

Annual Report



Annual Report

2011



DPF

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Your Fund, Your Security, Your Future

2011

About 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 invests member funds across various asset classes namely Property, Equities, Bonds, Cash and alternatives.

Fund Contact Details

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ORAPA OFFICE:

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JWANENG OFFICE:

Jwaneng Township Housing Office Block, Office No. 9
Tel: +267 588 4849

Website: www.dpf.co.bw



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Our Philosophy

DPF Vision

To be the preferred retirement services provider

DPF Mission

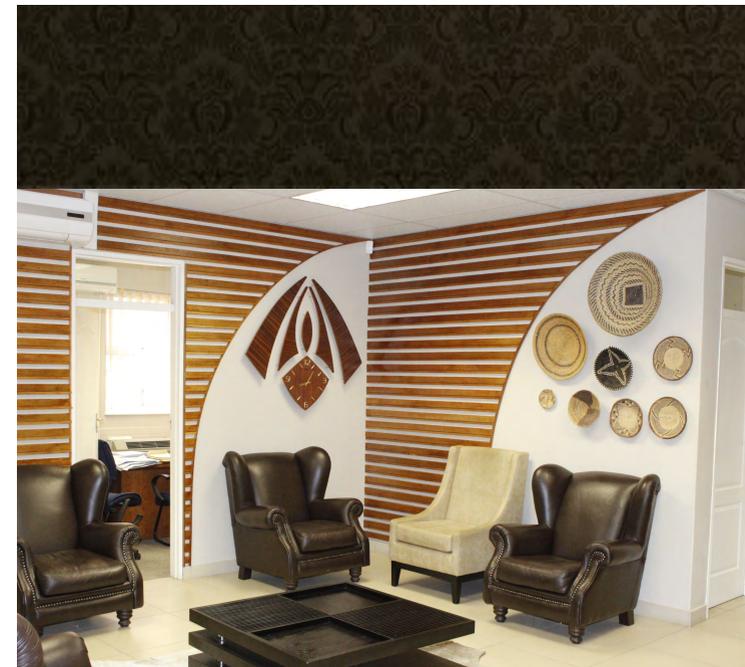
We will provide members with competitive and sustainable retirement benefits through:

- Prudent management of member funds
- Efficient benefits administration
- Provision of focused communication
- Effective socially responsible investments

DPF Values

The following is a consolidated list of the values that should drive DPF corporate culture:

- Customer focused
- Trust and integrity
- Innovation
- Agility
- Self-driven and motivated



Employing Bodies/Member Organisation

Debswana Diamond Company (Proprietary) Limited

De Beers Botswana Holding Company (Proprietary) Limited

Diamond Trading Company Botswana (Proprietary) Limited

De Beers Diamond Trading Company (Proprietary Limited)

Debswana Pension Fund Secretariat

PEO Venture Capital Fund (Proprietary) Limited

Morupule Coal Mine (Proprietary) Limited



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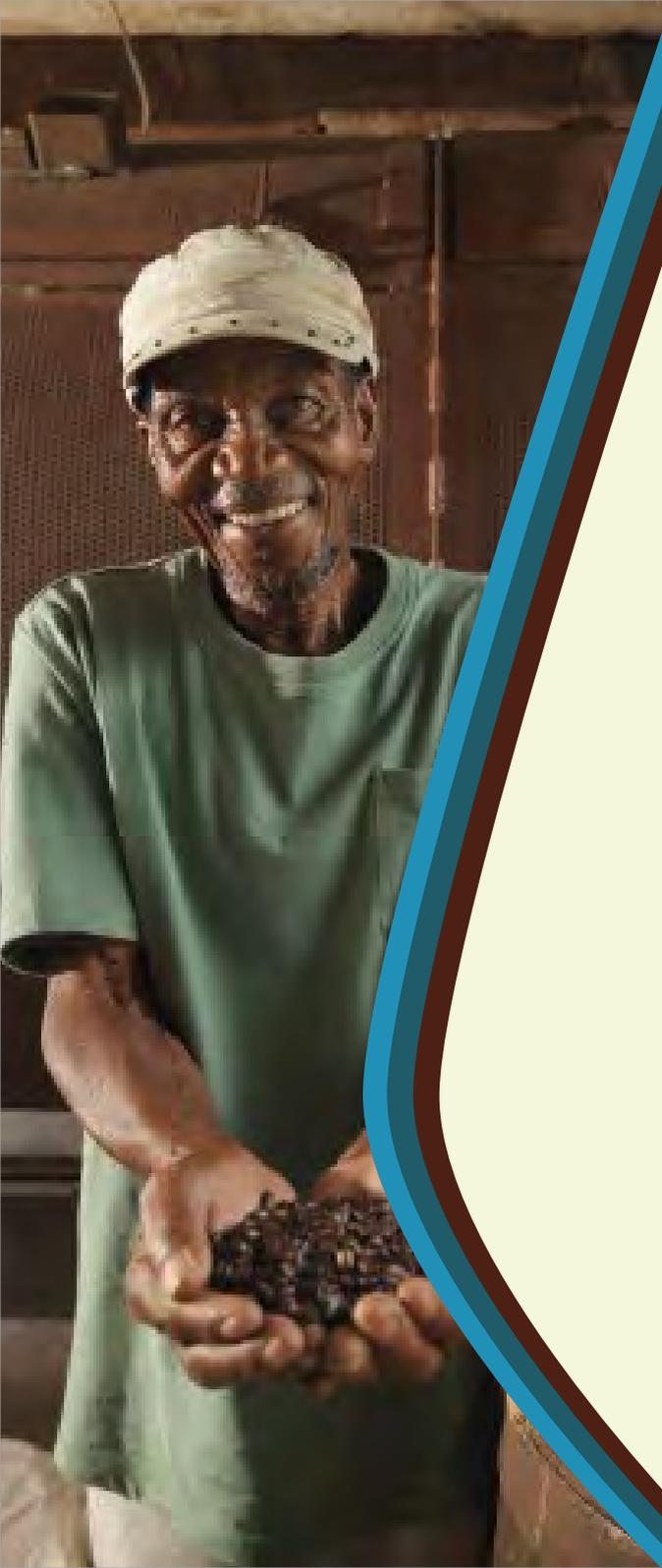


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Board of Trustees



Richard Vaka
(Appointed Sept. 2012)
Board Chairman
Company Appointed Trustee
Debswana Diamond Company



Richard Moroka
Company Appointed Trustee
DTCB



Emmanuel Kgaboetsile
Member Elected Trustee
Debswana Diamond Company
(Orapa, Lethakane, DamtshaaMines)



Tshupo Kgalaeng
(Elected June 2012)
Member Elected Trustee
Debswana Diamond Company
(Jwaneng Mine)



Gakenaope Gakologelwang
Member Elected Trustee
DTCB



Victor Maxwell
Company Appointed Trustee
Debswana Diamond Company



Eunice Mpoloka
Alternate Trustee to Richard Vaka
Debswana Diamond Company



Vuyisile Garekwe
Alternate Trustee to Richard
Moroka
DTCB



Petrous Montshioa
Alternate Trustee to E Kgaboetsile
Morupule Coal Mine



Mmoloki Onnelile
Alternate Trustee to T Kgalaeng
Debswana Diamond Company



George Rantshilwane
Alternate Trustee to G Gakenaope
DTCB



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"The year 2011 has been a year full of activities around implementation of the benefits administration system which came to be known as Benchmark."



Independent Trustees & Specially Appointed Sub-Committee Members



Neo Mokgwathi
Independently appointed Trustee
Audit and Finance Committee



Wanjiru Kirima
Independently appointed Trustee &
Chairperson Investment Committee



Tom Mongale
Debswana Company appointed
Member & Chairman Human
Resources Committee



Lesego Makubate
DTCB appointed member
Audit & Finance Committee



Stephen Seitshiro
Debswana Company appointed member
Pension Benefits Review Committee



Chris Mokgware
DeBeers Botswana Holdings Company
appointed member
Investments + Audit &
Finance Committees

Leadership Team



Gosego January
PRINCIPAL EXECUTIVE OFFICER



Bangidza Dhliwayo
INVESTMENTS MANAGER



Neo Ebineng
RISK & COMPLIANCE MANAGER



Francis Seelo
FUND ACCOUNTANT



Agatha Sejoe
COMMUNICATION MANAGER



Wangu Thipe
OPERATIONS MANAGER



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2011 Performance Review Membership Movements

	2011	2010	Change	Growth/(decline)
Active members	4191	4727	-536	-11%
Deferred members	2673	2491	182	7%
Pensioner portfolio	2737	2336	401	17%
	9601	9554	47	1%

Membership distribution by category 2011

Active Members Deferred Members Pensioner Portfolio



Membership distribution by category 2010

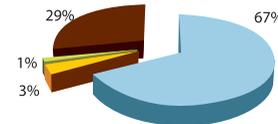
Active Members Deferred Members Pensioner Portfolio



	2011	2010	Change	Growth/(decline)
Market Portfolio (age<53)	6460	6635	-175	-3%
Transition portfolios (54-56)	268	403	-135	-33%
Conservative portfolio (57-60)	136	180	-44	-24%
Pensioner portfolio	2737	2336	401	17%
	9601	9554	47	1%

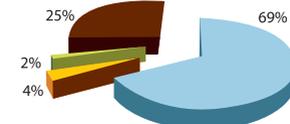
Membership distribution by Investment portfolio 2011

Market Portfolio (age 53) Transition Portfolios (54-53) Conservation Portfolio (57-60) Pensioner Portfolio (57-60)



Membership distribution by Investment portfolio 2010

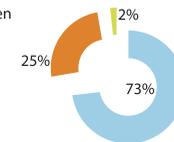
Market Portfolio (age 53) Transition Portfolios (54-53) Conservation Portfolio (57-60) Pensioner Portfolio (57-60)



	2011	2010	Change	Growth/(decline)
Male Pensioners	1992	1664	328	20%
Female pensioners	686	605	81	13%
children	59	67	-8	-12%
	2737	2336	401	17%

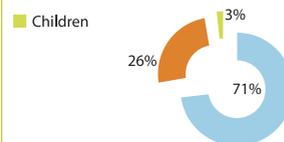
Membership distribution by gender portfolio 2011

Male Pensioners Female Pensioners Children

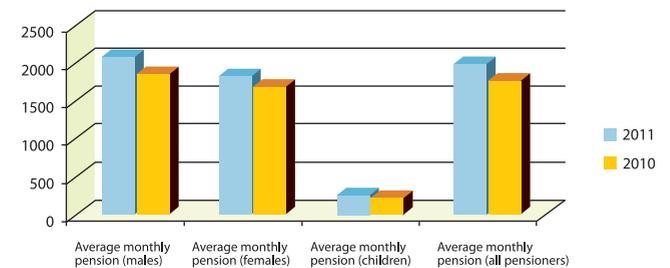


Membership distribution by gender portfolio 2010

Male Pensioners Female Pensioners Children



	2011	2010	Change	Growth/(decline)
Average monthly pension (males)	2086.76	1860.98	225.78	12%
Average monthly pension (females)	1822.64	1691.87	130.77	8%
Average monthly pension (children)	254.24	226.37	27.87	12%
Average monthly pension (all pensioners)	1981.06	1770.29	210.77	12%



Acturial Valuation

Revenue Account

	P'000		P'000
Fund as at 31 December 2010	3,175,324		
Contributions received	152,484	Administration expenses	17,990
Transfers received	1,201	Investment fees	9,855
Income from investments	107,113	Withdrawal and death benefits	65,300
Adjustment to fair value of assets	256,740	Retirement benefits	135,223
Other income	29	Non-eligible member expense	33
		Pensioner death benefits	1,545
		Pensions paid	67,389
		Transfers paid	2,506
Adjustments : Over-Accrual of withdrawal, death and retirement expense	4,885	Adjustments : Under-Accrual of withdrawal, death and retirement expense	4,473
		Fund as at 31 December 2011	3,393,462
Total	3,697,776	Total	3,697,776



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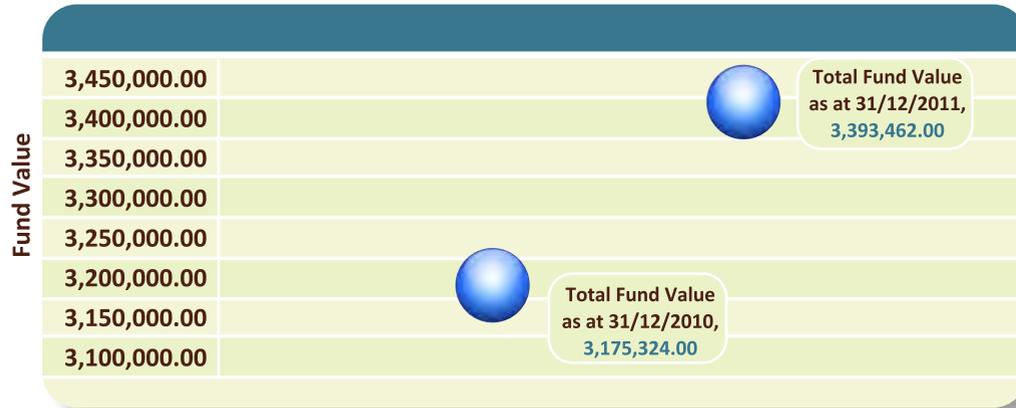
Funding Levels

Active & Deferred Investment Accounts	31-Dec-11	31-Dec-10
	P'000	P'000
Fair value of assets	2 184 862	2 287 188
Active and deferred member liabilities	2 158 558	2 277 510
Surplus / (deficit)	26 304	9 678
Funding level	101.20%	100.40%
Pensioner Account	31-Dec-11	31-Dec-10
	P'000	P'000
Fair value of assets	1 106 069	793 744
pensioner member liabilities	1 099 047	794 732
Surplus / (deficit)	7 022	-988
Funding level	100.60%	99.90%
Contingency Reserve Account	31-Dec-11	31-Dec-10
	P'000	P'000
Fair value of assets	102 531	94 392
Actuarial liability	Nil	Nil
Surplus / (deficit)	102 531	94 392
Combined Position	31-Dec-11	31-Dec-10
	P'000	P'000
Fair value of assets	3 393 462	3 175 324
Actuarial liability	3 257 605	3 072 242
Surplus / (deficit)	135 857	103 082
Funding level	104.20%	103.40%

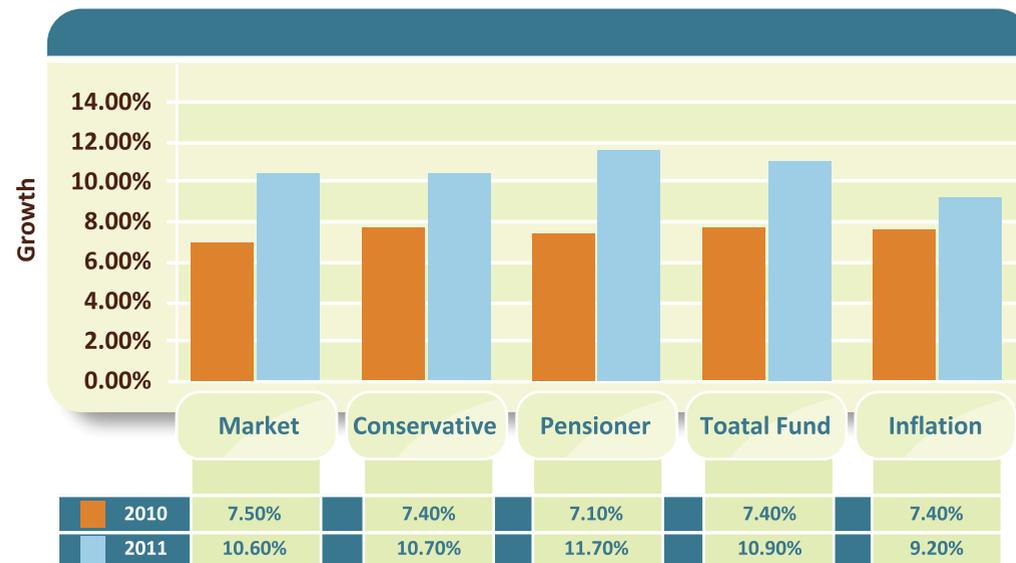
Net Asset Growth

Total Fund

Total fund growth registered at 7% net growth for the year ended 31 December 2011



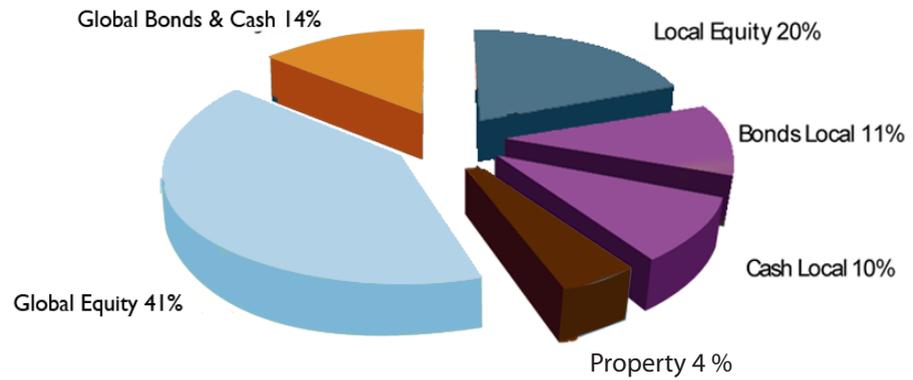
Investment Portfolio Growth



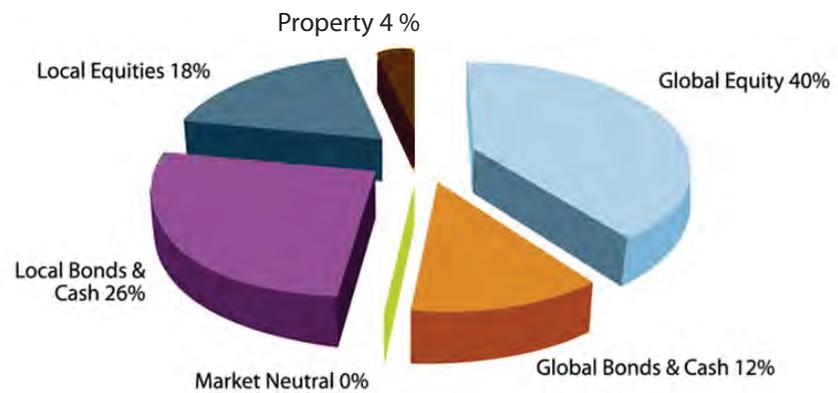
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Net Asset Growth

Asset Class as at 31/11/2011



Asset Class as at 31/12/2010



Service Providers

1. Actuaries:

- Towers Watson Attorneys and Consultants (Pty) Ltd

2. Asset Managers - Local:

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

3. Asset Managers - Global:

- PIMCO
- Brandes
- Alliance Beinstein
- Investec International
- Marathon
- Orbis

4. Property Consultants:

- Khumo Properties Management (Proprietary) Limited

5. Custodians:

- Standard Chartered Bank Botswana Limited

6. Bankers:

- Barclays Bank Of Botswana Limited
- Standard Chatered Bank Botswana Limited

7. Auditors:

- Deloitte & Touche



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Message from the Chairman



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Richard Vaka
DPF Chairman

I am proud to present the 2011 Annual Report of the Debswana Pension Fund (DPF). Having recently been re-appointed to the DPF Board of Trustees in September 2012, I am hopeful that the knowledge and wisdom that I have gathered in my previous association with the Fund will be of some value to the Fund. I would like to congratulate the outgoing Chairman, Mr. Tabake Kobedi for a job well done in steering the ship thus far, as well as thank Mr. Richard Moroka for holding the fort as an interim Chairman prior to my appointment.

In this report we review our mandate, discuss our objectives and further reflect on the results of the year arising from the efforts employed by your Trustees and employees of your Fund during this period.

The DPF was created to ensure that employees of the Debswana group of companies who are members of the fund retire with a reasonable pension through the achievement of a solid rate of return on investments. Trustees are required by law to take their fiduciary duties seriously and to competently apply themselves in their roles in the DPF value chain. It is in pursuant of this objective that I want to assure you of our dedication as your Board of Trustees to seeing to it that this Fund is managed and led appropriately by the right caliber of people.

Key Achievements

Despite the various challenges we face, your Fund has been very successful in establishing a sound governance framework, with significant achievements in the areas of risk management, compliance, investment management and communications. Our focus is now on ensuring that the fund remains progressive in terms of pursuing operational efficiencies that will optimize member returns on investments and contain administration costs.

Ongoing challenges

Declining pension contributions and Rapid increase in pensioner liabilities due to a growing trend in active members early retirements.

In 2004, our Fund took a deliberate step to change the investment strategy to the Life Stage model as a way of minimizing the impact of market downturns for members who are close to retirement. In terms of this strategy members close to retirement transition out of the high risk market portfolio to a conservative investment portfolio. This strategy was very successful in the market down turn that arose from the 2008 financial crisis.

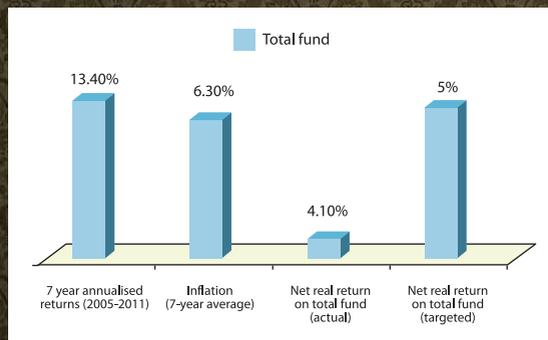
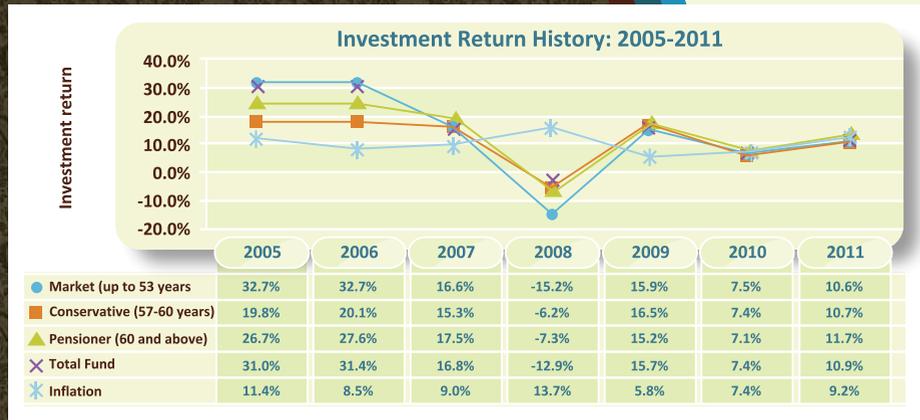
There is a growing and significant trend of members taking early retirement as indicated by the membership trends. During the 2011 year, there were 458 new entrants into the pensioner portfolio and there were 44 pensioner deaths and 13 child pensioners who reached maturity. Our members are retiring early, both out of their own will as well as due to employer factors such as retrenchments etc. Regardless of the cause, this obviously signals two challenges for the trustees; the need to maintain the youthfulness of the Fund through regular and increased contributions inflow, as well as the challenge to re-direct our investment strategy towards liability driven investing considering our changing demographics, and this is an issue that we will continue to endeavor to address as we move forward.

Inflation risk and declining investment returns

More often now we hear investment experts lament that the boom years are gone, investors have an increasingly difficult task to achieve targeted returns for their shareholders. Looking at DPF's historical performance over the last seven years, it is evident that the above is true. The DPF assets have performed marginally since the financial crisis due to the after-effects of the downturn affecting global markets. Inflation has also been a challenge for the central bank to contain within the 6% upper limit of the central banks target.

Although our investments have performed marginally in the short term, I am happy to inform you that as a long-term investor, your pension fund, though slightly under target (see below) is satisfactorily meeting its targeted performance in the long term. We continue to manage this risk through

constant monitoring and tactical adjustments to our investment strategy as and when needed.



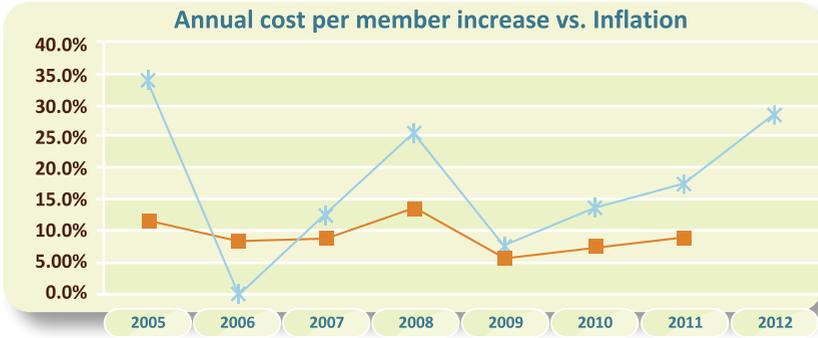
Rising Cost per member

Over the years the DPF has grown significantly from a membership of 5 824 in 2004 to 9601 in 2011, an increase of 65%. The assets have also grown significantly by a staggering 136% from BWP1.4 billion in 2004 to BWP3.3billion in 2011. Similarly, investment and administration costs have shown a sharp increase. In that regard, it has been one of the major challenges for the Fund to keep fund management cost below inflation as depicted below, with most of the recent years having experienced rapid cost escalations. This issue is of critical importance and a priority on our agenda as your Board



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of Trustees, and the year 2012 will be one of introspection, with the view to reviewing our strategy to mitigate this risk which directly impacts the growth potential of member investments. Already we are benchmarking against other Funds for best practice and possible mitigation in addition to our own cost management strategy.



Trustee turnover and skills development

As a direct result of a variety of reasons, the major one being a recent major restructuring by Debswana Diamond Company, the Fund has suffered a high turnover on the Board of Trustees in the past year. However, the situation has now stabilized and all Board appointments are expected to be finalized in 2012.

Operational Challenges – Benefits Administration

Since the latter part of 2010 the administration of the fund is done in house following the purchase of an administration system. The decision to in source administration was motivated by two reasons; firstly to improve service delivery and secondly by the need to have an appropriate platform for planned long-term strategic initiatives. Regrettably, the Fund has not been able to achieve the level of operational efficiency envisaged with this initiative as problems were incurred during system implementation which resulted with the system failing to embed within the expected period of time. This has adversely affected the quality of service to Fund members.

Appropriate mitigations have been put in place to ensure that Fund business goes back to normal and service delivery is restored. We are in the process of reviewing our strategy to determine if it is still feasible to in source administration going forward. Management will update you in due course of the resolutions taken on this matter.

Richard Vaka
DPF Chairman



“Our investments in the short term have performed marginally, however I am happy to inform you that as a long-term investor, your pension fund, is satisfactorily meeting its targeted performance in the long term. We continue to manage our risk through constant monitoring and tactical adjustments to our investment strategy as and when needed”.



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Corporate and Board Governance Report

GOVERNANCE

BOARD OF TRUSTEES

The Fund is established under a Trust. It is established under, governed by, a Trust Deed and Rules which have been approved by Non -Bank Financial Regulatory Authority and Botswana Unified Revenue Services. The Fund was approved by the Commissioner of taxes under the Income Tax and is treated as an 'exempt approved scheme' for tax purposes.

The Fund is managed by the Trustees on behalf of the Members in accordance with the Trust Deed.

The Fund is committed to the attainment and maintenance of high standards of corporate governance incorporating the principles of fairness, integrity, accountability, transparency and responsibility.

The Fund is managed by the Board of Trustees who provides an oversight on the Fund. The Board is made up of six (6) Principal Trustees and their alternates. There are three Company appointed Trustees and three Member elected Trustees.

1. Board of Trustees	
<p>Substantive Chairman:</p> <p>Mr Richard Vaka (September 2012 to date)</p>	<p><i>The Board is governed by a Board Charter that outlines the responsibilities of the Trustees towards the Fund. The other issues addressed in the Board Charter include the approval of strategy and policies, selection, orientation and evaluation of Trustees. The Board of Trustees usually meets four times per year with additional meetings as required.</i></p> <p>2011 MAJOR ACHIEVEMENTS</p> <p>1) Annual Board Evaluation were successfully conducted</p> <p>2) Board approved to have independent principal Trustees</p> <p>3) Board approved all the major investments which were recommended for approval by the Investment Committee</p> <p>4) Board approved the formation of the Nominations Committee</p>
<p>Acting Chairman:</p> <p>Mr Richard Moroka(April 2012- to September 2012)</p>	
<p>Chairman: Tabake Kobedi (Jan 2011-April 2012)</p>	
<ul style="list-style-type: none"> • Kaywa Namoshe (June 2009-June 2012) 	
<ul style="list-style-type: none"> • Nchidzi Mmolawa (July 2012) 	
<ul style="list-style-type: none"> • Emmanuel Kgaboetsile 	
<ul style="list-style-type: none"> • Gakenaope Gakologelwang (June 2011) 	
<ul style="list-style-type: none"> • Tshepo Kgalaeng (June 2012) 	

Board of Trustees roles as outlined in the Board Charter and milestones achieved during the year:

TRUSTEES ROLES	MILESTONES
Adoption and oversight of the Fund's Strategy	Mid-term review of the Fund's strategy was completed in July 2011 and revised in July 2012
Internal Control Environment	DPF has completed a Corporate Governance Manual and Policy on Conflict of Interest
Reviewing and approving the Risk Management Framework	Risk facing the Fund are assessed and mitigations reviewed on a quarterly basis
Performance Monitoring	Investments performance is reviewed quarterly as well as major capital projects, acquisitions and disinvestments
Evaluation of Management	Performance Management Policy has been reviewed and Annual Evaluation of Trustees has been conducted.
Succession Planning	Succession planning was approved in November 2011
Ensuring that Policies and Procedures are in place in terms of appropriate governance structures	On a needs basis and most Policies are reviewed annually
Oversight of Communication as well as Member Education	Robust Communication Strategy and plan are in place and were reviewed during the year
Approving the annual budget and operating business plans	Annually the Board approves the budget
Approving senior management structures, responsibility's and succession plans	Annual review of manpower and succession plan as well as senior managers remuneration

In order to effectively manage the Fund the Board of Trustees has set up four sub committees who act on behalf of the Board but the ultimate responsibility of the Fund still rests with the Board. Each sub-committee has its own specific set of Terms of references that clearly outlines the mandate of the Committee.

SUB-COMMITTEES

1.Pension Benefits Review Committee	
Chairman (Position Vacant)	<p><i>The Committee is governed by a Pension and Benefits Review (PBRC) Terms of Reference and usually meets four times a year with additional meetings as required.</i></p> <ul style="list-style-type: none"> • Responsible for the proper distribution and disposal of death benefits • Responsible for the Fund's Communication and member education • Keeping under review developments in legislative and
Chairman: Maipelo Motshwane (Jan 2011-April 2012)	
• Kaywa Namoshe (June 2012)	
• Nchidzi Mmolawa	
• Emmanuel Kgaboetsile	
• Gakenaope Gakologelwang	
• Vuyisile Garekwe	
• Stephen Seitshiro	



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1. Pension Benefits Review Committee - Continued

• Onneile Mmoloki (June 2012)

regulatory requirements •

The committee recommends for Board Approval early retirement of exits due to ill health

2011 MAJOR ACHIEVEMENTS

- 1) Reviewed and approved Committee's Terms of Reference
- 2) Reviewed the Death Benefit Questionnaire
- 3) Reviewed and approved Death Benefit Payment Policy
- 4) Approved the Communications Strategy and Policy
- 5) Recommended annual Pensioner Increase of (4%) for the year under review

2. Investment Committee

Chairman is Wanjiru Kirima (July 2011 to date)

Chairman: Calistus Chijoro (Jan 2011- July 2011)

- Richard Moroka
- Gakenaope Gakologelwang
- Nchidzi Mmolawa
- Emmanuel Kgaboetsile
- Petrous Montshioa
- Otsenye Tsietso (June 2012)

- The Committee is responsible for the pursuit of Investment strategy
- The Committee appoints Investment Consultants and Fund Managers as well as Custodians.
- Advise the Board of Trustees on the Strategic Asset Allocation
- Selects the various assets within which the funds are invested
- Monitors and manages the performance of the Fund Managers
- Developed a tool called a Statement of Investment Principles which guides the committee in carrying out its investment mandate
- The Investment Committee usually meets four times per year and in 2011 the Committee met eight times (8).

2011 MAJOR ACHIEVEMENTS

- 1) Reviewed and recommended changes to the Committee's Terms of Reference
- 2) Approved the acquisition of Debswana House
- 3) Recommended for approval the investment into a Mezzanine Fund

3. Audit and Finance Committee

Chairman is Vuyisile Garekwe (March 2011 to date)

Chairman: Ezekiel Moumakwa (Jan 2011 to March 2011)

- Maipelo Motshwane
- Otsenye Tsietso (His term expired June 2012)
- Lesego Makubate
- Naseem Lahri
- Calistus Chijoro (January 2011)

- The Committee is responsible to ensure Corporate governance
- Reviews procedures and policies of internal control
- Reviews the Financial Statements
- Appointment of auditors
- Approve the Debswana Pension Fund Budget
- Ensures that the Fund has an effective risk management process
- The Audit and Finance Committee usually meets three times per year with additional meetings as required

2011 MAJOR ACHIEVEMENTS

- Successfully carried out annual review of the Committee's Terms of Reference
- Recommended Annual Pension Increase of 4%
- Reviewed the Purchasing Policy & Tender Guidelines

4. Human Resources Committee

Chairman is Tom Mongale (July 2011 to date)

Chairman: Enoch Shabane (January 2011- March 2011)

• Kaywa Namoshe (January 2011- June 2012)

• Petrous Montshioa

• Emmanuel Kgaboetsile

• Richard Moroka

• Gakologelwang Gakenaope

• Ezekiel Moumakwa (January 2011- March 2011)

• K. Keabile (June 2011-July 2011)

The role of the Committee is to exercise an oversight of the Fund's Human Resources strategy and 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.

2011 MAJOR ACHIEVEMENTS

- 1) Recommended for approval the in-house Investment Management
- 2) Approved the Fund's Succession
- 3) Approved the Fund's 5 year Manpower Plan
- 4) Approved Performance Management Policy
- 5) Successfully carried out annual review of the Committee's Terms of Reference

BOARD AND COMMITTEE MEETINGS ATTENDANCE DURING THE YEAR ENDED 31 DECEMBER 2011.

BOARD AND COMMITTEE COMPOSITION	BOARD OF TRUSTEES MEETINGS	BENEFITS REVIEW COMMITTEE	INVESTMENT COMMITTEE	AUDIT AND FINANCE COMMITTEE	HUMAN RESOURCES COMMITTEE	TRAINING SESSIONS ATTENDANCE
PRINCIPAL						
Tabake Kobedi	5/5					2/5
Emmanuel Kgaboetsile	5/5	5/6			3/3	3/5
Nchidzi Mmolawa	3/5	3/6	4/8			2/5
Richard Moroka	4/5		6/8		1/3	2/5
Kaywa Namoshe	5/5	5/5			3/3	
Gakologelwang Gakenaope	3/3					3/5
Calistus Chijoro	1/1		1/2	1/1		1/5
ALTERNATES						
Maipelo Motshwane	4/5	5/5		3/3		3/5
Petrous Montshioa	1/5		5/8		2/3	1/5
Vuyisile Garekwe	4/5	4/6		2/3		2/5
Otsenye Tsietso	3/5		4/8	3/3		3/5
Keabile Kedibonye	1/1				1/2	1/5
Enoch Shabane	1/1	1/2			1/1	1/5
Ezekiel Moumakwa				1/1		1/5
COMMITTEE MEMBERS						
Tom Mongale					3/3	2/5
Lesego Makubate				2/3		2/5
David Reetsang			3/3			2/5
Naseem Lahri				1/3		1/5
Stephen Seitshiro		4/6				2/5
INDEPENDENT COMMITTEE MEMBER						
Wanjiru Kirima			5/5			2/5



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DEVELOPMENT AND TRAINING OF TRUSTEES

The Trustee Training Programme has been designed to cover all the key knowledge areas which we believe are adequate to equip individual trustees to effectively participate in all the decision making processes of the Fund. Individual Trustees are encouraged and provided with opportunities to attend training. In implementing the approved Trustee Training Programme, we have considered that each trustee will have different support and development needs and will want to meet those needs in different ways.

Support, development and training of Trustees will involve:

- Workshops, conferences or training courses on different aspects of a Trustees' role;
- In-house Training, briefings or update sessions at board meetings or at an away sessions;
- Meeting with Trustees from other organizations and
- Arranging for new trustees to be inducted and to be mentored by existing Trustees.

During the year 2011 the Trustees attended several conferences both locally and outside the country as follows;

1. Eastern & Southern Africa Pension Funds (ECSAFA) Annual Conference
2. Africa Investment Summit
3. Annual Institute of Retirement Funds Conference (IRF)
4. In-house Training on Corporate Governance
5. The European Pension Fund Investment Forum Annual Conference
6. Botswana Pension Society Annual Conference

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. Effective risk management is integral to the Fund's business. Risks are identified at strategic, project and operational level to ensure that all risks are captured and mitigated.

The Fund has further introduced a new initiative of reviewing risks with Committees as it pertains to their mandates before submission to the Audit and Finance Committee which is the Committee responsible for the overall internal control environment. The Fund is also in the process of procuring the Cura IT software to assist in risk management, monitoring and reporting.

Major risks facing the Fund are reported by the Audit and Finance Committee at quarterly Board meetings. Some of the major/key risks identified during the year under review were as follows; increased regulatory requirements, currency and market risks, participating employers downsizing, benefits administration instability and skills unavailability. The Fund's leadership places significant emphasis on the implementation of the necessary controls to mitigate the major risks to acceptable levels. The Fund has also taken out the necessary insurance covers to safeguard the business.

INTERNAL CONTROL

The Fund's internal control consists of the systems, methods and procedures which provides management with reasonable assurance in the safeguarding of assets, prevention and detection of fraud and error, accuracy and completeness of the accounting records and the reliability of the Fund's financial statements.

The Fund's internal auditors performs independent evaluations to determine whether the systems of internal control are adequate and functioning effectively to ensure; reliability and integrity of information, accomplishment of established objectives and goals, compliance with applicable policies, laws and regulations, safeguarding assets and the adequacy of the risk management



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Principal Executive Officer's Review



2011 marks our first complete year of operation as a self-administered fund. The year was indeed filled with challenges and achievements. Although straddled with difficulties of a teething system, it was a relatively good year for the Fund in numerous other aspects. This includes positive returns on investments amidst a struggling global economy.

Going forward, there are still some important issues to be addressed and decision made at strategy level in order to improve our efficiency, and your Board of Trustees has and continues to providing great leadership in carving a direction. We will continue to update members on these developments. In terms of services delivery, we are moving as quickly as possible to re-establish service levels that not only meet the expectations of the membership but also exceed that provided by similar entities. We will soon be embarking on our year end surveys, please do respond in large numbers and give us feedback. It will go a long way in helping our strategy.

Member Relations

Our main objective for the year was to employ all efforts to embed a system that was failing to meet expectation and bring Fund operation to date, which we eventually succeeded to in the second quarter of 2012 prior to this report date. This achievement was possible through the dedicated and tireless efforts of DPF staff, who made great sacrifices working through sleepless nights and weekends to see all processing of backlog through the system. Although our customer service levels were significantly compromised during the year, we ensured that the necessary interventions were made within reasonable time to minimize the impact on members, particularly benefit payments for both retirees and active members leaving employment.

Another significant undertaking for our organization is the gathering and update of membership data. This project, undertaken by the Fund in 2011, will continue into 2012. We are pleased to assist the Employer, who is the primary custodian of your records achieve up to date on our membership database. The Fund remains secure and well-funded at 104.20% by year end and valuing BWP3.4 billion.



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Gosego January
Principal Executive Officer

Our liabilities to pensioners are also securely funded at 101.2%.

A key objective of the DPF is to improve members overall knowledge and appreciation of the pension fund. We believe it important that members understand their benefits so that they are able to make well-informed decisions and we are working to achieve these objectives. Our aim is to use technology to provide timely, cost-efficient service to our members. Like other pension funds, the DPF understands the need among members to receive accurate information on a timely basis.

For many Batswana, a pension is among the largest of personal assets owned. We recognize this fact and acknowledge the value that our members place on quality service and the continued security of pension assets. The DPF is registered with the Non-Bank Financial Regulatory Authority (NBFIRA) and is being maintained in a highly-regulated environment. The legislative guidelines set out in the Pension and Provident Funds Act and the Income Tax Act, as well as the role of NBFIRA in monitoring pension Funds' solvency and funding, have contributed to an environment wherein our principal objective is the protection of member benefits. We have structured ourselves to maintain the DPF's integrity within this environment. In addition, we remain alert to changes in regulation and have positioned ourselves to deal with any proposed changes quickly. From a Fund administration point of view, our success depends on our ability to initiate effective contingency plans in response to any number of 'environmental' changes with industry and business sector that may affect our operation.

Human Resources

In 2011 there were several strategy review sessions held with independent consultants. These yielded positive results in terms of refining our future operational plans. A new organizational structure was created, introducing three positions to the Fund. The Investment Manager position was introduced to focus on the development and implementation of the Fund's investment strategy, Investment Analysis and Research, to liaise with consultants, perform in-house

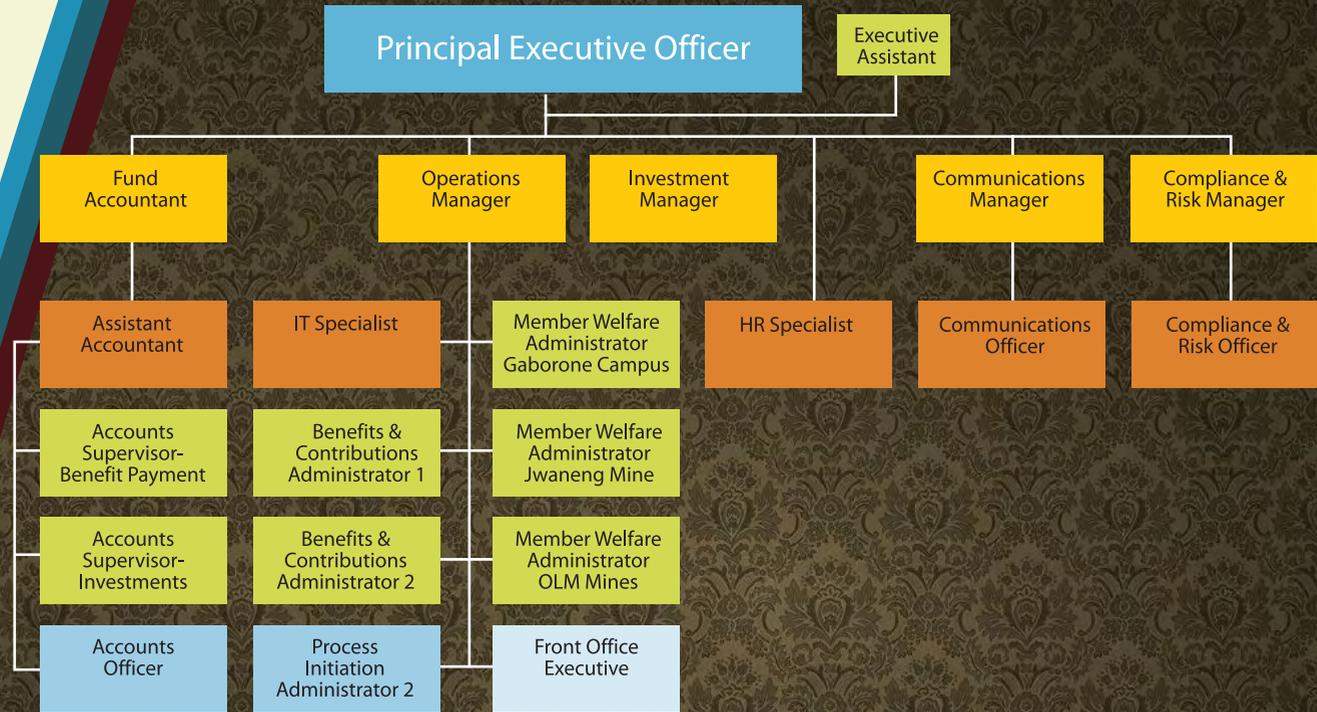
investments management & monitoring (treasury function). The Human Resources function was also formalized through the employment of the HR Specialist. This function was created to set up and maintain structures such as policies and procedures targeted at staff welfare, performance enhancement and talent management. The Compliance Officer role was introduced to give relief to the Compliance Office that entails Company Secretarial, Risk Management and General Compliance. The final organizational structure of 2011 is represented in the chart below. The other major project we embarked on, along the HR front is the job evaluation exercise that was carried out by Innolead Consulting. This resulted in the creation of clear, precise job descriptions, job and requirements.



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DPF Corporate Structure



2012 Outlook

As we enter our second year of operation in self administration, we will continue to streamline our establishment to improve our service, to develop our systems, and to expand our communication efforts. In 2012, we will develop a long-term strategic plan to address these objectives. We are confident that the DPF is ready to meet the challenges that lie ahead. A great deal of work was accomplished in 2011 thanks to the cooperative efforts of our business partners.

We are looking forward to the future.

Gosego January
Principal Executive Officer



“For many Batswana, a pension is among the largest of personal assets owned. We recognize this fact and acknowledge the value that our members place on quality service and the continued security of pension assets”.



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Administration Report

Pension Administration

The Debswana Pension Fund administration is managed in-house by the Operations Division. The department is responsible for member welfare, death claims investigations, pre-retirement counseling, pension benefits processing (member contributions and claims), pension payroll / annuities management and liaison with employer Human Resource personnel, including training them on pension administration processes.

Operational improvements

The division has expanded its services by opening Satellite offices in Orapa and Jwaneng. The offices are open to all members, including pensioners and deferred members who reside in those areas and may wish to seek DPF services. It is our hope that this initiative will provide relief from the financial inconvenience that comes with travelling long distances for member living in and around those areas.

System challenges

The year 2011 has been a year full of activities around implementation of the benefits administration system which came to be known as Benchmark. It has not been an easy year given the hiccups that were experienced however progress has since been made in clearing the backlogs that were created during implementation. We continue to work hard to find a permanent solution to this problem going forward.

Membership of the fund

The Fund 's combined active and deferred membership reduced from 7,218 recorded in the year 2010 to 6864 in 2011 mainly due to a retrenchment exercise initiated by the participating employer Debswana Diamond Company. As some of the retrenched employees chose to retire upon being downsized, we saw the pensioner portfolio grow by a significant 17% from 2,336 in 2010 to 2,737 in 2011. There were 44 death cases recorded for this year, the majority of which were pensioners.

Risk management

The administration risks relate mainly to the inability of the administrator to meet its obligations to administer the Fund and pay benefits accurately and on time as agreed with employers. The Fund, as a way of mitigating its administrative risk has a risk log in place that is assessed on quarterly basis and monitored vigorously to ensure that the Fund remains efficient.

The Fund actuary on yearly basis also assesses the member data, included are fund credits and movements between portfolios to ensure that members funds are invested accordingly and that interest earned is allocated to members in accordance with the best administrative practices.

Administrators Business Continuity Plan

The business continuity plan is in place primarily to deal with disaster recovery and includes contingency measures. The plan identifies critical activities whose failure would lead to an unacceptable loss of service, documents and sets out the measures to minimise the risk of disruption to service and specifies what triggers the contingency measure coming into effect

Communication Report

Communication Activities in 2011

The Fund fulfilled all communication objectives for 2011. Our annual communication plans are deducted from a communication strategy that is revised annually to ensure that it continues to address member communication needs. A Communication Policy has been drawn up to serve as a guideline on the principles guiding the various strategies we employ from time to time. The policy outlines who our stakeholders are and further clarifies the Fund's communication objectives for each of them. The 2011 achievements are shown below;

CATEGORY	PROJECT/TASK	COMMENT
PUBLICATIONS PRINTED AND DISTRIBUTED TO MEMBERS	Bokamoso Newsletter	3 issues published and mailed to deferred and pensioner members. Active members receive it electronically via email. Those not on email are couriered hard copies through their Trustees.
	Additional Voluntary Contribution (AVC) Brochure	Printed and distributed to all members.
	Retirement Guide Brochure	Printed and distributed to all members.
	Annual Report 2010	Printed and distributed to all members in earlier part of 2012. Delays in its production was a consequence of administrative challenges that led to late closure of the 2010 financial year.
MEMBER EDUCATION	Pensioner calendars 2012	Printed and distributed to pensioners in the first quarter of 2012.
	In- house Presentations at pay-points (second installment)	Each of the seven employers/pay-point received 2 visits during the year.
	Pensioner meetings	All 17 towns and villages across the country where our members are mostly concentrated were each visited 2 times during the year
	SMS Communication	The Fund communicated with members by SMS on average once per month.
STAKEHOLDER RELATIONS	Regional Meetings between COMMS & Chairpersons (Gaborone, Palapye, Orapa & Kanye)	The Fund met with Interim Chairpersons of Pensioner associations in both the north and southern regions to further lobby for the nationalisation of their association with the view to having a pensioner representative on the DPF Board of Trustee. These meetings were successfully held.
Pension Assotiations	Chairpersons Annual General Meeting + Meet & greet with Trustees	Following from the regional meetings, the Fund sponsored an annual general meeting where the chairpersons came together country-wide to strategise on forming a national body to govern their various branches. Representatives from Botswana Civil Service Pensioner Association were also invited to the workshop to share with the DPF pensioners their strategies which helped them form their organisation BCSPA. This workshop was held successfully and the Association is now operating independently towards forming a national executive committee.
INTERNAL COMMUNICATION	Staff educational half-day workshops (in-house)	3 workshops during the year in which staff members were educated about Fund products and services .



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DPF Communication Objectives

1. Primary objectives

The principal objectives of this Communications Policy shall be as follows:

- 1.1. To ensure that the Debswana Pension Fund provisions and requirements are communicated accurately to all stakeholders;
- 1.2. To identify and meet all regulatory requirements regarding provision of information by the DPF
- 1.3. To appropriately promote membership of the Fund to employees of participating employers;
- 1.4. To communicate clearly to all stakeholders their own responsibility for communications and information flows in relation to the DPF and work with them to improve the efficiency of communications as needed;
- 1.5. To ensure that all communications are made in a timely manner; and
- 1.6. To ensure that all stakeholder communication needs are adequately catered for.

2. Secondary Objectives

Our Communications Policy outline our strategy for communication with Fund members. The policy provides an overview of how we communicate with all our stakeholders and how we will measure the success of our communication. The DPF communications policy complements Fund's compliance and risk management strategies hence it is geared towards the following objectives:

2.1. Professionalism

To demonstrate the Fund's professionalism by ensuring a thorough knowledge by DPF staff of the rules, regulations, products and services, in order to live up to its vision as the preferred provider of retirement services and becoming a great resource for comprehensive, reliable information. The Fund will develop and implement a Brand Standards Policy Manual that will further ensure that there is continued consistency on the image of the Fund and that employees live up to the values of the Fund in the process

of executing their duties

2.2. Understanding and accessibility

To respond promptly to stakeholders needs for information and contact by ensuring that needs are properly understood and providing effective access for all. The Fund will provide service facilities to the various membership constituencies and will continuously seek and implement better ways to appropriately deliver services to members and stakeholders.

2.3. Pro-active planning and development

To anticipate and respond to stakeholder needs through development of a rolling communication strategy informed by continuous communication research, planning and measurement. Through this strategy the Fund will develop communication plans that will be reviewed annually to consider and accommodate changes in both the internal and external environments and further develop new tools and channels of communication that will allow wider availability and access to information by stakeholders. The Fund will further ensure that its communication strategies are derived from the latest communication best practices at all times through regular industry-wide benchmarking

2.4. Customization of communication messages taking cognizance of stakeholder differences and needs.

To provide targeted communication based on the varying needs of groups of stakeholders: members, beneficiaries, employers, service providers e , by customizing information and, where necessary, communications media for these different groups.

2.5. Responsiveness

To tailor the information conveyed or use all appropriate communications media when circumstances so warrant, such as in the event of a major incident or crisis by developing and implementing a complementary crisis/issue communication policy that will define roles and responsibilities as well as outline the criteria to be

undertaken to communicate information as mitigation and management of the Fund reputation in the event that any unforeseeable crisis develops.

The major stakeholders of the Fund are as follows:

1. Members and their beneficiaries
2. Representatives of members
3. Prospective members
4. Employers
5. Trustees
6. DPF Staff
7. Regulatory Bodies

Our Communication Mediums

The DPF generally use face-to-face and paper based communication as the two main means of communicating, for example by sending various publications and letters to members and stakeholders as well as in-house presentations. However, these are complemented by the use of electronic mediums such as the Debswana intranet site, (which is particularly convenient as a shared IT platform between the family of companies), the DPF website, SMS Communication. The DPF also accept communications from stakeholders electronically, mainly by email and telephone. The communication mediums that the DPF uses include the following;

The Internet

Fund literature and general information about the DPF are published on the DPF website www.dpf.co.bw The website contains a range of information about the Fund as well as secure member pages for each category of members namely Active, Deferred, pensioners. These pages are designed and customized in this manner in order to ensure that the information needs of the particular member category are adequately addressed. There are secure areas for other major stakeholders namely HR/Employers and Trustees. Each member area also has discussion forums which are meant to

promote dialogue between the Fund and its members as well as amongst themselves about issues surrounding their pension benefits. The site also has links to other organisations relevant to members of the Pension Fund e.g. participating employer's websites, asset managers, regulators, etc.

The DPF also currently has a dedicated intranet site on the Debswana Electronic Data Management System (EDMS) where all of its publications, policies and other documents are stored for ease of reference by active members sharing the same platform in the group. The site is regularly maintained and updated with new information as it develops.

Annual Report

An annual report is produced and sent to members by postage to deferred members and pensioners. For active members it is published on the intranet and a site link is emailed to them. The contents of the report focus mainly on updating members on the financial position of the Fund as well as other developments that impact on the business of the DPF

Quarterly Newsletter

The DPF publishes a quarterly newsletter that aims to communicate and educate. The current format includes announcements, feature stories on member experiences, educational articles on member benefits and financial education amongst others. The newsletter is distributed electronically via intranet to active members and by surface mail to deferred and pensioner members. The newsletter features both English and Setswana versions in one copy.

Annual Benefit Statements

Annual Benefit Statements are sent to active and deferred members of the Fund in September of every year following the financial year. The issuing of the statement is preceded by the approval of the audited annual financial statements of the Fund by the DPF Board of Trustees, hence the benefit statement is sent with the abridged annual report.

The benefit statements are also used to communicate other information such as reminding members about beneficiary



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nomination, educating them about benefit options and related rules and regulation.

Fund Literature

The Communications department review information needs of members on an ongoing basis and develops appropriate educational literature for distribution to members in various forums. The literature is made available to employers and members. Copies of this literature are accessible via the Fund's web-site www.dpf.co.bw and the intranet site.

Pensioner Pay Slips & Certificates of Existence

The DPF operations department issues monthly payment advice slip for retirement annuities. These can be used to communicate specific messages and for other purposes such as requesting a prompt notification of change of address. The pay advice is also used to communicate details of annual pension increases. Details of Annual Pension paid and the tax deducted are notified to Pensioners and the Botswana Unified Revenue Services (BURS)

Certificates of existence forms are also mailed to pensioners annually requiring them to confirm their existence by way of certifying them at approved authorities and returning them to the Fund. This is done to ensure that the Fund only pay pension salaries to valid member bank accounts and not deceased members.

General Correspondence

The Fund utilises both surface mail and e-mail to receive and send correspondence

Telephone Help Lines & SMS Communication System

Members can access the Fund by telephone help line to deal with any queries relating to their pension and this is widely publicized in Fund literature. A toll free line is also available. The Fund has installed SMS communication system with which notices and educational messages are sent out on a regular basis. The system also allows members to enquire or respond back to the DPF. Both the Fund Communication and

Operations department are tasked with managing the communication received and sent in this medium.

Member Welfare Offices

For each of the membership constituencies of the Fund, i.e. Jwaneng, Orapa and Gaborone, there are member welfare offices established as contact centers for members and their representatives, including employers. The offices are within the vicinity of the various mines where active members are employed and at the same time accessible to deferred and pensioner members living in and around the areas.

Pensioner Meetings Tour

The Fund has identified 17 towns and villages across Botswana where the majority of our deferred and pensioner members reside. On a bi-annual basis, the Fund conducts tours and hosts meetings in each of the villages to educate, give updates to members on Fund developments, performance etc. as well as receive feedback on member issues and concerns.

In-house Presentations

Also on a bi-annual basis the Fund arranges in-house meetings at each of the employer companies to address active members and educate, announce developments, changes etc.

Induction Meetings

The Fund liaises with employer representatives periodically to hold pension fund induction meetings for their newly recruited employees. Currently the Fund is dependent on the employers to provide a calendar for such meetings and the frequency of the meetings is dependent upon the employers' recruitment calendar.

Fairs

The DPF hosts edutainment fairs annually at the three membership constituencies in Jwaneng, Orapa and Gaborone. These fairs are aimed at being interactive and include the participation of DPF business partners who educate members on investment and savings options available to them as well as enlighten them about the dynamics of the pension industry.



Employers also occasionally initiate their own business fairs in which they always invite the DPF to participate

Pre-Retirement Seminars

Annually, the Fund conducts educational workshops for members who are close to retirement, targeting those aged between 45 and 60 in consideration of the early retirement age of 50 and normal retirement age of 60. The workshops are designed to educate members on the necessary requirements to retire from the Fund, their own personal financial plan for retirement and the importance of taking up additional voluntary contribution scheme to improve their net replacement ratios. The Fund engages the services of professional financial advisors to counsel the near-retiring members on personal finance.

HR Training Workshops

Annually, the Fund Operations department conducts training workshops for HR business partners at employer venues. The purpose of these workshops is to educate each other about our systems and processes, create synergy between both Fund and employer administrations, understand the gaps and assist each other in improving the quality of

administration of pension benefits which both parties provide for the members. In the process, relationship building is also important for the on-going management of member records.

Trade Union Briefings

As part of our tours to address active members, we include in our schedules meetings with union representatives to brief them about developments and/or issues at the Fund that they need to be regularly informed of. The Unions are also able on a regular basis to make enquiries and initiate meetings with the Fund to gain further understanding on any issues of concern.

Branding Material & Promotional Merchandise

The Fund engages with members through educational competitions and raffles through the newsletter and during business fairs either organized by the employers or DPF. To facilitate this, the Fund procures branding material and promotional gifts for free distribution to members and other stakeholders. The objective of this initiative is to build membership loyalty and stronger relationships.

“The workshops are designed to educate members on the necessary requirements when they retire from the Fund, their own personal financial plan for retirement and the importance of taking up additional voluntary contribution scheme to improve their net replacement ratios”.

Events and Pictures - Member Education





Investment Report

2011 Market Commentary

Macroeconomic & Capital market review for 2011 - DPF

2011 was a tumultuous time for the world economy, and this was reflected in the performance of global capital markets. Local equity and fixed income markets defied this trend and showed very little correlation to foreign market movements giving relatively good market returns over the same period.

The Debswana Pension Fund's performance over the year was satisfactory with all portfolios yielding returns that are in excess of inflation. The Market portfolio has remained ahead of inflation overall for all periods except the last five years and remained 4.6% p.a. ahead of CPI since inception. Similarly the pensioner portfolio is ahead of inflation over all periods except the last five years and is 4.6% p.a. ahead of CPI since inception. The conservative portfolio is also ahead of inflation overall for all periods except the last five years, and is 3.1% p.a. ahead of inflation since inception.

The DPF ended 2011 with 55% of its assets invested in offshore markets and 45% invested locally. Despite challenging world economic conditions, the Fund's Global Equity managers performance was positive for the year, though lower than in previous years. The Fund's global fixed income assets showed exceptional returns, with the best outperformance recorded since inception.

Local balanced fund portfolio performance trailed the composite benchmark over the year. However longer term, combined portfolio performance, remained significantly higher than the benchmark over 3, 5 and 7 years respectively.

Botswana

In 2011, the Botswana economy grew by 5.1% down 0.7% over the same period in 2010, driven by slower mining output. Despite this reduction in contribution to GDP by the mining sector, other private sector activities showed good growth, increasing contribution to GDP of 8.1% in 2011. The main drivers of this growth were construction and manufacturing which grew by 25.4% and 12.6% respectively. Growth in

transportation, agriculture, finance, communications and utilities also showed good growth over the period.

Overall formal employment figures have remained relatively unchanged over the last 5 years, despite the shedding of a few jobs by Government agencies and broad private sector jobs growth. The latest unemployment rate estimate sits at 17.8%. The highest rates of unemployment affect the youth aged 15 – 24 and those with little formal education.

2011 ended with inflation sitting at 9.2%. Significantly higher than the Bank of Botswana medium term target range of 3 – 6%. This was higher than the December 2010 rate of 7.4%. This increase was driven by higher food prices and increased administered prices which consisted of higher public transportation, fuel, and utility costs.

The Bank of Botswana kept the bank rate unchanged at 9.5% during 2011 on account of a positive inflation medium term outlook, that reflected low demand pressures, below trend economic performance and benign external inflationary pressures. Consequently the commercial banks average prime lending rate remained unchanged over the year. The benchmark interest rates reduced to 5.1% in December 2011 compared to 5.6% in December 2010. Real Interest rates also fell in 2011 with declines in both the 14 day and 91 day BoBC's

The Botswana Government budget was revised from a deficit of P 6.5 billion to a revised estimate on P 10.2 billion due to increased revenues and under spending. Revenue growth over the period was driven by increase in minerals revenue and increased collections of domestic taxes. Overall growth in revenue was dampened by a decrease in receipts from the Southern African Customs Union.

The nominal effective exchange rate crawled downward in 2011, causing 2.5% depreciation of the nominal exchange rate. Bilateral real exchange rate were volatile over the year, with the Botswana Pula appreciating 8.8% against the rand (using SA headline inflation) in real terms and depreciating by 8.6% against the IMF's Special Drawing Rights (SDR).

On the Botswana Stock Exchange, the Domestic Companies

Index gained 8.7% in 2011, compared to a decline of 11.7% in 2010. Despite the volatility, the index showed a general upward trend over the year. The market was actively traded with 458 million shares valued at P 1 billion changed hands, resulting in the capitalisation of local companies increasing by 16.1% to P 30.7 billion. Over this period there were two new local listings namely Letlole La Rona and New Africa Properties. A second Exchange Traded Fund was also listed during the year.

The government maintained its support of the bond issuance programme in 2011 by issuing 6 month Treasury bill and bonds of varying maturities.

Botswana pension fund assets grew to P 40.4 billion in 2011, up from P 34.7 the previous year. The value of domestic bonds and equity held by pension funds grew by 19.6% and 41.6% respectively while the value of offshore fixed income instruments increased by 10.9%. Offshore equities held by Botswana Funds, declined by 4.2% over the same period. The proportion of offshore assets held by local pension funds in 2011 declined to 56% from 61.5% in 2010.

International

Europe's debt crisis, and the inability of European unions leaders to find a lasting solution to it, dragged global consumer and business confidence to their lowest levels in many years. The weaknesses in the European regions banking system have increased on the back of exposures to the sovereign debt of countries on the brink of insolvency. As a result, global financial markets remained volatile throughout 2011.

Debate continues on whether the increased fiscal union recently agreed on by the member countries in addition to further austerity would not push the EU deeper and faster in recession in 2012. Global food prices were also at a substantially high level during the year but as the year approached the end, commodity prices started to drop.

Although projected to sustain stronger growth in 2011 and 2012, emerging markets and developing countries are also

facing significant challenges. Despite the increasing role of domestic demand in many developing countries, most cannot grow at their trend rates if economic activity slows sharply in the advanced economies and the Euro Area. Many emerging markets, especially in Latin America and Africa, would also be hurt if the demand for commodities falls, bringing prices down.

Investment Goals

At the DPF, we have both long-term and immediate investment goals. The long-term investment goals of the DPF are:

- to provide security of funding for the promised pension benefit plan for members, pensioners and their eligible beneficiaries;
- to limit the risk of unfunded liabilities of the pension portfolio and,
- to help members achieve their required net replacement ratios to earn a decent retirement income in line with global NRR benchmarks.

In the short term, the DPF had additional financial responsibilities. We have to ensure that year on year returns are sufficient enough to cover any additional actuarial liabilities of the Fund, as well as maintain sufficient liquidity and contribution inflows to meet benefit payment obligation for pensioner annuities and exits.

Investment Policy

The Trustees have adopted a long-term horizon in formulating the Fund's investment strategy. This means that the overall success of the strategy will only be measured over a period of at least 5-years, with the planned measurement period being 10 years. The primary risk of the Fund is inflation risk. This is the risk that the Fund does not earn a sufficient return to be able to provide reasonable retirement benefits and pension increases in line with inflation. A secondary risk for in-service members close to retirement is that the markets fall sharply just before they retire. Generally members that retire will secure with a profit life annuity from the Fund. The



Investment Report

terms of this pension are set at retirement and so the retiring member should not be placed in the position that he/she would need to 'lock-in' large negative returns at the time he/she retires. Consistent with the Fund's purpose and risk, the primary investment philosophy of the Fund is to provide a return that is:

1. Well in excess of that provided by the capital markets in the event that general market conditions are weak (and deliver a low return relative to inflation);
2. Slightly ahead of capital markets in the event that market conditions are in the normal range (and where the investment returns relative to inflation are likely to be reasonable); and
3. Behind the returns delivered by the capital markets in mature bull markets (i.e. very high returns relative to inflation). In this environment the Fund would be prepared to sacrifice some return to protect capital to a greater extent should the markets subsequently correct.

The achievement of such a return signature should allow the Fund to meet its objective of providing reasonable and competitive benefits over as wide a range of investment scenarios as possible. This philosophy is varied for in-service members as they approach retirement, where the primary investment philosophy is the protection of capital and to reduce the chance of negative investment returns over an investment horizon of 12 months. The philosophy gives primacy to retirement benefits. The Funds investments must be conducted in a manner that is honest, transparent and ethical.

Investment Strategy

The Trustees have implemented a default life stage model for in-service members with effect from 1 August 2004. Based on an assumed retirement age of 60, the members retirement savings will be invested in the Market Portfolio up to age 53. (This portfolio concentrates on managing the member's inflation risk.). The members future retirement savings contributions will be invested in the Conservative Portfolio

from the end of the month in which the member turns 53. From the end of the month in which the member turns 57 the member will be fully invested in the Conservative Portfolio. (This portfolio concentrates on managing the member's final payment risk.)

Starting at the end of the month in which the member turns 53, the members accumulated retirement savings will be transitioned in five more or less equal annual tranches from the Market Portfolio to the Conservative Portfolio. At this stage, instead of members having holdings in both the Market and Conservative Portfolios during the transition phase between age 53 and 57, 4 transitional portfolios (composed of varying proportions of the Market and Conservative Portfolios as set out above) will be created. Members will be transitioned through the 4 portfolios based on their age last birthday in the previous 6 months on 1 February and 1 August each year.

Investment returns targets:

In-service members

- 1) The primary investment objective of the Market Portfolio is to provide a net real return of 5.0% p.a. over any rolling 8-year period, with a less than 10% chance of a net real return less than 0% over the same 8-year measurement period. Net real return means the difference between the actual investment return achieved and inflation after deducting investment manager fee, tax and related costs such as custody services.
- 2) The investment objective of the Conservative Portfolio is to earn a net real return of 3.0% p.a. (after deducting tax and manager fees) over any rolling 5-year period with a less than 5% chance of a net nominal return of less than 0% over any 12-month period.
- 3) These performance objectives are consistent with the stated purpose of the Fund.

Pensioners

A separate pool of assets will be maintained in respect of the

pensioners with effect from 1 August 2004.

- 1) The pensioner liabilities have been valued at an interest rate of 4% p.a. This means that the pensioner assets need to earn a net real return of 4% p.a. (after management fees, tax and other costs) in order to grant pension increases that match inflation.
- 2) At the same time the Fund needs to earn a nominal return of at least 4% p.a. in order to meet the current pension payments with no future increases (the so-called contractual liability).
- 3) The investment objective for the pensioners is to earn a net real return of 4% p.a. over any rolling 10-year period



Actuaries Certificate

We certify that:

1. The Fund remains in a sound financial condition as at 31 December 2011 as the value of the assets within each account exceeds the liabilities of the respective account. This position should be reviewed at the next valuation date.
2. In our view, the current provision for future pension increases is sufficient under reasonable investment market conditions to support future pension increases in line with inflation.
3. As defined in the contribution arrangement, the contributions required in terms of the Fund Rules meet the future service obligations in respect of the active members.
4. The strategic asset allocation represents a reasonable long-term investment strategy given the nature of the Fund's liabilities. In particular, the asset allocations of the various investment channels are reasonable given the time horizon of each channel.
5. The matching of the Fund's assets against the liabilities is, in our opinion, adequate.

We recommend that:

1. The various items of profit or loss reflected in the valuation report relating to the Active & Deferred Investment Accounts be investigated by the Fund's administrator, where so indicated.
2. The adjustments made to the assets and liabilities in the valuation report be investigated and resolved by the Fund's administrator.
3. The Trustees assess whether they believe it is still appropriate for the Fund to continue to hold a contingency reserve and whether the level of 3% of Fund assets remains appropriate.



HJ Buck, B.Sc., F.A.S.S.A.

Fellow of the Actuarial Society of South Africa (In my capacity as the valuator of the Fund and as an employee of Towers Watson)



KM Lynch, B.Sc., F.A.S.S.A.



DPF

DEBSWANA PENSION FUND

Your Fund, Your Security, Your Future

Financial Statements

“The Board of Trustees is ultimately accountable for the administrative and investment performance of the Fund as well as the compilation and approval of the Fund’s annual financial statement”.

General Information

CHAIRMAN

Tabake Kobedi (Resigned 27 April 2012)

PRINCIPAL TRUSTEES

Tabake Kobedi
Nchidzi Mmolawa
Richard Moroka
Kaywa Namoshe
Emmanuel Kgaboetsile
Calistas Chijoro (Resigned 21 April 2011)
Gakenaope Gakologelwang (Appointed 30 June 2011)

ALTERNATE TRUSTEES

Maipelo Motshwane (Resigned 27 April 2012)
Ezekiel Moumakwa (Resigned March 2011)
Vuyisile Garekwe
Enock Shabane (Resigned 21 April 2011)
Otsenye Tsietso (Retired June 2012)
Petrous Montshioa
Kedibonye Keabilwe (Approved 30 June 2011)

PRINCIPAL EXECUTIVE OFFICER

Gosego January (Appointed 1 February 2011)

AUDITORS

Deloitte & Touche

REGISTERED OFFICE

Block D
Plot 50361
Carlton Centre
Fairgrounds

BANKERS

Barclays Bank of Botswana Limited
Standard Chartered Bank Botswana Limited

ACTUARIES

Towers Watson Actuaries and
Consultants (Proprietary) Limited



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Trustee's responsibility for the annual financial statements

The members of the Board of Trustees are responsible for the preparation and fair presentation of the annual financial statements of Debswana Pension Fund ("the Fund"), comprising the statement of financial position as at 31 December 2011, and the statement of comprehensive income, the statement of changes in members' funds and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies, in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Pension and Provident Funds Act (Cap 27:03).

The members of the Board of Trustees are required by the Pension and Provident Funds Act (Cap 27:03) to maintain adequate accounting records and are responsible for the content and integrity of financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The independent auditors are engaged to express an independent opinion on the annual financial statements and their unmodified report is presented on page 46.

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and in compliance with the provisions of the Pension and Provident Funds Act (Cap 27:03), and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The members of the Board of Trustees' responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The members of the Board of Trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the Fund and place considerable importance on maintaining a strong control environment. To enable the Board of Trustees to meet these responsibilities, the Board of Trustees sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach.



The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members of the Board of Trustees have made an assessment of the Fund's ability to continue as a going concern and there is no reason to believe the Fund will not be a going concern in the year ahead.

The members of the Board of Trustees 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Trustees' approval of the annual financial statements

The annual financial statements set out on pages 47 to 74 which have been prepared on the going concern basis, were approved by the members of the Board of Trustees on 19 September 2012 and were signed on its behalf by:



Trustee



Trustee



“The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.”

Auditor's Report

Report on Financial Statements

We have audited the accompanying financial statements of Debswana Pension Fund, set out on pages 47 to 74, which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in members' funds and statement of cash flows 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 the International Financial Reporting Standards and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

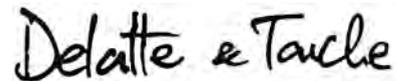
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks 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 give a true and fair view of the financial position of Debswana Pension Fund as of 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with the International Reporting Standards.



Deloitte & Touche
Certified Auditors
Practicing member: CV Ramatlapeng (20020075.15)

Gaborone
19 September 2012



DEBSWANA PENSION FUND
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	Notes	2011 BWP	2010 BWP
REVENUE		151,179,308	147,489,034
Contributions receivable	1	152,484,591	145,581,231
Net transfers (to) / from other funds	2	(1,305,283)	1,907,803
Net investment revenue		104,558,582	100,085,831
Dividends receivable		31,947,849	21,570,345
Interest receivable		64,559,263	70,307,026
Net rental income		8,022,770	8,152,900
Other income		28,700	55,560
Total revenue		255,737,890	247,574,865
GAINS/(LOSSES) ON INVESTMENTS		268,897,486	122,791,163
Gains on disposal of financial assets at fair value through profit or loss		2,583,935	22,814,319
Unrealised foreign exchange (losses)/gains on financial assets		266,165,895	(51,025,981)
Unrealised fair value (losses)/gains on financial assets		(10,894,898)	139,474,113
Net unrealised gains on fair valuation of investment properties		7,539,240	11,791,948
Reversal of previous impairment losses on investments		3,503,314	-
Impairment losses on financial assets		-	(263,236)
EXPENDITURE			
Benefits payable		(269,490,013)	(168,343,034)
Benefits on withdrawal and death		(65,300,307)	(40,428,218)
Interest on benefits payable		-	(759,003)
Pensions to retired members		(67,389,293)	(46,656,196)
Pensioners' deaths benefits		(1,544,601)	(522,034)
Non-eligible membership expense		(33,111)	-
Lump sums on retirement		(135,222,701)	(79,977,583)
Fund expenses		(37,419,197)	(32,289,229)
Administration expenses	3	(14,419,703)	(13,068,719)
Onshore investment management fees		(9,855,197)	(9,240,990)
Offshore investment management fees		(9,574,016)	(9,524,005)
Depreciation of plant and equipment	8	(642,161)	(288,534)
Amortisation of intangible asset	9	(619,020)	(166,981)
Impairment of intangible asset	9	(2,309,100)	-
Surplus for the year		217,726,166	169,733,765
Other comprehensive income for the year		-	-
Total comprehensive income for the year		217,726,166	169,733,765



DEBSWANA PENSION FUND
 STATEMENT OF FINANCIAL POSITION
 as at 31 December 2011

	Notes	2011 BWP	2010 BWP
ASSETS			
Investments			
Investment in properties	5	117,166,816	103,598,855
Other financial assets	6	2,952,593,993	2,703,115,460
Cash and cash equivalents	7	424,170,412	445,431,715
Total investments		3,493,931,221	3,252,146,030
Other assets			
Plant and equipment	8	2,926,543	1,375,330
Intangible asset	9	3,095,100	4,842,448
Contributions and other receivables	10	25,459,383	13,024,064
Total other assets		31,481,026	19,241,842
Total assets		3,525,412,247	3,271,387,872
FUNDS, RESERVES AND LIABILITIES			
Funds and reserves			
Fund account		2,184,450,695	2,287,188,445
Pensioners' account		1,106,068,735	793,744,068
Contingency reserve		102,531,435	94,392,186
Total funds and reserves		3,393,050,865	3,175,324,699
Other liabilities			
Benefits payable	11	126,589,047	92,348,134
Other payables	12	5,772,335	3,715,039
Total other liabilities		132,361,382	96,063,173
Total funds, reserves and liabilities		3,525,412,247	3,271,387,872



DEBSWANA PENSION FUND
STATEMENT OF CASH FLOWS
for the year ended 31 December 2011

	2011 BWP	2010 BWP
CASH FLOWS FROM OPERATING ACTIVITIES:		
Surplus for the year	217,726,166	169,733,765
Adjusted for:		
Depreciation of plant and equipment	642,161	288,534
Amortisation and impairment of intangible asset	2,928,120	166,981
Net investment revenue	(104,558,582)	(100,085,831)
Net gains on investments	(268,897,486)	(122,791,163)
Cash used in operations	(152,159,621)	(52,687,714)
(Increase)/decrease in contributions and other receivables	(12,435,319)	8,446,339
Increase in benefits payable	2,057,296	2,246,837
Increase in other payables	34,240,913	69,500,732
Net cash (used in)/generated from operating activities	(128,296,731)	27,506,194
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investment revenue	104,558,582	100,085,831
Payments for plant and equipment	(2,345,537)	(1,068,002)
Payments for intangible assets	(1,180,772)	(5,009,429)
Net proceeds from /(payments for) investment securities	6,003,155	(109,104,736)
Net cash generated from/(used in) investing activities	107,035,428	(15,096,336)
Net (decrease) / increase in cash and cash equivalents for the year	(21,261,303)	12,409,858
Cash and cash equivalents at the beginning of the year	445,431,715	433,021,857
Cash and cash equivalents at the end of the year	424,170,412	445,431,715



DEBSWANA PENSION FUND
 STATEMENT OF CHANGES IN MEMBERS' FUNDS
 for the year ended 31 December 2011

	Note	Fund account BWP	Pensioners' account BWP	Contingency reserve BWP	Total BWP
Balance at 1 January 2010		2,237,982,850	678,589,238	89,018,846	3,005,590,934
Total comprehensive income for the year		169,733,765	-	-	169,733,765
Transfers during the year		(121,111,950)	115,154,830	5,957,120	-
Transfer of expenses	16	583,780	-	(583,780)	-
Balance at 31 December 2010		2,287,188,445	793,744,068	94,392,186	3,175,324,699
Total comprehensive income for the year		217,726,166	-	-	217,726,166
Transfers during the year		(323,392,036)	312,324,667	11,067,369	-
Transfer of expenses	16	2,928,120	-	(2,928,120)	-
Balance at 31 December 2011		2,184,450,695	1,106,068,735	102,531,435	3,393,050,865



DEBSWANA PENSION FUND
 SIGNIFICANT ACCOUNTING POLICIES
 31 December 2011

BASIS OF PREPARATION

The financial statements incorporate the following significant accounting policies, which have been consistently applied in all material respect and comply with International Financial Reporting Standards. The financial statements have been prepared on the historical cost basis except for the revaluation of certain investments and investment property. The principal accounting policies are set out below.

ADOPTION OF NEW AND REVISED STANDARDS

In the current period, the Fund has adopted the following new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2011. The adoption of these standards has not resulted in changes to the Fund's accounting policies.

- IFRS 7 - Financial Instruments: Disclosures (Annual improvements) (effective from 1 January 2011)
- IAS 1 - Presentation of Financial Instruments (Annual improvements) (effective from 1 January 2011)
- IAS 24 - Related Party Disclosures (revised definition of related party) (effective from 1 January 2011)
- IAS 34 - Interim Financial Reporting (Annual improvements) (effective from 1 January 2011)
- IAS 32 - Financial Instruments: Presentation (effective from 1 February 2010)
- IFRIC 14 - IAS 19 - The Limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2011)

Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were issued but not yet effective:

New/Revised International Financial Reporting Standards

- IFRS 7 - Financial Instruments: Disclosures (transfers of financial assets)
- IFRS 7 - Financial Instruments: Disclosures (offsetting of assets and liabilities)
- IFRS 7 - Financial Instruments: Disclosures (initial application of IFRS 9)
- IFRS 9 - Financial Instruments : Classification and measurement
- IFRS 9 - Financial Instruments : Financial liabilities and derecognition
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 1 - Presentation of Financial Statements (Comprehensive income)
- IAS 12 - Income Taxes - limited scope amendment: recovery of underlying assets
- IAS 19 - Employee Benefits: Post employment and Termination Benefits projects
- IAS 28 - Investments in Associates and Joint Ventures
- IAS 27 - Separate Financial Statements

Effective date

- 01 July 2011
- 01 January 2013
- 01 January 2015
- 01 January 2015
- 01 January 2015
- 01 January 2015
- 01 January 2013
- 01 January 2013
- 01 January 2013
- 01 July 2012
- 01 January 2012
- 01 January 2013
- 01 January 2013
- 01 January 2013

The Fund will evaluate the effect of all the new standards, amendments and interpretations that are in issue for adoption in the applicable periods.



DEBSWANA PENSION FUND
SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
31 December 2011

BENEFITS PAYABLE

Benefits payable include all valid notified benefit claims and are recognised on an accruals basis.

PENSIONERS' ACCOUNT

This account comprises the equivalent of net assets of the Fund attributable to the Fund's pensioners. This reserve will be used to fund the Fund's liability, which is the actuarial value of the current pensions in payment and allows for future increases in pensions. Regular actuarial valuations are carried out to determine the Fund's liability to the pensioners. The last actuarial valuation was conducted at 31 December 2011.

CONTINGENCY RESERVE

This reserve represents funds set aside in consultation with the Fund's actuaries to protect the Fund in future against contingencies such as expense overruns, data error as a result of operating a life stage model and unanticipated pensioner expenses. The reserve was initially set at 3% of the total net assets and is reviewed from time to time.

PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straightline method. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The following useful lives are used in the calculation of depreciation:

Office equipment 4 - 5 years
Motor vehicles 4 years
Furniture and fittings 10 years

INTANGIBLE ASSET

Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;



INTANGIBLE ASSET (continued)

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets in respect of software development costs are amortised over a period of 10 years.

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

FINANCIAL INSTRUMENTS

Financial assets

Investments are recognised and derecognised on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Financial assets are classified into the following categories: financial assets as 'at fair value through profit or loss' (FVTPL), and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.



DEBSWANA PENSION FUND
SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
31 December 2011

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Fund manages together and has a recent actual pattern of short-term profit taking;

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

The Fund's investment securities are designated as at fair value through profit or loss as they are managed on a fair value basis in line with the Fund's documented investment principles.



FINANCIAL INSTRUMENTS (continued)

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit are earned on the financial asset. Fair value is determined in the manner described below:

- i) Listed securities are valued at the last market value ruling at the statement of financial position date.
- ii) Managed fund investments are stated at the unit prices quoted by the investment managers as at year- end.
- iii) Unlisted securities are valued having regard to the latest dealings, professional valuation, asset values and other appropriate financial information.

Loans and receivables

Contributions receivables and other receivables that have a fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances 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.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of the amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.



FINANCIAL INSTRUMENTS (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Significant financial liabilities comprise benefits payable and other payables.

Benefits payable and other accounts payables are stated at their amortised cost.

REVENUE RECOGNITION

Contributions

Contribution revenue is recognised on an accruals basis.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established. Withholding tax payable at 7.5% on dividends received from Botswana equities is netted off against dividend income.

Interest revenue from Government bonds, promissory notes, term deposits, call accounts and other fixed income securities is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Fund as a lessor

Amounts due from lessees under finance leases are recorded as a receivable at the amount of the Fund's net



FINANCIAL INSTRUMENTS (continued)

investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Fund's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Fund as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



FOREIGN CURRENCIES

The financial statements are presented in the currency of the primary economic environment in which the Fund operates (its functional currency), the Botswana Pula.

Transactions in currencies other than Botswana Pula are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date.

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks.

RELATED PARTY TRANSACTIONS

Related parties are defined as those parties:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(ii) has an interest in the entity that gives it significant influence over the entity; or

(b) that 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 on an arm's length basis and accordingly included in profit or loss for the year.



FOREIGN CURRENCIES (continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

Impairment of financial assets

Determining whether a financial asset is impaired requires an estimation of the future cash flows that the Fund is expected to receive from either disposing or holding onto the financial asset in the form of dividends or interest.

Useful lives of plant and equipment and intangible assets

As described in the accounting policy for plant and equipment, the Fund reviews the estimated useful lives of plant and equipment and intangible assets at the end of each annual reporting period. During the year, the Trustees' determined that the useful lives of the plant and equipment did not change since the prior year.

Valuation of investment properties

Determining the fair value of property requires an estimation of the value in use of the property. The value in use is calculated by professional valuers who estimate the future cash flows in form of rental income expected to arise from renting out the property and a suitable discount rate in order to calculate present value. The Trustees utilise independent valuers to minimise the level of estimation uncertainty.



DEBSWANA PENSION FUND
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS
 31 December 2011

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 (TO) / FROM OTHER FUNDS	2011 BWP	2010 BWP
Transfers in	1,200,598	2,339,925
Transfers out	(2,505,881)	(432,122)
Net transfers	(1,305,283)	1,907,803

3 ADMINISTRATION EXPENSES

Actuarial fees	310,794	301,668
Administration fees	-	1,952,238
Auditors' remuneration:		
External audit fees - current year	425,500	407,616
- prior year	95,579	(638)
Internal audit fees	343,184	248,052
Bank charges	252,037	177,745
Communications expenses	675,803	657,728
Fidelity and other insurance	117,619	90,743
Legal and professional fees	193,489	856,423
License and maintenance fees	1,356,355	-
Other expenses	1,200,855	965,193
Staff costs	7,786,069	5,913,197
Stationery	69,384	141,380
Strategic plan expenses	-	583,781
Travel and entertainment	1,083,296	287,318
Unitisation fees	509,739	486,275
	14,419,703	13,068,719



DEBSWANA PENSION FUND
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS
 for the year ended 31 December 2011

	2011 BWP	2010 BWP
4 TAXATION		
The Fund is an approved scheme under the Income Tax Act, (Chapter 52:01) and is therefore not subject to taxation.		
5 INVESTMENT IN PROPERTIES		
Investment properties at fair value:		
Freehold and leasehold land and buildings	63,490,000	58,600,000
Leasehold land and buildings held in partnerships	46,084,777	40,930,809
	<u>109,574,777</u>	<u>99,530,809</u>
Balance at beginning of the year	99,530,809	87,738,861
Net gain from fair value adjustments	7,539,240	11,791,948
Additions	2,504,728	-
Balance at end of the year	<u>109,574,777</u>	<u>99,530,809</u>
Loans and shares in property investment companies:		
Loans advanced to property investment companies	3,742,027	12,063,170
Re-instatement of previous impairment of investment in Healthcare Holdings	3,503,314	-
Investment in shares of property investment company	-	4,185,050
Disposal of investments	-	(12,445,125)
	<u>7,245,341</u>	<u>3,803,095</u>
Total investment in properties	<u>116,820,118</u>	<u>103,333,904</u>
Deferred lease rental	346,698	264,951
Total	<u><u>117,166,816</u></u>	<u><u>103,598,855</u></u>

Investment properties were revalued at 31 December 2011 by MG Properties International Botswana, Kwena Property Services and Wragg (Proprietary) Limited, firms of independent chartered valuers on an open market value basis.



DEBSWANA PENSION FUND
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 31 December 2011

	2011 BWP	2010 BWP
6 OTHER FINANCIAL ASSETS		
Designated as at fair value through profit and loss (FVTPL)		
Equity investments - Onshore	676,254,014	603,716,496
- Offshore	6,112,125	6,396,269
	682,366,139	610,112,765
Fixed income securities		
Bonds - Onshore	377,263,774	413,083,016
- Offshore unitised	483,584,296	383,776,847
	860,848,070	796,859,863
Promissory notes	430,165	1,211,309
	861,278,235	798,071,172
Offshore equity unitised funds	1,391,434,078	1,299,921,191
	2,935,078,452	2,708,105,128
Short-term loan to Airport Junction (repayable on or before 30 April 2012)	22,505,209	-
Provision for impairment (Diamonex Limited)		
Dual listed equities	(3,866,724)	(3,866,724)
Bonds onshore	(1,122,944)	(1,122,944)
	(4,989,668)	(4,989,668)
Net carrying amount	2,952,593,993	2,703,115,460
7 CASH AND CASH EQUIVALENTS		
Short-term deposits	317,889,339	210,460,943
Bank balances	106,281,073	234,970,772
	424,170,412	445,431,715



DEBSWANA PENSION FUND
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS
 for the year ended 31 December 2011

8 PLANT AND EQUIPMENT	Motor Vehicles	Office Equipment	Furniture and Fittings	Total
2011	BWP	BWP	BWP	BWP
Cost				
Balance at 1 January 2011	197,140	1,508,174	491,504	2,196,818
Additions	547,919	1,533,057	264,561	2,345,537
Balance at 31 December 2011	745,059	3,041,231	756,065	4,542,355
Accumulated depreciation				
Balance at 1 January 2011	151,961	408,328	261,199	821,488
Charge for the year	108,382	413,731	120,048	642,161
Adjustments	152,163	-	-	152,163
Balance at 31 December 2011	412,506	822,059	381,247	1,615,812
Carrying amount	332,553	2,219,172	374,818	2,926,543
2010				
Cost				
Balance at 1 January 2010	197,140	440,172	491,504	1,128,816
Additions	-	1,068,002	-	1,068,002
Balance at 31 December 2010	197,140	1,508,174	491,504	2,196,818
Accumulated depreciation				
Balance at 1 January 2010	197,140	287,002	208,068	692,210
Charge for the year	4,107	200,170	84,257	288,534
Adjustments	(49,286)	(78,844)	(31,126)	(159,256)
Balance at 31 December 2010	151,961	408,328	261,199	821,488
Carrying amount	45,179	1,099,846	230,305	1,375,330



DEBSWANA PENSION FUND
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 31 December 2011

	2011 BWP	2010 BWP
9 INTANGIBLE ASSET		
Cost		
Balance at beginning of year	5,009,429	-
Additions during the year	1,180,772	5,009,429
Balance at end of year	6,190,201	5,009,429
Amortisation and impairment		
Amortisation at beginning of year	(166,981)	-
Amortisation charge for the year	(619,020)	(166,981)
Impairment during the year	(2,309,100)	-
Balance at end of year	(3,095,101)	(166,981)
Carrying amount	3,095,100	4,842,448

The intangible asset comprises of an internally developed application system, the Benchmark Benefits Administration System.

10 CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions receivable	-	65,966
Transfers receivable	330,044	-
Adhoc contributions clearing account	655,366	-
Advance benefit payments	3,738,614	-
Interest receivable	2,051,392	824,872
Dividends receivable	887,046	1,051,474
Property rentals receivable	756,594	508,161
Property partnership current accounts	7,683,886	9,324,125
Other receivables	9,356,441	1,249,466
	25,459,383	13,024,064

Contributions and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. Contributions are received in accordance with the Rules of the Fund. No interest is charged on outstanding receivables.



DEBSWANA PENSION FUND
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 31 December 2011

11 BENEFITS PAYABLE

Retirement	67,756,668	54,868,926
Withdrawal	34,856,291	24,110,941
Death	4,636,296	9,815,587
Pensioner deaths	602,693	189,723
Uncleared contributions	1,174,827	1,179,593
Redirected funds (Deaths and Voids)	7,521,192	-
Monthly pensions	2,475,625	132,468
Unclaimed benefits	1,663,241	851,219
Tax payable on benefits	5,278,154	381,066
Contributions for ineligible members	624,060	818,611
	126,589,047	92,348,134

12 OTHER PAYABLES

Rental deposits	381,453	348,229
Rental received in advance	127,902	152,598
Withholding tax	6,746	7,101
Administration fees payable	3,920,033	2,514,087
Provisions and accruals	1,336,201	693,024
	5,772,335	3,715,039



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 2011. The valuation shows that the pension reserves of the Fund, as reflected in the statement of changes in funds on page 6 amounting to P1 106 068 735 (2010:P793 744 068) adequately cover the pensioners' liabilities at that date amounting to P1 099 047 000 (2010:794 732 000), 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 on-going 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.

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 the age-banded life stage model, which provides a range of investment portfolios with specified investment strategies.

Risk Management Governance Structure

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 Board of Trustees.

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 decisions 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 Board of Trustees.

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.

Benefits Review Committee

The Benefits Review Committee comprising of the Board of Trustees and management meets regularly and reviews the distribution and disposal of death benefits. The Benefits Review Committee is also responsible for the Fund's communication strategy and its implementation.

Types of Risk Exposure

The Fund is exposed to various types of risk exposures, namely market risk, comprising currency risk, interest rate risk, 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 2011 amounted to P1 881 130 499 (2010: P1 685 607 696).



14 FINANCIAL RISK MANAGEMENT (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 2011 amounted to P400 199 148 (2010:P414 294 325) being investments in onshore bonds, promissory notes and short-term loans and P483 584 296 (2010:P383 776 847) being investments in offshore bonds, and P424 170 412 (2010:P445 431 715) being short term deposits and cash and cash equivalents as disclosed in notes 6 and 7.

Equity price risk:

Equity price risk is the risk that the value of equities decreases as a result of changes in the equity prices and diminution of value of individual stocks. The investment guidelines stipulates the allowable holding levels. The net exposure to equity price risk as at 31 December 2011 amounted to P682 366 139 (2010:P610 112 765) for local equities and P1 391 434 078 (2010:P1 299 921 191) for offshore equities and offshore unitised funds as disclosed in note 6.

Fair values of financial instruments

Fair values of financial instruments carried at amortised cost

The Board of Trustees considers that the carrying amounts of assets and liabilities recognised in the financial statements at amortised cost approximates their fair values.

Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed equities and bonds).

The fair values of other financial assets and financial liabilities are determinable in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.



Fair value measurements recognised in the Statement of Financial Position

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements are those derived from valuation techniques that includes inputs for the asset or liability that are not based on observable market data (unobservable inputs).



DEBSWANA PENSION FUND
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 31 December 2011

14 FINANCIAL RISK MANAGEMENT (continued)

Fair values of financial instruments (continued)

	31 December 2011			
	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	BWP	BWP	BWP	BWP
Onshore listed equity investments	676,254,014	676,254,014	-	-
Offshore listed equity investments	6,112,125	6,112,125	-	-
Onshore listed bonds	377,263,774	377,263,774	-	-
Promissory notes	430,165	-	430,165	-
Offshore bonds unitised funds	483,584,296	-	483,584,296	-
Offshore equity unitised funds	1,391,434,078	-	1,391,434,078	-
Short-term loan	22,505,209	-	22,505,209	-
Total	2,957,583,661	1,059,629,913	1,897,953,748	-

There were no transfers between Level 1 and 2 during this period.

There are no financial assets categorised as Level 3. Consequently, the reconciliation of movements in the Level 3 fair value measurements has not been provided.

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.

Market risk sensitivity analysis

The set of assumptions used for each of the risk factors hereunder are not forecasts, but merely "what if" scenarios and the likely impact on the current portfolio, based on selected changes in risk variables over a one year horizon.



14 FINANCIAL RISK MANAGEMENT (continued)

The table below gives an indication of the risk sensitivities of the portfolio to various risk parameters. Assuming that the probability of the beneficial change in the risk variables are as likely to happen as an adverse change, both potential increase and decrease are shown for the indicated scenarios.

31 December 2011				
Risk Variable	Adverse market change		Beneficial market change	
	Scenario	Effect on statement of comprehensive income BWP	Scenario	Effect on statement of comprehensive income BWP
Currency Risk	Strengthening of the Pula by 1%	(18,811,305)	Weakening of the Pula by 1%	18,811,305
Global Equity Risk	Decline in global equity prices by 1%	(13,975,462)	Increase in global equity prices by 1%	13,975,462
Local Equity Risk	Decline in local equity prices by 1%	(6,762,540)	Increase in local equity prices by 1%	6,762,540
Interest Rate Risk	Decline in interest yield by 1%	12,854,391	Increase in interest yield by 1%	(12,854,391)

31 December 2010				
Risk Variable	Adverse market change		Beneficial market change	
	Scenario	Effect on statement of comprehensive income BWP	Scenario	Effect on statement of comprehensive income BWP
Currency Risk	Strengthening of the Pula by 1%	(16,856,077)	Weakening of the Pula by 1%	16,856,077
Global Equity Risk	Decline in global equity prices by 1%	(12,999,212)	Increase in global equity prices by 1%	12,999,212
Local Equity Risk	Decline in local equity prices by 1%	(6,101,128)	Increase in local equity prices by 1%	6,101,128
Interest Rate Risk	Decline in interest yield by 1%	12,435,031	Increase in interest yield by 1%	(12,435,031)



DEBSWANA PENSION FUND
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 31 December 2011

14 FINANCIAL RISK MANAGEMENT (continued)

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 on-going 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.

There are no investments with any counterparty exceeding 5% of the total investment portfolio.

Concentration of credit risk

Counterparty (Investment Manager)	Investment type	2011 BWP	2010 BWP
Counterparty (investment manager)	Government bonds	38,556,434	71,442,404
Investec Asset Management Limited	Corporate bonds	75,767,680	69,551,007
Investec Asset Management Limited	Parastatals bonds	63,843,292	63,102,332
Investec Asset Management Limited	Corporate promissory notes	430,165	1,211,309
BIFM Asset Management (Proprietary) Limited	Government bonds	90,350,660	96,794,259
BIFM Asset Management (Proprietary) Limited	Corporate bonds	23,537,245	31,453,050
BIFM Asset Management (Proprietary) Limited	Parastatals bonds	18,435,304	19,229,939
Allan Gray Botswana	Government bonds	11,013,615	10,990,315
Allan Gray Botswana	Corporate bonds	24,863,350	18,506,203
Allan Gray Botswana	Parastatals bonds	30,896,195	32,013,507
Pimco Funds: Global Investors Series plc.	Unitised offshore bonds	483,584,295	383,776,847
Total (per note 6)		861,278,235	798,071,172

Bank balances and fixed deposits

Counterparty (Investment Manager)	Investment type	2011 BWP	2010 BWP
First National of Bank Botswana Limited	Fixed deposits	124,274,745	120,806,725
Barclays Bank of Botswana Limited	Fixed deposits	66,574,176	1,909,658
Barclays Bank of Botswana Limited	Bank balances	92,844,124	221,455,971
Standard Chartered Bank Botswana Limited	Bank balances	13,437,537	11,685,400
Stanbic Bank Botswana	Fixed deposits	39,173,363	43,607,404
Bank of Botswana	Treasury bills	85,147,851	45,966,557
Other Institutions	Fixed Deposits	2,718,616	-
Total		424,170,412	445,431,715



14 FINANCIAL RISK MANAGEMENT (continued)

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis of recognition of income and expenses), for each class of financial asset and financial liability are disclosed under significant accounting policies on pages 11, 12 and 13 of the financial statements

Categories of financial instruments	2011 BWP	2010 BWP
Financial assets		
Cash and cash equivalents	424,170,412	445,431,715
Designated as at fair value through profit and loss (FVTPL)	2,952,593,993	2,703,115,460
Loans and receivables	25,459,383	13,024,064
Financial liabilities		
Other financial liabilities at amortised cost	132,361,382	96,063,173
15 RELATED PARTY TRANSACTIONS		
Remuneration of key management personnel: Key management personnel comprises the Principal Executive Officer Gross emoluments of the key management personnel are:		
Short term benefits	1,092,495	936,024
Internal audit fees charged by Debswana Head Office	343,184	248,052

16 CONTINGENCY RESERVE

A decision was made by the Board of Trustees to allocate operating expenses amounting to P2 928 120 (2010:P583 780) relating to the Benefits Administration System to the Contingency Reserve. The reason for allocating the expenses to Contingency Reserve was to avoid overburdening members who retired in 2011 with the once-off cost which would have negatively impacted on their fund credits. The Contingency Reserve is utilised for such purposes.

17 DESCRIPTION OF THE FUND

The Fund was established on 1 October 1984 as a defined contribution pension fund.

The main purpose of the Fund is to provide for the payment of pensions to qualifying members on retirement. A secondary objective of the Fund is to provide benefits to nominated beneficiaries or widows and dependents of the qualifying members as the case may be.

The participating employers are: Debswana Diamond Company (Proprietary) Limited, Morupule Colliery Limited, De Beers Holdings Botswana (Proprietary) Limited, Diamond Trading Company Botswana (Proprietary) Limited, Anglo Coal (Proprietary) Limited and Debswana Pension Fund.



DEBSWANA PENSION FUND
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 31 December 2011

18 MEMBERSHIP STATISTICS		2011	2010
Number of members:	Active	4,191	4,727
	Deferred	2,658	2,491
	Pensioners	2,737	2,336
<hr/>			
19 COMMITMENTS		2011	2010
Amounts committed in terms of operating leases over the Fund's office premises in Gaborone:		BWP	BWP
Due within two to one year		847,200	452,532
Due within two to five years		4,236,000	2,262,660
		5,083,200	2,715,192

20 FIDELITY INSURANCE COVER

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

21 EVENTS AFTER THE REPORTING PERIOD

No events have occurred between the end of the reporting period and the date of approval of the financial statements, which would materially affect the financial statements.

22 COMPARATIVES

Where necessary, the presentation of comparative information has been re-classified to conform to the current year financial statements.



