognised in the statement of comprehensive income in the line which most appropriately reflects the nature of the item or transaction.

Derecognition

A financial asset or portion of a financial asset will be derecognised and a gain or loss recognised when the Group and Company's contractual rights to the cash flow expire or when the entity transfers substantially all the risks and rewards or when the entity loses control.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the consideration and the carrying amount on the settlement date is included in profit or loss.

3.8 Provisions

Provisions are recognised when the Group and Company have a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate to settle the obligation, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time-value of money is material, the amount of the provision is the present value of the payments expected to be required to settle the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if

3 ACCOUNTING POLICIES (Continued)

it is virtually certain that reimbursement will be received and the amount of the receivable can be reliably measured.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group and Company have a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3.9 Employee benefits

Short term employee benefits

The cost of all short term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised as an expense in the period in which the employee renders the related service.

The Group and Company recognise the expected cost of bonuses only when there is a present legal or constructive obligation to make such a payment and a reliable estimate can be made.

Defined contribution plans

A defined contribution plan is a plan under which the Group and Company pay a fixed percentage of employees' remuneration as contributions into a separate entity fund, and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. Contributions to defined contribution plans in respect of services during a period are recognised as an employee benefit expense when they are due.

Termination benefits

Termination benefits may be payable when an employee's employment is terminated before the normal retirement date or an employee accepts voluntary redundancy in exchange for these benefits. The Group and Company recognise termination benefits when the Group and Company have demonstrated their commitment to any such plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

3.10 Borrowing costs

Financing costs directly attributable to the acquisition or construction of assets that require more than three months to complete and get ready for their intended use, are capitalised to the cost of that asset at the interest rates relating to loans raised for that purpose. Other borrowing costs are expensed as incurred. Capitalisation of borrowing costs cease when substantially all the activities necessary to prepare the asset for its intended use are complete.

3.11 Revenue

Revenue is recognised to the extent that the Group and Company have delivered goods and or rendered services under agreements and can be measured reliably, and is probable that the associated economic benefits will flow to the Group and Company. Revenue net of discounts, which excludes Value Added Tax (VAT) and sales between Group companies represent the invoiced value of goods or services supplied by the Group and Company. The Group and Company measure revenue at the fair value of the consideration received or receivable. Revenue is recognised when there is evidence of an arrangement, collectability is

3 ACCOUNTING POLICIES (Continued)

reasonably assured, and the delivery of the product or service has occurred. If applicable, revenue is split into separately identifiable components according to the substance of the transaction.

The Group and Company provide fixed-line and data communication services and communication related products. The Group and Company provide such services to wholesale, business, and residential customers.

In certain circumstances revenue is split into separately identifiable components and recognised when the related components are delivered in order to reflect the substance of the transaction. The value of components is determined using verifiable objective evidence. The Group and Company do not provide customers with the right to a refund.

Subscriptions, connections and other usage

The Group and Company provide telephone and data communication services under postpaid and prepaid payment arrangements. Costs incurred on first time installations that form an integral part of the network are capitalised and depreciated over the life of the expected average customer relationship period. All other installation and activation costs are expensed as incurred.

Contract products that may include deliverables such as a handset and 24 month service are defined as arrangements with multiple deliverables. The arrangement consideration is allocated to each deliverable, based on the fair value of each deliverable on a stand-alone basis.

Revenue from the handset is recognised when the product is delivered, limited to the present value amount of cash that will be receivable over the contract period. Monthly service revenue received from the customer is recognised over the period in which the service is rendered.

Revenue from the sale of prepaid credit is deferred until such time as the customer utilises the airtime.

Equipment sales

Revenue from equipment sales is recognised only when the Group and Company have transferred to the buyer the significant risk and rewards of ownership of the goods and the Group and Company neither retain continuing managerial involvement to the degree usually associated with ownership or effective control.

Interconnection

Interconnection revenue for call termination, call transit, and network usage is recognised on usage basis.

Data

Revenue from data services is recognised only when the Group and Company have performed data communication services under postpaid and prepaid payment arrangements. Costs incurred on first time installations that form an integral part of the network are capitalised and depreciated over the life of the expected average customer relationship period. All other installation and activation costs are expensed as incurred. Postpaid and prepaid service arrangements include subscription fees (typically monthly fees), which are recognised over the subscription period.

Network managed services

Revenue recognition is inherent from progress completion on construction projects rolled out for customers. This involves revenue from construction of infrastructure for customers, and revenue is recognised based on progress completion on defined milestones between Neotel and the customer.

Neotel recognises progress revenues and milestone billings in accordance with contract terms reached with customers, for the duration of the contract.

3 ACCOUNTING POLICIES (Continued)

Other

Other revenue is recognised when the economic benefits flow to the Group and Company and the earnings process is complete.

Indefeasible right of use (IRU)

IRU contracts where Neotel provides the customer unrestricted rights or access to the use of network assets for agreed time periods, are usually long term contracts running over a period from 5 to 20 years.

In these agreements the payment for unrestricted right of use of the asset, is being charged and received either upfront or in instalments as per the terms of the contract agreed upon. IRU income is recognised evenly over the period of the contract, but in the case of a deferred payment schedule, the interest component is recognised as per the effective interest rate method.

3.12 Interest income

Interest income is recognised on a time proportion basis according to the effective interest rate method.

3.13 Leases

Operating lease payments are recognised in the statements of comprehensive income on a straight-line basis over the lease term. Assets subject to operating leases are presented according to the nature of the asset.

Assets acquired in terms of finance leases are capitalised at the lower of fair value or the net present value of the minimum lease payments at inception of the lease and depreciated over the lesser of the useful life of the asset or the lease term. The capital element of the future obligation under the lease is included as a liability in the statements of financial position. Lease finance costs are amortised in the statements of comprehensive income over the lease term using the effective interest rate method. Where a sale and leaseback transaction results in a finance lease, any excess of sale proceeds over the carrying amount is deferred and recognised in the statements of comprehensive income over the term of the lease.

3.14 Foreign currencies

The functional and presentation currency of the Group and Company is the South African Rand (ZAR). Transactions denominated in foreign currencies are translated, on initial recognition, at the foreign exchange rate at the transaction date.

Monetary assets or liabilities that are denominated in foreign currencies are translated at the rate of exchange at settlement date or reporting date. Exchange differences on the settlement or translation of monetary assets and liabilities are included in gains or losses on re-measurement and disposal of financial instruments in profit or loss in the period in which they arise.

3.15 Comparative figures

Comparative figures have been restated due to the change in accounting policy in respect of IRU's as described in note 3.3 and note 30.

3.16 Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective for the year ended 28 February 2017. The Standards and

3 ACCOUNTING POLICIES (Continued)

Interpretations (including annual amendments to IFRSs) applicable to the Group and Company are presented below.

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 4	Insurance Contracts
IFRS 9	Financial Instruments
IFRS 12	Disclosure of Interests in Other Entities
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IAS 7	Cash Flow Statement
IAS 12	Income Taxes
IAS 28	Investments in Associates and Joint Ventures
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Management are in the process of considering the future impact of these standards and interpretations on the financial statements.

4 Revenue

	Group		Company	
	11 months 2017	2016	11 months 2017	2016
	R000	R000	R000	R000
Enterprise services	2 926 381	3 370 983	2 926 381	3 370 983
Wholesale voice services	306 895	678 861	306 895	678 861
Project services	118 859	109 201	118 859	109 201
Small enterprise and retail services	199 873	239 896	199 873	239 896
Total revenue	3 552 008	4 398 941	3 552 008	4 398 941
Less discounting of extended receivables	1 031	(27 226)	1 031	(27 226)
Net revenue	3 553 039	4 371 715	3 553 039	4 371 715

Included in the enterprise services is IRU (indefeasible right of use) revenue of R96.1 million (2016: R43.4 million) for both Group and Company.

Revenue is disclosed net of value added tax and trade discounts, and includes deemed interest resulting from credit provided to customers which is estimated to be R84.4 million (2016: R101.7 million).

Receivables discounting has been calculated on the extended terms relating to Neotel customers. The prior year entry was reversed and the current year discounting amount of R26.2 million (2016: R27.2 million) has been raised for the carrying value of receivables at reporting date.

5 Interest received

Interest received	52 310	48 440	52 310	48 440

Included in interest received is interest for the fair value adjustment of the licence obligation of R12.0 million (2016: Nil) for both Group and Company.

6 Finance charges

Interest on shareholders' loans	87 933	84 040	87 933	84 040
Interest on loans from financial institutions	658 069	571 808	658 069	571 808
Interest paid to affiliates	299	—	299	—
Other	1 394	9 548	1 394	9 533
	747 695	665 396	747 695	665 381

7 (Loss) / Profit before taxation

(Loss) / Profit before taxation was arrived at after charging:				
Legal fees	13 534	20 695	13 534	20 695
Loss on sale of assets	856	3 469	858	3 469
Provision for doubtful debts	80 864	83 959	80 864	83 959
Payments to other operators	1 326 322	2 070 458	1 326 322	2 070 458
Less discounting of extended payables	25 812	(56 391)	25 812	(56 391)
	1 352 134	2 014 067	1 352 134	2 014 067

Payments to other operators is disclosed net of value added tax and trade discounts, and includes deemed interest resulting from credit received from suppliers which is estimated to be R103.3 million (2016: R72.4 million).

7 (Loss) / Profit before taxation (Continued)

Payables discounting has been calculated on the extended terms relating to Neotel suppliers. The prior year entry was reversed and the current year discounting amount of R30.6 million (2016: R56.3 million) has been raised.

Operations, maintenance and network costs				
—Operations costs	159 665	163 457	303 436	163 457
—Maintenance costs	217 895	237 356	217 895	394 197
—Network costs	8 481	5 511	8 481	5 511
	386 041	406 324	529 812	563 165
Operating leases				
—Buildings and sites	119 905	112 763	119 905	112 763
—Houses	393	662	393	662
—Vehicles	16	64	16	64
—Infrastructure	106 391	147 699	106 391	147 699
	226 705	261 188	226 705	261 188
Net foreign exchange gains and losses				
—Unrealised (gains) / losses	(57 319)	34 045	(57 319)	34 045
—Realised losses	16 493	14 958	16 493	14 958
	(40 826)	49 003	(40 826)	49 003
Management and technical fees				
—Operations and business support services ("OSS/ BSS")	3 286	6 522	3 286	6 522
	3 286	6 522	3 286	6 522
Employee benefits expense				
—Defined contribution plan	63 108	68 715	48 802	53 224
—Medical aid contribution	32 627	35 392	23 875	25 605
	95 735	104 107	72 677	78 829
Consulting fees				
—Other consulting*	27 688	13 389	27 688	13 389

* Included in the other consulting fees is R13.3 million (2016: R4.2 million) paid to the Director in charge.

	Group			Company		
	11 months 2017	Restated 12 months 2016	Restated 12 months 2015	11 months 2017	Restated 12 months 2016	Restated 12 months 2015
	R000	R000	R000	R000	R000	R000
Depreciation and amortisation						
—Depreciation	379 801	421 295	346 424	379 801	421 274	345 616
—Amortisation (restated)	72 500	78 605	63 946	72 500	78 605	63 946
	452 301	499 900	410 370	452 301	499 879	409 562

8 Taxation credit / (charge)

	Group		Company	
	11 months 2017	2016	11 months 2017	2016
	R000	R000	R000	R000
South African normal taxation				
Taxation expense—current year	(6 669)	—	—	—
Deferred tax—current year	480 774	50 101	480 665	50 772
—deferred tax on timing differences	4 139	50 101	4 247	50 772
—recognition of deferred tax asset on prior year tax losses	476 635	—	476 418	—
Taxation credit per the statements of comprehensive income	474 105	50 101	480 665	50 772
Foreign tax charge	(2 043)	(747)	(2 043)	(747)
Taxation credit	472 062	49 354	478 622	50 025

Foreign withholding tax

The foreign tax paid of R2.0 million (2016: R0.7 million) arises from foreign income earned, which was subject to withholding tax in the foreign country and paid by the foreign customer to the Revenue Authority of their respective countries.

	Group		Company	
	11 months 2017	2016	11 months 2017	2016
	R000	R000	R000	R000
Reconciliation between accounting profit and tax expense				
Accounting profit	(495 282)	(418 808)	(518 932)	(439 666)
Tax at the applicable rate of 28% (2015: 28%)	(138 679)	(117 266)	(145 301)	(123 106)
Deferred tax asset (recognised) / not recognised	(341 890)	34 046	(341 830)	39 317
Depreciation / amortisation of non qualifying assets	5 453	6 914	5 453	6 914
Non-taxable income	(161)	(213)	(161)	(213)
Non-deductible expenditure	645	26 748	646	26 697
Deductible expenditure	(572)	(158)	(572)	(209)
Learnership allowances	(519)	—	(519)	—
Deferred tax adjustment relating to prior year allowances	1 618	(172)	1 618	(172)
Foreign withholding tax	2 043	747	2 043	747
Tax credit for the period / year	(472 062)	(49 354)	(478 623)	(50 025)
	%	%	%	%
Reconciliation of tax rate				
Normal rate of taxation	28.0	28.0	28.0	28.0
Adjusted for:				
—Permanent differences	(1.0)	(7.9)	(0.3)	(7.5)
—Deferred tax asset recognised / (not recognised)	69.0	(8.1)	65.9	(8.9)
—Deferred tax adjustment relating to prior year allowances	(0.2)	—	(0.3)	—
—Foreign withholding tax	(0.4)	(0.2)	(0.4)	(0.2)
Effective tax rate	95.3	11.8	92.9	11.4

No provision has been made for income tax in the current year as the Company has no taxable income, however a provision of R6.7 million (2016: nil) has been raised for the subsidiary NBSS due to the company having fully utilised its assessed tax losses. The estimated tax loss available for set off against

8 Taxation credit / (charge) (Continued)

future taxable income for the Group and Company is R6.1 billion (2016: R5.7 billion) and R6.1 billion (2016: R5.7 billion) respectively.

	Group		Company	
	11 months 2017	2016	11 months 2017	2016
	R000	R000	R000	R000
Total estimated tax asset on the estimated tax loss	1 714 513	1 583 304	1 721 182	1 583 243
— Deferred tax asset recognised on losses	(498 242)	—	(476 418)	—
Deferred tax asset not recognised	1 216 271	1 583 304	1 244 764	1 583 243
Deferred tax asset is made up as follows:				
— Deferred tax asset recognised on estimated tax losses	498 242	—	476 418	—
— Deferred tax asset recognised on timing differences	122 525	136 512	116 421	108 694
	620 767	136 512	592 839	108 694

Based on an assessment of the business following the reorganisation of debt, R620.7 million has been recognised as a deferred tax asset at 10 February 2017, as future taxable income over the assessment period of 2018 to 2022 is expected to be sufficient to absorb the deferred tax asset recognised.

9 Property, plant and equipment

	Cost	Acquisition of common controlled business	Accumulated depreciation/ Impairment	Carrying value
	R000	R000	R000	R000
Group				
2017				
Land	29 500	—	—	29 500
Buildings and leasehold improvements	334 561	—	(162 824)	171 737
Plant and equipment	5 770 810	271 543	(2 604 033)	3 438 320
Furniture and fittings	39 321	813	(34 374)	5 760
Computer equipment	236 470	985	(186 143)	51 312
Motor vehicles	1 768	233	(1 075)	926
Network spares	72 214	—	(29 385)	42 829
Assets under construction	52 153	37 763	—	89 916
	6 536 797	311 337	(3 017 834)	3 830 300
2016				
Land	29 500	—	—	29 500
Buildings and leasehold improvements	333 627	—	(149 269)	184 358
Plant and equipment	5 472 218	—	(2 343 100)	3 129 118
Furniture and fittings	42 894	—	(35 917)	6 977
Computer equipment	283 355	—	(223 967)	59 388
Motor vehicles	1 768	—	(789)	979
Network spares	145 484	—	(27 997)	117 487
Assets under construction	103 990	—	—	103 990
	6 412 836	—	(2 781 039)	3 631 797
Company				
2017				
Land	29 500	—	—	29 500
Buildings and leasehold improvements	334 561	—	(162 824)	171 737
Plant and equipment	5 755 232	271 543	(2 588 455)	3 438 320
Furniture and fittings	39 055	813	(34 108)	5 760
Computer equipment	236 309	985	(185 982)	51 312
Motor vehicles	1 727	233	(1 034)	926
Network spares	72 214	—	(29 385)	42 829
Assets under construction	138 722	37 763	—	176 485
	6 607 320	311 337	(3 001 788)	3 916 869
2016				
Land	29 500	—	—	29 500
Buildings and leasehold improvements	333 627	—	(149 269)	184 358
Plant and equipment	5 456 636	—	(2 327 518)	3 129 118
Furniture and fittings	42 616	—	(35 639)	6 977
Computer equipment	283 071	—	(223 683)	59 388
Motor vehicles	1 727	—	(748)	979
Network spares	145 484	—	(27 997)	117 487
Assets under construction	190 558	—	—	190 558
	6 483 219	—	(2 764 854)	3 718 365

9 Property, plant and equipment (Continued)

Group

The carrying amount of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Acquisition of common controlled business	Additions	Transfers	Disposals	Depreciation/ Impairment	Carrying value at end of year
	R000	R000	R000	R000	R000	R000	R000
2017							
Land	29 500	—	—	—	—	—	29 500
Buildings and leasehold improvements	184 358	—	911	23	—	(13 555)	171 737
Plant and equipment	3 129 118	272 421	182 270	199 575	(2 000)	(343 064)	3 438 320
Furniture and fittings	6 977	829	31	18	(52)	(2 043)	5 760
Computer equipment	59 388	1 010	12 642	2 090	(4 362)	(19 456)	51 312
Motor vehicles	979	242	—	—	—	(295)	926
Network spares	117 487	—	60 798	(89 159)	(44 909)	(1 388)	42 829
Assets under construction	103 990	40 778	64 418	(116 255)	(3 015)	—	89 916
	3 631 797	315 280	321 070	(3 708)	(54 338)	(379 801)	3 830 300
2016							
Land	29 500	—	—	—	—	—	29 500
Buildings and leasehold improvements	184 343	—	5 428	12 860	—	(18 273)	184 358
Plant and equipment	3 015 656	—	428 749	52 670	(3 438)	(364 519)	3 129 118
Furniture and fittings	10 316	—	694	293	—	(4 326)	6 977
Computer equipment	38 828	—	41 124	3 255	(47)	(23 772)	59 388
Motor vehicles	1 291	—	—	—	—	(312)	979
Network spares	132 239	—	34 397	—	(39 056)	(10 093)	117 487
Assets under construction	131 533	—	48 458	(76 001)	—	—	103 990
	3 543 706	—	558 850	(6 923)	(42 541)	(421 295)	3 631 797

9 Property, plant and equipment (Continued)

Company

The carrying amount of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Acquisition of common controlled business	Additions	Transfers	Disposals	Depreciation/ Impairment	Carrying value at end of year
	R000	R000	R000	R000	R000	R000	R000
2017							
Land	29 500	—	—	—	—	—	29 500
Buildings and leasehold improvements	184 358	—	911	23	—	(13 555)	171 737
Plant and equipment	3 129 118	272 421	182 270	199 575	(2 000)	(343 064)	3 438 320
Furniture and fittings	6 977	829	31	18	(52)	(2 043)	5 760
Computer equipment	59 388	1 010	12 642	2 090	(4 362)	(19 456)	51 312
Motor vehicles	979	242	—	—	—	(295)	926
Network spares	117 487	—	60 798	(89 159)	(44 909)	(1 388)	42 829
Assets under construction	190 558	40 778	64 419	(116 255)	(3 015)	—	176 485
	3 718 365	315 280	321 071	(3 708)	(54 338)	(379 801)	3 916 869
2016							
Land	29 500	—	—	—	—	—	29 500
Buildings and leasehold improvements	184 342	—	5 429	12 860	—	(18 273)	184 358
Plant and equipment	3 015 635	—	428 748	52 670	(3 438)	(364 497)	3 129 118
Furniture and fittings	10 316	—	694	293	—	(4 326)	6 977
Computer equipment	38 830	—	41 123	3 255	(47)	(23 773)	59 388
Motor vehicles	1 291	—	—	—	—	(312)	979
Network spares	132 239	—	34 397	—	(39 056)	(10 093)	117 487
Assets under construction	218 100	—	48 459	(76 001)	—	—	190 558
	3 630 253	—	558 850	(6 923)	(42 541)	(421 274)	3 718 365

Group and Company

The disposal of the above assets were duly authorised by the Board and lenders prior to the disposal.

Neotel had secured long term property funding for the purchase of Neovate Park. It was funded by two banks, namely Nedbank Ltd and Investec Bank Ltd. The financing was purely on a "project recourse" basis without any shareholder recourse or guarantees. The interest rates applicable to each facility was JIBAR plus 4.5% margin. The tenure of the facility was 10 years but the loan was fully settled on 10 February 2017 as part of the finance restructuring by the new shareholders.

The land and building in the Neovate Office Park situated on 401 Old Pretoria Man Road, Halfway House, Midrand.

All property, plant and equipment is secured under the bridge loan.

10 Investment in subsidiary

Details of the Company's subsidiary at 28 February 2017, which is stated at cost, are as follows:

Name of subsidiary	Place of incorporation	Proportion of voting	Proportion ownership	Principal activity
Unlisted investments—Direct subsidiary				
Neotel Business Support Services (Pty) Ltd ("NBSS")	South Africa	100%	100%	Telecommunications

	Company 2017 R	Company 2016 R
Ordinary shares in Neotel Business Support Services (Pty) Ltd	100	100

The Group's share of the subsidiary profits and losses after tax

	2017 R000	2016 R000
Subsidiary profit	17 088	20 186

11 Investment in associate

Name of associate	Place of incorporation	Proportion of voting	Proportion ownership	Principal activity
Number Portability Company (Pty) Ltd	South Africa	20%	20%	Telecommunications

Neotel holds a 20% investment in Number Portability Company (Pty) Ltd. The reporting date of Number Portability Company (Pty) Ltd is 31 December which was established when the company was incorporated. For purposes of applying the equity method of accounting, the financial statements of Number Portability Company (Pty) Ltd for the year ended 31 December 2016 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 28 February 2017, based on the latest management accounts.

Summarised financial information in respect of the Group and Company's associate is set out below.

	Group and Company 2017 R000	Group and Company 2016 R000
Total assets	26 862	25 735
Total liabilities	(34)	(3 348)
Net assets	26 828	22 387
Total revenue for the year	18 744	19 406
Total profit after tax for the year	3 245	3 803
Group and Company's share of net assets of associate	5 366	4 477
Carrying value of associate		
Opening balance	4 323	3 562
Share of profits—current year	574	761
Total investment in associate	4 897	4 323

12 Intangible assets

Group and Company	Cost	Acquisition of common controlled business	Accumulated depreciation/ Impairment	Carrying value
	R000	R000	R000	R000
2017				
IRU	198 908	41 435	(47 597)	192 746
Licence	122 595	—	(37 451)	85 144
Computer software	403 300	2 119	(321 637)	83 782
	724 803	43 554	(406 685)	361 672
2016 (Restated)				
IRU	198 908	—	(32 638)	166 270
Licence	122 595	—	(30 935)	91 660
Computer software	419 752	—	(324 661)	95 091
	741 255	—	(388 234)	353 021
2015 (Restated)				
IRU	198 908	—	(16 319)	182 589
Licence	122 595	—	(23 826)	98 769
Computer software	365 196	—	(269 484)	95 712
	686 699	—	(309 629)	377 070

Group and Company	Carrying value at beginning of the year	Acquisition of common controlled business	Additions	Transfers	Disposals	Amortisation	Carrying value at end of the year
	R000	R000	R000	R000	R000	R000	R000
2017							
IRU	166 270	41 728	—	—	—	(15 252)	192 746
Licence	91 660	—	—	—	—	(6 516)	85 144
Computer software	95 091	2 212	34 273	3 708	(770)	(50 732)	83 782
	353 021	43 940	34 273	3 708	(770)	(72 500)	361 672
2016 (Restated)							
IRU	182 589	—	—	—	—	(16 319)	166 270
Licence	98 769	—	—	—	—	(7 109)	91 660
Computer software	95 712	—	47 633	6 923	—	(55 177)	95 091
	377 070	—	47 633	6 923	—	(78 605)	353 021
2015 (Restated)							
IRU	198 908	—	—	—	—	(16 319)	182 589
Licence	8 283	—	97 596	—	—	(7 110)	98 769
Computer software	79 250	—	55 146	1 833	—	(40 517)	95 712
	286 441	—	152 742	1 833	—	(63 946)	377 070

Refer to note 30 for restatement details.

Neotel capitalised the fixed licence fee for R100.0 million, payable on the commencement of service, at its net present value, on 9 December 2005, the date of allotment of the licence, duly considering the interest free period until the date of commencement of service. The licence fee is amortised over the period of the licence. On 1 April 2009, the Independent Communications Authority of South Africa (“ICASA”) amended the licence fee regulation, which has resulted in a reduction of the fixed fee by R72.0 million. During 2011 a settlement was reached between Neotel and ICASA of R25.0 million being final settlement

12 Intangible assets (Continued)

for the licence obligation. This further resulted in a reduction of the fixed fee by R3.0 million effective 30 September 2010. The carrying value of the licence fee as at 28 February 2017 was R6.5 million (2016: R7.1 million). The licence term is valid for a period of 25 years from 9 December 2005, the date the licence was granted and can be renewed for a further 25 years.

Neotel has a corporate social responsibility obligation in respect of the licence held with ICASA, to provide ICT services to 750 public schools. The ICT services include the provision of the local area network, the wide area network, the end user devices in schools and training. Neotel has capitalised the obligation over the licence period and has recognised the obligation as a provision (see note 28).

Neotel has changed the accounting treatment of IRU's purchased, from prepayments to intangible assets. The IRU's will be amortised over remaining contract periods. (Refer note 30)

13 Deferred tax asset

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Deferred tax consists of:				
Estimated Tax losses raised	498 242	21 823	476 418	—
Originating temporary differences on:				
—Property, plant and equipment	(127 682)	(122 521)	(127 587)	(122 522)
—Prepayments	(4 705)	2 882	(4 705)	2 882
—Provisions (including employee benefit liabilities)	107 390	77 301	101 410	71 307
—Unrealised exchange differences	(1 866)	—	(1 866)	—
—Unearned revenue	108 788	109 521	108 569	109 521
—Income received in advance	35 531	54 661	35 531	54 661
—Deferred interest on receivables	7 335	7 623	7 335	7 623
—Deferred interest on payables	(8 562)	(15 790)	(8 562)	(15 790)
—Intangible assets	5 113	1 012	5 113	1 012
—Onerous contract	1 183		1 183	
	620 767	136 512	592 839	108 694
The movement in deferred tax is as follows:				
Opening balance	136 512	86 411	108 694	57 922
Income statement charge				
—Deferred tax raised on tax loss	476 418	—	476 418	—
—Property, plant and equipment	(5 161)	40 833	(5 065)	40 844
—Prepayments	(7 587)	1 885	(7 587)	1 885
—Provisions	30 089	8 400	30 103	9 060
—Unrealised exchange differences	(1 866)	—	(1 866)	—
—Unearned revenue	(732)	6 511	(952)	6 511
—Income received in advance	(19 130)	(6 071)	(19 130)	(6 071)
—Deferred interest on receivables	(288)	7 623	(288)	7 623
—Deferred interest on payables	7 228	(15 790)	7 228	(15 790)
—Intangible assets	4 101	6 710	4 101	6 710
—Onerous contract	1 183	—	1 183	—
Closing balance	620 767	136 512	592 839	108 694

The Group and Company have incurred taxable losses in the current period of R468.6 million (2016: R121.8 million) and R492.6 million (2016: R140.4 million) respectively, based on the trading performance for the year.

13 Deferred tax asset (Continued)

The approved business plan reflects the Group and Company becoming profitable with effect from the 2018 tax year, and to fully utilise the deferred tax asset provided for within 5 years (2022). Over the year, management have taken extensive steps to continue cost optimization, and with the new shareholders there are plans to grow the revenue and margin of the business. Based on this they are confident of achieving the targets in the approved business plan.

The estimated cumulative tax losses excluded from the deferred tax asset recognition relates to estimated cumulative losses incurred by Neotel of R4.4 billion (2016: 5.6 billion). The Group and Company's value of the unprovided deferred tax asset not raised against losses amounts to R1.23 billion (2016: 1.58 billion) and R1.24 billion (2016: 1.58 billion) respectively.

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Estimated tax loss	1 583 304	1 583 304	1 583 304	1 583 304
Tax loss for the period	131 209	—	137 878	—
Total tax loss	1 714 513	1 583 304	1 721 182	1 583 304
Recognised as deferred tax asset	(498 242)	—	(476 418)	—
Deferred tax asset not recognised	1 216 271	1 583 304	1 244 764	1 583 304

14 Other receivables

	Group			Company		
	2017	Restated 2016	Restated 2015	2017	Restated 2016	Restated 2015
	R000	R000	R000	R000	R000	R000
Long term portion of other receivables:						
—Prepayments	28 415	48 959	17 202	28 415	48 959	17 202
—Lease smoothing asset	—	3 046	43 880	—	3 046	43 880
	28 415	52 005	61 082	28 415	52 005	61 082

15 Other investments

The Group and Company have placed cash in restricted bank accounts for the following:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Short term				
Guarantees	88 184	88 183	88 184	88 183
Loan repayments	—	425 995	—	425 995
Customer deposits held	8 843	9 131	8 843	9 131
	97 027	523 309	97 027	523 309
Long term				
Guarantees	5 059	1 429	5 059	1 429
	102 086	524 738	102 086	524 738

The restricted cash on loan repayments was released as part of the debt restructuring by the new shareholder.

16 Inventories

Finished goods	47 040	29 551	47 040	29 551
Projects work in progress	10 800	9 970	10 800	9 970
	57 840	39 521	57 840	39 521

For finished goods stock, the increase in the closing balance is attributable to increase in stock assigned for customer requests or jobs, closing balance R33.6 million (2016: R15.2 million) whilst there was a reduction in trading and maintenance stock levels, closing balance R12.4 million (2016: R19.9 million), with obsolescence provision of R6.1 million (2016: R5.5 million), all resulting in a net increase of R10.4 million in finished goods stock. R7.1 million of stock was taken over from Liquid SA.

Projects work in progress has increased by R0.9 million to R10.8 million (2016: R9.9 million), being costs for issued material and work in progress for customer projects for which milestones have not been reached yet, and revenue recognition pending the completion of such milestones.

17 Trade and other receivables

	Group			Company		
	2017 11 months	2016 Restated	2015 Restated	2017 11 months	2016 Restated	2015 Restated
	R000	R000	R000	R000	R000	R000
Trade receivables	939 896	770 791	570 868	984 415	807 198	606 097
Less allowances for doubtful debts	(250 917)	(170 053)	(86 094)	(250 744)	(169 880)	(85 921)
	688 979	600 738	484 774	733 671	637 318	520 176
Less discounting on extended receivables	(26 195)	(27 226)	—	(26 195)	(27 226)	—
Trade receivables—net	662 784	573 512	484 774	707 476	610 092	520 176
Other receivables—short term portion						
—Prepayments	59 960	41 125	33 716	59 960	41 350	33 716
—Other receivables	157 992	174 603	183 207	157 850	174 460	183 065
—Lease smoothing asset	—	42 059	22 110	—	42 059	22 110
	880 736	831 299	723 807	925 286	867 961	759 067

The directors consider that the carrying amount of trade receivables approximate their fair value.

The credit terms offered to customers for services is 30 days. Interest has been charged on the trade receivables with effect from 1 November 2014 for Neotel customers but not for Liquid SA customers. A provision for doubtful receivables of R250.9 million (2016: R170.0 million) and R250.7 million (2016: R169.8 million) has been provided for the Group and Company respectively. Before accepting any new customer, the Group uses the services of an external credit bureau to assess the potential customer's credit worthiness. Of the trade receivables balance at the year end, for both the Group and Company, R219.3 million (2016: R362.3 million) is due from five major customers who constitute 32.35% (2016: 47.46%) for the Group and 32.32% (2016: 47.44%) for the Company, of the balance at year end.

Discounting has been calculated on the extended terms relating to Neotel customers. The prior year entry was reversed and the current year discounting amount is R26.2 million (2016: R27.2 million).

Included in the trade receivables balance are debtors with a carrying amount of R151.1 million (2016: R292.4 million) for both the Group and Company, which are past due at the reporting date against which no provision is raised as there has not been a significant change in the credit worthiness and the amounts are still considered recoverable.

17 Trade and other receivables (Continued)

Included in trade receivables is an amount of R38.3 million (2016: R101.2 million) for the Tata Group of companies and R192.6 million for the Liquid Group of companies. (Refer to note 37).

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Ageing of past due but not impaired trade receivables				
30-60 days	94 919	106 944	94 919	106 944
60-90 days	26 630	104 052	26 630	104 052
90-120 days	3 766	12 705	3 766	12 705
120-180 days	7 729	68 739	7 729	68 739
> 180 days	18 010	—	18 010	—
Total	151 054	292 440	151 054	292 440
Movement in allowance for doubtful debts				
Balance at beginning of the year	170 053	86 094	169 880	85 921
Impairment losses recognised on receivables	80 864	83 959	80 864	83 959
Balance at end of the period / year	250 917	170 053	250 744	169 880
Ageing of impaired trade receivables				
Current	82	1 279	82	1 279
30-60 days	4 845	507	4 845	507
60-90 days	175	2 178	175	2 178
90-120 days	50 122	2 389	50 123	2 389
120-180 days	20 998	15 405	20 998	15 405
> 180 days	174 695	148 295	174 521	148 122
Total	250 917	170 053	250 744	169 880

18 Loans to affiliated companies

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Transaction Payment Solutions South Africa (Pty) Ltd	28 186	—	28 186	—
Liquid Telecommunications Operations Limited (Mauritius)	5 189	—	5 189	—
Transaction Payment Solutions International Limited (Mauritius)	1	—	1	—
	33 376	—	33 376	—

The loan to Transaction Payment Solutions South Africa (Pty) Ltd is interest free and is unsecured. This loan has been subordinated in favour of other creditors in the financial statements of Transaction Payment Solutions South Africa (Pty) Ltd. The directors believe that the loan is recoverable as the company is a start-up and is expected to reach profitability in the foreseeable future.

The loan to Liquid Telecommunications Limited is denominated in USD, bears interest at USD Libor plus 2,5%, is unsecured and is to be repaid within 12 months.

The loan to Transaction Payment Solutions International Limited (Mauritius) is interest free and unsecured.

19 Cash and cash equivalents

Cash and bank balances	88 978	165 736	88 976	165 542

Cash and cash equivalents comprise cash held by the Group and Company.

20 Share capital

Authorised				
Ordinary				
5 000 (2016: 5 000)				
Ordinary shares of no par value	5	5	5	5
Preference "A"				
1 136 257 250 (2016: 1 136 257 250)				
Cumulative redeemable Preference A shares of par value R0.01 each	11 362	11 362	11 362	11 362
Preference "B"				
5 000 000 000 (2016: 5 000 000 000)				
Cumulative redeemable Preference B no par value shares	5 000 000	5 000 000	5 000 000	5 000 000
	5 011 367	5 011 367	5 011 367	5 011 367
Issued and fully paid				
Ordinary				
1 000 (2016: 1 000)				
Ordinary shares of no par value	1	1	1	1
Preference "A"				
1 020 757 252 (2016: 1 020 757 252)				
Cumulative redeemable Preference A shares of par value R 0.01 each	10 208	10 208	10 208	10 208
Preference "B"				
3 123 316 653 (2016: 3 123 316 653)				
Cumulative redeemable Preference B no par value shares	3 123 316	3 123 316	3 123 316	3 123 316
	3 133 525	3 133 525	3 133 525	3 133 525

The unissued preference shares are under the unrestricted control of the directors in terms of the funding level approved by the Board until the next annual general meeting of the shareholders.

Preference A shares are entitled to voting rights whilst Preference B shares have no voting rights. Also, Preference B shares rank first for dividend payment and redemption before Preference A shares.

The Preference "A" shares are redeemable, at the Company's discretion, after the expiry of 36 months and 1 day from the subscription date. The shares shall be redeemed at the redemption price, being the initial subscription price plus any outstanding dividends. (Refer to note 34)

The preference "B" shares are redeemable at the option of the Company and there is no fixed date of redemption. The dividend for preference "B" shares will be calculated at a fixed coupon rate. (Refer to note 34)

All amounts contributed by the shareholders to the Company in the form of equity, subscription for preference shares, loans or otherwise, are to be subordinated to amounts due to the lenders until the release date which is when the loan is fully repaid.

21 Share premium

	Group		Company	
	2017 11 months	2016	2017 11 months	2016
	R000	R000	R000	R000
Preference "A" 1 020 757 252 (2016: 1 020 757 252) Cumulative preference shares issued at a premium of R0.99 each	1 010 550	1 010 550	1 010 550	1 010 550

22 Equity loan / Loan from shareholder

Equity loan from shareholder

K20162722836 (Pty) Ltd (SA Holdco)	3 267 818	—	3 267 818	—

The amount, in the form of contributed capital from the SA Holdco is unsecured with no interest. There are no fixed repayment terms and this amount is repayable at the discretion of the Company and is thus considered to represent equity.

Unsecured loan from shareholder

Nexus Connexion (Pty) Ltd	—	1 005 852	—	1 005 852

Repaid on acquisition of business 10 February 2017.

23 Loans from financial institutions

	Group		Company	
	2017 11 months	2016	2017 11 months	2016
	R000	R000	R000	R000
Term loans	—	3 353 443	—	3 353 443
Interest accrued	—	210 804	—	210 804
	—	3 564 247	—	3 564 247
Less: Prepaid finance arrangement fees	—	(34 578)	—	(34 578)
	—	3 529 669	—	3 529 669
Bridging loan—old	—	1 522 008	—	1 522 008
Bridging loan—new	2 950 976	—	2 950 976	—
Less: Prepaid finance arrangement fees	(63 014)	—	(63 014)	—
	2 887 962	5 051 677	2 887 962	5 051 677
Made up as follows:				
Long term portion	2 886 986	2 452 695	2 886 986	2 452 695
Short term portion	976	2 598 982	976	2 598 982
	2 887 962	5 051 677	2 887 962	5 051 677

The funding under the Long Term Finance Common Terms Agreement (LFCTA) entered into by Neotel in 2009, was fully settled on 10 February 2017 as part of the finance restructuring by the new shareholder.

The new shareholders of Neotel have raised a bridge funding facility of R3.3 billion, and as at 28 February 2017 R2.95 billion has been drawn. The loan term is 15 months and is repayable on 10 May 2018 in terms

23 Loans from financial institutions (Continued)

of the loan agreement. The interest rate applicable to the loan is JIBAR plus 4.75% margin for the first 9 months, 5.25% for the next 3 months and 5.75% for the last 3 months.

Bridge Loan Security:

As security for the bridge loan the Group and Company have pledged their shares and investments, bank accounts in South Africa, insurance policies, intellectual property rights, trade receivables and in securitatem debiti for all its property.

Bridge Loan Covenants:

In terms of the new Senior Bridge Loan Facility from Nedbank and Standard Bank, Neotel is obliged to meet specific financial covenants on a quarterly basis. Commencing 1 March 2017, Neotel is expected to comply with set covenants on leverage and interest cover ratios. Leverage ratio covenant entails Total Net Borrowings to Consolidated EBITDA ratio of 3.75: 1.00 and Interest Cover ratio covenant entails a Consolidated EBITDA to Consolidated Finance Costs ratio of 1.00: 1.50. These covenant limits will apply quarterly with the first quarter being 31 May 2017 and for subsequent quarter ends, until the loan maturity date of 10 May 2018.

At the date of the report, the directors do not consider that there is any breach of the covenants.

	< 1 year	Year 2	Year 3	Year 4	> 5 years	Total
	R000	R000	R000	R000	R000	R000
Repayment Profile:						
2017						
Bridging loan—new	976	2 950 000	—	—	—	2 950 976
	976	2 950 000	—	—	—	2 950 976
2016						
Senior term loan facility	949 836	1 215 025	—	—	—	2 164 861
Subordinated term loan facility	28 329	39 060	49 860	60 680	—	177 929
IDC Subordinated term loan facility	113 298	156 240	199 440	242 720	—	711 698
IDC Mezzanine facility	—	—	—	509 759	—	509 759
Bridging loan	1 522 008	—	—	—	—	1 522 008
	2 613 471	1 410 325	249 300	813 159	—	5 086 255

24 Loans from financial institutions for property purchase

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Long term loans	—	89 320	—	89 320
Portion payable in the next 12 months	—	16 978	—	16 978
	—	106 298	—	106 298

24 Loans from financial institutions for property purchase (Continued)

The property funding for the purchase of Neovate Park Head Office, has been fully settled on 10 February 2017 as part of the finance restructuring by the new shareholder.

	< 1 year	2-5 years	> 5 years	Total
	R000	R000	R000	R000
Repayment Profile:				
2017				
Nedbank Ltd	—	—	—	—
Investec Bank Ltd	—	—	—	—
	—	—	—	—
2016				
Nedbank Ltd	8 489	44 660	—	53 149
Investec Bank Ltd	8 489	44 660	—	53 149
	16 978	89 320	—	106 298

25 Loans from affiliated companies

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Liquid Telecommunications Operations Limited (Mauritius)	83 422	—	83 422	—
Liquid Telecommunications Limited (United Kingdom)	995	—	995	—
	84 417	—	84 417	—
Made up as follows:				
Long term portion	83 422	—	83 422	—
Short term portion	995	—	995	—
	84 417	—	84 417	—

The loan from Liquid Telecommunications Limited (UK) is denominated in GBP, bears interest at 2,5%, is unsecured and is to be repaid within 12 months.

The loan from Liquid Telecommunications Operations Limited (Mauritius) is denominated in ZAR, bears interest at prime, is unsecured and is to be repaid over 5 years.

26 Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Trade payables	717 960	951 819	851 477	1 053 041
Accruals	289 078	221 287	285 339	217 221
Lease smoothing liability	50 344	50 589	50 344	50 589
Deposits	8 930	9 090	8 761	8 921
Other payables	31 448	25 177	42 398	36 081
Onerous contract	4 226	—	4 226	—
Vat payable	12 880	17 340	11 050	15 510
Short term portion of trade and other payables:	1 114 866	1 275 302	1 253 595	1 381 363
Less discounting on extended payables	(30 579)	(56 391)	(30 579)	(56 391)
Total short term portion of trade and other payables	1 084 287	1 218 911	1 223 016	1 324 972
Long term portion of trade and other payables:	314 765	7 567	314 765	7 567
	1 399 052	1 226 478	1 537 781	1 332 539

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The directors consider that the carrying amount of trade payables approximates their fair value.

Discounting has been calculated on the extended terms relating to Neotel suppliers. The prior year entry was reversed and the current year discounting amount is R30.6 million (2016: R56.3 million).

The onerous contract has been taken over from Liquid SA and is for an offer to lease that was entered into by the company prior to the transaction with Neotel being finalised. The contract ends in January 2018.

27 Unearned revenue

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Unearned revenue—IRU	25 281	28 796	25 281	28 796
Unearned revenue—projects	105 705	170 363	105 705	170 363
Unearned revenue—prepaid	17 057	20 690	17 057	20 690
Unearned revenue—other	172 922	181 327	172 922	181 327
Short term portion unearned revenue	320 965	401 176	320 965	401 176
Long term portion of unearned revenue	245 489	239 678	245 489	239 678
	566 454	640 854	566 454	640 854

28 Provisions

Bonus	79 814	68 494	61 758	51 154
ICASA licence obligation	74 045	106 222	74 045	106 222
	153 859	174 716	135 803	157 376
Made up as follows:				
Long term portion	52 534	86 222	52 534	86 222
Short term portion	101 325	88 494	83 269	71 154
	153 859	174 716	135 803	157 376

28 Provisions (Continued)

	Opening balance	Acquisition of Liquid SA	Raised	Utilised	Closing balance
	R000	R000	R000	R000	R000
Group					
2017					
Bonus	68 494	5 788	96 288	(90 756)	79 814
ICASA licence obligation	106 222	—	—	(32 177)	74 045
	174 716	5 788	96 288	(122 933)	153 859
2016					
Bonus	69 500	—	111 402	(112 408)	68 494
Retention bonus	30 000	—	—	(30 000)	—
ICASA licence obligation	97 595	—	8 627	—	106 222
	197 095	—	120 029	(142 408)	174 716
Company					
2017					
Bonus	51 154	5 788	71 962	(67 146)	61 758
ICASA licence obligation	106 222	—	—	(32 177)	74 045
	157 376	5 788	71 962	(99 323)	135 803
2016					
Bonus	49 209	—	94 326	(92 381)	51 154
Retention bonus	30 000	—	—	(30 000)	—
ICASA licence obligation	97 595	—	8 627	—	106 222
	176 804	—	102 953	(122 381)	157 376

Bonus provision

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

Additional provisions have been provided for staff that have structured their packages to include a 13th cheque payable in December.

ICASA obligation

Neotel has a corporate social responsibility obligation in respect of the licence held with ICASA, to provide ICT services to 750 public schools over a four year period. The ICT services include the provision of the local area network, the wide area network, the end user devices in schools and training. Neotel has capitalised the obligation (refer note 12) through raising a provision at the estimated present value of the total obligation. This is reassessed annually. The capitalised amount is amortised over the remaining licence period.

In assessing the present value of the ICASA obligation, a discount rate of 12.36% p.a. has been applied.

29 Taxation payable

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Taxation payable	19 599	—	12 930	—

Included in the taxation payable is R6.7 million for the subsidiary NBSS, which was paid in March 2017. A tax liability of R12.9 million relating to Liquid SA prior to the integration, has been taken over by Neotel, and will be settled on behalf of Liquid SA.

30 Change in accounting policy: restatements for 2015 and 2016

Neotel accounted for IRU's as a prepayment in the Statement of Financial Position and the amortisation was accounted for as cost to operators in the Statement of Comprehensive Income. The policy of the Liquid Group is to account for IRU's as an intangible asset. Neotel has changed it's accounting policy to align with the Group. The financial information for 2015 and 2016 has been restated to reflect this change in accounting policy. There has been no impact to net income or accumulated deficit. The effect of the restatement is reflected below:

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Statement of Comprehensive income				
Decrease in Payments to other operators	(16 319)	(16 319)	(16 319)	(16 319)
Increase in Amortisation	16 319	16 319	16 319	16 319
Statement of Financial Position				
Increase in Intangible assets	166 270	182 589	166 270	182 589
Decrease in Other receivables	(166 270)	(182 589)	(166 270)	(182 589)

31 Notes to the statements of cash flows:

31.1 Reconciliation of profit for the year to cash generated from operations

	Group 11 months 2017	Group Restated 12 months 2016	Group Restated 12 months 2015	Company 11 months 2017	Company Restated 12 months 2016	Company Restated 12 months 2015
	R000	R000	R000	R000	R000	R000
(Loss) / profit before taxation	(495 282)	(418 808)	45 400	(518 932)	(439 666)	29 911
Adjustments for:						
Depreciation and amortisation	452 301	499 900	410 370	452 301	499 879	409 562
Interest received	(52 310)	(48 440)	(36 775)	(52 310)	(48 440)	(36 756)
Finance costs	747 695	665 396	652 145	747 695	665 381	652 145
Net foreign exchange (gain) / loss	(40 826)	49 003	1 544	(40 826)	49 003	1 544
Loss on disposal of property, plant and equipment	856	3 469	(129 199)	858	3 469	(129 199)
Adjustment for loss on for property, plant and equipment	5 380	—	—	5 380	—	—
Share of profits from associate	(574)	(761)	(253)	(574)	(761)	(253)
Licence obligation	—	—	(97 595)	—	—	(97 595)
Changes in working capital						
Decrease / (increase) in trade and other receivables	196 126	(123 811)	419	188 013	(124 988)	(5 810)
Decrease in inventories*	33 686	41 417	38 137	33 687	41 417	38 137
(Decrease) / increase in trade and other payables	(187 014)	431 789	39 734	(154 345)	450 714	56 847
(Decrease) / increase in provisions	(26 645)	(22 379)	109 962	(27 361)	(19 428)	106 487
(Decrease) / increase in unearned revenue short term	(142 068)	(12 060)	265 374	(142 068)	(12 060)	265 374
Increase in unearned revenue—long term	5 811	2 756	22 487	5 811	2 756	22 487
Decrease in other financial liabilities	—	(42)	(739)	—	(42)	(739)
Cash generated from operations	497 136	1 067 429	1 321 011	497 329	1 067 234	1 312 142

* Includes network spares issued for maintenance from property, plant and equipment

31 Notes to the statements of cash flows: (Continued)

31.2 Acquisition of common controlled business

On 13th of February 2017, Liquid Telecommunications Operations SA (Pty) Limited business operations were acquired as a going concern from SA Holdco the common controlled shareholder of both Liquid Telecommunications Operations SA (Pty) Ltd and Neotel (Pty) Ltd. The acquisition was done in accordance with section 45 of the Income Tax Act with a view to obtaining operational efficiencies by consolidating the businesses into one single business.

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Property, plant and equipment	315 280	—	315 280	—
Intangible assets	43 940	—	43 940	—
Deferred tax	3 481	—	3 481	—
Loans from affiliates	(113 417)	—	(113 417)	—
Loans to affiliates	33 376	—	33 376	—
Woking capital take-on		—		—
—Inventory	7 095	—	7 095	—
—Trade and other receivables	245 563	—	245 563	—
—Trade and other payables	(359 588)	—	(359 588)	—
—Unearned revenue	(61 857)	—	(61 857)	—
—Provisions	(5 788)	—	(5 788)	—
—Other financial liabilities	(11 564)	—	(11 564)	—
—Tax payable	(12 930)	—	(12 930)	—
—Cash and cash equivalents	24 893	—	24 893	—
Assets acquired	**108 485**	**—**	**108 485**	**—**
Less: Consideration*		—		—
Gain on acquisition	**108 485**	**—**	**108 485**	**—**

* Less than R1000

Net cashflow of acquisition of common controlled business				
Total consideration	—	—	—	—
Bank balances and cash equivalents	24 893	—	24 893	—
Net Cash inflow arising on acquisition	**24 893**	**—**	**24 893**	**—**

32 Financial instruments

(a) Capital risk management

The Group and Company manage their capital to ensure they will be able to continue as a going concern while maximising the return to the stakeholders through the optimisation of the debt and equity balance. Neotel engages with the Board, shareholders, and lenders to ensure the Company is sufficiently funded.

The Group monitors capital on a basis of debt to equity. Debt comprises interest bearing debt, shareholder loans and any other loans. Equity comprises share capital including preference shares (with different voting rights) and reserves.

The capital structure of the Group and Company consist of debt which includes the shareholder loans disclosed in note 22 and equity attributable to shareholders of the Group, comprising issued capital

32 Financial instruments (Continued)

(disclosed in notes 20 and 21 respectively), reserves and the accumulated deficit. Loans from financial institutions are part of the funding structure and disclosed in note 23.

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
The gearing ratio at the year end was as follows:				
Debt	2 972 379	6 163 827	2 972 379	6 163 827
Cash and cash equivalents	(88 978)	(165 736)	(88 976)	(165 542)
Net debt	2 883 401	5 998 091	2 883 403	5 998 285
Shareholders' (surplus) / deficit	(886 160)	2 466 923	(875 344)	2 460 650

(b) Credit risk management

Credit risk is the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Group and Company. The Group and Company have adopted a policy of dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from payment defaults.

Trade receivables consists of customers in various sectors of the telecommunications industry. On-going credit evaluations are performed on the financial condition of the accounts receivable balances.

(c) Foreign currency risk management

The Group and Company undertake certain transactions denominated in foreign currencies, namely the currency of the United States of America (US Dollars), the currency of the United Kingdom (Great British Pounds), the currency of the European Union (Euro), and the currency of Botswana (Botswana Pula). Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising client foreign currency accounts, spot and forward foreign exchange contracts. These client foreign currency accounts and forward exchange contracts, classified as level 2 are measured at fair value derived from inputs other than quoted prices in an active market.

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

	Assets		Liabilities	
	2017	2016	2017	2016
	000	000	000	000
Group and Company				
United States Dollars	12 456	6 642	46 939	26 632
BWP	—	—	917	—
Euro	—	—	68	3
GBP	—	—	100	—
GBP—Liquid SA	32	—	3 938	—

Foreign currency sensitivity analysis

The following disclosure details the Group and Company's sensitivity for a 25% (2016: 25%) increase and decrease in the Rand against the relevant foreign currencies. 25% (2016: 25%) is the sensitivity rate used when reporting foreign currency risk internally, for key management's assessment of the reasonable possible change in foreign exchange rates.

The sensitivity includes only outstanding foreign currency denominated items and adjusts their translation at the year end. For a 25% strengthening of the Rand against the relevant currency, the impact is an

32 Financial instruments (Continued)

increase in the profit and other equity for the Group and Company of R111.8 million (2016: Group and Company R76.7 million). For a 25% weakening of the Rand against the relevant currency, the impact is a decrease in profit and other equity for the Group and Company of R111.8 million (2016: Group and Company R76.7 million).

Forward foreign exchange contracts

It is policy of the Group and Company to enter into forward foreign exchange contracts to cover specific foreign currency payments. Exposure to exchange rate fluctuations is constantly monitored and, when the need arises, contracts are entered into.

The following table details the forward foreign currency (FC) outstanding contracts at the reporting date:

	Average exchange rate	Foreign currency	Contract value	Fair Value
		000	R000	R000
Group and Company				
2017—Buy USD				
Three to six months	14.645	11 798	172 779	158 050

Derivatives designated and effective as hedging instruments are carried at fair value.

	2017	2016
	R000	R000
Group and Company		
Foreign currency forward contracts (USD)	11 564	—
Included in other financial liabilities	11 564	—

(d) Liquidity risk

The responsibility for liquidity risk management rests with Neotel management and ultimately the Board of directors, which has implemented an appropriate investment policy for the Group and Company's short, medium and long term funding and liquidity management requirements. The Group and Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Neotel engages with the Board, shareholders and lenders to ensure that the Group and Company have adequate funds to cover its commitments in the next twelve months.

32 Financial instruments (Continued)

The Group and Company reflect a liquidity shortfall over the year ahead of approximately R219 millon. The directors consider that it will be dealt with through additional liquidity that is available (refer to note 39) as well as cash generated by operations in the year ahead.

	<1 year	2-5 years	>5years	Total
	R000	R000	R000	R000
Group				
2017				
Trade and other payables	(1 071 407)	—	(314 765)	(1 386 172)
Loan from shareholder	—	—	(3 267 818)	(3 267 818)
Loans from affiliate companies	(995)	(83 422)		(84 417)
Loans from financial institutions (Refer to note 23)	(976)	(2 950 000)	—	(2 950 976)
	(1 073 378)	(3 033 422)	(3 582 583)	(7 689 383)
2016				
Trade and other payables	(1 201 571)	—	(7 567)	(1 209 138)
Loan from shareholder	—	—	(1 005 852)	(1 005 852)
Loans from financial institutions (Refer to note 23)	(3 339 425)	(2 992 489)	—	(6 331 914)
Loans from financial institutions for property purchase	(29 747)	(112 226)	—	(141 973)
	(4 570 743)	(3 104 715)	(1 013 419)	(8 688 877)
Company				
2017				
Trade and other payables	(1 211 966)	—	(314 765)	(1 526 731)
Loan from shareholder	—	—	(3 267 818)	(3 267 818)
Loans from affiliate companies	(995)	(83 422)		(84 417)
Loans from financial institutions (Refer to note 23)	(976)	(2 950 000)	—	(2 950 976)
	(1 213 937)	(3 033 422)	(3 582 583)	(7 829 942)
2016				
Trade and other payables	(1 309 461)	—	(7 567)	(1 317 028)
Loan from shareholder	—	—	(1 005 852)	(1 005 852)
Loans from financial institutions (Refer to note 23)	(3 339 425)	(2 992 489)	—	(6 331 914)
Loans from financial institutions for property purchase	(29 747)	(112 226)	—	(141 973)
	(4 678 633)	(3 104 715)	(1 013 419)	(8 796 767)

32 Financial instruments (Continued)

The following details the Group's contractual maturities for its non derivative financial assets:

	<1 year R000	2-5 years R000	>5years R000	Total R000
Group				
2017				
Trade and other receivables	662 784	—	—	662 784
Other investments	97 027	5 059	—	102 086
Loans to affiliate companies	5 190	28 186	—	33 376
Cash and bank balances	88 978	—	—	88 978
	853 979	33 245	—	887 224
2016				
Trade and other receivables	573 512	—	—	573 512
Other investments	523 309	1 429	—	524 738
Cash and bank balances	165 736	—	—	165 736
	1 262 557	1 429	—	1 263 986
Company				
2017				
Trade and other receivables	707 476	—	—	707 476
Other investments	97 027	5 059	—	102 086
Cash and bank balances	88 976	—	—	88 976
	893 479	5 059	—	898 538
2016			—	
Trade and other receivables	610 092	—	—	610 092
Other investments	523 309	1 429	—	524 738
Cash and bank balances	165 542	—	—	165 542
	1 298 943	1 429	—	1 300 372

32 Financial instruments (Continued)

(e) Categories of financial instruments

	Loans and receivables	At fair value through profit or loss	Financial liabilities at amortised cost	Fair value of financial instruments
	R000	R000	R000	R000
Group				
2017				
Trade and other receivables	662 784	—	—	662 784
Other investments	102 086	—	—	102 086
Cash and cash equivalents	88 978	—	—	88 978
Loans to affiliate companies	33 376	—	—	33 376
Other financial liabilities	—	—	11 564	11 564
Loan from shareholder	—	—	—	—
Loans from affiliate companies			84 417	84 417
Loans from financial institutions	—	—	2 887 962	2 887 962
Loans from financial institutions for property purchase	—	—		—
Trade and other payables	—	—	1 386 172	1 386 172
2016				
Trade and other receivables	573 512	—	—	573 512
Other investments	524 738	—	—	524 738
Cash and cash equivalents	165 736	—	—	165 736
Loan from shareholder	—	—	1 005 852	1 005 852
Loans from financial institutions	—	—	5 051 677	5 051 677
Loans from financial institutions for property purchase	—	—	106 298	106 298
Trade and other payables	—	—	1 209 138	1 209 138
Company				
2017				
Trade and other receivables	707 476	—	—	707 476
Other investments	102 086	—	—	102 086
Cash and cash equivalents	88 976	—	—	88 976
Loans to affiliate companies	33 376	—	—	33 376
Other financial liabilities	—	—	11 564	11 564
Loan from shareholder	—	—		—
Loans from affiliate companies			84 417	84 417
Loans from financial institutions	—	—	2 887 962	2 887 962
Loans from financial institutions for property purchase	—	—		
Trade and other payables	—	—	1 526 731	1 526 731
Company				
2016				
Trade and other receivables	610 092	—	—	610 092
Other investments	524 738	—	—	524 738
Cash and cash equivalents	165 542	—	—	165 542
Loan from shareholder	—	—	1 005 852	1 005 852
Loans from financial institutions	—	—	5 051 677	5 051 677
Loans from financial institutions for property purchase	—	—	106 298	106 298
Trade and other payables	—	—	1 317 028	1 317 028

The effective rate on cash deposit ranges from 6.80% to 7.40% (2016: 5.25% to 7.15%). Deposits have maturities of day to 8.5 months.

33 Employee benefits

The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets are managed separately from the Group by Momentum Group Ltd.

Group

The total expense recognised in the Statement of comprehensive income of R63.1 million (2016: R68.7 million) represents contributions payable to this plan by the Group at rates specified in the rules of the plan.

Company

The total expense recognised in the Statement of comprehensive income of R48.8 million (2016: R53.2 million) represents contributions payable to this plan by the Group at rates specified in the rules of the plan.

34 Contingencies

ECS and ECNS Licence

The Group was granted a Public Switched Telecommunication Service (PSTS) licence valid for a period of 25 years from 9 December 2005. This licence was converted on 16 January 2009 into Electronic Communication Service (“ECS”) and Electronic Communication Network Services (“ECNS”) licences, valid until 2024 and 2029 respectively. These licences are subject to the fulfilment of certain obligations relating to service levels, roll-out targets and annual licence fees. The directors confirm that the Group and Company are up to date in its bi-annual submission of regulatory compliance reports detailing compliance with service levels, roll-out obligations and annual licence fees.

Preference dividend

Cumulative preference dividends for Preference “A” shares amounting to R4.2 million (2016: R460 million) and Preference “B” shares amounting to R15.4 million (2015: R1.2 billion) will be declared and paid when the Group has profits and distributable cash available, in terms of the shareholders’ agreement. The contingent liability as at 2016 for the old shareholders is not applicable and the only contingency is for the new shareholder as reflected in 2017.

Transaction with agent

As reported in the prior year’s Annual Financial Statements note 37, a transaction arising in the 2015 financial year with a third party agent was investigated. No further developments or claims relating to this matter have arisen in the current year or to date. Based on the facts currently known, the directors do not believe that this matter will have a material adverse effect on their business, financial condition, result of operations or cash flow for the group or company.

35 Commitments

	Group		Company	
	2017 11 months	2016	2017 11 months	2016
	R000	R000	R000	R000
Capital commitments				
Capital expenditure authorised and contracted for	127 450	61 556	127 450	61 556
Capital expenditure authorised but not yet contracted for . . .	450 541	438 444	450 541	438 444
	577 991	500 000	577 991	500 000

35 Commitments (Continued)

Capital commitments comprise of commitments for property, plant and equipment. Management expects these commitments to be financed from cash generated from operations, further equity loans from the holding company as well as a R350 million vendor finance arrangement that is in place. (Refer to note 39)

Operating lease commitments:

	Total	<1 year	2-5 years	>5 years
	R000	R000	R000	R000
Group and Company				
2017				
Buildings	9 856	7 867	1 989	—
Houses	—	—	—	—
Sites	300 791	78 362	209 121	13 308
Circuit leasing	170 731	71 614	99 117	—
	481 378	157 843	310 227	13 308
2016				
Buildings	17 237	8 019	9 218	—
Houses	341	341	—	—
Sites	329 473	68 155	220 065	41 253
Circuit leasing	133 102	111 955	21 147	—
	480 153	188 470	250 430	41 253

The Group and Company lease buildings, sites and circuits. The contracts for the buildings are up to 20 years. The minimum lease payments under the building lease agreements are subject to average annual escalations of 9%. The circuit leases are for periods up to 5 years and have no escalation.

36 Related party disclosures

Details of material transactions and balances with related parties were as follows:

Related party balances

	Group		Company	
	2017 11 months	2016	2017 11 months	2016
	R000	R000	R000	R000
Amounts included in share capital and share premium				
K2016272836 (Pty) Ltd (SA Holdco)	4 144 075	—	4 144 075	—
Sepco Communications (Pty) Ltd	—	2 487 361	—	2 487 361
—VSNL SNOSPV Pte Ltd	—	1 799 266	—	1 799 266
—Tata Africa Holdings (SA) (Pty) Ltd	—	160 660	—	160 660
—Communitel Telecommunications (Pty) Ltd	—	527 435	—	527 435
VSNL SNOSPV Pte Ltd	—	1 462 770	—	1 462 770
Nexus Connexion (Pty) Ltd	—	193 944	—	193 944
Amounts included in loan from shareholders				
Nexus Connexion (Pty) Ltd	—	1 005 852	—	1 005 852
Amounts included in equity loan				
K2016272836 (Pty) Ltd (SA Holdco)	3 267 818	—	3 267 818	—

36 Related party disclosures (Continued)

		Group 2017 11 months	Group 2016	Company 2017 11 months	Company 2016
		R000	R000	R000	R000
Amounts included in loans from affiliate companies					
Liquid Telecommunication Group Companies		84 417	—	84 417	—
Amounts included in loans to affiliate companies					
Liquid Telecommunication Group Companies		5 189	—	5 189	—
Transaction Payment Solutions Group Companies		28 187	—	28 187	—
Amounts included in trade and other payables					
Tata Communications Ltd	*	—	20 510	—	20 510
Tata Communications (UK) Ltd	*	—	260 779	—	260 779
Tata Consultancy Services (SA) (Pty) Ltd	**	—	61 628	—	61 628
Tata Communications (France) SAS	*	—	1 668	—	1 668
Tata Communications (Hong Kong) Ltd	*	—	6 996	—	6 996
Tata Communications International Pte Ltd	*	—	8 736	—	8 736
Tata Communications Transformation Services Ltd	*	—	70 050	—	70 050
Tata Communications (Portugal) Instalacao E	*	—	191	—	191
Tata Communications America Inc.	*	—	3 145	—	3 145
Tata Communications Deutschland GmbH	*	—	14 000	—	14 000
Tata Communications (Australia) (Pty) Ltd	*	—	3 457	—	3 457
Tata Communications (Taiwan) Ltd	*	—	248	—	248
Tata Communications (Japan) Ltd	*	—	1 312	—	1 312
Tata Automobile Corporation SA (Pty) Ltd	**	—	—	—	—
Telecom Namibia Ltd	***	—	1 931	—	1 931
Neotel Business Support Services (Pty) Ltd	*****	—	—	148 262	101 222
Number Portability Company (Pty) Ltd	******	20	227	20	227
Sonke Computer Services Africa (Pty) Ltd	*******	—	831	—	831
XKM Financial Advisory Services (Pty) Ltd	*******	—	4 851	—	4 851
Econet Group Companies		1 079	—	1 079	—
Liquid Telecommunications Group Companies		300 057	—	300 057	—
Transaction Payment Solutions Group Companies		11 372	—	11 372	—

36 Related party disclosures (Continued)

		Group 2017 11 months	Group 2016	Company 2017 11 months	Company 2016
		R000	R000	R000	R000
Amounts included in trade and other receivables					
Tata Communications (UK) Ltd	*	—	78 393	—	78 393
Tata Africa Holdings (SA) (Pty) Ltd	****	—	2 799	—	2 799
Tata Communications Ltd	*	—	3 937	—	3 937
Tata Communications (Americas) Inc.	*	—	11 301	—	11 301
Tata Communications (Canada) LLC	*	—	2 301	—	2 301
Tata Communications Transformation Services Ltd	*	—	5 456	—	5 456
Telecom Namibia Ltd	***	—	2 598	—	2 598
Sonke Computer Services Africa (Pty) Ltd	*******	—	44	—	44
Eon Consulting (Pty) Ltd	**	—	78	—	78
Nexus Facilities (Pty) Ltd	*******	—	113	—	113
Neotel Business Support Services (Pty) Ltd	*****	—	—	44 663	36 551
Worleyparsons (Pty) Ltd	********	—	23	—	23
Tata Automobile Corporation SA (Pty) Ltd	**	—	47	—	47
Tata Consultancy Services (SA) (Pty) Ltd	**	—	101	—	101
RZT ZELPY 4695 CC	*******	—	79	—	79
Link Market Services (SA) (Pty) Ltd	*******	—	—	—	—
Tata Steel (KZN) (Pty) Ltd	**	—	1	—	1
Sepco (Pty) Ltd		—	250	—	250
Stallion Security (Pty) Ltd	*******	—	16	—	16
Econet Group Companies		863	—	863	—
Liquid Telecommunications Group Companies		166 958	—	166 958	—
Transaction Payment Solutions Group Companies		25 385	—	25 385	—
Amounts included in assets					
Tata Consultancy Services (SA) (Pty) Ltd	**	—	37 260	—	37 260
Tata Communications Transformation Services Ltd	*	—	17 608	—	17 608
Tata Communications (Americas) Inc.	*	—	1 504	—	1 504
Revenue					
Tata Communications (UK) Ltd	*	212 258	344 340	212 258	344 340
Tata Africa Holdings (SA) (Pty) Ltd	****	6 557	1 369	6 557	1 369
Tata Automobile Corporation (SA) (Pty) Ltd	**	457	566	457	566
Tata Communications Ltd	*	10 213	9 495	10 213	9 495
Tata Steel (KZN) (Pty) Ltd	**	185	258	185	258
Tata Communications (US) Inc.	*	7 046	10 264	7 046	10 264
Tata Communications (Canada) LLC	*	4 954	5 603	4 954	5 603
Tata Communications Transformation Services Ltd	*	2 154	2 941	2 154	2 941
Tata Consultancy Services (SA) (Pty) Ltd	**	416	524	416	524
Telecom Namibia Ltd	***	5 306	21 210	5 306	21 210
Sonke Computer Services Africa (Pty) Ltd	*******	203	135	203	135
Goodhope Palace Hotels (Pty) Ltd	**	647	505	647	505
Amabhubesi Investments (Pty) Ltd	*******	145	177	145	177
Eon Consulting (Pty) Ltd	**	(8)	152	(8)	152

36 Related party disclosures (Continued)

		Group		Company	
		2017 11 months	2016	2017 11 months	2016
		R000	R000	R000	R000
Nexus Facilities (Pty) Ltd	*******	—	(272)	—	(272)
Worleyparsons (Pty) Ltd	*******	1 125	1 655	1 125	1 655
Link Market Services (SA) (Pty) Ltd	*******	286	324	286	324
RZT ZELPY 4695 CC	*******	105	88	105	88
Tata Motors (SA) (Pty) Ltd	**	217	190	217	190
Stallion Security (Pty) Ltd	*******	40	254	40	254
Econet Group Companies		5	—	5	—
Liquid Telecommunications Group Companies		7 208	—	7 208	—
Transaction Payment Solutions Group Companies		896	—	896	—
Other income					
Tata Communications (Bermuda) Ltd	*	6 718	6 066	6 718	6 066
Management fees received					
Liquid Telecommunications Group Companies		829	—	829	—
Transaction Payment Solutions Group Companies		68	—	68	—

36 Related party disclosures (Continued)

Costs charged by related parties are as follows:

		Group		Company	
		2017 11 months	2016	2017 11 months	2016
		R000	R000	R000	R000
Tata Consultancy Services (SA) (Pty) Ltd	**				
—OSS/BSS costs		129 244	138 317	129 244	138 317
Tata Communications International Pte Ltd	*				
—OSS/BSS costs		—	1 038	—	1 038
Tata Communications Transformation Services Ltd	*				
—OSS/BSS costs		44 591	46 648	44 591	46 648
Number Portability Company (Pty) Ltd	******				
—Geographical porting services costs		398	593	398	593
Sonke Computer Services Africa (Pty) Ltd	******				
—Consulting fee		7 693	9 033	7 693	9 033
Payments to other operators					
Tata Communications America Inc.	*	679	714	679	714
Tata Communications (UK) Ltd	*	207 150	389 805	207 150	389 805
Tata Communications (France) SAS	*	1 582	1 656	1 582	1 656
Telecom Namibia Ltd	***	2 247	7 550	2 247	7 550
Tata Communications (Hong Kong) Ltd	*	6 105	7 196	6 105	7 196
Tata Communications International Pte Ltd	*	2 791	4 143	2 791	4 143
Tata Communications (Portugal) Instalacao E	*	163	190	163	190
Tata Communications Deutschland GmbH	*	13 907	13 935	13 907	13 935
Tata Communications Transformation Services Ltd	*	—	—	—	—
Tata Communications (Australia) (Pty) Ltd	*	5 553	3 096	5 553	3 096
Tata Communications (Taiwan) Ltd	*	408	246	408	246
Tata Communications (Japan) Ltd	*	1 094	1 190	1 094	1 190
Tata Communications (Netherlands) Ltd	*	537	—	537	
Tata Communications Ltd	*	11 044	10 960	11 044	10 960
Econet Group Companies		533	—	533	—
Liquid Telecommunications Group Companies		5 700	—	5 700	—
Transaction Payment Solutions Group Companies		822	—	822	—
Maintenance charges					
Neotel Business Support Services (Pty) Ltd	*****	—	—	143 771	156 841
Tata Communications International Pte Ltd	*	—	4 407	—	4 407
Travel					
Tata Communications International Pte Ltd	*	26	—	26	—
Consulting					
XKM Financial Advisory Services (Pty) Ltd	*******	13 301	4 255	13 301	4 255
Interest charges					
Nexus Connexion (Pty) Ltd		87 933	84 040	87 933	84 040
Liquid Telecommunications Group Companies		299	—	299	—

*	Common shareholder—VSNL SNOSPV

**	Common directors—Tata entities

***	Common shareholder—Telecom Namibia

****	Common shareholder—Tata Africa Holdings

36 Related party disclosures (Continued)

***** Subsidiary of Neotel (Pty) Ltd

****** Associate of Neotel (Pty) Ltd

******* Common directors—Nexus (Pty) Ltd

******** Common directors—Telecom Namibia

37 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	Group		Company	
	2017 11 months	2016	2017 11 months	2016
	R000	R000	R000	R000
Short-term benefits	124 200	139 628	120 228	135 040
Post-employment benefits	9 662	8 929	9 578	8 523
Termination benefits	3 158	2 356	2 995	2 173
	137 020	150 913	132 801	145 736

38 Directors and prescribed officers' emoluments

Company 2017 11 months	Executive Director A #	Executive Director B	Prescribed Officer B #	Prescribed Officer C	Prescribed Officer D #	Prescribed Officer E	Total
Base salary and benefits	—	5 638	—	2 317	—	1 749	9 704
Annual incentive	—	4 525	—	1 705	—	1 142	7 372
Other ****	—	1 691	—	—	—	—	1 691
Medical aid	—	—	—	106	—	54	160
	—	11 854	—	4 128	—	2 945	18 927
2016							
Base salary and benefits	3 326	4 255	1 473	2 367	2 682	1 159	15 262
Annual incentive	—	—	—	1 172	1 480	601	3 253
Other ****	2 917	—	2 782	—	—	—	5 699
Medical aid	71	—	103	106	41	37	358
Retention ***	—	—	—	—	—	600	600
	6 314	4 255	4 358	3 645	4 203	2 397	25 172

These directors / prescribed officers resigned during the 2016 financial year.

*** The retention bonus disclosed in 2015 was accrued for, but paid in 2016 (refer to note 28).

**** Relates to settlement agreements.

38 Directors and prescribed officers' emoluments (Continued)

Executive Director B has been the Director in Charge of Neotel since August 2015 till February 2017. He has not been remunerated through the payroll of the Company, the costs reflected above are reflected under consulting fees.

	Company	
	2017 11 months	2016
	R000	R000
New directors		
Edge ME	—	—
Gugushe N	—	—
Masiyiwa S	—	—
Meyer MR	—	—
Pemhiwa RN	—	—
Rudnick NT	—	—
Wilson DR	—	—

All the above Board directors are shareholder representatives and are not remunerated by the Company. There is no remuneration paid to them by other group companies in South Africa between 13-28 February 2017.

Other Board directors—resigned 10 February 2017		
Dhawan R	—	—
Kumar VA	—	—
Ntsaluba SS (Alternate to Memani XK)	—	—
Offner R	—	—
Pharm TL	—	—
Ranade SG	—	—
Srinath N (Chairman)	—	—

39 Going concern

The directors have reviewed the Group and Company's cash flow projections for the forthcoming period of twelve months from 01 March 2017 up to and including 28 February 2018 as well as the material cash flows that could result through to June 2018. Considering the available cash position as of 28 February, the cash flow projections for the period, the repayment of existing obligations and access to new capital and loan funding, the directors are satisfied that the Group and Company have access to adequate cash resources to settle obligations as these arise and that operations reflect adequate financial sustainability to enable the business to continue in operational existence for the foreseeable future.

The going concern assumption is supported by the following:

- The Company has been acquired by the new shareholders consisting of Liquid Telecommunications Holdings Ltd (70%) and Royal Bafokeng Holdings (RBH) (30%) and the transaction was effective 10 February 2017. The acquisition by the new shareholders is fundamental to the going concern assumption as it allowed the Group and Company to refinance the existing debt arrangements in place at 10 February, contributed equity type capital to the business of around R2.8 billion and provided additional funding to continue operating for the foreseeable future.
- The net current liability position of the Group and Company, as of 28 February 2017, will be addressed through access to additional short term funding. A revolving credit facility of R350.0 million has been entered into with financial institutions to provide funding directly to the business and an equity loan of R450.0 million is available from its shareholders. These facilities are undrawn as of 28 February 2017. The new majority shareholders also have vendor finance

39 Going concern (Continued)

arrangements of R350.0 million which will be utilised for capital expenditure required in terms of the annual operating plan (AOP).

- The merger of Liquid SA's existing operations in South Africa with Neotel operations was completed in February 2017 and this will increase the business footprint and result in improved economies of scale to the business operations along with the consequential positive cash flows from the business that has been brought in.
- The performance and trading of the Group and Company for the new financial year and following financial year indicates positive future projected earnings, assisted by lower debt costs and the resulting cash flow generated from operating activities is expected to be positive.
- The new management along with the existing team will continue with their cost optimisation, margin improvement and working capital plans in an effort to generate improved margins and cash. Management's ability to trade and manage the operations in terms of the new financial year AOP and within the facilities available to the Group and Company is fundamental to the going concern assumption. The new management that have been appointed have a prior record of success in the operation of this type of business.
- As part of the debt restructuring which occurred on 10 February 2017, R2.95 billion has been provided by a consortium of two banks. This is a bridge loan facility and was set up due to the impending longer term loan funding and capital raising activities of the ultimate group holding company. Management with the respective Lenders are currently in the process of negotiating the re-financing options of this existing bridge loan facility of R3.3 billion of which R2.95 billion has been drawn to date and matures on 10 May 2018. Banks have been mandated to raise financing in the debt capital markets with an anticipated close date of July 2017. As an alternative plan, the debt will be refinanced into longer term bank facilities and this has an anticipated close date of November 2017. The new loan funding, extension or re-financing of the bridge loan facility is essential to the Group and Company being able to deal with the cash flow obligation arising from the repayment of the existing bridge facility of R2.95 billion in May 2018. Given that the new shareholders have been successful at raising these funds in February 2017 and the current activities at the group holding company that are underway in terms of loan and capital raising activities, the directors are confident that adequate funding will be in place to deal with the bridge loan facility repayment in May 2018.

Based on the assessment made and articulated in the reasons set out above, the directors are of the opinion, that the adoption of the going concern assumption for the preparation of the financial statements as of 28 February 2017 is appropriate.

40 Events after reporting period

The directors are not aware of any other material events which have occurred subsequent to year end and to the date of this report that require disclosure or adjustment.

NEOTEL (PTY) LTD
REG. NO. 2004/004619/07

AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2016

NEOTEL (PTY) LTD
ANNUAL FINANCIAL STATEMENTS
REG. NO. 2004/004619/07
31 March 2016

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Preparation & Responsibility Statement

The annual financial statements have been prepared under the supervision of Napo Mafihlo, CA, General Manager: Finance, and the Neotel (Ety) ltd audit Committee.

Deloitte.

Sizwe Ntsaluba Gobodo
AUDIT · ADVISORY · FORENSICS

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NEOTEL PROPRIETARY LIMITED

We have audited the Group and Company financial statements of Neotel Proprietary Limited set out on pages 9 to 51, which comprise the consolidated and separate statements of financial position as at 31 March 2016, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is suffusion and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The company entered into agreements with a consultant company in pursuit of and in connection with securing customer contracts. This resulted in fees of R91 million being paid or by the company to this consultant. The commerciality and lawful business purpose of the consultancy arrangements are and remain, in our opinion, unsupported. The customer contract is for a period of five years from 19 December 2014 and various other supply arrangements with this customer, have a material impact on the business. The potential consequences and ramifications on the business resulting from the matters referred to in Note 37 to the financial statements are uncertain.

The lenders have not waived certain of their rights as requested by the company as the lenders are of the view that the rights have not vested as disclosed in Note 37. It is possible that further information may arise, after the date of this report, relating to this matter, which indicates that breaches of the clauses referred to in Note 37 have occurred, thereby resulting in an event(s) of default under the Long Term Finance Common Terms Agreement (LFCTA).

Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Neotel Proprietary Limited as at 31 March 2016, and its consolidated and separate financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Emphasis of Matter—Going concern

We draw the users' attention to the matters under Notes 36 and 38 of the financial statements regarding the Group's and Company's ability to continue as a going concern. Furthermore, we draw attention to the financial statements which indicate the Group's and Company's shareholders deficit of R2 467 million and R2 461 million respectively, and that (he shareholders loans are subordinated until such time as the Group's and Company's assets, fairly valued exceed their liabilities.

The Group's and Company's ability to continue as a going concern is dependent on its ability to trade against its Annual Operating Plan and achieve its revenue growth, cost optimisation and projected margins. The funding of the business is dependent on cash generated from operations, its ability to manage capital expenditure and funding from the shareholders. The Group and Company has restructured its debt arrangements which has resulted in no debt repayments from 30 September 2016 to 30 April 2018. In addition, the Group and Company has committed facilities of R654 million from its new shareholders to support the company and the new shareholders are required to ensure the company is fully funded. Considering the matters under Note 36, the Group's and Company's ability to continue as a going concern and settle its liabilities as they fall due will depend on continued support from the new shareholders and lenders.

We also draw your attention to the fact that the viability of the business is dependent on the company's ability to restructure the debt facility described under Note 38 and the associated repayment terms post 30 April 2018.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the Directors' Report for the purpose of identifying whether there are material inc on sistencies between this report and the audited financial statements. This report is the responsibility of the respective parkers Based on reading this report we have not identified material inconsistencies between this report and the

Audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: CC Vaghela
Partner
10 February 2017

SizweNtsalubaGobodo Inc.

SizweNtsalubaGobodo Inc
Registered Auditor
Per: N Moodley
Partner
10 February 2017

NEOTEL (PTY) LTD

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

		Group		Company	
	Notes	2016	2015	2016	2015
		R000	R000	R000	R000
Revenue	4	4 371 715	4 110 333	4 371 715	4 113 171
Interest received	5	48 440	36 775	48 440	36 756
Other income		14 249	136 063	14 249	136 044
Payments to other operators		(2 014 067)	(1 583 850)	(2 014 067)	(1 583 850)
Cost of phone devices		(41 639)	(38 603)	(41 639)	(38 603)
Employee expenses		(734 930)	(707 412)	(598 691)	(569 487)
Other expenses		(900 971)	(770 530)	(1 058 104)	(927 552)
Consulting expenses		(13 389)	(91 433)	(13 389)	(91 433)
Depreciation		(421 295)	(346 424)	(421 274)	(345 616)
Amortisation		(62 286)	(47 627)	(62 286)	(47 627)
Finance charges	6	(665 396)	(652 145)	(665 381)	(652 145)
Share of profits from associate	11	761	253	761	253
(Loss) / Profit before taxation	7	(418 808)	45 400	(439 666)	29 911
Taxation credit / (charge)	8	49 354	(716 191)	50 025	(716 429)
(Loss) for the year		(369 454)	(670 791)	(389 641)	(686 518)
Other comprehensive income		—	—	—	—
Total comprehensive (loss) for the year		(369 454)	(670 791)	(389 641)	(686 518)

NEOTEL (PTY) LTD

STATEMENTS OF FINANCIAL POSITION

at 31 March 2016

	Notes	Group 2016 R000	Group 2015 R000	Company 2016 R000	Company 2015 R000
ASSETS					
Non-current assets					
Property, plant and equipment	9	3 631 797	3 543 706	3 718 365	3 630 253
Investment in subsidiary	10	—	—	—	—
Investment in associate	11	4 323	3 562	4 323	3 562
Intangible assets	12	186 751	194 481	186 751	194 481
Deferred tax asset	13	136 512	86 411	108 694	57 922
Other receivables	14	201 956	227 352	201 956	227 352
Other investments	15	1 429	1 271	1 429	1 271
Total non-current assets		4 162 768	4 056 783	4 221 518	4 114 841
Current assets					
Inventories	16	39 521	41 881	39 521	41 881
Trade and other receivables	17	847 618	740 126	884 055	775 386
Other investments	15	523 309	420 527	523 309	420 527
Cash and cash equivalents	18	165 736	351 152	165 542	351 138
Total current assets		1 576 184	1 553 686	1 612 427	1 588 932
TOTAL ASSETS		5 738 952	5 610 469	5 833 945	5 703 773
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital		3 133 525	3 133 525	3 133 525	3 133 525
Share premium	20	1 010 550	1 010 550	1 010 550	1 010 550
Other reserves		3 008	3 008	3 008	3 008
Accumulated deficit		(6 614 006)	(6 244 552)	(6 607 733)	(6 218 092)
Shareholders' deficit		(2 466 923)	(2 097 469)	(2 460 650)	(2 071 009)
Non-current liabilities					
Loan from shareholder	21	1 005 852	921 824	1 005 852	921 824
Loans from financial institutions	22	2 452 695	3 486 025	2 452 695	3 486 025
Loans from financial institutions for property purchase	23	89 320	106 260	89 320	106 260
Trade and other payables	24	7 567	6 823	7 567	6 823
Unearned revenue	25	239 678	236 922	239 678	236 922
Total non-current liabilities		3 795 112	4 757 854	3 795 112	4 757 854
Current liabilities					
Loans from financial institutions	22	2 598 982	1 538 363	2 598 982	1 538 363
Loans from financial institutions for property purchase	23	16 978	13 482	16 978	13 482
Trade and other payables	24	1 218 911	787 866	1 324 971	875 001
Provisions	26	174 716	197 095	157 376	176 804
Unearned revenue	25	401 176	413 236	401 176	413 236
Other financial liabilities		—	42	—	42
Total current liabilities		4 410 763	2 950 084	4 499 483	3 016 928
Total liabilities		8 205 875	7 707 938	8 294 595	7 774 782
TOTAL EQUITY AND LIABILITIES		5 738 952	5 610 469	5 833 945	5 703 773

NEOTEL (PTY) LTD

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Ordinary share capital	Preference share capital	Preference share premium	Other reserves	Accumulated deficit	Total
	R000	R000	R000	R000	R000	R000
Group						
Balance at 1 April 2014	1	3 133 524	1 010 550	3 008	(5 573 761)	(1 426 678)
Total comprehensive loss for the year	—	—	—	—	(670 791)	(670 791)
Balance at 31 March 2015	1	3 133 524	1 010 550	3 008	(6 244 552)	(2 097 469)
Total comprehensive loss for the year	—	—	—	—	(369 454)	(369 454)
Balance at 31 March 2016	1	3 133 524	1 010 550	3008	(6 614 006)	(2 466 923)
Company						
Balance at 1 April 2014	1	3 133 524	1 010 550	3008	(5 531 574)	(1 384 491)
Total comprehensive loss for the year	—	—	—	—	(686 518)	(686 518)
Balance at 31 March 2015	1	3 133 524	1 010 550	3 008	(6 218 092)	(2 071 009)
Total comprehensive loss for the year	—	—	—	—	(389 641)	(389 641)
Balance at 31 March 2016	1	3 133 524	1 010 550	3 008	(6 607 733)	(2 460 650)

NEOTEL (PTY) LTD

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2016

	Note	Group 2016 R000	Group 2015 R000	Company 2016 R000	Company 2015 R000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash generated from operations					
Receipts from customers		4 783 832	4 763 258	4 782 654	4 762 563
Payments made to suppliers		(3 716 403)	(3 442 247)	(3 715 420)	(3 450 421)
Cash flows generated from operations	27	1 067 429	1 321 011	1 067 234	1 312 142
Interest received		48 440	36 775	48 440	36 756
Foreign exchange losses		(49 003)	(1 544)	(49 003)	(1 544)
Finance charges		(433 444)	(459 450)	(433 429)	(459 450)
Taxation (paid) / received		(747)	(2 272)	(747)	(2 272)
Net cash inflow from operating activities		**632 675**	**894 520**	**632 495**	**885 632**
CASH FLOWS FROM INVESTING ACTIVITTES					
Additions to property, plant and equipment		(558 850)	(637 291)	(558 850)	(628 184)
Additions to intangible assets		(47 633)	(55 146)	(47 633)	(55 146)
Proceeds from disposal of property, plant and equipment		—	200 977	—	200 977
Decrease in other receivables		25 396	166 218	25 396	166 218
Increase in other investments		(102 940)	(384 612)	(102 940)	(384 612)
Net cash outflow from investing activities		**(684 027)**	**(709 854)**	**(684 027)**	**(700 747)**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings from financial institutions		607 185	—	607 185	—
Repayment of borrowings from financial institutions		(727 809)	(229 020)	(727 809)	(229 020)
Repayment of property funding		(13 440)	(10 220)	(13 440)	(10 220)
Net cash (outflow) / inflow from financing activities		(134 064)	(239 240)	(134 064)	(239 240)
Net (decrease) / increase in cash and cash equivalents		(185 416)	(54 574)	(185 596)	(54 355)
Cash and cash equivalents at the beginning of the year		351 152	405 726	351 138	405 493
Cash and cash equivalents at the end of the year		**165 736**	**351 152**	**165 542**	**351 138**

1 BASIS OF PREPARATION

The Group and Company's annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB) and the Companies Act of South Africa, 2008.

The annual financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments which are measured at fair value or amortised cost. The principle accounting policies adopted are set out below and are consistent in all material aspects with those applied in the previous financial year.

The new standards effective in the current year were adopted but had no significant impact.

2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of annual financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that the Group and Company may undertake in the future, actual results may ultimately differ from those estimates.

The presentation of the results of operations, financial position and cash flows in the annual financial statements of the Group and Company is dependant upon and sensitive to the accounting policies, assumptions, and estimates that are used as a basis for the preparation of these annual financial statements. Management has made certain judgements in the process of applying the accounting policies. These, together with the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, are discussed as follows:

2.1 Interconnect income and payments to other telecommunications operators

In certain instances, Neotel relics on other operators to measure the traffic flows interconnecting with the Group and Company's network. Estimates are used in this case to determine the amount of income receivable from or payments the Group and Company need to make to other operators. The prices at which these services are charged are often regulated and are often subject to retrospective adjustment and therefore estimates are used in assessing the likely effect of these adjustments.

2.2 Provisions and contingent liabilities

Management's judgement is required when recognising and measuring provisions and when measuring contingent liabilities. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and discounted where the effect of discounting is material. The discount rate used is the rate that reflects current market assessments of the time-value of money and, where appropriate, the risks specific to the liability, all of which require management's judgement. The Group and Company are required to recognise provisions for legal contingencies when the occurrence of the comingency is probable and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the reporting date.

2.3 Property, plant and equipment and intangible assets

The useful lives of assets are based on management's judgement. Management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine optimum useful life expectation for each of the individual items of

2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

property, plant and equipment. Due to the rapid technological advancement in the telecommunications industry, the estimation of useful lives could differ significantly on an annual basis.

The estimation of residual values of assets is also based on management's judgement that the assets will be sold and what their condition will be at that time. For assets that incorporate both a tangible and intangible portion, management uses judgement to assess which element is more significant to determine whether it should be treated as property, plant and equipment or intangible assets.

Determination of impairment of property, plant and equipment and intangible assets is based on management's judgement. Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment Indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of service and other circumstances that could indicate that impairment exists.

Neotel applies the impairment assessment to its cash-generating units. This requires management to make significant judgements concerning the existence of impairment indicators, identification of cash-generating units, remaining useful lives of assets and estimates of projected cash flows and fair value less cost to sell. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount of a cash-generating unit requires management to make assumptions to determine fair value less costs to sell and value in use. A key assumption on which management has based its determination of fair value less costs to sell include the existence of binding sale agreements, and for the determination of value in use includes projected revenues, gross margins, average revenue per unit, capital expenditure, expected customer bases and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of any impairment.

2.4 Financial assets

At each reporting date, management assesses whether there are indicators or impairment of financial assets. If such evidence exists, the estimated present value of the future cash flows of that asset is determined. Management's judgement is required when determining the expected future cash flows. In measuring impairment, quoted market prices are used, if available, or projected business plan information from the investee for those financial assets not carried at fair value.

Impairment of receivables

Impairment is raised for estimated losses on trade receivables that are deemed to contain a collection risk. The impairment is based on an assessment of the extent to which customers have defaulted on payments already due and an assessment of their ability to make payments based on credit worthiness and historical write-off experience. Should the financial condition of the customer change, actual write-off's could differ significantly from the impairment.

2.5 Taxation

Management's judgement is exercised when determining the profitability of future taxable profits which will determine whether deferred tax assets on deductible temporary differences and unused tax losses could be recognised or derecognised. The utilisation of deferred tax assets will depend on whether Neotel and its subsidiary will generate sufficient taxable income, taking into account any legal restrictions on the length and nature of the taxation asset.

2.6 Long term incentive provision

Provision for Share Based Payments for selected employees is carried out based on criteria for projected Company performance for valuation of share options allocated to qualifying employees over specific

2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

number of years of service. The employee should be in the employ of the Company for the vesting period of options in order to qualify for the incentive.

2.7 Revenue recognition on back to back transactions

Management applies judgement in assessing the risk and rewards associated in back to back transactions with a certain customer. In these transactions, where Neotel has exposure to the significant risks and rewards associated with the transaction, revenue is recorded on a gross basis. Neotel's exposure to risk and rewards is assessed in accordance with IAS 18, which includes four indicators for gross revenue recognition, namely, primary responsibility for providing goods or services, exposure to inventory risk, exposure to credit risk, and latitude in establishing prices.

3 ACCOUNTING POLICIES

3.1 Consolidated financial statements

Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the Company and all the entities controlled by the Company, as if they are a single economic entity. Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use it's power to affect its returns.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the date of disposal. Inter-company transactions and the resulting unrealised profits and balances between Group entities are eliminated on consolidation.

Investments in associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or part of an investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter by an increase or decrease in the carrying amount of the investee by the share of the Group's share of profit or loss of the investee.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3.2 Properly, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes all directly attributable expenditure incurred in the acquisition, establishment and installation of the asset so as to bring it to the location and condition necessary for it to be capable of operating in the manner intended. Interest costs incurred during construction of qualifying assets are also capitalised. Depreciation commences from the date the asset is available for use on a straight-line basis over the estimated useful life and ceases at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 *Non-Current assets Held for Sale and Discontinued Operations* or the date that the asset is derecognised. Idle assets continue to attract

3 ACCOUNTING POLICIES (Continued)

depreciation. The depreciable amount is determined after deducting the residual value of the asset. The residual value is the estimated amount that the Group and Company would currently obtain from the disposal of the asset after deducting the estimated cost of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual values, the estimated useful lives of individual assets and the depreciation methods thereof are reviewed on an annual basis with the effect of any changes in the estimate accounted for on a prospective basis.

Assets under construction represent network and support equipment and include all direct expenditure as well as related borrowing costs capitalised, but excludes the costs of abnormal amounts of waste material, labour or other resources incurred in the production of self-constructed assets. Depreciation of these assets commences when they are available for use.

Improvements to assets that are held in terms of operating lease agreements are depreciated on a straight-line basis over the shorter of the remaining useful life of the applicable assets or the remainder of the lease period. Where it is reasonably certain that the lease agreement will be renewed, the lease period equals the period of the initial agreement plus the renewal periods.

Freehold land is not depreciated.

Maintenance and repairs, which neither materially add to the value of the assets nor prolong their useful lives, are expensed in the period incurred. Minor plant and equipment items are also recognised as an expense during the period incurred.

Gains arising from derecognition of property, plant and equipment shall not be classified as revenue.

The estimated useful lives assigned to property, plant and equipment are:

	Estimated useful life (Years)	
Asset class	**2016**	**2015**
Leasehold improvements	Lease period	Lease period
Buildings	20	20
Plant and equipment		
—Cable (fibre and duct)	0 to 20	0 to 15
—Network equipment	2 to 15	2 to 15
—Other plant and equipment	5 to 20	5 to 20
Furniture and fittings	5 to 10	5 to 10
Motor vehicles	5	5
Computer equipment	3 to 10	3 to 10
Assets under construction	Not depreciated	Not depreciated

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in statement of comprehensive income in the year in which the asset is derecognised.

3.3 Intangible assets

An intangible asset shall be recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably.

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses, if any.

3 ACCOUNTING POLICIES (Continued)

The following are the main intangible assets:

Licences

Licences, that are acquired to yield an enduring benefit, are capitalised at cost and amortised from the date of commencement of usage rights over the duration of the licence agreement.

ICASA licence obligation

Neotel has a corporate social responsibility obligation in respect of the licence held with ICASA. Neotel has capitalised the obligation and will amortise over the remaining licence period.

Computer software

Computer software that is not considered to form an integral part of any hardware equipment is recorded as an intangible asset. The software is capitalised at cost and amortised over its estimated useful life.

Amortisation commences when the intangible assets arc available for their intended use and is recognised on a straight-line basis over the assets' expected useful life.

The estimated useful lives assigned to intangible assets are:

	Estimated useful life (years)	
Asset class	**2016**	**2015**
ECS and ECNS licence	25 years	25 years
Licence obligation	15 years	15 years
Computer software	3-8 years	3-8 years

Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. The residual value is assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life or there is an active market for the asset that is likely to exist at the end of its useful life, which can be used to estimate the residual value. The useful lives, amortisation methods and residual values are reviewed on an annual basis.

3.4 Impairment of non-current assets

Assets that are subject to amortisation and depreciation are reviewed for impairment at the end of each reporting period to assess the recoverability of the carrying values.

The recoverable amount of assets or cash-generating units are measured using the higher of the fair value less costs to sell and its value in use (which is the present value of the projected cash flows expected to be derived from an asset). If, and only if, the recoverable amount of an asset is less than the carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. Impairment losses are recognised immediately as an expense in profit or loss when the asset's carrying value exceeds its estimated recoverable amount. Where applicable, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Previously recognised impairment losses, other than for goodwill, are reviewed annually for any indication that they may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. Such impairment losses are reversed through profit or loss if the recoverable amount has increased as a result of a change in the estimates used to determine the recoverable amount. The revised carrying amount shall not be higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. No goodwill impairment losses are reversed.

3 ACCOUNTING POLICIES (Continued)

After the recognition of an impairment loss, any depreciation or amortisation charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount, less its estimated residual value, on a systematic basis over it's remaining useful life.

3.5 Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred lax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.6 Inventory

Inventory is measured at the tower of cost or net realisable value. Cost is determined by the weighted average method and comprises all the Costs of purchase, costs of conversion and other costs inclined in

3 ACCOUNTING POLICIES (Continued)

bringing inventory to its present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventory to net realisable value and all losses of inventory are recognised as an expense in the period in which the write-down or a loss occurs.

3.7 Financial Instruments

Financial assets

Loans and receivables

Trade and other receivables (excluding Value Added Taxation (VAT), prepayments, IRU's and operating lease receivables), finance loans, lease assets and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market ore classified as loans and receivables.

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Trade and other receivables are carried at original invoice amounts less any impairment loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents comprise cash on hand and deposits held on call, net of bank borrowings, all of which are available for use by the Group and Company unless otherwise stated.

Deposits held on call are classified as loans and receivables by the Group and company, and carried at amortised cost Due to the short term nature of these, the amortised cost normally approximates its fair value.

Cash placed in restricted bank accounts for bank guarantees and loan repayments are classified as other investments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets ore impaired when there Is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted and the Group and Company will not be able to collect all amounts due according to the original terms of the financial asset. For financial assets carried at amortised cost, the amount of impairment is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

3 ACCOUNTING POLICIES (Continued)

Financial liabilities

Loans and other borrowings

Loans and other borrowings are initially recognised at fair value plus directly attributable transaction costs. Loans and other borrowings are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derivative financial instruments

The Group and Company use derivative financial instruments mainly to reduce exposure to foreign currency risks and interest rate movements. The Group and Company do not hold or issue derivative financial instruments for financial trading purposes.

The Group and Company's principal derivative financial instruments are forward foreign exchange contracts and interest rate swaps.

Derivative financial instruments are classified as financial assets at fair value through profit or loss and initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit and loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge. Derivative financial instruments are classified as current assets or current liabilities where they are neither designated in a hedging relationship or have a maturity period within 12 months. Where derivative financial instruments have a maturity period greater than 12 months and are designated in a hedge relationship, they are classified within either non-current assets or non-current liabilities. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of host contracts and host contracts are not carried at fair value. Changes in fair value of embedded derivatives are recognised in the statement of comprehensive income in the line which most appropriately reflects the nature of the item or transaction.

Derecognition

A financial asset or portion of a financial asset will be derecognised and a gain or loss recognised when the Group and Company's contractual rights to the cash flow expire or when the entity transfers substantially all the risks and rewards or when the entity loses control.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the consideration and the carrying amount on the settlement date is included in profit or loss.

3.8 Provisions

Provisions are recognised when the Group and Company have a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate to settle the obligation, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount of the provision is the present value of the payments expected to be required to settle the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if

3 ACCOUNTING POLICIES (Continued)

it is virtually certain that reimbursement will be received and the amount of the receivable can be reliably measured.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group and Company have a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3.9 Employee benefits

Short term employee benefits

The cost of all short term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised as an expense in the period in which the employee renders the related service.

The Group and Company recognise the expected cost of bonuses only when there is a present legal or constructive obligation to make such a payment and a reliable estimate can be made.

Long term incentive plan

The Group and Company had adopted a five year vesting period performance incentive plan, based on revenue and EBITDA performance variables in determining the value outcome of options allocated to qualifying employees. The incentive was raised annually against a liability account, based on the Phantom stock unit of measurement for allocated options, as this is treated as a cash settled share based payment transaction. The approach is applicable where companies intend sharing value with key stakeholders without diluting equity.

Defined contribution plans

A defined contribution plan is a plan under which the Group and Company pay a fixed percentage of employees' remuneration as contributions into a separate entity fund, and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. Contributions to defined contribution plans in respect of services during a period are recognised as an employee benefit expense when they are due.

Termination benefits

Termination benefits may be payable when an employee's employment is terminated before the normal retirement date or an employee accepts voluntary redundancy in exchange for these benefits. The Group and Company recognise termination benefits when the Group and Company have demonstrated their commitment to any such plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

3.10 Borrowing costs

Financing costs directly attributable to the acquisition or construction of assets that require more than three months to complete and get ready for their intended use, are capitalised to the cost of that asset at the interest rates relating to loans raised for that purpose. Other borrowing costs are expensed as incurred Capitalisation of borrowing costs cease when substantially all the activities necessary to prepare the asset for its intended use are complete.

3 ACCOUNTING POLICIES (Continued)

3.11 Revenue

Revenue is recognised to the extent that the Group and Company have delivered goods and or rendered services under agreements and can be measured reliably, and is probable that the associated economic benefits will flow to the Group and Company. Revenue net of discounts, which excludes Value Added Tax (VAT) and sales between Group companies represent the invoiced value of goods or services supplied by the Group and Company. The Group and Company measure revenue at the fair value of the consideration received or receivable. Revenue is recognised when there is evidence of an arrangement, collectability is reasonably assured and the delivery of the product or service has occurred. If applicable, revenue is split into separately identifiable components according to the substance of the transaction.

The Group and Company provide fixed-line and data communication services and communication related products. The Group and Company provide such services to wholesale, business, and residential customers.

In certain circumstances revenue is split into separately identifiable components and recognised when the related components are delivered in order to reflect the substance of the transaction. The value of components is determined using verifiable objective evidence. The Group and Company do not provide customers with the right to a refund.

Subscriptions, connections and other usage

The Group and Company provide telephone and data communication services under postpaid and prepaid payment arrangements. Costs incurred on first time installations that form an integral part of the network are capitalised and depreciated over the life of the expected average customer relationship period. All other installation and activation costs are expensed as incurred.

Contract products that may include deliverables such as a handset and 24 month service are defined as arrangements with multiple deliverables. The arrangement consideration is allocated to each deliverable, based on the fair value of each deliverable on a stand-alone basis.

Revenue from the handset is recognised when the product is delivered, limited to the present value amount of cash that will be receivable over the contract period. Monthly service revenue received from the customer is recognised over the period in which the service is rendered. Revenue from the sale of prepaid credit is deferred until such time as the customer utilises the airtime.

Equipment sales

Revenue from equipment sales is recognised only when the Group and Company have transferred to the buyer the significant risk and rewards of ownership of the goods and the Group and Company neither retain continuing managerial involvement to the degree usually associated with ownership or effective control.

Interconnection

Interconnection revenue for call termination, call transit, and network usage is recognised on usage basis.

Data

Revenue from data services is recognised only when the Group and Company have performed data communication services under postpaid and prepaid payment arrangements. Costs incurred on first time installations that form an integral part of the network are capitalised and depreciated over the life of the expected average customer relationship period. All other installation and activation costs are expensed as incurred. Postpaid and prepaid service arrangements include subscription fees (typically monthly fees), which are recognised over the subscription period.

3 ACCOUNTING POLICIES (Continued)

Network managed services

Revenue recognition is inherent from progress completion on construction projects rolled out for customers. This involves revenue from construction of infrastructure for customers, and revenue is recognised based on progress completion on defined milestones between Neotel and the customer.

Neotel recognises progress revenues and milestone billings in accordance with contract terms reached with customers, for the duration of the contract.

Other

Other revenue is recognised when the economic benefits flow to the Group and Company and the earnings process is complete.

Indefeasible right of use (IRU)

IRU contracts where Neotel provides the customer unrestricted rights or access to the use of network assets for agreed time periods, are usually long term contracts running over a period from 5 to 20 years.

In these agreements the payment for unrestricted right of use of the asset is being charged and received either upfront or in instalments as per the terms of the contract agreed upon. IRU income is recognised evenly over the period of the contract, but in the case of a deferred payment schedule, the interest component is recognised as per the effective interest rate method.

3.12 Interest Income

Interest income is recognised on a time proportion basis according to the effective interest rate method.

3.13 Leases

Operating lease payments are recognised in the statements of comprehensive income on a straight-line basis over the lease term. Assets subject to operating leases are presented according to the nature of the asset.

Assets acquired in terms of finance leases are capitalised at the lower of fair value or the net present value of the minimum lease payments at inception of the lease and depreciated over the lesser of the useful life of the asset or the lease term. The capital element of the future obligation under the lease is included as a liability in the statements of financial position. Lease finance costs are amortised in the statements of comprehensive income over the lease term using the effective interest rate method. Where a sale and leaseback transaction results in a finance lease, any excess of sale proceeds over the carrying amount is deferred and recognised in the statements of comprehensive income over the term of the lease.

3.14 Foreign currencies

The functional and presentation currency of the Group and Company is the South African Rand (ZAR). Transactions denominated in foreign currencies are translated, on initial recognition, at the foreign exchange rate at the transaction date.

Monetary assets or liabilities that are denominated in foreign currencies are translated at the rate of exchange at settlement date or reporting date. Exchange differences on the settlement or translation of monetary assets and liabilities are included in gains or losses on re-measurement and disposal of financial instruments in profit or loss in the period in which they arise.

3.15 Comparative figures

Comparative figures are restated in the event of a change in accounting policy or a prior period error.

3 ACCOUNTING POLICIES (Continued)

3.16 Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective for the year ended 31 March 2016. The Standards and Interpretations (including annual amendments to IFRSs) applicable to the Group and Company are presented below.

IFRS 5	Non-current assets held for sale and discontinued operations
IFRS 7	Financial instruments: disclosures
IFRS 9	Financial instruments
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 14	Regulatory deferral accounts
IFRS 15	Revenue from contracts with customers
IFRS 16	Lenses
IAS1	Presentation of financial statements
IAS 7	Cash flow statement
IAS 12	Income taxes
IAS 16	Property, plant and equipment
IAS 19	Employee benefits
IAS 27	Separate financial statements
IAS 28	Investments in associates and joint ventures
IAS 38	Intangible assets

Management are in the process of considering the future impact of these standards and interpretations on the financial statements.

4 Revenue

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Enterprise services	3 370 983	3 362 447	3 370 983	3 362 447
Wholesale voice services	678 861	435 390	678 861	435 390
Project services	109 201	82 188	109 201	85 026
Small enterprise and retail services	239 896	230 308	239 896	230 308
Total revenue	4 398 941	4 110 333	4 398 941	4 113 171
Less discounting of extended receivables	(27 226)	—	(27 226)	—
Net revenue	4 371 715	4 110 333	4 371 715	4 113 171

Included in the enterprise services is IRU (indefeasible right of use) revenue of R43.4 million (2015; R37.5 million) for both Group and Company.

4 Revenue (Continued)

Discounting has been calculated on the extended terms relating to Tata Communications Ltd trade receivables as well as one major customer.

5 Interest received

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Interest received	48 440	36 775	48 440	36 756

Included in interest received is IRU (indefeasible right of use) interest of Nil (2015: R0.7 million) for both Group and Company.

6 Finance charges

	Group 2016 R000	Group 2015 R000	Company 2016 R000	Company 2015 R000
Interest on shareholders' loans	84 040	73 961	84 040	73 961
Interest on loans from financial institutions	571,808	584 517	571 808	584 517
other	9 548	748	9 533	748
	665 396	659 226	665 381	659 226
Less caplialised interest				
—property, plant and equipment	—	(7 081)	—	(7 081)
	665 396	652 145	665 381	652 145

The weighted average capitalisation rate on funds borrowed was 13.9% per annum (2015: 10.34%).

7 (Loss) / Profit before taxation

	Group 2016 R000	Group 2015 R000	Company 2016 R000	Company 2015 R000
(Loss) / Profit before taxation was arrived at after charging:				
Legal fees	20 695	26 987	20 695	26 987
Loss / (gain) on sale of assets	3 469	(129 199)	3 469	(129 199)
Provision for doubtful debts	83 959	30 309	83 959	34 506
Write off of bad debt	—	53 894	—	52 964
Payments to other operators	2 070 458	1 583 850	2 070 458	1 583 850
Less discounting of extended payables	(56 391)	—	(56 391)	—
	2 014 067	1 583 850	2 014 067	1 583 850

7 (Loss) / Profit before taxation (Continued)

Discounting has been calculated on the extended terms relating to Tata Communications Ltd trade payables as well as one major supplier relating to a major customer.

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Operations, maintenance and network costs				
Operations costs	163 457	152 975	163 457	152 975
Maintenance costs	237 356	194 969	394 197	351 810
Network costs	5 511	7 409	5 511	7 409
	406 324	355 353	563 165	512 194
Operating leases				
—Buildings and sites	112 763	103 039	112 763	103 039
—Houses	662	727	662	727
—Vehicles	64	85	64	85
—Infrastructure	147 699	157 596	147 699	157 596
	261 188	261 447	261 188	261 447

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Net foreign exchange gains and losses				
—Unrealised losses / (gains)	34 045	(2 773)	34 045	(2 773)
—Realised losses	14 958	4 317	14 958	4 317
	49 003	1 544	49 003	1 544
Depreciation and amortisation				
—Depreciation	421 295	346 424	421 274	345 616
—Amortisation	62 286	47 627	62 286	47 627
	483 581	394 051	483 560	393 243
Management and technical fees				
—Operations and business support services (“OSS/BSS”)	6 522	7 248	6 522	7 248
	6 522	7 248	6 522	7 248
Employee benefits expense				
—Defined contribution plan	68 715	63 650	53 224	48 750
—Medical aid contribution	35 392	32 659	25 605	23 065
	104 107	96 309	78 829	71 815
Consulting fees				
—Success and asset sale fee to agent*	—	61 000	—	61 000
—Commission paid to agent*	—	22 897	—	22 897
—Business service agreement	—	1 078	—	1 078
—Other consulting**	13 389	6 458	13 389	6 458
Total consulting	13 389	91 433	13 389	91 433

* Fees were incurred for an agent relating to contracts with a certain customer (refer note 37).

** Included in the consulting fees is R4.2 million paid to the Director in charge

8 Taxation credit / (charge)

Deferred tax—current year	50,101	(42 509)	50 772	(42 747)
—prior year	—	(671 410)	—	(671 410)
Taxation credit / (charge) per the statements of comprehensive income	50,101	(713 919)	50 772	(714 157)
Foreign tax charge	(747)	(2 272)	(747)	(2 272)
Taxation credit / (charge)	49 354	(716 191)	50 025	(716 429)

Foreign withholding tax

The foreign tax paid of R0.7 million (2015: R2.3 million) arises from foreign income earned, which was subject to withholding tax in the foreign country and paid by the foreign customer to the Revenue Authority of their respective countries.

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Reconciliation between accounting profit and tax expense				
Accounting profit	(418 808)	45 400	(439 666)	29 911
Tax at the applicable rate of 28% (2015: 28%)	(117 266)	12 712	(123 106)	8 375
Deferred tax asset not recognised	34 046	667 152	39 317	671 411
Depreciation / amortisation of non qualifying assets	6 914	7 789	6 914	7 789
Non-taxable income	(213)	(71)	(213)	(71)
Non-deductible expenditure	26 748	28 659	26 697	28 659
Deductible expenditure	(158)	(952)	(209)	(636)
Deferred tax adjustment relating to prior year allowances	(172)	(1 370)	(172)	(1 370)
Foreign withholding tax	747	2 272	747	2 272
Tax effect of assessed loss	(49 354)	716 191	(50 025)	716 429
Reconciliation of tax rate	%	%	%	%
Normal rate of taxation	28.0	28.0	28.0	28.0
Adjusted for:				
—Permanent differences	(7.9)	78.0	(7.5)	119.5
—Deferred tax asset not recognised	(8.1)	1 469 5	(8.9)	2 244.6
—Deferred tax adjustment relating to prior year allowances	—	(3.0)	—	(4.6)
—Foreign withholding tax	(0.2)	5.0	(0.2)	7.6
Effective tax rate	**11.8**	**1 577.5**	**11.4**	**2 395.1**

No provision has been made for income tax in the current year at the Company has no taxable income. The estimated tax loss available for set off against future taxable income for the Group and Company is R5.7 billion (2015: R5.5 billion) and R5.7 billion (2015: R5.5 billion) respectively.

9 Properly, plant and equipment

	Cost	Accumulated depreciation / Impairment	Carrying value
	R000	R000	R000
Group			
2016			
Land	29 500	—	29 500
Buildings and leasehold improvements	333 627	(149 269)	184 358
Plant and equipment	5 472 218	(2 343 100)	3 129 118
Furniture and fittings	42 894	(35 917)	6 977
Computer equipment	283 355	(223 967)	59 388
Motor vehicles	1 768	(789)	979
Network spares	145 484	(27 997)	117 487
Assets under construction	103 990	—	103 990
	6 412 836	(2 781 039)	3 631 797
2015			
Land	29 500	—	29 500
Buildings and leasehold improvements	300 989	(116 646)	184 343
Plant and equipment	5 021 146	(2 005 490)	3 015 656
Furniture and fittings	41 900	(31 584)	10 316
Computer equipment	240 222	(201 394)	38 828
Motor vehicles	1 768	(477)	1 291
Network spares	150 144	(17 905)	132 239
Assets under construction	131 533	—	131 533
	5 917 202	(2 373 496)	3 543 706
Company			
2016			
Land	29 500	—	29 500
Buildings and leasehold improvements	333 627	(149 269)	184 358
Plant and equipment	5 456 636	(2,327,518)	3 129 118
Furniture and fittings	42 616	(35 639)	6 977
Computer equipment	283 071	(223 683)	59 388
Motor vehicles	1 727	(748)	979
Network spares	145 484	(27 997)	117 487
Assets under construction	190 558	—	190 558
	6 483 219	(2 764 854)	3 718 365
2015			
Land	29 500	—	29 500
Buildings and leasehold improvements	300 988	(116 646)	184 342
Plant and equipment	5 005 564	(1 989 929)	3 015 635
Furniture and fittings	41 622	(31 306)	10 316
Computer equipment	239 940	(201 110)	38 830
Motor vehicles	1 727	(436)	1 291
Network spares	150 144	(17 905)	132 239
Assets under construction	218 100	—	218 100
	5 987 585	(2 357 332)	3 630 253

9 Properly, plant and equipment (Continued)

Group

The carrying amount of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Transfers	Disposals	Depreciation/ Impairment	Carrying value at end of year
	R000	R000	R000	R000	R000	R000
2016						
Land	29 500	—	—	—	—	29 500
Buildings and leasehold improvements	184 343	5 428	12 860	—	(18 273)	184 358
Plant and equipment	3 015 656	428 749	52 670	(3 438)	(364 519)	3 129 118
Furniture and fittings	10 316	694	293	—	(4 326)	6 977
Computer equipment	38 828	41 124	3 255	(47)	(23 772)	59 388
Motor vehicles	1 291	—	—	—	(312)	979
Network spares	132 239	34 397	—	(39 056)	(10 093)	117 487
Assets under construction	131 533	48 458	(76 001)	—	—	103 990
	3 543 706	558 850	(6 923)	(42 541)	(421 295)	3 631 797
2015						
Land	29 500	—	—	—	—	29 500
Buildings and leasehold improvements	199 713	3 387	305	(1 878)	(17 184)	184 343
Plant and equipment	2 831 625	488 414	70 509	(69 622)	(305 270)	3 015 656
Furniture and fittings	11 476	1 231	90	(2)	(2 479)	10 316
Computer equipment	51 693	6 665	1 094	(276)	(20 348)	38 828
Motor vehicle	859	687	—	—	(255)	1 291
Network spares	60 974	75,725	—	(3 572)	(888)	132 239
Assets under construction	137 101	68 263	(73 831)	—	—	131 533
	3 322 941	644,372	(1,833)	(75,350)	(346 424)	3 543 706

All assets are ceded to the lenders in terms of the Long Term Finance Common Terms Agreement (LFCTA), refer note 22.

9 Properly, plant and equipment (Continued)

Company

The carrying amount of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Transfers	Disposals	Depreciation / Impairment	Carrying value at end of year
	R000	R000	R000	R000	R000	R000
2016						
Land	29 500	—	—	—	—	29 500
Buildings and leasehold improvements	184 342	5 429	12 860	—	(18 273)	184 358
Plant and equipment	3 015 635	428 748	52 670	(3 438)	(364 497)	3 129 118
Furniture and fittings	10 316	694	293	—	(4 326)	6 977
Computer equipment	38 830	41 123	3 255	(47)	(23 773)	59 388
Motor vehicles	1 291	—	—	—	(312)	979
Network spares	132 239	34 397	—	(39 056)	(10 093)	117 487
Assets under construction	218 100	48 459	(76 001)	—	—	190 558
	3 630 253	558 850	(6 923)	(42 541)	(421 274)	3 718 365
2015						
Land	29 500	—	—	—	—	29 500
Buildings and leasehold improvements	199 712	3 387	305	(1 878)	(17 184)	184 342
Plant and equipment	2 830 795	488 415	70 509	(69 622)	(304 462)	3 015 635
Furniture and fittings	11 475	1 232	90	(2)	(2 479)	10 316
Computer equipment	51 695	6 665	1,094	(276)	(20 348)	38 830
Motor vehicles	859	687	—	—	(255)	1 291
Network spares	60 974	75 725	0	(3 572)	(888)	132 239
Assets under construction	232 777	59,154	(73 831)	—	—	218 100
	3 417 787	635 265	(1 833)	(75 350)	(345 616)	3 630 253

All assets are ceded to the lenders in terms of the LFCTA, refer note 22.

The disposal of the above assets were duly authorised by the Board and lenders prior to the disposal.

Neotel secured long term property funding for the purchase of Neovate Park. It has been funded by two banks, namely Nedbank Ltd and Investec Bank Ltd. The financing is purely on a "project recourse" basis without any shareholder recourse or guarantees. The interest rates applicable to each facility is JIBAR plus 4.5% margin. The tenure of the facility 10 years with 4.5 years remaining.

The Group and Company have funding facilities amounting to R4.4 billion with a consortium of financial institutions. The facility has a remaining tenure of between 6 months and 4 years from the date of first drawdown and is secured against the assets of the Group. As at 31 March 2016, the facilities have been fully drawn. Refer to note 22.

10 Investment In subsidiary

Details of the Company's subsidiary at 31 March 2016, which is stated at cost, an as follows:

Name or subsidiary	Place of Incorporation	Proportion of voting	Proportion ownership	Principal activity
Unlisted investments—Direct subsidiary .				
Neotel Business Support Services (Pty) Ltd ("NBSS")	South Africa	100%	100%	Telecommunications

	2016	2015
	R	R
Ordinary shares in Neotel Business Support Services (Pty) Ltd	100	100

The Group's share of the subsidiary profits and losses after tax

	2016	2015
	R000	R000
Subsidiary profit	20 186	11 659

11 Investment in associate

Name of associate	Place of Incorporation	Proportion of voting	Proportion ownership	Principal activity
Number Portability Company (Pty) Ltd .	South Africa	20%	20%	Telecommunications

Neotel holds a 20% investment in Number Portability Company (Pty) Ltd. The reporting date Number Portability Company (Pty) Ltd is 31 December which was established when the company was Incorporated For purposes of applying the equity method of accounting, the financial statements of Number Portability Company (Pty) Ltd for the year ended 31 December 2015 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 March 2016, based on the latest management accounts.

Summarised financial information in respect of the Group and Company's associate is set out below.

	2016	2015
	R000	R000
Total assets	25 735	19 479
Total liabilities	(3 348)	(1 457)
Net assets	22 387	18 022
Total revenue for the year	19 406	15 141
Total profit after tax for the year	3 803	1 265
Group and Company's share of net assets of associate	4 477	3 604
Carrying value of associate		
Opening balance	3 562	3 309
Share of profits—current year	761	253
Total investment in associate	4 323	3 562

12 Intangible assets

Group and Company	Licence	Computer software	Total
	R000	R000	R000
2016			
Cost	122 595	419 752	542 347
Accumulated amortisation	(30 933)	(324 661)	(355 596)
Carrying value	91 660	95 091	186 751
2015			
Cost	122 595	365 196	487 791
Accumulated amortisation	(23 826)	(269 484)	(293 310)
Carrying value	98 769	95 712	194 481

Group and Company	Carrying value at beginning of the year	Additions	Transfers	Amortisation	Carrying value at end of the year
	R000	R000	R000	R000	R000
2016					
Licence	98 769	—	—	(7 109)	91 660
Computer software	95 712	47 633	6 923	(55 177)	95 091
	194 481	47 633	6 923	(62 286)	186 751
2015					
Licence	8 283	97 596	—	(7 110)	98 769
Computer software	79 250	55 146	1 833	(40 517)	95 712
	87 533	152 742	1 833	(47 627)	194 481

Neotel capitalised the fixed licence fee for R100.0 million, payable on the commencement of service, at its net present value, on 9 December 2005, the date of allotment of the licence, duly considering the interest free period until the date of commencement of service. The licence fee is amortised over the period of the licence. On 1 April 2009, the Independent Communications Authority of South Africa ("ICASA") amended the licence fee regulation, which has resulted in a reduction of the fixed fee by R72.0 million. During 2011 a settlement was reached between Neotel and ICASA of R25.0 million being final settlement for the licence obligation. This further resulted in a reduction of the fixed fee by R3.0 million effective 30 September 2010. The carrying value of the licence fee as at 31 March 2016 was R7.1 million (2015: R7.6 million). The licence term is valid for a period of 25 years from 9 December 2005, the date the licence was granted and can be renewed for a further 25 years.

Neotel has a corporate social responsibility obligation in respect of the licence held with ICASA, to provide ICT services to 750 public schools. The ICT services include the provision of the local area network, the wide area network, the end user devices in schools and training. Neotel has capitalised the obligation over the licence period and has recognised the obligation as a provision (see note 26).

13 Deferred tax asset

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Deferred tax consists of:				
Tax losses available for future set off	21 823	21 823	—	—
Originating temporary differences on:				
—Property, plant and equipment	(122 521)	(163 354)	(122 522)	(163 366)
—Prepayments	2 882	997	2 882	997
—Provisions (including employee benefit liabilities)	77 301	68 901	71 307	62 247
—Unearned revenue	109 521	103 010	109 521	103 010
—Income received in advance	54 661	60 732	54 661	60 732
—Deferred interest on receivables	7 623	—	7 623	—
—Deferred interest on payables	(15 790)	—	(15 790)	—
—Intangible assets	1 012	(5 698)	1 012	(5 698)
	136 512	86 411	108 694	57 922
The movement in deferred tax is as follows:				
Opening balance	86 411	800 331	57 922	772 080
Income statement charge				
—Utilisation of lax losses	—	(175 464)	—	(175 464)
—Impairment of deferred tax asset	—	(671 411)	—	(671 411)
—Property, plant and equipment	40 833	(13 120)	40 844	(13 074)
—Prepayments	1 885	(122)	1 885	(122)
—Provisions	8 400	32 580	9 060	32 296
—Unrealised exchange difference	—	308	—	308
—Unearned revenue	6 511	103 010	6 511	103 010
—Income received in advance	(6 071)	5 324	(6 071)	5 324
—Deferred interest on receivables	7 623	—	7623	—
—Deferred interest on payables	(15 790)	—	(15 790)	—
—Intangible assets	6 710	4 975	6 710	4 975
Closing balance	136 512	36 411	108 694	57 922

The Group and Company have Incurred taxable losses in the current year of R121.8 million (2015: Tax profit of R632.7 million) and R140.4 million (2015: Tax profit of 626.6 million) respectively, based on trading performance for the year.

The estimated cumulative tax losses excluded from the deferred tax asset recognition relate to the wholly owned subsidiary, Neotel Business Support Services (Pty) Ltd of R0.215 million (2015. R18.9 million), as well as the estimated cumulative losses incurred by Neotel of R5.6 billion (2015: R5.4 billion). Based on the Group and Company's approved business plans and financial projections, it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised and hence the deferred tax asset is not recognised on the unused losses. The Group and Company's value of the unprovided deferred tax asset not raised against losses amounts to R1.6 billion (2015: R1.5 billion) and R1.6 billion (2015: R1.56 billion) respectively.

14 Other receivables

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Long term portion of other receivables:				
—Prepayments	48 959	14 172	48 959	14 172
—Indefeasible right of use	149 951	169 300	149 951	169 300
—Lease smoothing asset	3 046	43 880	3 046	43 880
	201 956	227 352	201 956	227 352

Included in the long term balance of other receivables, is a balance of R149.9 million (2015: R169.3 million) for IRU contracts. These are long term indefeasible right of use agreements over 10 to 20 years. IRU costs are recognised evenly over the period of the contract, but in the case of a deferred payment schedule, the interest component is recognised as per the effective Interest rate method.

15 Other Investments

The Group and Company have placed cash in restricted bank accounts for the following:

Short term				
Guarantees	88 183	89 788	88 183	89 788
Loan repayments	425 995	121 005	425 995	121 005
Capital expenditure	—	200 959	—	200 959
Customer deposits held	9 131	8 775	9 131	8 775
	523 309	420 527	523 309	420 527
Long term				
Guarantees	1 429	1 271	1 429	1 271
	524 738	421 798	524 738	421 798

16 Inventories

Finished goods	29 551	23 056	29 551	23 056
Projects work in progress	9 970	18 825	9 970	18 825
	39 521	41 881	39 521	41 881

Finished goods inventory level has increased by R6.5 million in the current financial year, due to increased level of in progress orders for Transnet Pass-through service requests of R2.5 million (2015: R0.6 million), also R4.0 million (2015: nil) of material and equipment is held for pass-through onto Samsung Medunsa project. The trading and maintenance stock continue to be managed optimally at economic holding levels, resulting in obsolescence provision of R5.5 million (2015: R7.7 million).

Projects work in progress has decreased to R9.9 million (2015: R18.8 million) due to completion and closure of major customer construction projects, such as CSIR Sanren Project, NLD1 route from Germision to Durban and NLD1 portion built on behalf of Vodacom and MTN.

17 Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Trade receivables—gross	770 791	570 868	807 198	606 097
Less discounting on extended receivables	(27 226)	—	(27 226)	—
Less allowances for doubtful debts	(170 053)	(86 094)	(169 880)	(85 921)
Trade receivables—net	573 512	484 774	610 092	520 176
Other receivables—short term portion				
—Prepayments	41 125	33 491	41 125	33 491
—Indefeasible right of use	16 319	16 544	16 319	16 544
—Other receivables	174 603	183 207	174 460	183 065
—Lease smoothing asset	42 059	22 110	42 059	22 110
	847 618	740 126	884 055	775 386

Except for customer deposits, trade and other receivables have been ceded to the consortium of lenders. The directors consider that the carrying amount of trade receivables approximate their fair value.

The credit terms offered to customers for services is 30 days. Interest has charged on the trade receivables with effect from 1 November 2014. A provision for doubtful receivables of R170.0 million (2015: R79.1 million) and R169.8 million (2015: R78.9 million) has been provided for the Group and Company respectively. Before accepting any new customer, the Group uses the services of an external credit bureau to assess the potential customer's credit worthiness. Of the trade receivables balance at the year end, for both the Group and Company, R362.3 million (2015: R238.5 million) is due from five major customers who constitute 47.46% (2015: 40.51%) for the Group and 47.44% (2015: 38.22%) for the Company, of the balance at year end.

Discounting has been calculated on extended terms relating to Tata Communications Ltd. trade receivables as well as one major customer.

Included in the trade receivables balance are debtors with a carrying amount of R292.4 million (2015 R230.3 million) for both the Group and Company, which are past due at the reporting date against which no provision is raised as these has not been a significant change in the credit worthiness and the amounts are still considered recoverable.

17 Trade and other receivables (Continued)

Included in trade receivables is an amount of R101.2 million (20l5: R19.1 million) for the Tata Group of companies. (Refer to note 33).

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Ageing of past due but not impaired trade receivables				
30-60 days	106 944	136 156	106 944	136 156
60-90 days	104 052	17 127	104 052	17 127
90-120 days	12 705	12 458	12 705	12 458
120-180 days	68 739	30 329	68 739	30 329
> 180 days	—	34 243	—	34 243
Total	292 440	230 313	292 440	230 313
Movement in allowance for doubtful debts				
Balance at beginning of the year	86 094	105 679	85 921	104 379
Impairment losses recognised on receivables	83 959	34 309	83 959	34 506
Write off of bad debts	—	(53 894)	—	(52 964)
Balance at end of the year	170 053	86 094	169 880	85 921
Ageing of impaired trade receivable				
Current	1 279	2 383	1 279	2 383
30-60 days	507	934	507	934
60-90 days	2 178	1 275	2 178	1 275
90-120 days	2 389	3 404	2 389	3 404
120-180 days	15 405	4 011	15 405	4 011
> 180 days	148 295	74 087	148 122	73 914
Total	170 053	86 094	169 880	85 921

18 Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Cash and bank balances	165 736	351 152	165 542	351 138

Cash and cash equivalents comprise cash held by the Group and Company.

19 Share capital

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Authorised				
Ordinary				
5 000 (2015: 5 000)				
Ordinary shares of no par value	5	5	5	5
Preference "A"				
1 136 257 250 (2015: 1 136 257 250)				
Cumulative redeemable Preference A shares of par value R0.01 each	11 362	11 362	11 362	11 362
Preference "B"				
5 000 000 000 (2015: 5 000 000 000)				
Cumulative redeemable Preference B no par value shares	5 000 000	5 000 000	5 000 000	5 000 000
	5 011 367	5 011 367	5 011 367	5 011 367
Issued and fully paid				
Ordinary				
1 000 (2015: 1 000)				
Ordinary shares of no par value	1	1	1	1
Preference "A"				
1 020 757 252 (2015: 1 020 757 252)				
Cumulative redeemable Preference A shares of par value R 0.01 each	10 208	10 208	10 208	10 208
Preference "B"				
3 123 316 653 (2015: 3 123 316 653)				
Cumulative redeemable Preference B no par value shares	3 123 316	3 123 316	3 123 316	3 123 316
	3 133 525	3 133 525	3 133 525	3 133 525

The unissued preference shares are under the unrestricted control of the directors in terms of the funding level approved by the Board until the next annual general meeting of the shareholders.

Preference A shares are entitled to voting rights whilst Preference B shares have no voting rights, Also, Preference B shares rank first for dividend payment and redemption before Preference A shares.

The Preference "A" shares are redeemable, at the Company's discretion, after the expiry of 36 months and 1 day from the subscription date, in terms of clause 1.8.15 of the shareholders' agreement. The shares shall be redeemed at the redemption price, being the initial subscription price plus any outstanding dividends. (Refer to note 30)

The preference "B" shares are redeemable at the option of the Company and there is no fixed date of redemption. The dividend for preference "B" shares will be calculated at a fixed coupon rate. (Refer to note 30)

In terms of clause 1.58 of the LFCTA, all amounts contributed by the shareholders to the Company in the form of equity, subscription for preference shares, loans or otherwise, are to be subordinated to amounts due to the lenders until the release date which is when the loan is fully repaid.

20 Share premium

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Preference "A" 1 020 757 252 (2015: 1 020 757 252) Cumulative preference shares issued at a premium of R0.99 each	1 010 550	1 010 550	1 010 550	1 010 550

21 Loan from shareholder

	Group		Company	
Unsecured				
Nexus Connexion (Pty) Ltd	1 005 852	921 824	1 005 852	921 824

Nexus Connexion (Pty) Ltd has deferred its right to claim or accept payment of their loan accounts to meet the claims of the other creditors of the Group and Company, until such time as the assets of the Group and Company, fairly valued, exceed its liabilities, and until the amounts due to the lenders in terms of the LFCTA (refer note 22) and the property funding (refer note 23) are fully settled.

The loan is unsecured and bears interest at the 3 months Johannesburg Interbank Agreed Rale (JIBAR) plus 2.5% margin. There is no fixed repayment terms and this loan is subordinated and therefore disclosed as long term in nature.

Group and Company

2016 and 2015

Funding provided by the shareholders consist of preference shares and shareholder loans through equity subscription agreements as detailed below:

Existing and additional equity	Sanctioned or committed	Drawn	Available facility
	R000	R000	R000
Sepco Communications (Pty) Ltd	2 082 345	(2 082 345)	—
VSNL SNOSPV Ple Ltd	1 102 418	(1 102 418)	—
Nexus Connexion (Pty) Ltd	775 775	(775 775)	—
Tata Africa Holdings (SA) (Pty) Ltd	122 491	(122491)	—
	4 083 029	(4 083 029)	—

A shareholder has provided a funding facility of R2.0 billion against which the bridge loan has been drawn by the company. At the date of the approval of the annual financial statements the facility has been drawn to the amount of R1.9 billion and the bridge loan will be settled through the sale transaction between the existing and new shareholders.

22 Loans from financial institutions

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Term loans	3 353 443	4 081 252	3 353 443	4 081 252
Interest accrued	210 804	168 332	210 804	168 332
	3 564 247	4 249 584	3 564 247	4 249 584
Less: Prepaid finance arrangement fees	(34 578)	(49 067)	(34 578)	(49 067)
	3 529 669	4 200 517	3 529 669	4 200 517
Bridging loan (short term)	1 522 008	823 871	1 522 008	823 871
	5 051 677	5 024 388	5 051 677	5 024 388
Made up as follows:				
Long term portion	2 452 695	3 486 025	2 452 695	3 486 025
Short term portion	2 598 982	1 538 363	2 598 982	1 538 363
	5 051 677	5 024 388	5 051 677	5 024 388

Neotel's funding is made up of debt and equity. The debt portion to the value of a R4.4 billion facility consists of a consortium of banks, namely Nedbank Ltd. The Development Bank of Southern Africa Ltd (DBSA), Investec Bank Ltd, Infrastructure Finance Corporation Ltd (INCA), Industrial Development Corporation of South Africa (IDC), State Bank Ltd of India and Deutsche Invetitions—und Entwicklungsgesellschaft mbll (DEG). Nedbank Ltd act on behalf of the consortium of lenders as agents. The financing was purely on a "project recourse" basis without any shareholder recourse or guarantees. The facility is made up of senior debt, subordinated debt and an IDC Mezzanine facility.

Neotel secured a bridge funding facility of R504.2 million in 2013 and further increased the bridge loan to R2.0 billion, as approved by the lenders. The balance as at 31 March 2016 is R1.5 billion which includes interest. The loan is repayable on 28 February 2017 in terms of the loan agreement, however, settlement is expected on the conclusion of the sale transaction, namely 10 February 2017. The interest rate applicable to the loan is 3 month JIBAR plus 3% margin plus 0.5525% for bank charges and liquidity costs.

Group and Company

The interest rates applicable to each facility are as follows:

Types of facility	Interest rate	Remaining tenure or loan 2016	Tenure of loan 2016	Tenure of loan 2015
Senior term loan facility	3 Month JIBAR plus 5.00%	6 months	7.5 years	7.5 years
Senior term loan facility	3 Month JIBAR plus 4.75%	2 years	9 years	9 years
Subordinated term loan facility	3 Month JIBAR plus 6.75%	4 years	11 years	11 years
Subordinated term loan facility (IDC)	3 Month JIBAR plus 6.00%	4 years	11 years	11 years
Mezzanine facility	3 Month JIBAR plus 2.50%	4 years	11.5 years	11.5 years
Bridge Loan	3 Month JIBAR plus 3.00%			

22 Loans from financial institutions (Continued)

The drawdowns on the long term funding ore as follows:

2016 and 2015

Types of facility	Sanctioned	Drawn	Available Facility
	R000	R000	R000
Senior term loan facility	3 056 080	(3 056 080)	—
Subordinated term loon facility	200 000	(200 000)	—
Subordinated term loan facility (IDC)	800 000	(800 000)	—
Mezzanine facility	300 000	(300 00)	—
Total	4 356 080	(4 356 080)	—

Ceded rights Neotel:

All rights, claims, entitlements, benefits of other interest including without limitation to debts, insurance proceeds, project revenues, receivables and accounts, ceded agreements, debts, incorporeal, equity guarantees, amounts owing to the Company under any loan agreement, mortgage and notarial bonds excluding the customer deposit account and Neotel's share in NBSS are ceded to the consortium of lenders.

Ceded rights NBSS:

All rights, claims, entitlements, benefits of other interest including without limitation to debts, insurance proceeds, project revenues, receivables and accounts, ceded agreements, debts, incorporeal, equity guarantees, amounts owing to the Company under any loan agreement, mortgage and notarial bonds are ceded to the consortium of lenders.

LFCTA Covenants:

In terms of the Long Term Finance Common Terms Agreement (LFCTA), Neotel is obliged to meet specific financial covenants on a quarterly basis. During the financial year Neotel reported no breaches to the Group Revenue covenant, and no breach in the CFAD's covenant for the first 2 quarters of the year. Neotel reported breaches to the EBITDA covenant for the first and second quarters. These covenant breaches have been unconditionally waived by the consortium of lenders during December 2015, in terms

22 Loans from financial institutions (Continued)

of the LFCTA. The covenants have not been reset for quarter 3 and 4 of FY 2016 and hence no breach has been reported.

	< 1 year	Year 2	Year 3	Year 4	> 5 years	Total
	R000	R000	R000	R000	R000	R000
Repayment Profile:						
2016						
Senior term loan facility	949 836	1 215 025	—	—	—	2 164 861
Subordinated term loan facility	28 329	39 060	49 860	60 680	—	177 929
IDC Subordinated term loan facility	113 298	156 240	199 440	242 720	—	711 698
IDC Mezzanine facility	—	—	—	509 759	—	509 759
Bridging loan	1 522 008	—	—	—	—	1 522 008
	2 613 471	1 410 325	249 300	813 159	—	5 086 255
2015						
Senior term loan facility	641 352	949 118	1 215 025	—	—	2 805 495
Subordinated term loan facility	17 460	28 260	39 060	49 860	60 680	195 320
IDC Subordinated term loan facility	70 169	113 040	156 240	199 440	242 720	781 609
IDC Mezzanine facility	—	—	—	—	467 160	467 160
Bridging loan	823 871	—	—	—	—	823 871
	1 552 852	1 090 418	1 410 325	249 300	770 560	5 073 455

Future funding:

Refer to the note on going concern (36) and events after reporting period (38) on the impact of future funding for the company.

23 Loans from financial institutions for property purchase

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Long term loans	89 320	106 260	89 320	106 260
Portion payable in the next 12 months	16 978	13 482	16 978	13 482
	106 298	119 742	106 298	119 742

Neotel secured long term property funding for the purchase of Neovate Park Head Office. The debt portion of R140 million was equally funded by two banks, namely Nedbank Ltd and Investec Bank Ltd. The financing is purely on a "project recourse" basis without any shareholder recourse or guarantees. The interest rates applicable to each facility is a fixed rate of 8.08% plus 4.5% margin. The tenure of the facility is 10 years, with 4.5 years remaining. Capital repayments of R13.4 million have been made during the current financial year. R16.9 million will be paid in the next 12 months.

23 Loans from financial institutions for property purchase (Continued)

Land and buildings are pledged as security against the loans.

	< 1 year	2-5 years	>5 years	Total
	R000	R000	R000	R000
Repayment Profile:				
2016				
Nedbank Ltd	8 489	44 660	—	53 149
Investec Bank Ltd	8 489	44 660	—	53 149
	16 978	89 320	—	106 298
2015				
Nedbank Ltd	6 741	45 500	7 630	59 871
Investec Bank Ltd	6 741	45 500	7 630	59 871
	13 482	91 000	15 260	119 742

24 Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Trade payables	951 819	394 087	1 053 041	476 388
Accruals	202 516	255 578	198 450	251 578
Related party accruals	18 771	48 149	18 771	48 149
Lease smoothing liability	50 589	46 767	50 589	46 767
Deposits	9 090	8 896	8 921	8 727
Other payables	25 177	17 930	36 081	28 763
Vat payable	17 340	16 459	15 510	14 629
Short term portion of trade and other payables:	1 275 302	787 866	1 381 363	875 001
Less discounting on extended payables	(56 391)	—	(56 391)	—
Total short term portion of trade and other payables	1 218 911	787 866	1 324 971	875 001
Long term portion of trade and other payables:	7 567	6 823	7 567	6 823
	1 226 478	794 689	1 332 538	881 824

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The directors consider that the carrying amount of trade payables approximates their fair value.

Discounting has been calculated on extended terms relating to Tata Communications Ltd trade payables as well as one major supplier relating to a major customer.

25 Unearned revenue

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Unearned revenue—IRU	28 796	23 660	28 796	23 660
Unearned revenue—projects	170 363	215 803	170 363	215 803
Unearned revenue—prepaid	20 690	20 151	20 690	20 151
Unearned revenue—other	181 327	153 622	181 327	153 622
Short term portion unearned revenue	401 176	413 236	401 176	413 236
Long term portion of unearned revenue	239 678	236 922	239 678	236 922
	640 854	650 158	640 854	650 158

26 Provisions

	Opening balance	Raised	Utilised	Closing balance
	R000	R000	R000	R000
Group				
2016				
Bonus	69 500	111 402	(112 408)	68 494
Retention bonus	30 000	—	(30 000)	
ICASA licence obligation	97 595	8 627	—	106 222
	197 095	120 029	(142 408)	174 716
2015				
Bonus	71 833	91 302	(93 635)	69 500
Long term incentive plan	15 306	—	(15 300)	—
Retention bonus	—	30 000	—	30 000
ICASA licence obligation	—	97 595		97 595
	87 139	218 897	(108 935)	197 095
Company				
2016				
Bonus	49 209	94 326	(92 381)	51 154
Retention bonus	30 000	—	(30 000)	—
ICASA licence obligation	97 595	8 627	—	106 222
	176 804	102 953	(122 381)	157 376
2015				
Bonus	55 017	64 779	(70 587)	49 209
Long term incentive plan	15 300	—	(15 300)	—
Retention bonus	—	30 000	—	30 000
ICASA licence obligation	—	97 595	—	97 595
	70 317	192 374	(85 887)	176 804

Bonus provision

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

26 Provisions (Continued)

payments are effected post financial year end subsequent to approval by the Remuneration Committee and the Board of directors. Additional provisions have been provided for staff that have structured their packages to Include a 13th cheque payable In December.

Long term incentive plan

The provision was accrued for during 2014 and the plan was paid out in the 2015 financial year. No further provision has been raised in 2016.

Retention bonus

The retention bonus was accrued for in 2015 and paid out on 31 January 2016. No further provision has been raised in 2016.

ICASA obligation

Neotel has a corporate social responsibility obligation in respect of the licence held with ICASA, to provide ICT services to 750 public schools over a four year period. The ICT services include the provision of the local area network, the wide area network, the end user devices in schools and training. Neotel has capitalised the obligation (refer note 12) over the licence period and has recognised the obligation as a provision.

27 Notes to the statements of cash flows:

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Reconciliation of profit for the year to cash generated from operations				
(Loss) /profit before taxation	(418 808)	45 400	(439 666)	29 911
Adjustments for:				
Depreciation and amortisation	483 581	394 051	483 560	393 243
Interest received	(48 440)	(36 775)	(48 440)	(36 756)
Finance costs	665 396	652 145	665 381	652 145
Net foreign exchange loss	49 003	1 544	49 003	1 544
Loss / (gain) on disposal of property, plant and equipment	3 469	(129 199)	3 469	(129 199)
Share of profits from associate	(761)	(253)	(761)	(253)
Licence obligation	—	(97 595)	—	(97 595)
Changes In working capital				
(Increase)/ decrease in trade and other receivables	(107 492)	16 738	(108 669)	10 509
Increase in inventories*	41 417	38 137	41 417	38 137
Increase in trade and other payables	431 045	39 083	449 970	56 196
Increase in trade and other payables—long term	744	651	744	651
(Decrease) / increase in provisions	(22 379)	109 962	(19 428)	106 487
(Decrease) / increase in unearned revenue—short term	(12 060)	265 374	(12 060)	265 374
Increase In unearned revenue—long term	2 756	22 487	2 756	22 487
(Decrease) In other financial liabilities	(42)	(739)	(42)	(739)
Cash generated from operations	1 067 429	1321 011	1 067 234	1 312 142

* Includes network spares issued for maintenance from property, plant and equipment.

28 Financial Instruments

(a) Capital risk management

The Group and Company manage their capital to ensure they will be able to continue as a being concern while maximising the return to the stakeholders through the optimisation of the debt and equity balance. Neotel engages our Board, shareholders, and lenders to ensure the Company is sufficiently funded. To date, Neotel and the lenders are managing the capital requirements of the business with the support and co operation of the parent company. Tata Communications Ltd.

The Group monitors capital on a basis of debt to equity. Debt comprises interest bearing debt, shareholder loans and any other loans. Equity comprises share capital including preference shares (with different voting rights) and reserves.

The capital structure of the Group and Company consist of debt which includes the shareholder loans disclosed in note 21 and equity attributable to shareholders of the Group, comprising issued capital (disclosed in notes 19 and 20 respectively), reserves and the accumulated deficit. Loans from financial Institutions are part of the funding structure and disclosed in note 22.

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
The gearing ratio at the year end was follows:				
Debt	6 163 827	6 065 954	6 163 827	6 065 954
Cash and cash equivalents	(165 736)	(351 152)	(165 542)	(351 138)
Net debt	5 998 091	5 714 802	5 998 285	5 714 816
Shareholders' deficit	2 466 923	1 411 187	2 460 650	1 389 767

(b) Credit risk management

Credit risk is the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Group and Company. The Group and Company have adopted a policy of dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from payment defaults.

Trade receivables consists of customers in various sectors of the telecommunications industry. On-going credit evaluations are performed on the financial condition of the accounts receivable balances.

(c) Foreign currency risk management

The Group and Company undertake certain transactions denominated in foreign currencies, namely the currency of the United States of America (US Dollars), the currency of the United Kingdom (Great British Pounds), the currency of the European Union (Euro), and the currency of Botswana (Botswana Pub). Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising client foreign currency accounts, spot and forward foreign exchange contracts. These client foreign currency accounts and forward exchange contracts, classified as level 2 are measured at fair value derived from inputs other than quoted prices in an active market.

28 Financial Instruments (Continued)

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

Group and Company

	Assets		Liabilities	
	2016	2015	2016	2015
	000	000	000	000
United States Dollars	6 642	7 040	26 632	8 198
Euro	—	—	3	2

Foreign currency sensitivity analysis

The following disclosure details the Group and Company's sensitivity for a 25% (2015: 25%) increase and decrease in the Rand against the relevant foreign currencies. 25% (2015: 25%) is the sensitivity rate used when repotting foreign currency risk internally, for key management's assessment of the reasonable possible change in foreign exchange rates.

The sensitivity includes only outstanding foreign currency denominated items and adjusts their translation at the year end. For a 25% strengthening of the Rand against the relevant currency, the impact is an increased in the profit and other equity for the Group and Company of R76.7 million (2015: Group and Company R15,1 million). For a 25% weakening of the Rand against the relevant currency, the impact is a decrease in profit and other equity for the Group and Company R76.7 million. 2015: Group Company R15.1 million).

Forward foreign exchange contracts

It is policy of the Group and Company to enter into forward foreign exchange contracts to cover specific foreign currency payments. Exposure to exchange rate fluctuations is constantly monitored and, when the feed arises, contracts are entered into.

Group and Company

The following table details the forward foreign currency (FC) outstanding contracts at the reporting date:

	Average exchange rate	Foreign currency	Contract value	Fair Value
		000	R000	R000
2016—Buy USD				
Less than three months	—	—	—	—
Three to six months	—	—	—	—
Greater than six months	—	—	—	—
2015—Buy USD				
Less than three months	12,2167	1 066	13 025	12 984
Three to six months	—	—	—	—
Greater than six months	—	—	—	—

28 Financial Instruments (Continued)

Derivatives designated and effective as hedging Instruments are carried at fair value.

	2016 R000	2015 R000
Group and Company		
Foreign currency forward contracts (USD)	—	(42)
Included in other financial liabilities	—	(42)

(d) Liquidity risk

The responsibility for liquidity risk management rests with Neotel management and ultimately the Board of directors, which has implemented an appropriate investment policy for the Group and Company's short, medium and long term funding and liquidity management requirements. The Group and Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities, Neotel engages with the Board, shareholders and lenders to ensure that the Group and Company have adequate funds to cover its commitments in the next twelve months.

	<1 year R000	2-5 years R000	>5years R000	Total R000
Group				
2016				
Trade and other payables	(1 201 571)	—	(7 567)	(1 209 138)
Loan from shareholder	—	—	(1 005 852)	(1 005 852)
Loans from financial institutions (Refer to note 22)	(3 339 425)	(2 992 489)	—	(6 331 914)
Loans from financial institutions for properly purchase	(29 747)	(112 226)	—	(141 973)
2015				
Trade and other payables	(771 407)	—	(6 823)	(778 230)
Loan from shareholder	—	—	(921 824)	(921 824)
Loans from financial institutions (Refer to note 22)	(2 015 410)	(4 321 384)	—	(6 336 794)
Loans from financial institutions for property purchase	(28 118)	(125 866)	(15 997)	(169 981)
Company				
2016				
Trade and other payables	(1 309 461)	—	(7 567)	(1317 028)
Loan from shareholder		—	(1 005 852)	(1 005 852)
Loans from financial institutions (Refer to note 22)	(3 339 425)	(2 992 489)	—	(6 331 914)
Loans from financial institutions for property purchase	29 747	(1 12 226)	—	(141 973)
2015				
Trade and other payables	(860 372)	—	(6 823)	(867 195)
Loan from shareholder	—	—	(921 824)	(921 824)
Loans from financial institutions (Refer to note 22)	(2 015 410)	(4 321 384)	—	(6 336 794)
Loans from financial institutions for property purchase	(28 118)	(125 866)	(15 997)	(169 981)

28 Financial Instruments (Continued)

The following details the Group's contractual maturities for its non-derivative financial assets:

	<1 year	2-5 years	>5years	Total
	R000	R000	R000	R000
Group				
2016				
Trade and other receivables	573 512	—	—	573 512
Other investments	523 309	1 429	—	524 738
Cash and bank balances	165 736	—	—	165 736
2015				
Trade and other receivables	484 774	—	—	484 774
Other investments	420 527	1 271	—	421 798
Cash and bank balances	351 152	—	—	351 152
Company				
2016				
Trade and other receivables	610 092	—	—	610 092
Other investments	523 309	1 429	—	524 738
Cash and bank balances	165 542	—	—	165 542
2015				
Trade and other receivables	520 176	—	—	520 176
Other investments	420 527	1 271	—	421 798
Cash and bank balances	351 138	—	—	351 138

28 Financial Instruments (Continued)

(e) Categories of financial Instruments

	Loans and receivables	At fair value through profit or loss	Financial liabilities at amortised cost	Fair value of financial Instruments
	R000	R000	R000	R000
Group				
2016				
Trade and other receivables	573 512	—	—	573 512
Other investments	624 738	—	—	524 738
Cash and cash equivalents	165 736	—	—	1 65 736
Other financial liabilities	—	—	—	—
Loan from shareholder	—	—	1 005 852	1 005 852
Loans from financial institutions	—	—	5 051 677	5 051 677
Loans from financial institutions for property purchase	—	—	106 298	106 298
Trade and other payables	—	—	1 209 138	1 209 138
2015				
Trade and other receivables	484 724	—	—	484 724
Other investments	421 798	—	—	421 798
Cash and cash equivalents	351 152	—	—	351 152
Other financial liabilities	—	—	42	42
Loan from shareholder	—	—	921 824	921 824
Loans from financial institutions	—	—	5 024 388	5 024 388
Loans from financial institutions for properly purchase	—	—	119 742	119 742
Trade and other payables	—	—	778 230	778 230
Company				
2016				
Trade and other receivables	610 092	—	—	610 092
Other investments	524 738	—	—	524 738
Cash and cash equivalents	165 542	—	—	165 542
Other financial liabilities	—	—	—	—
Loan from shareholder	—	—	1 005 852	1 005 852
Loans from financial institutions	—	—	5 051 677	5 051 677
Loans from financial institutions for property purchase	—	—	106 298	106 298
Trade and other payables	—	—	1 317 028	1317 028
Company				
2015				
Trade and other receivables	520 176	—	—	520 176
Other investments	421798	—	—	421 798
Cash and cash equivalents	351 138	—	—	351 138
Other financial liabilities	—	—	42	42
Loan from shareholder	—	—	921 824	921 824
Loans from financial institutions	—	—	5 024 388	5 024 388
Loans from financial institutions for property purchase	—	—	119 742	119 742
Trade and other payables	—	—	867 195	867 195

28 Financial Instruments (Continued)

The effective rate on cash deposit ranges from 5.25% to 7.15% (2015:4.00% to 7.15%). Deposits have maturities of 1 day to 8.5 months.

29 Employee benefits

The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets are managed separately from the Group by Momentum Group Ltd.

Group

The total expense recognised in the Statement of comprehensive income of R68.7 million (2015: R63.6 million) represents contributions payable to this plan by the Group at rates specified in the rules of the plan.

Company

The total expense recognised in the Statement of comprehensive income of R53.2 million (2015: R48.7 million) represents contributions payable to this plan by the Group at rates specified in the rules of the plan.

30 Contingencies

ECS and ECNS Licence

The Group was granted a Public Switched Telecommunication Service (PSTS) licence valid for a period of 25 years from 9 December 2005. This licence was converted on 16 January 2009 into Electronic Communication Service ("ECS") and Electronic Communication Network Services ("ECNS") licences, valid until 2024 and 2029 respectively. These licences are subject to the fulfillment of certain obligations relating to service levels, roll-out targets and annual licence fees. The directors confirm that the Group and Company are up to date in its bi-annual submission of regulatory compliance reports detailing compliance with service levels, roll-out obligations and annual licence fees.

Preference dividend

Cumulative preference dividends for Preference "A" shares amounting to R460 million (2015: R386 million) and Preference "B" shares amounting to R1.2 billion (2015: R834 million) will be declared and paid when the Group has profits and distributable cash available, in terms of the shareholders' agreement.

Broadband Infraco (BBI) dispute an contested services

The disputed matter related to use of certain links during the period of transition from the Right of Use agreement to the current MSA between Neotel and BBI. BBI lodged a claim for payment of R195 million based on their usual rates', with an alternative claim of approximately R296 million on the basis that Neotel had been unjustly enriched at BBI's expense. Neotel filed threecounter-claims against BBI valued as follows as at 31 March 2016, exclusive of interest: Claim A—R20,479,003; Claim B—R157,821,390; and Claim C—R10,025,068. In the award issued on 6 October 2015, the arbitrator dismissed all of BBI's claims as well as Neotel's counter-claim B and awarded in favour of Neotel's counter-claims A & C. BBI filed a notice of appeal of counter-claims A and C, and Neotel cross appealed on counter-claim B. The appeal was scheduled to be heard on 1 and 2 August 2016 but during May 2016, the parties agreed to settle the matter with the payment of R18 million to Neotel in full and final settlement, which payment was received on 21 June 2016.

31 Commitments

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Capital commitments				
Capital expenditure authorised and contracted for	61 556	168 991	61 556	168 991
Capital expenditure authorised but not yet contracted for	439 444	511 009	438 444	511 009
	500 000	680 000	500 000	680 000

Capital commitments comprise of commitments for property, plant and equipment. Management expects these commitments to be financed from cash generated from operations and capital contributions from the Group's shareholders.

Operating lease commitments:

	Total	<1 year	2-5 years	>5 years
	R000	R000	R000	R000
Group				
2016				
Buildings	17 237	8 019	9 218	—
Houses	341	341	—	—
Vehicles	—	—	—	—
Sites	329 473	68 155	220 065	41 253
Circuit leasing	133 102	111 955	21 147	—
	480 153	188 470	250 430	41 253
2015				
Buildings	10 725	4 005	6 720	—
Houses	360	360	—	—
Vehicles	110	110	—	—
Sites	366 928	59 308	226 774	80 846
Circuit leasing	314 284	160 068	154 216	—
	692 407	223 851	387 710	80 846
Company				
2016				
Buildings	17 237	8 019	9 218	—
Houses	341	341	—	—
Vehicles	—	—	—	—
Sites	329 473	68 155	220 065	41 253
Circuit leasing	133 102	111 955	21 147	—
	480 153	188 470	250 430	41 253
2015				
Buildings	10 725	4 005	6 720	—
Houses	360	360	—	—
Vehicles	110	110	—	—
Sites	366,928	59 308	226 774	80 846
Circuit leasing	314 284	160 068	154 216	—
	692,407	223 851	387 710	80 846

31 Commitments (Continued)

The Group and Company lease buildings, sites, houses, vehicles and circuits. The contracts for houses are for periods of up to two years, the vehicle leases are for up to five years and the buildings for up to 20 years. The minimum lease payments under the building lease agreements are subject to average annual escalations of 9%. The minimum lease payments on the vehicles are subject to interest rate fluctuations and are adjusted as and when such changes in rates are announced. Circuits are leased for a 5 year period on a reducing pricing structure.

32 Borrowings

The directors do not have any borrowing powers except for temporary overdrafts. Management, through the Board, requests for funding from the shareholders and / or the lenders and the shareholders, through the Board, Issue specific approvals for the directors to borrow funds on behalf of the Group. The directors are of the opinion that the borrowings level reported for the company are adequate for the Company to trade and continue business as required in terms of the Companies Act.

33 Related party disclosures

Details of material transactions and balances with related parties were as follows:

		Group		Company	
		2016	2015	2016	2015
		R000	R000	R000	R000
Related party balances					
Amounts included in share capital and share premium		4 144 075	4 144 075	4 144 075	4 144 075
Sepco Communications (Pty) Ltd		2 487 361	2 487 361	2 487 361	2 487 361
—VSNL SNOSPV Pte Ltd		1 799 266	1 799 266	1799 266	1 799 266
—Tata Africa Holdings (SA) (Pty) Ltd		160 660	160 660	160 660	160 660
—Communitel Telecommunications (Pty) Ltd		527 435	527 435	527 435	527 435
VSNL SNOSPV Pte Ltd		1 462 770	1 462 770	1 462 770	1 462 770
Nexus Connexion (Pty) Ltd		193 944	193 944	193 944	193 944
Amounts included in loans from shareholders					
Nexus Connexion (Pty) Ltd		1 005 852	921 824	1 005 852	921 824
Amounts included in trade and other payables					
Tata Communications Ltd	*	20 510	17 829	20 510	17 829
Tata Communications (UK) Ltd	*	260 779	62 537	260 779	62 537
Tata Consultancy Services (SA) (Pty) Ltd	**	61 628	19 490	61 628	19 490
Tata Communications (France) SAS	*	1 668	432	1 668	432
Tata Communications (Hong Kong) Ltd	*	6 996	1 763	6 996	1 763
Tata Communications international Pte Ltd	*	8 736	7 699	8 736	7 699
Tata Communications Transformation Services Ltd	*	70 050	12 291	70 050	12 291
Tala Communications (Portugal) Instalacao E	*	191	60	191	60
Tata Communications America Inc.	*	3 145	1 918	3 145	1 918
Tata Communications Deutschland GmbII	*	14 000	2 948	14 000	2 948
Tata Communications (Australia) (Pty) Ltd	*	3 457	598	3 457	598

33 Related party disclosures (Continued)

		Group		Company	
		2016	2015	2016	2015
		R000	R000	R000	R000
Tata Communications (Taiwan) Ltd	*	248	70	248	70
Tata Communications (Japan) Ltd	*	1 312	—	1 312	—
Tata Steel (KZN) (Pty) Ltd	**	—	18	—	18
Telecom Namibia Ltd	***	1 931	517	1 931	517
Neotel Business Support Services (Pty) Ltd	*****	—	—	101 222	82 301
Number Portability Company (Pty) Ltd	******	227	101	227	101
Sonke Computer Services Africa (Pty) Ltd	*******	831	1 748	831	1 748
XKM Financial Advisory Services (Pty) Ltd	*******	4 851	—	4 851	—
Amounts included in trade and other receivables					
Tata Communications (UK) Ltd	*	78 393	6 731	78 393	6 731
Tata Africa Holdings (SA) (Pty) Ltd	****	2 799	121	2 799	121
Tata Communications Ltd	*	3 937	6 427	3 937	6 427
Tata Communications (Americas) Inc.	*	11 301	3 537	11 301	3 537
Tata Communications (Canada) LLC	*	2 301	789	2 301	789
Tata Communications Transformation Services Ltd	*	5 456	1 325	5 456	1 325
Telecom Namibia Ltd	***	2 598	2 155	2 598	2 155
Sonke Computer Services Africa (Pty) Ltd	*******	44	12	44	12
Eon Consulting (Pty) Ltd	**	78	37	78	37
Nexus Facilities (Pty) Ltd	*******	113	445	113	445
Worleyparsons (Pty) Ltd	********	23	513	23	513
Tata Automobile Corporation SA (Pty) Ltd	**	47	175	47	175
Tata Consultancy Services (SA) (Pty) Ltd	**	101	101	101	101
RZT ZELPY 4695 CC	*******	79	68	79	68
Link Market Services (SA) (Pty) Ltd	*******	—	27	—	27
Tata Motors (SA) (Pty) Ltd	**	—	40	—	40
Tata Steel (KZN) (Pty) Ltd	**	1	—	1	—
Sepco (Pty) Ltd		250	250	250	250
Stallion Security (Pty) Ltd	*******	16	57	16	57
Amounts included in assets					
Tata Consultancy Services (SA) (Pty) Ltd	**	37 260	11 531	37 260	11 531
Tata Communications Transformation Services Ltd	*	17 608	—	17 608	—
Tata Communications (Americas) Inc.	*	1 504	1 719	1 504	1 719
Revenue					
Tata Communications (UK) Ltd	*	344 340	247 383	344 340	247 383
Tata Africa Holdings (SA) (Pty) Ltd	****	1 369	870	1 369	870
Tata Automobile Corporation (SA) (Pty) Ltd	**	566	494	566	494
Tata Communications Ltd	*	9 495	9 197	9 495	9 197
Tata Steel (KZN) (Pty) Ltd	**	258	372	258	372
Tata Communications (US) Inc.	*	10 264	13 058	10 264	13 058
Tata Communications (Canada) LLC	*	5 603	8 165	5 603	8 165

33 Related party disclosures (Continued)

		Group 2016 R000	Group 2015 R000	Company 2016 R000	Company 2015 R000
Tata Communications Transformation Services Ltd	*	2 941	1 869	2 941	1 869
Tata Consultancy Services (SA) (Pty) Ltd	**	524	493	524	493
Telecom Namibia Ltd	***	21 210	28 434	21 210	28 434
Sonke Computer Services Africa (Pty) Ltd	*******	135	205	135	205
Goodhope Palace Hotels (Pty) Ltd	**	505	603	505	603
Amabhubesi Investments (Pty) Ltd	*******	177	171	177	171
Bon Consulting (Pty) Ltd	**	152	214	152	214
Nexus Facilities (Pty) Ltd	*******	(272)	61	(272)	61
Worleyparsons (Pty) Ltd	*******	1 655	1 230	1 655	1 230
Link Market Services (SA) (Pty) Ltd	*******	324	266	324	266
RZT ZELPY 4695 CC	*******	88	146	88	146
Tata Motors (SA) (Pty) Ltd	**	190	245	190	245
Stallion Security (Pty) Ltd	*******	254	421	254	421
Other Income					
Tata Communications (Bermuda) Ltd	*	6 066	4 771	6 066	4 771
Costs charged by related parties are as follows:					
Tata Consultancy Services (SA) (Pty) Ltd	**				
—OSS/BSS costs		138 317	92 828	138 317	92 828
Tata Communications International Pte Ltd	*				
—OSS/BSS costs		1 038	6 567	1 038	6 567
Tata Communications Transformation Services Ltd					
—OSS/BSS costs		46 648	32 832	46 648	32 832
Tata Communications (Bermuda) Ltd	*				
—OSS/BSS costs		—	2 168	—	2 168
Nexus OP Company (Pty) Ltd	*******				
—Technical services agreement costs		—	1 848	—	1 848
Nexus Facilities (Pty) Ltd	*******				
—Technical services agreement costs		—	4 652	—	4 652
Number Portability Company (Pty) Ltd	******				
—Geographical porting services costs	*******	593	744	593	744
Sonke Computer Services Africa (Pty) Ltd					
—Consulting fee		9 033	8 761	9 033	8 761
Payments to other operators					
Tata Communications America Inc.	*	714	569	714	569
Tata Communications (UK) Ltd	*	389 805	235 736	389 805	235 736
Tata Communications (France) SAS	*	1 656	1 150	1 656	1 150
Telecom Namibia Ltd	***	7 550	7 546	7 550	7 546
Tata Communications (Hong Kong) Ltd	*	7 196	9 697	7 196	9 697
Tata Communications International Pte Ltd	*	4 143	5 394	4 143	5 394
Tata Communications (Portugal) Instalocao E	*	190	173	190	173
Tata Communications Deutschland GmbH	*	13 935	8 462	13 935	8 462

33 Related party disclosures (Continued)

		Group		Company	
		2016	2015	2016	2015
		R000	R000	R000	R000
Tata Communications Transformation Services Ltd	*	—	356	—	356
Tata Communications (Australia) (Pty) Ltd	*	3 096	609	3 096	609
Tata Communications (Taiwan) Ltd	*	246	230	246	230
Tata Communications (Japan) Ltd	*	1 190	—	1 190	—
Tata Communications Ltd	*	10 960	11 587	10 960	11 587
Rental-Sites					
Quick Leap Investments	*******	—	119	—	119
Maintenance charges					
Nexus Facilities (Pty) Ltd	*******	—	154	—	154
Neotel Business Support Services (Pty) Ltd	*****	—	—	156 841	156 841
Tata Communications International Pte Ltd	*	4 407	—	4 407	—
Consulting					
XKM Financial Advisory Services (Pty) Ltd	*******	4 255	—	4 255	—
Training					
Tata Management Training Centre Ltd	**	—	54	—	54
Interest charges					
Nexus Connexion (Pty) Ltd		84 040	72 541	84 040	72 541

* Common shareholder—VSNL SNOSPV

** Common directors—Tata entities

*** Common shareholder—Telecom Namibia

**** Common shareholder—Tata Africa Holdings

***** Subsidiary of Neotel (Pty) Ltd

****** Associate of Neotel (Pty) Ltd

******* Common directors—Nexus (Pty) Ltd

******** Common directors—Telecom Namibia

34 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

Short-term benefits	139 628	152 404	135 040	146 422
Post-employment benefits	8 929	10 928	8 523	10 169
Termination benefits	2 356	2 065	2 173	1 908
	150 913	165 397	145 736	158 499

35 Directors and prescribed officers' emoluments

Group and Company

	Executive Director A #	Executive Director B	Prescribed Officer B #	Prescribed Officer C	Prescribed Officer D #	Prescribed Officer E	Total
2016							
Base salary and benefits	3 326	4 255	1 473	2 367	2 682	1 159	15 262
Annual incentive	—	—	—	1 172	1 480	601	3 253
Other****	2 917	—	2 782	—	—	—	5 699
Medical aid	71	—	103	106	41	37	358
Retention***	—	—	—	—	—	600	600
	6 314	4 255	4 358	3 645	4 203	2 397	25 172
2015							
Base salary and benefits	6 383	—	2 578	2 500	3 157	—	14 618
Travel	470	—	—	—	—	—	470
Annual incentive	3 606	—	1 103	994	1 375	—	7 078
Long term incentive	2 644	—	—	—	804	—	3 448
Other Incentive*	2 999	—	1 100	987	1 288	—	6 374
Other**	7 726	—	—	—	—	—	7 726
Medical aid	90	—	—	—	—	—	90
Retention***	—	—	—	1 125	1 396	—	2 521
	23 918	—	4 781	5 606	8 020	—	42 325

These directors / prescribed officers resigned during the year.

* Relates to a special incentive in respect of project orange.

** Relates to adjustment for foreign currency fluctuations for FYI3,FY14 and FY15.

*** The retention bonus disclosed in 2015 was accrued for, but paid in 2016 (refer to note 26).

**** Relates to settlement agreements.

Executive Director B has been the Director in Charge of Neotel since August 2015. He has not been remunerated through the payroll of the Company, the costs reflected above are reflected under consulting fees.

	Group		Company	
	2016	2015	2016	2015
	R000	R000	R000	R000
Other Board directors	—	—	—	—
Dhawan R	—	—	—	—
Kumar VA	—	—	—	—
Nisaluba SS (Alternate to Memani XK)	—	—	—	—
Offner R	—	—	—	—
Pharm TL	—	—	—	—
Ranade SG	—	—	—	—
Srinath N (Chairman)	—	—	—	—

All the above Board directors are shareholder representatives and are not remunerated by the Company.

36 Going concern

The directors have reviewed the Group and Company's cash flow statements for the forthcoming period of twelve months from 01 February 2017 (up to and including 31 January 2018), and annual projections

36 Going concern (Continued)

thereof and, in light of this review and the current financial position, they are satisfied that the Group and Company have access to adequate resources and that operations reflect financial sustainability to enable the business to continue in operational existence for the foreseeable future.

The going concern assumption is supported by the following:

- The Company is being sold by the existing shareholders to new shareholders consisting of Liquid Telecommunications Holdings Ltd (70%) and Royal Bafokeng Holdings (RBH) (30%) based on a sale and purchase agreement signed on the 26th June 2016. The conditions precedent on this sale agreement have been met and the transaction is effective 10 February 2017. The acquisition by the new shareholders is fundamental to the going concern assumption as it allows the company to refinance the debt arrangements and provides additional funding to continue operating for the foreseeable future.
- The new shareholders have acquired the company at an enterprise value of R6.6 billion of which the proceeds will be used to settle the loans from financial institutions in terms of the LFCTA of R3.4 billion, the bridge loan of R1.9 billion, the property finance of R95.0 million and amounts of R1.1 billion due to previous shareholders. Furthermore, the new shareholders have raised an interim facility of R3.0 billion from financial institutions to refinance the business. The R3.0 billion debt is repayable in full on 30 April 2018. The new shareholders are planning to refinance the facility in the 2017 / 2018 calendar year. The new shareholders transaction funding of R6.6 billion and the release of R425.9 million restricted cash by the bank post the transaction effective date, will be used to settle the current debt and result in R400.0 million cash being available for use to finance operations.
- A revolving credit facility of R350.0 million has been entered into with financial institutions to provide funding to the business. The new majority shareholders also have vendor finance arrangements of R350.0 million which will be utilised for capital expenditure required in terms of the annual operating plan (AOP). In addition, the new majority shareholders have committed additional funding of R300.0 million to support the business as a going concern. Furthermore, the new majority shareholder has existing operations in South Africa which has been provided as security against the Neotel debt and there are plans to merge the operations into Neotel, contributing cash flows in excess of R100.0 million for the year.
- The additional facilities and cash injected as part of the sale transaction will be utilised for setting loans with financial institutions, amounts due to shareholders, normal working capital requirements and ongoing cash requirements for the next twelve month period.
- The existing performance of the business and a re-assessment of the AOP in terms of revenue, capex and costs with a focus on managing cash generation and utilisation. Management continue with their cost optimisation and margin improvement plans in an effort to manage the cash resources available to the company. Managements ability to trade and manage the operations in terms of FY2017 and FY2018 AOP and within the facilities available to the company is fundamental to the going concern assumption.
- The performance and trading of Neotel as noted below:
  - Positive cash flow generated from operating activities.
  - Future Projected Positive Earnings.

The directors are of the opinion, that the company has adequate resources and facilities to continue as a going concern.

37 Transactions with agent

Neotel and its subsidiary Neotel Business Support Services (Pty) Ltd have been delayed in finalizing its audited consolidated financial statements due to reportable irregularities identified and reported by its

37 Transactions with agent (Continued)

statutory auditors in respect of a particular third party intermediary, namely Homix (Pty) Ltd ("Hormix"), engaged by Neotel in connection with the Company's Master Services Agreement ("MSA") and Cisco equipment contract with Transnet SOC Limited ("Transnet"). Upon becoming aware of the auditor's concern, the Board of Neotel appointed an independent law firm to investigate the matter.

The Neotel Board of Directors believes that the issue has been investigated to the extent possible within the control of the Board.

The investigation did highlight that in certain instances senior management has circumvented the Company's procurement and payment processes, which are in place to ensure compliance with the highest standards of business conduct. In addition, the investigation did highlight the misconduct of one of its employees who is no longer employed by Neotel. Neotel's Board has, under the oversight of its Audit Committee, extensively reviewed and is in the process of tightening its policies, procedures and controls to guard against any similar curtailment or omission of specified control measures in the future.

The Board of Neotel appointed external legal advisors to investigate and pursue such internal disciplinary proceedings as are lawfully required. The Chief Executive Officer and the Chief Financial Officer were placed on special leave of absence to facilitate the unimpeded pursuit of this investigation process. During the disciplinary proceedings against the CEO and the CFO, under the guidance of the Company's external advisors, the CEO and CFO resigned from the Company on 30 November 2015.

Although to date the independent investigation by the independent law firm has not found proof of corruption or other illegal activities, the mailer has been reported in terms of Prevention and Combating of Corrupt Activities Act no 12 of 2004 ("PRECCA") in respect of suspicion of fraud and corruption with a view to an investigation by the South African Police Service of any possible criminal conduct by the companies involved, senior management or other persons involved in the transactions and any such action as they deem appropriate. Similarly, whilst there is uncertainty as to whether reporting was required or not, out of an abundance of caution, the Company has reported the suspicion of the same matters arising from the investigation in terms of Section 29 of the Financial Intelligence Centre Act (FICA).

Although the CCTV transactions concluded with Transnet have not been fully investigated, the Company has access to information and has reported suspicions in respect of these transactions in terms of PRECCA and FICA. The Company cannot predict the final outcome of any investigations or the consequences of this matter on the Transact MSA, Transnet CCTV transactions, its debt facilities or Neotel's business at this time, nor can it reasonably estimate the potential liability, if any, under the laws of South Africa.

In connection with the issues raised by the auditors relating to Homix's involvement in securing the MSA contract with Transnet, the Board wrote to Transnet on 10 June 2015, to inform Transnet that management had acted in inadvertent breach of a provision in the MSA by engaging a consultant/agent, Homix, on the basis of paying it a success fee. Transnet was asked to confirm that it would not seek to rely upon the breach as a basis to terminate the agreement between the Company and Transnet as a result of a bona fide error. Transnet continues to trade under the MSA. The Company is of the view that Transnet is no longer entitled to cancel the agreement on the basis of the notified as a result of the lapsing of time. In the event of proven unlawfulness (should further information come to light through the investigation by the South African Police Service or any other entity), the risk remains that the MSA may be set aside on general legal or administrative law grounds.

The Neotel Board has at all times throughout the investigation and resolution of these matters, acted on the advice of its external legal advisors and believes it has taken the necessary actions within its control. The Neotel Board has disclosed the issues raised by the auditors and sought a waiver of potential events of default from the Company's lenders under the Company's debt facilities. The lenders have acceded to certain requests from the Company for waivers of certain rights which the lenders may have now or in the future under the LFCTA in connection with the payments to Homix. The waivers were requested because the present facts together with facts as may possibly emerge in the future, could indicate a breach of certain warranties by the company under the LFCTA and also have an impact on the enforceability and/or

37 Transactions with agent (Continued)

possible rescission of the Transnet MSA, which in turn may trigger certain rights of the lenders under the LFCTA. The company has requested the lenders to waive their rights under clauses 1.190A, 1.190A3, 1.190A5, 30.16.5, 30.18,35.4 and 36.6.3 of the LFCTA. The lenders have indicated that they do not think it is appropriate to grant waivers for the potential breaches of these clauses of the LFCTA as, it appears to them, based on the information provided, that no default has occurred and/or is continuing in respect of these clauses. Thus, it remains within the lenders' rights under the LFCTA to call an event of default should further adverse information come to the fore in relation to these matters in addition to those that exist as at the date of approving of these financial statements. If this occurs it could result in the funding of R5.0 billion being payable on demand, should the lenders exercise their rights in this regard. Should an event of default occur relating to the above matter, the company's ability to continue as a going concern and settle its liabilities as they fall due will depend on the shareholders and lenders.

As such, based on the facts currently known, the Neotel Board does not be field that these matters will have a material adverse effect on its business, financial condition, results of operations or cash flow of the Company.

38 Events after reporting period

Other than as disclosed below, the directors are not aware of any other material events not otherwise dealt with in the annual financial statements that would affect the operations of the Group and Company significantly.

Transaction

The shareholders of the Company have sold 100% of the issued share capital to Liquid Telecommunications Holdings Ltd (70%) and Royal Bafokeng Holdings (30%). (Refer to note 36).

Funding

As at the date of approval of these financial statements, the company is party to agreements which has resulted in the refinancing of the debt arrangements of the company. The impact of the refinancing is disclosed below:

Repayment profile at 31 March 2016:

	< 1 year	Year 2	Year 3	Year 4	> 5 years	Total
	R000	R000	R000	R000	R000	R000
Repayment Profile:						
2016						
Senior term loan facility	949 836	1 215 025	—	—	—	2 164 861
Subordinated term loan facility	28 329	39 060	49 860	60 680	—	177 929
IDC Subordinated term loan facility	113 298	156 240	199 440	242 720	—	711 698
IDC Mezzanine facility	—	—	—	509 759	—	509 759
Total debt	1 091 463	1 410 325	249 300	813 159	—	3 564 247

The company is being sold by the existing shareholders to new shareholders consisting of Liquid Telecommunications Holdings Ltd (70%) and Royal Bafokeng Holdings (RBH) (30%) based on a sale and purchase agreement signed on the 26th June 2016. The new shareholders entered into a new facility funding agreement of bridge loan of R3.0 billion and revolving facilty loan of R350.0 million (total R3.3 billion) which will be payable on 30 April 2018.

NEOTEL (PTY) LTD
REG. NO. 2004/004619/07

AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2015

NEOTEL (PTY) LTD
ANNUAL FINANCIAL STATEMENTS
REG. NO. 2004/004619/07
31 March 2015

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Preparation & Responsibility Statement

The annual financial statements have been prepared under the supervision of Napo Mafihlo, CA, General Manager: Financial Accounting and Reporting and the Neotel (Pty) Ltd Audit Committee.

Deloitte.

Sizwe Ntsaluba Gobodo

AUDIT · ADVISORY · FORENSICS

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NEOTEL PROPRIETARY LIMITED

We have audited the Group and Company financial statements of Neotel Proprietary Limited set out on pages 11 to 55, which comprise the consolidated and separate statements of financial position as at 31 March 2015, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for Qualified Opinion

The company entered into agreements with a consultant company in pursuit of and in connection with securing customer contracts. This resulted in fees of R91 million being paid or payable by the company to this consultant. The commerciality and lawful business purpose of the consultancy arrangements are and remain, in our opinion, unsupported. The customer contract is for a period of five years from 19 December 2014, and various other supply arrangements with this customer, have a material impact on the business. The potential consequences and ramifications on the business resulting from the matters referred to in Note 37 to the financial statements are uncertain.

The lenders have not waived certain of their rights as requested by the company as the lenders are of the view that the rights have not vested as disclosed in Note 37. It is possible that further information may arise, after the date of this report, relating to this matter, which indicates that breaches of the clauses referred to in Note 37 have occurred, thereby resulting in an event(s) of default under the Long Term Finance Common Terms Agreement (LFCTA).

Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Neotel Proprietary Limited as at 31 March 2015, and its consolidated and separate-financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Emphasis of Matter—Going concern

We draw the users' attention to the matters under Notes 36 and 38 of the financial statements regarding the Group's and Company's ability to continue as a going concern. Furthermore, we draw attention to the financial statements which indicate the Group's and Company's shareholders deficit of R2 097 million and R2 071 million respectively, and that the shareholder loan is subordinated until such time as the Group's and Company's assets, fairly valued exceed their liabilities.

The Group's and Company's ability to continue as a going concern is dependent on its ability to trade against its Annual Operating Plan and achieve its revenue growth, cost optimisation and projected margins. The funding of the business is dependent on cash generated from operations, its ability to manage capital expenditure and funding from the shareholders. The Group and Company has restructured its debt arrangements which has resulted in no debt repayments from 30 September 2016 to 30 April 2018. In addition, the Group and Company has committed facilities of R654 million from its new shareholders to support the company and the new shareholders are required to ensure the company is fully funded. Considering the matters under Note 36, the Group's and Company's ability to continue as a going concern and settle its liabilities as they fall due will depend on continued support from the new shareholders and lenders.

We also draw your attention to the fact that the viability of the business is dependent on the Group's and Company's ability to restructure the debt facility described under Note 38 and the associated repayment terms post 30 April 2018.

Report on Other legal and Regulatory requirements

In accordance with our responsibility in terms of S44 (2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act and have reported such matters to the Independent Regulatory Board for Auditors.

The matters reported include the following:

Reportable Irregularity 1

The company entered into agreements with a consultant in pursuit of and in connection with customer contracts. This resulted in fees of R91 million being paid or payable by the company to this consultant. The commerciality and business/lawful purpose of these agreements remain unsupported. The agreements in our opinion were entered into by an officer of the Company outside of his delegated levels of authority and without the requisite Board approval. The commerciality of the consultancy arrangement was questioned.

The contents of our investigation give us reason to believe that Section 76(3) of the Companies Act 71 of 2008, as well as the common law fiduciary duty of the directors of the company to act in the best interest of the company, may have been breached by virtue of the officer in question exceeding his level of authority.

As this arrangement had been approved outside of the officer's delegated levels of authority, the reportable irregularity remained unresolved. The Board of the company has subsequently ratified the Officer's delegation of authority on 20 July 2015 subject to the Board right to continue to review the circumstances surrounding the Homix engagement. The Board ratification does not constitute an endorsement of the actions of the officer in concluding such contracts. Nothing contained in the resolution shall restrict in any respect any of the Company's rights, remedies or available relief associated with the Homix engagement, either of the Homix contracts or otherwise in respect of any party or person.

Reportable Irregularity 2

The contents of our investigation give us reason to believe that Section 76(3) of the Companies Act 71 of 2008, as well as the common law duty of the directors of the company to apply the required degree of care, skill and diligence, may have been breached, as more particularly described below.

The officers of the Company, being persons responsible for the management of the company, failed to conduct appropriate background checks on the agent that the company contracted with, prior to entering into the Consultancy Arrangement and making the substantial payments thereunder. In our view there is reason to believe that the officers did not—

- apply due care, skill or diligence in authorising the Consultancy Arrangement and in accepting the other fee arrangement;
- make due or adequate enquiries with respect to the actual activity to be performed by the agent, having regard to the nature of the Consultancy Arrangement and the magnitude of the payments committed thereunder; or
- adequately interrogate and/or question the fees payable for the required activity.

The officers, having nevertheless proceeded to approve and implement the Consultancy Arrangement without adequate information as to what exactly the agent would do pursuant thereto, must, in our view, have reconciled themselves with any improper conduct of the agent and the ramifications and consequences thereof.

Whilst the Board has taken certain actions as reflected under Note 37 in the financial statements, this reportable irregularity cannot be rectified and as a result the reportable irregularity is continuing.

Reportable Irregularities 3 & 4

The company entered into agreements with a constant in pursuit of and in connection with customer contracts. This resulted in fees of R91 million being paid or payable by the company to this consultant. The commerciality and business/lawful purpose of these agreements remain unsupported. The Board to ducted an independent investigation into the facts and circumstances relating to transactions with Homix Arising out of investigation, we concluded that the directors and/or prescribed officers, after themselves having considered the report and such information, ought reasonably to have known or suspected that:

- the offence of corruption (as defined in Part 1, Section 3 of Prevention and Combating of Corrupt Activities Act (PRECCA)) was committed; and
- the payments to Homix had no business or lawful purpose as referred to in Section 29 of the Financial Intelligence Centre Act (FICA).

As such, we have reason to believe that the directors and/or prescribed officers of the company ought reasonably to have known or suspected that the

- offence of corruption was committed and failed to report this offence to any police official in terms of section 34 of PRECCA;
- transaction referred to above had no apparent business or lawful purpose, and failed to report this fact to the Financial Intelligence Centre within the 15 business day period as required in terms of Section 29 of the FICA.

The two irregularities have been reported as continuing as the information to consider was not received in accordance with the deadline set. However, the Company has subsequently reported the above matters to the relevant authorities.

Reportable Irregularities 5 & 6

The Board conducted an independent investigation into the facts and circumstances relating to transactions with Homix. Arising out of the investigation, certain information brings into question a back to back transactions (albeit with a margin) with a customer and a supplier ("CCTV transactions"). The investigation identifies a potential success fee arrangement of R45 million relating to the CCTV transactions was made to Homix by the supplier of Neotel. The commerciality and business/lawful purpose of the fees to Homix in other transactions relating to the same customer brings into question the CCTV transactions and the related success fees proposed and/or paid and the resultant dilution in margin. Arising out of the investigation, we concluded that the directors and/or prescribed officers, after themselves having considered the report and such information, ought reasonably to have known or suspected that:

- the offence of corruption (as defined in Part 1, Section 3 of Prevention and Combating of Corrupt Activities Act (PRECCA)) was committed; and
- the transaction entered into between the company and customer may have arisen due to a fee proposed or paid by the supplier to Homix that had no business or lawful purpose as referred to in Section 29 of the Financial Intelligence Centre Act (FICA).

As such, we have reason to believe that the directors and/or prescribed officers of the company ought reasonably to have known or suspected that the

- offence of corruption was committed and failed to report this offence to any police official in terms of section 34 of PRECCA;
- transaction referred to above had no apparent business or lawful purpose, and failed to report this fact to the Financial Intelligence Centre within the 15 business day period as required in terms of Section 29 of the FICA.

The two irregularities have been reported as continuing as the information to consider was not received in accordance with the deadline set. However, the Company has subsequently reported the above matters to the relevant authorities.

Reportable Irregularity 7

The reportable irregularity is that the annual financial statements for the year ended 31 March 2015 have not been prepared and approved within 6 months of the financial year as required in terms of Section 30(1) of the Companies Act of South Africa 2008. This non-compliance is considered to be a material breach of the directors' fiduciary duties.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2015, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

Deloitte + Touche

Deloitte & Touche
Registered Auditor
Per: AJ Dennis
Partner
10 February 2017

SizweNtsalubaGobodo Inc.

SizweNtsalubaGobodo Inc
Registered Auditor
Per: N Ngobese
Partner
10 February 2017

NEOTEL (PTY) LTD

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2015

		Group		Company	
	Notes	2015	2014	2015	2014
		R000	R000	R000	R000
Revenue	4	4 110 333	3 933 572	4 113 171	3 926 105
Interest received	5	36 775	11 218	36 756	22 338
Other income		136 063	12 425	136 044	9 500
Payments to other operators		(1 583 850)	(1 541 057)	(1 583 850)	(1 537 112)
Cost of phone devices		(38 603)	(27 943)	(38 603)	(27 943)
Employee expenses		(707 412)	(639 539)	(569 487)	(511 454)
Other expenses		(770 530)	(681 359)	(927 552)	(838 332)
Consulting expenses		(91 433)	(24 904)	(91 433)	(24 904)
Depreciation		(346 424)	(357 467)	(345 616)	(356 204)
Amortisation		(47 627)	(26 939)	(47 627)	(26 939)
Finance charges	6	(652 145)	(573 714)	(652 145)	(573 714)
Share of profits from associate	11	253	2 822	253	2 822
Profit before taxation	7	45 400	87 115	29 911	64 163
Taxation (charge) / credit	8	(716 191)	848	(716 429)	4 123
(Loss) / profit for the year		**(670 791)**	**87 963**	**(686 518)**	**68 286**
Other comprehensive income		—	—	—	—
Total comprehensive (loss) / income for the year		**(670 791)**	**87 963**	**(686 518)**	**68 286**

NEOTEL (PTY) LTD

STATEMENTS OF FINANCIAL POSITION

at 31 March 2015

	Notes	Group 2015 R000	Group 2014 R000	Company 2015 R000	Company 2014 R000
ASSETS					
Non-current assets					
Property, plant and equipment	9	3 543 706	3 322 941	3 630 253	3 417 787
Investment in subsidiary	10	—	—	—	—
Investment in associate	11	3 562	3 309	3 562	3 309
Intangible assets	12	194 481	87 533	194 481	87 533
Deferred taxation	13	86 411	800 331	57 922	772 080
Other receivables	14	227 352	393 570	227 352	393 570
Other investments	15	1 271	10 104	1 271	10 104
Total non-current assets		**4 056 783**	**4 617 788**	**4 114 841**	**4 684 383**
Current assets					
Inventories	16	41 881	76 447	41 881	76 447
Trade and other receivables	17	740 126	756 864	775 386	785 895
Other investments	15	420 527	27 082	420 527	27 082
Cash and cash equivalents	18	351 152	405 726	351 138	405 493
Total current assets		1 553 686	1 266 119	1 588 932	1 294 917
TOTAL ASSETS		**5 610 469**	**5 883 907**	**5 703 773**	**5 979 300**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	19	3 133 525	3 133 525	3 133 525	3 133 525
Share premium	20	1 010 550	1 010 550	1 010 550	1 010 550
Other reserves		3 008	3 008	3 008	3 008
Accumulated deficit		(6 244 552)	(5 573 761)	(6 218 092)	(5 531 574)
Shareholders' deficit		(2 097 469)	(1 426 678)	(2 071 009)	(1 384 491)
Non-current liabilities					
Loan from shareholder	21	921 824	847 862	921 824	847 862
Loans from financial institutions	22	3 486 025	4 161 858	3 486 025	4 161 858
Loans from financial institutions for property purchase	23	106 260	119 700	106 260	119 700
Trade and other payables	24	6 823	6 172	6 823	6 172
Unearned revenue	25	236 922	214 435	236 922	214 435
Total non-current liabilities		**4 757 854**	**5 350 027**	**4 757 854**	**5 350 027**
Current liabilities					
Loans from financial institutions	22	1 538 363	965 733	1 538 363	965 733
Loans from financial institutions for property purchase	23	13 482	10 266	13 482	10 266
Trade and other payables	24	787 866	748 783	875 001	818 805
Provisions	26	197 095	87 133	176 804	70 317
Unearned revenue	25	413 236	147 862	413 236	147 862
Other financial liabilities		42	781	42	781
Total current liabilities		**2 950 084**	**1 960 558**	**3 016 928**	**2 013 764**
Total liabilities		**7 707 938**	**7 310 585**	**7 774 782**	**7 363 791**
TOTAL EQUITY AND LIABILITIES		**5 610 469**	**5 883 907**	**5 703 773**	**5 979 300**

NEOTEL (PTY) LTD

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2015

	Ordinary share capital	Preference share capital	Preference share premium	Other reserves	Accumulated deficit	Total
	R000	R000	R000	R000	R000	R000
Group						
Balance at 1 April 2013	1	3 133 524	1 010 550	3 008	(5 661 724)	(1 514 641)
Total comprehensive income for the year	—	—	—	—	87 963	87 963
Balance at 31 March 2014	**1**	**3 133 524**	**1 010 550**	**3 008**	**(5 573 761)**	**(1 426 678)**
Total comprehensive income for the year	—	—	—	—	(670 791)	(670 791)
Balance at 31 March 2015	**1**	**3 133 524**	**1 010 550**	**3 008**	**(6 244 552)**	**(2 097 469)**
Company						
Balance at 1 April 2013	1	3 133 524	1 010 550	3008	(5 599 860)	(1 452 777)
Total comprehensive income for the year	—	—	—	—	68 286	68 286
Balance at 31 March 2014	**1**	**3 133 524**	**1 010 550**	**3 008**	**(5 531 574)**	**(1 384 491)**
Total comprehensive loss for the year	—	—	—	—	(686 518)	(686 518)
Balance at 31 March 2015	**1**	**3 133 524**	**1 010 550**	**3 008**	**(6 218 092)**	**(2 071 009)**

NEOTEL (PTY) LTD

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2015

	Note	Group 2015 R000	Group 2014 R000	Company 2015 R000	Company 2014 R000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash generated from operations					
Receipts from customers		4 763 258	4 640 659	4 762 563	4 618 696
Payments made to suppliers		(3 442 247)	(3 557 281)	(3 450 421)	(3 658 683)
Cash flows generated from operations	27	1 321 011	1 083 378	1 312 142	960 013
Interest received		36 775	11 218	36 756	22 338
Foreign exchange losses		(1 544)	(4 018)	(1 544)	(4 018)
Finance charges		(459 450)	(461 766)	(459 450)	(461 766)
Taxation (paid) / received		(2 272)	4 123	(2 272)	4 123
Net cash inflow from operating activities		894 520	632 935	885 632	520 690
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment		(637 291)	(523 028)	(628 184)	(514 947)
Additions to intangible assets		(55 146)	(26 058)	(55 146)	(26 058)
Loans to subsidiary		—	—	—	107 132
Proceeds from disposal of property, plant and equipment		200 977	—	200 977	—
Dividend received from associate		—	2 400	—	2 400
Decrease / (increase) in other receivables		166 218	(24 117)	166 218	(24 117)
Increase in other investments		(384 612)	(17 206)	(384 612)	(19 987)
Net cash outflow from Investing activities		(709 854)	(588 009)	(700 747)	(475 577)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings from financial institutions		—	218 176	—	218 176
Repayment of borrowings from financial institutions		(229 020)	(45 805)	(229 020)	(45 805)
Repayment of property funding		(10 220)	(7 280)	(10 220)	(7 280)
Net cash (outflow) / inflow from financing activities		(239 240)	165 091	(239 240)	165 091
Net (decrease) / increase in cash and cash equivalents		(54 574)	210 017	(54 355)	210 204
Cash and cash equivalents at the beginning of the year		405 726	195 709	405 493	195 289
Cash and cash equivalents at the end of the year		351 152	405 726	351 138	405 493

1 BASIS OF PREPARATION

The Group and Company's annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the Companies Act of South Africa, 2008.

The annual financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments which are measured at fair value or amortised cost. The principle accounting policies adopted are set out below and are consistent in all material aspects with those applied in the previous financial year.

The new standards effective in the current year were adopted but had no significant impact.

2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of annual financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that the Group and Company may undertake in the future, actual results may ultimately differ from those estimates.

The presentation of the results of operations, financial position and cash flows in the annual financial statements of the Group and Company is dependant upon and sensitive to the accounting policies, assumptions, and estimates that are used as a basis for the preparation of these annual financial statements. Management has made certain judgements in the process of applying the accounting policies. These, together with the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, are discussed as follows:

2.1 Interconnect income and payments to other telecommunications operators

In certain instances, Neotel relies on other operators to measure the traffic flows interconnecting with the Group and Company's network. Estimates are used in this case to determine the amount of income receivable from on payments the Group and Company need to make to other operators. The prices at which these services are charged are often regulated and are subject to retrospective adjustment and therefore estimates are used in assessing the likely effect of these adjustments.

2.2 Provisions and contingent Liabilities

Management's judgement is required when recognising and measuring provisions and when measuring contingent liabilities. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Provisions are measured at managements best estimate of the expenditure required to settle the obligation and discounted where the effect of discounting is material. The discount rate used is the rate that reflects current market assessments of the time-value of money and, where appropriate, the risks specific to the liability, all of which require management's judgement. The Group and Company are required to recognise provisions for legal contingencies when the occurrence of the contingency is probable and me amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the reporting date.

2.3 Property, plant and equipment and Intangible assets

The useful lives of assets are based on management's judgement. Management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine optimum useful life expectation for each of the individual items of

2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

property, plant and equipment. Due to the rapid technological advancement in the telecommunications industry, the estimation of useful lives could differ significantly on an annual basis.

The estimation of residual values of assets is also based on management's judgement that the assets will be sold and what their condition will be at that time. For assets that incorporate both a tangible and intangible portion, management uses judgement to assess which element is more significant to determine whether it should be treated as property, plant and equipment or intangible assets.

Determination of impairment of property, plant and equipment and intangible assets is based on management's judgement. Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of service and other circumstances that could indicate that impairment exists.

Neotel applies the impairment assessment to its cash-generating units. This requires management to make significant judgements concerning the existence of impairment indicators, identification of cash-generating units, remaining useful lives of assets and estimates of projected cash flows and fair value less cost to sell. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount of a cash-generating unit requires management to make assumptions to determine fair value less costs to sell and value in use. A key assumption on which management has based its determination of fair value less costs to sell include the existence of binding sale agreements, and for the determination of value in use includes projected revenues, gross margins, average revenue per unit, capital expenditure, expected customer bases and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of any impairment.

2.4 Financial assets

At each reporting date, management assesses whether there are indicators of impairment of financial assets. If such evidence exists, the estimated present value of the future cash flows of that asset is determined. Management's judgement is required when determining the expected future cash flows. In measuring impairment, quoted market prices are used, if available, or projected business plan information from the investee for those financial assets not carried at fair value.

Impairment of receivables

Impairment is raised for estimated losses on trade receivables that are deemed to contain a collection risk. The impairment is based on an assessment of the extent to which customers have defaulted on payments already due and an assessment of their ability to make payments based on credit worthiness and historical write-off experience. Should the financial condition of the customer change, actual write-off's could differ significantly from the impairment.

2.5 Taxation

Management's judgement is exercised when determining the probability of future taxable profits which will determine whether deferred tax assets on deductible temporary differences and unused tax losses should be recognised on derecognised. The utilisation of deferred tax assets will depend on whether Neotel and its subsidiary will generate sufficient taxable Income taking into account any legal restrictions on the length and nature of the taxation asset.

2.6 Long term Incentive provision

Provision for Share Based Payments for selected employees is carried out based on criteria for projected Company performance for valuation of share options allocated to qualifying employees over specific

2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

number of years of service. The employee should be in the employ of the Company for the vesting period of options in order to qualify for the incentive.

2.7 Revenue recognition on back to back transactions

Management applies judgement in assessing the risk and rewards associated in back to back transactions with a certain customer. In these transactions, where Neotel has exposure to the significant risks and rewards associated with the transaction, revenue is recorded on a gross basis. Neotel's exposure to risk and rewards is assessed in accordance with IAS 18, which includes four indicators for gross revenue recognition, namely, primary responsibility for providing goods or services, exposure to inventory risk, exposure to credit risk, and latitude in establishing prices.

3 ACCOUNTING POLICIES

3.1 Consolidated financial statements

Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the Company and all the entities controlled by the Company as if they are a single economic entity. Control is achieved where the Company has power to govern the financial and operating policies of any entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the date of disposal. Inter-company transactions and the resulting unrealised profits and balances between Group entities are eliminated on consolidation.

Investments in associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's shore of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3.2 Property, plant and equipment

Property, plant and equipment are suited at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of properly, plant and equipment includes all directly attributable expenditure incurred in the acquisition, establishment and installation of the asset so as to bring it to the location and condition necessary for it to be capable of operating in the manner intended. Interest costs incurred during construction of qualifying assets ore also capitalised. Depreciation commences from the date the asset is available for use on a straight-line basis over the estimated useful life and ceases at the earlier of the date that the asset is classified as held for sate in accordance with IFRS 5 or the dale that the asset is derecognised, Idle assets continue to attract depreciation. The depreciable amount is determined after deducting the residual value of the asset. The residual value is the estimated amount that the Group and

3 ACCOUNTING POLICIES (Continued)

Company would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual values, the estimated useful lives of individual assets and the depreciation methods thereof are reviewed on an annual basis with the effect of any changes in the estimate accounted for on a prospective basis.

Assets under construction represent network and support equivalent and include all direct expenditure as well as related borrowing costs capitalised, but excludes the costs of abnormal amounts of waste material labour or other resources incurred in the production of self-constructed assets. Depreciation of these assets commences when they are available for use.

Improvements to assets that are held in terms of operating lease agreements are depreciated on a straight-line basis over the shorter of the remaining useful life of the applicable assets or the remainder of the lease period. Where it is reasonably certain that the lease agreement will be renewed, the lease period equals the period of the initial agreement plus the renewal periods.

Freehold land is not depreciated.

Maintenance and repairs, which neither materially add to the value of the assets nor prolong their useful lives, are expensed in the period incurred, Minor plant and equipment items are also recognised as an expense during the period Incurred.

The estimated useful lives assigned to property, plant and equipment are:

	Estimated useful life (Years)	
Asset class	**2015**	**2014**
Leasehold improvements	Lease period	Lease period
Buildings	20	20
Plant and equipment		
—Cable (fibre and duct)	0 to 20	0 to 15
—Network equipment	2 to 15	2 to 15
—Other plant and equipment	5 to 20	5 to 20
Furniture and fittings	5 to 10	5 to 10
Motor vehicles	5	5
Computer equipment	3 to 10	3 to 10
Assets under construction	Not depreciated	Not depreciated

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in statement of comprehensive income in the year in which the asset is derecognised.

3.3 Intangible assets

An intangible asset shall be recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment, losses, if any.

3 ACCOUNTING POLICIES (Continued)

The following are the main intangible assets:

Licences

Licences, that are acquired to yield an enduring benefit, are capitalised at cost and amortised from the date of commencement of usage rights over the duration of the licence agreement.

ICASA licence obligation

Neotel has a corporate social responsibility obligation in respect of the licence held with ICASA. Neotel has capitalised the obligation and will amortise over the ramaining licence period.

Computer software

Computer software that is not considered to form an integral part of any hardware equipment is recorded as an intangible asset. The software is capitalised at cost and amortised over its estimated useful life.

Amortisation commences when the intangible assets are available for their intended use and is recognised on a straight-line basis over the assets' expected useful life.

The estimated useful lives assigned to intangible assets are:

	Estimated useful life (Years)	
Asset class	**2015**	**2014**
ECS and ECNS licence	25 years	25 years
Licence obligation	15 years	—
Computer software	3-8 years	3-8 years

Amortisation ceases at the earlier of the date that the asset is classified as held far sale and the date that the asset is derecognised. The residual value is assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life or there is an active market for the asset that is likely to exist at the end of its useful life, which can be used to estimate the residual value. The useful lives, amortisation methods and residual values are reviewed on an annual basis.

3.4 Impairment of non-current assets

Assets that are subject to amortisation and depreciation are reviewed for impairment at the end of each reporting period to assess the recoverability of the carrying values.

The recoverable amount of assets or cash-generating units are measured using the higher of the fair value less casts to sell and its value in use (which is the present value of the projected cash flows expected to be derived from an asset). If, and only if, the recoverable amount of an asset is less than the carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. Impairment lasses are recognised immediately as an expense in profit or loss when the asset's carrying value exceeds its estimated recoverable amount. Where applicable, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Previously recognised impairment losses, other than for goodwill, are reviewed annually for any indication that they may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. Such impairment losses are reversed through profit or loss if the recoverable amount has increased as a result of a change in the estimates used to determine the recoverable amount. The revised carrying amount shall not be higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. No goodwill impairment losses ore reversed.

3 ACCOUNTING POLICIES (Continued)

After the recognition of an impairment loss, any depreciation or amortisation charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount, less its estimated residual value, on a systematic basis over it's remaining useful life.

3.5 Taxation

Current tax

The lax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the lax effect is included in the accounting for the business combination.

3.6 Inventory

Inventory is stated at the lower of cost or net realisable value. Cost is determined by the weighted average method and comprises all the costs of purchase, costs of conversion and other costs incurred in bringing

3 ACCOUNTING POLICIES (Continued)

inventory to its present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventory to net realisable value and all losses of inventory are recognised as an expense in the period in which the write-down or a loss occurs.

3.7 Financial instruments

Financial assets

Loans and receivables

Trade and other receivables (excluding Value Added Taxation (VAT), prepayments, IRU's and operating lease receivables), finance loans, lease assets and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Trade and other receivables are carried at original invoice amount less any improvement loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held on call, net of bank borrowings, all of which are available for use by the Group and Company unless otherwise stated.

Deposits held on call are classified as loans and receivables by the Group and Company, and carried at amortised cost. Due to the short term nature of these, the amortised cost normally approximates its fair value.

Cash placed in restricted bank accounts for bank guarantees and loan repayments are classified as other investments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date, financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted and the Group and Company will not be able to collect all amounts due according to the original terms of the financial asset. For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Financial liabilities

Loans and other borrowings

Loans and other borrowings are initially recognised at fair value plus directly attributable transaction costs. Loans and other borrowings are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

3 ACCOUNTING POLICIES (Continued)

Derivative financial Instruments

The Group and Company use derivative financial instruments mainly to reduce exposure to foreign currency risks and interest rate movements. The Group and Company do not hold or issue derivative financial instruments for financial trading purposes.

The Group and Company's principal derivative financial instruments are forward foreign exchange contracts and interest rate swaps.

Derivative financial instruments are classified as financial assets at fair value through profit or loss and initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit and loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge. Derivative financial instruments are classified as current assets or current liabilities where they are neither designated in a hedging relationship or have a maturity period within 12 months. Where derivative financial instruments have a maturity period greater than 12 months and are designated in a hedge relationship, they are classified within either non-current assets or non-current liabilities. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of host contracts and host contracts are not carried at fair value. Changes in fair value of embedded derivatives are recognised in the statement of comprehensive income in the line which most appropriately reflects the nature of the item or transaction.

Derecognition

A financial asset or portion of a financial asset will be derecognised and a gain or loss recognised when the Group and Company's contractual rights to the cash flow expire or when the entity transfers substantially all the risks and rewards or when the entity loses control.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the consideration and the carrying amount on the settlement date is included in profit or loss.

3.8 Provisions

Provisions are recognised when the Group and Company a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate to settle the obligation, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time-value of money is material, the amount of the provision is the present value of the payments expected to be required to settle the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be reliably measured.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group and Company have a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3 ACCOUNTING POLICIES (Continued)

3.9 Employee benefits

Short term employee benefits

The cost of all short term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised as an expense in the period in which the employee renders the related service.

The Group and Company recognise the expected cost of bonuses only when there is a present legal or constructive obligation to make such a payment and a reliable estimate can be made.

Long term incentive plan

The Group and Company had adopted a five year vesting period performance incentive plan, based on revenue and EBITDA performance variables in determining the value outcome of options allocated to qualifying employees. The incentive was raised annually against a liability account, based on the Phantom stock unit of measurement for allocated options, as this is treated as a cash settled share based payment transaction. The approach is applicable where companies intend sharing value with key stakeholders without diluting equity.

Defined contribution plans

A defined contribution plan is a plan under which the Group and Company pay a fixed percentage of employees' remuneration as contributions into a separate entity fund, and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. Contributions to defined contribution plans in respect of services during a period are recognised as an employee benefit expense when they are due.

Termination benefits

Termination benefits may be payable when an employee's employment is terminated before the normal retirement date or an employee accepts voluntary redundancy in exchange for these benefits. The Group and Company recognise termination benefits when the Group and Company have demonstrated their commitment to any such plan without the possibility of withdrawal or to provide termination benefits as a result of an offer mode to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

3.10 Borrowing costs

Financing costs directly attributable to the acquisition or construction of assets that require more than three months to complete and get ready for their intended use, are capitalised to the cost of that asset at the interest rates relating to loans raised for that purpose. Other borrowing costs are expensed as incurred. Capitalisation of borrowing costs cease when substantially all the activities necessary to prepare the asset for its intended use are complete.

3.11 Revenue

Revenue is recognised to the extent that the Group and Company have delivered goods and or rendered services under agreements and can be measured reliably, and is probable that the associated economic benefits will flow to the Group and Company. Revenue net of discounts, which excludes Value Added Tax (VAT) and sales between Group companies represent the invoiced value of goods or services supplied by the Group and Company. The Group and Company measure revenue at the fair value of the consideration received or receivable. Revenue is recognised when there is evidence of an arrangement, collectability is reasonably assured and the delivery of the product or service has occurred. If applicable, revenue is split into separately identifiable components according to the substance of the transaction.

3 ACCOUNTING POLICIES (Continued)

The Group and Company provide fixed-line and data communication services and communication related products. The Group and Company provide such services to wholesale, business, and residential customers.

In certain circumstances revenue is split into separately identifiable components and recognised when the related components are delivered in order to reflect the substance of the transaction. The value of components is determined using verifiable objective evidence. The Group and Company do not provide customers with the right to a refund.

Subscriptions, connections and other usage

The Group and Company provide telephone and data communication services under postpaid and prepaid payment arrangements. Costs incurred on first time installations that form an integral part of the network are capitalised and depredated over the life of the expected average customer relationship period. All other installation and activation costs are expensed as incurred.

Contract products that may include deliverables such as a handset and 24 month service are defined as arrangements with multiple deliverables. The arrangement consideration is allocated to each deliverable, based on the fair value of each deliverable on a stand-alone basis.

Revenue from the handset is recognised when the product is delivered, limited to the present value amount of cash that will be receivable over the contract period. Monthly service revenue received from the customer is recognised over the period in which the service is rendered, Revenue from the sale of prepaid credit is deferred until such time as the customer utilises the airtime.

Equipment sales

Revenue from equipment sales is recognised only when the Group and Company have transferred to the buyer the significant risk and rewards of ownership of the goods and the Group and Company neither retain continuing managerial involvement to the degree usually associated with ownership or effective control.

Interconnection

Interconnection revenue for call termination, call transit, and network usage is recognised on usage basis.

Data

Revenue from data services is recognised only when the Group and Company have performed data communication services under postpaid and prepaid payment arrangements. Costs incurred on first time installations that form an integral part of the network are capitalised and depreciated over the life of the expected average customer relationship period. All other installation and activation costs are expensed as incurred. Postpaid and prepaid service arrangements include subscription fees (typically monthly fees), which are recognised over the subscription period.

Network managed services

Revenue recognition is inherent from progress completion on construction projects rolled out for customers. This involves revenue from construction of infrastructure for customers, and revenue is recognised based on progress completion on defined milestones between Neotel and the customer.

Neotel recognises progress revenues and milestone billings in accordance with contract terms reached with customers, for the duration of the contract.

3 ACCOUNTING POLICIES (Continued)

Other

Other revenue is recognised when the economic benefits flow to the Group and Company and the earnings process is complete.

Indefeasible right of use (1RU)

IRU contracts where Neotel provides the customer unrestricted rights or access to the use of network assets for agreed time periods, are usually long term contracts running over a period from 5 to 20 year.

In these agreements the payment for unrestricted right of use of the asset is being charged and received either upfront or in instalments as per the terms of the contract agreed upon. IRU income is recognised evenly over the period of the contract, but in the case of a deferred payment schedule, the interest component is recognised as per the effective interest rate method.

3.12 Interest income

Interest income is recognised on a time proportion basis according to the effective interest rate method.

3.13 Leases

Operating tease payments are recognised in the statements of comprehensive income on a straight-line basis over the lease term. Assets subject to operating leases are presented according to the nature of the asset.

Assets acquired in terms of finance leases are capitalised at the lower of fair value or the net present value of the minimum lease payments at inception of the lense and depreciated over the lesser of the useful life of the asset or the lease term. The capital element of the future obligation under the lease is included as a liability in the statements of financial position. Lease finance costs are amortised in the statements of comprehensive income over the lease term using the effective interest rate method. Where a sale and leaseback transaction results in a finance lease, any excess of sale proceeds over the carrying amount is deferred and recognised in the statements of comprehensive income over the term of the lease.

3.14 Foreign currencies

The functional and presentation currency of the Group and Company is the South African Rand (ZAR). Transactions denominated in foreign currencies are translated, on initial recognition, at the foreign exchange rate at the transaction date.

Monetary assets or liabilities that are denominated in foreign currencies are translated at the rate of exchange at settlement date or reporting date. Exchange differences on the settlement or translation of monetary assets and liabilities are included in gains or losses on re-measurement and disposal of financial instruments in profit or loss in the period in which they arise.

3.15 Comparative figures

Comparative figures are restated in the event of a change in accounting policy or a prior period error.

3.16 Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective for the year ended 31 March 2016. The Standards and

3 ACCOUNTING POLICIES (Continued)

Interpretations (including annual amendments to IFRSs) applicable to the Group and Company are presented below.

IFRS 5	Non-current assets held for sale and discontinued operations
IFRS 7	Financial instruments : disclosures
IFRS 9	Financial instruments
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 14	Regulatory deferral accounts
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IAS 1	Presentation of financial statements
IAS 7	Cash flow statement
IAS 12	Income taxes
IAS 16	Property, plant and equipment
IAS 19	Employee benefits
IAS 27	Separate financial statements
IAS 28	Investments in associates and joint ventures
IAS 38	Intangible assets

Management are in the process of considering the future impact of these standards and interpretations on the financial statements.

4 Revenue

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Enterprise services	3 362 447	2 965 610	3 362 447	2 965 610
Wholesale voice services	435 390	572 774	435 390	572 774
Project services	82 188	147 041	85 026	139 574
Small enterprise and retail services	230 308	248 147	230 308	248 147
Total revenue	4 110 333	3 933 572	4 113 171	3 926 105

Included in the enterprise services is IRU (indefeasible right of use) revenue of R37.5 million (2014: R51.3 million) for both Group and Company.

5 Interest received

Interest received	36 775	11 218	36 756	11 144
Interest received from subsidiary	—	—	—	11 194
	36 775	11 218	36 756	22 338

Included in interest received is IRU (indefeasible right of use) interest of R0.7 million (2014: R1.6 million) for both Group and Company.

6 Finance charges

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Interest on shareholders' loans	73 961	61 921	73 961	61 921
Interest on loans from financial institutions	584 517	530 235	584 517	530 235
Other	748	742	748	742
	659 226	592 898	659 226	592 898
Less capitalised interest				
—property, plant and equipment	(7 081)	(19 184)	(7 081)	(19 184)
	652 145	573 714	652 145	573 714

The weighted average capitalisation rate an funds borrowed was 10.34% per annum (2014: 10.85%)

7 Profit before taxation

Profit before taxation was arrived at after charging:				
Legal fees	26 987	11 783	26 987	11 783
(Gain) / loss on sale of assets*	(129 199)	133	(129 199)	133
Provision for doubtful debts	34 309	2 004	34 506	2 004
Write off of bad debt	53 894	64 582	52 964	64 582
Operations, maintenance and network costs				
Operations costs	152 975	150 875	152 975	150 875
Maintenance costs	194 969	173 894	351 810	330 735
Network costs	7 409	4 474	7 409	4 436
	355 353	329 243	512 194	486 046
Operating leases				
—Buildings and sites	103 039	102 908	103 039	102 908
—Houses	727	728	727	728
—Vehicles	85	148	85	148
—Infrastructure	157 596	159 923	157 596	159 923
	261 447	263 707	261 447	263 707

* Sale of assets to Transnet

7 Profit before taxation (Continued)

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Net foreign exchange gains and losses				
—Unrealised (gains) / losses	(2 773)	758	(2 773)	758
—Realised losses	4 317	3 260	4 317	3 260
	1 544	4 018	1 544	4 018
Depreciation and amortisation				
—Depreciation	346 424	357 467	345 616	356 204
—Amortisation	47 627	26 939	47 627	26 939
	394 051	384 406	393 243	383 143
Management and technical fees				
—Operations and business support services (“OSS/BSS”)	7 248	5 322	7 248	5 322
	7 248	5 322	7 248	5 322
Employee benefits expense				
—Defined contribution plan	63 650	59 117	48 750	44 987
—Medical aid contribution	32 659	32 475	23 065	23 088
	96 309	91 592	71 815	68 075
Consulting fees				
—Success and asset sale fee to agent*	61 000	—	61 000	—
—Commission paid to agent*	22 897	7 395	22 897	7 395
—Business service agreement	1 078	6 430	1 078	6 430
—Other consulting	6 458	11 079	6 458	11 079
Total consulting	91 433	24 904	91 433	24 904

* Fees were incurred for an agent relating to contracts with a certain customer (refer to note 37). R25 million of this fee remains unpaid.

8 Taxation (charge) / credit

Deferred tax—current year	(42 509)	(3 275)	(42 747)	—
—prior year	(671 410)	—	(671 410)	—
Taxation charge per the statements of comprehensive income	(713 919)	(3 275)	(714 157)	—
Foreign tax (charge) / credit	(2 272)	4 123	(2 272)	4 123
Taxation (charge) / credit	(716 191)	848	(716 429)	4 123

Deferred Tax Impaired

Based on the company’s approved business plans and financial projections, it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, hence the deferred tax asset has been impaired in the current year to the valued of R671.4 million for both Group and Company.

Foreign withholding tax

The foreign tax paid of R2.3 million (2014: R4.1 million receipt) arises from foreign income earned, which was subject to withholding tax in the foreign country and paid by the foreign customer to the Revenue Authority of their respective countries. The receipt relates to incorrect withholding tax payments

8 Taxation (charge) / credit (Continued)

subsequently refunded from Botswana Unified Revenue Services (BURS). The foreign tax credit would be allowed as a deduction from South African tax payable on foreign income in terms of section 6 quat of The Income Tax Act.

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Reconciliation between accounting profit and tax expense				
Accounting profit	45 400	87 115	29 911	64 163
Tax at the applicable rate of 28% (2014: 28%)	12 712	24 392	8 375	17 966
Deferred tax asset not recognised	667 152	(28 889)	671 411	(25 738)
Depreciation / amortisation of non qualifying assets	7 789	8 243	7 789	8 243
Non-taxable income	(71)	(790)	(71)	(790)
Non-deductible expenditure	28 659	44	28 659	44
Deductible expenditure	(952)	1 153	(636)	1 153
Deferred tax adjustment relating to prior year allowances	(1 370)	(878)	(1 370)	(878)
Foreign withholding tax	2 272	(4 123)	2 272	(4 123)
Tax effect of assessed loss	716 191	(848)	716 429	(4 123)
Reconciliation of tax rate	%	%	%	%
Normal rate of taxation	28.0	28.0	28.0	28.0
Adjusted for:				
—Permanent differences	78.0	9.9	119.5	13.5
—Deferred tax asset not recognised	1 469.5	(33.2)	2 246.6	(40.1)
—Deferred tax adjustment relating to prior year allowances	(3.0)	(1.0)	(4.6)	(1.4)
—Foreign withholding tax	5.0	(4.7)	7.6	(6.4)
Effective tax rate	1 577.5	(1.0)	2 395.1	(6.4)

No provision has been made for income tax in the current year as the Company has no taxable income. The estimated tax loss available for set off against future taxable income for the Group and Company is R5.5 billion (2014: R6.1 billion) and R5.5 billion (2014: R6.1 billion) respectively.

9 Property, plant and equipment

	Cost	Accumulated depreciation	Carrying value
	R000	R000	R000
Group			
2015			
Land	29 500	—	29 500
Buildings and leasehold improvements	300 989	(116 646)	184 343
Plant and equipment	5 021 146	(2 005 490)	3 015 656
Furniture and fittings	41 900	(31 584)	10 316
Computer equipment	240 222	(201 394)	38 828
Motor vehicles	1 768	(477)	1 291
Network spares	150 144	(17 905)	132 239
Assets under construction	131 533	—	131 533
	5 917 202	(2 373 496)	3 543 706
2014			
Land	29 500	—	29 500
Buildings and leasehold improvements	301 216	(101 503)	199 713
Plant and equipment	4 674 480	(1 842 855)	2 831 625
Furniture and fittings	40 846	(29 370)	11 476
Computer equipment	242 265	(190 572)	51 693
Motor vehicles	1 081	(222)	859
Network spares	82 108	(21 134)	60 974
Assets under construction	137 101	—	137 101
	5 508 597	(2 185 656)	3 322 941
Company			
2015			
Land	29 500	—	29 500
Buildings and leasehold improvements	300 988	(116 646)	184 342
Plant and equipment	5 005 564	(1 989 929)	3 015 635
Furniture and fillings	41 622	(31 306)	10 316
Computer equipment	39 940	(201 110)	38 830
Motor vehicles	1 127	(436)	1 291
Network spares	150 144	(17 905)	132 239
Assets under construction	218 100	—	218 100
	5 987 585	(2 357 332)	3 630 253
2014			
Land	29 500	—	29 500
Buildings and leasehold improvements	301 215	(101 503)	199 712
Plant and equipment	4 658 898	(1 828 103)	2 830 795
Furniture and fittings	40 567	(29 092)	11 475
Computer equipment	241 983	(190 288)	51 695
Motor vehicles	1 040	(181)	859
Network spares	82 108	(21 134)	60 974
Assets under construction	232 777	—	232 777
	5 588 088	(2 170 301)	3 417 787

9 Property, plant and equipment (Continued)

Group

The carrying amount of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Transfers	Disposals	Depreciation/ Impairment	Carrying value at end of year
	R000	R000	R000	R000	R000	R000
2015						
Land	29 500	—	—	—	—	29 500
Buildings and leasehold improvements	199 713	3 387	305	(1 878)	(17 184)	184 343
Plant and equipment	2 831 625	488 414	70 509	(69 622)	(305 270)	3 015 656
Furniture and fittings	11 476	1 231	90	(2)	(2 479)	10 316
Computer equipment	51 693	6 665	1 094	(276)	(20 348)	38 828
Motor vehicles	859	687	—	—	(255)	1 291
Network spares	60 974	75 723	—	(3 572)	(888)	132 239
Assets under construction	137 101	68 263	(73 831)	—	—	131 533
	3 322 941	644 372	(1 833)	(75 350)	(346 424)	3 543 706
2014						
Land	29 500	—	—	—	—	29 500
Buildings and leasehold improvements	214 615	3 716	21	—	(18 639)	199 713
Plant and equipment	2 303 909	346 914	506 359	(48)	(325 509)	2 831 625
Furniture and fittings	9 980	1 523	2 606	—	(2 633)	11 476
Computer equipment	45 905	21 199	1 870	(85)	(17 196)	51 693
Motor vehicles	—	859	—	—	—	859
Network spares	81 273	4 545	—	(31 354)	6 510	60 974
Assets under construction	491 211	163 456	(517 566)	—	—	137 101
	3 176 393	542 212	(6 710)	(31 487)	(357 467)	3 322 941

All assets are ceded to the lenders in terms of the Long Term Finance Company Terms Agreement (LFCTA), refer note 22.

The disposal of the above assets were duly authorised by the Board and lenders prior to the disposal.

9 Property, plant and equipment (Continued)

Company

The carrying amount of property, plant and equipment can be reconciled as follows:

	Carrying value of beginning of year	Additions	Transfers	Disposals	Depreciation / Impairment	Carrying value at end of year
	R000	R000	R000	R000	R000	R000
2015						
Land	29 500	—	—	—	—	29 500
Buildings and leasehold improvements:	199 712	3 387	305	(1 878)	(17 184)	184 342
Plant and equipment	2 830 795	483 415	70 509	(69 622)	(304 462)	3 015 635
Furniture and fittings	11 475	1 232	90	(2)	(2 479)	10 316
Computer equipment	51 695	6 665	1 094	(276)	(20 348)	38 830
Motor vehicles	859	687	—	—	(255)	1 291
Network spares	60 974	75 725	—	(3 572)	(888)	132 239
Assets under construction	232 777	59 154	(73 831)	—	—	218 100
	3 417 787	635 265	(1 833)	(75 350)	(345 616)	3 630 253
2014						
Land	29 500	—	—	—	—	29 500
Buildings and leasehold improvements	214 614	3 716	21	—	(18 639)	199 712
Plant and equipment	2 301 814	346 915	506 359	(48)	(324 245)	2 830 795
Furniture and fittings	9 981	1 522	2 606	—	(2 634)	11 475
Computer equipment	45 907	21 199	870	(85)	(17 196)	51 695
Motor vehicles	—	859	—	—	—	859
Network spares	81 273	4 545	—	(31 354)	6 510	60 974
Assets under construction	594 968	55 375	(517 566)	—	—	232 777
	3 278 057	534 131	(6 710)	(31 487)	(356 204)	3 417 787

All assets are ceded to the lenders in terms of the LFCTA, refer note 22.

The disposal of the above assets were duly authorised by the Board and lenders prior to the disposal.

Neotel secured long term property funding for the purchase of Neovate Park. If has been funded by two banks, namely Nedbank Ltd and Investec Bank Ltd. The financing is purely on a "project recourse" basis without shareholder recourse or guarantees. The interest rates applicable to each facility is JIBAR plus 4.5% margin. The tenure of the facility is 10-years with 5.5 years remaining.

The Croup and Company have funding facilities amounting to billion with a consortium of financial institutions. The facility has a remaining tenure of between 1.5 years and 5 years from the date of first drawdown and is secured against the assets of the Group. As at 31 March 2015, the facilities have been fully drawn. Refer to note 22.

10 Investment in subsidiary

Details of the Company's subsidiary at 31 March 2015, which is stated at cost, are as follows:

Name of subsidiary	Place of Incorporation	Proportion of voting	Proportion ownership	Principal activity
Unlisted investments—Direct subsidiary				
Neotel Business Support Services (Pty) Ltd ("NBSS")	South Africa	100%	100%	Telecommunications

	2015	2014
	R	R
Ordinary shares in Neotel Business Support Services (Pty) Ltd	100	100

	2015	2014
	R000	R000
The Group's share of the subsidiary profits and losses after tax		
Subsidiary profit	6 619	18 457

11 Investment in associate

Name of associate	Place of Incorporation	Proportion of voting	Proportion ownership	Principal activity
Number Portability Company (Pty) Ltd	South Africa	20%	20%	Telecommunications

Neotel holds a 20% investment in Number Portability Company (pty) Ltd. The reporting time of Number Portability Company (Pty) Ltd is 31 December which was established when the company was incorporated. For purposes of applying the equity method of accounting, the financial statements of Number Portability Company (Pty) Ltd for the year ended 31 December 2014 have been used and appropriate adjustments have been made for the effects of significant transactions between that date and 31 March 2015 based on the latest management accounts.

Summarised financial information in respect of the Group and Company's associate is set out below.

	2015	2014
	R000	R000
Total assets	19 479	18 138
Total liabilities	(1 457)	(1 369)
Net assets	18 022	16 769
Total revenue for the year	15 141	33 882
Total profit after tax for the year	1 265	14 111
Group and Company's share of net assets of associate	3 604	3 354
Carrying value of associate		
Opening balance	3 309	2 887
Share of profits—current year	253	2 822
Dividends received	—	(2 400)
Total investment in associate	3 562	3 309

12 Intangible assets

	Licence	Computer software	Total
	R000	R000	R000
Group and Company			
2015			
Cost	122 595	365 196	487 791
Accumulated amortisation	(23 826)	(269 484)	(293 310)
Carrying value	98 769	95 712	194 481
2014			
Cost	25 000	312 831	337 831
Accumulated amortisation	(16 717)	(233 581)	(250 298)
Carrying value	8 283	79 250	87 533

	Carrying value at beginning of the year	Additions	Transfers	Amortisation	Carrying value at end of the year
	R000	R000	R000	R000	R000
Group and Company					
2015					
Licence	8 283	97 596	—	(7 110)	98 769
Computer software	79 250	55 146	1 833	(40 517)	95 712
	87 533	152 742	1 833	(47 627)	194 481
2014					
Licence	8 885	—	—	(602)	8 283
Computer software	72 819	26 058	6 710	(26 337)	79 250
	81 704	26 058	6 710	(26 939)	87 533

Neotel capitalised the fixed licence fee for R100.0 million, payable the commencement of service, at its net present value, on 9 December 2005, the date of allotment of the licence, duly considering the interest free period until the date of commencement of service. The licence fee is amortised over the period of the licence. On 1 April 2009, the Independent Communications Authority of South Africa ("ICASA") amended the licence fee regulation, which has resulted in a reduction of the fixed fee by R72.0 million. During 2011 a settlement was reached between Neotel and ICASA of R25.0 million being final settlement for the licence obligation. This further resulted in a reduction of the fixed fee by R3.0 million effective 30 September 2010. The carrying value of the licence fee as at 31 March 2015 was R7.6 million (2014: R8.2 million). The licence term is valid for a period of 25 years from 9 December 2005, the date the licence was granted and can be renewed for a further 25 years.

Neotel has a corporate social responsibility obligation in respect of the licence held with ICASA, to provide ICT services to 750 public schools. The ICT services include the provision of the local area network, the wide area network, the end user devices in schools and training. Neotel has capitalised the obligation over the licence period and has recognised the obligation as a provision (see note 26).

13 Deferred taxation

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Deferred tax consists of:				
Tax losses available for future set off	21 823	868 699	—	846 876
Originating temporary differences on:				
—Property, plant and equipment	(163 354)	(150 235)	(163 366)	(150 292)
—Prepayments	997	1 119	997	1 119
—Provisions (including employee benefit liabilities)	68 901	36 321	62 247	29 950
—Unrealised exchange differences	—	(308)	—	(308)
—Unearned revenue	103 010	—	103 010	—
—Income received in advance	60 732	55 408	60 732	55 408
—Intangible assets	(5 698)	(10 673)	(5 698)	(10 673)
	86 411	800 331	57 922	772 080
The movement in deferred tax is as follows:				
Opening balance	800 331	803 606	772 080	772 080
Income statement charge				
—Impairment of deferred tax asset	(671 411)	—	(671 411)	—
—Utilisation of tax losses	(175 464)	103 551	(175 464)	103 552
—Property, plant and equipment	(13 120)	(68 058)	(13 074)	(67 981)
—Prepayments	(122)	(1 375)	(122)	(1 375)
—Provisions	32 580	(36 408)	32 296	(35 144)
—Unrealised exchange differences	308	(1 289)	308	(1 289)
—Unearned revenue	103 010	—	103 010	—
—Income received in advance	5 324	557	5 324	2 490
—Intangible assets	4 975	(253)	4 975	(253)
Closing balance	86 411	800 331	57 922	772 080

The Group and Company have achieved taxable profits in the current year R632.7 million (2014: Tax loss of R267.9 million) and R626.6 million (2014: Tax loss of R227.9 million) respectively, based on the trading performance for the year.

The estimated cumulative tax losses excluded from the deferred tax recognition relate to the wholly owned subsidiary, Neotel Business Support Services (Pty) Ltd of R18.9 million (2014: R25.0 milllon), as well as the estimated cumulative losses incurred by Neotel of R5.5 billion (2014: R3.1 billion). Based on the company's approved business plans and financial projections, it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be used and hence the deferred tax asset is not recognised on the unused losses. The Group and Company's value of the unprovided deferred tax asset not raised against losses amounts to R1.5 billion (2014: R879 million) and Rl.5 billion (2014: R872 million) respectively.

14 Other receivables

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Long term portion of other receivables:				
—Prepayments	14 172	10 758	14 172	10 758
—Indefeasible right or use	169 300	304 599	169 300	304 599
—Lease smoothing asset	43 880	78 213	43 880	78 213
	227 352	393 570	227 352	393 570

Included in the long term balance of other receivables, is a balance of R169.3 million (2014: R304.5 million) for IRU contracts. These are long term indefeasible right of use agreements over 10 to 20 years. IRU costs are recognised evenly over the period of the contract, but in the case of a deferred payment schedule, the interest component is recognised as per the effective interest rate method.

15 Other Investments

The Group and Company have placed cash in restricted bank accounts for the following:

Short term				
Guarantees	89 788	8 095	89 788	8 095
Loan repayments	121 005	9 960	121 005	9 960
Capital expenditure	200 959	—	200 959	—
Customer deposits held	8 775	9 027	8 775	9 027
	420 527	27 082	420 527	27 082
Long term				
Guarantees	1 271	10 104	1 271	10 104
	421 798	37 186	421 798	37 186

16 Inventories

Finished goods	23 056	63 513	23 056	63 513
Projects work in progress	18 825	12 934	18 825	12 934
	41 881	76 447	41 881	76 447

Finished goods inventory holding level has decreased by R40.5 million in the current financial year, due to a decrease in trading and service on delivery stock by R19.9 million, whilst stock held for customer pass through projects reduced to a level of R4.8 million (20I4: R19.1 million). The trading and maintenance stock continue to be managed optimally at economic holding levels, resulting in obsolescence provision of R7.7 million (2014: R5.3 million).

Inventory valuation is carried out at the lower of cast or net realisable value.

Projects work in progress has increased to R18.8 million (2014: R12.9 million) due to completion milestones on some customer construction projects being in progress and not yet being recognised for revenue.

17 Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Trade receivables—gross	570 868	648 346	606 097	679 645
Less allowances for doubtful debts	(86 094)	(105 679)	(85 921)	(104 379)
Trade receivables—net	484 774	542 667	520 176	575 266
Other receivables -short term portion				
—Prepayments	33 491	32 057	33 491	32 057
—Indefeasible right of use	16 544	23 460	16 544	23 460
—Other receivables	183 207	155 527	183 065	151 959
—Lease smoothing asset	22 110	3 153	22 110	3 153
	740 126	756 864	775 386	785 895

Except for customer deposits, trade and other receivables have been ceded to the consortium of lenders. The directors consider that the carrying amount of trade receivables approximate their fair value.

The credit terms offered to customers for services is 30 days. Interest has charged on the trade receivables with effect from 1 November 2014. A provision for doubtful receivables of R86.0 million (2014: R105.6 million) and R85.9 million (2014: R104.3 million) has been provided for the Group and Company respectively. Before accepting any new customer, the Group uses the services of an external credit bureau to assess the potential customer's credit worthiness. Of the trade receivables balance at the year end, for both the Group and Company, R238.5 million (2014: R281.9 million) is due from five major customers who constitute 40.51% (2014:43.48%) for the Group and 38.22% (2014:41.48%) for the Company, of the balance at year end.

Included in the trade receivables balance are debtors with a carrying amount of R230.3 million (2014: R229.2 million) for both the Group and Company, which are past due at the reporting date against which of provision is ralsed its there has not been a significant change in the credit worthiness and the amounts are still considered recoverable.

17 Trade and other receivables (Continued)

Included in trade receivables is an amount of R19.1 million (20l4:R51.6 million) for the Tata Group of companies.

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Ageing of post due but not impaired trade receivables				
30-60 days	136 156	74 891	136 156	74 891
60-90 days	17 127	29 733	17 127	29 733
90-120 days	12 458	25 409	12 458	25 409
120-180 days	30 329	18 851	30 329	18 851
> 180 days	34 243	80 324	34 243	80 324
Total	230 313	229 208	230 313	229 208
Movement in allowance for doubtful debts				
Balance at beginning of the year	105 679	168 257	104 379	166 957
Impairment losses recognised on receivables	34 309	2 004	34 506	2 004
Write off of bad debts	(53 894)	(64 582)	(52 964)	(64 582)
Balance at end of the year	86 094	105 679	85 921	104 379
Ageing of Impaired trade receivables				
Current	2 383	—	2 383	—
30-60 days	934	—	934	—
60-90 days	1 275	—	1 275	—
90-120 days	3 404	1 102	3 404	1 102
120-180 days	4 011	2 264	4 011	2 264
> 180 days	74 087	102 313	73 914	101 013
Total	86 094	105 679	85 921	104 379

18 Cash and cash equivalents

Cash and bank balances	351 152	405 726	351 138	403 493

Cash and cash equivalents comprise cash held by the Group and Company.

19 Share capital

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Authorised				
Ordinary				
5 000 (2014: 5 000)	5	5	5	5
Ordinary shares of no par value				
Preference "A"				
1 136 257 250 (2014: 1 136 257 250)	11 362	11 362	11 362	11 362
Cumulative redeemable Preference A shares of par value R0.01 each				
Preference "B"				
5 000 000 000 (2014:5 000 000 000)	5 000 000	5 000 000	5 000 000	5 000 000
Cumulative redeemable Preference B no par value shares				
	5 011 367	5 011 367	5 011 367	5 011 367
Issued and fully paid				
Ordinary				
1 000(2014: 1 000)	1	1	1	1
Ordinary shares of no par value				
Preference "A"				
1 020 757 252 (2014: 1 020 757 252)	10 208	10 208	10 208	10 208
Cumulative redeemable Preference A shares of par value R0.01 each				
Preference "B"				
3 123 316 653 (2014: 3 123 316 653)	3 123 316	3 123 316	3 123 316	3 123 316
Cumulative redeemable Preference B no par value shares				
	3 133 525	3133 525	3 133 525	3 133 525

The unissued preference shares are under the unrestricted control of the directors in terms of the funding level approved by the Board until the next annual general meeting of the shareholders.

Preference A shares are entitled to voting lights whilst Preference B shares have no voting rights. Also, Preference B shares rank first for dividend payment and redemption before Preference A shares.

The Preference "A" shares are redeemable, at the Company's discretion, after the expiry of 36 months and 1 day from the subscription date, in terms of clause 1.8.15 of the shareholders' agreement. The shares shall be redeemed at the redemption price, being the initial subscription price plus any outstanding dividends. (Refer to note 30)

The preference "B" shares are redeemable at the option of the Company and there is no fixed date of redemption. The dividend for preference "B" shares will be calculated at a fixed coupon rate. (Refer to note 30)

In terms of clause 1.58 of the LFCTA, all amounts contributed by the shareholders to the Company in the form of equity, subscription for preference shares, loans or otherwise, are to be subordinated to amounts due to the lenders until the release date which is when the loan is fully repaid.

20 Share premium

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Preference "A"				
1 020 757 252 (2014:1 020 757 252)				
Cumulative preference shares issued at a premium of R0.99 each	1 010 550	1 010 550	1 010 550	1 010 550

21 Loan from shareholder

Unsecured				
Nexus Connexion (Pty) Ltd	921 824	847 862	921 824	847 862

Nexus Connexion (Pty) Ltd has deferred its right to claim or accent payment of their loan accounts to meet the claims of the other creditors of the Group and Company, until such time as the assets of the Group and Company, fairly valued, exceed its liabilities, and until the amounts due to the lenders in terms of the LFCTA (refer note 22) and the property funding (refer note 23) are fully settled.

The loan is unsecured and bears interest at the 3 months Johannesburg interbank Agreed Rate (JIBAR) plus 2.5% margin. There is no fixed repayment terms and this loan is subordinated and therefore disclosed as long term in nature.

Group and Company

2015 and 2014

Funding provided by the shareholders consist of preference shares and shareholder loans through equity subscription agreements as detailed below:

Existing equity	Sanctioned or committed	Drawn	Available facility
	R000	R000	R000
Sepco Communications (Pty) Ltd	1 495 845	(1 495 845)	—
VSNL SNOSPV Pte Ltd	791 918	(791 918)	—
Nexus Connexion (Pty) Ltd	557 275	(557 275)	—
Tata Africa Holdings (SA) (Pty) Ltd	87 991	(87 991)	—
	2 933 029	(2 933 029)	—

Additional equity	Sanctioned or committed	Drawn	Available facility
	R000	R000	R000
Sepco Communications (Pty) Lid	586 500	(586 500)	—
VSNL SNOSPV Pte Ltd	310 500	(310 500)	—
Nexus Connexion (Pty) Ltd	218 500	(218 500)	—
Tata Africa Holdings (SA) (Pty) Ltd	34 500	(34 500)	—
	1 150 000	(1 150 000)	—

A shareholder has provided a funding facility of R2.0 billion against which the bridge loan has been drawn by the company. At the date of the approval of the annual financial statements the facility has been drawn to the amount of R1.9 billion and the bridge loan will be settlled through the sale transaction between the existing and new shareholders.

22 Loans from financial institutions

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Term loans	4 081 252	4 310 274	4 081 252	4 310 274
Interest accrued	168 332	130 872	168 332	130 872
	4 249 584	4 441 146	4 249 584	4 441 146
Less: Prepaid finance arrangement fees	(49 067)	(63 556)	(49 067)	(63 556)
	4 200 517	4 377 590	4 200 517	4 377 590
Bridging loan (short term)	823 871	750 001	823 871	750 001
	5 024 388	5 127 591	5 024 388	5 127 591
Made up as follows:				
Long term portion	3 486 025	4 161 858	3 486 025	4 161 858
Short term portion	1 538 363	965 733	1 538 363	965 733
	5 024 388	5 127 591	5 024 388	5 127 591

Neotel's funding is mode up of debt and equity. The debt portion to the value of a R4.4 billion facility consists of a consortium of banks, namely Nedbank Ltd. The Development Bank of Southern Africa Ltd (DBSA), Investec Bank Ltd, Infrastructure Finance Corporation Ltd (INCA), Industrial Development Corporation of South Africa (IDC), State Bank Ltd of India and Deutsche Investitions—and Entwicklungsgesellschaft mbll (DEG), Nedbank Ltd act on behalf of the consortium of lenders as agents. The financing was purely on a "Project recourse" basis without any shareholder recourse or guarantees. The facility is made up of senior debt, subordinated debt and an IDC Mezzanine facility.

Neotel secured a bridge funding facility of R504.2 million in 2013 and further increased the bridge loan to R2.0 billion, as approved by the lenders. The balance as at 31 March 2015 is R823.8 million which includes interest. The loan is repayable on 28 February 2017 in terms of the loan agreement, however, settlement is expected on the conclusion of the sale transaction, namely 10 February 2017. The interest rate applicable to the loan is 3 month JIBAR plus 3% margin plus 0.5525% for bank charges and liquidity costs.

Group and Company

The interest rates applicable to each facility are as follows:

Types of facility	Interest rate	Remaining tenure of loan 2015	Tenure of loan 2015	Tenure of loan 2014
Senior term loan facility	3 Month JIBAR plus 4.98%	1.5 years	7.5 years	7.5 years
Senior term loan facility	3 Month JIBAR plus 4.75%	3 years	9 years	9 years
Subordinated term loan facility	3 Month JIBAR plus 6 75%	5 years	11 years	11 years
Subordinated term loan facility (IDC)	3 Month JIBAR plus 6.00%	5 years	11 years	11 years
Mezzanine facility	3 Month JIBAR plus 2.50%	5 years	11.5 years	11.5 years
Bridge Loan	3 Month JIBAR plus 3.00%			

22 Loans from financial institutions (Continued)

The drawdowns on the long term funding are as follows:

2015 and 1014

Types of facility	Sanctioned	Drawn	Available Facility
	R000	R000	R000
Senior term loan facility	3 056 080	(3 056 080)	—
Subordinated term loan facility	200 000	(200 000)	—
Subordinated term loan facility (IDC)	800 000	(800 000)	—
Mezzanine facility	300 000	(300 000)	—
Total	4 356 080	(4 356 080)	—

Ceded rights Neotel:

All rights, claims, entitlements, benefits of other interest including without limitation to debits, insurance proceeds, project revenues, receivables and accounts, ceded agreements, debts, incorporeal, equity guarantees, accounts owing to the Company under any loan agreement, mortgage and notarial bonds excluding the customer deposit account and Neotel's share in NBSS are ceded to the consortium of lenders.

Ceded rights NBSS:

All rights, claims, entitlements, benefits of other interest including without limitation to debts, insurance proceeds, project revenues, receivables and accounts, ceded agreements, debts, incorporeal, equity guarantees, amounts owing to the Company under any loan agreement, mortgage and notarial bonds are ceded to the consortium of lenders.

LFCTA Covenants:

In terms of the Long Term Finance Common Terms Agreement (LFCTA), Neotel is obliged to meet specific financial covenants on a quarterly basis. During the financial year Neotel reported breaches to the Group Revenue covenant in the first and second quarters of the year, and a breach in the CFAD's covenant for the second quarter of the year. These covenant breaches have been unconditionally waived by the consortium of lenders and reset at the end of December 2014 in terms of the LFCTA. Furthermore,

22 Loans from financial institutions (Continued)

Neotel reported breaches to the Group Revenue covenant and the EBITDA covenant for the fourth quarter. These breaches have been unconditionally waived by the lenders.

	<1 year	Year 2	Year 3	Year 4	> 5 years	Total
	R000	R000	R000	R000	R000	R000
Repayment Profile:						
2015						
Senior term loan facility	641 352	949 118	1 215 025	—	—	2 805 495
Subordinated term loan facility	17 460	28 260	39 060	49 860	60 680	195 320
IDC Subordinated term loan facility	70 169	113 040	156 240	199 440	242 720	781 609
IDC Mezzanine facility	—	—	—	—	467 160	467 160
Bridging loan	823 871	—	—	—	—	823 871
	1 552 852	**1 090 418**	**1 410 325**	**249 300**	**770 560**	**5 073 455**
2014						
Senior term loan facility	206 496	640 509	949 118	1 215 025	—	3 011 148
Subordinated term loan facility	4 749	17 460	28 260	39 060	110 540	200 069
IDC Subordinated term loan facility	18 977	69 840	113 040	156 240	442 160	800 257
IDC Mezzanine facility	—	—	—	—	429 672	429 672
Bridging loan	750 001	—	—	—	—	750 001
	980 223	**727 809**	**1 090 418**	**1 410 325**	**982 372**	**5 191 147**

Future funding:

Refer to the note on going concern (36) and events after reporting period (38) on the impact of future funding for the company.

23 Loans from financial institutions for property purchase

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Long term loans	106 260	119 700	106 260	119 700
Portion payable in the next 12 months	13 482	10 266	13482	10 266
	119 742	129 966	119 742	129 966

Neotel secured long term property funding for the purchase of Neovate Park Head Office. the debt portion of R140 million was equally funded by two banks, namely Nedbank Ltd and Investee Bank Ltd. The financing is purely on a “project recourse” basis without any shareholder recourse or guarantees. The interest rates applicable to each facility is a fixed rate of 8.08% plus 4.5% margin. The tenure of the facility is 10 years, with 5.5 years remaining. Capital repayments of R10.3 million have been made during the current financial year. Rl3.5 million will be paid in the next 12 months.

23 Loans from financial institutions for property purchase (Continued)

Land and buildings are pledged as security against the loans.

	<1 year	2-5 years	>5 years	Total
	R000	R000	R000	R000
Repayment Profile:				
2015				
Nedbank Ltd	6 741	45 500	7 630	59 871
Investee Bank Ltd	6 741	45 500	7 630	59 871
	13 482	91 000	15 260	119 742
2014				
Nedbank Ltd	5 133	38 290	21 560	64 983
Investee Bank Ltd	5 133	38 290	21 560	64 983
	10 266	76 580	43 120	129 966

24 Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Trade payables	394 087	372 582	476 388	439 435
Accruals	255 578	227 068	251 578	220 603
Related party accruals	48 149	37 867	48 149	37 867
Lease smoothing liability	46 767	39 122	46 767	39 122
Deposits	8 896	8 069	8 727	7 889
Other payables	17 930	17 465	28 763	28 595
Vat payable	16 459	46 610	14 629	45 294
Short term portion of trade and other payables:	787 866	748 783	875 001	818 805
Long term portion of trade and other payables:	6 823	6 172	6 823	6 172
	794 689	754 955	881 824	824 977

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The directors consider that the carrying amount of trade payables approximates their fair value.

25 Unearned revenue

Unearned revenue—IRU	23 660	22 148	23 660	22 148
Unearned revenue—projects	215 803	1 837	215 803	1 837
Unearned revenue—prepaid	20 151	8 233	20 151	8 233
Unearned revenue—other	153 622	115 644	153 622	115 644
Short term portion unearned revenue	413 236	147 862	413 236	147 862
Long terra portion of unearned revenue	236 922	214 435	236 922	214 435
	650 158	362 297	650 158	362 297

26 Provisions

Group

	Opening balance	Raised	Utillised	Closing balance
	R000	R000	R000	R000
2015				
Bonus	71 833	91 302	(93 635)	69 500
Long term incentive plan	15 300	—	(15 300)	—
Retention bonus	—	30 000	—	30 000
ICASA obligation	—	97 595	—	97 595
	87 133	218 897	(108 935)	197 095
2014				
Bonus	80 058	81 024	(89 249)	71 833
Long term incentive plan	17 145	464	(2 309)	15 300
Retention bonus	—	—	—	—
	97 203	81 488	(91 558)	87 133

Company

	Opening balance	Raised	Utillised	Closing balance
2015				
Bonus	55 017	64 779	(70 587)	49 209
Long term incentive plan	15 300	—	(15 300)	—
Retention bonus	—	30 000	—	30 000
ICASA obligation	—	97 595	—	97 595
	70 317	192 374	(85 887)	176 804
2014				
Bonus	61 385	61 377	(67 745)	55 017
Long term incentive plan	17 145	464	(2 309)	15 300
Retention bonus	—	—	—	—
	78 530	61 841	(70 054)	70 317

Bonus provision

Bonuses are payable to all eligible staff in terms of the Group and Company's remuneration policy. The individual payout is a percentage of the total cost to the Group and Company taking into account the employee level, individual performance rating and Group performance. The payment is time-apportioned based on the length of time the employee has been employed by the Group in the current year. The actual payments are effected post financial year end subsequent to approval by the Remuneration Committee and the Board of directors. Additional provisions have been provided for staff that have structured their packages to include a 13th cheque payable in December.

Long term Incentive plan

The provision was accrued for annually, over the vesting period of the share based payment plan. The options have vested on 31 March 2015. This incentive plan has been replaced by the long term retention plan.

Long term retention plan

The provision is accrued for annually. The plan is payable on 31 January 2016.

26 Provisions (Continued)

ICASA obligation

Neotel has a corporate social responsibility obligation in respect of the licence held with ICASA, to provide ICT services to 750 public schools over a four year period. The ICT services include the provision of the local area network, the wide area network, the end user devices in schools and training. Neotel has capitalised the obligation (refer note 12) over the licence period and has recognised the obligation as a provision.

27 Notes to the statements of cash flaws:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	R000	**R000**	**R000**	**R000**
Reconciliation of profit for the year to cash generated from operations				
Profit before taxation	45 400	87 115	29 911	64 163
Adjustments for:				
Depreciation and amortisation	394 051	384 406	393 243	383 143
Interest received	(36 775)	(11 218)	(36 756)	(22 338)
Finance costs	652 145	573 714	652 145	573 714
Net foreign exchange loss	1 544	4 018	1 544	4 018
(Gain) / loss on disposal of property, plant and equipment	(129 199)	133	(129 199)	133
Share of profits from associate	(253)	(2 822)	(253)	(2 822)
Licence obligation	(97 595)	—	(97 595)	—
Changes in working capital				
Decrease in trade and other receivables	16 738	137 101	10 509	125 085
Increase / (decrease) in Inventories*	38 137	(9 235)	38 137	(9 235)
Increase / (decrease) in trade and other payables	39 083	2 685	56 196	(75 228)
Increase in trade and other payables—long term	651	567	651	567
Increase /(decrease) in provisions	109 962	(10 070)	106 487	(8 213)
Increase / (decrease) in unearned revenue—short term	265 374	(69 300)	265 374	(69 258)
Increase / (decrease) in unearned revenue—long term	22 487	(5 424)	22 487	(5 424)
(Decrease) / increase in other financial liabilities	(739)	781	(739)	781
Decrease in other financial assets	—	927	—	927
Cash generated from operations	1 321 011	1 083 378	1 312 142	960 013

* Includes network spares issued for maintenance from property, plant and equipment.

28 Financial Instruments

(a) Capital risk management

The Group and Company manage their capital to ensure they will be able to continue as a going concern while maximising the return to the stakeholders through the optimisation of the debt and equity balance. Neotel engages with the Board, shareholders, and lenders to ensure the Company is sufficiently funded. To date, Neotel and the lenders are managing the capital requirements of the business with the support and co-operation of the parent company. Tata Communications Ltd.

The Group monitors capital on a basis of debt to equity. Debt comprises interest bearing debt, shareholder loans and any other loans. Equity comprises share capital including preference shores (with different voting rights) and reserves.

28 Financial Instruments (Continued)

The capital structure of the Group and Company consist of debt which includes the shareholder loans disclosed in note 21 and equity attributable to shareholders of the Group, comprising issued capital (disclosed in notes 19 and 20 respectively), reserves and the accumulated deficit. Loans from financial institutions are part of the funding structure and disclosed in note 22.

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
The gearing ratio at the year end was as follows.				
Debt	6 065 954	6 105 419	6 065 954	6 105 419
Cash and cash equivalents	(351 152)	(405 726)	(351 138)	(405 493)
Net debt	5 714 802	5 699 693	5 714 816	5 699 926
Shareholders' deficit	2 097 469)	1 426 678	2 071 009	1 426 678

(b) Credit risk management

Credit risk is the risk of a counterparty defaulting on its contractual obligations resulting is financial loss to the Group and Company. The Group and Company have adopted a policy of dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from payment defaults.

Trade receivables consists of customers in various sectors of the telecommunication industry. On going credit evaluations are performed on the financial condition of the accounts receivable balances.

(c) Foreign currency risk management

The Group and Company undertake certain transactions denominated in foreign currencies, namely the currency of the United States or America (US Dollars), the currency of the United Kingdom (Great British Pounds), the currency of the European Union (Euro), and the currency of Botswana (Botswana Pola). Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising client foreign currency accounts, spot and forward foreign exchange contracts. These client foreign currency accounts and forward exchange contracts, classified as level 2 are measured at fair value derived from inputs other than quoted prices in an active market.

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

Group and Company

	Assets		Liabilities	
	2015	2014	2015	2014
	000	000	000	000
United States Dollars	7 040	10 318	8 198	8 785
Botswana Pula	—	—	—	188
Great British Pound	—	—	—	1
Euro	—	—	2	—

Foreign currency sensitivity analysis

The following disclosure details the Group and Company's sensitivity for a 25% (2014: 25%) increase and decrease in the Rand against the relevant foreign currencies, 25% (2014: 25%) is the sensitivity rate used when reporting foreign currency risk internally, for key management's assessment of the reasonable possible change in foreign exchange rates.

28 Financial Instruments (Continued)

The sensitivity includes only outstanding foreign currency denominated items and adjusts their translation at the year end. For a 25% strengthening of the Rand against the relevant currency, the impact is an increase in the profit and other equity for the Group and Company of R15.1 million (2014: Group and Company R0.2 million). For a 25% weakening of the Rand against the relevant currency, the impact is a decrease in profit and other equity for the Group and Company R15.1 million (2014: Group and Company R0.2 million).

Forward foreign exchange contracts

It is policy of the Group and Company to enter into forward foreign exchange contracts to cover specific foreign currency payments. Exposure to exchange rate fluctuations is constantly monitored and, when the need arises, contracts are entered into.

Group and Company

The following table details the forward foreign currency (PC) outstanding contracts at the reporting date:

	Average exchange rate	Foreign currency	Contract value	Fair Value
		000	R000	R000
2015—Buy USD				
Less than three months	12.2167	1,066	13,025	12,984
Three to six months		—	—	—
Greater than six months	—	—	—	—
2014—Buy USD				
Less than three months	11.2778	1,108	12,495	11,731
Three to six months	—	—	—	—
Greater than six months	—	—	—	—
2015—Buy EURO				
Less than three months	—	—	—	—
Three to six months	—	—	—	—
Greater than six months	—	—	—	—
2014—Buy EURO				
Less than three months	14.8831	55	813	796
Three to six months	—	—	—	—
Greater than six months	—	—	—	—

Derivatives designated and effective as hedging instruments are carried at fair value.

Group and Company

	2015	2014
	R000	R000
Foreign currency forward contracts (USD)	(42)	(764)
Foreign currency forward contracts (EURO)	—	(17)
Included in other financial liabilities	(42)	(781)

(d) Liquidity risk

The responsibility for liquidity risk management rests with Neotel management and ultimately the Board of directors, which has implemented an appropriate investment policy for the Group and Company's short, medium and long term funding and liquidity management requirements. The Group and Company

28 Financial Instruments (Continued)

manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Neotel engages with the Board, shareholders and lenders to ensure that the Group and Company have adequate funds to cover its commitments in the next twelve months.

	<1 year	2-5 years	>5years	Total
	R000	R000	R000	R000
Group				
2015				
Trade and other payables	(771 407)	—	(6 823)	(778 230)
Loan from shareholder	—	—	(921 824)	(921 824)
Loans from financial institutions (Refer to note 22)	(2 015 410)	(4 321 384)	—	(6 336 794)
Loans from financial institutions for property purchase	(28 118)	(125 866)	(15 997)	(169 981)
2014				
Trade and other payables	(702 173)	—	(6 172)	(708 345)
Loan from shareholder	—	—	(847 862)	(847 862)
Loans from financial institutions (Refer to note 22)	(670 796)	(2 015 410)	(4 321 384)	(7 007 590)
Loans from financial institutions for property purchase	(26 294)	(28 118)	(141 863)	(196 275)
Company				
2015				
Trade and other payables	(860 372)	—	(6 823)	(867 195)
Loan from shareholder	—	—	(921 824)	(921 824)
Loans from financial institutions (Refer to note 22)	(2 015 410)	(4 321 384)	—	(6 336 794)
Loans from financial institutions for property purchase	(28 118)	(125 866)	(15 997)	(169 981)
2014				
Trade and other payables	(773 511)	—	(6 172)	(779 683)
Loan from shareholder	—	—	(847 862)	(847 862)
Loans from financial institutions (Refer to note 22)	(670 796)	(2 015 410)	(4 321 384)	(7 007 590)
Loans from financial institutions for property purchase	(26 294)	(28 118)	(141 863)	(196 275)

28 Financial Instruments (Continued)

The following details the Group's contractual maturities for its non derivative financial assets:

	<1 year R000	2-5 years R000	>5years R000	Total R000
Group				
2015				
Trade and other receivables	484 774	—	—	484 774
Other investments	420 527	1 271	—	421 798
Cash and bank balances	351 152	—	—	351 152
Group				
2014				
Trade and other receivables	542 667	—	—	542 667
Other investments	27 082	10 104	—	37 186
Cash and bank balances	405 726	—	—	405 726
Company				
2015				
Trade and other receivables	520 176	—	—	520 176
Other investments	420 527	1 271	—	421 798
Cash and bank balances	351 138	—	—	351 138
2014				
Trade and other receivables	575 266	—	—	575 266
Other investments	27 082	10 104	—	37 186
Cash and bank balances	405 493	—	—	405 493

28 Financial Instruments (Continued)

(e) Categories of financial instruments

	Loans and receivables	At fair value through profit or loss	Financial liabilities at amortised cost	Fair value of financial instruments
	R000	R000	R000	R000
Group				
2015				
Trade and other receivables	484,774	—	—	484 774
Other investments	421,798	—	—	421 798
Cash and cash equivalents	351 152	—	—	351 152
Other financial liabilities	—	—	42	42
Loan from shareholder	—	—	921 824	921 824
Loans from financial institutions	—	—	5 024 388	5 024 388
Loans from financial institutions for property purchase	—	—	119 742	119 742
Trade and other payables	—	—	778 230	778 230
2014				
Trade and other receivables	542 667	—	—	542 667
Other investments	37 186	—	—	37 186
Cash and cash equivalents	405 726	—	—	405 726
Other financial liabilities	—	—	781	781
Loan from shareholder	—	—	847 862	847 862
Loans from financial institutions	—	—	5 127 591	5 127 591
Loans from financial institutions for property purchase	—	—	129 966	129 966
Trade and other payables	—	—	708 345	708 345
Company				
2015				
Trade and other receivables	520 176	—	—	520 176
Other investments	421 798	—	—	421 798
Cash and cash equivalents	351 138	—	—	351 138
Other financial liabilities	—	—	42	42
Loan from shareholder	—	—	921 824	921 824
Loans from financial institutions	—	—	5 024 388	5 024 388
Loans from financial institutions for property purchase	—	—	119 742	119 742
Trade and other payables	—	—	867 195	867 195
Company				
2014				
Trade and other receivables	575 266	—	—	575 266
Other investments	37 186	—	—	37 186
Cash and cash equivalents	405 493	—	—	405 493
Other financial liabilities	—	—	781	781
Loan from shareholder	—	—	847 862	847 862
Loans from financial institutions	—	—	5 127 591	5 127 591
Loans from financial institutions for property purchase	—	—	129 966	129 966
Trade and other payables	—	—	779 683	779 683

The effective rate on cash deposit ranges from 4.00% to 7.15% (2014: 4.60% to 5.30%). Deposits have maturities of 1 day to 8.5 months.

29 Employee benefits

The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets are managed separately from the Group by Momentum Group Ltd.

Group

The total expense recognised in the Statement of comprehensive income of R63.6 million (2014: R59.1 million) represents contributions payable to this plan by the Group at rates specified in the rules of the plan.

Company

The total expense recognised in the Statement of comprehensive income of R48.7 million (2014: R44.9 million) represents contributions payable to this plan by the Group at rates specified in the rules of the plan.

30 Contingencies

ECS and ECNS Licence

The Group was granted a Public Switched Telecommunication Service (PSTS) licence valid for a period of 25 years from 9 December 2005. This licence was converted on 16 January 2009 into Electronic Communication Service ("ECS") and Electronic Communication Network Services ("ECNS") licences, valid until 2024 and 2029 respectively. These licences are subject to the fulfilment of certain obligations relating to service levels, roll-out targets and annual licence fees. The directors confirm that the Group and Company are up to date in its bi-annual submission of regulatory compliance reports detailing compliance with service levels, roll-out obligations and annual licence fees.

Preference dividend

Cumulative preference dividends for Preference "A" shares amounting to R386 million (2014: R324 million) and Preference "B" shares amounting to R834 million (2014: R516 million) will be declared and paid when the Group has profits and distributable cash available, in terms of the shareholders' agreement.

Broadband Infraco (BBI) dispute on contested services

The disputed matter related to use of certain links during the period of transition from the Right of Use agreement to the current MSA between Neotel and BBI. BBI lodged a claim for payment of R195 million based on their 'usual rates', with an alternative claim of approximately R296 million on the basis that Neotel had been unjustly enriched at BBI's expense, Neotel filed three counter-claims against BBI valued as follows as at 31 March 2016, exclusive of interest: Claim A—R20,479,003: Claim B—R157,821,390; and Claim C—R10,025.068 In the award issued on 6 October 2015, the arbitrator dismissed all of BBI's claims as well as Neotel's counter-claim B and awarded in favour of Neotel's counter-claims A & C BBI filed a notice of appeal of counter-claims A and C, and Neotel cross appealed on counter-claim B. The appeal was scheduled to be heard on 1 and 2 August 2016 but during May 2016, the parties agreed to settle the matter with the payment of R18 million to Neotel in full and final settlement, which payment was received on 21 June 2016.

31 Commitments

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Capital commitments				
Capital expenditure authorised and contracted for	168 991	100 420	168 991	100 420
Capital expenditure authorised but not yet contracted for	511 009	409 580	511 009	409 580
	680 000	510 000	680 000	510 000

Capital commitments comprise of commitments for property, plant and equipment. Management expects these commitments to be financed from cash generated form operations and capital contributions from the Group's shareholders.

Operating lease commitments:

	Total	<1 year	2-5 years	>5 years
	R000	R000	R000	R000
Group				
2015				
Buildings	10 725	4 005	6 720	—
Houses	360	360	—	—
Vehicles	110	110	—	—
Sites	366 928	59 308	226 774	80 846
Circuit leasing	314 284	160 068	154 216	—
	692 407	223 851	387 710	80 846
2014				
Buildings	16 343	6 451	9 892	—
Houses	471	471	—	—
Vehicles	135	100	35	—
Sites	394 993	53 197	220 323	121 473
Circuit leasing	528 015	195 844	332 171	—
	939 957	256 063	562 421	121 473
Company				
2015				
Buildings	10 725	4 005	6 720	—
Houses	360	360	—	—
Vehicles	10	110	—	—
Sites	366 928	59 308	226 774	80 846
Circuit leasing	314 284	160 068	154 216	—
	692 407	223 851	387 710	80 846
2014				
Buildings	16 343	6 451	9 892	—
Houses	471	471	—	—
Vehicles	135	100	35	—
Sites	394 993	53 197	220 323	121 473
Circuit leasing	528 015	195 844	332 171	—
	939 957	256 063	562 421	121 473

The Group and Company lease buildings, sites, houses, vehicles and circuits. The contracts for houses are for periods of up to two years, the vehicle leases are for up to five years and the buildings for up to

31 Commitments (Continued)

20 years. The minimum lease payments under the building lease agreements are subject to average annual escalations of 9%. The minimum lease payments on the vehicles are subject to interest rate fluctuations and are adjusted as and when such changes in rates are announced. Circuits arc leased for a 5 year period on a reducing pricing structure.

32 Borrowings

The directors do not have any borrowing powers except for temporary overdrafts. Management, through the Board, requests for funding from the shareholders and / or the lenders and the shareholders, through the Board, issue specific approvals for the directors to borrow funds on behalf of the Group. The directors are of the opinion that the borrowings level reported for the company are adequate for the Company to trade and continue business as required in terms of the Companies Act.

33 Related party disclosures

		Group		Company	
		2015	2014	2015	2014
		R000	R000	R000	R000
Details of material transactions and balances with related parties were as follows:					
Related party balances					
Amounts included in share capital and share premium		4 144 075	4 144 075	4 144 075	4 144 075
Sepco Communications (Pty) Ltd		2 487 361	2 487 361	2 487 361	2 487 361
—VSNL SNOSPV Pte Ltd		1 799 266	1 799 266	1 799 266	1 799 266
—Tata Africa Holdings (SA) (Pty) Ltd		160 660	160 660	160 660	160 660
—Communitel Telecommunications (Pty) Ltd		527 435	527 435	527 435	527 435
VSNL SNOSPV Pte Ltd		1 462 770	1 462 770	1 462 770	1 462 770
Nexus Connexion (Pty) Ltd		193 944	193 944	193 944	193 944
Amounts included in loans from shareholders and related parties					
Nexus Connexion (Pty) Ltd		921 824	847 862	921 824	847 862
Amounts Included in trade and other payables					
Tata Communications Ltd	*	17 829	9 684	17 829	9 684
Tata Communications (UK) Ltd	*	62 537	49 748	62 537	49 748
Tata Consultancy Services (SA) (Pty) Ltd	**	19 490	30 051	19 490	30 051
Tata Communications (Bermuda) Ltd	*	—	880	—	880
Tata Communications (France) SAS	*	432	146	432	146
Tata Communications (Hong Kong) Ltd	*	1 763	3 205	1 763	3 205
Tata Communications international Plc Ltd	*	7 699	10 087	7 699	10 087
Tata Communications Transformation Services Ltd	*	12 291	13 738	12 291	13 738
Tata Communications (Canada) LLC	*	—	246	—	246
Tata Communications (Portugal) Instalacao E	*	60	43	60	43
Tata Communications America Inc.	*	1 918	140	1 918	140
Tata Communications Deutschland GmbH	*	2 948	3 231	2 948	3 231
Tata Communications (Australia) (Pty) Ltd	*	598	—	598	—
Tata Communications (Taiwan) Ltd	*	70	—	70	—
Tata Steel (KZN) (Pty)Ltd	*	18	19	18	19

33 Related party disclosures (Continued)

		Group		Company	
		2015	2014	2015	2014
		R000	R000	R000	R000
Telecom Namibia Ltd	***	517	1 538	517	1 538
Neotel Business Support Services (Pty) Ltd	*****	—	—	82 301	66 852
Nexus Facilities (Pty) Ltd	*******	—	3 371	—	3 371
Nexus OP Company (Pty) Ltd	*******	—	702	—	702
Number Portability Company (Pty) Ltd	*******	101	113	101	113
Sonke Computer Services Africa(Pty) Ltd	*******	1 748	5 121	1 748	5 121
Amounts Included in trade and other receivables					
Tata Communications (UK) Ltd	*	6 731	40 087	6 731	40 087
Tata Africa Holdings (SA) (Pty) Ltd	****	121	362	121	362
Tata Communications Ltd	*	6 427	11 313	6 427	11 313
Tata Communications (Americas) Inc.	*	3 537	4 241	3 537	4 241
Tata Communications (Canada) LLC	*	789	—	789	—
Tata Communications Transformation Services Ltd	*	1 325	968	1 325	968
Telecom Namibia Ltd	***	2 155	3 736	2 155	3 736
Sonke Computer Services Africa (Pty) Ltd	*******	12	67	12	67
Eon Consulting (Pty) Ltd “	**	37	56	37	56
Neotel Business Support Services (Pty) Ltd	*****	—	—	—	4 498
Nexus Facilities (Pty) Ltd	*******	445	556	445	556
Goodhope Palace Hotels (Pty) Ltd	**	—	13	—	13
Worteyparsons (Pty) Ltd	*******	513	89	513	89
Tata Automobile Corporation SA (Pty) Ltd	**	175	33	175	33
Tata Consultancy Services (SA) (Pty) Ltd	**	101	382	101	382
RZT ZELPY 4695 CC	*******	68	—	68	—
Link Market Services (SA) (Pty) Ltd	*******	27	—	27	—
Tata Motors (SA) (Pty) Ltd	**	40	—	40	—
Sepeo (Pty) Ltd	*	250	—	250	—
Stallion Security (Pty) Ltd	*******	57	—	57	—
Amounts Included In assets					
Tata Consultancy Services (SA) (Pty) Ltd	**	11 531	18 278	11 531	18 278
Tata Communications (Americas) Inc.	*	1 719	1 719	1 719	1 719
Revenue					
Tata Communications (UK) Ltd	*	247 383	271 594	247 383	271 594
Tata Africa Holdings (SA) (Pty) Ltd	****	870	266	870	266
Tata Automobile Corporation (SA) (Pty) Ltd	**	494	330	494	330
Tata Communications Ltd	*	9 197	23 286	9 197	23 286
Tata Steel (KZN) (Pty) Ltd	**	372	351	372	351
Tata Communications (US) Inc.	*	13 058	17 287	13 058	17 287
Tata Communications (Canada) LLC	*	8 165	8 28I	8 165	8 281
Tata Communications Transformation Services Ltd	*	1 869	1 454	1 869	1 454
Tata Consultancy Services (SA) (Pty) Ltd	**	493	722	493	722
Telecom Namibia Ltd	***	28 434	46 985	28 434	46 985
Sonke Computer Services Africa (Pty) Ltd	*******	205	337	205	337
Goodhope Palace Hotels (Pty) Ltd	**	603	549	603	549
Amabhubesi investments (Pty) Ltd	*******	171	165	171	165

33 Related party disclosures (Continued)

		Group 2015 R000	Group 2014 R000	Company 2015 R000	Company 2014 R000
Eon Consulting (Pty) Ltd	**	214	214	214	214
Nexus Asset Management (Pty) Ltd	*******	—	5	—	5
Nexus Facilities (Pty) Ltd	*******	61	61	61	61
ELCB Information Services (Pty) Ltd	*******	—	(4)	—	(4)
Worleyparsons (Pty) Ltd	*******	1 230	1 388	1 230	1 388
Link Market Services (SA) (Pty) Ltd	*******	266	—	266	—
RZT ZELPY 4695 CC	*******	146	—	146	—
Tata Motors (SA) (Pty) Ltd	**	245	—	245	—
Stallion Security (Pty) Ltd	*******	421	550	421	550
Other income					
Tata Communications (Bermuda) Ltd		4 771	3 790	4 771	3 790
Costs charged by related parties are as follows:					
Tata Consultancy Services (SA) (Pty) Ltd	*				
—OSS/BSS costs		92 828	96 497	92 828	96 497
Tata Communications Ltd	*				
—OSS/BSS costs		—	3 647	—	3 647
Tata Communications International Pte Ltd	*				
—OSS/BSS costs		6 567	17 473	6 567	17 473
Tata Communications Transformation Services Ltd	*				
—OSS/BSS costs		32 832	40 994	32 832	40 994
Tata Communications (Bermuda) Ltd	*				
—OSS/BSS costs	*	2 168	6 491	2 168	6 491
Nexus OP Company (Pty) Ltd					
—Technical services agreement costs		1 848	2 703	1 848	2 703
Nexus Facilities (Pty) Ltd	*******				
—Technical services agreement costs	*******	4 652	4 074	4 652	4 074
Number Portability Company (Pty) Ltd	******				
—Geographical porting services costs		744	1 082	744	1 082
Sonke Computer Services Africa (Pty) Ltd	*******				
—Consulting fee		8 761	12 136	8 761	12 136
—Marketing		—	57	—	57
—Licence fee		—	11 618	—	11 618
Payments to other operators					
Tata Communications America Inc.	*	569	521	569	521
Tata Communications (UK) Ltd	*	235 736	197 686	235 736	197 686
Tata Communications (France) SAS	*	1 150	745	1 150	745
Telecom Namibia Ltd	***	7 546	11 071	7 546	11 071
Tata Communications (Hong Kong) Ltd	*	9 697	1 038	9 697	1 038
Tata Communications international Pte Ltd	*	5 394	1 767	5 394	1 767
Tata Communications (Portugal) Instalacao E	*	173	158	173	158
Tata Communications Deutschland GmbH	*	8 462	3 231	8 462	3 231
Tata Communications Transformation Services Ltd	*	356	18 387	356	I8 387
Tata Communications (Australia) (Pty) Ltd	*	609	—	609	—

33 Related party disclosures (Continued)

		Group		Company	
		2015	2014	2015	2014
		R000	R000	R000	R000
Tata Communications (Taiwan) Ltd	*	230	—	230	—
Tata Communications Ltd	*	11 587	11 315	11 587	11 315
Rental-Sites					
Quick Leap Investments	*******	119	108	119	108
Maintenance charges					
Nexus Facilities (Pty) Ltd	*******	154	3 410	154	3 410
Neotel Business Support Services (Pty) Ltd	*******	—	—	156 841	156 841
Housekeeping					
Nexus Facilities (Pty) Ltd	*******	—	1 534	—	1 534
Printing and stationery					
Nexus Facilities (Pty) Ltd	*******	—	2 433	—	2 433
Training					
Tata Management Training Centre Ltd	**	54	17	54	17
Interest charges					
Nexus Connexion (Pty) Ltd		72 541	59 603	72 541	59 603

* Common shareholder—VSNL SNOSPV

** Common directors—Tata entities

*** Common shareholder—Telecom Namibia

***** Common shareholder—Tata Africa Holdings

****** Subsidiary of Neotel (Pty) Ltd

******* Associate of Neotel (Pty) Ltd

******** Common directors—Nexus (Pty) Ltd

********* Common directors—Telecom Namibi

34 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	Group 2015	Group 2014	Company 2015	Company 2014
Short-term benefits	152 404	116 464	146 422	109 722
Post-employment benefits	10 928	7 456	10 169	6 816
Termination benefits	2 065	3 932	1 908	3 565
	165 397	127 852	158 499	120 103

35 Directors and prescribed officers' emoluments

Group and Company

	Executive Director A	Prescribed Officer B	Prescribed Officer C	Prescribed Officer D	Total
2015					
Base salary and benefits	6 383	2 578	2 500	3 157	14 618
Travel	470	—	—	—	470
Annual incentive	3 606	1 103	994	1 375	7 078
Long term incentive	2 644	—	—	804	3 448
Other incentive*	2 999	1 100	987	1 288	6 374
Other**	7 726	—	—	—	7 726
Medical aid	90	—	—	—	90
Retention ***	—	—	1 125	1 396	2 521
	23 918	4 781	5 606	8 020	42 325
2014					
Base salary and benefits	5 559	2 387	2 251	2 794	12 991
Travel	315	—	—	—	315
Annual incentive	3 155	986	861	1 154	6 156
Long term incentive	2 644	—	327	327	3 298
Other incentive*	—	—	—	—	—
Other **	—	—	—	—	—
Medical aid	89	—	—	—	89
Retention ***	—	—	—	—	—
	11 762	3 373	3 439	4 275	22 849

* Relates to a special incentive in respect of project orange.

** Relates to adjustment for foreign currency fluctuations for FY13,FY 14 and FYI5.

*** The retention bonus has not been paid, but has been accrued (refer to note 26).

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Other Board directors				
Baweja S	—	—	—	—
Dhawan R	—	—	—	—
Kumar VA	—	—	—	—
Mcmani XK	—	—	—	—
Ndoroma FJP	—	—	—	—
Ntsaluba SS (Alternate to Memani XK)	—	—	—	—
Offner R	—	—	—	—
Pharm TL	—	—	—	—
Ranade SG	—	—	—	—
Srinath N (Chairman)	—	—	—	—

All the above Board directors are shareholder representatives and are not remunerated by the Company.

36 Going concern

The directors have reviewed the Group and Company's cash flow statements for the forthcoming period of twelve months from 01 February 2017 (up to and including 31 January 2018), and annual projections

36 Going concern (Continued)

thereof and, In light of this review and the current financial position, they are satisfied that the Group and Company have access to adequate resources and that operations reflect financial sustainability to enable the business to continue in operational existence for the foreseeable future.

The going concern assumption is supported by the following:

- The company is being sold by the existing shareholders to new shareholders consisting of Liquid Telecommunications Holdings Ltd (70%) and Royal Bafokeng Holdings (RBH) (30%) based on a sale and purchase agreement signed on the 26th June 2016. The conditions precedent on this sale agreement have been met and the transaction is effective 10 February 2017. The acquisition by the new shareholders is fundamental to the going concern assumption as it allows the company to refinance the debt arrangements and provides additional funding to continue operating for the foreseeable future.
- The new shareholders have acquired the company at an enterprise value of R6.6 billion of which the proceeds will be used to settle the loans from financial institutions in terms of the LFCTA of R3.4 billion, the bridge loan of R1.9 billion, the property finance of R95.0 million and amounts of R1.1 billion due to previous shareholders. Furthermore, the new shareholders have raised an interim facility of R3.0 billion from financial institutions to refinance the business. The R3.0 billion debt is repayable in full on 30 April 2018. The new shareholders are planning to refinance the facility in the 2017 / 2018 calendar year. The new shareholders transaction funding of R6.6 billion and the release of R425.9 million restricted cash by the bank post the transaction effective date, will be used to settle the current debt and result in R400.0 million cash being available for use to finance operations.
- A revolving credit facility of R350.0 million has been entered into with financial institutions to provide funding to the business. The new majority shareholders also have vendor finance arrangements of R350.0 million which will be utilised for capital expenditure required in terms of the annual operating plan (AOP). In addition, the new majority shareholders have committed additional funding of R300.0 million to support the business as a going concern. Furthermore, the new majority shareholder has existing operations in South Africa which has been provided as security against the Neotel debt and there are plans to merge the operations into Neotel, contributing cash flows in excess of R100.0 million for the year.
- The additional facilities and cash injected as part of the sale transaction will be utilised for settling loans with financial institutions, amounts due to shareholders, normal working capital requirements and ongoing cash requirements for the next twelve month period.
- The existing performance of the business and a re-assessment of the AOP in terms of revenue, capex and costs with a focus on managing cash generation and utilisation. Management continued with their cost optimisation and margin improvement plans in an effort to manage the cash resources available to the company. Managements ability to trade and manage the operations in terms of FY2017 and FY2018 AOP and within the facilities available to the company is fundamental to the going concern assumption.

The performance and trading of Neotel as noted below:

- Positive cash flow generated from operating activities.
- Future Projected Positive Earnings.

The directors are of the opiaion, that the company has adequate resources and facilities to continue as a going concern.

37 Transactions with agent

Neotel and its subsidiary Neotel Business Support Services (Pty) Ltd have been delayed in finalizing its audited consolidated financial statements due to reportable irregularities identified and reported by its

37 Transactions with agent (Continued)

statutory auditors in respect of a particular third party intermediary, namely Homix (Pty) Ltd ("Homix"), engaged by Neotel in connection with the Company's Master Services Agreement ("MSA") and Cisco equipment contract with Transnet SOC Limited ("Transnet"). Upon becoming aware of the auditor's concern, the Board of Neotel appointed an independent law firm to investigate the matter.

The Neotel Board of Directors believes that the issue bas been investigated to the extent possible within the control of the Board. The investigation did highlight that senior management has circumvented the Company's procurement and payment processes, which are in place to ensure compliance with the highest standards of business conduct. In addition, the investigation did highlight the misconduct of one of its employees who is no longer employed by Neotel. Neotel's Board has, under the oversight of its Audit Committee, extensively reviewed and is in the process of tightening its policies, procedures and controls to guard against any similar curtailment or omission of specified control measures in the future.

The Board of Neotel appointed external legal advisors to investigate and pursue such internal disciplinary proceedings as are lawfully required. The Chief Executive Officer and the Chief Financial Officer were placed on special leave of absence to facilitate the unimpeded pursuit of this investigation process. During the disciplinary proceedings against the CEO and the CFO, under the guidance of the Company's external advisors, the CEO and CFO resigned from the Company on 30 November 2015.

Although to date the independent investigation by the independent law firm has not found proof of corruption or other illegal activities, the matter has been reported in terms of Prevention and Combating of Corrupt Activities Act no 12 of 2004 ("PRECCA") in respect of suspicion of fraud and corruption with a view to an Investigation by the South African Police Service of any possible criminal conduct by the companies involved, senior management or other persons involved in the transactions and any such action as they deem appropriate. Similarly, whilst there is uncertainty as to whether reporting was required or not, out of on abundance of caution, the Company has reported the suspicion of the same matters arising from the investigation in terms of Section 29 of the Financial Intelligence Centre Act (FICA).

Although the CCTV transactions concluded with Transnet have not been fully investigated, the Company has access to information and has reported these transactions in terms of PRECCA and FICA. The Company cannot predict the final outcome of any investigations or the consequences of this matter on the Transnet MSA, Transnet CCTV transactions, its debt facilities or Neotel's business at this time, nor can it reasonably estimate the potential liability, if any, under the laws of South Africa.

In connection with the issues raised by the auditors relating to Homix's involvement in securing the MSA contract with Transnet, the Board wrote to Transnet on 10 June 2015, to inform Transnet that management had breached the MSA by engaging a consultant/agent, Homix, on the basis of paying it a success fee. Transnet was asked to confirm that it would not seek to rely upon the breach as a basis to terminate the agreement between the Company and Transnet as a result of a bona fide error. Transnet continues to trade under the MSA. The Company is of the view that Transnet is no longer entitled to cancel the agreement on the basis of a breach of that warranty, as a result of the lapsing of time. In the event of proven unlawfulness (should further information come to light through the investigation by the South African Police Service or Transnet's own investigation), the risk remains that the MSA may be set aside due to undue influence or on administrative law grounds.

The Neotel Board has at all times throughout the investigation and resolution of these matters, acted on the advice of its external legal advisors and believes it has taken the necessary actions within its control The Neotel Board has disclosed the issues raised by the auditors and sought a waiver of potential events of default from the Company's lenders under the Company's debt facilities. The lenders have acceded to certain requests from the Company for waivers of certain rights which the lenders may have now or in the future under the LFCTA in connection with the payments to Homix. The waivers were requested because the present facts together with facts as may possibly emerge in the future, could indicate a breach of certain warranties by the company under the LFCTA and also have an impact on the enforceability and/or possible rescission of the Transnet MSA, which in turn may trigger certain rights of the tenders under the LFCTA. The company has requested the lenders to waive their rights under clauses 1.190A, 1.190A3,

37 Transactions with agent (Continued)

1.190A5, 30.16 5, 30.18,35.4 and 36.6.3 of the LFCTA. The lenders have indicated that they do not think it is appropriate to grant waivers for the potential breaches of these clauses of the LFCTA as, it appears to them, based on the information provided, that no default has occurred and/or is continuing in respect of these clauses. Thus, it remains within the lenders' rights under the LFCTA to call an event of default should further adverse information come to the fore in relation to these matters in addition to those that exist as at the date of approving of these financial statements. If this occurs it could result in the funding of R5.0 billion being payable on demand, should the lenders exercise their rights in this regard. Should an event of default occur relating to the above matter, the company's ability to continue as a going concern and settle its liabilities as they fall due will depend on the shareholders and lenders.

As such, based on the facts currently known, the Neotel Board docs not believe that these matters will have a material adverse effect on its business, financial condition, results of operations or cash flow of the Company.

38 Events after reporting period

Other than as disclosed below, the directors are not aware of my other material events not otherwise dealt with in the annual financial statements that would affect the operations of the Group and Company significantly.

Transaction

Subsequent to year end, the transaction with Vodacom was abandoned with both seller and buyer agreeing to mutually terminate the sale agreement. The shareholders of the Company have sold 100% of the issued share capital to Liquid Telecommunications Holdings Ltd (70%) and Royal Bafokeng holdings (30%). (Refer to note 36).

Covenant breaches

Subsequent to the year end, Neotel reported breaches to the EBITDA covenant in the first and second quarters for the year ending 31 March 2016. These covenant breaches have been unconditionally waived by the consortium of lenders on 14 December 2015.

Funding

As at the date of approval of these financial statements, the company is party to agreements which has resulted in the refinancing of the debt arrangements of the company. The impact of the refinancing is disclosed below:

Repayment profile at 31 March 2016:

	<1 year	Year 2	Year 3	Year 4	>5 years	Total
	R000	R000	R000	R000	R000	R000
Repayment Profile:						
2016						
Senior term loan facility	949 836	1 215 025	—	—	—	2 164 861
Subordinated term loan facility	28 329	39 060	49 860	60 680	—	177 929
IDC Subordinated term loan facility	113 298	156 240	199 440	242 720	—	711 698
IDC Mezzanine facility	—	—	—	509 759	—	509 759
Total debt	1 091 463	1 410 325	249 300	813 159	—	3 564 247

The company is being sold by the existing shareholders to new shareholders consisting of Liquid Telecommunications Holdings Ltd (70%) and Royal Bafokeng Holdings (RBH) (30%) based on a sale and purchase agreement signed on the 26th June 2016. The new shareholders entered into a new facility funding agreement of bridge loan of R3.0 billion and revolving facilty loan of R350.0 million (total R3.3 billion) which will be payable on 30 April 2018.

GLOSSARY OF TECHNICAL TERMS

2G	Second generation cellular telecommunication networks were commercially launched on the GSM standard in Finland in 1991. Three primary benefits of 2G networks over their predecessors were that phone conversations were digitally encrypted; 2G systems were significantly more efficient on the spectrum allowing for far greater mobile phone penetration levels; and 2G introduced data services for mobile, starting with SMS text messages.
3G	Third generation mobile telephony standard providing the ability to transfer simultaneously both voice data, such as telephone calls, and non-voice data, such as information downloads, exchanges of emails, instant messaging and video telephony.
4G LTE	Fourth generation of mobile phone mobile communication technology standards as a successor of the third generation (3G) standards. A 4G system provides mobile ultra-broadband Internet access, for example to laptops with USB wireless modems, to smartphones, and to other mobile devices. Conceivable applications include amended mobile web access, IP telephony, gaming services, high-definition mobile TV, video conferencing, 3D television and Cloud Computing. Two 4G candidate systems are commercially deployed: the Mobile WiMAX standard, and the first-release Long Term Evolution (LTE) standard.
ARPU	Average Revenue Per User. ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers.
BRAS	A Broadband Remote Access Server routes traffic to and from broadband remote access devices on an Internet Service Provider's network. BRAS can also be referred to as BNG (Broadband Network Gateway).
Broadband	A general term used to describe wide bandwidth equipment or systems which can carry a large proportion of the electromagnetic spectrum. Broadband communications systems can deliver multiple channels and other services.
Carrier	A provider of communications services that commonly include voice, data, and Internet services.
Cellular tower	An outdoor structure primarily used to attach and house antennae used by wireless carriers to aggregate and transmit mobile voice and data.
Churn	Churn refers to the number of customers who terminate their service in any particular period, and includes disconnects, negative price changes, and disconnects associated with upgrades or replacement services.
Cloud computing	An Internet-based or intranet-based computing environment wherein computing resources are distributed across the network (i.e., the "cloud"), dynamically allocated on an individual or pooled basis, and increased or reduced as circumstances warrant, to handle the computing task at hand.
Colocation	The housing of transport equipment, other communications equipment, servers and storage devices within the same location. Operators of these colocation facilities typically also sell interconnection services to their customers, enabling them to cross connect with other customers located within the same facility and/or with Bandwidth Infrastructure providers.

Conduit . . . . A pipe usually made of metal, ceramic, or plastic that protects buried fiber optic cables.

Data center . . . . A facility used to house computer systems, backup storage devices, routers, services and other Internet and other telecommunications equipment. Data centers generally have environmental controls (air conditioning, fire suppression, etc.), redundant/backup power supplies, redundant data communications connections and high security.

Dark fiber . . . . Any installed fiber optic cable lacking a light transmission or signal, as opposed to in-service or "lit" fiber.

Digital . . . . A method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission and switching technologies employ a sequence of these pulses to represent information as opposed to the continuously variable analog signal. Compared to analog networks, digital networks allow for greater capacity, more precise reproduction, lower interference, protection against eavesdropping and automatic error correction. Signals are encoded into digits for transmission.

DNS . . . . Domain Name System is a hierarchical distributed naming system for computers, services or any resource connected to the internet or a private network, which associates various information with domain names assigned to each participant.

DSL . . . . Digital subscriber lines. A technology enabling local loop copper pair to transport high-speed data between the central office and the customer's premises. It is based on the use of copper lines in traditional telephony networks that are attached to telephone exchanges that have been upgraded to digital technology. DSL technology is most commonly used for the provision of broadband internet services at speeds that are significantly faster than dial-up Internet access. DSL (or sometimes, "xDSL") is commonly used as a generic term for several variants of technology offering different specifications but based on the same principles.

Ethernet . . . . Ethernet is a protocol that controls data transmission over a communications network often referred to as a family of frame-based computers.

Fiber . . . . Fiber, or fiber optic cables, are thin filaments of glass through which light beams are transmitted over long distances. Fiber optic cable has good broadband frequency characteristics and noise immunity and is capable of managing very high capacity, high speed transmissions. It is immune to electrical interference and environmental factors that affect copper wiring and satellite transmission.

FTTB . . . . Fiber To The Building. Fiber optic cable, carrying network data, connected from a communications service provider to a customer's physical building.

FTTH . . . . Fiber To The Home is a broadband telecommunications system based on fiber optic cables and associated optical electronics for delivery of multiple advanced services such as the triple-play of telephony, broadband internet and television.

FTTx . . . . Fiber optic infrastructure.

Gbps . . . . Gigabytes per second; 1 Gbps = 1 thousand Mbps. Gbps stands for a billion bits per second. It is a measure of bandwidth (the total information flow over a given time) in a telecommunications medium.

GHz . . . . The gigahertz is a unit of alternating current (AC) or electromagnetic (EM) wave frequency equal to one thousand million hertz (1,000,000,000 Hz). The GHz is used as an indicator of the frequency of ultra-high-frequency (UHF) and microwave EM signals and also, in some computers, to express microprocessor clock speed.

GPON . . . . Gigabit-capable Passive Optical Networks is a point-to-multipoint, fiber to the premises network architecture in which unpowered optical splitters are used to enable a single optical fiber to serve multiple premises and covers systems with nominal line rates of 2.488 Gbps in the downstream direction and 1.244 Gbps in the upstream direction.

GSM . . . . Global system for mobile communication. A widely adopted technical standard for digital mobile telephony.

Interconnection . . . . The linking of telecommunications networks used by the same or different persons in order to allow the users of the services or networks of one person to communicate with the users of the services or networks of the same person or of another person, or to access services provided by another person.

IP . . . . Internet Protocol. Data oriented protocol used in the internet for communication among multiple networks in which data is sent in packets and routed according to traffic density.

IP Backbone . . . . IP Backbone is a part of network infrastructure that interconnects various pieces of network, providing a path for the exchange of information between different MANs (Metropolitan Area Networks) or sub-networks. A backbone can tie together diverse networks over wide areas. Normally, the backbone's capacity is greater than the networks connected to it.

IP Transit . . . . IP Transit is the service of allowing network traffic to cross a transit network, usually used to connect a smaller Internet Service Provider (ISP) to the larger Internet.

IRU . . . . Indefeasible Right of Use. The exclusive, unrestricted, and indefeasible right to use one, a pair, or more strands of fiber of a fiber cable. IRU contracts are typically long-term in nature (20 years) and may or may not contain restrictions on the use of the fiber by the lessee.

ISP . . . . Internet Service Provider. A company providing access to internet and other computer-based information networks through its servers.

LAN . . . . Local Area Network. A private data communications network linking a variety of data devices, such as computer terminals, personal computer terminals, personal computers and microcomputers, all housed in a defined building, plant or geographic area.

Local loop . . . . Network element used to connect a subscriber to the nearest switch or concentrator. The local loop is commonly referred to as the "last mile" because it is the part of the network that is connected directly to the subscriber.

LTE . . . . Long-Term Evolution, marketed as 4G LTE, is a standard for wireless communication of high-speed data for mobile phones and data terminals. It is based on the GSM/EDGE and UMTS/HSPA network technologies, increasing the capacity and speed using a different radio interface together with core network improvements.

MB . . . . Megabyte. A measure of data volume representing one million bytes. Each byte is equal to eight bits.

Mbps . . . . Megabytes per second. A data transfer speed measured by the number of millions of bits per second. A bit is the smallest unit of data in a computer network.

MNO . . . . Mobile Network Operator.

MPLS . . . . Multi-Protocol Label Switching. Supplementary to the usual routing making it possible to construct faster networks for data traffic (for example fast Internet backbones). With label switching, several router steps are replaced by switching, resulting in a higher end-to-end performance in the network. MPLS works both with IP as well as with other routing protocols.

Network . . . . An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fiber optic or metallic cable.

Node . . . . A network element that provides a point at which key telecommunications equipment or computers can access the network. In circuit networks, nodes are switching systems. In packet-switched networks, they are often computers.

OTT . . . . Over-The-Top Content describes broadband delivery of video and audio without a multiple system operator being involved in the control and distribution of the content itself. The provider may be aware of the contents of the IP packets but is not responsible for, nor able to control, the viewing abilities, copyrights, and/or other redistribution of the content.

Penetration rate . . . . The total number of subscribers for a service provider divided by the population that it serves, expressed as a percentage.

PoP . . . . Point Of Presence. A location containing switches or other networking equipment through which users connect to a network.

PTO . . . . Public Telecommunications Operator.

Rights of way . . . . A regulated arrangement through which local authorities permit operators to build and lay their telecommunications cables.

Switch . . . . A device used to set up and route telephone calls either to the number called or to the next switch along the path. They may also record information for billing and control purposes.

Tier 3 . . . . Performance rating given to data centers by the Uptime Institute, corresponding to a certain number of guarantees on the type of hardware deployed in a data center to ensure redundancy, resulting in network availability at or above 99.982%.

Traffic . . . . A generic term that includes any and all calls, messages and data sent and received by means of telecommunications.

UMTS . . . . The Universal Mobile Telecommunications System is a third generation mobile cellular system for networks based on the GSM standard. UMTS uses wideband code division multiple access (W-CDMA) radio access technology to offer greater spectral efficiency and bandwidth to mobile network operators. UMTS specifies a complete network system, which includes the radio access network, the core network and the authentication of users via SIM (subscriber identity module cards).

VoIP . . . . Voice-over-Internet Protocol. Protocol in which voice traffic is carried in IP packets (rather than a circuit switched network) that allows people to use the internet to make telephone calls.

WiMAX . . . . Worldwide Interoperability for Microwave Access is a wireless communications standard designed to provide 30 to 40Mbps data rates, with the 2011 update providing up to 1Gbps for fixed stations. The name "WiMAX" was created by the WiMAX Forum, which was formed in June 2001 to promote conformity and interoperability of the standard. The forum describes WiMAX as "a standards-based technology enabling the delivery of last mile wireless broadband access as an alternative to cable and DSL."

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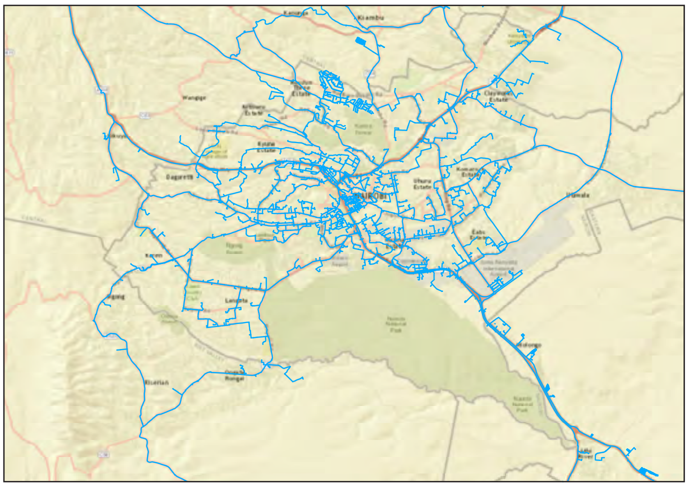
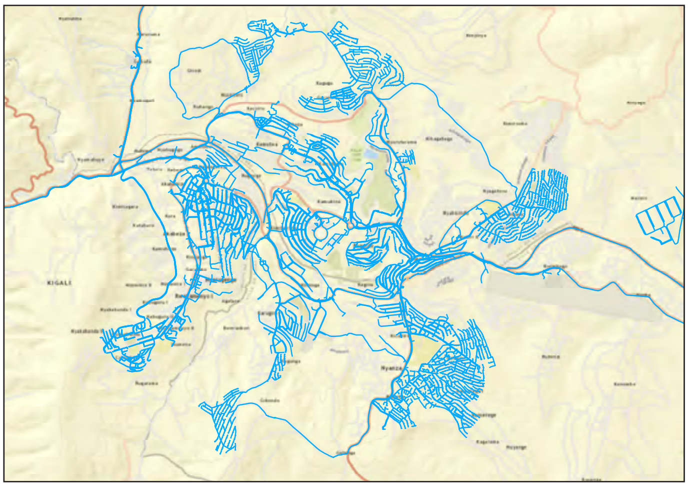
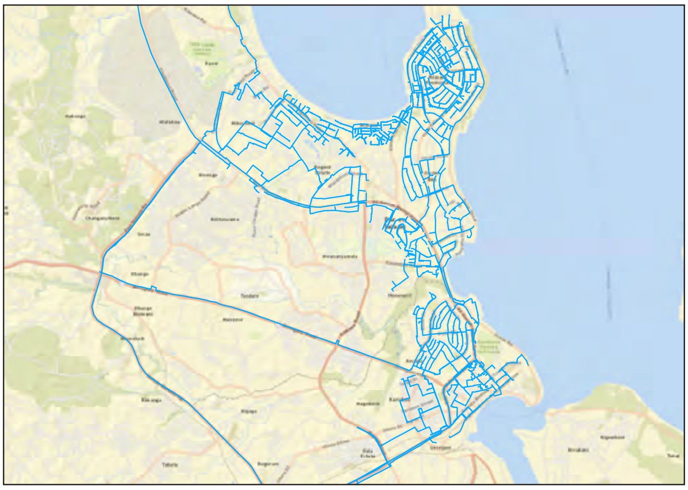
Nairobi, Kenya



Kigali, Rwanda



Dar es Salaam, Tanzania



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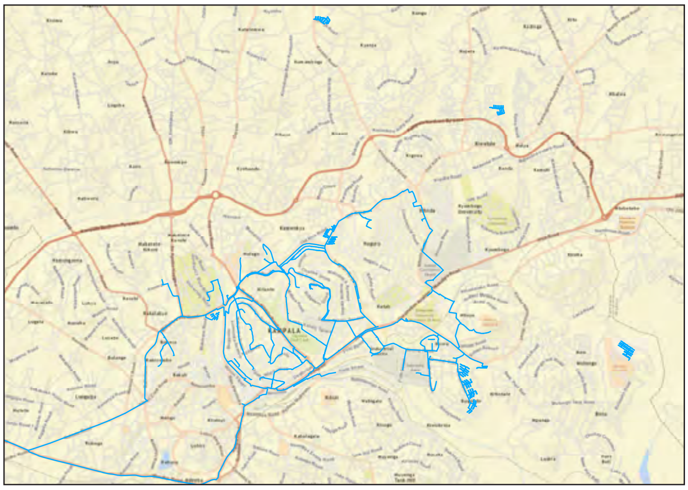
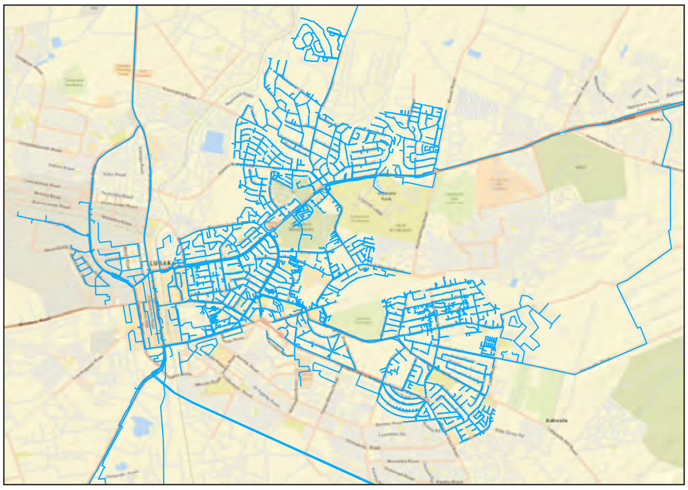


Lusaka, Zambia



Harare, Zimbabwe