

DEBSWANA PENSION FUND

Your fund: your security for your future

annual report '08





Fund Overview

A brief history of the Debswana Pension Fund

The Debswana Pension Fund (DPF) is a defined contribution established in 1984 as a trust through a joint initiative between, De Beers Botswana Mining Company (now Debswana), Anglo American Corporation Botswana (Pty) Ltd and De Beers Prospecting Botswana (Pty) Ltd. The primary purpose of the Debswana Pension Fund is to meet future benefit obligations to members as defined by the rules of the Fund, earn positive investment returns on member funds and remain financially sound at all times. The DPF invest member funds across four asset classes namely Property, Equities, bonds, and Cash.

The DPF vision statement

To be the preferred provider of retirement fund services in Botswana

The DPF mission statement

We will provide members with competitive and sustainable retirement benefits through;

- Prudent management of member funds
- Efficient administration of member records
- Provision of focused communication

The DPF Values

Innovation *Trust and Integrity *Value Oriented * Quality focused * Member Focused



contents

Chairman's Report	pg04
Principal Executive Officer's Review	pg06
Leadership	pg07
DPF Team	pg08
Governance & Compliance	pg09
Communication	pg10
Membership Report	pg11
Investment Report	pg12
Independent Auditor's Report	pg14
Income Statement	pg15
Balance Sheet	pg16
Cash Flow Statement	pg17
Statement of changes in Funds	pg18
Notes to the Annual Financial Statements	pg18

Chairman's Report



Dear Members,

It is my pleasure to present to you the 2008 annual report. Ever since I took the baton in 2008 as Chairman of the Debswana Pension Fund Board of Trustees, I have pledged my dedication to contribute to continuing improvement of the DPF success story. The DPF has the potential to become a dynamic world class organisation and I believe wholeheartedly in our purpose to promote better livelihoods for our people. It is our shared vision as the DPF Board to meet this obligation.

Performance

For the year ended 31st December 2008, total Fund performance stands unfavourably at -12.90%. Likewise, the Market portfolio registered a -15.69%, whilst the Conservative portfolio and the Pensioner portfolio delivered -6.66% and -7.82% respectively. Despite the losses, we have notably realised one of our long-term investment objectives, being the deliberate move in 2004 to introduce the age-based Life Stage Investment model as a way of minimising the impact of potential future market downturns on members' funds credits, particularly for those nearing retirement, i.e. those in the conservative portfolio.

The long-term total fund performance remains profitable over the ten year period recording 13.9% return versus 8.8% inflation. Similarly, Portfolio performances are also on target at 14.0% (Market), 12.0% (Conservative) and 15.0% (Pensioner) for the five year period to date. I am therefore happy that despite the poor financial performance that we are reporting for 2008, the DPF remains financially sound thus far.

The Global Financial Crisis

The DPF team has over the past financial year been faced with the unprecedented challenge of having to successfully lead the Fund through a very busy transformational period plagued by precarious market conditions, most significantly, declining investment performance. The last quarter of 2008 was the most severe at -6.6% decline in investment performance, consequently leading to an overall poor performance for the year.

Not only is the current financial crisis a global challenge, it is also a test of our leadership ability to not only guide DPF through the crisis, but take advantage of opportunities it presents for long term growth and sustainability. As daunting as the task is, we are more dedicated to dutifully execute our mandate.

Growth and Sustainability Solutions

Our commitment to long term investment excellence and our collective team experience has proven beneficial as we continue to find new perspectives through our deliberations, arising from which we are able to make better informed strategic and tactical decisions. We have been vigilant in ensuring operational efficiency to keep Fund costs to a minimum.

In the past year the Fund has seen us begin the implementation of our 5-year strategy in addition to routine housekeeping events which cover issues of business development, business operations, communication and human resource needs.

These include but are not limited to the following; **Future Outlook**

1. A feasibility study on potential new revenue streams
2. Evaluation of service provider delivery and effectiveness, this including Asset Managers' performance, Actuaries and administrators performance etc. This led to several amendments to improve our operational strategy
3. A review of our Communication Strategy to make it holistic and relevant to our changing business environment. From this review arose new initiatives going forward such as the establishment of a corporate website to improve member access to information.
4. Human Resource needs assessment and planning resulted in additional manpower that saw the DPF staff complement rise to 14. The Board also saw it fit to establish a sub-committee dedicated to Human Resource issues for the DPF.

I wish to reiterate that our recovery from the current slump is not going to be easy however with a clearly defined strategy, continuous quality monitoring and a dedicated workforce, I am confident that the Fund will survive the current climate. One of the commitments that I have undertaken as the Board Chairman is to ensure an innovative and progressive leadership that will successfully steer the Fund to greater heights. Our priorities include firstly, to ease the Fund out of the economic downturn, and secondly diversification, both in terms of greater investment opportunities and growing the business of the fund. We shall maintain our emphasis on communication to ensure that members remain connected with Fund developments and most importantly better understand their benefits. Let me conclude by re-assuring the Fund membership of our professionalism and commitment to living up to our values at all times as we venture forward into the future.

I wish you all a better and productive 2009.
Sincerely,



Tabake Kobedi

Principal Executive Officer's Review



Dear Members,

I am happy to report that despite the setback of the financial crisis and the poor market performance, the year 2008 saw us make significant progress on the roll-out of our strategy. We believe that the loss incurred in 2008 is a modest one given the highly unstable investment climate that we had to operate in, particularly the magnitude of the credit crunch and the impact it has made world-wide so far. Reportedly, some pension funds in other countries have not been able to survive. We attribute our sustainability to a consistently robust investment strategy that we have in place.

On the background of our recent transition, 2008 was a year focused primarily on developing a sound governance framework, and I am pleased to say that we have so far made significant in-roads into our 5-year plan. Some of the initiatives during the year included policy reviews such as the Statement of Investment Principles, Strategic Asset Allocation, and the review of the communication strategy. From this process and others not mentioned transpired important developments which I believe will see us grow further into a more dynamic organization.

Consequent to the economic downturn, we have seen a significant rise in the volume of benefit payable (58%) from 2007, mainly due to due to staff rationalization programs by contributing employers which resulted in more members going on early retirement. Membership erosion will remain

a marked concern as we venture forward and I want to reassure you that we will employ every effort necessary to restore and sustain the fund's historically good performance.

Lastly, do note that although Debswana Pension Fund Annual Reviews traditionally provides an abridged review of the most important events, facts and figures from the each financial year, members are free at all times to request the detailed financial and investment reports directly from our offices should they find it necessary to do so. My team will be pleased to assist you.

I would like to take this opportunity to thank the Board of Trustees and the staff members for continuously supporting the secretariat through these difficult times. I also thank the staff for their commitment to ensuring that the Fund strides forward with its mandate.

The year 2009 looks set to be an exciting year for us as we continue to roll out various new programs. We look forward to your continued support.

Yours sincerely

Tiny Kgatlwane
Principal Executive Officer

Fund Contact details

Visiting the Fund

The DPF office is currently located at Plot 682/683 Visible Edge Building opposite the Gaborone main mall. The office is open for consultations Mondays through to Fridays (except holidays) from 8.00am to 1645pm. The DPF will update members should there be a change of address in the future.

Calling the Fund

We provide a toll-free telephone number for use by DPF members and beneficiaries. You may reach us at 0 800 600 681 during working hours to speak to one of our administration officers.

Other direct member contact telephone numbers are 3614318/4267/4366 and 4236.

Our fax number is 3936239 email: bokamoso@debswana.co.bw or bokamoso@dpf.bw

Writing to the Fund

When writing to the Fund, please always remember include your full name, telephone number and return address. The Fund address is as follows;

The Secretariat Debswana Pension Fund
Private Bag 00512, Gaborone, Botswana

Leadership

Board of Trustees: Company appointed Trustees



Tabake Kobedi
Debswana Diamond Co.(Chairman)



Mooketsi Jongman (Retired)
Ministry of Mineral Resources & Water Affairs



Richard Malikongwa
Diamond Trading Company Botswana

Member Elected Trustees



Anita Malapela
Debswana Orapa/Letlhakane/
Damshaa and Morupule Mine



Calistas Chijoro
Gaborone Campus



Rejoice Dintwa (Retired)
Debswana Jwaneng Mine

Alternate Trustees



Maipelo Motshwane
Debswana Diamond Co.
(Alternate to Tabake Kobedi)



Bonny Thebenyane (Retired)
Debswana Diamond Co.
(Alternate to Richard Malikongwa)



Nchidzi Mmolawa
Ministry of Mineral Resources & Water Affairs (Alternate to Mooketsi Jongman)



Fred Keitumetse
Morupule Mine (Alternate to Anita Malapela)



Enoch Shabane
Debswana Diamond Co.(Alternate to Calistas Chijoro)



Seabe Hetanang (Retired)
Debswana Jwaneng Mine
(Alternate to Rejoice Dintwa)

Additional Members



Naseem Lahri
Naseem Lahri (Audit & Finance Committee)



Kennedy Ndiane
(Pension Benefits Review Committee)

DPF Team

Executive Management



Tiny Kgatlwane
Principal Executive Officer



Francis Seelo
Fund Accountant



Neo Ebineng
Compliance Manager



Agatha Sejo
Communications Manager



Wangu Thipe
Operations Manager

Operations



Aletta Tshiamo
Administration Supervisor
Services



Khumo Tsomele
Administration Supervisor
Finance



Tshwaranang Molema
Administration Officer



Tshego Seilane
Administration Officer



Goitseone Mathumo
Receptionist

Finance



Madoh Ntesang
Assistant Accountant



Barulaganye Matome
Accounts Supervisor



Dineo Mmesele
Accounts Assistant

Secretarial



Charlotte Ntebele
Executive Assistant to the
Principal Executive Officer

Governance and Compliance

Debswana Pension Fund Structure

The Fund is committed to the attainment and maintenance of high standards of corporate governance incorporating the principles of integrity, accountability, transparency and social responsibility. The Board of Trustees is accountable for the pursuit of corporate objectives and ensure that the Fund conforms to law and regulations.

Board of Trustees

The Fund is managed by the Board of Trustees who provides an oversight on the Fund. Each of the six substantive Trustees has an alternate. There are three employer appointed Trustees and three employee elected Trustees. The Board meets four times a year and is ultimately accountable and responsible to its members for the performance and affairs of the Fund. The Board has appointed four sub committees who act on behalf of the Board but the ultimate responsibility of the Fund rests with the Board.

The Fund committees are made up as follows;

Benefits Review Committee- seven (7) members and mainly responsible for members from the date of joining the Fund up to when members withdraw from the Fund due to resignations, retirements resulting from old age or ill health and retrenchments. It is also responsible for the proper distribution and disposal of death benefits. The Committee is responsible for the Fund's communication strategy and its implementation and to ensure effective member communication.

Investment Committee- seven (7) members responsible for keeping under review the appropriateness and recommending changes to the overall investment strategy of the Fund; investigating and reporting the use of new financial instruments; overseeing the investment consultants and investment managers as well as custodians. The Committee has developed a tool called a Statement of Investment Principles which guides the committee in carrying out its mandate.

Audit and Finance Committee- six (6) members the Committee is responsible to assist the Board in the evaluation of the adequacy and

efficiency of the internal control systems, accounting policies and practices, information systems and auditing. In addition the committee is responsible for ensuring that the Fund has an effective risk management process.

Human Resources Committee – five (5) members the role of the Committee is to exercise an oversight on the Fund's human resources, policies and practices and to ensure that these are contributing as effectively as possible towards the achievement of the Fund's Strategic Objectives, Vision, Mission and Values.

Risk Management

Debswana Pension Fund policy is to adopt good practices in the identification, evaluation and cost effective control of risks to ensure that they are eliminated where possible, reduced to an acceptable level or managed and contained; and to embed risk management practices within management and planning activities.

The Finance and Audit Committee reviews and recommends the risk log in which all key financial and non-financial risks affecting the Fund are recorded. New risks, if and when identified, are added to the risk log while others fall away over a period of time. A systematic process is used to prioritise the risks for ongoing monitoring and management. Current risks include, but are not limited to, the regulatory and legal framework, currency and market risk, safety and environment, skills availability and systems development.

Health and Safety

Debswana Pension Fund is committed to providing its employees with a healthy and safe environment. Our principal goal is to eliminate workplace injuries and illnesses. The management philosophy is based on effective communication and consultation, the systematic identification, assessments and control of high risk activities and integrating health and safety into all aspects of the Fund's activities.

Communication

How the Fund Communicates with Stakeholders

Printed Literature

The Fund produces all paper based communications in a corporate style, be that brochure, guides or individual letters. A consistent approach is taken with colour coding to help differentiate literature for specific audiences. All key communications are produced in a both printed and electronic format and distributed to members as appropriate.

Office consultations

For those members who prefer face to face communication the Fund's offices are centrally situated in Gaborone and are easily accessible by public transport from all areas of Gaborone. Two Administration Officers are on duty to field enquiries between 8am and 1645pm Mondays to Fridays excluding holidays. Private interview rooms are available for members who wish to discuss confidential matters. Appointments can be made to discuss specific pension options or problems and if necessary appropriate staff can visit the workplace or members at home in cases of special need.

Internet

The Fund's planned website (www.dpf.co.bw) will provide Fund information and updates. Electronic copies of the Fund literature, policies and reports will be available for download.

Intranet

The Fund sends out notices and other communiqué through the Debswana intranet regularly. It is one of the most cost effective means of reaching a larger proportion of the membership and with guaranteed contact.

Telephone

All Fund communications have a published telephone number. The Fund also provides a toll-free line.

Fax, Mail and E-Mail

For general communications, the Fund has a central fax number, email account and postal address.

Presentations

The Fund delivers standard or tailored presentations on a wide range of subjects for both Employers and their staff. These presentations are provided at the

request of Employers at geographically convenient locations by Fund staff. The Fund pro-actively arranges presentations on wider topic areas and can invite appropriate third parties to assist Fund staff in presenting relevant information, workshop activities and also to provide relevant support materials to take home.

Newsletter

BOKAMOSO is the Fund's newsletter published four times a year with an audience of members, eligible non-members, deferred members and pensioners. The newsletter aims to provide topical news, engaging articles, competitions and the latest information about the Fund and pensions in general.

Annual Review

The aim of the report is to highlight the important issues affecting the Fund over the previous twelve months, along with detail on both investment and administration performance. The Annual Review is distributed to all members and employers. Additional copies are available on request and an electronic version is available for download from the website.

Claims Investigations

The Fund visits families of deceased members, and local authorities as and when necessary to determine benefit payout criteria.

Public Relations

The Fund makes courtesy visits to Tribal administrators and other service providers to strengthen relations and identify gaps for service improvement. At the minimum, visits are made annually.

Corporate Social Responsibility

The Fund is currently in the process of establishing Pensioner Associations across the country to promote dialogue and community participation with retired and deferred members.

Membership Report

As at December 2008 total membership stood at 9602 compared to 9484 at the same time in 2007, reflecting a marginal growth of 1%. This has fared below expectation when pitted against the average growth of 2% experience over the last two years.

We have seen a significant migration of active members to both deferred and pensioner portfolios due to recent staff rationalisation programs by contributing employer companies. This has diminished the positive

impact of new entrants, resulting in an overall decline for the Active portfolio and a subsequent increase of 16% and 17% increase on the deferred and pensioner portfolios respectively.

Consequently the annual pensioner benefit payout spiked up 41% from 2007, an abnormal movement compared to previous years.

Active Members

Active Members	31 December 2007	31 December 2008	Change
Number	6 021	5 548	-8.8%
Average age (weighted by Individual Investment Account)	45 years 7 months	45 years 7 months	

Deferred Members

Deferred Members	31 December 2007	31 December 2008	Change
Number	1 936	2 244	15.9%
Average age (weighted by Individual Investment Account)	44 years 6 months	44 years 11 months	

The reduction in active members corresponds to an increase in the number of deferred members.

Pensioners

Pensioners	31 December 2007	31 December 2008	Change
Number	1 527	1 810	18.5%
Total Annual Pensions	P24 736 227	P 34 973 128	41.4%
Average Annual Pension	P16 199	P19 322	19.3%
Average age (weighted by pension)	58 years 2 months	58 years 8 months	

Investment Report

Investment strategy

The Trustees adopted the investment strategy of the Fund with effect from 1 January 2004. The strategy, which is set out in the document "Statement of Investment Principles", allows for a specific strategic asset allocation for the active, deferred and pensioner members and the contingency reserves. This approach is designed to take account of the different liability profiles applicable to the different portfolios of the Fund.

The Fund completed a process of reviewing this strategic asset allocation during 2008, leading to changes in the strategic asset allocation and changes in investment managers, both locally and offshore.

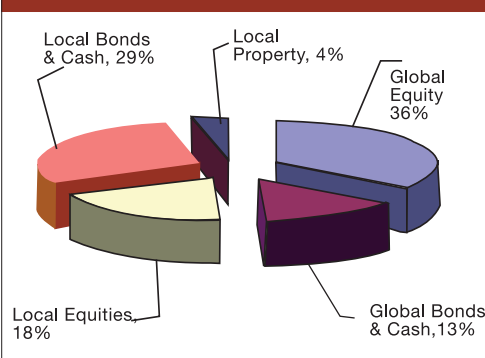
Total Fund valuation as at 31 December 2008 is as follows below:

- The financial position of the Fund as a whole is set out in the table below:

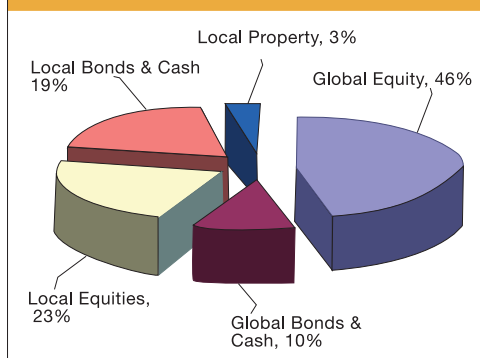
31 December 2008	31.12.2007	31.12.2008	% of Assets (31.12.2008)
Assets of the Fund	P2 973 590 594	P2 607 601 320	100.0%
Actives and Deferred individual investment accounts	P2 417 053 315	P1 967 974 439	75.4%
Pensioner liability	P380 222 738	P546 357 656	20.9%
Contingency reserve account	P77 303 019	P77 485 204	2.9%
Surplus	P99 011 522	P15 784 021	0.8%

- The investment return of the Fund as a whole for the year ending 31 December 2008 was approximately -12.9%, net of investment manager fees.

Assets Allocation As at 31 December 2008



Assets Allocation As at 31 December 2007

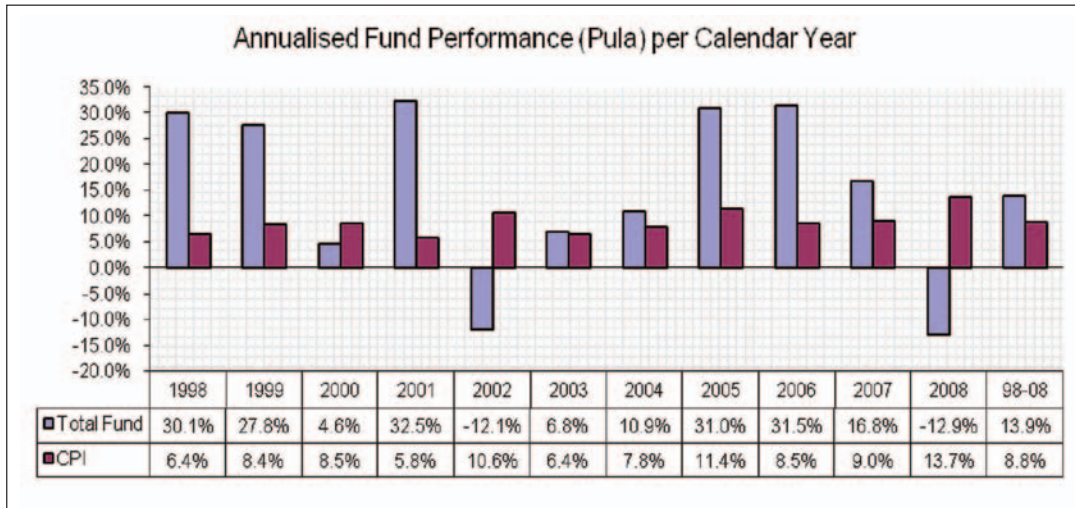


Portfolio performance over the five year period ending 31 December 2008

The returns achieved by the Market Portfolio, Conservative Portfolio and the Pensioner Portfolio for calendar years 2004 to 2008 are shown in the following table (the transition ages of the various portfolios are shown in parenthesis).

Calendar year	Market (<53)	TR1 (<54)	TR2 (<55)	TR3 (<56)	TR4 (<57)	Cons (57&+)	Pension	TOTAL FUND	Inflation
2004	10.8%	11.2%	11.4%	11.7%	11.9%	12.1%	10.6%	10.9%	7.8%
2005	32.7%	29.8%	27.0%	24.3%	22.0%	19.8%	26.7%	31.0%	11.4%
2006	32.7%	30.2%	27.5%	24.8%	22.4%	20.1%	27.6%	31.4%	8.5%
2007	16.6%	16.3%	16.2%	15.9%	15.7%	15.3%	17.5%	16.8%	9.0%
2008	-15.2%	-13.4%	-11.6%	-9.8%	-8.0%	-6.2%	-7.3%	-12.9%	13.7%
5 year average per annum	14.1%	13.6%	13.1%	12.6%	12.2%	11.8%	14.3%	14.2%	10.1%

Investment Report



Investment managers

The following table sets out the total assets of the Fund as at 31 December 2008 split according to asset manager.

Assets Class	P	% of Total
Global Equity	P926 200 878	35.5%
Brandes Investment Partners	P293 558 245	11.3%
Alliance Capital	P177 047 436	6.8%
Marathon Asset Management	P204 647 848	7.8%
Orbis Investment Management	P250 947 349	9.6%
Global Bonds	P339 141 132	13.0%
Pacific Investment Management Company	P339 141 132	13.0%
Market Neutral	P40 265 220	1.5%
Russell Investment Group	P40 265 220	1.5%
Local Equities	P478 486 960	18.4%
Allan Gray Asset Management	P141 786 874	5.4%
Fleming Asset Management	P152 246 997	5.9%
Investec Asset Management	P184 453 089	7.1%
Local Bonds & Cash	P756 242 424	29.0%
Allan Gray Asset Management	P175 053 809	6.7%
Fleming Asset Management	P167 765 324	6.4%
Investec Asset Management	P266 241 233	10.2%
Debswana Cash Fund	P147 182 058	5.6%
Property	P90 307 266	3.5%
Debswana Property Fund	P90 307 266	3.5%
Net Current Assets (incl. Fixed Assets)	(P23 042 560)	-0.9%
Fixed Assets	P480 605	0.0%
Sundry Debtors	P6 683 019	0.3%
Sundry Creditors	(P30 206 184)	-1.2%
Total Assets	2 607 601 320	100.0%

Independent Auditor's Report to the Members Of Debswana Pension Fund

Report on the Financial Statements

We have audited the accompanying financial statements of Debswana Pension Fund, set out on pages 3 to 18, which comprise the balance sheet as at 31 December 2008, and the income statement, cash flow statement and statement of changes in funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Pension and Provident Funds Act in Botswana (Cap 27:03).

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Debswana Pension Fund as of 31 December 2008, and of its financial performance, cash flows and changes in funds for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Pension and Provident Funds Act in Botswana (Cap 27:03).

Deloitte & Touche

Income Statement for the year ended 31 December 2008

	Notes	2008 P	2007 P
REVENUE		137,965,722	118,885,883
Contributions receivable	1	134,595,750	115,720,246
Net transfers from other funds	2	3,369,972	3,165,637
INVESTMENT REVENUE			
Net investment income		(350,782,529)	430,135,935
Gains/(losses) on foreign exchange transactions		11,040,389	(14,397)
Dividends receivable		21,364,980	20,075,061
Interest receivable		77,727,931	52,450,617
Net rental income		5,051,409	7,114,968
Losses on disposal of financial assets at fair value through profit or loss		(17,692,993)	(16,024,125)
Unrealised gains on fair value adjustment of investment properties		10,232,772	941,932
Unrealised (losses)/gains on financial asset at fair value through profit or loss		(462,829,062)	365,404,271
Other income		4,322,045	187,608
GROSS(DEFICIT)/REVENUE		(212,816,807)	549,021,818
EXPENDITURE			
Benefits payable		(136,831,202)	(89,993,122)
Benefits on withdrawal and death		(34,216,569)	(26,646,704)
Interest to members		(374,679)	(452,415)
Pensions to retired members		(32,592,020)	(22,728,763)
Pensioners' deaths benefits		(324,051)	(155,690)
Lump sums on retirement		(69,323,883)	(40,009,550)
Fund expenses		(16,341,271)	(14,288,276)
Administration expenses	3	(10,385,200)	(8,336,685)
Investment management fees		(5,827,595)	(5,849,298)
Depreciation of plant and equipment	8	(128,476)	(102,293)
(DEFICIT)/SURPLUS FOR THE YEAR		(365,989,280)	444,740,420

Balance sheet 31 December 2008

	Notes	<u>2008</u> P	<u>2007</u> P
ASSETS			
Investments			
Short term deposits	5	436,175,876	279,762,793
Other financial assets	6	2,104,160,746	2,633,636,854
Investment in properties	7	90,307,266	79,602,566
Total investments		<u>2,630,643,888</u>	<u>2,993,002,213</u>
Other assets			
Plant and equipment	8	480,605	218,990
Contributions and other receivables	9	6,683,011	4,680,364
Total other assets		<u>7,163,616</u>	<u>4,899,354</u>
Total assets		<u>2,637,807,504</u>	<u>2,997,901,567</u>
FUNDS, RESERVES AND LIABILITIES			
Funds and reserves			
Fund account		1,993,579,625	2,418,148,050
Pensioners' account		536,536,492	478,139,531
Contingency reserve		77,485,203	77,303,019
Total funds and reserves		<u>2,607,601,320</u>	<u>2,973,590,600</u>
Other liabilities			
Benefits payable	10	27,059,900	19,841,071
Other payables	11	3,146,284	4,469,896
Total other liabilities		<u>30,206,184</u>	<u>24,310,967</u>
Total funds, reserves and liabilities		<u>2,637,807,504</u>	<u>2,997,901,567</u>

Cash Flow Statement for the year ended 31 December 2008

	<u>2008</u> P	<u>2007</u> P
CASH FLOWS (USED IN)/ FROM OPERATING ACTIVITIES:		
(Deficit)/surplus for the year	(365,989,280)	444,740,420
Adjusted for:		
Depreciation of plant and equipment	128,476	102,293
Strategic Plan expenses	392,881	-
Gains/(losses) on foreign exchange transactions	(11,040,389)	14,397
Investment income	<u>371,196,372</u>	<u>(422,847,757)</u>
Cash (used in)/generated from operations	(5,311,940)	22,009,353
Increase in contributions and other receivables	(2,002,647)	(1,369,764)
(Decrease)/increase in other payables	(1,323,612)	557,615
Increase/(decrease) in benefits payable	<u>7,218,829</u>	<u>(12,161,378)</u>
Net cash (used in)/generated by operating activities	<u>(1,419,370)</u>	<u>9,035,826</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	77,727,931	52,458,807
Dividends received	21,364,980	20,468,854
Proceeds from sale of investments	105,676,415	145,149,090
Payments for plant and equipment	(390,091)	(46,168)
Payments for investment securities	<u>(46,546,782)</u>	<u>(59,405,629)</u>
Net cash used in investing activities	<u>157,832,453</u>	<u>158,624,954</u>
Net increase in cash and cash equivalents for the year	156,413,083	167,660,780
Cash and cash equivalents at the beginning of the year	<u>279,762,793</u>	<u>112,102,013</u>
Cash and cash equivalent at the end of the year	<u>436,175,876</u>	<u>279,762,793</u>

Statement of changes in Funds for the year ended 31 December 2008

	Note	Fund account P	Pensioners account P	Contingency reserve P	Total P
Balance at 1 January 2007		2,114,890,887	364,187,595	49,771,698	2,528,850,180
Surplus for the year		444,740,420	-	-	444,740,420
Transfers during the year		(141,483,257)	113,951,936	27,531,321	-
Balance at 31 December 2007		2,418,148,050	478,139,531	77,303,019	2,973,590,600
Deficit for the year		(365,989,280)	-	-	(365,989,280)
Transfers during the year		(58,972,026)	58,396,961	575,065	-
Transfer of expenses	16	392,881	-	(392,881)	-
Balance at 31 December 2008		1,993,579,625	536,536,492	77,485,203	2,607,601,320

Notes To The Annual Financial Statements 31 December 2008

1. CONTRIBUTIONS RECEIVABLE

Contributions receivable are 20% of members' pensionable earnings for all participating employers except for Morupule Colliery Limited. Morupule Colliery Limited contributes 15% of members' pensionable earnings whilst members contribute 5% of pensionable earnings.

2. NET TRANSFERS FROM OTHER FUNDS

	2008 P	2007 P
Transfers in	5,026,181	4,524,751.00
Net transfers	(1,656,209)	(1,359,114)
	<u>3,369,972</u>	<u>3,165,637</u>

3. ADMINISTRATION EXPENSES

Actuarial fees	224,275	220,898
Auditors' remuneration		
Audit fees - current year	561,473	301,200
- prior year	30,252	-
Administration fees-Alex Forbes	2,372,490	2,317,066
Staff costs	4,328,385	3,301,619
Bank charges	13,676	25,237
Legal and professional fees	450,816	229,572
Stationery	65,098	136,146
Fidelity and other insurance	19,928	20,722
Travelling and entertainment	382,273	114,699
Communications strategy	669,113	917,853
Unitisation fees	310,927	310,513
Other expenses	563,613	441,160
Strategic Plan expenses	392,881	-
	<u>10,385,200</u>	<u>8,336,685</u>

Notes To The Annual Financial Statements 31 December 2008 (continued)

4. TAXATION

The Fund is an approved scheme under the Income Tax Act, (Chapter 52:01) and therefore is not subject to Botswana normal income tax.

5. SHORT TERM DEPOSITS

Term deposits	74,087,891	134,827,267
Bank balances	362,087,985	144,935,526
	<u>436,175,876</u>	<u>279,762,793</u>

6. OTHER FINANCIAL ASSETS

At fair value through profit and loss (FVTPL) - held for trading

Equity investments		
- Onshore	467,463,456	673,127,189
- Offshore	11,023,502	36,191,317
	<u>478,486,958</u>	<u>709,318,506</u>
Fixed income securities		
Bonds		
- Onshore	311,255,114	267,708,662
- Offshore	339,141,133	292,005,178
	<u>650,396,247</u>	<u>559,713,840</u>
Promissory notes	8,811,442	8,704,019
	<u>659,207,689</u>	<u>568,417,859</u>
Unitised funds - Offshore	966,466,099	1,355,900,489
	<u>2,104,160,746</u>	<u>2,633,636,854</u>

7. INVESTMENT IN PROPERTIES

	2008	2007
	P	P
Investment properties at fair value:		
Freehold and leasehold land and buildings	43,800,000	38,300,000
Leasehold land and buildings held in partnerships	30,977,183	26,244,411
	<u>74,777,183</u>	<u>64,544,411</u>
Balance at beginning of the year	64,544,411	67,132,479
Net gain from fair value adjustments	10,232,772	941,932
Disposal of investment properties	-	(3,530,000)
Balance at end of the year	<u>74,777,183</u>	<u>64,544,411</u>
Loans and shares in property investment companies:		
Loans advanced to property investment companies	11,345,033	10,873,105
Investment in shares in property investment company	4,185,050	4,185,050
	<u>15,530,083</u>	<u>15,058,155</u>
Total investment in properties	<u>90,307,266</u>	<u>79,602,566</u>

Investment properties were revalued at 31 December 2008 by Pam Golding International Botswana, Kwena Property Services and CB Richard Ellis, firms of independent chartered valuers on an open market value basis.

The fund holds 20% (2007:20%) of the ordinary share capital of Riverwalk (Proprietary) Limited, a company owning an investment property. The trustees of the fund do not believe that the Fund is able to exert significant influence over the company as 60% of the ordinary share capital is controlled by one shareholder. The investment in Riverwalk has been classified as held for sale.

Notes To The Annual Financial Statements

31 December 2008 (continued)

8. PLANT AND EQUIPMENT

	Motor Vehicles	Office Equipment	Furniture & Fittings	Total
	P	P	P	P
2008				
COST				
Balance - 1 January 2008	197,140	325,733	141,734	664,607
Additions	-	65,321	324,770	390,091
Balance - 31 December 2008	<u>197,140</u>	<u>391,054</u>	<u>466,504</u>	<u>1,054,698</u>
ACCUMULATED DEPRECIATION				
Balance - 1 January 2008	151,962	206,695	86,960	445,617
Charge for the year	45,178	36,913	46,385	128,476
	<u>197,140</u>	<u>243,608</u>	<u>133,345</u>	<u>574,093</u>
CARRYING AMOUNT	<u>-</u>	<u>147,446</u>	<u>333,159</u>	<u>480,605</u>
2007				
COST				
Balance - 1 January 2007	197,140	279,565	141,734	618,439
Additions	-	46,168	-	46,168
Balance - 31 January 2007	<u>197,140</u>	<u>325,733</u>	<u>141,734</u>	<u>664,607</u>
ACCUMULATED DEPRECIATION				
31 December 2007	102,677	167,860	72,787	343,324
Charge for the year	49,285	38,835	14,173	102,293
	<u>151,962</u>	<u>206,695</u>	<u>86,960</u>	<u>445,617</u>
CARRYING AMOUNT	<u>45,178</u>	<u>119,038</u>	<u>54,774</u>	<u>218,990</u>

	2008 P	2007 P
9. ACCOUNTS RECEIVABLE		
Contributions receivable	182,737	171,763
Interest receivable	114,548	230,455
Withholding Tax	4,302	-
Dividends receivable	-	176,684
Property rentals receivable	436,653	688,942
Property partnership current accounts	5,479,500	2,894,184
Payment due for intelligible Contributions	58,478	-
Other receivables	406,793	518,336
	<u>6,683,011</u>	<u>4,680,364</u>
10. BENEFITS PAYABLE		
Awards on withdrawal, retirement and death	<u>27,059,900</u>	<u>19,841,071</u>
11. OTHER PAYABLES		
Partnership Contribution Payable	-	1,104,921
Rental deposits	283,115	229,752
Rental prepayments	46,415	51,301
Administration fees payable	2,569,543	1,072,212
Refunds due for ineligible contributions	-	558,920
Provisions and accruals	241,573	702,819
Other payables	5,638	749,971
	<u>3,146,284</u>	<u>4,469,896</u>
12. FIDELITY INSURANCE COVER		

The Trustees are of the opinion that the Fund has adequate fidelity insurance cover.

Notes To The Annual Financial Statements

31 December 2008 (continued)

13. ACTUARIAL VALUATION

The financial statements summarise the transactions and net assets of the fund. They do not take account of liabilities to pay pensions and other benefits in the future.

In accordance with the rules of the fund, the actuarial position of the fund, which does take account of such liabilities, is examined and reported upon by the actuaries of the fund.

An actuarial valuation was carried out as at 31 December 2008. The valuation shows that the net assets of the fund, as reflected in the statement of changes in funds on page 6 amounting to P536 536 492 (2007: P478 139 531) adequately cover the pensioners' liabilities at that date, without taking into account future pension increases.

14. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Fund's management of investments which are held in various financial instruments. This is managed through a process of ongoing identification, measurement and monitoring that is subject to an extensive framework of risk limits and other controls. The process of risk management is critical to the fund's ongoing operations with the day to day management of financial instruments being conducted by investment managers. The fund's objectives, policies and procedures for managing the risk exposure and the methods used to measure the risks have remained consistent with the prior year. Due to the ongoing financial crisis, the fund's investments have decreased in value as global equity prices have continued to experience steep declines.

The Fund has established investment guidelines. These guidelines set out its investment objectives, a benchmark portfolio and approved investments. The investment guidelines also set out minimum performance measurements of returns on its investments, which are managed by a number of investment managers. Strict measures are observed for appointing investment managers. The active and deferred members are placed into age-banded life stage model, which provides a range of investment portfolios with specified investment strategies.

Risk Management Governance Structure

(i) Board of Trustees

The Board of Trustees is responsible for the Fund's overall risk management approach and for approving investment guidelines, the risk strategies and principles. The Fund's Investment Committee reviews the risk profile from time to time, and the overall risk profile and investment strategies are reviewed and approved by the Trustees.

(ii) Investment Committee

The Investment Committee comprising members of the Board of Trustees and management meets regularly to review developments in the international financial and capital markets. Where necessary the Investment Committee makes decision on the Fund's investments in terms of composition and other relevant factors. The Investment Committee has outsourced the investment managers' performance assessment and review to the fund's actuaries, who report regularly to the Trustees.

(iii) Audit and Finance Committee

The Audit and Finance Committee comprising members of the Board of Trustees and management meets regularly and reviews the risk management process, the risk assurance plan, and approve the annual audit coverage for both internal and external audit.

Types of Risk Exposure

The fund is exposed to various types of risk exposures, namely market risk, comprising currency risk, interest rate risk and equity price risk, credit risk and liquidity risk.

Currency risk:

The Fund is exposed to currency risk mainly through its investments and term deposits denominated in foreign currencies. The Fund's total exposure to currency risk through its investments and term deposits denominated in United States Dollars as at 31 December 2008 amounted to P1,335,289,084 (2007: P1,647,979,537).

Notes To The Annual Financial Statements 31 December 2008 (continued)

Interest rate risk:

Interest rate risk is the possible loss in the value of a fixed income asset resulting from an unexpected and adverse movement in interest rates and consequent change in price. Interest rate risk is measured by modified duration, which measures the sensitivity of the price of a bond to changes in interest rates expressed in years.

Financial instruments that are sensitive to interest rate risk are bank balances and cash, interest bearing securities and term deposits. Interest rates earned on financial instruments compare favourably with those currently available in the market. The net exposure to interest rate risk as at 31 December 2008 amounted to P320,066,556 (2007:P276,412,681) being investments in onshore bonds and promissory notes and P339,141,133 (2007: P292,005,178) being investments in offshore bonds, and P436,175,876 (2007:P279,762,793) being term deposits and cash and cash equivalents.

Credit risk:

This is the risk that would arise if an entity that the Fund conducts business with, is unable to meet its financial obligation or in an event of an adverse credit event or default.

Management has a strict policy with regards to the Fund's exposure to credit risk, and where there is exposure, this is monitored on an ongoing basis. Reputable financial institutions are used for cash handling purposes.

The Fund allocates funds to a number of investment managers, which have diversified mandates and the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Concentration of credit risk

Counterparty (investment manager)	Investment type	2008 P	2007 P
Investec Asset Management Ltd	Government bonds	58,081,936	82,532,350
Investec Asset Management Ltd	Corporates bonds	11,994,827	37,929,998
Investec Asset Management Ltd	Parastatals bonds	113,286,325	23,544,721
Investec Asset Management Ltd	Corporate promissory notes	8,811,442	8,704,019
Fleming Asset Management (Pty) Ltd	Government bonds	28,822,370	6,171,451
Fleming Asset Management (Pty) Ltd	Corporates bonds	18,645,364	21,411,101
Fleming Asset Management (Pty) Ltd	Parastatals bonds	11,058,705	11,205,315
Allan Gray Botswana	Government bonds	15,361,500	19,664,883
Allan Gray Botswana	Corporates bonds	27,991,673	37,419,171
Allan Gray Botswana	Parastatals bonds	26,012,412	27,829,671
Pimco Funds: Global Investors Series plc.	Unitised offshore bonds	339,141,133	292,005,179
Total (per note 6)		659,207,687	568,417,859

Liquidity risk:

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

Based on the nature of the Fund's payables, an analysis of undiscounted cash flows of financial liabilities is not relevant. Substantially, the Fund's benefits and other accounts payable are due for settlement within three months after the year end.

Notes To The Annual Financial Statements 31 December 2008 (continued)

15. RELATED PARTY TRANSACTIONS	2008 <u>P</u>	2007 <u>P</u>
Remuneration of key management personnel		
Key management personnel comprises the Principal Officer		
Gross emoluments of the key management personnel are:		
Short term benefits	<u>845,376</u>	<u>824,489</u>

Stakeholders

Participating Employers

Anglo Coal Botswana
Debeers Botswana
Debeers Prospecting
Debswana Diamond Co.
Debswana Pension Fund Secretariat
Diamond Trading Company Botswana
Morupule Colliery

Service Providers

Fund administrators

Alexander Forbes Financial Services

Asset Managers (Local)

Allan Gray Botswana
Botswana Insurance Fund Management (BIFM)
Investec Asset Management

Asset Managers (International)

Alliance Beinstein
Brandes International Partners
Frank Russell
Marathon
Orbis Global Equity Funds
PIMCO

Property Managers

Khumo Properties (Pty) Ltd

Actuaries

Fifth Quadrant

Auditors

Deloitte & Touche

Advertising Agency

Native Impressions

Bankers

Barclays Bank of Botswana
Standard Chartered Bank Botswana



annual report '08

The Mall P/Bag 00512 Gaborone,
Botswana

FUND OFFICES

Tel: 361 4236/4267/4318/4366

Fax: 393 6239

Toll-free (landline): 0 800 600 681