

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

SEPARATE FINANCIAL STATEMENTS

31 March 2022

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

General Information

Directors

The directors who held office during the financial year were:

P T Butale

M Masire (resigned 30 April 2021)

W Mandlebe (Resigned 25 November 2022)

S Leburu (Appointed 18 May 2020)

M Mosigi (Appointed 18 May 2020)

D Mphoeng (Appointed 18 May 2020)

A Abraham (Appointed 18 May 2020)

O Mabusa (Appointed 14 May 2021)

E Richard-Madisa (Resigned 25 November 2022)

P Ramokgalo (Appointed 14 May 2021)

M T Malema (Appointed 1 May 2022)

V Shine (resigned 16 September 2022)

J A Rakgomo (Appointed 24 November 2022)

Country of incorporation and domicile

Botswana

Nature of business and principal activities

Minerals Development Company Botswana (Proprietary) Limited (the "Company" or "MDCB") is an investment company that holds, grows, optimises and diversifies mining and minerals assets for the Government of Botswana ("GRB" or "Government").

MDCB also provides advisory services (commercial and technical) to the Government as well as houses the Government's Diamond Valuation function which provides diamond valuation services to the Government.

MDCB is wholly owned by the Government.

Registered office

6th Floor Exponential Building

Plot No. 54351 CBD

Gaborone

Postal address

Private Bag BO 0055

Gaborone

Bankers

First National Bank of Botswana Limited

Auditors

Deloitte & Touche

Chartered Accountants

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Contents

	Page
Directors' Responsibility Statement and Approval of the Company's Financial Statements	3
Independent Auditor's Report	4 - 6
Company Statement of Profit or Loss and Other Comprehensive Income	7
Company Statement of Financial Position	8
Company Statement of Changes in Equity	9
Company Statement of Cash Flows	10
Summary of Significant Accounting Policies	11 - 21
Notes to the Separate Financial Statements	22 - 39

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Directors' Responsibility Statement and Approval of the Company's Financial Statements

The directors are responsible for the preparation and fair presentation of the Company's financial statements comprising the Company's statement of financial position as at 31 March 2022, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows for the year then ended, and the notes to the financial statements, which include summaries of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS).

The external auditors are engaged to express an independent opinion on the Company's financial statements which are prepared in accordance with IFRS, the Botswana Companies Act, 2003, requirements and appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors of Company acknowledge that they are ultimately responsible for the system of internal financial controls established and place considerable importance on maintaining a strong control environments. To enable the directors to meet these responsibilities, standards for internal control are set aimed at reducing the risk of error or loss in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined frameworks, effective accounting procedures and adequate segregation of duties to ensure acceptable levels of risk. The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across the operations. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors have made an assessment of the Company's ability to continue as a going concern, which includes reviewing the effects of the Covid-19 pandemic, and there is no reason to believe the business will not be a going concern in the year ahead.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently auditing and reporting on the Company's financial statements in conformity with International Standards on Auditing. Their qualified opinion on these financial statements appears in the Independent Auditor's Report on pages 4 to 6 of these financial statements.

The directors are of the opinion that these financial statements fairly present the financial position of the Company at 31 March 2022 and the results of its operations, changes in equity and cash flow information for the year then ended in accordance with IFRS.

Directors' approval of the separate financial statements

The separate financial statements set out on pages 7 to 39, which have been prepared on the going concern basis, were approved by the board of directors on 12 December 2022 and were signed on their behalf by:

Director

Director



Independent Auditor's Report

To the Shareholder of Minerals Development Company Botswana (Proprietary) Limited

Opinion

We have audited the separate financial statements of Minerals Development Company Botswana (Proprietary) Limited (the company) set out on pages 7 to 39, which comprise the company statement of financial position as at 31 March 2022, company statement of profit or loss and other comprehensive income, company statement of changes in equity and company statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Minerals Development Company Botswana (Proprietary) Limited as at 31 March 2022, and its financial performance and cash flows for the year 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3 and 4A) (IESBA Code) and other independence requirements applicable to performing audits of separate financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Minerals Development Company Botswana (Proprietary) Limited separate financial statements for the year ended 31 March 2022", which includes the Directors' Report and the Audit Committee's Report as required by the Companies Act of South Africa. The other information does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 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 separate 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.





Independent Auditor's Report

Responsibilities of the Directors for the Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing 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 separate financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





Independent Auditor's Report

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
Partner
Chartered Accountants
Registered Auditors

12 December 2022
Place of signature



MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Company Statement of Profit or Loss and Other Comprehensive Income

Figures in Pula thousand	Note(s)	2022	2021
Grant income	1	66,395	69,160
Operating expenditure		<u>(66,395)</u>	<u>(69,160)</u>
Operating profit	2	-	-
Finance income	3	72,300	58,904
Finance costs		(110)	(708)
Other income	4	22,830	18,464
Expected credit losses	10	-	1,080
Profit before taxation		95,020	77,740
Taxation	5	<u>(19,261)</u>	<u>(15,306)</u>
Total comprehensive income for the year		75,759	62,434

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Company Statement of Financial Position as at 31 March 2022

Figures in Pula thousand	Note(s)	2022	2021
ASSETS			
Non-Current Assets			
Plant and equipment	6	862	1,155
Intangible assets	7	-	9
Right-of-use assets	8	1,372	2,470
Investments in subsidiaries	9	1,006,935	1,006,935
Loans to group companies	10	660,526	644,821
		1,669,695	1,655,390
Current Assets			
Other receivables	13	45,413	41,518
Cash and cash equivalents	14	433,030	942,665
		478,443	984,183
Assets held for sale or distribution	12	5,056,461	5,056,461
Total Assets		7,204,599	7,696,034
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated capital	15	6,745,529	6,745,529
Retained income		311,606	256,427
		7,057,135	7,001,956
Non-Current Liabilities			
Capital grant	16	862	1,164
Deferred tax	11	47	60
Lease liabilities	17	13	1,369
		922	2,593
Current Liabilities			
Lease liabilities	17	1,505	1,207
Deferred revenue grant	18	54,068	50,419
Trade and other payables	19	75,533	632,155
Current tax payable		15,436	7,704
		146,542	691,485
Total Liabilities		147,464	694,078
Total Equity and Liabilities		7,204,599	7,696,034

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Company Statement of Changes in Equity

Figures in Pula thousand	Stated capital	Retained income	Total equity
Balance at 01 April 2020	6,745,529	213,079	6,958,608
Total comprehensive income for the year	-	62,434	62,434
Dividends	-	(19,086)	(19,086)
Balance at 01 April 2021	6,745,529	256,427	7,001,956
Total comprehensive income for the year	-	75,759	75,759
Dividends	-	(20,580)	(20,580)
Balance at 31 March 2022	6,745,529	311,606	7,057,135

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Company Statement of Cash Flows

Figures in Pula thousand	Note(s)	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		95,020	77,740
Adjustments for:			
Net interest income	3	(72,190)	(58,196)
Dividend income		(21,202)	(19,601)
Profit on sale of plant and equipment		(12)	(19)
Expected credit losses		-	(1,080)
Depreciation and amortisation	6,7,8	1,809	1,941
Amortisation of capital grants	16	(737)	(858)
Loan capitalised expenses		(1,500)	-
Net cash generated from operations before working capital		1,188	(73)
Changes in working capital:			
Effects of changes in other receivables		(2,735)	(2,632)
Effects of changes in trade and other payables		(11,544)	(1,842)
Effects of changes in deferred revenue grant		3,649	4,827
Tax paid		(11,542)	(12,169)
Net cash utilised in operating activities		(20,984)	(11,889)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	6	(422)	(546)
Proceeds from sale of plant and equipment	6	23	34
Loans to group companies repaid		87,961	175,923
Loans advanced to group companies		(62,500)	(62,500)
Interest Income		31,920	37,279
Dividends received		20,756	19,710
Net cash generated from investing activities		77,738	169,900
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowings		-	(40,000)
Capital grant received	16	435	546
Interest paid on loans		-	(624)
Interest on restricted funds		3,664	4,193
Net lease payments		(1,168)	(1,198)
Dividends paid		(20,580)	(19,086)
Net cash utilised in financing activities		(17,649)	(56,169)
Net increase in cash and cash equivalents for the year		39,105	101,842
Effect of exchange rate movement on cash and cash equivalents		(548,740)	(30,608)
Cash and cash equivalents at the beginning of the year		942,665	871,426
Cash and cash equivalents at the end of the year	14	433,030	942,660

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

REPORTING ENTITY

MDCB is a limited company incorporated in Botswana.

BASIS OF PREPARATION

These financial statements comprise the separate financial statements of the Company for the year ended 31 March 2022.

These separate financial statements are prepared in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the International Accounting Standards Board (IASB) and IFRIC and have been prepared on a historical cost basis.

The principal accounting policies have been consistently applied in the current and previous financial year, unless stated otherwise. Standards, interpretations and amendments to published standards that were adopted by the Company or are not yet effective, are discussed in Note 30.

All amounts disclosed in these financial statements have been rounded off to the nearest thousand Pula, unless otherwise stated.

PRESENTATION CURRENCY

The Company's results are presented in Botswana Pula which is also its functional currency.

INVESTMENTS IN OTHER ENTITIES

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amounts of the investments is recognised in profit or loss

FOREIGN CURRENCIES

Transactions in currencies other than the Botswana Pula are recognised at the rates of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. All exchange differences arising on translation are recognised as follows:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss unless they are part of a designated hedging relationship.
- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instruments are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in a revaluation reserve.
- For financial assets measured at fair value through profit or loss that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognised in other comprehensive income in an investments revaluation reserve.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of plant and equipment and costs incurred subsequently to add to the asset. If a replacement cost is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is charged so as to write off the depreciable value of the assets over their estimated useful lives down to their residual values, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The following methods were used during the year to depreciate plant and equipment to estimated residual values:

Item	Depreciation method	Average useful life
Leasehold improvements	Straight line	5 years
Furniture and fittings	Straight line	5 years
Office equipment	Straight line	6 years
Computer equipment	Straight line	4 years
Diamond Valuation equipment	Straight line	6 years
Motor vehicles	Straight line	4 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in within "Other income" in the statement of comprehensive income.

INTANGIBLE ASSETS

Intangibles, mainly formed of software, are recognised if they are separable or arise from contractual or legal rights and their cost can be measured reliably on initial recognition. Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Intangible assets are amortised over the estimated useful lives usually between 3 years and 4 years. The amortisation period for each asset is determined as the period over which the Company expects to obtain benefits from the intangible asset, taking into account all relevant facts and circumstances including contractual lives and expectations about the renewal of contractual arrangement without significant incremental costs.

1.1 REVENUE RECOGNITION

Revenue from sales of coal is recognised when the following steps have been applied:

Revenue for all customers apart from BPC is recognised at a point in time when coal is transferred to the customer. BPC revenue is recognised as follows: Variable charge is recognised when coal is transferred to BPC and fixed and capital charges are recognised over the period of the contract.

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Company will comply with conditions attaching to them and that the grants will be received.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

GOVERNMENT GRANTS (CONTINUED)

Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable. Unutilised grants are deferred to future periods and presented as a liability in the statement of financial position.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred capital grants in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of related assets.

INTEREST INCOME

Interest income is recognised in profit or loss at amortised cost using the effective interest method. The effective interest method is described under the financial instruments section of these accounting policies.

DIVIDENDS

Dividend income is recognised when the shareholder's right to receive payment has been established. Dividends are recognised in profit or loss unless the dividends clearly represent a recovery of part of the cost of an investment.

TAXATION

Income tax expense comprises current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured 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 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.

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 Company expects, at the end of the reporting period, 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 Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

TAXATION (CONTINUED)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

EMPLOYEE COMPENSATION

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate pension fund entities on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing 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.

An accrual is raised for terminal gratuities for contract staff in accordance with their respective employment contracts

Short-term compensated absences

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date

FINANCIAL INSTRUMENTS

Recognition and initial measurement

Financial instruments are recognised when the Company becomes party to the contractual provision of an instrument, initially at fair value plus directly attributable transaction costs (except for financial instruments classified at fair value through profit and loss). Purchases and sales are recognised on trade date being the date the company commits to purchase or sell an asset.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Classification and measurement

Financial assets

The Company's principal financial assets are loans receivable as well as trade and other receivables.

These financial assets are initially recorded at fair value and subsequently at amortised cost.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

FINANCIAL INSTRUMENTS (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants. Amortised cost is the amount determined based on moving the initial amount recognised for the financial instrument to the maturity value on a systematic basis using the effective interest rate method (see below), taking account of repayment dates and initial premiums or discounts.

Financial assets at amortised cost

Financial assets are measured at amortised cost when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect contractual cash flows on specified dates. This classification applies to the Company's loans receivable as well as trade and other receivables. The carrying value of amortised cost financial assets is adjusted for impairment under the expected loss model described under the 'Impairment of Assets' accounting policy.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently at amortised cost (see above). The Company's principal financial liabilities comprise trade and other payables that are measured at amortised cost using the effective interest method (see below).

Effective interest rate method

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

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

Impairment of financial assets

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

(i) Definition of default

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

- when there is a breach of key financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

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

(ii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

FINANCIAL INSTRUMENTS (CONTINUED)

- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iii) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

CASH AND 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. These are initially recorded at fair value and subsequently at amortised cost.

Funds that are not available for use in normal operations or may only be used for a specific purpose are classified as restricted cash. Measurement of such restricted funds is similar to that for cash and cash equivalents and are treated as a financing activity on the statement of cashflows.

LEASES

In prior year, leases that transfer most of the risks and rewards associated with ownership of an asset were recognised as finance lease obligations in long and medium term liabilities and measured at the present value of the future lease payments. Interest on finance leases is charged to income at a constant periodic rate over the lease term. All other leases were classified as operating leases. Operating lease payments were recognised as an expense on a straight-line basis over the lease terms, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset are consumed.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

LEASES (CONTINUED)

Following adoption of IFRS 16 using the modified retrospective method with effect from 1 April 2019, the Company now considers whether a contract is, or contains a lease, defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Company has the right to direct the use of the identified asset throughout the period of use; and
- the Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets and lease liabilities have been shown separately.

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE OR DISTRIBUTIONS

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

In case conditions for classification of non-current assets and disposal groups as held for sale are no longer met, classification as held for sale ceases. Accordingly, results of operations, previously presented in discontinued operations, are reclassified and included in result from continuing operations for all periods presented. Non-current assets that ceases to be classified as held for sale are remeasured at the lower of their carrying amount before classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal company not been classified as held for sale, and its recoverable amount at the date of the subsequent decision to sell.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Company reviews the carrying amount of its 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). The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use the estimated future cash flows are discounted to their present value. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised previously. Reversals of impairment losses are recognised in profit or loss.

Expected credit losses are calculated on all of the Company's financial assets that are measured at amortised cost. In accordance with the transition provisions of IFRS 9, comparative information has not been restated. Any expected credit losses are recognised directly in the statement of comprehensive income, with subsequent reversals recognised in the same location. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective instrument.

PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Litigation and administrative proceedings are evaluated on a case-by-case basis considering the information available, including that of legal counsel, to assess potential outcomes. Where it is considered probable that an obligation will result in an outflow of resources, a provision is recorded for the present value of the expected cash outflows if these are reasonably measurable. These provisions cover the estimated payments to plaintiffs, court fees and the cost of potential settlements.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

RELATED PARTIES

Related parties are defined as those parties that directly, or indirectly (through one or more intermediaries) control, are controlled by, or are under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries), have an interest in the entity that gives them significant influence over the entity or are members of the key management personnel of the entity or its parent including close members of the family.

All dealings with related parties are transacted at agreed prices and accordingly included in the statement of comprehensive income.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Company's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Key sources of estimation uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and conditions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The more significant areas requiring the use of management estimates and assumptions relate to contingent liabilities, fair value estimations, depreciation and amortization calculations, asset impairments/reversals, taxation, provisions and useful life and residual value of plant and equipment.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements, and significant estimates made in the preparation of these financial statements are discussed below.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. Such contingencies include, but are not limited to environmental obligations, litigation, regulatory proceedings, tax matters and losses resulting from other events and developments

When a loss is considered probable and reasonably estimable, a liability is recorded in the amount of the best estimate for the ultimate loss. When a loss is probable but a reasonable estimate cannot be made, disclosure is provided.

In determining the threshold for disclosure on a qualitative and quantitative basis, the Company considers the potential for a disruptive effect on the normal functioning of the Company and/or whether the contingency could impact investment decisions. Such qualitative matters considered are reputational risks, regulatory compliance issues and reasonable investor considerations. For quantitative purposes an amount of ten million Botswana Pula, has been considered.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the Company may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Company could be materially affected by the unfavourable outcome of litigation.

Asset lives and residual values

The estimates of useful lives as translated into depreciation rates are detailed in plant and equipment policy on the annual financial statements. These rates and residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the industry.

Impairment of assets

At each statement of financial position date, the carrying amounts of assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. Management takes into account various considerations including future cash flows expected to be generated by the assets under review.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Summary of Significant Accounting Policies

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

The Company assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade and other receivables is assessed by management on an individual receivable account basis

Extension options for leases

When the Company has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made

The Company 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 end of the reporting period could be impacted.

Other significant estimates and assumptions made in the preparation of these financial statements are:

- the calculation of loss allowance; and
- Incremental borrowing rate use to calculate the lease liability

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand 2022 2021

1. GRANT INCOME

During the year, the Company recognised government grant income as noted below:

Revenue grant income	65,658	68,302
Amortisation of capital grant	737	858
	<u>66,395</u>	<u>69,160</u>

2. OPERATING PROFIT

Operating profit for the year is stated after charging the following:

Auditor's remuneration		
Current year audit fees	740	914
Prior year audit fees	541	-
Current year non-audit fees	71	-
	<u>1,352</u>	<u>914</u>
Depreciation charge and amortisation	711	843
Depreciation charge on right-of-use assets	1,098	1,098
	<u>1,809</u>	<u>1,941</u>
Operating lease costs	164	135
	<u>164</u>	<u>135</u>
Staff costs		
Salaries and allowances	15,955	24,398
Other payroll costs	594	592
Gratuity, severance and pension	2,886	3,127
Leave pay	868	366
	<u>20,303</u>	<u>28,483</u>
Government Diamond Valuation management and consultancy	31,731	26,199
	<u>31,731</u>	<u>26,199</u>

3. NET FINANCE INCOME

Interest receivable - loan to subsidiary	17,402	28,654
Interest receivable - loan to other affiliate	39,666	21,992
Interest receivable - call and fixed deposits	15,232	8,258
	<u>72,300</u>	<u>58,904</u>
Interest - loan payable	-	(542)
Interest - lease liabilities	(110)	(166)
	<u>(110)</u>	<u>(708)</u>
	<u>72,190</u>	<u>58,196</u>

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand 2022 2021

4. OTHER INCOME

Profit (loss) on exchange differences	44	(1,238)
Dividend received	21,202	19,601
Profit (loss) on sale of plant and equipment	12	19
Other	1,572	82
	<u>22,830</u>	<u>18,464</u>

5. TAXATION

Basic company taxation	19,274	15,177
Deferred taxation	(13)	129
	<u>19,261</u>	<u>15,306</u>

Reconciliation of the tax expense

Profit before tax	<u>95,020</u>	<u>77,740</u>
Tax at the applicable tax rate of 22% (2021: 22%)	20,904	17,103
Tax effect of adjustments on taxable income		
Effect of income that is taxed at rate different to the statutory rate	(1,485)	(1,370)
Effect of income exempt from taxation	(157)	(427)
	<u>19,262</u>	<u>15,306</u>

The Company had no unutilised tax losses at year end (2021: P Nil).

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

6. PLANT AND EQUIPMENT

	Diamond Valuation equipment	Leasehold improvements	Furniture and fittings	Motor vehicles	Office equipment	Computer equipment	Total
COST							
At 01 April 2020	288	3,809	1,789	620	517	3,581	10,604
Additions	-	-	-	-	-	546	546
Disposals	-	-	-	-	(3)	(164)	(167)
At 31 March 2021	288	3,809	1,789	620	514	3,963	10,983
Additions	-	-	-	-	-	422	422
Disposals	-	-	-	-	-	(52)	(52)
Other changes, movements	-	-	(1)	-	(1)	(11)	(13)
At 31 March 2022	288	3,809	1,788	620	513	4,322	11,340
DEPRECIATION AND IMPAIRMENT							
At 01 April 2020	(156)	(3,809)	(1,596)	(590)	(333)	(2,656)	(9,140)
Disposals	-	-	-	-	3	149	152
Depreciation charge	(110)	-	(124)	(30)	(91)	(485)	(840)
At 31 March 2021	(266)	(3,809)	(1,720)	(620)	(421)	(2,992)	(9,828)
Disposals	-	-	-	-	-	41	41
Depreciation charge	(22)	(3)	(54)	-	(64)	(568)	(711)
Other changes, movements	-	3	(14)	-	(7)	38	20
At 31 March 2022	(288)	(3,809)	(1,788)	(620)	(492)	(3,481)	(10,478)
CARRYING AMOUNT							
At 31 March 2022	-	-	-	-	21	841	862
At 31 March 2021	22	-	69	-	93	971	1,155

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

7. INTANGIBLE ASSETS

	Computer software	Total
COST		
At 01 April 2020	904	904
At 31 March 2021	904	904
At 31 March 2022	904	904
AMORTISATION AND IMPAIRMENT		
At 01 April 2020	(892)	(892)
Amortisation	(3)	(3)
At 31 March 2021	(895)	(895)
Other changes, movements	(9)	(9)
At 31 March 2022	(904)	(904)
CARRYING AMOUNT		
At 31 March 2022	-	-
At 31 March 2021	9	9

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand 2022 2021

8. RIGHT-OF-USE ASSETS

	Office premises	Total
COST		
At 01 April 2020	4,665	4,665
Additions	-	-
At 31 March 2021	4,665	4,665
Additions	-	-
At 31 March 2022	4,665	4,665
ACCUMULATED DEPRECIATION		
At 01 April 2020	(1,098)	(1,098)
Charge for the year	(1,097)	(1,097)
At 31 March 2021	(2,195)	(2,195)
Charge for the year	(1,098)	(1,098)
At 31 March 2022	(3,293)	(3,293)
CARRYING VALUE		
At 31 March 2022	1,372	1,372
At 31 March 2021	2,470	2,470

MDCB adopted IFRS 16 with effect from 1 April 2019 under which it recognised right-of-use assets relating to certain office lease contracts, the terms and conditions of which are set out in Note 17.

9. INTEREST IN SUBSIDIARY

Investment in Morupule Coal Mine Limited	1,006,935	1,006,935
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In August 2016, the Company acquired 100% of the share capital of Morupule Coal Mine Limited ("MCM") and a loan receivable from the GRB for P1.7 billion in exchange for an issuance of 1,692 MDCB shares. P1.0 billion of the total consideration related to the acquisition of shares of MCM and P0.7 billion related to the acquisition of the loan.

10. LONG-TERM LOANS RECEIVABLES

Loan receivable from Morupule Coal Mine Limited	351,846	439,807
Loan receivable from Minergy Coal (Pty) Limited	308,680	205,014
Gross carrying amount	660,526	644,821
	660,526	644,821

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand

2022

2021

10. LONG-TERM LOANS RECEIVABLES (CONTINUED)

Loan receivable from Morupule Coal Mine Limited (MCM)

The above-mentioned loan receivable from MCM comprises of a subordinated unsecured shareholder's loan that was initially provided by the GRB to fund MCM's 2011 expansion before being transferred to the Company as part of the acquisition of MCM (refer to Note 9). The loan which previously attracted interest based on the 91-day Bank of Botswana Certificate rate plus a margin of 9.36% per annum which was capitalised every 6 months, was restructured with effect from 1 April 2018 such that interest is now based on the Bank of Botswana Bank Rate plus a margin of 1%. Principal and interest repayments are payable half yearly and the loan is expected to be fully repaid by June 2023. Interest receivable on this loan is shown in net finance income.

Loan receivable from Minergy Coal (Pty) Limited (Minergy Coal)

The loan receivable from Minergy Coal relates to a secured convertible debenture facility which was originally advanced on 1 July 2019 followed by further drawdowns. The loan is secured on the following shared security package:

- Guarantee from Minergy Coal's listed parent, Minergy Limited;
- Pledge and session of Minergy Limited's shares and claims in Minergy Coal;
- Cession of all debts to Minergy Coal excluding trade receivables;
- First ranking mortgage bond over the land lease agreement in respect of the mine site; and
- A deed of hypothecation over moveable assets including licences.

The loan attracts interest at an effective interest rate of 15% per annum which is capitalised quarterly. Interest receivable on this loan is recognised in net finance income. The loan is expected to be settled by 28 February 2026.

Conversion option

MDCB has the option to convert the facility including capitalised items outstanding, or part thereof, into an equity interest in Minergy Coal. The conversion ratio is based on a pre-determined formula.

Accumulated expected credit losses

Opening balance	-	1,080
(Recoveries)/charge for the year	-	(1,080)
Closing balance	-	-

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand 2022 2021

11. DEFERRED TAX

Net deferred tax liability	(47)	(60)
Deferred tax reconciliation		
Balance at beginning of year	(60)	69
Current year movement	13	(129)
Balance at end of the year	(47)	(60)
<i>Analysis of deferred taxation</i>		
Comprising:		
Property plant and equipment	(37)	(88)
Leases	(10)	28
	(47)	(60)

MDCB deems the deferred tax asset to be recoverable as the business is a going concern and future profitability is forecast.

12. ASSETS HELD FOR SALE OR DISTRIBUTION

Interest in BCL Limited	-	-
Interest in De Beers Group	5,056,461	5,056,461

Interest in BCL Limited

This relates to an investment in all the share capital of BCL Limited which the MDCB considers will not be recovered through operation of the mine. MDCB acquired the interest in October 2016 for P1.00 cash while engaged in discussions with BCL's then shareholder, the GRB, regarding the continued deterioration of BCL's Limited financial performance and position. BCL Limited was subsequently put into final liquidation on 15 June 2017. BCL's liquidator has, on the whole, been in control of BCL Limited since it was acquired by MDCB.

Interest in De Beers Company.

This investment relates to a 15% interest in De Beers plc (a global diamond company whose registered office is in Jersey, United Kingdom), formed of 1,900,000 B shares in De Beers plc held directly in De Beers plc and 1,900,000 A Class Shares in De Beers plc held through De Beers Investments plc, respectively (which together constitute linked units that are transferable jointly). The interest was acquired in February 2017 from Debswana Investments S.A, a GRB wholly-owned, Luxembourg domiciled entity. As consideration, MDCB assumed loans payable to the GRB by Debswana Investments S.A comprised of a profit-participating loan agreement dated 17 July 2012 with a principal amount of US\$292.2 million and an interest-free loan of US\$150.0 million. The profit participating loan accrued interest comprised of a fixed interest component of 0.5% per annum and a variable profit-linked component. These loans which were unsecured and had no fixed repayment dates, were settled by an issuance of 5,300 of the Company's ordinary shares with a value of P5.0 billion effective 23 February 2017 in full and final settlement.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand 2022 2021

12. ASSETS HELD FOR SALE OR DISTRIBUTION (CONTINUED)

The interest in De Beers Company has been reclassified as 'held for sale' as MDCB is in the process of returning the interest in line with a GRB directive communicated in April 2017. MDCB has implemented a work plan under which requisite limited due diligence reviews have been performed ahead of the execution of the transaction relating to the return of the interest.

The carrying amount of the investment is equivalent to that on the reclassification date and MDCB has not noted indications that the interest could be impaired beyond this carrying amount. During the year, MDCB earned P19.6 million (2021: P 21.2 million) in dividend income from De Beers Company.

13. OTHER RECEIVABLES

Financial instruments:

Related party balances - interest due from Morupule Coal Mine Limited	25,714	25,000
Sundry receivables	1,959	1,353
Interest receivable on restricted funds	302	468
Sundry debtors	292	292
Dividends receivable from De Beers Group	10,617	10,171
	<u>38,884</u>	<u>37,284</u>

Non-financial instruments:

Withholding tax receivable	5,592	3,656
Prepayments	937	578
Prepayments	<u>6,529</u>	<u>4,234</u>
	<u>45,413</u>	<u>41,518</u>

Interest due from Morupule Coal Mine Limited (MCM).

Interest receivable from MCM does not include a withholding tax gross up receivable as in prior year when it included a gross up adjustment of P8.9 million which was required in relation to interest accruing on the shareholder subordinated loan payable by Morupule Coal Mine Limited.

14. CASH AND CASH EQUIVALENTS

Cash on hand	8	5
Cash at bank	48,079	559,696
Fixed deposits	65,524	102,558
Money market funds	319,419	280,406
	<u>433,030</u>	<u>942,665</u>

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand 2022 2021

14. CASH AND CASH EQUIVALENTS (CONTINUED)

Of which certain funds were restricted as follows:

Restricted funds	67,700	613,001
Unrestricted funds	365,330	329,664
	<u>433,030</u>	<u>942,665</u>

Restricted funds

Restricted funds are those that have been earmarked for certain transactions being negotiated by the GRB. These funds and income earned thereon through short-term investing activities less costs incurred, remain the property of the GRB. (Refer to Notes 19 and 21)

15. STATED CAPITAL

Issued and fully paid up ordinary shares	<u>6,745,529</u>	<u>6,745,529</u>
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Fully paid ordinary shares carry one vote per share and carry a right to dividends.

Reconciliation of number of shares issued:

	Number of shares	Number of shares
Balance at the beginning and end of the year	<u>9,992</u>	<u>9,992</u>

16. CAPITAL GRANT

Balance at beginning of the year	1,164	1,476
Capital grant received	435	546
Amortisation of capital grants	(737)	(858)
Balance at end of the year	<u>862</u>	<u>1,164</u>

The balance comprises grants received from the GRB that have been utilised in the acquisition of items of plant and equipment and intangible assets. The carrying amount of the capital grants is equivalent to the carrying amount of plant and equipment and intangible assets.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand	2022	2021
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17. LEASES

Lease liabilities

Lease liabilities included in the statement of financial position

Current liabilities	1,505	1,207
Non-current liabilities	13	1,369
	<u>1,518</u>	<u>2,576</u>

The lease liabilities are secured by the related underlying assets.

Maturity analysis - contractual undiscounted cashflows:

Within one year	1,505	1,207
One to two years	13	1,356
Two to three years	-	13
	<u>1,518</u>	<u>2,576</u>

The weighted average effective interest rate of lease liabilities is 5.5%.

As at 31 March 2022, the Company had not committed to any leases which had not yet commenced.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand 2022 2021

18. DEFERRED REVENUE GRANT

Balance at beginning of year	50,419	45,592
GRB subvention received	69,742	73,675
Revenue grant income recognised	(65,658)	(68,302)
Transfer to capital grant	(435)	(546)
Balance at end of year	54,068	50,419

19. TRADE AND OTHER PAYABLES

Financial instruments:

Trade payables	3,288	4,461
Restricted funds due to shareholder	67,925	613,001
Other related party payables	1,267	9,300
Other payables	168	112
	72,648	626,874

Non-financial instruments:

Staff related accruals	2,885	5,281
	2,885	5,281
	75,533	632,155

Trade creditors comprise amounts owing for trading activities and ongoing purchases. Average credit terms made available to the Company is 30 days (2021: 30 days). There were no instances of interest being charged on overdue trade payables in the year (2021: No instances). The Company has financial management procedures to ensure that payables are settled on time. Refer to Note 14 regarding restricted funds due to the Government.

20. BORROWINGS

Short-term loan

New loan	-	40,082
Loan repaid during the year	-	(40,082)
	-	-

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand 2022 2021

21. RELATED PARTIES

Related party balances

Related party receivable balances

GRB - shareholder (i.r.o Debswana Investments S.A.)	292	292
Interest due from Morupule Coal Mine Limited - subsidiary	25,714	25,000
Loan receivable from Morupule Coal Mine Limited - subsidiary	351,846	439,807

Related party payable balances

GRB - shareholder	67,925	613,001
Morupule Coal Mine Limited - subsidiary	1,267	9,300
Morupule Coal Mine Limited - subsidiary borrowings	-	-

Related party transactions

Finance income from Morupule Coal Mine Limited - subsidiary	17,402	28,654
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Key management remuneration

Key management remuneration relates to the Directors and the Chief Executive Officer and is comprised of the following:

Short-term employee benefits	-	4,447
Post-employment benefits	-	420
Directors' fees	653	611
	653	5,478

22. DIVIDENDS PAID

During the year, interim dividends of US\$51.87 per share (total dividend US\$0.99 million) and US\$50.51 (total dividend US\$0.96 million) were declared and paid. In prior year, interim dividends of US\$44.36 per share (total dividend US\$0.84 million) and US\$49.67 per share (totalling US\$0.94 million) were declared and paid.

23. COMMITMENTS

Authorised capital expenditure

Capital expenditure authorised, contracted for but not incurred	2,596	3,646
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This committed expenditure relates to property and will be financed by retained profits and grant income.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand 2022 2021

24. CONTINGENT LIABILITIES

Litigation claims

Total claims

- -

On the 17th of October 2017, the Company was jointly cited in a US\$277 million claim by a vendor of an interest in a South African nickel mine against, among others, the Company's sole shareholder and former key management of a subsidiary now in liquidation. Further, there is a P60 million creditor claim against former directors of the said subsidiary and the Company's shareholder. The vendor claim and associated litigation and reviews were finally and fully settled during October 2021. There exist no other material litigation claims considered probable.

Guarantees

During the year ended 31 March 2017, the Company acquired 100% shareholding of BCL Limited and MCM, both companies which were holders of mining licences in Botswana. As required under the Mines and Minerals Act of Botswana (the "Act"), MDCB provided parent company guarantees which may be called upon should the mining licence holders not meet their obligations per the Act, obligations which include rehabilitating areas affected by mining operations.

BCL Limited was placed into final liquidation on 15 June 2017 and may fail to meet its rehabilitation obligations as a result. The current rehabilitation provision for BCL Limited is now estimated to be P5.5 billion (2021: P5.5 billion) following obtaining of an expert opinion on BCL Company in June 2019.

The most recent estimate of rehabilitation obligations for MCM is P74.3 million (2021: P66.4 million) which is funded via a rehabilitation trust that was established on 8 May 2018 and has total assets of P81.9 million as at year end.

25. FINANCIAL INSTRUMENTS

Financial assets held at amortised cost

Loans receivables	660,526	644,821
Other receivables	38,884	37,284
Cash and cash equivalents	433,030	942,665
	1,132,440	1,624,770

Financial liabilities held at amortised cost

Trade and other payables	72,646	626,870
Lease liabilities	1,505	1,207
	74,151	628,077

The Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand 2022 2021

26. FINANCIAL AND CAPITAL MANAGEMENT

The Company manages its capital to ensure that it continues as a going concern while maximising returns to stakeholders through optimisation of the debt and equity balance. The GRB provides grants for both capital and operational expenditure based on the detailed budgets submitted by the Board of Directors. The capital structure of the Company consists of stated capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Distributions to the shareholder are made after performing requisite liquidity and solvency tests in line with local statutory requirements.

Financial risk management objectives

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and credit risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Company has adopted a credit policy of only dealing with creditworthy counterparties and/or obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company does not engage in material trading activities on credit and therefore the credit risk associated with trade and other payables is not considered material save for intercompany loans. The Company holds bank accounts with reputable financial institutions.

Loans receivables	660,526	644,821
Other receivables	38,884	37,284
Cash and cash equivalents	433,030	942,665
	<u>1,132,440</u>	<u>1,624,770</u>

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows.

2022	Weighted average effective interest rate	Less than 1	1 - 3 months	Total
		month		
		P'000	P'000	P'000
Trade and other payables	-	72,331	-	72,331
		<u>72,331</u>	<u>-</u>	<u>72,331</u>
2021		Less than 1	1 - 3 months	Total
		month		

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

26. FINANCIAL AND CAPITAL MANAGEMENT (CONTINUED)

	Weighted average effective interest rate	P'000	P'000	P'000
Trade and other payables	- %	626,870	-	626,870
Variable rate instruments	- %	-	40,082	40,082
		626,870	40,082	666,952

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

Figures in Pula thousand 2022 2021

26. FINANCIAL AND CAPITAL MANAGEMENT (CONTINUED)

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currency resulting in exposure to fluctuations in foreign exchange rates. Exchange rate exposures are managed through engagement with the bankers on the anticipated movement in the exchange rates. The carrying amounts of the Company's foreign currency denominated liabilities and assets at balance sheet date are as follows:

Financial assets and liabilities held at amortised cost:

South African Rand trade payables	454	110
United States Dollars bank and cash balances	514,143	544,878
United States Dollars receivable	10,230	10,561
	524,373	555,439

Foreign currency sensitivity analysis

The table below shows the Company's sensitivity to a 5% exchange movement in the US dollar, South Africa rand and British pound.

	2022	2022	2021	2021
	Increase	Decrease	Increase	Decrease
Increase or decrease in rate				
Impact on profit before tax:				
US Dollar +/-5%	(794)	794	(759)	759
British pound +/-5%	5	(5)	5	(5)
Impact on equity:				
US Dollar +/-5%	(619)	619	(629)	629
British pound +/-5%	5	(5)	4	(4)

The impact above is reduced compared to the level of foreign currency denominated amounts due to certain related exposures, particularly with respect to USD-denominated funds, being borne by other parties.

Interest rate risk

The Company is exposed to cash flow interest rate risk due to investment of surplus cash in money market funds and corporate debt of investees. Broadly to manage interest rate risk, MDCB enters into fixed rate arrangements where possible.

If interest rates were to change by 0.5% lower or higher and all other variables were held constant, the Company's profit before tax would increase or decrease by P1.4 million (2021: P 3.3 million).

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

27. EVENTS AFTER REPORTING DATE

Management has considered and made an assessment of the effects of COVID-19 and have concluded that no adjustment is required in these financial statements. Management is not aware of any other events occurring between year end and the date of the issuance of these financial statements that would require adjustment to or disclosure in these financial statements.

28. GOING CONCERN

The Company has access to adequate cash resources, and is satisfactorily cash generative as evidenced by post-year end positive cash balances and continued support from the shareholder by way of grants. Post-year end, the Company has continued to receive further subvention from Government on a regular basis. Management has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon MDCB's ability to continue as a going concern. Management is therefore satisfied that the Company has adequate resources to continue to operate for the foreseeable future and that the Company is a going concern.

29. NON-CASH TRANSACTIONS

During the year, the Company entered into the following significant non-cash transactions:

- the Company earned P25.7 million (2021: P 25.0 million) of interest from its subsidiary which was unpaid as at year end;
- the Company earned P10.6 million (2021: P 10.1 million) dividends from its associate which were unpaid as at year end; and
- the Company earned P40.0 million (2021: P 22.0) of interest from an investment which was capitalized as at year end.

MINERALS DEVELOPMENT COMPANY BOTSWANA (PROPRIETARY) LIMITED

(Registration number UIN BW00000875114)

Separate Financial Statements for the year ended 31 March 2022

Notes to the Separate Financial Statements

30. NEW STANDARDS AND INTERPRETATIONS

30.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	01 January 2021	No impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	01 January 2021	No impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	01 January 2021	No impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	01 January 2021	No impact

30.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	Unlikely there will be a material impact
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	01 January 2023	Unlikely there will be a material impact
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
• IFRS 17 Insurance Contracts	01 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Unlikely there will be a material impact