

DEBSWANA PENSION FUND
Your fund: your security for your future

“Working together for a secure future”



**ANNUAL
REVIEW
2007**

The Debswana Pension Fund

The Debswana Pension Fund is a Defined Contribution Pension Fund established in 1984 for the Debswana Group of companies. The Fund has grown remarkably since inception particularly in the last decade. Over the years the Fund has evolved to include all companies involved with diamonds, including but not limited to DTCB, and De Beers Group in Botswana.

For administrative purposes, the Fund has previously been operating as a function within Debswana Diamond Company under the Finance division. At the beginning of 2007 however, the Debswana Group of companies began a re-structuring exercise that led to the decision to outsource the Pension Fund, hence its establishment as an independent Secretariat.

With its new mandate, the Fund Secretariat is currently in the process of establishing the structures necessary for it to operate independently, such as the development and implementation of its 5-year Strategic Plan.

The Debswana Pension Fund is now the second largest Pension Fund in the country by value and the biggest privately owned Pension Fund.

Our Mission

We will provide members with competitive and sustainable retirement benefits through; Prudent management of member funds, Efficient administration of member records, and the provision of focused communication.

Our Vision

To be the preferred provider of retirement fund services in Botswana.

Our Values

The following are the values that drive the DPF corporate culture:

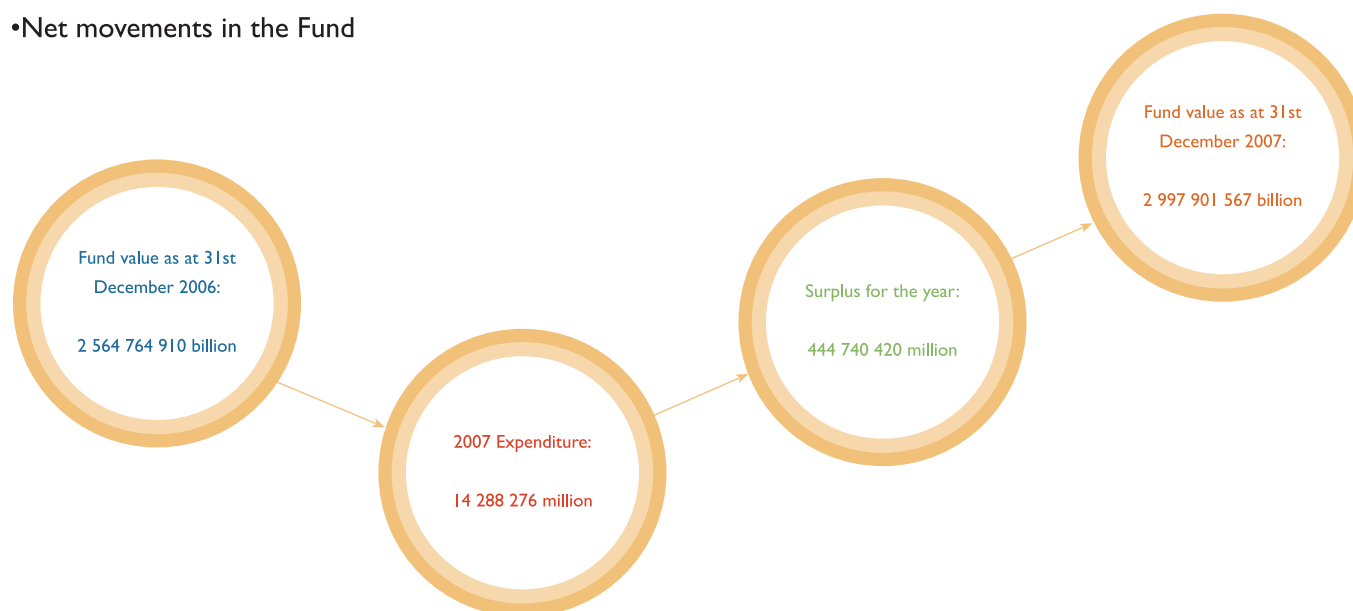
- Innovation
- Trust and Integrity
- Value Oriented
- Member Focused
- Quality Focused

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2007 Financial Highlights:

•Net movements in the Fund



•Funds in

Money into the Fund	2007	2006	% growth
Member Contributions	115 720 246	104 694 085	11%
Investment Income	63 789 726	52 324 001	22%
Transfers in from other pension schemes	3 165 637	2 830 707	12%
Total Income	182 675 609	159 848 793	14%

•Funds out

Money out of the Fund	2007	2006	% growth
Retirement benefits	62 738 313	51 637 156	21%
Withdrawal and death benefits	27 254 808	28 335 580	(4%)
Administration expenses	8 438 977	7 585 724	11%
Investment and other expenses	5 849 299	4 803 951	22%
Total Outgoings	104 281 397	92 362 411	13%

•Investment growth (decline)

Asset Class	31 Dec 2007	31 Dec 2006	% growth
Offshore Equities	1 392 091 806	1 318 962 256	6%
Local Equities	673 127 192	476 722 890	41%
Offshore Bonds & Cash	292 005 177	268 011 910	9%
Local Bonds , Deposits & Cash	556 175 471	415 358 538	34%
Local Property	79 602 565	81 721 617	3%
TOTAL INVESTMENT	2 993 002 211	2 560 777 211	17%

Message from the Chairman

I am pleased to present the annual review for the year ended 31 December 2007 for the Debswana Pension Fund.

2007 was again another year of considerable growth for the Fund as we saw yet another strong year in terms of investment performance. This is indeed a clear vindication of the Fund's innovative investment model, the Life Stage Model that we introduced in 2004 with the view to safeguarding member funds and maximising returns on investment.

The success of the Life-Stage Model and all other Fund initiatives underscores the effectiveness of a well diversified investment portfolio that has successfully overcome short-term market fluctuations, thus safeguarding the Fund's long-term security.

2007 also marked a change in the constitution of the Fund as we officially became an independent entity managed by its Secretariat. This follows a recent restructuring exercise by Debswana, and the subsequent decision for the Fund to manage its own affairs without any assistance from Debswana, the founding employer. The transition so far has been smooth, albeit with added responsibilities and the challenge to revise our existing mandate. We are excited at the prospect of transformation, and through our ongoing strategy review, we have already begun the adventurous journey of propelling the Debswana Pension Fund to new and enviable heights.

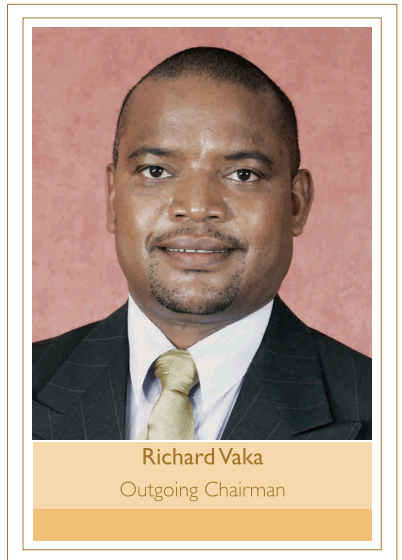
As we venture into 2008, I envisage new challenges as is the norm, but I am confident that we have the expertise and the resources to meet these challenges and ensure that the Fund continues to prosper. Some of the challenges inherited from 2007 into 2008 include increasing costs emanating from widespread retrenchments across the contributing employers as well as the recent change in employment policy by Debswana which allows certain employees on certain salary bands to opt for gratuity as an alternative to contributing to the Pension Fund.

These new developments pose a direct threat to the sustainability of the Fund, in terms of possible erosion of membership and reduced contributions to the Fund if not adequately addressed. We are however resilient in our efforts to employ all means possible, including intensifying our member education campaigns to ensure the retention of our membership and uninterrupted revenue streams.

Fortunately for the Fund, our new mandate as a Secretariat gives us the edge to develop mechanisms that will enable the sustenance of critical mass. I am therefore confident that the Fund will continue to evolve and deliver on our brand promise; **your fund, your security for your future!**

Finally, this review marks the end of my long but eventful and fulfilling journey as Chairman and member of the Board of Trustees of the Debswana Pension Fund. I am proud of what the Fund has achieved since I took the baton, and I wish to thank everyone who has worked within the collective to steer the Fund through the past years, particularly the current Board of Trustees as well as former members of the DPF Board that I have worked with, service providers, employees of the DPF Secretariat and the membership at large.

Indeed Three Billion Pula later, I can safely say that we did our best to steer the Fund in the right direction, and I am trustful that my successor will enjoy equal if not greater success in the future.



Richard Vaka
Outgoing Chairman

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

Richard Vaka

It is my pleasure to report on the 2007 results for the DPF.

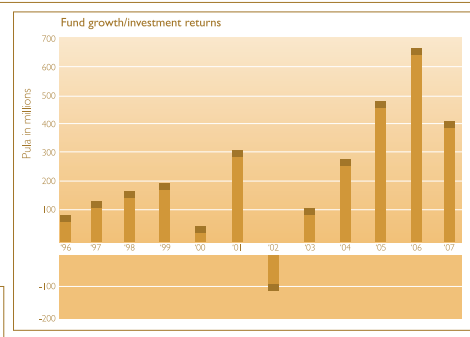
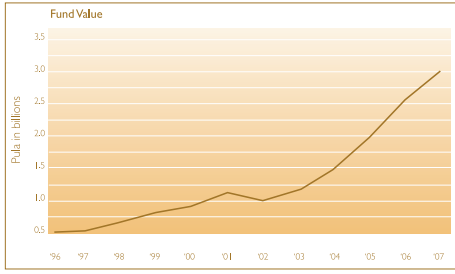
Overall Fund Performance

The year marked a historical moment for the Fund Secretariat when our net assets reached the 3 Billion pula mark by the end of the third quarter, and by year end the Fund value stood at P 2 997 901 567.Total net surplus for the year went up to P 444 740 420, representing a 17% increase in fund value from 2006, and exceeding the 14.67% benchmark.

Strong performance of local equities, exceptional leadership by the Trustees, effective relationships with all our key stakeholders and strict adherence to governance principles and best practice are the main catalysts to the Fund's phenomenal success to date. To attest to this, over the last ten years the Fund has registered consistent growth, averaging 25% per annum.The Fund investment has consistently provided significantly high returns, outperforming inflation by 8.7% per annum.



Fund Growth Over the Last Ten Years



Way to the Future

As we take charge of our operation and having recently completed a well packaged strategy for the Pension Fund, I feel confident that our continuing efforts at growth and development will safely position the Fund amongst the highest performing and most revered commercial entities in this country. My team and I remain committed to fulfil our members' investment objectives and help them achieve the comfort that they desire through the most prudent investment strategy and efficient running of the Fund.

The pension Fund Industry in Botswana

The Pension Fund Industry in Botswana is thriving and growing in leaps and bounds although not without challenges. With proper regulation and management, the industry has a great potential to uplift the lives of Botswana citizens, and it is my wish to see the Debswana Pension Fund increase its participation and influence in the industry as it continues to evolve, particularly in issues of policy formulation and stakeholder lobbying. So far the Fund has established itself as the industry benchmark and we shall endeavour to continue to brand ourselves as the industry leader by consistently maintaining all those attributes that qualify us to be seen in such light.

Tiny Kgatlwane

The Fund Structure

Business Functions

ADMINISTRATION

SECRETARIAL AND
COMMUNICATION

ASSET MANAGEMENT

The core business of the DPF includes, Benefit Administration, Secretarial and Communications, and Asset Management. Benefits Administration and Asset Management functions are outsourced.

The Administration Department is responsible for liaison, implementation and monitoring of administration processes between the Employers/Pay Points, Actuaries and administrators Alexander Forbes. The Finance Department is responsible for the monitoring of asset managers, fund accounting, and internal finance processes, whilst Secretarial and Communication focuses mainly on facilitating stakeholder communication, governance and compliance.

Leadership

The Fund Secretariat is governed by a Board of Trustees that consists of six members, three company-appointed Trustees and three member-elected. The Fund Secretariat is led by a Principal Officer, who is from time to time appointed by the Board, and is an ex-officio member of the Board of Trustees. The principal Trustees each appoint alternate Trustee to carry out their mandate in the event that they are unable to carry out their duties.

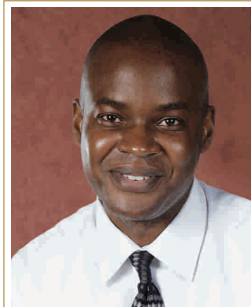
Company Appointed Trustees



Tabake Kobedi
Debswana Head Office
Chairman



Mooketsi Jongman
Ministry of Mineral Resources
and Water Affairs



Richard Malikongwa
Diamond Trading Company
Botswana (DTCB)

The Fund Structure

Member Elected Trustees



Calistas Chijoro
Debswana Head Office



Anita Malapela
Orapa Mine



Rejoice Dintwa
Jwaneng Mine

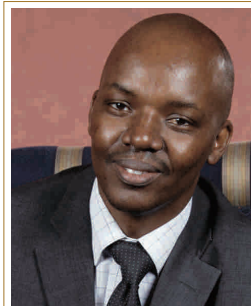
Alternate Trustees



Bonny Thebenyane
Debswana Head Office
Alternate to R. Malikongwa



Maipelo Motshwane
Debswana Head Office
Alternate to T. Kobedi



Nchidza Mmolawa
Ministry of Mineral Resources and
Water Affairs
Alternate to M. Jongman



Enoch Shabane
Debswana Head Office
Alternate to C. Chijoro



Fred Keitumetse
Morupule Colliery
Alternate to A. Malapela



Seabe Hetanang
Jwaneng Mine
Alternate to R. Dintwa

Board Sub-committees

In order to ensure Board effectiveness, four Sub-Committees of the Board are active, namely:

Benefits Review Committee - This committee comprises six members with the Principal Officer as an ex-officio member; three of whom have to be Trustees and the other three are from the company, depending on their understanding of the industry.

Investment Committee - This committee comprises seven members with the Principal Officer as an ex-officio member. The members are largely Trustees with representation from the company (with some investment management expertise).

Audit & Finance Committee - This is made up of four members, two have to be Trustees and the remaining two are from the company (depending on their understanding of the industry).

Human Resource Committee - The HR committee was recently established to consider and recommend to the Board on all Fund issues relating to the Human Resource Function. It comprises of four members, with the Principal Officer as an ex-officio member.

Non-Trustees members of the Sub-committees

Additional members who are not trustees may be appointed from time to time to any or all of the above sub-committees based on their expertise and value add to the committee. Currently the additional members are:



Kennedy Ndiane
Debswana Head Office
Member: Investment Committee



Naseem Lahri
Debswana Head Office
Member: Audit & Finance Committee

The Fund Structure

Fund Staff

The prevailing DPF organizational structure supports the current mandate and functions of the Fund. DPF has ensured that its employees understand the core business of the Pension Fund and pertinent questions relating to the business, so that it is in a position to effectively manage the outsourced partners who provide Benefits Administration and Investment Management services. The Fund currently has a staff complement of fourteen (14) and the Fund is currently in the process of filling three of the fourteen positions.



Tiny Kgatwane
Principal Officer



Francis Seelo
Fund Accountant



Neo Ebineng
Governance & Compliance
Manager



Agatha Sejoe
Communications &
Liaison Manager



Madoh Ntesang
Assistant Accountant



Aletta Tshiamo
Administration Supervisor
Services



Khumo Tsomele
Administration Supervisor
Accounts



Dineo Mmesesi
Accounts Assistant



Barulaganye Matome
Accounts Supervisor

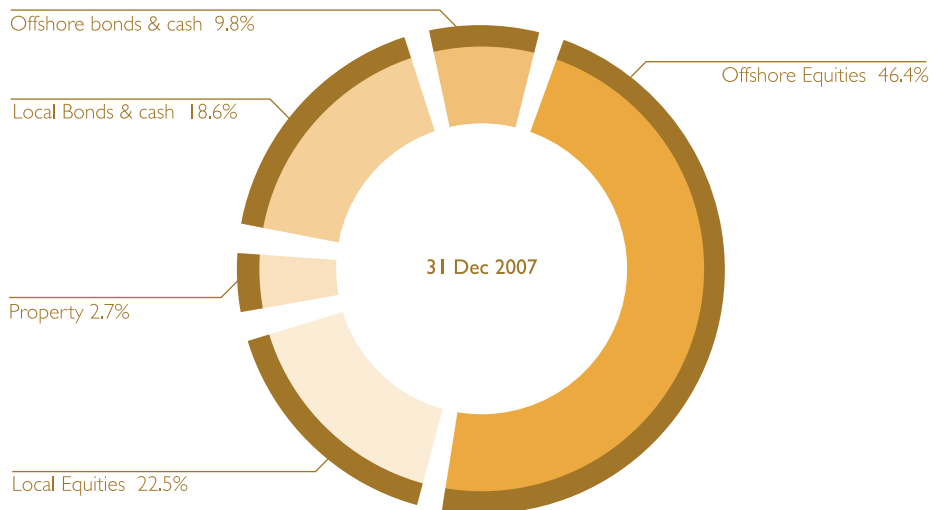
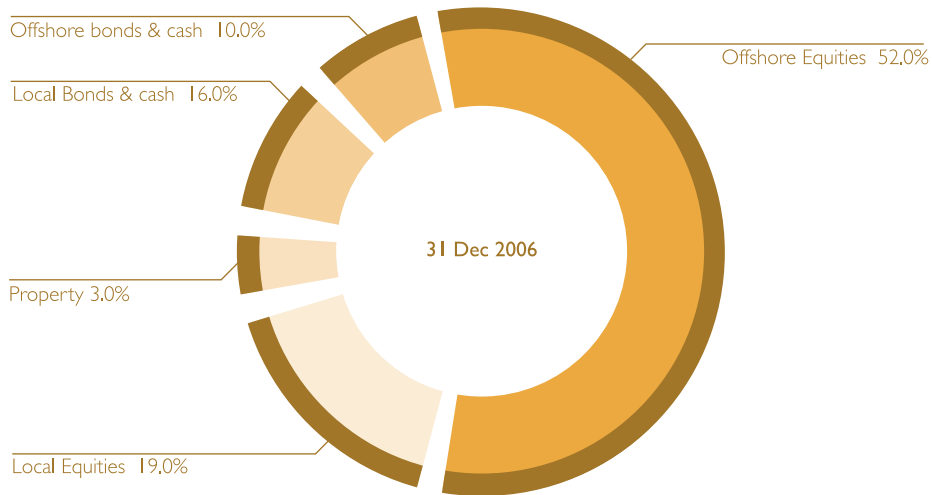


Tshwaranang Molema
Administration Officer



Charlotte Ntebele
Personal Assistant

•Asset Allocation



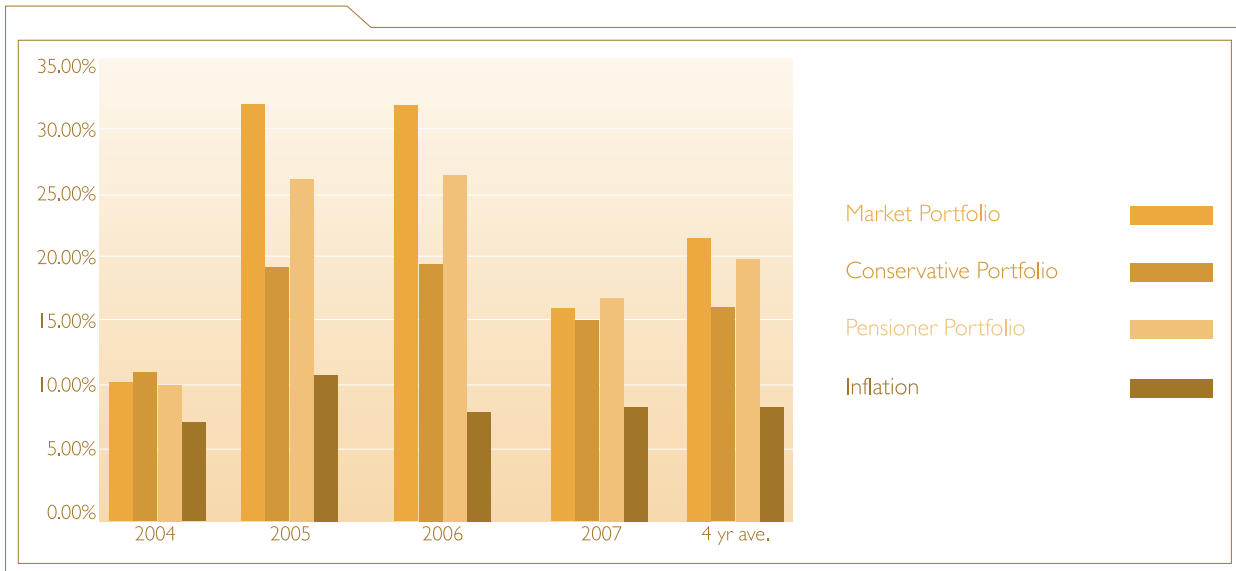
The allocation to local assets has increased over the last year with local equities increasing significantly and with international equities registering the most reduction. This is a direct result of movement in the markets. (There has been no cash flows to any asset managers over the year).

The Fund Secretariat is currently reviewing its Strategic Asset Allocation with the view to maximising the potential return on member's investments.

•Portfolio Performance

The Market portfolio is targeted at 5% net real return over any rolling eight year period, the Conservative portfolio at 3% per annum and the Pensioner portfolio 4% per annum. Below is the portfolios' four year return results since these performance targets were set, and already, the Fund is ahead of its performance targets under each portfolio.

	Market Portfolio	Conservative Portfolio	Pensioner Portfolio	Total Fund	Inflation
2004	10.8%	12.1%	10.6%	10.9%	7.8%
2005	32.7%	19.8%	26.7%	31.0%	11.4%
2006	32.7%	20.1%	27.6%	31.4%	8.5%
2007	16.6%	15.3%	17.5%	16.8%	9.0%
4 yr average	22.8%	16.8%	20.4%	22.2%	9.2%



All the portfolios have outperformed inflation significantly in the four year running since the life-stage model was introduced.

Income Statement for year ended 31 December 2007

	2007	2006
	P	P
REVENUE	118 885 883	107 524 792
Contributions receivable	115 720 246	104 694 085
Net transfers from other funds	3 165 637	2 830 707
OTHER REVENUE		
Net investment income	430 135 935	627 039 015
(Losses)/gains on foreign exchange transactions	(14 397)	3 730
Dividends receivable	20 075 061	18 541 308
Interest receivable	52 450 617	42 192 098
Net rental income	7 114 968	2 493 318
Losses on sale of financial assets held for trading	(16 024 125)	(10 956 536)
Unrealised gains on fair value adjustment of investment properties	941 932	2 626 932
Unrealised gains on financial assets held for trading	365 404 271	572 088 082
Other income	187 608	50 083
TOTAL REVENUE	549 021 818	734 563 807
EXPENDITURE		
Benefits payable	89 993 122	79 972 736
Benefits on withdrawal and death	26 646 704	26 916 724
Interest to members	452 415	1 118 830
Pensions to retired members	22 728 763	15 095 315
Pensioners deaths	155 690	300 026
Lump sums on retirement	40 009 550	36 541 841
Fund expenses	14 288 276	12 389 675
Administration expenses	8 336 685	7 484 659
Investment management fees	5 849 298	4 803 951
Depreciation of plant and equipment	102 293	101 065
NET SURPLUS FOR THE YEAR	444 740 420	642 201 396

Balance Sheet as at 31 December 2007

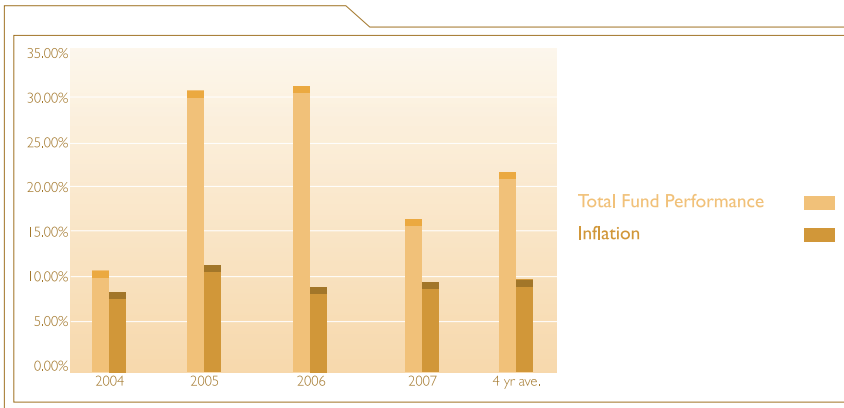
	2007	2006
	P	P
ASSETS		
Investments		
Short-term deposits	279 762 793	112 102 013
Other financial assets	2 633 636 854	2 366 953 582
Investment in properties	79 602 566	81 721 617
Total investments	2 993 002 213	2 560 777 212
Other assets		
Plant and equipment	218 990	275 115
Accounts receivable	4 680 364	3 712 583
	4 899 354	3 987 698
Total Assets	2 997 901 567	2 564 764 910
FUNDS, RESERVES AND LIABILITIES		
Funds and reserves		
Fund account	2 418 148 050	2 114 890 887
Pensioner account	478 139 531	364 187 595
Contingency reserve	77 303 019	49 771 698
Total funds and reserves	2 973 590 600	2 528 850 180
Other liabilities		
Benefits payable	19 841 071	32 002 449
Accounts payable	4 469 896	3 912 281
Total other liabilities	24 310 967	35 914 730
Total funds, reserves and liabilities	2 997 901 567	2 564 764 910

Growth in Value

During 2007 the value of the fund grew by 17% from P 2, 565 billion to 2,998 billion pula. This growth can be ascribed to the unrealised gains of 366 million pula resulting from the increase in the fair value of the investments held.

Profit distribution vs. Inflation

Over the last four years, the Fund averaged a return on investment of 22.2% against a 9.2% inflation average.



Benefits Paid

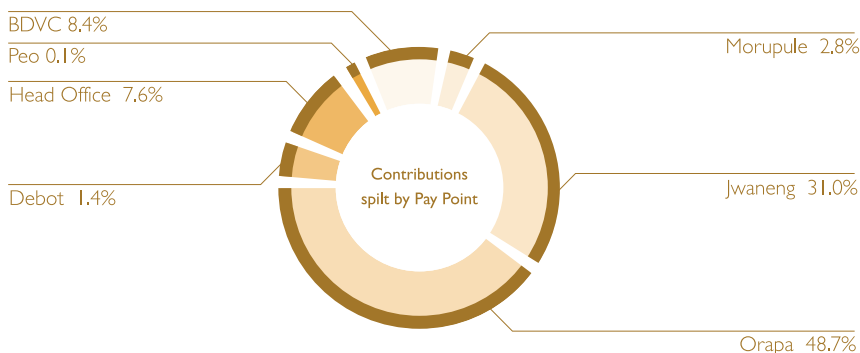
During 2007, benefits expenses have increased from 80 million pula to 90 million pula as a result of retrenchments and space creation by participating employers which resulted in some members going on early retirement. Lump sum on retirement which is part of the benefit payable increased by 3.5 million pula from 36.5 million pula in 2006 to 40 million pula in 2007.

Investments

Investment income increased from 52.3 million pula in the prior year to 79.6 million pula in the current year mainly due to the good performance of the local equity which had an impact on the growth of the Fund from 2,565 billion pula to 2,998 billion pula in 2007.

Contributions

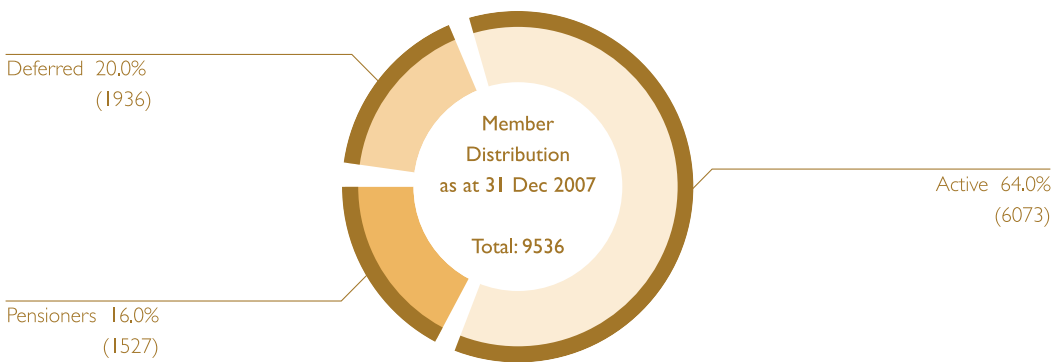
Contributions receivables increased by 10.5% from 104.7 million pula to 115.7 million pula due to normal increases in members' pensionable earnings.



Membership Review

2007 registered an overall membership of 9536 from 9344 in 2006, representing only 2% in growth, a similar growth compared to the 2006 result. There are three categories of members, active, deferred and pensioner members. The Fund endeavours to retain and continue to grow its membership.

	Member Distribution as at 31 Dec 2007	Member Distribution as at 31 Dec 2006
Pensioners	1527	1316
Deferred	1936	1862
Active	6073	6166
Total	9536	9344



The DPF Active membership is represented by three constituencies namely; Jwaneng, Gaborone and Orapa / Morupule / Letlhakane / Damtshaa Mines. The Gaborone constituency encompassing Debswana Head Office, Diamond Trading Centre Botswana, DeBeers Prospecting, DeBeers and PEO Holdings.



Fund Communication Service Providers

The Debswana Pension Fund has a robust communication strategy that encompasses the following activities:

Member Relations

HR Workshops
Member Education workshops
Pre-retirement Workshops
Employer events/Fairs

Publications

Newsletter
Member Guide
Annual Review
Email notices (active members)
Mine Bulletin contributions
Annual Member Benefit Statements

Public Relations

Branding
Retirement functions
Advertising

Customer Service

Office consultations
Telephone consultation
Email correspondence

Internal Relations

Trustee Training Workshops

Research

Pensioner Questionnaires
Stakeholder survey

Part of the objective of the Fund Secretariat is to carefully select and deal with service providers that are most experienced in their field of operation and will help deliver the best results for the Fund. The Fund has entered into Service Level Agreements with all Service providers and routine audits are carried out to ensure adherence and consistent service delivery.

Our service providers include the following:

Three Local Asset Managers

Investec Asset Management
Allan Gray Botswana
Fleming Asset Management

Six International Asset Managers

Brandes International Partners
Capital International Funds
Marathon Global Funds
Orbis Global Equity
Frank Russell
PIMCO

Property Managers

Khumo Properties

Fund Administrators

Alexander Forbes (Pty) Ltd

Communications Consultants

Native Impressions O'brian

Bankers

Barclays Bank Botswana
Standard Chartered Bank Botswana

Auditors

Deloitte & Touche

Actuaries

Fifth Quadrant

Contact persons:

Tshwaranang Molema	Aletta Tshiamo	Agatha Sejoe
Administration Officer	Administration Supervisor Services	Communication and Liaison Manager
tmolema@debswana.bw	atshiamo@debswana.bw	asejoe@debswana.bw

• The Fund Offices have recently relocated to the BP Building opposite Debswana House on the ground floor

Physical address:
Plot 683/684 Visible Edge Building
PO Box 329
Gaborone

Tel: 3951 131 or 3614 301/236
Fax: 3936 239
Toll-free (landline): 0 800 600 681



A small token from DPF to retiring Morupule employee



A word of appreciation to Morupule employees and retirees



Aletta Tshiamo explaining DPF benefits to DTCB retirees



All work and no play.....team building time for the Trustees



At the ORAPA Mine Business Fair - DPF was there



DPF at the DTCB Finance Fair



DSS inductees turned out in large numbers for the DPF presentation



DSS new employees receiving a DPF presentation



DTCB retirees anxiously listening for the way forward



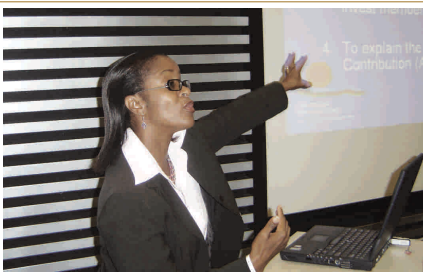
DTCB retirees at a pre-retirement counselling session



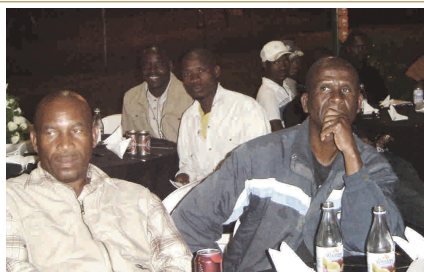
Fashionista - one very well dressed Jwaneng retiree posing for the DPF camera



Happy people...DPF trustees and management taking a break from the team building exercises



In her element - Principal Officer Tiny Kgatlwane giving DSS employees a few life lessons on saving adequately for their retirement



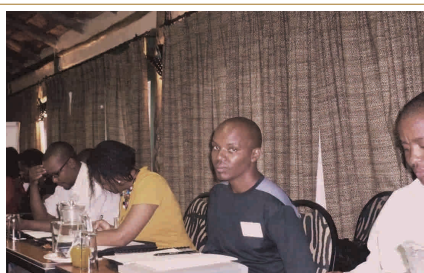
Jwaneng employees bid their retiring colleagues farewell



Jwaneng General Manager Mr. Balisi Bonyongo bids farewell to retirees



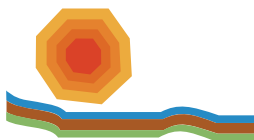
Keen listeners - DTCB employees taking in information about their Pension Fund



Minds at work - DPF trustees and management at the strategy retreat



Outgoing Jwaneng Assistant General Manager Albert Milton and one of DPF pensioners Gasenna Mfosi



DEBSWANA PENSION FUND

Your fund. your security for your future