



*Protect your
wealth...*



DPF

**2015 • ANNUAL
REPORT**

Your Fund, Your Security, Your Future



DEBSWANA PENSION FUND
2015 • ANNUAL REPORT

DPF



Protect your **wealth...**

Your Fund, Your Security, Your Future





► Domicile, Trustees and Principal Business Partners

PRINCIPAL ADDRESSES OF THE FUND

Debswana Pension Fund Secretariat
Private bag 00512, Gaborone
Plot 50361 Block D, Carlton House
Fairgrounds Office Park
Gaborone, Botswana

TRUSTEES

Principals

Richard Vaka (Board Chairman)
Reobonye China Abel (Deputy Chairman)
Lynnette Armstrong
Christopher Mokgware
Esther Palai
Gakenaope Gakologelwang
Ishmael Mokobi
Lebogang Sebopelo
Garekwe Mojaphoko
Wanjiru Kirima (Retired 30th June 2016)

Alternates

Eunice Mpoloka
Emmanuel Kgaboetsile
Tefo Setlhare
Letsibogo Ndwapi
Victor Mbanga
George Rantshilwane
Mooketsi Menyatso
Kitlanang Phuthego
Potoko Bogopa

EXTERNAL AUDITORS

Deloitte & Touche

INTERNAL AUDITORS

Debswana Diamond Company

PARTICIPATING EMPLOYERS

Debswana Diamond Company (Pty) Ltd
Diamond Trading Company Botswana (DTCB)
Morupule Coal Mine (MCM)
De Beers Global Sightholder Sales (DBGSS)
De Beers Holding Botswana (DBHB)
Debswana Pension Fund (DPF)
Anglo Coal Botswana

ACTUARIES

Towers Watson

INVESTMENT CONSULTANTS

Riscura Consulting International

CUSTODY MANDATE

Stanbic Bank Botswana Ltd

BANKERS

Barclays Bank Botswana (Pty) Ltd
Standard Chartered Bank Botswana

OFFSHORE MANAGERS

Walter Scott International (Equity)
Aberdeen International (Equity)
Marathon International (Equity)
Orbis International (Equity)
PIMCO International (Bond)
Vintage Capital Fund Managers

ENQUIRIES

Enquiries about the Fund and its services may be made by visit, telephone or email to bokamoso@debswana.bw. More information is available on the website www.dpf.co.bw

ADMINISTRATION OFFICES

Gaborone Office

Plot 50361 Block D, Carlton House,
Fairgrounds Office Park
Tel: +267 361 4267, Fax: +267 3936239

Orapa Office

HR Block,
Office No.11
Tel: +267 290 2323

Jwaneng Office

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



Table of Contents

A. Fund Overview	[03]
B. Chairman's Remarks	[07]
C. Fund Performance Highlights	[11]
D. Market Review	[15]
E. CEO's Review	[19]
F. Trustees' Report	[23]
1. Constitution of the Fund	[24]
2. Compliance Statement	[24]
3. Board Achievements in 2015	[27]
4. Trustee Training & Development	[28]
5. Audits	[28]
6. Risk Management & Risk Policy statement	[28]
7. Taxation	[30]
8. Additional Voluntary Contribution	[30]
9. Fund Communication	[31]
10. Summary Financial Development of the Fund	[35]
11. Actuarial review	[36]
12. Investment Report	[39]
G. Actuarial Certification Statement	[47]
H. Financial Statements	[49]



Our History:

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.

Vision

To be the preferred retirement services provider.

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

Our Values:

Customer Focused
Trust & Integrity
Innovation
Agility
Self-Driven & Motivated

Contact us:

Gaborone Office

Private Bag 00512, Gaborone,
Botswana.
Plot 50361, Block D,
Carlton House,
Fairgrounds, Gaborone,
Botswana.

(Tel) +267 3614267
(Fax) +267 393 6239
(Toll Free) 0800 600 681

Orapa Office

HR Block,
Office No. 11
(Tel) +267 290 2323

Jwaneng Office

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

Auditors

- Deloitte & Touche

Bankers

- Barclays Bank Botswana
- Standard Chartered Bank Botswana

Board Members





► Board of Trustees:

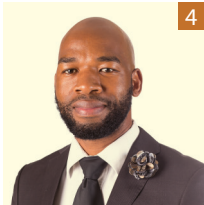
Principal Trustees

Company appointed

Independent Trustee



Member Elected



Board Chairman

Richard Vaka

Alternate Trustees

Company Appointed



Member Elected Trustee



Principal Trustees:

Company Appointed

1. Chris Mokgware
2. Lynette Armstrong
3. Lebogang Sebopelo
4. Richard Vaka

Independent Trustee

1. Wanjiru Kirima

Member Elected

1. Reobonye China Abel (Deputy)
2. Garekwe Mojaphoko
3. Ishmael Mokobi
4. Gakenaope Gakologelwang
5. Esther Palai

Alternate Trustees:

Company Appointed

1. Tefo Setlhare
2. Letsibogo Ndwapi
3. Kitlanang Phuthego
4. Eunice Mpoloka

Member Elected

1. Mooketsi Menyatso
2. Victor Mbanga
3. Potoko Bogopa
4. Emmanuel Kgaboetsile
5. George Rantshilwane



DPF Management:

DPF Exco



Chief Executive Officer

Gosego January



Exco

- 1. Bangidza Dhliwayo - *Investment Manager*
(Deceased 25/07/2016 - MHSRIP)
- 2. Melvyn Pensee-Arnold - *IT & Project Manager*
- 3. Mpho Mphafe-Fish - *Finance & Administration Manager* (Appointed August 2016)
- 4. Sidney Mganga - *Legal & Compliance Manager* (Appointed July 2016)
- 5. Agatha Sejoe - *Communication Manager*

Senior Leadership

- 1. Mpho Molefhi - *Fund Accountant*
- 2. Maipelo Motshwane - *Fund Administrator*

Senior Leadership





B. Chairman's
Remarks



Board Chairman

Richard Vaka

To our valued members and business partners of the DPF, I am happy to report that the DPF has completed another successful business year in 2015.

Through this report the Trustees would like to give you extensive feedback on the 2015 objectives, policies and performance outcomes across the DPF functions. Through the CEO's review and Trustee Report mainly, you will gain further insight on the performance of the Fund operations during the year; all of which I am pleased to say have produced remarkable results. Overall investment performance is positive, with the Fund having recorded a healthy investment return of 13.57% (gross) and 12.12 (net) and rising steadily to a total Fund value of P6,313 billion. We are steadfastly approaching the next billion Pula milestone and are happy to see that despite the volatile current investment market climate (as explained in the above commentary), the Fund has remained progressive in its growth path, which is testament to our excellent Investment Policy (IP) and strategies.

Also pleasing to note for us as your Trustee is that the expected benefits of Project Anchor have already begun to manifest, one of them being an expected reduction Fund administration costs going into 2016 and beyond. Through the introduction of the new system Everest and a new member portal amongst others, we already project a significantly reduced cost per member by the end of 2016. Considering our general historical record in all aspect of the Fund business, and indeed the 2015 outcomes, I can therefore confidently reassure you that your Fund is in very sound

position operationally and financially. It is in fact at one of its best operationally since inception.

I would like to therefore reaffirm our commitment as the Board of Trustees to ensure robust and sound governance as we continue to deliver on our brand promise. As a way forward I would also like to highlight to you where we are currently in terms of strategy and what the next steps will be henceforth;

The Debswana Pension Fund (DPF) strategy 2012-2017 sought to address a number of strategic and operational challenges that faced the organization at the time of the strategy inception, these include;

2012 – 2017 Organizational Strategy overview

1. An uncompetitive cost structure.
2. Low staff morale.
3. Stakeholder/member satisfaction issues.
4. The need to diversify revenue streams
5. The need for an improved customer value proposition and product innovation



The strategic plan sought therefore to address the above challenges through a number of key focus areas;

1. Initiatives to reduce operational and IT costs
2. Review of the DPF operating model- People, Processes, and Technology
3. Review of the DPF organisational design
4. Development and Implementation of a Growth Strategy

Progress Report on the Strategic Plan & Next Steps

Phase I of Project Anchor, of which the objective was to enhance operational efficiencies through the alignment of "People", "Processes" and "Technology" was launched in April 2015 and completed successfully by year end. It is anticipated

that the first part of 2016 will focus on embedding the revamped organization in all aspect before the Board can review and decide on phase 2 of the project, of which the objective will be to develop and growth the business of the Fund to ensure its long term sustainability. Phase 2 will be reviewed in the third quarter of 2016.

I am very happy to confirm that to date, DPF has implemented most of the operational improvements in the strategic plan and realized more than the target 15% reduction in the Cost per member.

Below is the summary progress report on our strategic projects as at the date of this annual report;

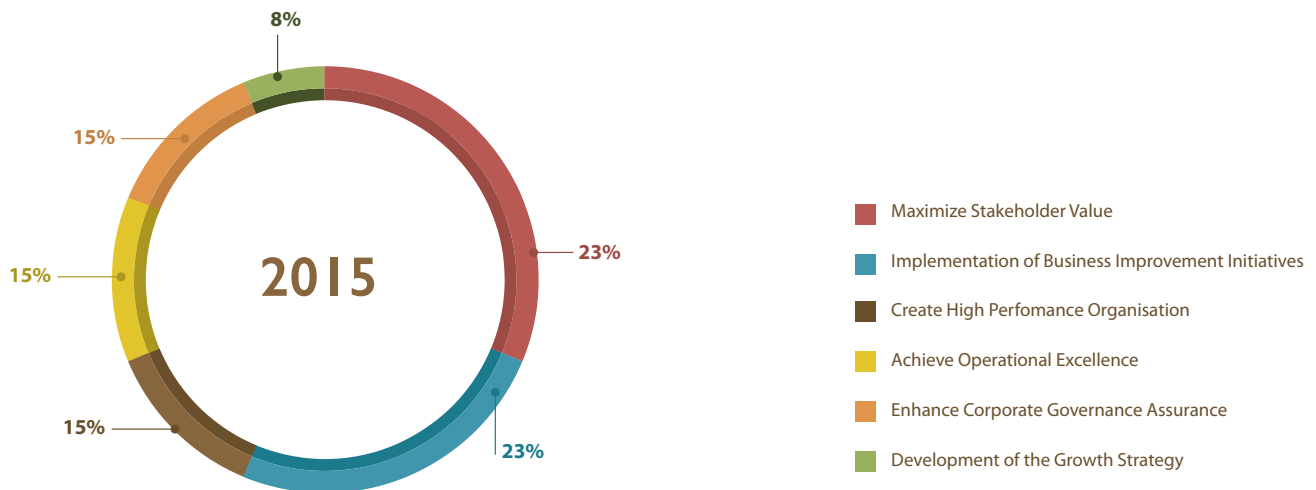
2016														
Project Name	Stage	%	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Project Anchor - Phase IA – System Implementation	Closed	100%						○						
Project Anchor IA - System Gap List	Closing	100%					○							
Project Anchor IB – Member Portal Deployment	Executing	93%								○				
Project Anchor IC – System Enhancements	Initiation	10%											○	
Develop and implement the Desired														
Organisational Culture	Planning	20%											○	
Review the Finance Function - People, Process & Tech	Initiation	0%												○
Review and Implement a Growth Strategy	Initiation	0%										○		
Develop and Implement an (AML) Anti-Money Laundering Compliance Structure	Board Approval	90%						○						
Review and Implement the Risk Strategy	Initiation	50%								○				
Develop and implement Talent Management Strategy	Planning	20%												○
Review and Implement Property Strategy	Initiation	0%										○		
Review and Implement the Business Continuity Model	Planning	40%									○			
Review and Renew the Life Stage Investment Model	Initiation	0%								○				

Note Due On Target Slippage Major Slippage Target ○



► Chairman's Report

Distribution of Projects by Corporate Scorecard Alignment



In conclusion I wish to thank all members and stakeholders for your understanding during the organizational transition in 2015 as well as your long standing support to the Fund. I am also very proud to work with such a progressive and driven Board of Trustees, as well as a dedicated team of Managers and staff of the DPF. I am very saddened by the recent sudden passing of our Investments Manager Bangidza Dhliwayo who was a very valuable member of the DPF family. May his soul rest in peace.

We look to 2016 with as much anticipation and determination as before to achieve another prosperous year for the DPF.

Yours sincerely

Board Chairman

Richard Vaka



C. Fund Performance

Highlights



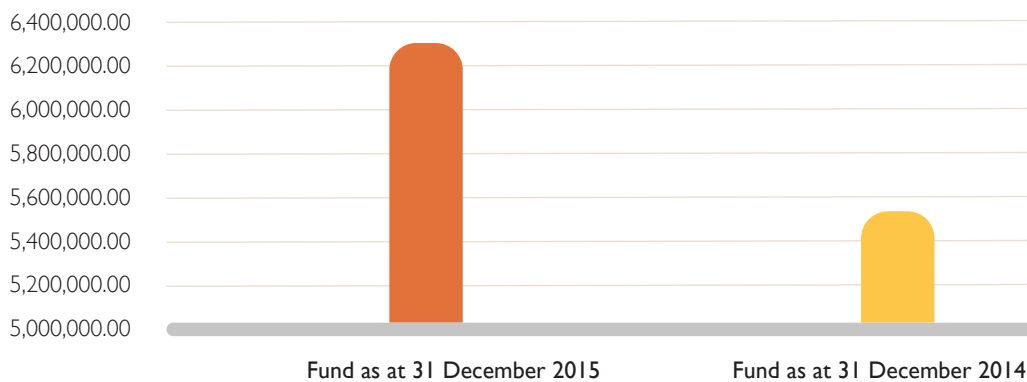
► 2015 Fund Performance Highlights

2015 FUND PERFORMANCE HIGHLIGHTS

FUND GROWTH

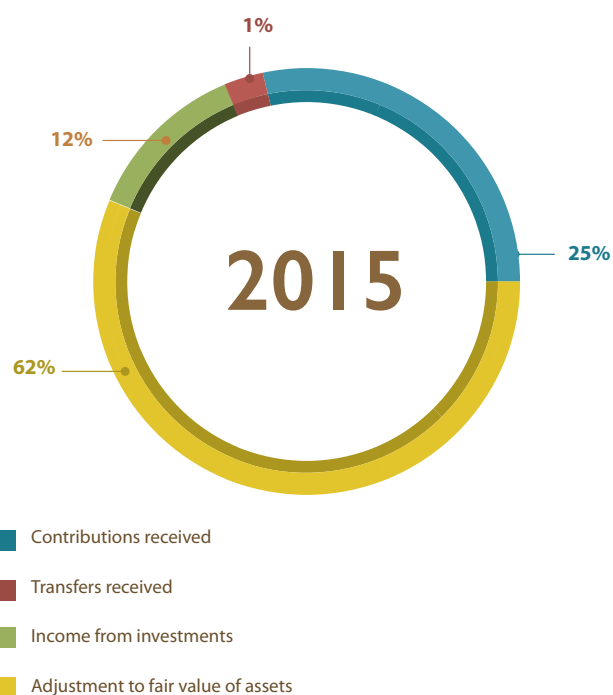
TOTAL VALUE OF FUND ASSETS ROSE BY BWP772 MILLION FROM 2014 TO 2015

Total Fund Growth 2014 - 2015



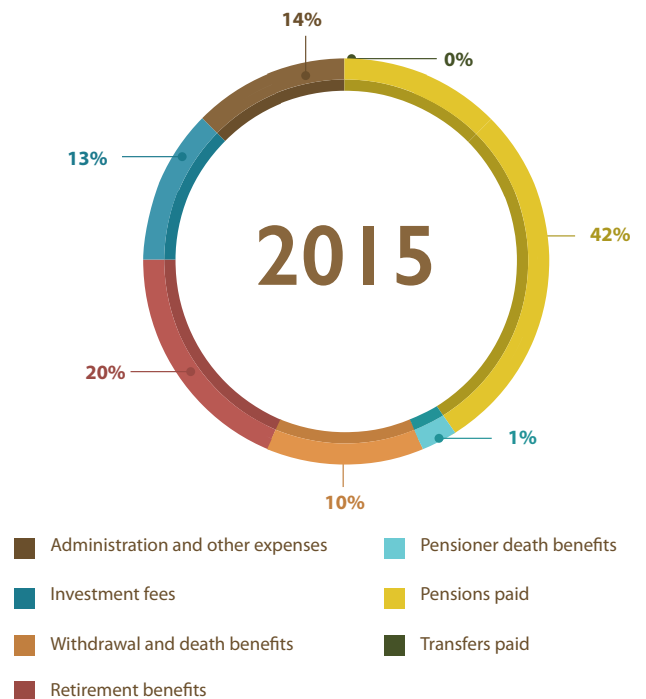
Revenue

Income received by the Fund during 2015 is split as follows; A total of **BWP 1,032 billion** was earned in 2015.



Expenses

Fund expenses amounting to **BWP260 million** were incurred in 2015 split as follows;

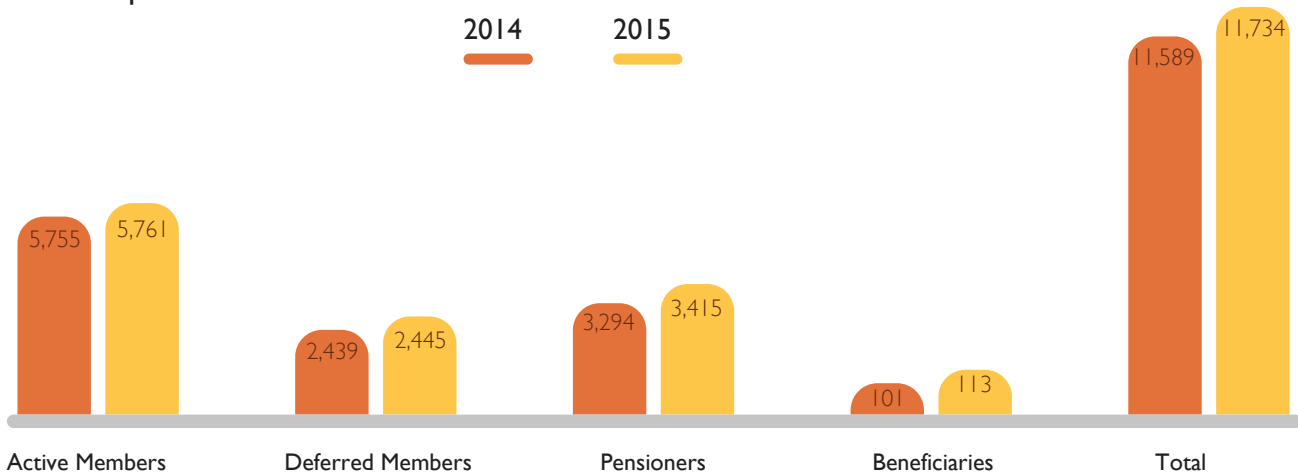




Membership Growth/decline

Membership has remained relatively stagnant during the year with only a 1% upward movement. Employer environments have remained relatively stable during the year hence the minimal movements in membership.

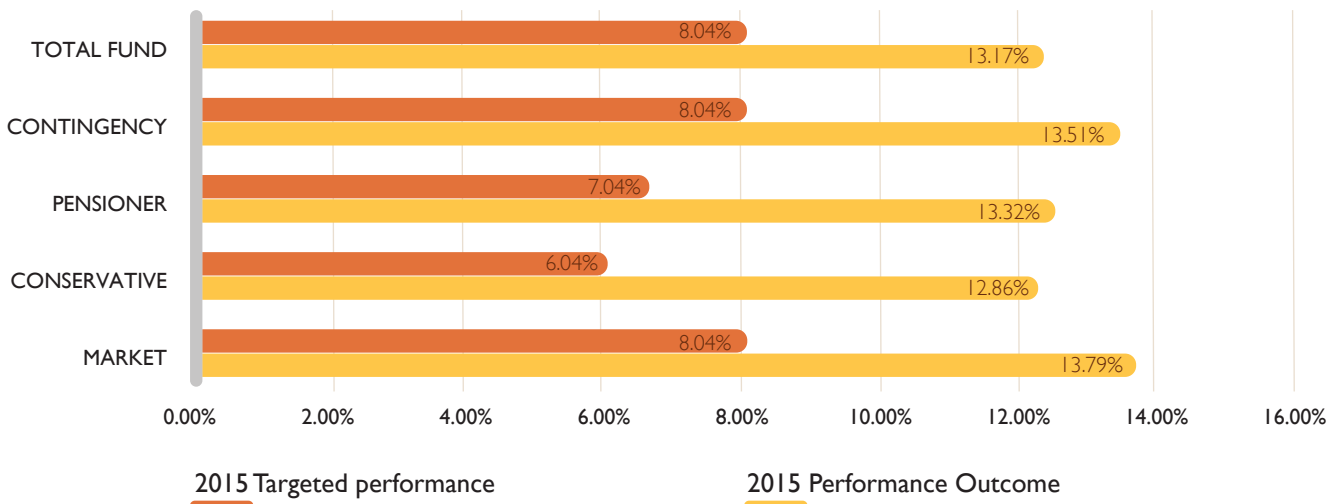
Membership Growth 2015



Investment Returns

The Fund targets investment returns of CPI+5% on total Fund and the Market portfolio, CPI+3% on the conservative portfolio and CPI+4% on the Pensioner portfolio.

Investment Returns 2015



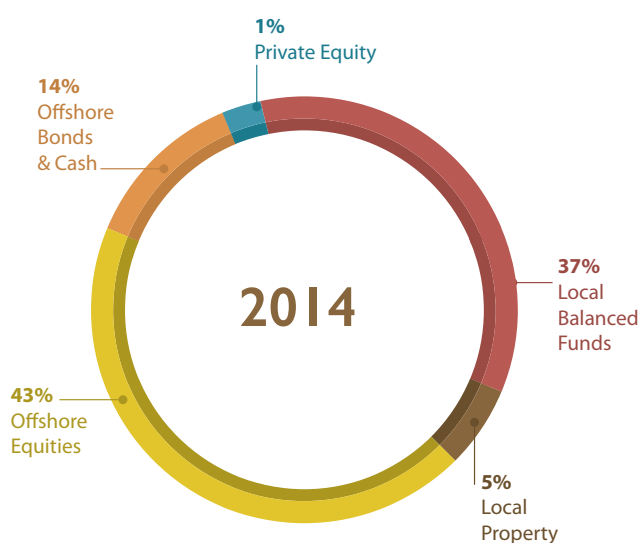


► 2015 Fund Performance Highlights

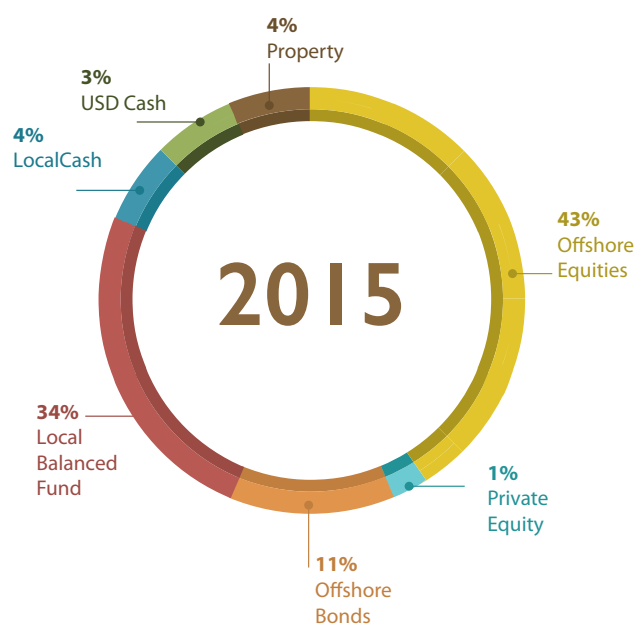
Asset Allocation

For the year ending in December 2015, the Fund had 58% of its assets invested offshore with 42% invested locally (Botswana). The Fund's actual offshore asset allocation was overweight relative to the Strategic Asset Allocation at the end of year due to BWP weakness.

Asset Allocation as at 31 December 2014



Asset Allocation as at 31 December 2015



Financial Position

The Fund remains in a sound financial condition at 31 December 2015 as the value of the assets within each account is equal to or exceeds the liabilities of the respective account

Combined position	Following transfer	Prior to transfer	
	31-Dec-15	31-Dec-15	31-Dec-14
	P'000	P'000	P'000
Fair value of assets	6 313 134	6 313 134	5 541 451
Actuarial liabilities	5 863 899	5 863 899	5 166 725
Surplus/Deficit	449 235	449 235	374 726
Funding Level	107.70%	107.70%	107.30%

D. Market Review





► 2015 Market Review

2015 GLOBAL MARKET REVIEW

During 2015 Global stocks delivered flat returns as investor enthusiasm for the U.S. economic recovery was offset by concerns over a sharp slowdown in China. Aggressive central bank stimulus measures continued to support markets in Europe and Japan, while the U.S. gradually stepped back from accommodative policies. Emerging markets stocks generally lagged their developed-market counterparts by a wide margin. Mergers-and-acquisitions activity reached a record high, fuelled by cheap financing.

Defensive stocks outpaced economically sensitive sectors. Health care and consumer staples stocks rallied, while energy and materials stocks plummeted amid falling prices for oil and other commodities. At the end of the year, the U.S. Federal Reserve raised interest rates for the first time in nearly a decade, setting the stage for tighter monetary policy in the years ahead. The U.S. dollar rose against the euro and most other currencies.

North America

U.S. stocks ended 2015 up modestly from where they had started. The Standard & Poor's 500 Composite Index climbed to an all-time high in May, but worries about global economic growth, the interest rate outlook, corporate earnings and the health of the high-yield bond sector weighed on equities in the second half of the year. Stocks in several sectors were buoyed by mergers and acquisitions as companies sought to make deals before interest rates started to rise. Sluggish top-line growth, investor activism and tax reduction also contributed to the increase in M&A activity in Europe. The Federal Reserve raised the federal funds target rate by 25 basis points in December to a range of 0.25% to 0.50%, bringing an end to seven years of near-zero rates and months of speculation. Bonds advanced modestly as investors awaited the Fed's much anticipated rate hike. The Barclays U.S. Aggregate Index rose 0.5%, a weaker result than 2014's 6.0% gain.

Europe

European stocks rose in local currency terms, supported by a declining euro and aggressive stimulus measures from the

European Central Bank. The euro tumbled to multiyear lows against the U.S. dollar, boosting European exports and sending consumer-related stocks higher. ECB President Mario Draghi unveiled a new stimulus program in March, aiming to jumpstart lending activity and spur economic growth. The €60-billion-a-month bond-buying initiative sparked a strong rally in European sovereign debt, but failed at least initially to raise inflation closer to the ECB's goal of roughly 2%. investors. In bond markets, the ECB's stimulus measures sparked a debt rally for much of the year, driving down yields for many government and corporate bonds. Yields on the short-term notes of several European nations moved into negative territory, hitting a series of record lows.

Asia-Pacific

Japan was among the best-returning developed stock markets, boosted by its large scale quantitative easing program, shareholder-friendly corporate actions, and a persistently weak yen. Equities rose sharply over the first half of 2015 and the Nikkei 225 reached its highest level in more than 18 years. Despite strong equity gains, Japan's growth and inflation remain muted. The economy narrowly avoided falling into its second recession in the past year and a half, as revised third-quarter data showed moderate growth. The yen reached a 12-year low against the U.S. dollar earlier in the year, and weakened 16% since mid-2014. Exporters have benefited from the weak yen, as their products become more competitive in global markets. Australian equities edged up 1% amid mixed results from large banks and weakening commodity prices throughout the year. Banking stocks were negatively affected by stricter capital requirements and Australia's sluggish economy, although some finished the year stronger after raising interest rates on variable interest loans. Hong Kong-listed equities fell 1%, hurt by slowing growth in China. Macau-based casino operators again weighed on the market, with the five largest Macau-based gaming companies each declining by at least 25%.



EMERGING MARKETS

Asia

Emerging markets trailed developed-market stocks for a third straight year, dragged down by weak commodity prices, a slowing global economy and the specter of rising U.S. interest rates. Most world currencies fell against the U.S. dollar, with many declining by double-digits on a percentage basis. Asian markets lost ground. The MSCI China IMI fell 6% as China's government pursued an anti-corruption campaign and pressed ahead with reforms. In a bid to stimulate the economy, China's central bank cut interest rates five times, lowered the amount of cash banks are required to hold as reserves, and announced a surprise devaluation of the renminbi. The government also enacted policies to encourage home and car purchases.

Brazil

Brazilian equities plunged, roiled by a deep recession, persistently low commodity prices and a government corruption scandal that stalled much-needed reforms. Political turmoil reached a fever pitch in December as President Dilma Rousseff faced impeachment proceedings and a new finance minister was named. Moody's also signaled it may join S&P and Fitch in stripping Brazil of its lowest investment-grade credit rating.

Russia

Russian stocks rebounded after steep losses in 2014 despite weak oil prices, international trade sanctions and escalating geopolitical tensions with Turkey. The MSCI Russia IMI gained 5%. Russia's central bank continued to ease monetary policy, cutting interest rates five times to help the economy. The ruble fell 18% against the U.S. dollar. Russia's local currency bonds rose 8% in U.S. dollar terms amid speculation the country's central bank would cut interest rates. Turkish equities lost ground amid the prospect of a U.S. interest rate hike, political turmoil and rising geopolitical tensions in the Middle East.

South Africa

South African equities tumbled 26% as the economy slumped on falling metals prices and electricity shortages. President Jacob Zuma changed finance ministers twice in early December, adding to the political stress. The rand declined 25% against the dollar. Local currency bonds dropped 28% in U.S. dollars amid a weakening economy and fiscal challenges.

2015 BOTSWANA ECONOMIC REVIEW

Continued uncertainty in global markets and the slow pace of economic recovery in advanced countries continued to act as a drag on Botswana's economic outlook in 2015, mainly due to the country's heavy reliance on diamond exports. After two years of strong post-crisis growth, subdued global demand for minerals and metals in 2012 slowed real GDP growth considerably to around 4%. Economic growth strongly bounced back in 2013 (+9.9%) as driven by the diamond sector, but decelerated again in 2014 (+3.2%) to eventually turn negative in 2015 (-0.3%). The slowdown in China combined with falling commodity prices are among the main external factors behind this economic contraction. Continuing electricity and water supply disruptions have also impacted manufacturing, whereas the negative effects of a regional drought adversely affected agriculture. Lower fuel and commodity prices, slower credit growth and weakening economic activity will keep CPI inflation at the lower end of the Central Bank's band of 3-6%.

The fiscal balance swung from a surplus of 3.8% of GDP in 2014 to an estimated deficit of 3.0% of GDP in 2015, as revenues have fallen and the government embarks on its Economic Stimulus Program. Government relies mainly on two volatile revenue streams, mineral revenues (which accounts for almost 40% of total revenue) and South African Customs Union (SACU) customs revenues (27% of total revenue). The recent fall in mining revenue is expected to gradually recover as demand from developed economies



► 2015 Market Review

stabilizes.

The decline in SACU transfers will persist due to the weak economic outlook for South Africa. However, the government has substantial fiscal savings and international reserves, which provides Botswana ample space to gradually adjust expenditures to the SACU shock in the long run, and to provide counter-cyclical stimulus in the near term. This combination of expenditure growth and lower revenue is expected to further widen the fiscal deficit to 3.9% of GDP in 2016, before a gradual return to balance by 2019.

Weak performance across the mining sector will narrow the current account surplus. In 2014, Botswana achieved a current account surplus of 15.7% of GDP. External factors mentioned above adversely affected exports in 2015, and the current account surplus narrowed to 9.3% of GDP, and will continue narrowing further in 2016 on continued weakness in the mining sector before gradual improvement. Foreign reserves remain strong at USD 7.5 billion at end-2015, or about 65% of GDP.

Botswana faces a key policy dilemma of how to grapple with the predicted decline in previously buoyant diamond revenues. Projections of future diamond revenues are uncertain. While diamonds may not be fully exhausted for

another generation, output is already well past its peak. While Botswana has made some progress in reducing its dependence on diamonds in the past 20 years, the level of economic diversification needed to offset diminishing mineral revenues will remain a challenge.

2015 DPF Investment Performance Review

For the year ending in December 2015, the Debswana Pension Fund grew by 13.57% (gross) and 12.12 (net) to a total Fund size of P 6,313 billion. Over the year, global equities returned 17.25% with the help of an 18.28% depreciation of the USD/BWP, implying a negative return in USD terms for the period. The managers had mixed results, with Walter Scott and Marathon returning above benchmark returns, whilst Orbis returned around benchmark returns and Aberdeen was lag of the international managers returning 5.09% in BWP.

Global bonds were lacklustre in dollar terms, but returned 14.55% in BWP. PIMCO returned 11.88% in BWP. Local Equities, Bonds and Cash benchmarks did 11.58%, 8.66% and 0.31% respectively. The local balanced managers BIFM and Allan Gray outperformed these returns, but Investec wasn't able to capture the equity upside over the period.



E. Chief Executive Officer's Review



► Chief Executive Officer's Review



CHIEF EXECUTIVE OFFICER'S REVIEW

Gosego January

Dear Members

It is my honor to present my review for the year 2015. It was a successful year in many respects, and primary amongst them was the swift and uneventful implementation of Project Anchor. The highlights of the project are marked by two main sub-projects; 1. A very smooth transition from the old administration system "Benchmark" to the new one "Everest"; and 2. A strategic re-organization that saw us undergo a retrenchment exercise, recruitment and placements into a new organizational structure with the overall objective to "align people, processes and technology"

Whilst it was challenging for us to say goodbye to some of our long standing colleagues, we took comfort in the fact that this exercise was done in the best interest of you the member, as it is one of the essential tasks required for ensuring that we achieve a high performance organization in the long term. I am also very happy to report that project Anchor has passed the project post implementation audit with flying colors, an affirmation of all the hard-work the Project team put into the project under the leadership of our Trustees (Steering Committee), IT Manager Melvyn Pensee-Arnold. Below is an overview of the key milestones reached under the Project.

Organizational Re-Structure Outcomes

The organisation embarked on a restructuring process which encompassed reviews of systems, processes and people within the Fund. The OCM stream was responsible for the people aspect of the change and the process followed was as per the steps outlined below which were approved by the Board of Trustees throughout the various stages:

1. Approval of the Retrenchment Policy and Selection Procedure
2. Organogram design following system process mapping
3. Formulation of job descriptions for each role
4. Grading of each role
5. Two placement committees were identified; a selection of Trustees and the CEO for the placement of management employees and the DPF Management team for the placement of non-managerial staff
6. Each individual employee was assessed in line with the approved policy and procedure using either one of the four approved methods
7. Feedback on the results of the placement committees was formally given to employees and appeal processes resumed
8. The full retrenchment exercise has been successfully completed and audited



Below is a summary of the retrenchment statistics:

MANAGEMENT		
Job Fit%	No. of Employees	Statistic
Successful Placement	4 employees	57%
Terminations due to non-job fit	2 employees	29%
Approved Voluntary Separation	1 employee	14%
Total	7 employees	

NON-MANAGERIAL		
Job Fit%	No. of Employees	Statistic
Successful Placement	8 employees	50%
Terminations due to non-job fit	5 employees	31%
Terminations due to redundancy	2 employees	13%
Approved Voluntary Separation	1 employee	6%
Total	16 employees	

Voluntary Separation

Voluntary Separation applications were opened to all staff members for seven days before the placement committees convened to assess suitability of employees against the new structure. Three applications were received and two applications were approved.

Efforts to minimise job loss

Where an employee was declared redundant or not fit for a role similar to the one they were performing before, the placement committees engaged them on whether they would be open to be considered for other roles on the structure where possible.

Appeal Process

Once all employees were given feedback on their new status the appeals process was opened to all employees. This was an opportunity created to allow the opinions and concerns of employees to be heard. It was also an opportunity for the process followed to be reaffirmed. In total four appeals were submitted.

Recruitment

All new roles were advertised and filled following a 70% job fit criteria. Current vacancies have been created by staff movement outside the restructuring process.

Death

On a very sad note, as we were preparing for the publication of this report, the Fund had to grapple with the loss of a key member of the staff, our long standing Investment Manager Bangidza Dhliwayo. He passed away on 25/07/16 after a tragic road accident near his workplace. He was 36 years old. "Bangi" or "BD", as we fondly called him, joined the Debswana Pension Fund in December 2011 as the Investments Manager, a position which he held until his passing. We will remember BD mostly for his kindness. He was a cheerful and tolerant human being who always faced all of his challenges in the work environment with a smile and hopeful endurance. BD was everybody's friend and loved by all of us at the DPF. His passing has created an urgent vacancy in the Fund as the role is core to most of DPF's ongoing strategic developments. The Fund has put in place the necessary mitigations to ensure the smooth running of the investment Function until the vacancy has been filled.



► Chief Executive Officer's Review

Operations Review

There were no major setbacks during 2015. Migration of member data to the new Everest system was seamless as indicated in the following;

Fund Finance and Administration Highlights

1. Implemented of the new administration system Everest was fully completed
2. Documentation of all processes to enable the design of the new system was also achieved
3. A Data clean up exercise before migration of member data to the new system was also successfully implemented
4. The new departmental structure positions were filled by year end with the exception of the HOD position "Finance and Administration Manager", and a temporary recruitment was made to ensure the department remained functional in the interim. At the time of this report the position was filled and the department is now fully resourced.

Key next steps for the Fund operations (amongst others)

1. Enhancing the inclusiveness and alignment of all Fund policies to the legal and regulatory compliance framework.

2. Closing of new system gaps (10%) post project Anchor and embed the new processes and system
3. Commence On the job training for staff who were all placed on their roles at 70% fit to close the gap
4. Implement the new member engagement/service delivery model (take the Fund to active members)
5. Implementation of the member web portal to all members
6. Develop and implement a business continuity framework for the Fund
7. Developing the next steps for the growth of our business as a Fund.

2016 is already in full swing and I am confident that with all things considered, we shall record another successful year for our operations. We look forward to another profitable year for the DPF.

Sincerely

Chief Executive Officer

Gosego January

F. Trustees Report





► Trustees' Report

1. Constitution of the Fund

The Debswana Pension Fund (DPF) is mainly a defined contribution pension Fund established in 1984 as a trust through a joint initiative between De Beers Botswana Mining Company (now Debswana), Anglo American Corporation Botswana (Pty) Ltd and De Beers Prospecting Botswana (Pty) Ltd. The primary purpose of the Debswana Pension Fund is to meet future benefit obligations to members as defined by the rules of the Fund, earn positive investment returns on member funds and remain financially sound at all times. The DPF invest member funds across various asset classes mainly Property, Equities, Bonds, Cash and alternatives. Active and deferred member assets are managed under the defined contribution plan whilst pensioner assets form the defined benefit component through the Fund's provision of life annuities to its retiring active and deferred members. Retiring members are given the option to purchase annuities from other service providers. Fund membership portfolios as at 31 December 2015 registered 5761 active members, 2445 deferred and 3297 pensioners.

All current participating employers of the Fund contribute 20% of pensionable salaries of their employees on their behalf towards the Fund on a monthly basis. Member contributions are exempt of income tax as per the provisions of the Botswana Unified Revenue Services (BURS) Act. The Fund, through its education program, continually encourages Active members to make additional voluntary contributions at a preferred percentage within the parameter provided by the BURS Act as a way of achieving better net replacement ratios (NRR).

The Fund's targeted replacement ratio of 70% is calculated before commutation of the cash lump sum. A member with an average career progression in terms of salary increases and 35 years of service should ideally retire with a pension of 70% of his/her pensionable salary at normal retirement

age of 60. The progression of the target member is based on the following assumptions;

Item Assumption

- A Career of 35 years continuous employment
- Age at retirement of 60
- Retirement savings contribution rate 20% of pensionable salary
- Consistent annual Salary increases in line with inflation

The Trustees recognise that the target replacement ratio may be different for individual members to the extent that their personal experience deviates from that of the target member. If investment conditions so allow, being able to provide benefits in excess of the above. Given the defined contribution nature of the Fund, the above benefits are only a target and are not guaranteed

2. Compliance Statement

A. DPF Governance

According to the Retirement Funds Act, fiduciary responsibility for the Fund rests with the Board of Trustees. The Fund is managed by the Trustees on behalf of the Members in accordance with the Fund Rules. The Board of Trustees are elected in terms of the Fund Rules. Currently the DPF Board composition is as follows; (All the other Trustees have their alternates except for the Independent Trustee)

- Four (4) Trustees appointed by the Participating Employers
- Four (4) Trustees appointed by the Members
- One (1) Trustee appointed by the Pensioners
- One (1) Independent Trustee appointed by the Board

The Board of Trustees having set up the Committees in terms of the Fund Rules, have delegated some responsibilities to the Committees who act on behalf of the Board but the ultimate responsibility of the administration of the Fund still



rests with the Board of Trustees. The Board has its own Board Charter that is reviewed every two years to ensure that it remains up to date and relevant. Each Committee has its own set of Terms of references that clearly outlines the mandate of the Committee.

The Term of office for the Trustees is five years and the Trustees can be re-appointed for another five year term. Each principal Trustee has an elected or appointed alternate ensuring full and proper representation at all times. In their endeavour to enhance good governance the Trustees have not only increased the term of office for the Trustees but have also ensured that elected member representatives with the second highest votes are automatically alternate Trustees as they have been elected by the members. Furthermore the company appointed Trustees no longer elect alternate of their choice but the alternate are appointed by the respective Participating employers that appoints the Principal

Trustees.

The Board of Trustees have appointed independent Trustees to augment skills. There is currently two vacancies for Independent Trustee that the Board is looking to fill in the near future. The Board of Trustees has embarked on a process of strengthening Fund governance and oversight.

The Fund is committed to the attainment and maintenance of high standards of corporate governance incorporating the principles of integrity, accountability, transparency and social responsibility and that is attained through optimum use of resources. There are four main Committees and the Board reviewed the Governance structures to re-align the Committee mandates to ensure that corporate objectives are met, resources are equitable allocated and used, members' funds are properly invested and risk management as well as member communication is optimised.

B. Trustee List

	Principal Trustees	Alternate Trustees	Representation
1	Richard Vaka	Eunice Mpoloka	Debswana Diamond Company
2	Lynette Armstrong	Tefo Modise Setlhare (<i>Appointed May 2015</i>) Ian Modubule (<i>Resigned April 2015</i>)	Debswana Diamond Company
3	Lebogang Sebopelo (<i>Appointed May 2015</i>) Richard Moroka (<i>Resigned May 2015</i>)	Kitlanang Phuthago (<i>Appointed May 2015</i>) Vuyisile Garekwe (<i>Resigned May 2015</i>)	Diamond Trading Company Botswana
4	Christopher Mokgware	Letsibogo Ndwapi	Other Participating Employer*
5	Esther Palai	Mogorosi Victor Mbangwa (<i>Appointed January 2016</i>)	Jwaneng Constituency
6	Gakenaope Gakologelwang	George Mosiami Rantshilwane	Gaborone Constituency
7	Reobonye China Abel	Emmanuel Kgaboetsile	Orapa Letlhakane Damtshaa Constituency
8	Ishmael Godiraone Mokobi	Mooketsi Menyatso	Morupule Constituency
9	Garekwe Mojaphoko (<i>Appointed December 2015</i>)	Potoko Bogopa (<i>Appointed December 2015</i>)	Pensioners
10	Wanjiru Kirima (<i>Independent Trustee</i>) (<i>Retired 30th June 2016</i>)		

* **Other Participating Employers*** include; DeBeers Botswana, Anglo Coal, Morupule Coal Mine, Debswana Pension Fund, DeBeers Global Sightholder Sales

► Trustees' Report

C. Board And Committee Membership (As At April 2016)

TRUSTEES	BOARD	INVESTMENT COMMITTEE	BENEFITS & COMMUNICATIONS	AUDIT, RISK & FINANCE COMMITTEE	NOMS & REMUNERATIONS	STEERING COMMITTEE	TOTAL NUMBER OF COMMITTEES
MEMBERS							
MR. RICHARD VAKA (DEBSWANA)	Board Chairman						0
MR. R. CHINA ABEL (Orapa Constituency)	Deputy Chair	✓			✓		2
MR. LEBOGANG SEBOPELO	✓		✓				1
MS. L ARMSTRONG (DEBSWANA)	✓	✓		Chairman		✓	3
MS. ESTER PALAI (Jwaneng Constituency)	✓		✓	✓			2
MS. WANJIRU KIRIMA (Independent)	✓	Chairman					1
MR. CHRISTOPHER MOKGWARE (Other PE's)	✓	✓			Chairman	✓	3
MR. ISHMAEL MOKOBI (Morupule)	✓			✓			1
MR. G GAKOLOGELWANG (Gabs constituency)	✓		✓		✓		2
Mr. G MOJAPHOKO (Pensioner Trustee)	✓		✓				1
ALTERNATES							
MRS. EUNICE MPOLOKA		✓		✓			2
MR. TEFO SETLHARE		✓	Chairman	✓		✓	4
MR. KITLANANG PHUTHEGO (DTCB)		✓		✓			2
MR. EMMANUEL KGABOETSILE			✓		✓		1
MR. MOGOROSI V MBANGA		✓					1
MR. LETSIBOGO NDWAPI			✓		✓		1
MR. MOOKETSI MENYATSO		✓					1
MR. GEORGE RANTSHILWANE			✓	✓			2
Mr. POTOKO BOGOPA					✓		1
INDEPENDENT CONSULTANT							NIL
TOTAL MEMBERS	TEN	NINE	EIGHT	SEVEN	SIX	THREE	
VACANCIES	NIL	NIL	NIL	NIL	ONE	NIL	

D. Trustee Meeting Attendance Report

Board and Committee Meetings (Comparison Year 2015 and 2014)

In 2015 the Board of Trustees had in total 9 meetings which comprised of 4 scheduled meeting and 5 special meetings. The Fund was going through a restructuring process which included implementation of new system hence the extra 5 special meetings. The table below indicates the number of meetings held by both the Board and its Committees in 2015 compared to 2014.

Meetings	2015			2014		
	Planned Meetings	Special Meetings	Total	Planned Meetings	Special Meetings	Total
1 Board of Trustees	4	5	9	4	2	6
2 Audit Committee	3	Nil	3	3	Nil	3
3 Investment Committee	4	2	6	4	3	7
4 Nominations Committee	4	Nil	4	4	Nil	4
5 Benefits & Communications	4	Nil	4	4	Nil	4



3. Board Achievements in 2015

The Debswana Pension Fund Board of Trustees amongst other things managed to achieve the following in 2015;

A. Fund Strategy

- Reviewed and approved the Fund Strategy
- Reviewed and approved the Implementation of a new Administration System
- Reviewed and approved the Fund new Organisational Structure and Restructuring Process

B. Investments Mandate

- Reviewed and approved the appointment of property managers and domestic equity managers
- Reviewed and approved offshore managers transition plan
- Reviewed and approved the Fund Investment Policy and Asset Liability Match
- Reviewed Investment Report Quarterly

C. Audit, Risk and Finance Mandate

- Reviewed and approved Auditors terms of engagement and scope
- Reviewed and approved the Fund Top Ten Risks quarterly
- Reviewed and approved Valuation Report
- Reviewed and approved Financial Statement
- Reviewed and approved pension increase of 8.1%

D. Benefits and Communications Mandate

- Reviewed and approved Communications Policy and Plan
- Reviewed and approved Death Benefits Distribution quarterly

E. Nominations and Remunerations Mandate

- Reviewed and approved the Board Composition
- Reviewed and approved 2014 updated Balance Scorecard and 2016 Key performance Indications
- Reviewed and approved Salary Increments and Staff Bonuses
- Reviewed and approved Rates Manual in the Travel Policy
- Reviewed and approved Members Trustees Elections Guidelines
- Reviewed and approved Committees Terms of Reference

The biggest challenge that the Board faced in 2015 was reaching a quorum for some of its meetings. This emanated from the fact that they were a lot more special meetings held during the year than anticipated. The increase in the number of meetings consequently had an impact on the Fund administration costs.

F. Fund Rules Amendments

The Fund Rules were amended and approved by the Regulator in November 2014 and the major changes made on the Rules are;

i. Trustee Term

Member elected Trustees Term in the Old Rules was 3 years and in the new Rules it has been increased to 5 years. Company Trustees did not have a regulated term in the old Rules and in the New Rules it was set at 5 years.

ii. Deputy Chairperson

The Old Rules did not provide for the appointment of Deputy Chairperson and the clause was introduced in the new Rules.

iii. Chairperson's Term



► Trustees' Report

The term for the Chairperson was not stipulated in the Old Rules and in the New Rules it was set at 3 years

iv. Dependents' Age

The Old Rules provided that dependents under Joint Life and Life with a surviving dependents were paid up to the age 21 and the age has been revised to 25 years

v. Life Only option

The Life only option which was available in the old Rules is not an option anymore in the New Rules. It was removed.

4. Trustee Training & Development

For Trustees to be able to perform their fiduciary duties diligently and make prudent investments the Compliance department of the DPF is responsible to come up with a comprehensive training plan based on Trustees needs that covers a broader spectrum of the pension Fund Industry issues. The Trustees Training can be undertaken under various forums including in-house training where boot camps are arranged for Committees and Board retreats where industry specialists and advisors from all over the world are invited to make presentation to the Trustees and management. Trustees and Fund Management are often sent to forums locally and internationally to attend Pension Fund specific conferences and to network with other Trustees and understand the pension landscape from a global perspective. This is especially important as some of the Fund's investments are held offshore.

During the year 2015 the Debswana Pension Fund Trustees were trained by specialist advisors both locally and outside the country on the following fields;

1. Introduction to Pension Fund Trusteeships
2. Fiduciary Duties and Disposal of Death Benefits
3. Vantage Capital Investor Conference

4. Pension Funds Annual Conference
5. Understanding Financial Markets
6. Bonds and Money Markets
7. Private Equity Annual Conference

Over and above the Board of Trustees had a Board retreat where the below topics were discussed;

- 2015 Investment Policy Statement
- Asset Liability Match
- Investment Performance Report

5. Audits

In 2015 a total of four (4) audits were completed by the Internal Auditors and the following profile was issued:

- PROCUREMENT	:	WEAK
- RISK MANAGEMENT	:	MODERATE
- LIFE STAGE MODEL	:	GOOD
- LEGAL COMPLIANCE	:	MODERATE

The Internal Auditors were of the opinion that the risk management process in place at DPF were reasonably adequate and effective to provide reasonable assurance on the identification and mitigation of the risks threatening achievement of the business objectives although there remained enhancement opportunities to achieve the desired maturity level.

6. Risk Management & Risk Policy Statement

Debswana Pension Fund policy is to adopt good practices in the identification, evaluation and monitoring of Risks. The Fund ensures cost effective controls and mitigations are implored to manage risks. The Fund has adopted robust Risk Identification tools and mitigations template to ensure risks are eliminated where possible, reduced to an acceptable level or managed and contained;

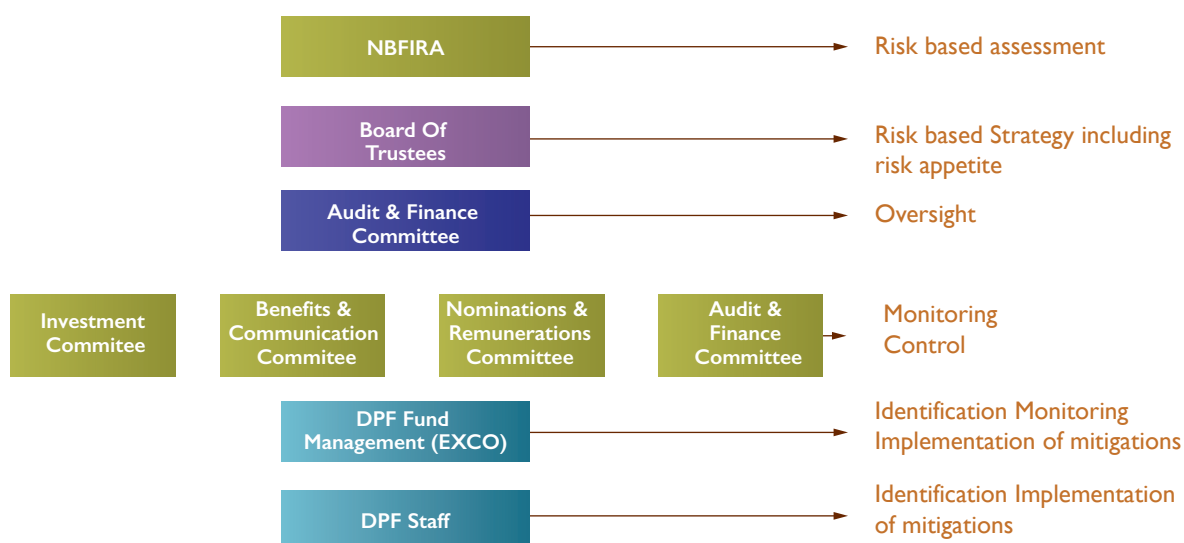


In 2015 the most significant risks which were identified, closely monitored and mitigated were;

- i. **Decreasing Membership Numbers risk** which emanated from the fact that most of the participating employers were restructuring and some had closed business
- ii. **Reputational Risk** as a result of the restructuring exercise and system implementation, both which were conducted in 2015
- iii. **High Costs risk** caused by inflation, high fixed costs, Inefficiencies, inadequate planning, forecasting and budgeting resulting in erosion of member benefits and low NRR
- iv. **Sub-optimal returns risk** caused by market volatility, exchange rate fluctuations, increasing inflation, ineffective manager selection process and unsatisfactory asset managers performance resulting in low NRR
- v. **Regulatory Risk** caused by non-compliance with Pension Fund Regulation resulting in penalties (increased costs) and reputational damage
- vi. Inability to meet **member obligations risk** (benefits payments and pensioner salaries) caused by misalignment of investment policies to membership profiles, inaccurate Membership profiles and Inefficient Processes resulting in imbalance of ALM
- vii. **Business Continuity risk** caused by ineffective implementation of disaster recovery strategy and lack of Business Continuity Management Strategy
- viii. **Critical skills shortage Risk** caused by limited pension Fund Skills resulting in compromised service delivery and Fund not meeting High Performance Organization initiatives

Established risk management structure within the DPF.

The Following is the Fund Risk management structure and related roles;





► Trustees' Report

The Audit, Risk and Finance Committee reviews the risk logs, where all key financial and non-financial risks affecting the Fund business are recorded. New risks, if and when identified, are added to the risk log while others fall away over a period of time. A systematic process is used to prioritize the risks for on-going monitoring and management.

Investment risk management philosophy

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 a with profit life annuity from the Fund. The 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 budget, 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)*
- 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 Fund's investments must be conducted in a manner that is honest, transparent and ethical.

7. Taxation

The Fund is approved under the Income Tax Act 1971. Although exempt from Botswana income and capital gains tax, the Fund is unable to recover the tax credit on Botswana dividends.

8. Additional Voluntary Contribution

The member may, subject to the approval of the Trustees and on terms laid down by the Trustees, pay contributions to the Fund in order to increase his pension. Contributions may be paid monthly at a fixed percentage of pensionable earnings, and once each tax year as a lump sum.

The amount of contributions that may be payable in each



tax year is subject to a maximum of 15% (fifteen percent) of pensionable earnings or such other sum that may be permitted for tax deductibility purposes in terms of the Income Tax Act.

The member may revoke or change his monthly contribution rate at any time. Where a member elects to pay a monthly contribution, his employer shall deduct that monthly contribution from his earnings and forward it to the Fund within seven days from the end of the calendar month in which it was deducted. Any failure by a participating employer to forward such contributions shall be reported forthwith to the Non-Bank Financial Institutions Regulatory Authority by the Principal Officer.

9. Fund Communication

A. Communication Policy Statement

The DPF has a standing communications policy document which clarifies our communication objectives, defines our audiences, as well as how we aim to communicate with them and the frequency with which we communicate to achieve the desired objectives. The detailed communication policy is available on the DPF Website.

I. Primary Fund communication objectives

- To ensure an educated and informed membership
- To manage Fund reputation
- To ensure that the DPF administrative provisions and requirements are communicated accurately to all stakeholders;
- To identify and meet all regulatory requirements regarding communication of information by the DPF to members
- To appropriately promote the objectives of the Fund to all stakeholders

- To facilitate ease of access to information between DPF and its stakeholders
- To ensure timely communication

2. Secondary Communication Objectives

The DPF communications policy is designed to complement the Fund's compliance and risk management strategies hence it is geared towards the following principles:

Professionalism

To demonstrate the Fund's professionalism by ensuring adherence to Fund values and thorough knowledge by DPF staff of the rules, regulations, products and services

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.

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.

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 etc.

Responsiveness

To develop strategies for crisis communication and ensure that appropriate responses for all events as well as on-going mitigation of Fund reputational risks.



► Trustees' Report

3. Our audiences

The DPF communicates with various stakeholders. For the purposes of our communication policy, communication with the following audiences is considered;

- Members
- Prospective members
- Employers
- Community leaders
- Trustees
- Regulators
- Fund employees
- Business Partners/service providers
- Public and Media.
- Telephone
- Member Welfare Office consultations
- Pensioner Meetings and conferences
- In-house member education presentations and workshops for active members
- Induction presentations for new employees of participating employers
- Annual education & business Fairs
- Pre-Retirement Workshops
- HR Training Workshops
- Field trips (stakeholder engagement meetings and member death claims investigations)

4. Communication Mediums

The DPF endeavours to optimise communication with members and stakeholders as much as possible through the deliberate utilisation of multiple communication platforms, blending between both traditional and new media to create maximum effectiveness. The communication mediums that the DPF uses from time to time include the following;

i. New Media

- DPF Website
- DPF Social Media pages
- Debswana intranet
- Email notices (mass communication)
- SMS Communication System
- Audio-visual media (Edutainment videos/film)

ii. Traditional Media

- Publications
- General Correspondence (surface mail – e.g. administration correspondence forms and letters)

B. 2015 Communication Activities

The Fund successfully implemented a comprehensive communication and stakeholder engagement plan in 2015 which was inclusive of the following key activities;

i. The launch of our new media initiatives;

1. An educational film/video drama was launched to all active members
2. DPF launched its Facebook and twitter pages

ii. The Annual Pensioners Conference

iii. The Annual Business Breakfast

iv. Production of 3 Newsletters and annual report

v. Revision and production of Fund Rules

vi. Revision and approval of the following policy and strategy documents by the Benefits and Communication Committee;

1. A Revised DPF Communication Policy
2. A DPF Incident and Crisis Management Framework
3. A DPF Crisis Communication Policy
4. The 2015 Communication Strategy and Plan

vii. The Annual Member and Stakeholder



satisfaction surveys

C. 2015 Stakeholder Climate Survey Outcome

i. Overview

The Debswana Pension Fund conducts annual satisfaction surveys on all of its stakeholders as a means to measure the effectiveness of its operations for the year in review. The Fund management recognize the important need for a continuous and periodical audit of the Fund's overall service delivery in all areas of its Function. The Fund Communication department is therefore mandated with the measurement of stakeholder satisfaction levels as part of the annual Fund effectiveness evaluations.

For the 2015 year, the stakeholder categories and their surveyed population were the following:

CATEGORY	DISCRIPTION	SURVEYED POPULATION	SURVEY ISSUED
MEMBERS	This category includes active (5543), Deferred and Pensioner Members (5810) who received the survey	11353	Member Satisfaction survey
BUSINESS PARTNERS	liasons for all service providers, regulators, HR partners of participating employers, consultants etc. Who received the survey	132	Business Partners Satisfaction Survey
FUND EMPLOYEES	Employees of the fund	14	Employee Satisfaction Survey Internal Communication Satisfaction Survey
TRUSTEE	Fund Trustees	19	Trustee Self Evaluation Survey

The Survey objectives were as follows all stakeholder surveyed;

- i. To evaluate the various stakeholders' satisfaction with regard to organization-wide service delivery levels they experienced in 2015
- ii. To determine from the feedback what the gaps in service delivery are and use that to further inform business and service improvement strategies for future periods.
- iii. To determine from the feedback which strategies implemented during 2015 have been successful and further consider reinforcing and re-incorporating them into future strategies.
- iv. To inform the Fund Balanced Scorecard and Individual Output agreements with performance scores in the respective areas of business.

(ii) Response Rate

The DPF response rate achieved for 2015 mainly for the member satisfaction survey is 17%, which exceeded the targeted 10%, including the 2014 response rate, registering a year-on-year growth in response rate of 4%. The Survey was administered through two mediums, On Line for Active members and by Surface Mail for both deferred members. Follow up reminders were also made via email, the Fund SMS line as well as the DPF Facebook Page. The Survey was launched on 14 December 2015 and closed on February 26th 2016, running for a total period of 2 and half months



► Trustees' Report

Category	2015 Total Surveyed Population	2015 Total Responses Received	2015 Responses Rate	2014 Responses Rate	Growth/decline
sub -total - members only	11477	2007	17%	13%	4%

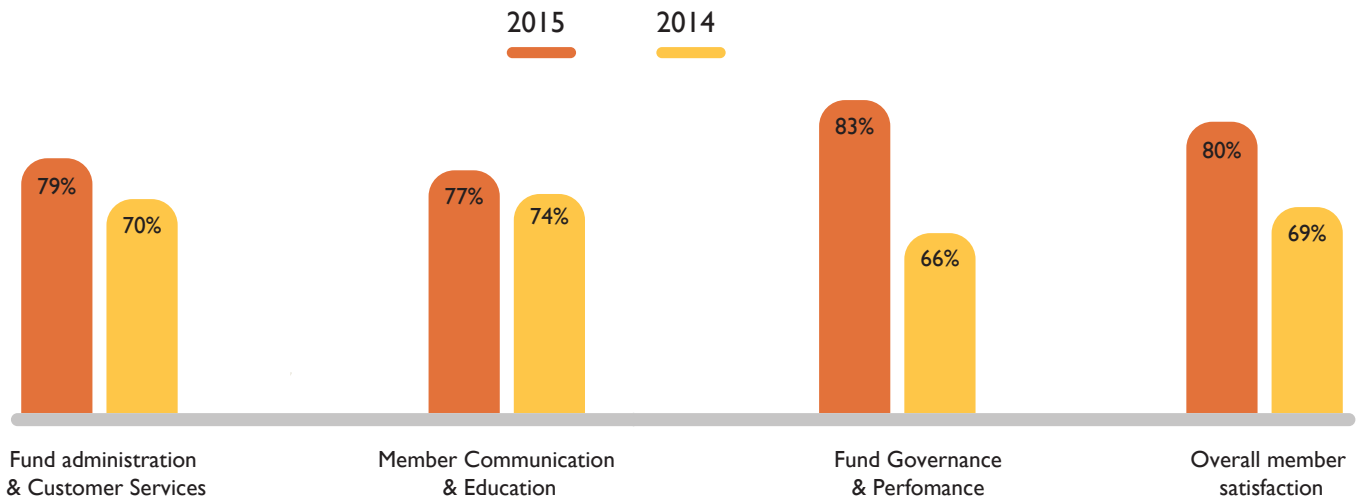
(iii) Survey Outcomes

The DPF targets a 75% stakeholder satisfaction index and continually reviews it in line with globally recognised customer satisfaction indexes of similar industries.

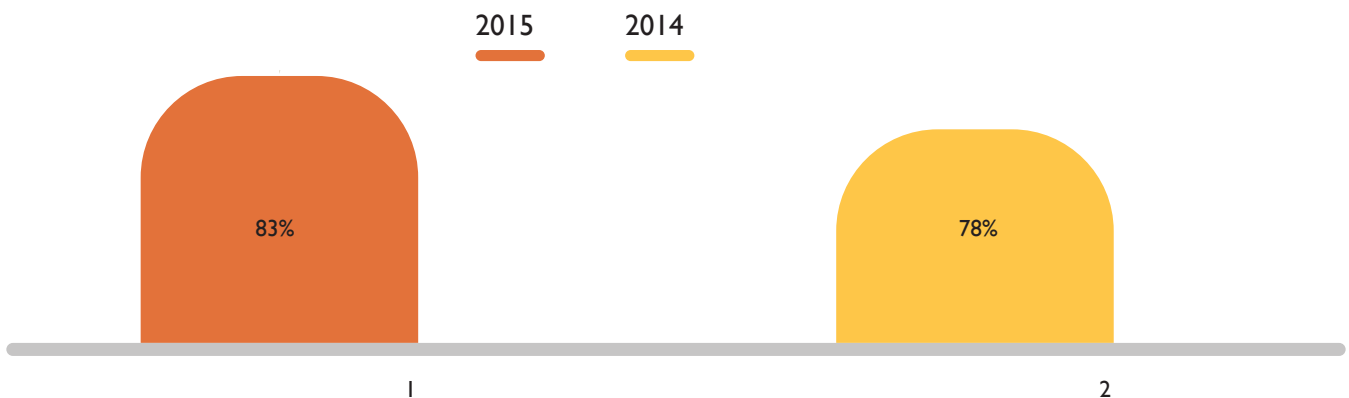
Fund Members

The Fund is pleased to note that there has been a significant increase in member satisfaction across all key functions of the Fund as illustrated below. This positive outcome is largely attributable to a strategic re-organisation and stabilisation of operations during 2015 through the successful implementation of the new Fund administration system called Everest.

Member Satisfaction 2015 - 2014



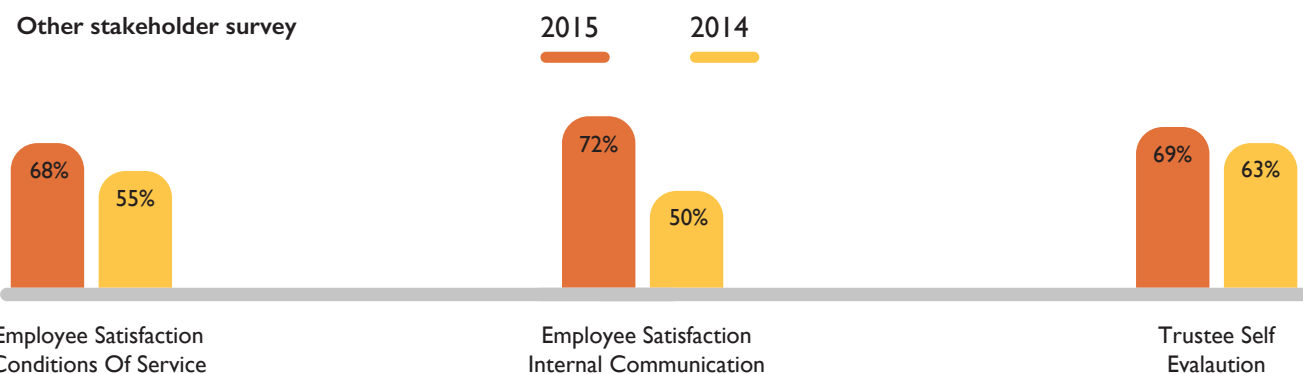
Business Partners Satisfaction 2014 vs 2015





Other Stakeholders

There is an upward movement in employee satisfaction in all areas during 2015 however the Fund recognised the need for further improvements. Interventions are already in place to address the gaps identified.



10. Summary Financial Development of the Fund

The financial statements of the Fund for the year ended 31 December 2015 as set out on the latter pages of this report have been prepared and audited in accordance with the regulatory requirements governing the Fund.

During the year, contribution income increased by 12% to BWP257 million from BWP230 million in 2014. This increase is largely due to salary adjustments as well contribution income for new members engaged on the Fund. There has been no major development in that regard. All current participating employers contribute 20% of members' pensionable salary. Similarly, benefit payments generally remained consistent year on year.

The net returns on investment comprised of changes in market value of investments of BWP636 million (relative to BWP451 million in 2014) and income from investments of BWP130 million (relative to BWP122 million in 2014).

A summary of movements in the Funds' financial accounts is outlined below;

Fund Revenue Account

	P'000		P'000
Fund as at 31 December 2014	5 541 451		
Contributions received	257 207		
Transfers received	8 546	Administration and other expenses	35 407
Income from investments	129 776	Investment fees	33 719
Adjustment to fair value of assets	636 256	Withdrawal and death benefits	25 768
		Retirement benefits	52 383
		Pensioner death benefits	2 680
		Pensions paid	109 604
		Transfers paid	541
		Fund as at 31 December 2015	6 313 134
Total	6 573 236	Total	6 573 236

11. Actuarial Review

1. Statement on Actuarial valuations

The Retirement Funds Act allows for a maximum period of three years between each Fund valuation however due to the nature of the business of the Fund as an annuities provider for its retiring active and deferred members, the Trustees have historically conducted Fund valuations on an annual basis and continues to do so for the purpose of continuous and close monitoring of funding levels.

The Fund Actuaries, Willies Towers Watson, conducted an actuarial valuation on the Fund for the year 2015 during the first quarter of 2016. The report takes into account the requirements in the professional guidelines for actuarial reports (Standard of Actuarial Practice 201) issued by the Actuarial Society of South Africa, current as at the date of signature of the report, and PFR6 issued by the Non-Bank Financial Institutions Regulatory Authority of Botswana, effective 01 March 2012.

This valuation considers the funding position of the DPF as at 31 December 2015. The last actuarial valuation was carried out as at 31 December 2014. The next valuation of the DPF is due as at 31 December 2016. The Board of Trustees has since reviewed and approved the report in its first sitting of 2016.

The Fund is currently administered in-house by the Debswana Pension Fund Administrators who remained the appointed administrators throughout the valuation period. The formal actuarial certificate required by regulation from the Fund Actuary is included in the latter parts of this Annual Report. In addition, the Trustees have included the Report on Actuarial Liabilities in this report.

2. Financial Status of the Fund

The detailed financial status of the various section of the Fund is outlined in the Actuaries valuation report as at 31 December 2015. The Actuaries confirmed that the Fund remains in sound financial condition as at year end as the value of assets is equal to or exceeds the liabilities of the respective accounts. The summary combined position of the Fund is set out in the table below;

FINANCIAL POSITION

Combined position	Following transfer 31-Dec-15 P'000	Prior to transfer 31-Dec-15 P'000	31-Dec-14 P'000
Fair value of assets	6 313 134	6 313 134	5 541 451
Actuarial liabilities	5 863 899	5 863 899	5 166 725
Surplus/Deficit	449 235	449 235	374 726
Funding Level	107.70%	107.70%	107.30%



3. Membership

i. Employer contribution rates

The fixed future service contributions in respect of the Employers and active members is summarised as follows;

Percentage pensionable salary	
Contribution rates	All Participating Employers
Member contributions	0.00%
Company contributions	20.00%
Retirement funding	20.00%

The membership of the Fund at the beginning and end of the year and changes during the year are set out below

ii. 2015 Membership Movements

CHANGES IN MEMBERSHIP OF DEBSWANA PENSION FUND as at the end of the financial period 31 December 2015

DESCRIPTION	Active members	Deferred pensioners	Pensioners	Beneficiaries	Total
Numbers at beginning of period	5,755	2,439	3,294	101	11,589
Adjustments at data take on	-116	62	-36	0	-90
Additions	297	102	203	24	626
Transfers in	3	4	0	0	7
Transfers out	0	-4	0	0	-4
Withdrawals	-101	0	0	-12	-113
Retirements	-60	-145	0	0	-205
Deaths	-17	-13	-46	0	-76
Numbers at end of period	5,761	2,445	3,415	113	11,734

4. 2015 Pension increase & Policy statement

Subject to affordability, as assessed by the Trustees in consultation with the Actuary, the Trustees may grant an increase to pensions in payment from the Fund on 1 July each year. Any pension increase granted may be uniform for all pensioners or varied according to the year of retirement, or have any other form that the Trustees consider equitable.

The annual increase on 1 July is targeted but not guaranteed to be equal to the year-on-year increase in the Consumer Price Index (as published by Statistics Botswana) up to the preceding 31 December.

Any increase for Pensioners whose pensions commenced during the 12-month period immediately preceding a 1 July



► Trustees' Report

increase will be pro-rata to the number of pension payments payable to the Pensioner during this 12-month period divided by 12.

The investment returns available for pension increases is the investment return on the pensioner account less taxes, manager fees and other relevant Fund costs, less the budgeted return (currently 4% per annum) assumed from time to time by the actuary to value pensioner liabilities.

The Trustees awarded a 7.8% pension increase (205% of year-on-year inflation to 31 December 2014) to pensions in payment during the 2015 year. The guideline formula adopted by the Fund for granting increases suggested the 7.8% pension increase should be awarded (a 102.5% funding level is targeted based on the formula). The higher increase was affordable based on the financial position of the Pensioner Account as at 31 December 2014.

Expense deduction at pension inception

It was identified during the financial year that pensioners who had retired between January 2011 and March 2015 had been granted a starting pension that was too high as a result of the incorrect expense deduction applied at the commencement of the pension. The Trustees have investigated the matter and agreed to reduce the affected pensioners' pensions at the time of awarding the 2016 pension increase. No arrears will be recovered.

5. Fund expenses

Fund expenses (for example administration, audit, actuarial, legal) are met by way of a monthly expense provision as decided by the Trustees, expressed as a Pula amount per month in respect of each pension in payment and each active and deferred member. This expense provision, together with unitisation fees and investment manager fees, are deducted monthly from the fund investment returns in order to meet the ongoing expenses of the Fund.

Over the valuation period, the Fund expense charge (excluding investment manager fees) was set at P218.38 per month in respect of each pension in payment and each active and deferred member. This was based on an estimated budget supplied by the Fund's administrators.

The expense deductions are determined annually based on a budget set by the Trustees. The actual expenses may be higher / lower than the budgeted expenses, but historically have been more or less in line with the budget.

6. Allocation of investment returns

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

The Statement of Investment Principles has been revisited by the Trustees from time to time and the investment strategy is in the process of being refined to increase exposure to other asset classes. This is captured in a signed version of the Statement of Investment Principles, dated May 2013. Active and deferred members are credited monthly with the actual net investment returns (positive or negative) achieved on the relevant assets. Similarly, the Pensioner Account and contingency reserve accounts are credited monthly with the actual net investment returns (positive or negative) achieved on the relevant assets backing the accounts. A history of the Fund returns over the period since the initial Statement of Investment Principles was adopted is set out below;



Year ending 31 December	Market Channel	Conservative Channel	Pensioner Channel	Fund	Inflation
2005	32.9%	21.0%	26.9%	31.2%	11.4%
2006	33.9%	20.9%	27.9%	32.4%	8.5%
2007	16.6%	20.9%	17.5%	16.8%	8.5%
2008	-15.2%	-6.2%	-7.3%	-12.9%	13.7%
2009	15.9%	16.5%	15.2%	15.7%	5.8%
2010	7.5%	7.4%	7.1%	7.4%	7.4%
2011	10.6%	10.7%	11.7%	10.9%	9.2%
2012	16.7%	11.1%	13.8%	15.4%	7.4%
2013	28.9%	17.7%	22.1%	26.0%	4.1%
2014	11.5%	9.7%	11.0%	11.2%	3.8%
2015	13.6%	10.9%	12.6%	13.1%	3.1%
11 year annualised return (2005 - 2015)	14.9%	12.0%	14.0%	14.5%	7.5%

12. Investment Report

1. 2015 DPF Investment Performance Review

For the year ending in December 2015, the Debswana Pension Fund grew by 13.57% (gross) and 12.12 (net) to a total Fund size of P 6,313 billion. Over the year, global equities returned 17.25% with the help of an 18.28% depreciation of the USD/BWP, implying a negative return in USD terms for the period. The managers had mixed results, with Walter Scott and Marathon returning above benchmark returns, whilst Orbis returned around benchmark returns and Aberdeen was lag of the international managers returning 5.09% in BWP.

Global bonds were lacklustre in dollar terms, but returned 14.55% in BWP. PIMCO returned 11.88% in BWP. Local Equities, Bonds and Cash benchmarks did 11.58%, 8.66% and 0.31% respectively. The local balanced managers BIFM and Allan Gray outperformed these returns, but Investec wasn't able to capture the equity upside over the period.

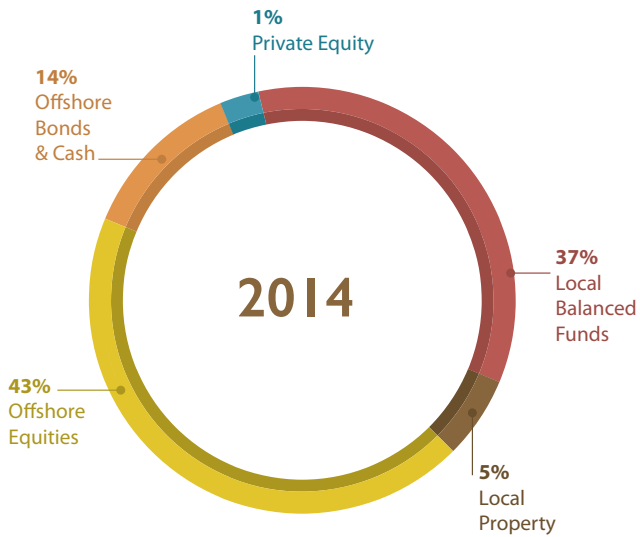
2. Strategic Asset Allocation and Manager Share of Fund as at 31 December 2015

For the year ending in December 2015, the Fund had 58% of its assets invested offshore with 42% invested locally (Botswana). The Fund's actual offshore asset allocation was overweight relative to the Strategic Asset Allocation at the end of year due to BWP weakness.

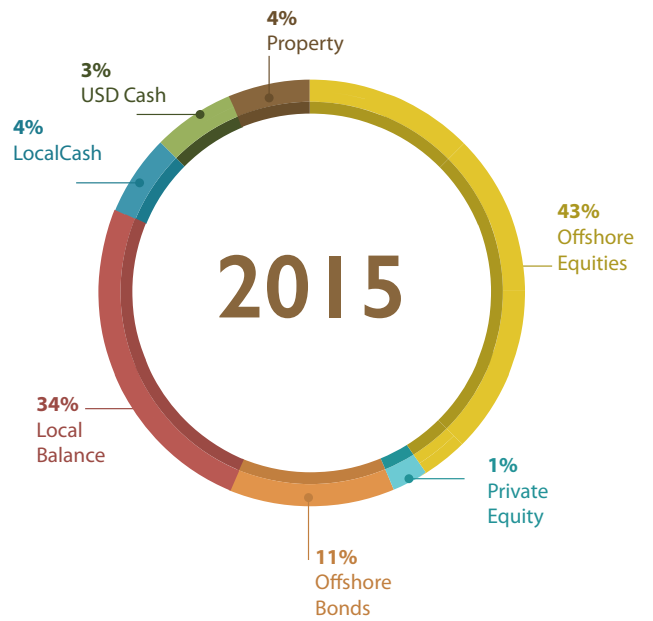


Trustees' Report

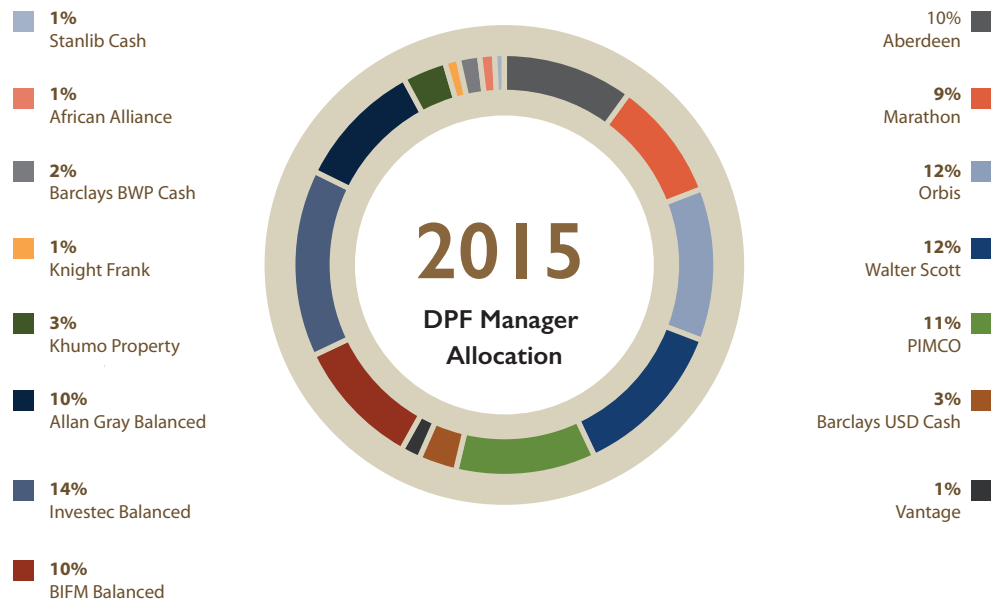
Asset Allocation as at 31 December 2014



Asset Allocation as at 31 December 2015



* As At Year End 2015 The Following Allocation Stood Between Asset Managers





3. 2015 BWP Assets under Management

Manager	31-Dec-15
Aberdeen International Equity	643,161,887.00
Marathon International Equity	573,517,060.00
Orbis International Equity	749,361,545.00
Walter Scott International Equity	780,662,262.00
PIMCO International Bonds	685,334,644.00
USD Cash	188,170,152.00
Vantage Mezzanine	90,797,304.00
BIFM Domestic Balanced	632,615,922.00
Investec Domestic Balanced	915,235,340.00
Allan Gray Domestic Balanced	625,959,210.00
Property	238,660,315.00
Own Cash	225,740,575.00
Total AUM	6,350,216,216.00

4. 2015 DPF Portfolio Channel Performance

Fund	12 month	36 month	60 month	Since Inception (Aug 2004)
Market	13.79%	17.70%	16.03%	14.86%
Conservative	12.86%	13.70%	12.56%	12.36%
Pensioner	13.32%	15.43%	14.34%	14.04%
Contingency	13.51%	16.02%	16.00%	16.68%

Botswana 2015 Ave Inflation 3.04%

i. *Market Portfolio Performance*

The Market Portfolio performance for 2015 returned 10.75% above inflation. The Market Portfolio has achieved return of 14.86% since inception of the life stage model.

ii. *Pensioner Portfolio Performance*

The Pensioner Portfolio performance for 2015 returned 10.28% above inflation. The Pensioner Portfolio has achieved a return of 14.04% since inception of the life stage model.

iii. *Conservative Portfolio Performance*

For the year ending 31 December 2015, the Conservative Portfolio returned 9.82% above inflation. The portfolio has achieved a return of 12.31% since inception of the life stage model.



► Trustees' Report

5. 2015 Manager Performance

Region	Asset Class	Manager	Performance
	Balanced mandate	Allan Gray	10.89%
	Balanced mandate	BIFM	17.54%
Domestic	Balanced mandate	Investec	11.23%
	Cash	African Alliance	6.53%
	Cash	STANLIB	6.82%
	Property	Khumo	14.55%
	Property	Knight Frank	13.34%
Africa	Private Equity	Vantage Capital	-0.90%
	Bond Funds	PIMCO	13.78%
	Cash	Barclays	14.00%
International	Equity	Aberdeen	5.09%
	Equity	Marathon	20.63%
	Equity	Orbis	14.08%
	Equity	Walter Scott	19.67%

6. 2015 Strategic developments

The Fund reviewed its Investment Policy in 2015 and its strategic asset allocation has introduced new asset classes which include Africa Equity, South African Inflation Linked Bonds and Botswana Inflation Linked Bonds. The allocation to Botswana property has also been increased to a target of 12.5% from 5% previously.

The 2015 strategic asset allocation is expected to enhance the returns of the Fund going forward at a marginally higher risk level, and hence resulted in the increase in 8 year rolling performance targets of:

Inflation + 6% - Market Channel

Inflation + 5% - Pensioner Channel

Inflation + 6% - Conservative Channel



7. 2015 Investment Policy Asset Allocation

	Market Channel			Conservative Channel			Pensioners		
	SAA	LB	UB	SAA	LB	UB	SAA	LB	UB
SA ILB MT	0.0%	0.0%	0.0%	15.0%	0.0%	17.5%	12.5%	0.0%	15.0%
SA ILB LT	5.0%	0.0%	10.0%	7.5%	0.0%	10.0%	12.5%	0.0%	15.0%
Botswana Equity	20.0%	15.0%	25.0%	20.0%	10.0%	25.0%	20.0%	10.0%	25.0%
Botswana Cash	0.0%	0.0%	15.0%	2.5%	0.0%	15.0%	4.0%	0.0%	15.0%
Botswana Bonds	5.0%	0.0%	10.0%	7.5%	2.5%	12.5%	5.0%	0.0%	15.0%
Botswana ILB	0.0%	0.0%	5.0%	0.0%	0.0%	7.5%	0.0%	0.0%	10.0%
Botswana Property	10.0%	5.0%	25.0%	15.0%	5.0%	25.0%	16.0%	5.0%	25.0%
Foreign Equity	50.0%	45.0%	55.0%	22.5%	17.5%	27.5%	22.0%	17.0%	27.0%
Foreign Bonds	5.0%	0.0%	15.0%	5.0%	0.0%	15.0%	5.0%	0.0%	15.0%
Africa Equity	5.0%	0.0%	7.5%	5.0%	0.0%	7.5%	3.0%	0.0%	7.5%
Total	100.0%			100.0%			100.0%		

RisCura is the Investment Consultant for the Fund and Willis Towers Watson is the actuarial services provider of the Fund.

8. Regulatory changes and impact on Fund investment strategy

In October 2015, following a full consultative process with the Retirement Fund industry, The Non-Banking Financial Institutions Regulatory Authority (NBFIRA) issued revised Pension Prudential Investment Rule (PFR2) which supersedes Circular 1 2013. The revised PFR 2 provides the Retirement Fund Industry with revised quantitative limits on assets to be held by a retirement fund. In addition every retirement fund is required to:

- Establish a Risk Committee
- Appoint a Risk Officer, who should be a member of the Risk Committee
- Formulate an Investment Policy

As at 31 December 2015, the DPF was in full compliance with PFR2.

9. Board review of Investment and Dis-Investment decisions

The Fund was unable to complete the transitioning of Offshore assets to new managers as expected during 2015, due to challenges with the completion of a Know Your Customer process together with the opening of offshore investment accounts and delays with the appointment of a transition manager and the acquisition of a USD overdraft facility. This Secretariat expects to fully implement The DPF Board of trustee's new investment structure during 2016.

10. Report on actuarial liabilities & reserves

The Fund operates various accounts in which the liabilities are housed. Namely, member account, pensioner account and the contingency reserve.

a) Active and Deferred members liabilities

The benefits of active and deferred members are defined contribution in nature, given that the benefits paid on exit represent the retirement funding contributions paid by or on behalf of members accumulated with the net investment returns earned by the Fund. The liabilities in respect of active and deferred members are determined as the sum of their individual accounts. The administrators supplied us with individual member records and these totalled P 4 225 177 000. The actuaries were able to reconcile to this liability based on the unitisation information supplied and noted that this liability represents the active and deferred liability following the cash flows applicable at the end of December 2015. Further adjustments were made in respect of any errors that were identified in the member records. These adjustments cover adjustments that were identified in both the previous and current valuations. Furthermore, an adjustment to the liabilities in respect of the investment return allocated after the financial year-end, but in respect of the current year investment income has been made. The total active and deferred liabilities, after allowance for these adjustments, amounted to P4 235 206 000.

Below is the financial position of the Fund in respect of **Active and deferred member** assets;

Member Account	Following transfer 31 December 2015 P'000	Prior to transfer 31 December 2015 P'000	31 December 2014 P'000
Fair value of assets	4 235 206	4 237 703	3 673 715
Member liabilities	4 235 206	4 235 206	3 673 715
Surplus/Deficit	Nil	2 497	Nil
Funding Level	100.0%	100.1%	100.0%

b) Pensioner liability & calculation methodology

The benefits of pensioners who are paid from the Fund are defined benefit in nature, given that pensions are expressed in Pula terms at retirement, the pensions receive discretionary pension increases each year and are payable for the lifetime of the pensioner (and possibly thereafter to a contingent spouse or children). At retirement, members can elect to purchase a pension from an approved provider outside the Fund or to 'purchase' a pension from the Fund. For members who elect the second option the relevant portion of the member's Individual Fund Credit is transferred to the Pensioner Account and converted to a pension using pre-defined factors.



Below is the financial position of the Fund in respect of **Pensioner members** assets;

Pensioner Account	Following transfer	Prior to transfer	31 December 2014
	31 December 2015	31 December 2015	
	P'000	P'000	P'000
Fair value of assets	1 884 672	1 884 672	1 693 825
Pensioner Member liabilities	1 628 693	1 628 693	1 493 010
Surplus/Deficit	255 979	255 979	200 815
Funding Level	115.7%	115.7%	113.5%

The Fund's pensioner liability is the amount (based on future assumptions) that the Fund should hold at the valuation date in order to continue to pay the current pensions in payment. The amount must also make provision for the payment, on the future death of the pensioner, of any elected contingent pensions to a nominated spouse, children and other dependants. The pensioner liability must make allowance for Fund expenses and for future pension increases on

1 July each year. In terms of the Fund's policy, pension increases are targeted at 100% of the mid-point of the Botswana inflation rate target range.

Contractual Pensioner Liability

The contractual liability is the liability for the current pensions in payment (including Fund expenses) without any allowance for future pension increases. The Fund can continue to meet the contractual liability as long as the pensioner assets earn investment returns equal to the valuation rate (4% p.a. net) and no further pension increases are granted. The balance of the liability represents a reserve for future pension increases. If the Fund were to achieve a net investment return on the pensioner assets of inflation plus 4% p.a. (and pensioner mortality and expenses were exactly in line with the assumptions), then this reserve would be sufficient to finance pension increases in line with inflation in future.

The pension increase policy of the Fund is to grant increases each year targeted at 100% of inflation, but the increase is subject to affordability and our understanding is that this is regularly communicated to pensioners. Thus the pension liability, allowing for future increases, could be restricted to the amount of the assets available. The Fund's rules provide that the liability is restricted to the value of the assets available.

Only where the reserve for future increases is completely eliminated, would the Fund be in deficit and then the Trustees would need to consider the action necessary to ensure the ongoing payment of pensions is possible. This could include approaching the employer for deficit funding or looking to the contingency reserve account established for that purpose, amongst others.

The pensioner liability is reflected below. We have reflected the previous year's results for comparison and also reflect the percentage split (for the current year) between the contractual liability and the reserve for future pension increases.

► Trustees' Report

	31 December 2015 P'000	31 December 2015 P'000	31 December 2014 Percentage
Contractual Liabilities	1 009 675	1 106 896	68.0%
Reserve for future pension increases	483 335	521 797	32.0%
Total Pensioner Liability	1 493 010	1 628 693	100.0%

c) Contingency Reserve

The Trustees have decided to maintain a Contingency Reserve Account in the Fund to meet unexpected contingencies. The Trustees have set the required level of the Contingency Reserve Account at 3% of the Fund's assets. The main contingencies relate to the Pensioner Portfolio since the In-service assets and liabilities are matched. The Contingency Reserve will follow the same strategic asset allocation as the Pensioner Portfolio.

Below is the financial position of the Fund in respect of the **contingency reserve**;

Contingency Reserve Accounts	Following transfer 31 December 2015 P'000	Prior to transfer 31 December 2015 P'000	31 December 2014 P'000
Fair value of assets	193 256	190 759	173 911
Actuarial liabilities	Nil	Nil	Nil
Surplus/Deficit	193 256	190 759	173 911
Percentage of Fund assets	3.0%	3.0%	3.1%

The Regulator, Non-Bank Financial Institutions Regulatory Authority (NBFIRA) has set out the respective limits that it would deem reasonable for a Fund to hold in respect of the below reserves.

	Data Reserve Account P'000	Processing Error Reserve Account P'000	Expense Reserve Account P'000	Solvency Reserve Account P'000	Total Reserve Accounts P'000
Closing balances at 31 Dec 2015	Nil	62 679	3 009	127 568	193 256
Maximum allowable (NBFIRA)	5%	1.5%	No limit	25%	N/A
Maximum reference	Liabilities	Defined contribution liabilities	Future expenses	Fund Assets	
Actual value	NIL	1.5%	N/A	2%	
Conclusion	Within Limit	Within Limit	Within Limit	Within Limit	



G. Acturial Certification
Statement



► Actuarial Certification

Actuarial certification statement

Statement by the Fund Actuaries;

Subject to the given recommendations of the 2015 Debswana Pension Fund Valuation report, we certify that:

We certify that:

1. The Fund remains in a sound financial condition at 31 December 2015 as the value of the assets within each account is equal to or 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 a defined 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.

Signatures;

KM Lynch, 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 an employee of Towers Watson

M Dassie, B. Sc.

In my capacity as an employee of Towers Watson



► General Information

DEBSWANA PENSION FUND

Annual Financial Statements

31 December 2015

CHAIRMAN

Richard Vaka

PRINCIPAL TRUSTEES

Lynette Armstrong
Richard Moroka (*Resigned May 2015*)
Lebogang Sebopelo (*Appointed May 2015*)
Esther Palai
Gakenaope Gakologelwang
Reobonye China Abel
Wanjiru Kirima
Christopher Mokgware
Ishmael Mokobi
Garekwe Mojaphoko (*Appointed December 2015*)

ALTERNATE TRUSTEES

Eunice Mpoloka
Vuyisile Garekwe (*Resigned May 2015*)
Emmanuel Kgaboetsile
Kitlanang Phuthago (*Appointed May 2015*)
Mogorosi Mbanga (*Appointed January 2016*)
George Rantshilwane
Tefo Setlhare
Letsibogo Ndwapi
Mooketsi Menyatso
Potoko Bogopa (*Appointed December 2015*)

CHIEF EXECUTIVE OFFICER

Gosego January

AUDITORS

Deloitte & Touche

REGISTERED OFFICE

Block D
Plot 50361
Carlton Centre
Fairgrounds

BANKERS

Barclays Bank of Botswana Limited
Standard Chartered Bank Botswana Limited

CUSTODIAN

Stanbic Bank Botswana Limited

ACTUARIES

Towers Watson Actuaries and Consultants

INVESTMENT CONSULTANTS

Riscura Consulting Services (Proprietary) Limited

ONSHORE INVESTMENT MANAGERS

Investec Asset Management Limited
BIFM Asset Management (Proprietary) Limited
Allan Gray Botswana

OFFSHORE INVESTMENT MANAGERS

Walter Scott & Partners Limited
Marathon Asset Management LLP
Aberdeen Asset Management PLC
PIMCO Funds
Vantage Capital Fund Managers (Proprietary) Limited
Orbis Investment Management Limited



DEBSWANA PENSION FUND

Annual Financial Statements

31 December 2015

CONTENTS	PAGES
Trustees' responsibility for the financial statements	52
Trustees' approval of the financial statements	53
Independent auditor's report	54
Statement of comprehensive income	55
Statement of financial position	56
Statement of changes in members' funds	57
Statement of cash flows	58
Significant accounting policies	59 - 66
Notes to the financial statements	67 - 83



► 2015 Annual Financial Statements

DEBSWANA PENSION FUND

Trustees' Responsibility And Approval Of The Financial Statements

31 December 2015

The members of the Board of Trustees are responsible for the preparation and fair presentation of the financial statements of Debswana Pension Fund ("the Fund"), comprising the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in members' funds and 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").

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 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 financial statements and their unmodified report is presented on page 54.

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.

The 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



DEBSWANA PENSION FUND

Trustees' Responsibility And Approval Of The Financial Statements

31 December 2015

management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

CHAIRMAN - BOARD OF TRUSTEES

Trustees' approval of the financial statements

The financial statements set out on pages 55 to 83 which have been prepared on the going concern basis, were approved by the members of the Board of Trustees on 28 April 2016 and were signed on its behalf by:

CHAIRMAN - AUDIT COMMITTEE

DEBSWANA PENSION FUND

Independent Auditor's Report To The Members Of Debswana Pension Fund

31 December 2015

We have audited the accompanying financial statements of Debswana Pension Fund, set out on pages 55 to 83, which comprise the statement of financial position as at 31 December 2015, the statements of comprehensive income, changes in members' funds and 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 risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Debswana Pension Fund as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

In accordance with Section 5 of the Pension And Provident Funds Act (Cap 27:03), we confirm that in our opinion, the Fund has kept proper books of accounts with which the financial statements are in agreement.

Deloitte & Touche

Deloitte & Touche

Certified Auditors

Practicing member: CV Ramatlapeng (20020075)

Gaborone

28 April 2016



DEBSWANA PENSION FUND
Statement Of Comprehensive Income
for the year ended 31 December 2015

	Notes	2015 P	2014 P
REVENUE		265,212,184	233,128,047
Contributions	1	257,207,415	229,509,504
Net transfers from other funds	2	8,004,769	3,618,543
Net investment revenue		129,776,282	121,612,240
Dividends receivable		46,981,707	43,103,534
Interest receivable		59,669,997	58,516,026
Net rental income		16,808,307	14,969,688
Share of profits from private equity loan investment		6,316,271	4,956,499
Other income		-	66,493
Total revenue		394,988,466	354,740,287
GAINS ON INVESTMENTS		636,255,874	450,930,526
Loss on disposal of financial assets at fair value through profit and loss		(3,056,768)	23,015,755
Unrealised foreign exchange gains on financial assets		554,368,267	251,361,199
Unrealised fair value gains on financial assets		77,877,104	160,596,258
Net unrealised gains on fair valuation of investment properties	5	7,067,271	15,957,314
EXPENDITURE			
Benefits payable		(190,435,319)	(165,636,320)
Benefits on withdrawal and death		(25,767,989.7)	(16,122,285)
Pensions to retired members		(109,603,710.0)	(95,943,558)
Pensioners deaths benefits		(2,680,679.0)	(3,548,653)
Non-eligible membership expense		-	(69,039)
Lump sums on retirement		(52,382,940.0)	(47,579,733)
Provision for doubtful debts - overpaid benefits		-	(2,373,052)
Fund expenses		(69,126,050)	(63,329,833)
Administration expense	3	(34,382,340)	(29,275,976)
Onshore investment management fees		(12,667,833)	(13,039,470)
Offshore investment management fees		(21,050,965)	(19,357,253)
Depreciation of plant and equipment	8	(754,580)	(986,005)
Amortisation of intangible asset	9	(270,332)	(671,129)
Surplus for the year		771,682,971	576,704,660
Other comprehensive income for the year		-	-
Total comprehensive income for the year		771,682,971	576,704,660

DEBSWANA PENSION FUND

Statement Of Financial Position

as at 31 December 2015

	Notes	2015 P	2014 P
ASSETS			
Investments			
Investment properties	5	238,660,315	232,361,530
Other financial assets	6	5,367,999,053	4,638,577,767
Cash and cash equivalents	7	739,320,871	702,131,561
Total investments		6,345,980,239	5,573,070,858
Other assets			
Plant and equipment	8	1,304,268	1,866,005
Intangible asset	9	2,973,674	-
Contributions and Other receivables	10	13,093,110	8,711,832
Total other assets		17,371,052	10,577,837
Total assets		6,363,351,291	5,583,648,695
FUNDS, RESERVES AND LIABILITIES			
Funds and reserves			
Fund account		4,235,205,689	3,673,715,000
Pensioners' account		1,884,671,811	1,693,825,000
Contingency reserves	17	193,256,006	173,910,535
Total funds and reserves		6,313,133,506	5,541,450,535
Other liabilities			
Benefits payable	11	37,066,566	30,935,528
Other payables	12	13,151,219	11,262,632
Total other liabilities		50,217,785	42,198,160
Total funds, reserves and liabilities		6,363,351,291	5,583,648,695



DEBSWANA PENSION FUND

Statement Of Changes In Members' Funds

for the year ended 31 December 2015

	Note	Fund account	Pensioners' account	Contingency reserves	Total
		P	P	P	P
Balance at 1 January 2014		3,260,664,865	1,535,681,010	168,400,000	4,964,745,875
Total comprehensive income for the year		576,704,660	-	-	576,704,660
Transfers during the year		(166,838,510)	158,143,990	8,694,520	-
Transfer of expenses	17	3,183,985	-	(3,183,985)	-
Balance at 31 December 2014		3,673,715,000	1,693,825,000	173,910,535	5,541,450,535
Total comprehensive income for the year		771,682,971	-	-	771,682,971
Transfers during the year		(216,811,621)	190,846,811	25,964,810	-
Transfer of expenses	17	6,619,339	-	(6,619,339)	-
Balance at 31 December 2015		4,235,205,689	1,884,671,811	193,256,006	6,313,133,506

► 2015 Annual Financial Statements

DEBSWANA PENSION FUND

Statement Of Cash Flows

for the year ended 31 December 2015

	2015 P	2014 P
CASH FLOWS FROM OPERATING ACTIVITIES:		
Surplus for the year	771,682,971	576,704,660
Adjusted for:		
Depreciation of plant and equipment	754,580	986,005
Amortisation of intangible asset	270,332	671,129
Loss of disposal of fixed assets	-	174,316
Net investment revenue	(129,776,282)	(121,612,240)
Net gains on investments	(636,255,874)	(450,930,526)
Cash generated from operations	6,675,727	5,993,344
increase in contributions and other receivables	(4,381,278)	1,869,645
Increase/(decrease) in benefits payable	6,131,038	4,104,889
Increase in other payables	1,888,587	3,082,298
Net cash generated from operating activities	10,314,074	15,050,176
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investment revenue	129,776,282	121,612,240
Payments for plant and equipment	(192,843)	(612,024)
Payment for intangible asset	(3,244,006)	-
Proceeds on disposal of assets	-	3,625
Net (payments)/receipts for investments	(99,464,197)	105,521,956
Net cash generated from investing activities	26,875,236	226,525,797
Net increase in cash and cash equivalents for the year	37,189,310	241,575,973
Cash and cash equivalents at the beginning of the year	702,131,561	460,555,588
Cash and cash equivalents at the end of the year	739,320,871	702,131,561



DEBSWANA PENSION FUND

Significant Accounting Policies

31 December 2015

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 financial instruments 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 2015. The adoption of these standards has not resulted in changes to the Fund's accounting policies.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (effective annual periods beginning on or after 1 July 2014)
Annual Improvements 2010-2012 Cycle (effective annual periods beginning on or after 1 July 2014)
Annual Improvements 2011-2013 Cycle (effective annual periods beginning on or after 1 July 2014)

Other than improved disclosures and presentation, the adoption of these Standards and Interpretations has not resulted in material changes to the Fund's financial results.

Standards And Interpretations In Issue Not Yet Adopted

At the date of authorisation of these financials, the following standards and interpretation were issued but not yet effective.

New/Revised International Financial Reporting Standards	Effective date
IFRS 9 - Financial Instruments: Classification and Measurement	1 January 2018
IFRS 9 - Financial Instruments (Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39)	1 January 2018
IFRS 9 - Financial Instruments (2014)	1 January 2018
IFRS 14 - Regulatory Deferral Accounts	1 January 2016
IFRS 15 - Revenue from Contracts with Customers	1 January 2018
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016

DEBSWANA PENSION FUND

Significant Accounting Policies

31 December 2015

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities:

Applying the consolidation exception

1 January 2016

Annual Improvements 2012-2014 Cycle

1 July 2016

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

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) (effective annual periods beginning on or after 1 January 2016)

28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the consolidation exception (effective annual period beginning on or after 1 January 2016)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) (effective annual periods beginning on or after 1 January 2016)

The amendment clarifies the exemption from preparing consolidated financial statements and is only available to a parent entity that is a subsidiary of an investment entity.

Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate

Annual Improvements 2012-2014 Cycle (effective annual periods beginning on or after 1 July 2016)

Equity Method in Separate Financial Statements (Amendments to IAS 27) (effective annual periods beginning on or after 1 January 2016)

Makes amendments to IFRS 5, IFRS 7, IAS 9 and IAS 34

Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Other than improved disclosures and presentation, the adoption of these Standards and Interpretations in future periods will not result in changes to the Debswana Pension Fund financial results.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (effective annual periods beginning on or after 1 January 2016)

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

Amends IFRS 10 Consolidated Financial Statements and IAS

BENEFITS PAYABLE

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



DEBSWANA PENSION FUND

Significant Accounting Policies (Cont.)

31 December 2015

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 cover 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 2015.

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 straight-line 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;
- 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 4 years.

DEBSWANA PENSION FUND

Significant Accounting Policies (Cont.)

31 December 2015

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.

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



DEBSWANA PENSION FUND

Significant Accounting Policies (Cont.)

31 December 2015

FINANCIAL INSTRUMENTS (continued)

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 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:

Listed securities are valued at the last market value ruling at the statement of financial position date.

Managed fund investments are stated at the unit prices quoted by the investment managers as at year-end.

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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an

DEBSWANA PENSION FUND

Significant Accounting Policies (Cont.)

31 December 2015

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 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



DEBSWANA PENSION FUND

Significant Accounting Policies (Cont.)

31 December 2015

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

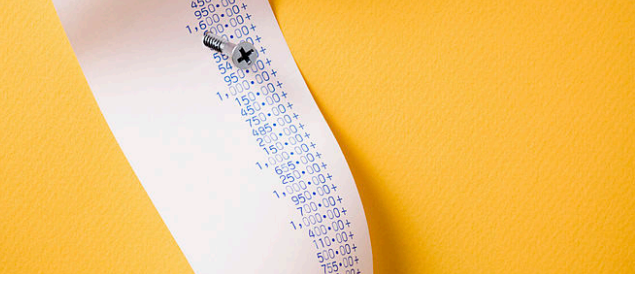
Related parties are defined as those parties:

- (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.

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.



DEBSWANA PENSION FUND

Significant Accounting Policies (Cont.)

31 December 2015

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 property

Determining the fair value of investment 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 Financial Statements

31 December 2015

I CONTRIBUTIONS

Contributions receivable are 20% of members' pensionable earnings for all participating employers.

2 NET TRANSFERS FROM OTHER FUNDS

	2015 P	2014 P
Transfers in	8,545,875	4,899,378
Transfers out	(541,106)	(1,280,835)
Net transfers	8,004,769	3,618,543

3 ADMINISTRATION EXPENSES

Actuarial fees	325,650	297,477
Auditors' remuneration:		
External audit fees - current year	600,269	598,266
Internal audit fees	799,680	792,409
Retrenchment costs	3,980,016	-
Project implementation costs	2,639,323	-
Strategy review costs	-	2,048,780
Bank charges	337,395	369,306
Communications expenses	1,280,144	942,858
Fidelity and other insurance	242,970	158,290
Legal and professional fees	1,712,045	1,668,359
License and maintenance fees	2,745,894	2,258,626
Regulator's Non-Bank Financial Institution Regulatory Authority(NBFIRA)	157,815	153,214
Other expenses	3,829,542	3,811,559
Staff costs	12,346,654	12,584,751
Stationary	520,854	129,649
Travel and entertainment	1,417,239	2,232,204
Investment consultancy	1,167,989	962,930
Unitisation fees	278,861	267,298
	34,382,340	29,275,976

4 TAXATION

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

► Trustees' Report

DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

5 INVESTMENT PROPERTIES	2015	2014
	P	P
Investment properties at fair value:		
Freehold and leasehold land and buildings	173,600,000	166,840,000
Leasehold land and buildings held in partnerships (refer to note 16)	59,897,668	59,590,397
Fair value	<u>233,497,668</u>	<u>226,430,397</u>
Balance at beginning of the year	226,430,397	209,796,844
Net unrealized gains on fair valuation of investment properties	7,067,271	15,957,314
Additions	-	676,239
Balance at end of the year	<u>233,497,668</u>	<u>226,430,397</u>
Loans and shares in property investment companies:		
Loans advanced to property investment companies	854,878	915,946
Investment in shares of property investment company	3,503,314	3,503,314
	<u>4,358,192</u>	<u>4,419,260</u>
Total investment in properties	<u>237,855,860</u>	<u>230,849,657</u>
Deferred lease rental	804,455	1,511,873
Total	<u><u>238,660,315</u></u>	<u><u>232,361,530</u></u>

Fair value measurement of the Fund's investment properties

The fair value of the Fund's investment properties as at 31 December 2015 and 31 December 2014 has been arrived at on the basis of valuation carried out at the respective dates by Messrs MG Properties International Botswana, Kwena Property Services. Wragg (Proprietary) Limited and Willy Kathurima (Proprietary) Ltd firms of independent chartered valuers not related to the Fund. The valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were based on open market values.

Details of the Fund's investment properties and information about the fair value hierarchy as at 31 December 2015 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 December 15
	P	P	P	
Investment property	-	233,497,668	-	233,497,668

There were no transfers between level 1 and 2 during the year.

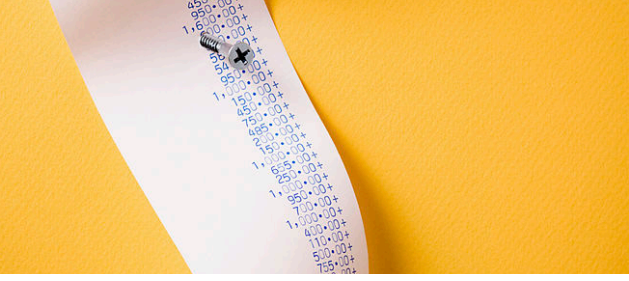


DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

	2015 P	2014 P
6 OTHER FINANCIAL ASSETS		
Designated as at fair value through profit and loss (FVTPL)		
Onshore equity investments by asset manager		
Investec Asset Management Limited-Equities	503,896,317	462,731,267
BIFM Asset Management (Proprietary) Limited-Equities	423,046,643	365,491,856
Allan Gray Botswana-Equities	415,581,661	311,406,996
	<u>1,342,524,621</u>	<u>1,139,630,119</u>
Onshore bonds by asset manager		
Investec Asset Management Limited-Bonds	281,412,081	222,339,788
BIFM Asset Management (Proprietary) Limited-Bonds	103,574,925	115,941,561
Allan Gray Botswana-Bonds	93,317,926	56,058,902
	<u>478,304,932</u>	<u>394,340,251</u>
Offshore bonds unitised funds		
Pimco Funds	685,334,644	600,259,801
Offshore equity unitised funds		
Marathon Asset Management LLP	573,517,060	479,734,032
Orbis Investment Management Limited	749,361,545	642,890,873
Walter Scott & Partners Limited	780,662,262	659,436,892
Aberdeen Asset Management PLC	643,161,887	620,767,880
	<u>2,746,702,754</u>	<u>2,402,829,677</u>
Net carrying amount carried forward	<u>5,252,866,951</u>	<u>4,537,059,848</u>
Net carrying amount of other financial assets at FVTPL brought forward	5,252,866,951	4,537,059,848
Carried at amortised cost		
Private equity loan investments in Vantage Mezzanine Fund II Partnership - offshore	90,797,304	77,569,566
BIFM Asset Management (Proprietary) Limited - short-term loans	24,334,798	23,948,353
	<u>115,132,102</u>	<u>101,517,919</u>
Total	<u>5,367,999,053</u>	<u>4,638,577,767</u>



► 2015 Annual Financial Statements

DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

7 CASH AND CASH EQUIVALENTS

Short-term deposit

Bank balances

 Denominated in Pula

 Denominated in Pula

	2015 P	2014 P
Short-term deposit	322,946,183	344,898,329
Bank balances	416,374,688	357,233,232
Denominated in Pula	228,204,536	194,315,020
Denominated in Pula	188,170,152	162,918,212
	739,320,871	702,131,561



DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

8 PLANT AND EQUIPMENT	Motor Vehicles P	Office Equipment P	Furniture and Fittings P	Total P
2015				
Cost				
Balance at 1 January 2015	868,272	3,651,279	1,950,090	6,469,641
Additions	-	191,643	1,200	192,843
Balance at 31 December 2015	<u>868,272</u>	<u>3,842,922</u>	<u>1,951,290</u>	<u>6,662,484</u>
Accumulated depreciation				
Balance at 1 January 2015	788,336	2,907,047	908,253	4,603,636
Charge for the year	79,936	457,146	217,498	754,580
Balance at 31 December 2015	<u>868,272</u>	<u>3,364,193</u>	<u>1,125,751</u>	<u>5,358,216</u>
Carrying amount	<u>-</u>	<u>478,729</u>	<u>825,539</u>	<u>1,304,268</u>
2014				
Cost				
Balance at 1 January 2014	868,272	3,379,360	1,945,298	6,192,930
Additions	-	564,507	47,517	612,024
Disposals	-	(292,588)	(42,725)	(335,313)
Balance at 31 December 2014	<u>868,272</u>	<u>3,651,279</u>	<u>1,950,090</u>	<u>6,469,641</u>
Accumulated depreciation				
Balance at 1 January 2014	632,875	2,309,082	833,046	3,775,003
Charge for the year	155,461	718,762	111,782	986,005
Disposals	-	(120,797)	(36,575)	(157,372)
Balance at 31 December 2014	<u>788,336</u>	<u>2,907,047</u>	<u>908,253</u>	<u>4,603,636</u>
Carrying amount	<u>79,936</u>	<u>744,232</u>	<u>1,041,837</u>	<u>1,866,005</u>

► 2015 Annual Financial Statements

DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

	2015	2014
	P	P
9 INTANGIBLE ASSET		
Cost		
Balance at beginning and end of year	-	6,421,806
Purchased in the period	3,244,006	-
	3,244,006	6,421,806
Amortisation and impairment		
Amortisation and impairment at beginning of year	-	(5,750,677)
Amortisation charge for the year	(270,332)	(671,129)
Balance at end of year	(270,332)	(6,421,806)
Carrying amount	2,973,674	-
The intangible asset comprises of Pension Administration and Accounting System which which was implimented in August 2015		
10 CONTRIBUTIONS AND OTHER RECEIVABLES		
Contributions receivables	1,543,226	-
Net advance benefit payments	607,242	672,242
Advance benefit payments	2,980,294	3,045,294
Allowance for doubtful debts - advance benefit payments	(2,373,052)	(2,373,052)
20% death advance claim	220,726	243,961
Pensioner deaths overpayments	290,994	278,907
Benefit clearing account	240,935	240,935
Interest receivable	694,398	694,398
Input VAT control account	-	43,175
Property rentals receivable	2,741,514	2,354,703
Property rental clearing account	-	1,156,574
Property partnership current accounts	5,830,585	2,528,097
Other receivables	923,490	498,840
	13,093,110	8,711,832

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 Financial Statements (Cont.)

31 December 2015

	2015 P	2014 P
11 BENEFITS PAYABLE		
Retirement	13,114,332	13,475,679
Withdrawal	5,683,766	3,888,136
Death	12,188,211	7,469,942
Pensioner deaths	2,235,660	1,140,717
Un-cleared contributions	-	140,060
Monthly pensions	1,594,804	909,217
Unclaimed benefits	1,922,795	2,769,415
Tax payable on benefits	246,438	817,763
Contributions for ineligible members	80,560	324,599
	<u>37,066,566</u>	<u>30,935,528</u>
12 OTHER PAYABLES		
Rental deposits	807,496	740,940
Rental received in advance	1,321,339	1,321,339
Withholding tax	24,611	63,687
Administration fees payable	1,223,086	1,647,878
Provisions and accruals	9,774,687	7,488,788
	<u>13,151,219</u>	<u>11,262,632</u>

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 2015. The valuation shows that the pensioners' account of the Fund, as reflected in the statement of changes in funds on page 7 amounting to P1 884 672 000 (2014:P1,693 825 000) adequately cover the pensioners' liabilities at that date amounting to P1 628 693 000 (2014:P1 493 010 000), without taking into account future pension increases.

DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

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 on-going 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 Riscura Consulting Services, 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 and Communications Committee

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

Nominations and Remuneration Committee

The Nominations and Remuneration Committee comprising of the Board of Trustees meets regularly and ensures that there is a formal, rigorous and transparent procedure for the appointment of new Independent Trustees and Committee members to the Board and Sub-Committees. The Committee ensures that the Board and its



DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

Sub-Committees have appropriate balance of skills, experience, independence and knowledge of the Fund to enable them to discharge their respective duties and responsibilities. The Nominations and Remuneration Committee is also responsible for the Fund's Human Resources mandate.

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 2015 amounted to P3 620 207 550 (2014: P3 243 577 256).

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 2015 amounted to P502 639 729 (2014: P418 288 604) being investments in onshore bonds and short-term loans and P685 334 644

(2014: P600 259 801) being investments in offshore bonds, and P739 320 876 (2014: P702 131 561) 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 2015 amounted to P1 342 702 621 (2014: P1 139 630 119) for local equities and P2 746 702 754 (2014: P2 402 829 677) 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).

DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

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).

Fair values of financial instruments (continued)

This note provides information about how the Fund determines the fair values of the various financial assets.

Fair value of the Fund's financial assets that are measured at fair value on a recurring basis

Some of the Fund's financial assets are measured at fair value at the end of each reporting period. The following table gives information about the fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2015 P	2015 P				
Onshore listed equity investments (see note 6)	1,342,524,621	1,139,630,119	Level 1	Quoted last traded prices in an active market	N/A	N/A
Onshore listed bonds (see note 6)	478,304,932	394,340,251	Level 1	Quoted last traded prices in an active market	N/A	N/A
Offshore bonds unitised funds (see note 6)	685,334,644	600,259,801	Level 2	Weighted average price for units held in portfolio. Fair value of underlying assets in portfolio is determined using quoted bid prices in an active market.	N/A	N/A
Offshore equity unitised funds (see note 6)	2,746,702,754	2,402,829,677	Level 2	Weighted average price for units held in portfolio. Fair value of underlying assets in portfolio is determined using quoted bid prices in an active market.	N/A	N/A

There were no transfers between level 1 and 2 in the current year.



DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

14 FINANCIAL RISK MANAGEMENT (continued)

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.

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.

Risk Variable	Adverse market change			Beneficial market change		
	Scenario	Effect on statement of comprehensive income		Scenario	Effect on statement of comprehensive income	
		<u>2015</u> P	<u>2014</u> P		<u>2015</u> P	<u>2014</u> P
Currency Risk	Strengthening of the Pula by 1%	(36,202,076)	(32,435,773)	Weakening of the Pula by 1%	36,202,076	32,435,773
Global Equity Risk	Decline in global equity prices by 1%	(27,467,028)	(24,028,297)	Increase in global equity prices by 1%	27,467,028	24,028,297
Local Equity Risk	Decline in local equity prices by 1%	(13,425,246)	(11,396,301)	Increase in local equity prices by 1%	13,425,246	11,396,301
Interest Rate Risk	Increase in interest yield by 1%	(19,272,952)	(17,206,800)	Decline in interest yield by 1%	19,272,952	17,206,800

► 2015 Annual Financial Statements

DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

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	2015 P	2014 P
Investec Asset Management Limited	Government bonds	163,079,492	80,770,585
Investec Asset Management Limited	Corporate bonds	65,784,543	75,966,908
Investec Asset Management Limited	Parastatals bonds	52,548,046	65,602,295
BIFM Asset Management (Proprietary) Limited	Government bonds	53,093,396	79,779,363
BIFM Asset Management (Proprietary) Limited	Corporate bonds	31,407,001	16,985,521
BIFM Asset Management (Proprietary) Limited	Parastatals bonds	19,074,528	19,176,677
Allan Gray Botswana	Government bonds	6,939,855	10,638,005
Allan Gray Botswana	Corporate bonds	59,183,547	15,455,191
Allan Gray Botswana	Parastatals bonds	27,194,524	29,965,706
Pimco Funds: Global Investors Series plc.	Unitised offshore bonds	685,334,644	600,259,801
Total (per note 6)		1,163,639,576	994,600,052

Bank balances and fixed deposits

Counterparty (investment manager)	Investment type	2015 P	2014 P
First National of Bank Botswana Limited	Fixed deposits	27,715,945	118,460,769
Barclays Bank of Botswana Limited	Fixed deposits	31,350,000	34,829,599
Barclays Bank of Botswana Limited	Bank balances	301,583,431	247,845,775
Standard Chartered Bank Botswana Limited	Fixed deposits	68,459,121	38,900,304
Standard Chartered Bank Botswana Limited	Bank balances	-	109,387,457
Stanbic Bank Botswana	Fixed deposits	131,533,850	25,899,023
Bank of Botswana	Treasury bills	20,827,230	48,330,560
Other Institutions	Fixed Deposits	157,851,294	78,478,074
Total (per note 7)		739,320,871	702,131,561



DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

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

Financial assets

Cash and cash equivalents

Designated as at fair value through profit and loss (FVTPL)

Investments carried at amortised cost

Contributions and receivables

Financial liabilities

Other financial liabilities at amortised cost

15 RELATED PARTY TRANSACTIONS AND BALANCES

Contributions receivable from participating employers

Remuneration of key management personnel:

Key management personnel comprises the Principal Executive Officer

Gross emoluments of the key management personnel are:

Short term benefits

Internal audit fees charged by Debswana Head Office

	2015 P	2014 P
	739,320,871	702,131,561
	5,252,866,951	4,537,059,848
	115,132,102	101,474,744
	11,733,213	8,668,657
	47,737,341	40,723,723
	257,207,415	229,509,504
	1,474,075	1,508,472
	799,680	792,409

► 2015 Annual Financial Statements

DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

16 INTEREST IN PROPERTY PARTNERSHIPS

Details of the Fund's material investments in other entities at the end of the reporting period are as follows:

Name of partnership	Principal activity	Place of incorporation and Principal place of business	2015	2014
Engen Palapye partnership	Property partnership	Palapye	20%	20%
Engen Maun partnership	Property partnership	Maun	25%	25%
DBN Developments partnership	Property partnership	Gaborone	33.33%	33.33%
Francistown Retail partnership	Property partnership	Francistown	75%	75%

Summarised financial results of the partnerships:

31 December 2015	Engen Palapye Partnership	Engen Maun Partnership	DBN Developments Partnership	Francistown Retail Partnership	TOTAL
	P	P	P	P	P
Investment property	7,540,588	5,124,216	28,968,522	18,264,371	59,897,696
Current assets	41,508,519	847,714	1,252,199	3,054,392	6,662,823
Current liabilities	(81,896)	(108,408)	(316,441)	(316,229)	(659,188)
Revenue - net rental income	1,010,157	573,841	2,914,924	2,131,323	6,630,244
Unrealised fair value gains on fair valuation of investment property	320,000	258,250	932,844	(1,522,500)	(11,406)
Total comprehensive income for the year	1,330,157	832,091	3,847,768	608,823	6,618,838
Net cash generated from operating activities	1,018,772	563,673	2,883,923	2,124,215	6,590,583
Net cash utilised in investing activities	(1,279,975)	(649,976)	(649,962)	(43,748)	(2,623,660)
Net cash used in financing activities	-	-	(2,999,700)	(2,517,782)	(5,517,482)
Net cash (outflow)/inflow	(261,203)	(86,303)	(765,739)	(437,315)	(1,550,559)



DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

Summarised financial results of the partnerships:

31 December 2014	Engen Palapye Partnership	Engen Maun Partnership	DBN Developments Partnership	Francistown Retail Partnership	TOTAL
	P	P	P	P	P
Investment property	7,261,955	4,820,928	27,852,676	19,654,838	59,590,397
Current assets	456,133	284,270	1,510,679	1,002,998	3,254,080
Current liabilities	(80,948)	(73,766)	(307,143)	(264,126)	(725,983)
Revenue - net rental income	968,338	550,327	2,691,151	1,853,888	6,063,704
Unrealised fair value gains on fair valuation of investment property	406,000	50,000	2,177,047	697,500	3,330,547
Total comprehensive income for the year	1,374,338	600,327	4,868,198	2,551,388	9,394,251
Net cash generated from operating activities	1,031,118	518,214	2,675,678	1,873,938	6,098,948
Net cash utilised in investing activities	(760,000)	(426,227)	(863,649)	(1,275,000)	(3,324,876)
Net cash used in financing activities	-	-	(2,166,450)	-	(2,166,450)
Net cash (outflow)/inflow	(271,118)	94,441	(354,388)	598,938	67,873

DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

17 CONTINGENCY RESERVES

An amount operating expenses amounting to P3 980 016 in 2015 (2014:P3 183 985) relating to retrenchment costs was adjusted against the Contingency Reserve. The reason for allocating the retrenchment expenses to Contingency Reserve was to avoid overburdening members who retired in 2015 with the once-off cost which would have negatively impacted on their fund credits. The Contingency Reserve is utilised for such purposes.

The contingency reserve has been split into various contingency reserve accounts as defined in the revised set of rules and in line with PFR1 issued by NBFIRA as follows:

		2015	2014
		P	P
	Percentage		
Processing error reserve	1.5	62,679,000	53,027,000
Expense reserve	0.0	3,009,006	8,482,535
Solvency reserve	25	127,568,000	112,401,000
		<u>193,256,006</u>	<u>173,910,535</u>

Processing error reserve

Processing errors include provision for mismatching and for timing differences in the actual investment or disinvestment of moneys from the time when the errors are deemed to have occurred in the calculation of benefits or the accrual of investment returns.

Expense reserve

This reserve is meant to handle fluctuations in future expenses of the Fund or to provide for future increases in expenses.

Solvency reserve

The solvency reserve is meant to introduce a level of prudence into the valuation and it is influenced by the recognition of inherent risks in the asset valuation method adopted.

18 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



DEBSWANA PENSION FUND

Notes To The Financial Statements (Cont.)

31 December 2015

objective of the Fund is to provide benefits to nominated beneficiaries of the qualifying members as the case may be.

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

19 MEMBERSHIP STATISTICS

Number of members:

	2015	2014
Active	5,871	5,755
Deferred	2,335	2,439
Pensioners	3,440	3,395

20 COMMITMENTS

Amounts committed in terms of operating leases over the Fund's office premises in Gaborone:

	2015 P	2014 P
Due within two to one year	1,234,910	1,101,342
Due within two to five years	1,309,190	2,544,100
	2,544,100	3,645,442

21 FIDELITY INSURANCE COVER

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

22 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.



DPF

ANNUAL REPORT • 2015