DPF
DEBSWANA • PENSION • FUND

ANNUAL REPORT 2018

The Debswana Pension Fund was established as a Pension Fund 1st October 1984. The Fund is licensed in terms of the Retirement Funds Act. The objective of the Fund is to provide for the optimised payment of pensions to persons, who are Members of the Fund, on retirement because of age or ill health and to provide benefits to eligible Dependents and Beneficiaries of deceased members. The Debswana Pension Fund (DPF) is a Botswana based defined contribution pension fund established 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. Currently the Fund provides pension management services to all employees of the Debswana group of companies, namely DPF, Debswana Diamond Company, Morupule Coal Mine, De Beers Holding Botswana, De Beers Global Sightholder Sales and Diamond Trading Company Botswana. The DPF is currently the leading Pension Fund in the private sector by size and value. In celebration of the 35th Anniversary DPF would like to celebrate all the milestones achieved in the 35 years.

years of financial empowerment

"OUR JOURNEY SO FAR"

This annual report is inspired by historic travel journals to celebrate the journey we've travelled over the past 35 years.

The Debswana Pension Fund was established as a Pension Fund 1st October 1984. Over the years, the Fund has grown to over 7 Billion Pula thereby providing adequate payments of pensions to members and their beneficiaries. In addition members' wealth has been increased over the years.

The DPF is currently the leading Pension Fund in the private sector by size and value.

In celebration of the 35th Anniversary DPF would like to celebrate all the milestones achieved from inception to date.

DOMICILE, TRUSTEES & PRINCIPAL BUSINESS PARTNERS

PRINCIPAL ADDRESSES OF THE FUND

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

PARTICIPATING EMPLOYERS

Debswana Diamond Company
Diamond Trading Botswana (DTCB)
DeBeers Global Sightholder Sales (DBGSS)
DeBeers Holding Botswana (DBHB)
Morupule Coal Mine (MCM)
Debswana Pension Fund (DPF)

BOARD OF TRUSTEES

Principal Trustees

Christopher Mokgware – Board Chairperson Company Appointed Trustee - DBGSS, DBHB, Morupule Constituency, DPF
Reobonye China Abel – Deputy Board Chairperson
Member Elected Trustee - Orapa Letlhakane, Damtshaa Constituency
Lynette Armstrong
Company Appointed Trustee – Debswana Diamond Company
Esther Palai
Member Elected Trustee – Jwaneng Constituency
Lebole Mpho Mokoto
Company Appointed Trustee – Debswana Diamond Company
Lebogang Sebopelo
Company Appointed Trustee - DTCB
Lapologang Letshwenyo
Member Elected Trustee – Morupule Constituency
Lebogang Kwapa
Member Elected Trustee - Gaborone Campus
Garekwe Mojaphoko
Member Elected Trustee – Pensioner Constituency

DPF EXECUTIVE MANAGEMENT

Gosego January - Chief Executive Officer
Thato Norman - Investments Manager
Agatha Sejoe - Communications Manager (resigned 30 November 2018)
Mpho Mphafe-Fish - Finance and Administration Manager
Boikanyo Europa - IT and Projects Manager
Tidimalo Poonyane - Legal & Compliance Manager (appointed October 2018)

AUDITOR

Deloitte & Touche

BANKERS

Barclays Bank of Botswana Limited

CUSTODIAN

Stanbic Bank Botswana Limited

INVESTMENT CONSULTANTS

Riscura Consulting Services (Proprietary) Limited

ACTUARIES

Willis Towers Watson and Consultants (Pty) Ltd

ONSHORE INVESTMENT MANAGERS

Investec Asset Management Limited
Botswana Insurance Fund Management Limited (BIFM)
Allan Gray Botswana (Proprietary)
African Alliance Asset Management Company (Pty) Ltd

OFFSHORE INVESTMENT MANAGERS

Walter Scott & Partners Limited
Marathon Asset Managers LLP
PIMCO Investment Management
Vantage Capital Fund Managers (Proprietary) Limited
Orbis Investment Management Limited
Nedgroup Invetsment (IOM) Limited (Veritas)
State Street Global Advisors
State Street Fund Services (Ireland) Limited (South Eastern)
American Century Investments
Morgan Stanley Investment Management Limited
Steyn Capital Management (Proprietary) Limited
Coronation Asset Management (Proprietary) Limited

INTERNAL AUDITORS

Debswana Diamond Company

ADMINISTRATORS

Debswana Pension Fund Administrators
(Debswana Pension Fund is a self-administered Fund that also provides optional annuities in- house for its retiring active and deferred members.)

ADMINISTRATION OFFICES

Gaborone Office
Plot 50361 Block D, Carlton House, Fairgrounds Office Park
Tel: +267 361 4267, Fax: +267 393 6239

Orapa Office
Administration Block,
Office No.17 Tel: +267 290 2323

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

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**

DEBSWANA PENSION FUND
Your fund: your security for your future

Old DPF

DPF
DEBSWANA · PENSION · FUND
Your Fund, Your Security, Your Future

New DPF

CONTENTS

FOR THE YEAR ENDED 31 DECEMBER, 2018

2012 - Launched the DPF Website

FUND OVERVIEW

For the year ended 31 December, 2018

IRF Industry Awards - 2009 to 2014

FUND BACKGROUND

The Debswana Pension Fund (DPF) is the largest private pension fund in Botswana and a major player in the retirement services industry with assets valued at BWP 7.281 billion and a total membership of 12211 inclusive of active, deferred and pensioner members.

The DPF is a pension fund secretariat to the Debswana & De Beers family of companies namely; Debswana Diamond Company (Debswana), Diamond Trading Company Botswana (DTCB), De Beers Holding Botswana (DBHB), Morupule Coal Mine (MCM), De Beers Global Sightholder Sales (DBGSS) and DPF.

The Fund currently has a staff complement of twenty-three and five main business functions that include Finance and Administration, Legal and Compliance, Investments, Communication, and Information Technology (IT). The Internal Audit and Information Management support are sourced from Debswana Diamond Company, whilst the Assets Management function, Actuarial Services and Investment Consultancy are outsourced to various asset managers and consultants locally and globally.

The DPF provides members with an end-to-end administration service in-house, including the provision and management of retirement annuities for its retiring members. Alongside the main head office in Gaborone, there are two (2) satellite offices, which are resourced with Member Relations officers to provide support to members and employers based in and around the two membership constituencies, namely Jwaneng and Orapa. The offices are also within the vicinity of the various participating employers' locations where active members are based. Deferred and pensioner members living around these areas can also access the offices for services.

OUR VISION

To be the preferred provider of retirement fund services in Botswana

OUR MISSION

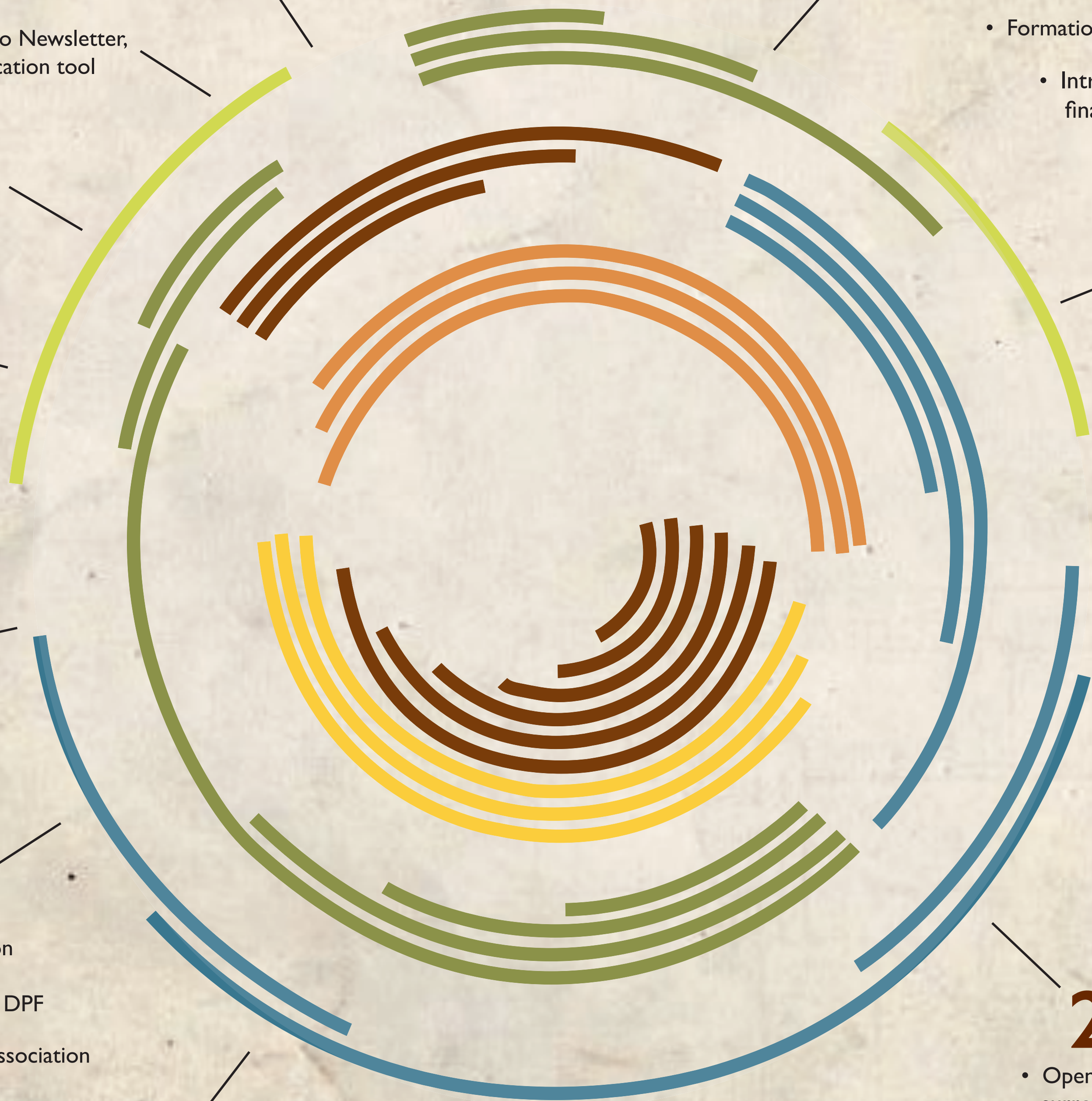
We will provide members with competitive and sustainable retirement benefits through:

- Prudent management of member funds
- Efficient administration of member records
- Provision of focused communication
- Effective social responsible investments

OUR VALUES

- Customer Focus
- Trust and Integrity
- Innovation
- Agility
- Self-Driven and Motivation

DPF Milestones



1984
- Pension Fund formed
- Introduction of Bokamoso Newsletter, a member education tool

2004
- Introduction of Life Stage model of investment

2005
- Outsourcing of Pension Fund Administration

2007
- Formation of the DPF Secretariat

2009
- Introduction of Funeral advance for members
- The Fund won IRF Best Communication Award

2010
- Self-administration
- Rebranding exercise to reposition DPF
- Formation of Badiri Ba Meepo Pensioners Association

2011
- Introduction of SMS communication

2012
- Opening of Satellite offices to service members in Jwaneng, Orapa and surrounding areas of these offices
- Launch of DPF website
- Reached 10 000membership mark

2015
- Introduction of Member Portal
- Social Media Presence
- Launch of the docu-drama Tloga Tloga
- Badiri Ba Meepo Pensioners Association approved constitution
- Project Anchor - Optimization of People, Process and Systems

2016
- Introduced Pensioner Trustee position in the Board of Trustees

2017
- Reached the 7 billion Pula mark in Fund Value

2018
- Approved license of subsidiary Administration Company
- Formation of subsidiary Administration Company - Mmila Fund Administrators
- Introduction of Business e-Brief for Fund investment and financial performance

BOARD OF TRUSTEES

CHRISTOPHER MOKGWARE
Board Chairperson
Company Appointed Trustee - DBGSS, DBHB, MCM, DPF

REOBONYE CHINA ABEL
Deputy Board Chairperson
Member Elected - OLDM Constituency

LYNETTE ARMSTRONG
Company Appointed Trustee
Debswana

ESTHER PALAI
Member Elected Trustee
Jwaneng Constituency

LEBOLE MPHO MOKOTO
Company Appointed Trustee
Debswana

LEBOGANG SEBOPELO
Company Appointed Trustee
DTC Botswana

LAPOLOGANG LETSHWENYO
Member Elected Trustee
Morupule Constituency

LEBOGANG KWAPA
Member Elected Trustee
Gaborone Campus

GAREKWE MOJAPHOKO
Pensioner Elected Trustee
Pensioner Constituency

EXECUTIVE MANAGEMENT

GOSEGO JANUARY
Chief Executive Officer

THATO NORMAN
Investment Manager

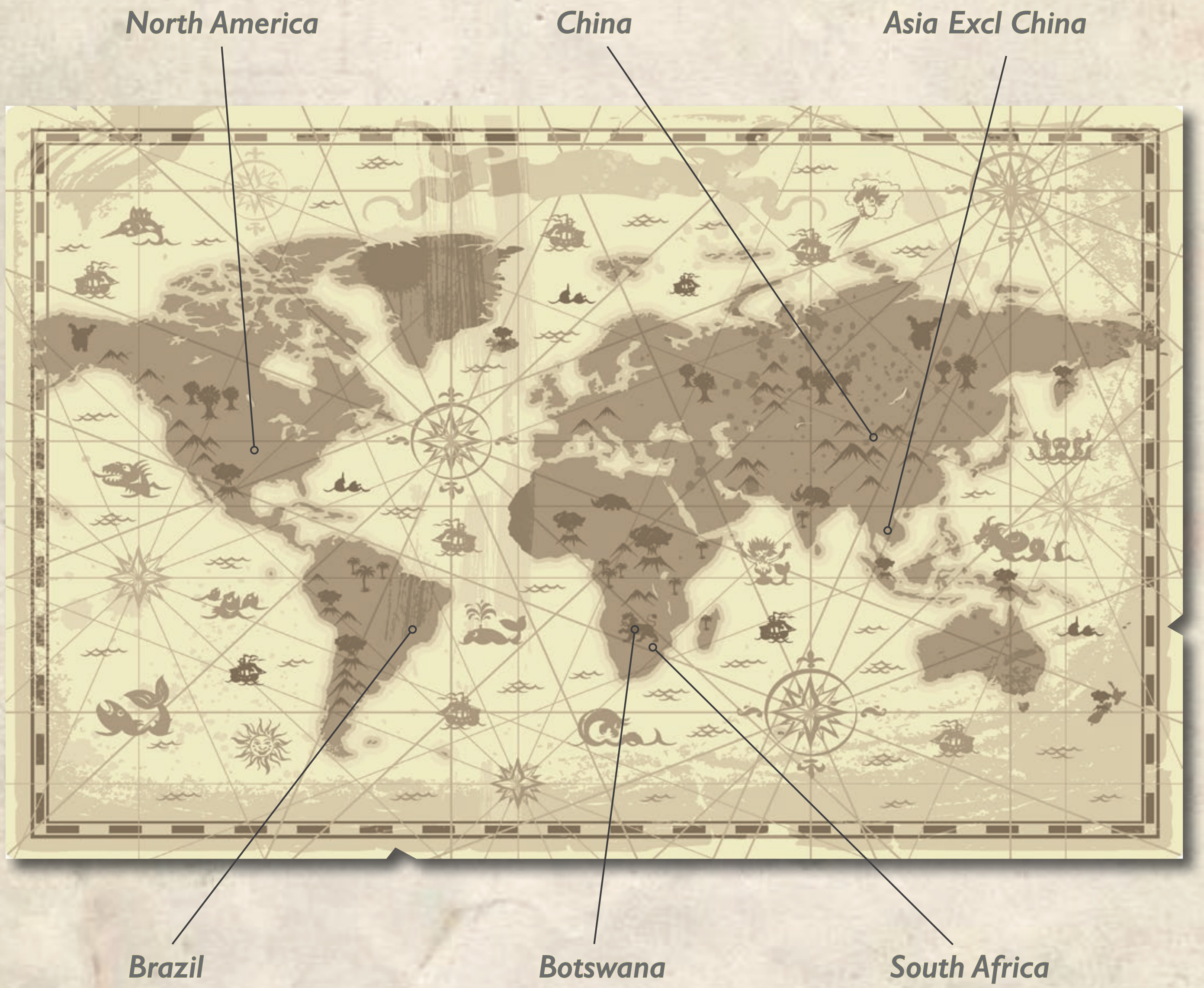
MPHO MPHAFE-FISH
Finance & Administration Manager

AGATHA SEJOE
Communication Manager
Resigned 30 November 2018

BOIKANYO EUROPA
IT & Project Manager

TIDIMALO POONYANE
Legal & Compliance Manager
Appointed October 2018

2018 GLOBAL MARKET OVERVIEW



North America

United States (US) equities underperformed in 2018 with most of the stock market sell off experienced in the final quarter of the year. Concerns of more future interest rate hikes by the US Federal Reserve Bank, compounded by risks associated with a US government shutdown, in addition to US-China trade tensions contributed to the equity sell off. During the year, business investment extended its recovery while household consumption, which accounts for two-thirds of US economic activity, continued to accelerate. However, towards the end of the year, investor optimism declined as the fiscal stimulus waned. Gross Domestic Product (GDP) expanded at a 2.9 percent annual rate in the final quarter of 2018 against 2.2 percent in the last quarter of 2017, exceeding a previous estimate of 2.3 percent. Sharp upwards and downwards movements in asset prices were experienced during the year, as markets remained cautious about trade protectionism policies from the Trump administration, derailing growth and business activity. Standard & Poor's Composite Index, Dow Jones Industrial Index, and Russell 2000 all marginally increased in 2018 with a sharp sell-off experienced towards the end of the calendar year. High levels of employment, supported by increased wage growth supported household consumption and business activity.

With a view to normalize interest rates, the Federal Reserve Bank (Fed) raised the key policy rate four times during the year. The key policy rate target range shifted from 1.25 - 1.50 percent to a new range of 2.25 - 2.50 percent. The Federal Open Market Committee (FOMC) pointed to a US economy characterized by improved domestic output with strong levels of employment. The unemployment rate dropped to 3.9 percent in December. The FOMC indicated that it would continue to adapt a data dependent monetary policy, driven by macroeconomic and financial indicators. The Fed Chairman indicated that the strength of the US economy supported rate hikes albeit at a slower pace. In particular, the rate hikes would support the nascent economic recovery by ensuring that prices of goods and services are aligned to the strength of the economic upturn. The Fed also indicated that the pace of key policy rate hikes would decrease from 4 to 3 in 2019, with the strength of the global economy assessed when making monetary policy deliberations. Against this background, US Treasury bond yields remained volatile in part driven by the Fed's monetary policy and inflation expectations. The investment grade bond Barclays US Credit Index declined 0.7 percent while the high yield bond Barclays US Corporate High Yield Index dropped 0.9 percent. Concerns over the normalization of key policy rates and high asset prices acted as a headwind to US equities.

Europe

The Euro-19 Gross Domestic Product (GDP) decreased from 2.5 percent in 2017 to 1.8 percent in 2018. Geopolitical events, in particular trade wars, and an economic slowdown in major trading partners contributed to the slowdown. Domestic activity was hampered by softening industrial production, as export driven Euro-19 economies were affected by trade tensions and geopolitical uncertainty. Household consumption, manufacturing and net exports weakened raising concerns of a narrowing recovery in the Euro-zone. Following many years of economic stagnation, interrupted by improved growth in the previous year, weak economic output reported in 2018 has increased forecasts of continued expansionary monetary policy by the European Central Bank. The unemployment rate rose to 7.9 percent in December, though modest improvements in employment levels were reported in Italy and Spain. Economic indicators pointed to weak output across the Euro-19's major economies. The Euro-19's largest economy, Germany, experienced lower growth due to tepid demand for exports and restrained consumption by German households. Other major economies in the Euro-zone namely, France and Italy, demonstrated poor growth. Italy emerged as the epicenter of financial risk with fiscal imbalances amidst structural challenges, which led to higher sovereign bond yields. Business confidence remained subdued prompting the European Central Bank (ECB) to announce that external factors such as protectionism policies and Brexit were creating risk factors for the Euro-19. With a view to support domestic activity, monetary policy by the ECB remained accommodative thereby providing a tailwind to domestic demand. Political risk in the Euro-19 stabilized during the year with risks oscillating between United Sates, China and United Kingdom.

The Office for National Statistics (ONS) reported that UK economy decreased from 1.8 percent in 2017 to 1.4 percent in 2018. Concerns about the UK leaving the European Union (Brexit) weighed down on business confidence, investment and consumption. Although household consumption remained resilient, business investment weakened as some multinational companies sought other operational destinations with access to the EU passport. The services sector, which accounts for 80 percent of output, softened as business and finance services sector sub components faced the Brexit uncertainty. Business investment dropped 4 percent while manufacturing activity remained weak. Household confidence surveys dropped towards the end of the year thereby pointing to weaker consumption activity, which is currently underpinned by strong employment levels. The unemployment rate decreased to 4.3 percent in December 2018. The Bank of England maintained the bank rate at 0.75 percent in December amidst signs of weaker domestic economic growth.

Japan

Japan's GDP declined from 1.9 percent in 2017 to 0.8 percent in 2018. Natural disasters that occurred during the year such as flooding, a powerful typhoon and a major earthquake hurt manufacturing and production. This was compounded by weaker demand for exports which were partially affected by the US - China Trade War and tepid global demand. The global trade concerns capped capital expenditure, while private consumption remained affected by the natural disasters experienced during the year. The headline Consumer Price Index was 0.3 percent in 2018 as aging demographics continue to dampen inflation. Wage growth has remained anemic consequently dampening inflation expectations during the year. The Bank of Japan continued its Quantitative and Qualitative Easing (QQE) as inflation continued to elude the 2 percent target. Weak economic growth has prompted the central bank to take a cautious stance on Japan's growth outlook. Weak domestic growth during the year has heightened market speculation that the central bank would extend the normalization of interest rates. The Topix Index declined by approximately 18 percent, as concerns of corporate earnings hit machinery, manufacturing, and technology companies.

Emerging Markets

Emerging Markets (EM) comprise approximately over half of the

GLOBAL MARKETS OVERVIEW

For the year ended 31 December, 2018

global youth population and half of the global economy. The region has experienced significant demand for infrastructure development as urbanization and increasing levels of household wealth drive demand for consumption. During the review period, Emerging Market asset classes underperformed Developed Markets asset classes with EM equity markets predominantly affected by the risk aversion trades experienced in the final quarter of the year. According to the International Monetary Fund Emerging Markets and Developing Economies grew 4.5 percent in 2018 and are expected to grow by 4.4 percent in 2019.

China

China's economy decelerated from 6.8 percent in 2017 to 6.6 percent in 2018, underlining a softening but stabilizing economy. The industrial sector improved during the year while retail activity remained resilient. Government officials have warned that the trade disputes with the US pose a significant risk to the outlook for China, though the impact thus far has been negligible. The government's focus on domestic infrastructure investment and the improvement of household wealth partially offset the challenges of trade protectionism policies. The Peoples Bank of China (PBC) reduced the reserve requirement ratio, the amount of money banks are mandated to hold in reserve, four times in order to support lending and consequently stoke demand. The Shanghai Stock Exchange Composite Index tumbled 24.6 percent in 2018, marking the worst performance in a decade. Concerns about rising bond yields, the structural changes in the economy, financial market regulation amidst ongoing trade disputes contributed to the significant market sell off.

ASIA EXCL CHINA

Asian economies have been supported by easier monetary and fiscal policies.

Brazil

The economy continued to register positive growth of 1.1 percent in 2018 against a previous increase of 1 percent in 2017. Fiscal reforms, record low interest rates, and improved investment supported Brazil's emergence from a technical recession in 2018. Unemployment averaged 12.3 percent during the year, demonstrating an improvement from 12.7 in 2017, as businesses activity improved. The government's primary deficit decreased to 1.7 percent of GDP in 2018 from 1.8 percent the previous year. The Ministry of Finance reported that over the year, gross debt marginally fell to 76.7 percent from 77.3 percent of GDP. The moderate growth of the economy, improved confidence and business activity levels have supported government revenue. During the year, Brazil's stock exchange, Ibovespa, increased 10.9 percent as investors grew more confident of the economic recovery.

Russia

The Russian economy expanded 2.3 percent in 2018 from 1.7 percent the previous year. Improved activity, characterized by a recovery in consumer and business confidence, supported business investment and consumption. The economy remained affected by threats of sanctions from major economies as a result of concerns that the country interfered with the US presidential elections. Russian MICEX Stock Market Index faced the headwinds of banking and oil sanctions imposed by the United States.

South Africa

South Africa's economic growth momentum slowed to 0.8 percent in 2018. South Africa's GDP per capita continued to moderate as the rate of population growth continues to exceed the pace of economic growth. The economy remains affected by high rates of unemployment as the country's major mines continue to moderate. President Cyril Ramaphosa who is considered more business friendly than his predecessor continues to promote investment and structural reforms.

Botswana

Botswana's economy increased 4.1 percent in the fourth quarter of 2018 against a previous increase of 6.4 percent in the same quarter of 2017. During the same period, mining activity surged 13.9 percent against a previous marginal increase of 0.2 percent. Mining activity has remained weak over the past several years as a result of the closure of BCL and Tati Nickel mines. Equally important, the recovery in mining during the reporting period was predominantly driven by increased production of diamonds in the country's major diamond mines. Economic output was driven by an increase of 7.1 percent, 4.9 percent and 3.8 percent in transport & communications, finance & business services and general government. The biggest negative contributor to output stemmed from water & electricity and trade, and hotels & restaurants which each decreased 0.2 percent.

Household consumption improved 2.2 percent in the fourth quarter of 2018 while government expenditure rose 2.1 percent. Gross capital formation increased 4.8 percent as business investment experienced a moderate pick up. Exports increased 4.6 percent driven by a surge in diamond sales in the fourth quarter of 2018, while imports rose 27.3 percent. Government expenditure rose 2.1 percent with markets anticipating increased government expenditure as national presidential elections loom. Statistics Botswana reported that Botswana's unemployment rate declined to 17.6, with the unemployment rate for females at 18.9 against 16.3 percent for males. Youth unemployment remained high at 40.2 percent. The private sector remained the largest employer as it employed 31.6 percent of the labour force, followed by the public sector at 23.0 percent. Domestic output remains exposed to global headwinds such as moderating global growth, commodity price volatility, and geopolitical risks. Meanwhile, households have struggled from high levels of debt, tight credit availability and anemic wage growth. The fiscal deficit widened to 2.3 percent of GDP in 2018 from a surplus of 0.1 percent the previous year due to lower mineral receipts. The balance of payments deficit is forecast to narrow to P4.2 billion in 2018 from P4.3 billion in 2017. The deficit comprises of government payments and imported goods and services. The current account deficit is expected to remain moderately unchanged at P4.2 billion in 2018. Government continued its fiscal policy of restricting total debt as a percentage of GDP at 40 percent, with debt levels remaining at 25.0 percent. Botswana managed to maintain an "A investment grade" rating by both Standard & Poor's and Moody's Investors rating agencies.

Inflation ended the year at 3.2 percent in December and remained within the Bank of Botswana (BoB) 3 - 6 percent inflation target. The low inflation trajectory prompted the Bank of Botswana to cut the Bank rate by 50 basis points to 5.0 percent in October 2017, with the Bank rate remaining unchanged in 2018. Monetary policy remained accommodative in order to drive investment borrowing and in turn aggregate demand.

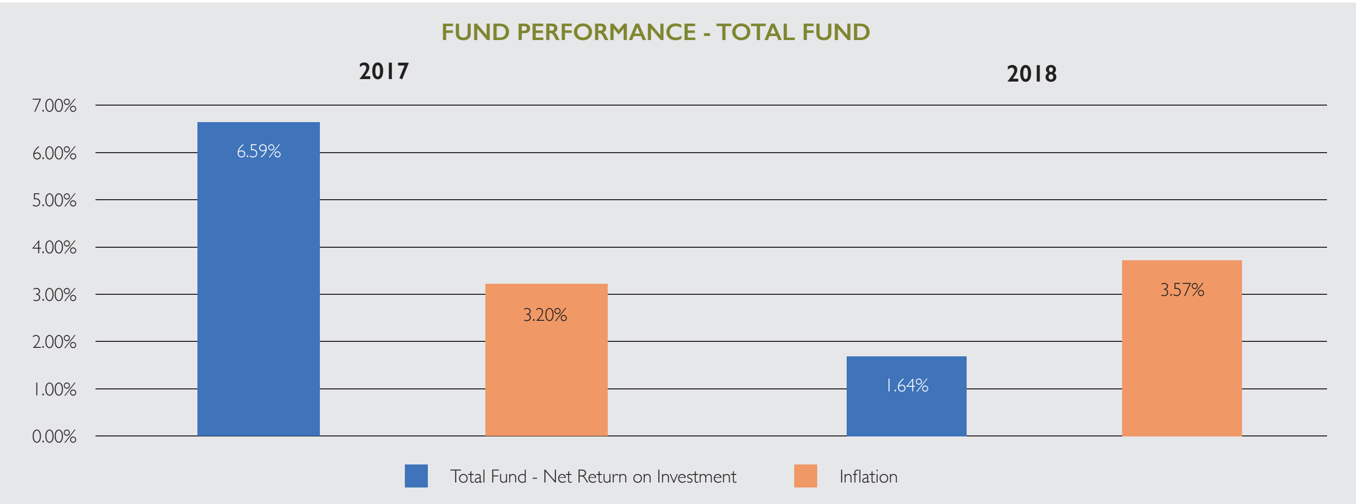
The Pula appreciated against the South African Rand by 7.0 percent while depreciating against the International Monetary Fund (IMF) unit of account, the Special Drawing Rights (SDR) by 5.9 percent. Against the USD, the Pula depreciated by 8.1 percent partially driven, by the weakening rand as concerns about risk factors plaguing capital markets led to a selloff in Frontier Markets and Emerging Market currencies as investors bought safe haven assets such as the dollar.

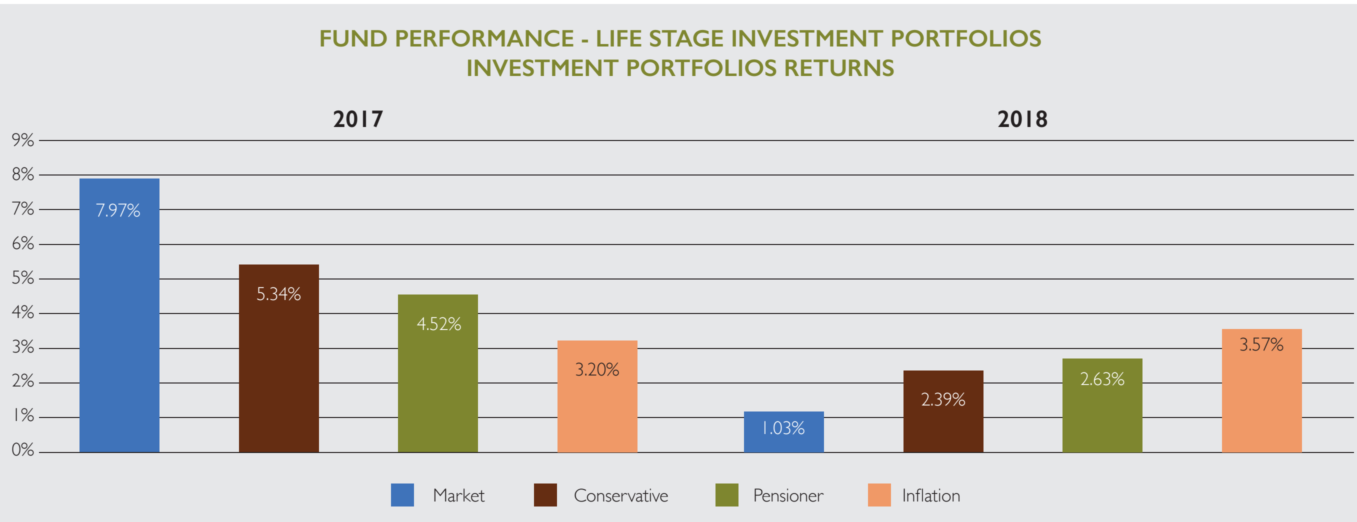
During 2018, the Domestic Companies Index (DCI) declined 6.54 percent as large cap counters such as financial and consumer stocks continued to underperform. Choppies, Standard Chartered, Letshego and Sefalana contributed to the financial sector underperformance. Moderate economic growth characterized by low employment levels and the subdued interest rate environment contributed to the weak equity market performance. Conversely, FNB and New African Properties offset some of the losses in the DCI. Wilderness and Furniture Mart counters announced their intentions to delist from the Botswana Stock Exchange.

The Fleming Aggregate Bond Index (FABI) returned 4.88 percent over the year. Weak domestic activity and the benign inflation outlook prompted Bank of Botswana to maintain the Bank rate at a historic low, consequently capping interest rates and leading to a flattening of the bond yield curve.

FUND PERFORMANCE HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER, 2018





FUND PERFORMANCE HIGHLIGHTS

For the year ended 31 December, 2018

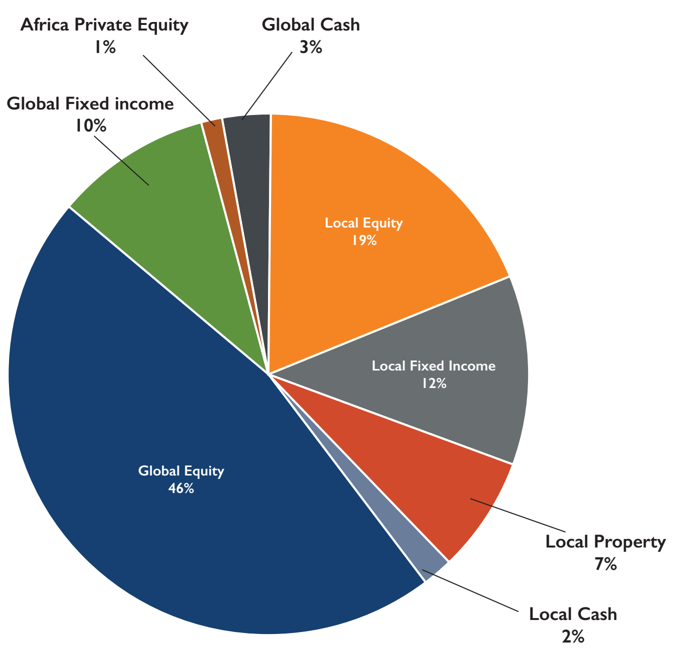
Fund Performance – Life Stage Investment Portfolios (Investment Portfolios Returns)

Fund	12 Month	36 Month	60 Month	Since Inception (Aug 2004)
Market	1.03%	3.89%	7.20%	11.89%
Conservative	2.39%	3.24%	6.51%	9.93%
Pensioner	2.63%	2.48%	6.14%	10.99%
Contingency	2.30%	3.23%	6.58%	14.21%
Fund	1.64%	3.52%	6.86%	14.70%
Inflation	3.57%	3.26%	3.32%	3.12%

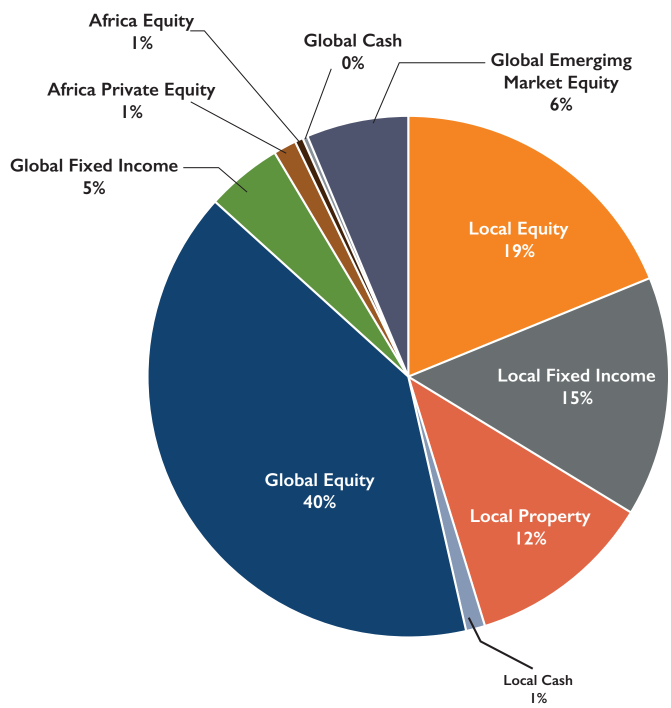
Asset Allocations

Asset Class Weights as at 31 December 2018 in comparison to Asset Class Weights as at 31 December 2017

ASSET CLASS WEIGHTS AS AT 31 DECEMBER 2017



ASSET CLASS WEIGHTS AS AT 31 DECEMBER 2018



FUND PERFORMANCE HIGHLIGHTS

For the year ended 31 December, 2018

Revenue and Expenditure

	P'000		P'000
Fund as at December 2017	**7 036 215**	Administration expenses	29 037
Contributions received	308 727	Investment Fees	47 486
Transfers received	8 624	Withdrawal and death benefits	4 233
Income from Investments	167 348	Retirement benefits	74 409
Adjustments to fair value of Assets	54 930	Pensioner death benefits	4 233
		Pensions paid	146 040
		Transfers paid	15 301
		Fund as at December 2018	**7 236 139**

Membership Movements

Changes in Membership movements for the financial year ending 31 December 2018

Description	Active Members	Deferred Members	Pensioners	Total
Numbers at beginning of period	5940	2312	3830	12082
Beneficiary Age 21 exit	0	0	(16)	(16)
Additions	263	77	200	540
Transfers-in	0	7	0	7
Transfers-out	0	(25)	0	(25)
Retirements	(75)	(151)	0	(226)
Other Exits	(51)	0	0	(51)
Deaths	(16)	(7)	(77)	(100)
Numbers at end of period	**6061**	**2213**	**3937**	**12 211**

	2018	2017	Difference	Comment
Active	6061	5940	121	Increase
Deferred	2213	2312	(99)	Decrease
Pensioner	3937	3830	107	Increase
Total	**12211**	**12082**	**129**	**Increase**

Funding Level

Combined Position	31/12/2018	31/12/2017	Change
	P'000	P'000	%
Fair Value of Assets	7 235 997	7 036 478	2.84%
Actuarial Liabilities	6 998 749	6 726 596	4.05%
Surplus / (deficit)	237 248	309 882	-23.44%
Funding Level	103.4%	104.6%	1.2%

Bokamoso

Vol. 1 April 2019

DPF DEBSWANA · PENSION · FUND

3.5% Pensioner Salary Increase for DPF Pensioners

The Debswana Pension Fund Secretariat is pleased to announce that at its last sitting, the Board of Trustees approved a pensioner salary increase of 3.5% which takes effect from July 2019.

2018 Fund Performance

The Fund realised muted investment growth in 2018 compared to 2017. The Fund had set a target of inflation plus 4.3% (CPI+4.3%) over a five year rolling period. In the year under review, the Pensioner Portfolio returned 1.55% thereby failing to meet the investment target. Despite the muted performance, the Fund remains in a good financial position.

Due to the positive but low returns in 2018, the pensioner portfolio funding levels, i.e. the match between assets and liabilities (future pensions) also reduced by 3.5% in the year under review. Similarly, the surplus earned decreased from P89 768.00 in 2017 to P23 471.00 in 2018.

Pensioner Account	31 December 2018 P' 000	31 December 2017 P' 000
Fair value of assets	2 119 511	2 037 697
Pensioner member liabilities	2 096 040	1 948 019
Surplus/(Deficit)	23 471	89 768
Funding level	101.1%	104.6%
Inflation	3.5%	3.2%

The 3.5% increase is awarded in line with the objective to maintain acceptable funding levels in the pensioner portfolio. Annual pensioner salary increases are subject to affordability, hence are not guaranteed. Affordability is determined through matching of Fund assets and liabilities in order to establish the Fund's funding level. In addition to funding levels, other factors such as current and future investment outlook are considered.

For further clarification members may contact their nearest DPF Member Relations Office:

Gaborone (+267) 361 4297

Jwaneng (+267) 588 4849

Orapa (+267) 290 2323

1

Inside

Debswana Pension Fund

Debswana Pension Fund @DebswanaPF

DPF Values

Customer Focused · Trust & Integrity · Innovation · Agility · Self driven & Motivated

Introduced Bokamoso Newsletter as a Communication Tool.

CHAIRPERSON'S MESSAGE

For the year ended 31 December, 2018

CHRISTOPHER MOKGWARE
Board Chairman
Company Appointed

Dear Members

On behalf of the DPF Board of Trustees, I present to you the 2018 Annual Report.

DPF had a challenging financial year. A key occurrence in 2018 was the sluggish performance experienced by our investments, particularly in the fourth quarter of 2018. The Fund's assets declined sharply in quarter four after a continued spell of positive performance in the preceding quarters. Local equities continued to underperform as the domestic macro economic conditions remained weak characterized by anemic consumption and tepid business activity. The financial services sector, which is dominated by banks in the Botswana Stock Exchange, remained affected by historic low interest rates. We nevertheless derive some degree of comfort that the 2018 aggregate investment performance results remained positive albeit below target.

In a year distinguished by market volatility, I would like to focus my message particularly on the key 2018 events that have had an impact on the Fund. Market volatility in the current and recent years is an ongoing reminder to us that the market outlook remains uncertain with returns not guaranteed. This challenges all stakeholders tasked with the pension management mandate to play their part to the fullest, in ensuring that we all collectively reach the desired retirement objectives for members.

Towards the end of 2018, we received reports that Botswana has been grey listed by the Financial Action Task Force. The country has been given timelines to put measures in place, which will combat money-laundering and financing of terrorism activities. This has in turn resulted in increased Know Your Customer (KYC) requirements from our global asset managers and custodians. I am pleased to inform you that Fund Management has complied with all KYC requirements.

As Trustees and Fund Management, we have to constantly seek innovative ideas that will improve our strategies in all aspects of the Fund's objectives, most importantly, the optimization of investment returns and retention of minimal operating costs.

We recognise the responsibility fully as your DPF Trustees and continue to make inroads toward such improvements. Some of the 2018 milestones achieved, which are symbolic of that progress, include the following:

- Setting up DPF's fund administration subsidiary company, Mmila Fund Administrators (Pty) Ltd. Mmila will perform DPF's administration function separately. Members were informed of this undertaking in 2017 due to the implementation of the Retirement Funds Act of 2014;

- Mmila was successfully licensed by the Non-Bank Regulatory Authority (NBFIRA) in August 2018;

- By the end of 2018, DPF had started the process of transferring the fund administration function to Mmila, which we envisage, will be completed by Quarter 3 of 2019; and

- The Fund was successful in implementing the transition of offshore assets to new global asset managers in 2018.

Another pertinent issue, which I am pleased to highlight, is that there were no significant findings in the 2018 External Auditors Report. This reflects that the Fund's internal controls are reasonably adequate, appropriate and effective to provide assurance that your investments are being managed prudently. I cannot emphasise enough that, as a member and a major stakeholder, you should make an effort to read the comprehensive reports to appreciate how well your assets are being managed.

I would like to thank all of our stakeholders; DPF Trustees, DPF CEO, DPF Staff, and business partners for their continued commitment to the Fund. I would also like to thank in particular the regulator, NBFIRA, whose contribution was invaluable during the preliminary consultations, in our efforts to address the issues of regulatory compliance that emerged.

I look forward to a successful 2019.

Sincerely,
Christopher Mokgware
Board Chairman

CHIEF EXECUTIVE OFFICER REPORT

For the year ended 31 December, 2018

GOSEGO JANUARY
Chief Executive Officer

Dear Members

I am pleased to report a fair performance of the fund against a turbulent operating environment faced with both regulatory and market uncertainties.

2018 was particularly a challenging year as a result of heightened market volatility, which was intensified by the ongoing trade wars and uncertainty caused by Brexit. Our investments were not spared as we realized a sudden drop after nine months of continued growth. Consequently, the Fund fell short of its investment performance targets for the year. Our performance highlights for the year are as follows;

Financial

Our financial reporting has been subjected to compliance with the new BAOA requirements and some amendments to the International Reporting Standards (IFRS). With these new reporting requirements, you are bound to notice some differences in the way we will be reporting our financials. For the year ended 31st December, 2018, the Fund was able to contain costs within targets and achieved a budget saving of 5 percent. Returns for 2018 were low as witnessed by the portfolio performance. The Market Portfolio performance returned 1.03 percent; the Conservative Portfolio returned 2.39 percent, and the Pensioner Portfolio returned 2.63 percent.

Business Partners

Stakeholder Satisfaction surveys are conducted annually to measure the operations as well as benchmark the outcomes against globally recognised customer satisfaction indexes. DPF members and stakeholders continuously remain satisfied with the services that they received from the Fund in 2018.

The Fund aims to provide effective and efficient services to members, as well as drive effective business relations with all stakeholders. The Fund Management implements a member communication and stakeholder engagement plan to ensure that information flow is maintained and achieved throughout the year. The plan is designed to address the core Fund communication objectives.

Operations

Efficiencies in the management of a pension fund are paramount. Financial soundness of the Fund and its operational efficiency are interlinked. The current Investment Model is highly dependent on the integrity of member records for outcomes. For the year ended 31 st December 2018, the Fund had no outstanding audit queries. Continuous efforts are implemented to improve the internal control environment to further ascertain efficiencies.

Industry

The DPF Board of Trustees resolved to set up an administration company; Mmila Fund Administrators (Pty) Ltd (Mmila) following the enactment of the Retirement Funds Act 2014 which prohibits self-administration by Pension Funds. The Board saw this as an opportunity to diversify the Fund's investment portfolio. Mmila Fund Administrators (Pty) Ltd was granted a license to provide administration services in August 2018 and has since been working towards commencement of operations, which will happen upon completion and satisfaction of all regulatory requirements.

People

The annual employee satisfaction survey revealed that there was a high sense of uncertainty amongst employees due to the looming transition movement. Although staff was assured that their jobs were safe, the results realised from the employee satisfaction painted a different picture. At the beginning of the process, DPF employees were issued with Section 25 letters, as a requirement in a situation where employees face a possible retrenchment, which were later repealed with Section 28 letters, in which employees were informed of a transfer from DPF to its newly formed subsidiary company; Mmila Fund Administrators (Pty) Ltd. The Fund reinforced Change management activities roll out in order to give employees the mental and physical support they needed during this process. In 2018, DPF partnered with the Antiretroviral Therapy (ART) Fund to ensure all employees underwent counselling prior to the transition exercise.

Strategy

The Fund will have to embark on an exercise to review its long-term strategy which will give guidance to the future strategic direction of the Fund.

Compliance

Since DPF had been self-administering prior to the Retirement Funds Act, the Fund has been engaged in preparations to outsource the administration function to a registered pension administration company to ensure compliance with the new law.

Conclusion

We are more confident and ready to propel the Fund into further growth and prosperity through a well-defined growth strategy in the coming periods. I wish you all great success with your finances for 2019 and beyond. Every "thebe" counts keep saving towards your retirement.

We are privileged to serve you.

Sincerely
Gosego January
Chief Executive Officer

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER, 2018

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. DPF invests 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 2018 registered 12,211 members comprising of 6061 Active Members, 2213 Deferred Members and 3945 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 from 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) as well as reducing their tax obligation.

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 age of 60 years
- Retirement savings contribution rate at 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 it is possible to provide benefits in excess of the targeted NRR. Given the defined contribution nature of the Fund, the above benefits are only a target and are not guaranteed.

Member Engagement

COMPLIANCE REPORT

Governance Statement

1. Board of Trustees

According to the Retirement Funds Act, the fiduciary responsibility of 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 Trustees are elected in terms of the Fund Rules. Currently the DPF Board composition is as follows;

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

The Fund is committed to the attainment and preservation of high standards of corporate governance incorporating the principles of integrity, accountability, transparency and social responsibility which is attained through optimum use of resources.

The Fund's Board of Trustees and its designated Committees perform the oversight function of corporate governance. In line with the Fund Rules, the Board has delegated some responsibilities to the Committees to act on its behalf; however, the ultimate responsibility of the administration and management of the Fund 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.

The Committees, in the performance of their advisory and oversight function are guided by each Committee's well-structured terms of references. Committee members address relevant issues and make recommendations to the Board for final approval. The Committees function independently from each other and are provided with sufficient authority, resources, and assigned responsibilities in assisting the Board. The Board appoints Trustees to serve on each Committee depending on their areas of knowledge and skills to ensure that it takes advantage of the expertise of all the Trustees.

There are four main Committees. The term of office for the Trustees is five years and three years for Independent Trustee. Both can be re-appointed for another five-year term and three-year term respectively.

There is currently one vacancy 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.

2. Trustees List

Trustees	Representation
Christopher Mokgware (Chairman)	Other Participating Employer*
Lebole Mpho Mokoto	Debswana Diamond Company
Lynette Armstrong	Debswana Diamond Company
Lebogang Sebopelo	Diamond Trading Company Botswana
Esther Palai	Jwaneng Constituency
Lebogang Kwapa	Gaborone Campus
Reobonye China Abel	Orapa Letlhakane Damtshaa Constituency
Lapologang Letshwenyo	Morupule Constituency
Garekwe Mojaphoko	Pensioners

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

3. Board and Committee Membership (As at December 2018)

Trustees Members	Board	Investment Committee	Benefits & Communications Committee	Audit, Risk & Finance Committee	Nominations & Remunerations Committee	Total Number of Committees
Mr. Christopher Mokgware (Other PE's)	Board Chairman					0
Mr. Reobonye China Abel (OLDM)	Deputy Chair	√			√	2
Mr. Lebogang Sebopelo (DTCB)	√	√	√			2
Ms. Lynette Armstrong (Debswana)	√	Chairman		Chairman		2
Ms. Esther Palai (Jwaneng)	√		Chairman	√		2
Mr. Lapologang Letshwenyo (MCM)	√		√		√	2
Ms. Lebogang Kwapa (Gaborone Campus)	√	√		√		2
Ms. Lebole Mpho Mokoto (Debswana)	√	√			Chairman	2
Mr. Garekwe Mojaphoko (Pensioner Trustee)	√		√		√	2
Total Members	**Nine**	**Five**	**Four**	**Three**	**Four**	
Vacancies	**One**	**One**	**One**	**Two**	**Nil**	

Currently the Fund has vacancies in the Board of Trustees and Audit and Risk and Finance Committee.

4. Board and Committee Meetings (Comparison Year 2017 and 2018)

In 2018 the Board of Trustees had in total six (6) meetings which comprised of four (4) scheduled meetings and two (2) special meeting. The table below indicates the number of meetings held by both the Board and its Committees in 2017 compared to 2018.

Meetings	Planned Meetings	Special Meetings	Total	Planned Meetings	Special Meetings	Total
	2017			2018		
Board of Trustees	4	5	**9**	4	2	**6**
Audit Risk & Finance Committee	3	Nil	**3**	3	Nil	**3**
Investment Committee	4	1	**5**	4	1	**5**
Nominations & Remunerations Committee	2	Nil	**2**	2	1	**3**
Benefits & Communications Committee	4	Nil	**4**	4	Nil	**4**

5. Board Achievements in 2018

The Debswana Board of Trustees amongst other things managed to achieve the following in 2018;

a) Board achievements include;
- Reviewed and approved the Board Charter, Code of Conduct and Terms of Reference for all Committees of the Board;
- Approved the Investment Projects Governance Policy;
- Reviewed and approved 2018 updated Balance Scorecard and 2018 Key performance Indications
- Annual Board Assessment conducted by an independent assessor;
- Approved pension salary increase of 4%;
- Approved the Remuneration Policy;
- Compliance with the Retirement Funds Act by nullifying the appointment of Alternate Trustees;
- Reviewed and approved the appointment of a Global Fixed Income Manager;
- Acquisition of the Fund Administration Licence through its subsidiary, Mmila Fund Administrators (Pty) Ltd;
- Approved Auditors terms of engagement and scope;
- Approved Acturial Valuation Report; and
- Approved Financial Statement.

b) Appointment and/or election of Trustees
- Ms. Lebole Mpho Mokoto appointed as the new Nominations and Remuneration Committee Chairperson.

c) Investment Mandate
- Approved the appointment of domestic equity segregated managers;
- Implemented the Global Equity Transition; and
- Acquired New African Properties Shares.

d) Audit, Risk and Finance Mandate
- Reviewed and approved the Fund Top Ten Risks quarterly.

e) Benefits and Communications Mandate
- Approved Communications Policy and Plan; and
- Approved Death Benefits Distribution quarterly.

f) Nominations and Remunerations Mandate
- Approved and recommended the Board Committee Composition; and
- Approved Salary Increments and Staff Bonuses.

6. Fund Rules Amendments

The Fund Rules were amended to align with the Retirement Funds Act and submitted to the Regulator for approval.

7. Trustees Training

During the year 2018 the Fund Trustees were trained by specialist advisors on the following areas;
- Pension Fund Investment and Management - Botswana;
- African Corporate Governance - South Africa;
- The Pensions, Micro Pensions and Alternative Investments - Kenya;
- Vantage Capital Annual Investor - South Africa;
- BIFM Annual Trustee Training - Botswana;
- Africa Asset Owners and Managers Forum - Mauritius; and
- Goldman Sachs Investment University - Singapore.

8. Audits

a) Internal

A total of four (4) audit reports were completed and issued during the 12 months to December 2018:
- Performance Management - Moderate
- Investment Management - Good
- Communications - Good
- Risk Management – Moderate

Based on reviews and assessments completed for the year ended 2018 (12 months to December 2018), the internal controls of the Fund were found to be reasonably adequate, appropriate, and effective to provide reasonable assurance that risks are being managed appropriately and objectives should be met.

b) External Audit

In 2018 there were no significant findings reported by the External Auditors.

9. Risk Management

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

The table indicates the most significant risks which were identified, closely monitored and mitigated in 2018.

Risk	Cause
Regulatory	The enactment of the Retirement Funds Act, 2014 and the Retirement Funds Regulations, 2017 which included the abolishment of pension fund self-administration. The Fund focused on compliance requirements such as; Application for the registration of a subsidiary company to carry out fund administration services; review of payments method of death benefits to beneficiaries; and review of internal policies and the Fund Rules to align with the provisions of the new legislation. The non-compliance with the new Retirement Funds Act will result in penalties (increased costs) and reputational damage.
Decreasing Membership Numbers	The introduction of the preservation fund by the Retirement Funds Regulations Act, 2014.
Currency Fluctuations	Change in monetary policies, geopolitical events and market volatility.
Increased Fund Administration costs	Inflation, high fixed costs, inefficiencies, inadequate planning, forecasting and budgeting resulting in erosion of member benefits and a low Net Replacement Ration (NRR).
Sub-optimal returns	Market volatility, exchange rate fluctuations, increasing inflation, ineffective manager selection process and unsatisfactory asset manager's performance resulting in a low NRR.
Inability to meet member obligations (benefits payments and pensioner salaries)	Misalignment of investment policies to membership profiles, inaccurate membership profiles and inefficient processes resulting in inadequate Asset Liability Matching.
Business Continuity	Ineffective implementation of the disaster recovery strategy and the lack of a Business Continuity Management Strategy.
Non-delivery of Investment Policy (IP) initiatives	Unsatisfactory performance by assets managers, inefficient processes and an inefficient Investment Policy.
Non-delivery of the Fund's strategic intents	Lack of stakeholder buy-in and limited understanding of the Fund's strategy.

FINANCE AND ADMINISTRATION REPORT

Debswana Pension Fund (DPF) has been a self-administered private pension fund since June 2010. The implementation of the Everest Administration system, has enabled the Fund to achieve major accomplishments in the efficiencies and data integrity, which has immensely contributed to DPF being one of the top administered Funds in the industry. In April 2017, the new Retirement Funds Act, 2014 and its Regulations came into effect, bringing in a paradigm shift in the pension industry, where Funds were prohibited from self-administering.The Fund has since worked relentlessly to ensure compliance with legislation by the deadlines set by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA).

1. Membership

a) Employer contribution rates

The pension contributions in respect of the Employer and active members are summarised as follows:

Percentage of Pensionable Salary	
Contribution Rates	All Employers
Member Contributions	0.00%
Company Contributions	20.00%
Retirement Funding	20.00%

Deferred Members of the Fund are permited to contribute towards their pension in accordance with the Rules of the Fund, policies and procedures governing deferred member contributions. There is no restriction in terms of the amount of contributions, however, the Fund only receives contributions through bank transfers to curb the use of money from sources prohibited by the Financial Intelligence Act. Since the introduction of deferred member contributions in 2016, ten (10) deferred members are contributing to their pension and the number is continuing to grow. The total deferred contributions received in 2018 is BWP 466,800 compared to BWP 297,202 in 2017.

b) Membership Movements in 2018

Changes In Membership Movements For The Financial Year Ending 31 December 2018

Description	Active Members	Deferred Members	Pensioners	Total
Numbers at beginning of period	5940	2312	3830	12082
Beneficiary Age 21 exit	0	0	(16)	(16)
Additions	263	77	200	540
Transfers-in	0	7	0	7
Transfers-out	0	(25)	0	(25)
Retirements	(75)	(151)	0	(226)
Other Exits	(51)	0	0	(51)
Deaths	(16)	(7)	(77)	(100)
Numbers at end of period	**6061**	**2213**	**3937**	**12 211**

The Fund's total membership as at 31 December 2018 was 12211 compared to 12082 in 2017. There has been marginal growth in membership of 1.07% (129 Members) in 2018, which is mainly due to Participating Employers (PEs) reduction following retrenchment exercises that took place a few years ago.

c) The membership statistics for 2018 compared to 2017 is as follows;

	2018	2017	Difference	Comment
Active	6061	5940	121	Increase
Deferred	2213	2312	(99)	Decrease
Pensioner	3937	3830	107	Increase
Total	**12211**	**12082**	**129**	**Increase**

Active Members: Although there has been an increase in the Active Members' numbers, Participating Employers have slowed down in recruitments following a number of retrenchments that took place or were effected a few years ago due to a shift in their various business strategies.

Deferred Members: Deferred members reduced significantly because of the law that came into effect which allowed deferred members who remain unemployed for a period exceding twelve (12) months to encash 25% if invested under a Preservation Fund. Majority of these members moved their fund credit to external Preservation Funds for the encashments.

Pensioners: The Pensioner Portfolio increased by 107 members due to deferred members who reached the early retirement age of 50 years in 2018 opting for early retirement.

d) Membership per participating Employer

As at year end (December 2018) the active members per participating employer were as follows;

Participating Employer	2018	2017	Changes	% Changes
Debswana Diamond Company	4994	4884	110	2.3
DeBeers Holdings Botswana	27	30	(3)	(10.0)
Diamond Trading Company Botswana	373	373	0	0.0
Morupule Coal Mine	505	500	5	1.0
DeBeers Global Sightholder Sales	139	108	31	28.7
Debswana Pension Fund	23	22	1	4.5
Total Active	**6061**	**5917**	**144**	**2.4**

e) Exits for the Period

Benefits payable for the period amounted to BWP 91 072 188 compared to BWP 39 639 203 in 2017. This amount comprises benefits on withdrawal as a result of resignations or dismissals from employment, member/pensioner deaths, retirements and membership contribution refunds. The amount also includes BWP 15 161 176 which is transfer out to registered Preservation Funds.

f) Contributions

All Participating Employers make contributions of 20% on behalf of their members. Total Contributions received in 2018 amounted to BWP 314 965 278 compared to BWP 289 227 556 in 2017. The increase is attributable to salary increases effected by the respective PEs as well as Additional Voluntary Contributions (AVC).

2. Administration Expenses

The Fund's expenses are made up of general operating expenses incurred in the process of running the Fund. These include business operating expenses, actuarial and investment consultancy expenses and compliance expenditure, among others. The cost is expressed as cost per member and recovered from investment returns. The Fund ensures that costs are kept to their bare minimum through continuous monitoring and cost containment initiatives. For the year under review, the administration cost per member was P191.45 against budget of P208.90.

3. The Administration System

Benefits from Everest System

The Fund launched a new administration system in August 2015 after experiencing some challenges with the initial administration system; Benchmark, which was implemented in June 2010. The new system reduced turnaround times in processing member payments and significantly improved data management. During the implementation period going into 2016, further system enhancements were embarked on, resulting in the following developments:

• **Member Portal:** This enables members of the Fund to view their records and update their personal details.

• **Annuity Calculator and Projection Statements:** These were developed in 2016 and launched in 2017. The annuity calculator is aimed at giving members an opportunity to calculate their pension salaries using available retirement options for planning, which may include opting for Additional Voluntary Contribution (AVC) earlier in the member's work life. While on the other hand, the projection statement will give members an indication of their Net Replacement Ratio (NRR) of the pensionable salaries at retirement, allowing them to make meaningful pre-retirement decisions.

4. Actuarial Review

a) Statement of the Actuary

While the Retirement Funds Act provides that Fund valuation may be performed once in three years as a maximum threshold, Debswana Pension Fund was valued by the Fund Actuaries, Willies Towers Watson annually. It is in the best interest of the Fund to assess its financial position annually, which DPF considers reasonable as a measure for risk control. This is in recognition of the inherent risks in the financial markets where the Fund invests members' money, as well as for the effective management of the annuity book. The valuation report for 2018 was approved by the Board of Trustees on 3rd May 2019.

During the valuation period, which is the period between the 2017 and 2018, the Fund was administered by the Debswana Pension Fund Administrators as the approved administrators.

b) Financial Status of the Fund

The Fund Actuaries confirmed that the Fund remained in a sound financial condition as at 31st December, 2018, as the value of the assets within each account is equal to or exceeds the liabilities of the respective account. The total fair value of assets was used for purposes of this valuation in order to ensure consistency in the methodology applied in valuing the liabilities.

The table below summarises the overall Fund's financial position, clearly showing the soundness of the Fund as indicated by the funding levels of member liabilities by the Fund assets at 103.4%.

	Following Transfer 31 Dec 2018 (000)	**Prior Transfer 31 Dec 2018 (000)**	**31 Dec 2017 (000)**
Fund Combined Position			
Fair Value of Assets	7 235 997	7 235 997	7 036 478
Actuarial Liabilities	6 998 749	6 998 749	6 726 596
Surplus/Deficit	237 248	237 248	309 882
Funding Level	103.4%	103.4%	104.6%

The Fund's fair value of assets grew by 1.64% from BWP 7 036 478 in 2017 to BWP 7 235 997 in 2018.

i) Pension Increase

The Trustees awarded a 4.0% pension increase in 2017 and in 2018 the Trustees approved a pension increase of 3.5% which will be effective on 1st July 2019. This was in line with the guideline formula adopted by the Fund for granting increases, and motivated by the fact that the Fund investments performed moderately in 2018 and the outlook for 2019 remains characterised by high levels of uncertainty.

ii) Allocation of investment returns

The Trustees established the investment strategy of the Fund with effect from 1st 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 (SAA) 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 is continuosly reviewed by the Trustees and currently the investment strategy is in the process of being reviewed to increase exposure to other asset classes. This is captured in a signed version of the Statement of Investment Principles, dated July 2017 and last reviewed in July 2015. 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 as set out below;

31 December	Market Channel Mission	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%	15.3%	17.5%	16.8%	8.2%
2008	-15.2%	-6.2%	-7.3%	-12.9%	13.70%
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	11.50%	9.7%	11.0%	11.2%	3.8%
2015	13.60%	10.9%	12.6%	13.1%	3.1%
2016	3.01%	3.41%	2.69%	2.91%	3.01%
2017	7.87	5.1%	5.35%	6.86%	3.2%
2018	0.45%	2.13%	2.03%	1.10%	3.5%
14 Year Annualised	**12.43%**	**10.15%**	**11.64%**	**12.10%**	**6.54%**

c) Funding Levels

The Funding levels for the Fund in respect of Active and Deferred and Pensioners is as below:

Portfolio/ Account	31 Dec 2017	31 Dec 2018
Active & Deferred	100.0%	100.0%
Pensioners	104.6%	101.1%
Contingency Reserve Accounts	3.1%	3.0%

There was generally a decline in the funding levels during the calendar year, mainly under pensioner portfolio. The Fund however still remains in a sound financial condition as at 31 December, 2018, as the value of the assets within each account is equal or exceeds the liabilities of the respective account.

d) Contingency Reserve Accounts

NBFIRA has set out the respective maximums that it would deem reasonable for a Fund to hold in respect of the Contingency Reserves. As at 31st December 2018 these reserves are as follows;

	Data Reserve Account	Processing Error Reserve Account	Expense Reserve Account	Solvency Reserve Account
Maximum Allowable	5%	1.5%	No Limit	25%
Maximum Reference	Liabilities	Defined Contributions Liabilities	Future Expenses	Fund Assets
Actual Value	NIL	1.3%	N/A	2.0%
Conclusion	Within Limit	Within Limit	Within Limit	Within Limit

The reserve accounts are all within the prescribed limits.

e) Actuarial Certification Statement

The Fund Actuary certified that;

- The Fund remains in a sound financial condition as at 31st December 2018, as the value of assets within each account is equal to or exceeds the liabilities of the respective account. This position should be reviewed at the next valuation;
- In their view the current provision for the future pension increases is sufficient under reasonable investment markets conditions, to support future pension increases in line with inflation;
- 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;
- The Strategic Asset Allocation represents a reasonable long-term investment strategy, given the nature of the Fund liabilities. In particular, the assets allocations of the various investment channels are reasonable given the time horizon of each channel; and
- The matching of the Fund assets against liabilities is in their opinion adequate.

Deferred Member Stakeholder Meeting
- Engagement platform for Deferred Members

COMMUNICATION REPORT

1. 2018 Communication Report

The Fund achieved 99% completion rate on the implementation of the 2018 communication plan. The following are the key communication projects completed in 2018 for external stakeholders:

- Three editions of Bokamoso Newsletter (for members)
- Two Employer Newsletters (HR Partners)
- 2017 Annual Report
- Three Business e-Briefs
- An annual Pensioner Conference
- A Deferred Members General Meeting
- A member education tour of the Participating Employers
- Stakeholder engagement meetings with Executive Committees of Participating Employers
- Three Communication campaigns (Social Media)

2. 2018 Stakeholder Satisfaction Survey Report

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 under review. Fund management recognizes the important need for a continuous and periodical audit of the Fund's overall service delivery in all areas of its functions. Fund Communication department is therefore tasked with the measurement of stakeholder satisfaction levels as part of the annual communication plan.

Survey objective

The DPF annual survey objectives are as follows:

- To evaluate the various stakeholders' satisfaction with regard to services experienced in 2018
- To identify gaps in service delivery
- To obtain feedback and suggestions that can inform business improvement initiatives
- To determine the success or lack thereof of innovations implemented during 2018
- To inform the Fund Balanced Scorecard and Individual Output agreements with performance scores for 2018 in the respective areas of business

Targets and benchmarks vs performance

a) Response Rate

The DPF currently targets a response rate of 10% or better on the surveyed population for all surveys carried out. Although exceeding target, Member response rates have declined slightly by 4% in 2018 from previous year as depicted below.

Year	Total Surveyable Population	Total Responses	Response Rate	Previous Year	Growth/ Decline
2016	11874	2228	19%	17%	2%
2017	11921	1762	15%	19%	-4%
2018	12221	2005	16%	15%	1%

b) Satisfaction Levels

The 2018 Fund Balance scorecard targets a minimum 80% Member satisfaction level using the 2017 performance result as a baseline, and similarly, the Fund Scorecard targets 83% on Stakeholder satisfaction for 2018 based on previous performance. The Fund benchmarks its member satisfaction levels on customer satisfaction indexes reported by leading research institutions globally, particularly in the Finance and Insurance Sectors surveyed. The customer satisfaction benchmark used for 2018 was 77%.

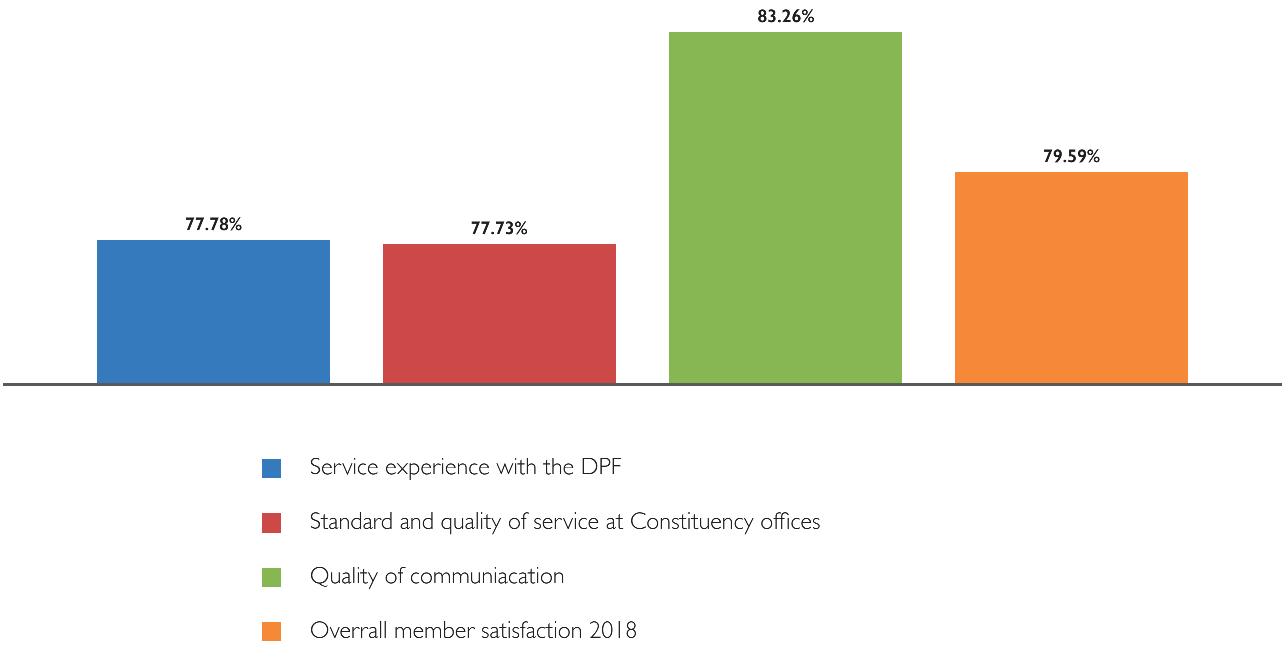
Below is the summary outcome of the results.The Fund continues to perform very well against both targeted performance and benchmarks.

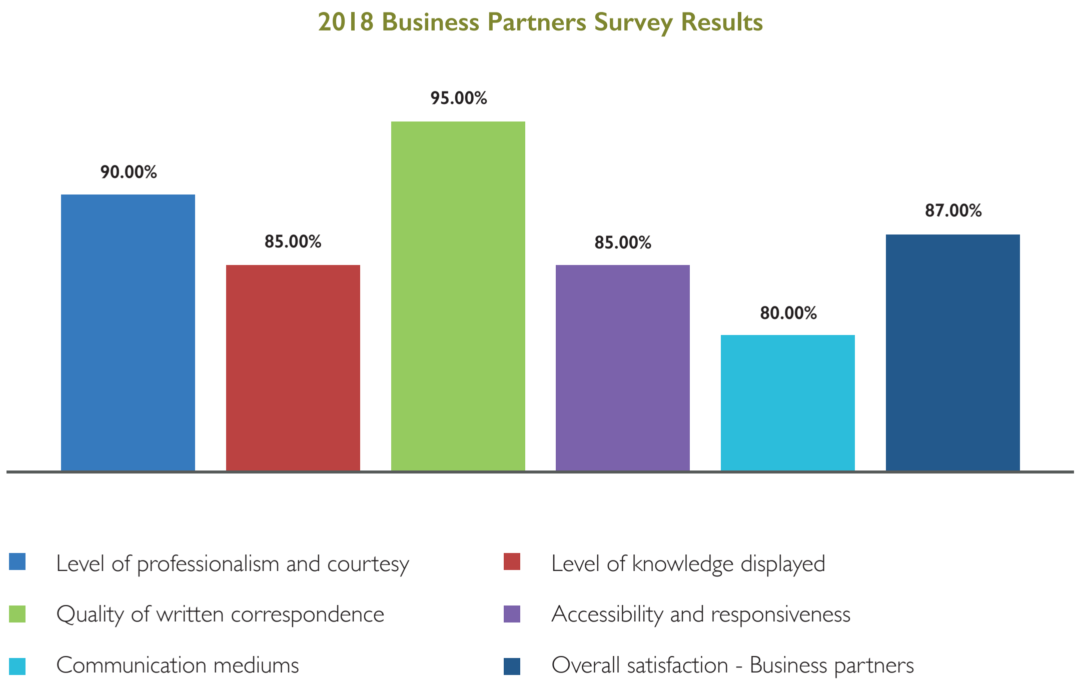
2018 Survey					
Survey	2016	2017	2018 Outcome	2018 DPF Scorecard Target	Global Benchmark
Member satisfaction	78%	78%	79.59%	80%	77.7%
Business Partners Satisfaction	83%	87%	87%	80%	76%

c) Summary Results

Members and business partners were satisfied with DPF service in 2018

2018 Member Satisfaction Survey Results





Summary of key learnings from the 2018 Stakeholder Satisfaction Survey

a) Positives

- Relative to benchmarks, Business partners and Members are happy with Fund services and have outperformed the scorecard target
- Board of Trustees members are particularly satisfied with their performance
- Members are highly satisfied with Employees knowledge and helpfulness
- Members are satisfied with the quality of communication received overall
- Employees are particularly satisfied with their Supervisor/Manager's performance and the Fund Reputation
- Trustee effectiveness above the scorecard target

b) Negatives

- Members are unhappy with telephone service
- Employees are least satisfied with conditions of service and organizational communication
- Employees engagement outcomes fell short of target
- Overall satisfaction score for the management of member relations offices fell short of targeted performance however the Orapa Office was the only one that performed above target
- Members still prefer visiting the fund as an effective mode of communication with the Fund

c) Opportunities

- 230 member respondents have requested to be contacted regarding the possibility of transferring their deferred funds from other external Pension Funds to DPF.

d) Challenges

- Regular update of Beneficiary nomination forms is still a challenge for the Fund.
- Members' responsiveness to surveys is still very low despite evidence that the communication reaches them.
- Respondents profiles show that DPF members are widely and sparsely distributed across the country except for Active members

3. Communication Policy Statement

a) Communication Policy Overview

The current applicable DPF Communication Policy was revised, reviewed and approved by the DPF Board of Trustees and effected from 1st November 2017. The Communication Policy has been designed to meet the legislative communication requirements, as well as meet the general Fund communication objectives. This policy is reviewed and updated bi-annually with the next review due by September 2019. The Fund Communication Policy should be read in conjunction with the supporting Fund Communication Strategy, Annual Communication Plans and other Communication Policies approved by the Board.

b) DPF Communication Mandate

Debswana Pension Fund aims to provide focused, effective and measurable communication that is relevant to stakeholder needs and supports the DPF business objectives through;

- Consistent, continuous and timely Fund Communication;
- Robust Member Education Programs;
- Effective Stakeholder Engagement; and
- Diligent and Proactive Reputation Management.

c) DPF Communication Objectives/Purpose

Primary Objectives

The primary communication objectives are to;

- Achieve an educated and informed membership; and
- Build effective and lasting stakeholder relationships through continuous stakeholder engagement.

To ensure that these objectives are achieved, when we are communicating with our audiences, we have set the following guiding principles for consideration in the development of our communication strategy:

- To communicate in a friendly, expert and direct way to our stakeholders
- To ensure our communications are simple, relevant and have impact
- To deliver information in a way that suits all types of stakeholder whilst recognizing and responding to their varying communication needs
- To aim for full appreciation of the pension fund benefits and changes to the Fund by all Fund members, prospective Fund members and participating employers
- To promote financial literacy and the achievement of targeted Net Replacement Ratios (NRR) by members

Secondary Objectives

Reputation Management
The Fund Communication Manager is tasked with risk monitoring and management of all communication risks that may face the Fund. In that regard, the Communication Department maintains a risk log for review and mitigation on an on-going basis in which numerous departmental risks are outlined. Reputation risk is a key consideration and as such, a reputational risk matrix has been developed to guide the Fund in the monitoring of the possible risk events that can lead to damage of the Fund's reputation. Various communication policies and plans have been developed and implemented as reputational risk mitigations including, Crisis Communication Policy and Stakeholder Engagement Plan.

4. Communication Mediums and Frequency of Communication

DPF continues to incorporate communication channels based on the feedback it receives from stakeholders, as well as evolve with emerging trends. The channels are outlined below:

Fund Communication Matrix

This matrix outlines the current (as of November 2018) communication channels, their target audience and frequency.

Communication Medium	Focus Area	Active Members	Deferred Members	Pensioner Members	Participating Employers	Business Partners	Fund employees	General publics	Frequency of communication	Reviewed
Print/Paper Based										
Bokamoso Newsletter	Fund Communication & Member Education	√	√	√	√	√	√	√	Three per annum	Ongoing
Abridged Annual Report & Financial Statements	Fund Communication	X	√	√	X	X	√	X	Once a year	Ongoing
Fund Book of Rules	Member Education	√	√	√	√	√	√	√	Once off	As per rules change
Active & Deferred Members Guide	Member Education	√	√	X	X	X	√	X	Once off	On a need basis
Pensioners Guide	Member Education	X	X	√	X	X	√	X	Once off	On a need basis
Death Benefits Payment Policy & Guide	Member Education	√	√	√	√	X	√	X	Once off	On a need basis
Funeral Advance Cover guide	Member Education	√	√	√	√	X	√	X	Once off	On a need basis
AVC & Retirement Planning Guide	Member Education	√	√	X	X	X	√	X	Once off	On a need basis
Fund Profile	Fund Communication	√	√	√	√	√	√	√	Once off	On a need basis
Pension Projection Statement	Fund Communication	√	√	X	X	X	√	X	Bi-annually	Bi-annually
Annual Benefit Statements	Fund Communication	√	√	X	X	X	√	X	Once a year	Annually
Pension Annuity Pay Slips	Fund Communication	X	X	√	X	X	√	X	Twice a year	Annually
Letter Correspondences	Fund Communication	√	√	√	X	X	X	X	Ongoing	Ongoing
Newspaper advertorials & Press Releases (new)	Public Relations /Reputation Management	√	√	√	√	√	√	√	Quarterly	Quarterly

Fund Communication Matrix (Continued)

Communication Medium	Focus Area	Active Members	Deferred Members	Pensioner Members	Participating Employers	Business Partners	Fund employees	General publics	Frequency of communication	Reviewed
Digital/Electronic media										
Fund Website (www.dpf.co.bw)	Fund Communication	√	√	√	√	√	√	√	Ongoing	monthly
Member Portal (https://portal.dpf.co.bw/)	Fund Communication	√	√	√	X	X	√	X	Ongoing	monthly
Bokamoso Newsletter (electronic)	Fund Communication & Member Education	√	√	√	X	X	√	X	Three times a year	Annually
Business e-Brief (electronic)	Fund Communication	√	√	√	√	X	√	X	Quarterly	Annually
Employers' newsletter - HR Partners (electronic)(new)	Fund Communication	X	X	X	√	X	√	X	Twice a year	Annually
Email notices & updates	Fund Communication	√	√	√	√	X	√	X	Ongoing	Ongoing
Social Media (Facebook & Twitter)	Stakeholder Engagement & Public education (Financial literacy)	√	√	√	√	√	√	√	Ongoing	Ongoing
Film Documentaries & Docudrama	Member Education	√	√	√	√	√	√	√	Once off	On a need basis
SMS Communication (notices & updates)	Fund Communication								Ongoing	Ongoing
Face-to-Face Communication										
Employer (HR) training and workshops	Stakeholder Engagement	X	X	X	√	X	√	X	Once a year	Annually
Participating Employers' Senior Leadership Business Updates	Stakeholder Engagement	X	X	X	√	X	√	X	Once a year	Annually
New Employee Inductions	Member Education	√	X	X	X	X	√	X	Once a month	Monthly
Active & Deferred Members Pre-retirement Seminars	Member Education	√	√	X	X	X	√	X	Once a year	Annually
Annual Deferred Member's general Meeting	Stakeholder Engagement	X	√	X	X	X	√	X	Once a year	Annually
Annual Pensioners' Conference	Stakeholder Engagement	X	X	√	X	X	√	X	Once a year	Annually
Regional Pension Workshops (Deferred & Pensioner Members)	Member Education	X	√	√	X	X	√	X	Once a year	Annually
Walk-ins (one on one consultations)	Fund Communication	√	√	√	√	X	√	X	Ongoing	Ongoing

INVESTMENT REPORT

2018 DPF Investment Performance Review

During the year ended 31st December 2018, the Debswana Pension Fund increased 1.64 percent (net) to P7.281 billion. Global equities returned -0.95 percent with performance partially offset by the 8.69 percent appreciation of the USD against the BWP. Walter Scott outperformed all global equity managers and generated a return of 6.46 percent. Global equity managers outperformed the benchmark returning the following net of fees; American Century (0.49 percent), Marathon (0.65 percent), Veritas (3.11 percent). Southeastern Asset Management was the least performing global equity manager, returning (-8.7 percent).

In a year characterized by risk aversion, global bonds outperformed global equities with the Barclays Global Bond Index returning 7.39 percent. However, the fixed income mandate allocation to PIMCO underperformed the benchmark by returning 6.72 percent net of fees.

The Domestic Company Index (DCI) contracted 11.36 percent on a price return and 6.10 percent on a total return basis for the year ended 31st December 2018. During the same period the Fleming Aggregate Bond Index returned 4.88 percent while cash returned 0.37 percent.

a) Global Asset Classes vs Local Asset Classes 2018

In 2018, Global Asset Classes outperformed local asset classes thereby continuing their outperformance over domestic asset classes. In the period leading to the third quarter, Global Asset Classes experienced strong growth. However, the fourth quarter was characterized by a significant selloff in most assest classes with equities leading the decline. A hawkish U.S. Federal Reserve Bank indicating a faster trajectory of interest rate hikes lead to a repricing of risky assets. In most cases one would expect bonds to overshadow equities during an environment of heightened uncertainty, indeed global bonds outperformed equities during the calendar year.

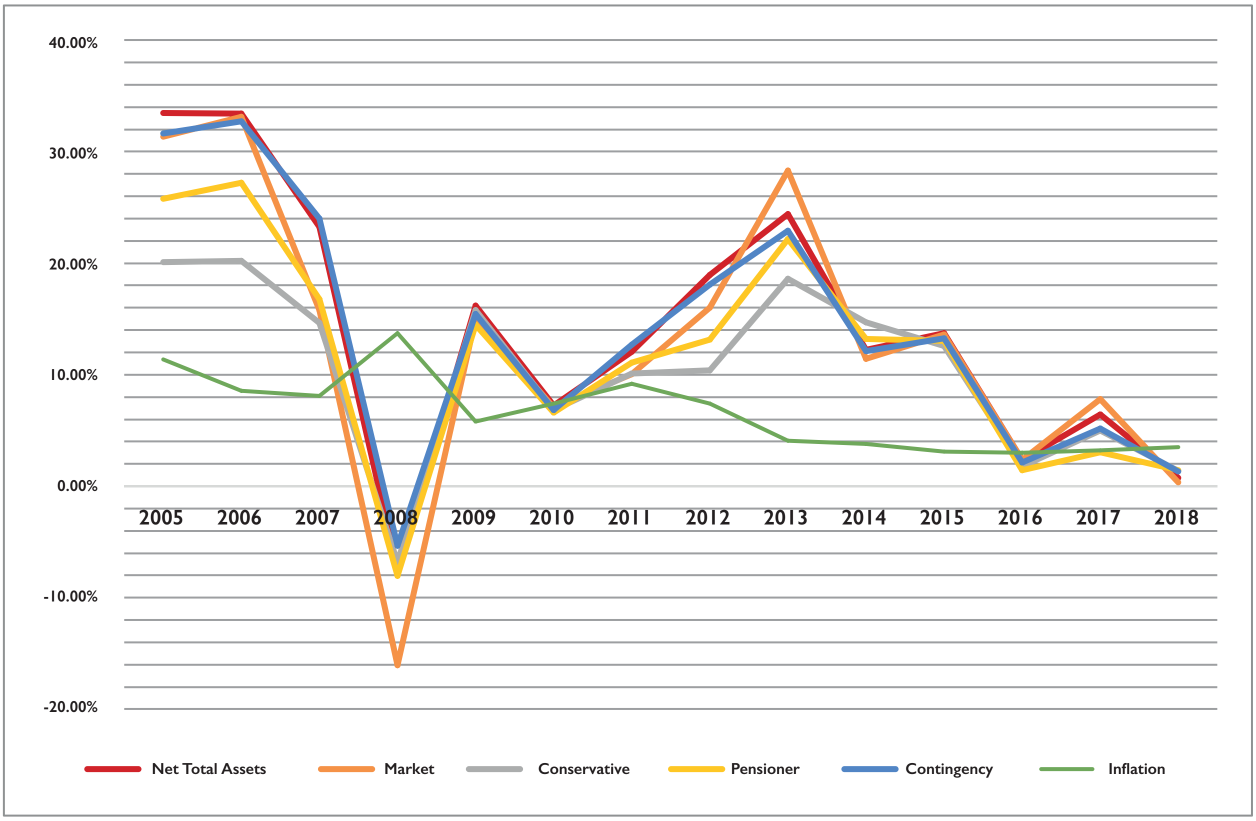
b) Strategic Asset Allocation and Manager share of Fund as at 31st December 2018

For the year ended 31st December 2018 the Fund had an allocation of P3.453 billion equivalent to 47.4 percent in Botswana domestic assets and P3.828 billion equivalent to 52.6 percent invested in international assets. Offshore investments for the Fund have remained overweight in the Strategic Asset Allocation over the past several years due to the historical outperformance of foreign asset classes, particularly US based assets.

Figure 1 illustrates the Market Channel, Conservative Channel, Pensioner Channel and Aggregate Fund returns since 2004. In particular, returns in 2018 declined due to several factors such as the US - China Trade War, economic and political uncertainty, concerns of global monetary policy misalignment led by the United States Federal Reserve Bank, with macroeconomic fundamentals. Global economic performance remained uneven, with structural challenges affecting both Developed and Emerging Market economies.

Pensioner Conference - Member engagement platform for Pensioners

Figure 1. 2018 Investment Return History



Fund	12 Month	36 Month	60 Month	Since Inception (Aug 2004)
Market	1.03%	3.89%	7.20%	11.89%
Conservative	2.39%	3.24%	6.51%	9.93%
Pensioner	2.63%	2.48%	6.14%	10.99%
Contingency	2.30%	3.23%	6.58%	14.21%
Fund	1.64%	3.52%	6.86%	14.70%
Inflation	3.57%	3.26%	3.32%	3.12%

• Market Portfolio Performance

The Market Portfolio performance for 2018 returned 1.03 percent with a real return of -2.54 percent. The Market Portfolio has achieved a return of 11.89 percent since inception of the Life Stage model.

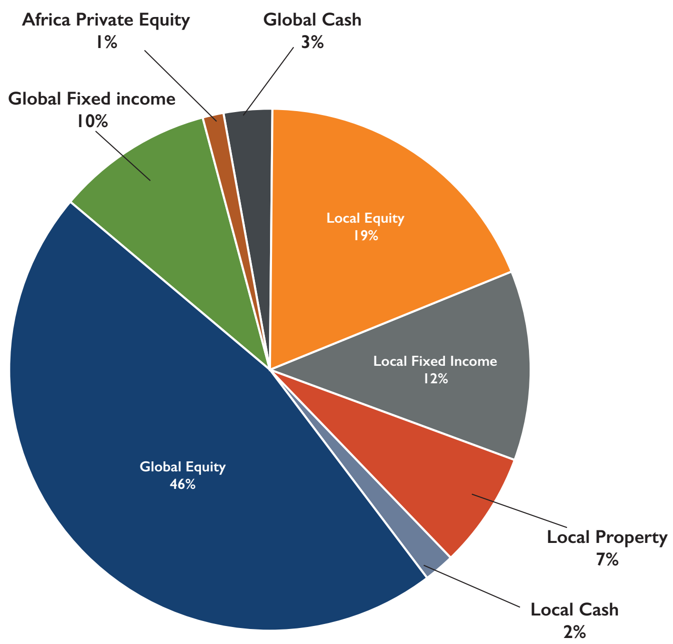
• Conservative Portfolio Performance

For the year ending 31st December 2018, the Conservative Portfolio returned 2.39 percent with a real return of -1.18 percent and 9.93 percent since inception.

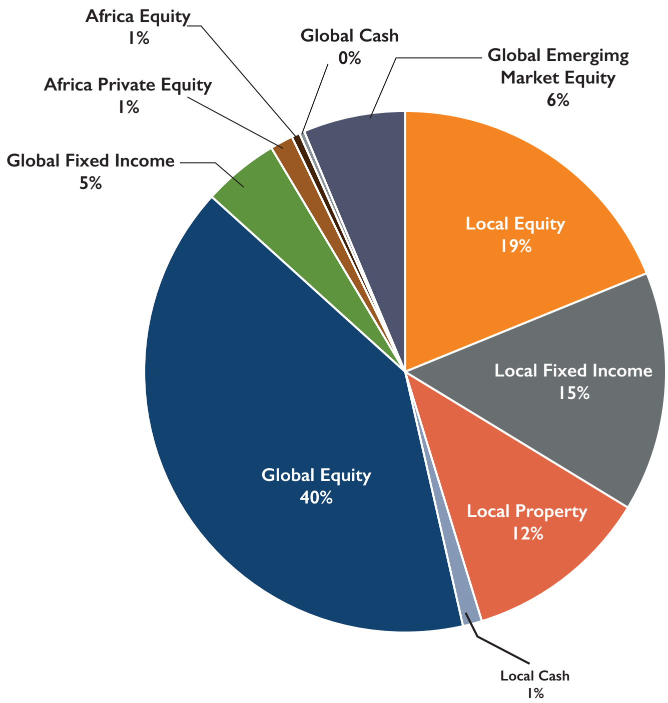
• Pensioner Portfolio Performance

The Pensioner Portfolio performance for 2018 returned 2.63 percent with a real return of -0.94 percent. The Pensioner Portfolio has achieved a return of 10.99 percent since inception of the Life Stage model.

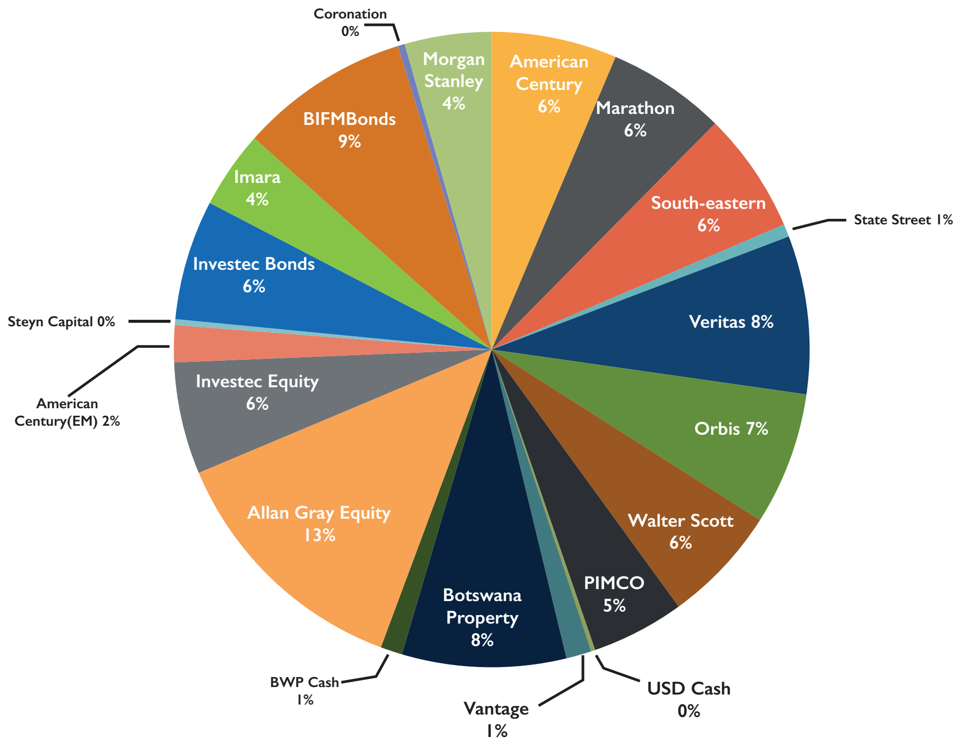
ASSET CLASS WEIGHTS AS AT 31 DECEMBER 2017



ASSET CLASS WEIGHTS AS AT 31 DECEMBER 2018



ASSET MANAGER WEIGHTS AS AT 31 DECEMBER 2018



Investment Policy Asset Allocation

Empirical evidence indicates that the performance of pension funds is predominantly driven by Strategic Asset Allocation and the Investment Policy.

Manager	2018	2017
Equity		
Investec Asset Management	316,918,958.00	368,536,523.00
Allan Gray	777,262,192.00	630,694,565.00
Kgori Capital		233,621,526.00
NAP	284,232,959.00	
Local Bonds		
Investec	254,528,286.00	249,790,382.00
BIFM	502,896,669.00	312,205,106.00
Allan Gray	7,111,561.00	
Int Bond		
PIMCO	340,386,339.00	681,450,714.00
Offshore Equity		
Marathon	434,069,533.00	483,860,847.00
Orbis	486,924,952.00	540,890,330.00
Walter Scott	430,629,711.00	485,818,970.00
South Eastern	443,789,765.00	483,594,226.00
State street Global advisors	46,515,761.00	165,593,714.00
Nedgroup Investments	579,288,935.00	660,159,635.00
American Century Investments	593,771,846.00	454,909,316.00
Vantage	92,626,488.00	87,732,209.00
Steyn Capital	21,480,752.00	
Morgan Stanley	317,996,436.00	
Coronation	25,216,255.00	
BIFM Limited term loans	18,126,303.00	21,820,040.00
Investment Properties	353,965,499.00	312,563,768.00
Investment in associates & subsidiary	246,615,343.00	189,930,436.00
Cash and Cash equivaluents	622,825,372.00	684,861,284.00
Total	**7,197,179,915.00**	**7,048,033,591.00**

c) 2018 Strategic Asset Allocation

The Fund reviewed its Investment Policy in 2017 and the Strategic Asset Allocation continued to include assets such as African Equity, while adding Emerging Markets and a Technical Asset Allocation of Foreign Property. In the absence of domestic inflation linked bonds, allocation to South African Inflation Linked Bonds remained excluded while the allocations to African Equities and Emerging Market Equities were funded.This Strategy was maintained in the calendar year of 2018.

The Strategic Asset Allocation is expected generate the following performance targets over a 3-year rolling period:
Inflation + 4.9% (over a 3-year rolling period) - Market Channel
Inflation + 4.3% (over a 5-year rolling period) - Pensioner Channel
Inflation + 4.4% (over a 5-year rolling period) - Conservative Channel

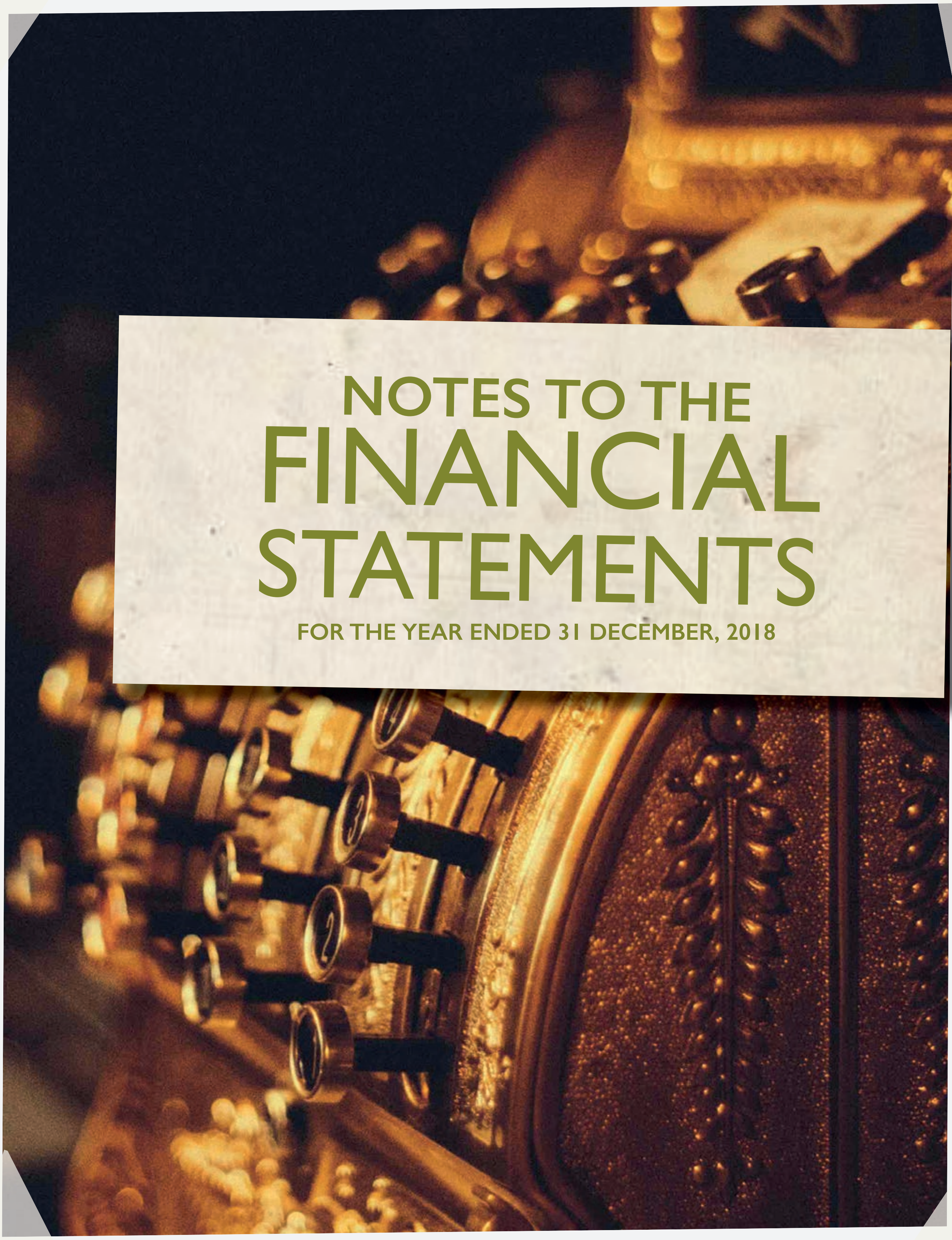
	Market Channel			Conservative Channel			Pensioners		
	SAA	LB	UB	SAA	LB	UB	SAA	LB	UB
Botswana Equity	20.00%	15.00%	25.00%	16.00%	10.00%	21.00%	14.00%	10.00%	20.00%
Botswana Cash	0.00%	0.00%	15.00%	2.00%	0.00%	15.00%	3.00%	0.00%	15.00%
Botswana Bonds	10.00%	5.00%	15.00%	30.00%	25.00%	35.00%	26.00%	16.00%	36.00%
Botswana ILB	0.00%	0.00%	5.00%	0.00%	0.00%	8.00%	0.00%	0.00%	10.00%
Botswana Property	10.00%	5.00%	25.00%	15.00%	5.00%	25.00%	16.00%	5.00%	25.00%
Foreign Equity	47.00%	32.00%	52.00%	25.00%	17.50%	27.50%	31.00%	20.00%	35.00%
EM Equity	5.00%	0.00%	10.00%	5.00%	0.00%	10.00%	5.00%	0.00%	10.00%
Foreign Property	0.00%	0.00%	5.00%	0.00%	0.00%	5.00%	0.00%	0.00%	10.00%
Foreign Bonds	5.00%	0.00%	10.00%	5.00%	0.00%	10.00%	5.00%	0.00%	10.00%
Foreign Cash	0.00%	0.00%	2.50%	0.00%	0.00%	2.50%	0.00%	0.00%	2.50%
Africa Equity	3.00%	0.00%	7.50%	2.00%	0.00%	7.50%	0.00%	0.00%	5.00%
Total	100.00%			100.00%			100.00%		

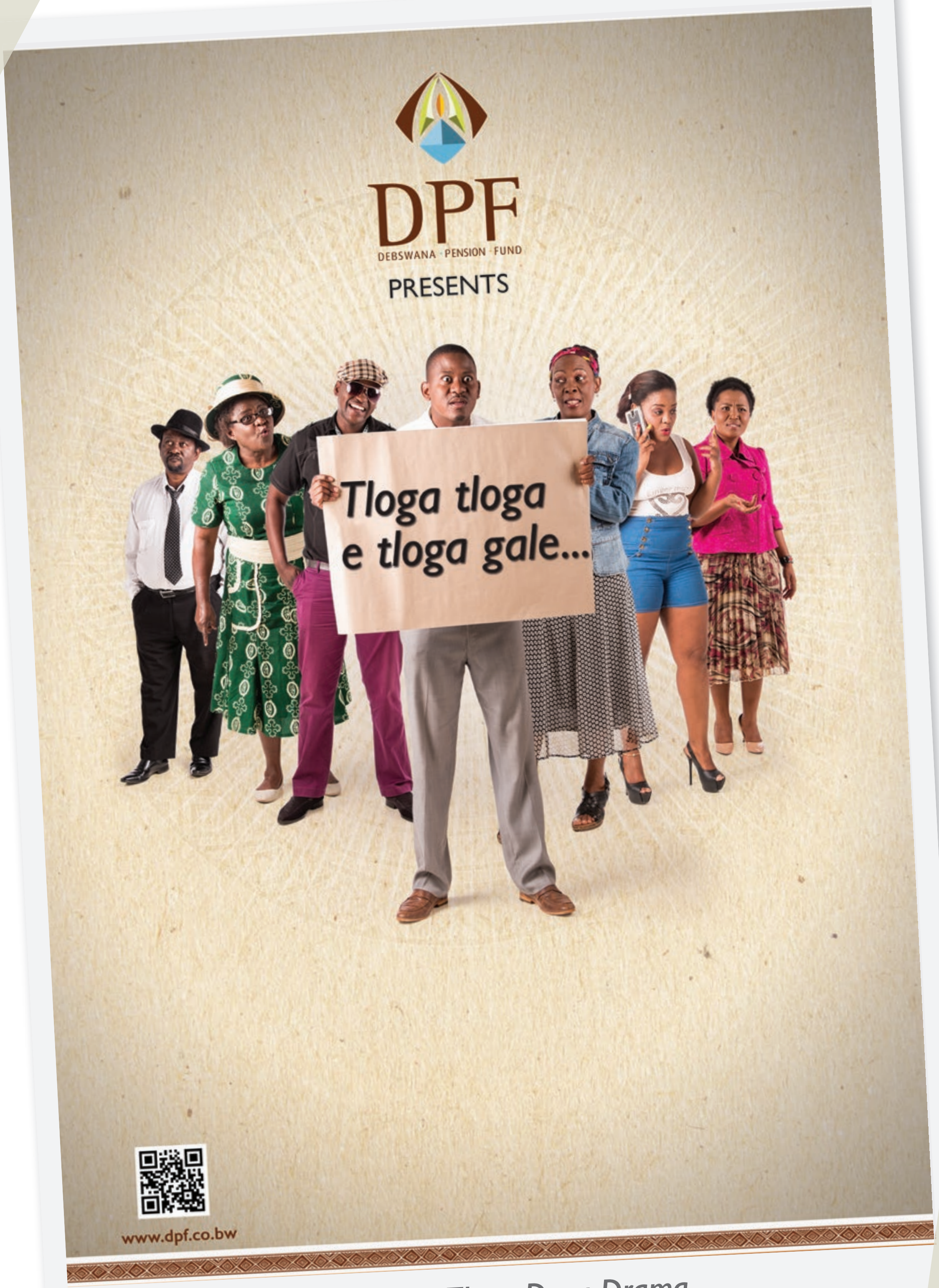
Board review of Investment and Dis-Investment Decisions
The Fund was successful in implementing the transitioning of Offshore assets to new managers in 2018.

IRF Industry Awards - 2009 to 2014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2018





Tloga Tloga Docu-Drama

General Information

Trustees

Name	Designation	Resigned
Christopher Mokgware	Chairman	
Reobonye China Abel	Principal Trustee	
Lynette Armstrong	Principal Trustee	
Lebogang Sebopelo	Principal Trustee	
Esther Palai	Principal Trustee	
Garekwe Mojaphoko	Principal Trustee	
Lebogang Kwapa	Principal Trustee	
Mpho Lebole Mokoto	Principal Trustee	
Lapologang Letshwenyo	Principal Trustee	
Professor Mtendeweka Mhango	Independent Trustee	15/05/2018
Gosego January	Chief Executive Officer	

Registered office

Plot 50361, Block D
Carlton Centre
Fairgrounds
Gaborone

Business Address

Plot 50361, Block D
Carlton Centre
Fairgrounds
Gaborone

Bankers

Barclays Bank of Botswana Limited

Auditor

Deloitte & Touche
Gaborone, Botswana

Custodian

Stanbic Bank Botswana Limited

Investment Consultants

Riscura Consulting Services (Proprietary) Limited

Actuaries

Towers Watson Actuaries and Consultants (Propreitary) Limited

Onshore Investment Managers

Investec Asset Management Limited
Botswana Insurance Fund Management Limited
Allan Gray Botswana (Proprietary) Limited

Offshore Investment Managers

Marathon Asset Management Limited
Orbis Investment Management Limited
Walter Scott & Partners Limited
State Street Fund Services (Ireland) Limited
State Street Global Advisors
Nedgroup Investments (IOM) Limited
American Century Investments
Vantage Capital Fund Managers (Proprietary) Limited
Steyn Capital Management (Proprietary) Limited
Morgan Stanley Investments Management Limited
Coronation Asset Management (Proprietary) Limited
PIMCO Funds

CONTENTS

FOR THE YEAR ENDED 31 DECEMBER, 2018

Trustee's Responsibilities and Approval of the Financial Statements

Trustees' responsibilities for the Financial Statements

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 assets available for benefits as at 31st December, 2018, and the statement of changes in net assets available for benefits, statement of changes in members' funds and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies, in accordance with International Financial Reporting Standards ("IFRS").

The members of the Board of Trustees are required by the Retirement Funds Act 2014 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and the 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 pages 50 - 55.

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the Trustees determine is necessary to enable the preparation of 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 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.

Trustees' approval of the Financial Statements

The financial statements set out on pages 56 to 95, which have been prepared on the going concern basis, were approved by the Board of Trustees on 3rd May, 2019 and were signed on their behalf by:

Chairman - Board of Trustees	Chairman - Audit Committee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Debswana Pension Fund (the Fund) set out on pages 10 to 49, which comprise the statement of assets available for benefits as at 31 December 2018, and the statement of changes in net assets available for benefits, statement of changes in members' funds and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Debswana Pension Fund as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Debswana Pension Fund in accordance with the requirements of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How my audit addressed the key audit matter
Valuation of offshore investments in unitised funds	
The Fund holds significant investments in offshore unitised funds. The carrying value of offshore investments in unitised funds as at 31 December 2018 amounted to P3 813 million. These offshore investments in unitised funds are not directly linked to the actual underlying assets. The Fund is reliant on service organisations for the management, valuation and recording of its offshore investments. The valuation of the Fund's investments is dependent on the accuracy and reliability of the information provided by the service organisations. We identified the valuation of offshore investments as a key audit matter due to the significance of the balance to the financial statements as a whole. Related disclosures in the financial statements are included in Note 10 and Note 18.	We performed the following procedures: • We assessed the design and implementation of the investments in unitised funds. • We obtained the latest internal controls reports issued by the service organisation's independent auditors and evaluated the internal controls relating to the valuation process followed by the investment managers. • We reviewed the reports and ensured that the reports issued covered the period under review and addressed the relevant control objectives. • We reviewed the reports for any significant control weaknesses, indicating risks associated with valuation of the investments. • We obtained direct confirmations from the investment managers to establish the valuation, existence and ownership of the offshore investments owned by the Fund at year-end. • We performed research and evaluated any publicly available data that assisted us on concluding on the unit prices of the investments at year-end. • We assessed the adequacy of the disclosures in the financial statements relating to offshore investments in unitised funds to determine their compliance with IFRS 7: Financial Instruments – Disclosures and IFRS 13: Fair Value Measurement and we found the disclosures in the financial statements to be appropriate.

Key audit matter	How my audit addressed the key audit matter
Valuation of investment properties	
The carrying value of investment properties as at 31 December 2018 amounted to P354 million. Significant judgement is required by the Trustees in determining the fair value of investment properties. We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the significant assumptions associated with determining the fair value. The investment properties of the Fund are revalued on a yearly basis by independent professional valuers. The inputs with the most significant impact on these valuations are disclosed in Note 7, and include future expected net income and a range of capitalisation rates.	We performed the following procedures: We performed the following procedures: • We assessed the design and implementation of the relevant controls over the valuation process of investment properties. • We assessed the competence, capabilities and objectivity of the Trustees' independent valuers, and verified their qualifications. We confirmed that the approaches they used are consistent with IFRS and industry norms. • We tested a selection of data inputs underpinning the investment properties valuation, including rental income, tenancy schedules and capitalisation rates, against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof. • We also evaluated the appropriateness of the valuation methods used by comparison to valuation methods used by other property companies. • We found the models (discounted cash flow and net income model) to be appropriate and the capitalisation rates were comparable to market rates and those used in the prior year. • We assessed the adequacy of the disclosures in the financial statements relating to investment properties to determine their compliance with IAS 40: Investment properties and IFRS 13: Fair Value Measurement and we found the disclosures in the financial statements to be appropriate.

Key audit matter	How my audit addressed the key audit matter
Valuation of investments in associates	
In the current year, the Fund opted to measure its investments in associates at fair value through profit and loss.The carrying value of investments in associates (including associates held for sale) amounted to P288 million as at 31 December 2018. Significant judgement is required by the Trustees in determining the fair value of investments in associates. We identified the valuation of investments in associates as a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the significant assumptions associated with determining the fair value. The associates of the Fund were valued by independent professional valuers as at 31 December 2018. Related disclosures in the financial statements are included in Note 8 and Note 9 of the financial statements.	We performed the following procedures: • We assessed the design and implementation of key controls by management over the valuation of associates. • We involved our Deloitte internal valuation specialists to assist in performing an evaluation of the appropriateness of the valuation models and capitalisation rates used by management experts. • We evaluated maintainable earnings projections used for the valuation against the associates most recent financial statements and considered the appropriateness of key inputs used by management experts. • We reviewed the calculation of appropriate adjustments to derive the adjusted earnings multiples. We compared these to available industry, economic and financial data, and to market outlook. • We reviewed the calculation of non- operating assets and net debt/cash determined by management experts. • We re-performed an independent recalculation of the adjusted earnings multiple range appropriate to the associates. • We tested the overall logic and mathematical accuracy of the models used. • We assessed the adequacy of the disclosures regarding valuation of investments in associates in the financial statements to determine their compliance with IFRS 13: Fair Value Measurement.

Other Information

The Trustees are responsible for the other information. The other information comprises the Trustees' Responsibilities and Approval of the Financial Statements. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Trustee's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Fund audit. We remain solely responsible for our audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with Section 23 of the Retirement Funds Act 2014, we confirm that in our opinion, the Fund has kept proper books of account with which the financial statements are in agreement.

Deloitte & Touche

Deloitte & Touche
Certified Auditors
Practicing Member: E Kyuchukova-Troanska (CAP 0026 2019)

Gaborone
3 May 2019

Statement of Changes in Net Assets Available for Benefits

Figures in Pula	Note(s)	2018	2017
Revenue			
Contributions	3	308,727,626	289,225,656
Net transfers (to)/ from other funds	4	(6,677,444)	9,183,714
		302,050,182	**298,409,370**
Net investment income			
Dividend income		83,340,947	61,908,537
Interest income		57,427,112	51,596,630
Net rental income		22,248,407	30,513,546
Share of profits from private equity loan investment		4,266,808	4,547,729
Other income		65,588	9,596
		167,348,862	148,576,038
Total revenue		**469,399,044**	**446,985,408**
(Losses)/gains on investments			
Gain on disposal of financial assets at fair value through profit and loss		20,879,779	667,382
Unrealised foreign exchange gain/(loss) on financial assets		274,942,322	(332,243,940)
Unrealised fair value (losses) / gains in financial assets		(377, 746,585)	667, 969,188
Net unrealised gains on fair valuation of investment properties	7	37,807,672	12,217,006
		(44,116,812)	**348,609,636**
Fair value gains/share of profits from associates	8	99,047,163	18,114,250
Expenditure			
Benefits payable			
Benefits on withdrawal and death		(17,664,348)	(19,230,342)
Pensions to retired members		(146,040,590)	(136,567,641)
Pensioners' death benefits		(4,233,481)	(1,966,844)
Lump sums on retirement		(74,409,851)	(64,251,115)
		(242,348,270)	**(222,015,942)**
Fund expenses			
Administrative expenses	5	(29,037,229)	(26,630,980)
Impairment sundry debtors		(1,893,095)	-
Onshore investment management fees		(14,487,856)	(13,207,052)
Offshore investment management fees		(32,998,261)	(32,772,916)
Depreciation of plant and equipment	12	(213,667)	(261,160)
Amortisation of intangible assets	13	(791,904)	(723,706)
		(79,422,012)	**(73,595,814)**
Surplus for the year from continuing operations		**202,559,113**	**518,097,538**
Discontinued operations			
Fair value gain from associate held at fair value	8	513,401	-
Impairment loss on reclassification of associate as held for sale	9	(1,720,000)	-
		(1,206,599)	**-**
Total comprehensive income for the year		**201,352,514**	**518,097,538**

Statement of Assets Available for Benefits 31 December, 2018

Figures in Pula	Note(s)	2018	2017
Assets			
Investments			
Investment properties	7	353,965,499	312,563,768
Investments in associates and subsidiary	8	246,615,343	189,930,436
Other financial assets	10	5,973,773,701	5,860,678,103
Cash and cash equivalents	11	622,825,372	684,861,284
		7,197,179,915	**7,048,033,591**
Other assets			
Plant and equipment	12	807,522	914,129
Intangible assets	13	1,477,940	2,076,050
Contributions and other receivables	14	39,920,221	33,046,256
		42,205,683	**36,036,435**
Associates held for sale	9	41,280,000	-
Total Assets		**7,280,665,598**	**7,084,070,026**
Funds, Reserves and Liabilities			
Funds and reserves			
Pensioners' account	17	2,119,511,000	2,037,697,000
Contigency reserves	21	213,777,000	220,204,000
Fund account		4,902,851,167	4,778,314,368
		7,236,139,167	**7,036,215,368**
Liabilities			
Other liabilities			
Benefits payable	15	35,536,623	37,132,986
Other payables	16	8,989,808	10,721,672
		44,526,431	47,854,658
Total Funds, Reserves and Liabilities		**7,280,665,598**	**7,084,070,026**

Statement of Changes in Members' Funds

Figures in Pula	Notes	Pensioner's account	Contigency reserves	Fund account	Total
Balance at 1 January, 2017		**1,959,299,000**	**207,602,225**	**4,351,216,605**	**6,518,117,830**
Surplus for the year		-	-	518,097,538	518,097,538
Total comprehensive income for the year		**-**	**-**	**518,097,538**	**518,097,538**
Transfer between reserves		78,398,000	12,601,775	(90,999,775)	-
		78,398,000	**12,601,775**	**(90,999,775)**	**-**
Balance at 31 December, 2017		**2,037,697,000**	**220,204,000**	**4,778,314,368**	**7,036,215,368**
Surplus for the year		-	-	201,352,514	201,352,514
Total comprehensive income for the year		-	-	**201,352,514**	**201,352,514**
Transfer between reserves		81,814,000	(6,427,000)	(75,387,000)	-
Effects of changes on adoption of IFRS 9		-	-	(1,428,715)	(1,428,715)
		81,814,000	(6,427,000)	(76,815,715)	(1,428,715)
Balance at 31 December, 2018		2,119,511,000	213,777,000	4,902,851,167	7,236,139,167

Statement of Cash Flows

Figures in Pula	Note(s)	2018	2017
Cash flows (used in)/ from operating activities			
Surplus for the year		201,352,514	518,097,538
Adjustments for:			
Amortisation of intangible asset	13	791,904	723,706
Depreciation of plant and equipment	12	213,667	261,160
Impairment of receivables as per IFRS		1,893,095	-
Gains/(Losses) on disposal of plant and equipment		38,373	(77,233)
Net investment income		(167,348,862)	(148,576,038)
Share of profit of associates	8	(99,047,163)	(18,114,250)
Fair value gain from associate held at fair value	8	(513,401)	-
Impairment loss on reclassification of associates as held for sale	9	1,720,000	-
Net gains (losses) on investments		**44,116,812**	**(348,609,636)**
Cash (used in)/generated from operations		(16,783,061)	3,705,247
Movements in deferred lease rentals and advances		(545,551)	(29,877)
Increase in contributions and other receivables		(10,195,775)	(1,410,723)
Increase in benefits payable		1,596,363	5,482,579
Decrease in other payables		(1,731,864)	(4,887,104)
Net cash (used in)/from operating activities		**(30,852,612)**	**2,860,122**
Cash flows from investing activities			
Net investment income		167,348,862	148,576,038
Purchase of plant and equipment	12	(169,982)	(554,877)
Sale of plant and equipment		24,549	85,459
Additions of investment properties	7	(3,048,508)	-
Purchase of other intangible assets	13	(193,794)	(262,367)
Net movement in associates		(124,343)	-
Net purchases of financial assets		(195,020,082)	(24,807,720)
Net cash (used in)/generated from investing activities		**(31,183,298)**	**123,036,533**
Total cash movement for the year		**(62,035,910)**	**125,896,653**
Cash and cash equivalents at the beginning of the year		684,861,284	558,964,631
Total cash and cash equivalents at end of the year	**11**	**622,825,374**	**684,861,284**

Significant Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements.

The financial statements have been prepared on the historic cost convention, except for the revaluation of certain financial instruments and investments properties. They are presented in Botswana Pula, which is the Fund's functional currency.

1.2 Benefits payable

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

1.3 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 as at 31 December, 2018.

1.4 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.

1.5 Valuation of plan assets

Retirement benefit plan investments are carried at fair value.

In the case of marketable securities fair value is market value because this is considered the most useful measure of the securities at the report date and of the investment performance for the period. Those securities that have a fixed redemption value and that have been acquired to match the obligations of the plan, or specific parts thereof, are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity.

Where plan investments are held for which an estimate of fair value is not possible, such as total ownership of an entity, disclosure is made of the reason why fair value is not used. To the extent that investments are carried at amounts other than market value or fair value, fair value is generally also disclosed. Assets used in the operations of the Fund are accounted for in accordance with the applicable Standards.

1.6 Plant and equipment

Plant and equipment are tangible assets which the Fund holds for its own use or for rental to others and which are expected to be used for more than one year.

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:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	4 - 5 years

Significant Accounting Policies

1.7 Intangible assets

Internally-generated intangible asset

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;
- the intention to complete the intangible asset and use it;
- 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 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.

1.8 Investment in associates

At the beginning of 2018, the Fund changed its accounting policy in accounting for investments in associates from equity accounting to fair value accounting in line with IAS 26 – Accounting for retirement benefit plans which require all investment plan assets to be measured at fair value. The change in accounting policy has been applied prospectively in line with IAS 8 Accounting policies, estimates & errors and IFRS 13 Fair value measurement as detailed in disclosure note 8 .The fair value of unquoted equity investments is determined using the market and income valuation methodologies at level 3 fair value. The Fund does not prepare consolidated financial statement but instead prepares separate financials statements in line with IAS 27 Separate financial statements. The financial impact of the change in accounting policy is detailed in note 8.

1.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital apprecition,. 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 the 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.

1.10 Interest in partnerships

A partenrship is a joint arrangement whereby the parties that have joint control of the partnership have rights to the assets and obligations for the liabilities, relating to the partnership. Joint control is the contractually agreed sharing of the control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Fund undertakes its activities under partnerships, the Fund as a joint operator recognises in relation to its interest in the partnership:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.

Significant Accounting Policies

1.10 Interest in partnerships (continued)

- Its revenue from the sale of its share of the output arising from the partnership.
- Its share of the revenue from the sale of the output by the partnership.
- Its expenses, including its share of any expenses incurred jointly.

The Fund accounts for the assets, liabilities, revenues and expenses relating to its interest in a partnership in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Fund transacts with partnerships in which the Fund is a joint operator (such as a sale or contribution of assets), the Fund is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Fund's financial statements only to the extent of other parties interests in the joint operation.

When the Fund transacts with a joint operation in which the Fund is a joint operator (such as a purchase of assets), the Fund does not recognize its share of the gains and losses until it resells those assets to a third party.

1.11 Financial instruments

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 time frame established by the market concerned, and are initialiy measured at fair vaiue, net of transaction costs.

Financial assets are classified into the following categories: financial assets as 'at fair value through profit or loss' ("FVTPL"), and amortised cost. 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 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.

Significant Accounting Policies

1.11 Financial instruments (continued)

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

i) Listed securities are valued at the last market value ruling at the statement of assets available for benefits date.

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

iii) Unlisted securities are valued having regard to the latest dealings, professional valuation, asset values and other appropriate financial information.

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 assets available for benefits date. 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 contribution receivables, where the carrying amount is reduced through the use of an allowance account. When a contribution 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 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.

Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Fund revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Significant Accounting Policies

1.11 Financial instruments (continued)

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and recognised on an accrual basis.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Fund recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

Classification and subsequent measurement

From 1 January 2018, the Fund has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- the fund's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into one of the following three measurement categories:

Amortised cost:

Significant Accounting Policies

1.11 Financial instruments (continued)

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the simplified expected loss model. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Fair value through profit or loss:

Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised and presented in the income statement within 'unrealised fair value (losses)/gains on financial assets' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Significant Accounting Policies

1.11 Financial instruments (continued)

Business model:

The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Fund as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Solely Payments of Principal and Interest (SPPI) Test:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Fund measures all equity investments at fair value through profit or loss. The fund's does not designate equity investments as FVOCI irrespective of the investment horizon. Gains and losses on equity investments at FVPL are included in the statement of profit or loss.

Impairment

Due to the short term nature of its financial assets measured at amortised cost, the Fund has opted to apply the simplified expected credit loss model. The Fund has developed a provision matrix that both historical and forward looking default rates to calculate impairment losses.

1.12 Revenue recognition

Contributions

Contribution revenue is recognised on an accruals basis.

Dividend and interest income

Dividend income 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 income 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.

1.13 Leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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 in which economic benefits from the leased asset are consumed. Contigent 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 operting leases, such incentives are recognised as a liability. The aggregate benfit 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 benfits from the leased asset are consumed.

1.14 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of assets available for benefits 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.

1.15 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 at agreed prices and accordingly included in profit or loss for the year.

1.16 Key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant Accounting Policies

1.16 Key sources of estimation uncertainty (continued)

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.

Valuation of investment properties

Determining the fair value of investment properties requires an estimation of the value in use of the properties. 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.

Valuation of investments in associates

An investment in associates is accounted for using the fair value method which is arrived at by using the discounted cash flows of the entity. The gain or loss is accounted for through profit and loss. The trustees utilise independent valuers to minimise the level of estimation uncertainity. The valuation of the associates was arrived at on the basis of a valuation carried out by Riscura Consulting Services (Proprietary) Limited a firm of qualified Investment Consultants.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of tenants and members defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring Expected Credit Loss (ECL), such as:

- Choosing appropriate models and assumptions for the measurement of Expected Credit Loss;
- Establishing groups of similar financial assets for the purposes of measuring Expected Credit Loss.

Significant Accounting Policies

1.17 Profit or loss from discontinued operations

A discontinued operation is a component of the Fund that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income.

Non-current assets and liabilities classified as held for sale and discontinued operations

When the Fund intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probable, the asset or disposal group is classified as 'held for sale' and presented separately in the statement of assets available for benefits.

Liabilities are classified as 'held for sale' and presented as such in the statement of assets available for benefits if they are directly associated with a disposal group. Assets classified as 'held for sale' are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell.

However, some 'held for sale' assets such as financial assets continue to be measured in accordance with the fund's accounting policy for those assets.

Once classified as 'held for sale', the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The fund has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the fund's accounting periods beginning on or after 1 January, 2019 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the fund's financial statements.

Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28

The amendment now requires that an entity also applies IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the fund's financial statements.

Prepayment Features with Negative Compensation - Amendment to IFRS 9

The amendment to Appendix B of IFRS 9 specifies that for the purpose of applying paragraphs B4.1.11(b) and B4.1.12(b), irrespective of the event or circumstance that causes the early termination of the contract, a party may pay or receive reasonable compensation for that early termination.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the fund's financial statements.

Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment clarifies that if a party participates in, but does not have joint control of, a joint operation and subsequently obtains joint control of the joint operation (which constitutes a business as defined in IFRS 3) that, in such cases, previously held interests in the joint operation are not remeasured.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the fund's financial statements.

Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the fund's financial statements.

2. New Standards and Interpretations (continued)

Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the fund's financial statements.

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after 1 January, 2019.

The fund has adopted the interpretation for the first time in the 2019 financial statements.

It is unlikely that the interpretation will have a material impact on the fund's financial statements.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the fund are as follows:

Fund as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.

2. New Standards and Interpretations (continued)

- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Fund as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 1 January, 2019.

The fund expects to adopt the standard for the first time in the 2019 financial statements.

It is unlikely that the standard will have a material impact on the fund's financial statements.

2.2 Standards and interpretations effective and adopted in the current year

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

Amendments to IAS 28: Annual Improvements to IFRS 2014 - 2016 cycle

An entity such as a venture capital organisation, mutual Fund or similar institution may elect to measure investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9 rather than by applying the equity method. The amendment to IAS 28 Investments in Associates and Joint Ventures now specifies that the election must be made separately per associate or joint venture and at the time of initial recognition of such investment.

Further, if an entity is not an investment entity, but has interests in an associate or joint venture which is an investment entity, then the entity may retain the fair value measurement of the associate or joint venture. The amendment now provides that such election must be made separately for each investment entity associate or joint venture.

The effective date of the amendment is for years beginning on or after 1 January, 2018.

The Fund has adopted the amendment for the first time in the 2018 financial statements.

The impact of the amendment is not material.

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

Amendments to IAS 40: Transfers of Investment Property

The amendment deals specifically with circumstances under which property must be transferred to or from investment property. The amendment now requires that a change in use of property only occurs when the property first meets, or ceases to meet, the definition of investment property and that there is evidence of a change in use. The amendment specifies that a change in management's intentions for use of the property, do not, in isolation, provide evidence of a change in use.

The effective date of the amendment is for years beginning on or after 1 January, 2018.

The Fund has adopted the amendment for the first time in the 2018 financial statements.

The impact of the amendment is not material.

Foreign Currency Transactions and Advance Consideration

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for years beginning on or after 1 January, 2018.

The Fund has adopted the interpretation for the first time in the 2018 financial statements.

The impact of the interpretation is not material.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendment to IFRS 4 provides a temporary exemption, allowing insurers to apply IAS 39 rather than IFRS 9. The exemption only applies in certain circumstances and only for annual periods beginning before 1 January 2021.

The exemption also introduces an "overlay approach" in specific circumstances. This approach requires the insurer to reclassify an amount between other comprehensive income and profit or loss. This results in the profit or loss for designated financial assets being the same as if the insurer had applied IAS 39 rather than IFRS 9.

The effective date of the amendment is for years beginning on or after 1 January, 2018.

The Fund has adopted the amendment for the first time in the 2018 financial statements.

The impact of the amendment is not material.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 1 January, 2018.

The Fund has adopted the amendment for the first time in the 2018 financial statements.

The impact of the amendment is not material.

2. New Standards and Interpretations (continued)

IFRS 9 Financial Instruments

The Fund has adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Fund did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Fund elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening Fund account. The Fund does not hedge its financial risks and therefore hedge accounting is not relevant.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also been applied to the current period. The comparative period notes disclosures repeat those of disclosures made in the prior period.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Fund. Further details of the specific IFRS 9 accounting policies applied in the current period (as well the previous IAS 39 accounting policies applied in the comparative in the comparative period) are disclosed in more detail below.

2. New Standards and Interpretations (continued)

a) Classification and measurement of financial instruments

There were no changes to the classification and measurement of financial liabilities. The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
Financial assets	**Measurement catergory**	**Carrying amount**	**Measurement catergory**	**Carrying amount**
Cash & cash equivalent	Amortised cost (Loan and receivables)	684,861,284	Amortised cost	684,861,284
Contribution & other Receivables	Amortised cost (Loan and receivables)	33,046,256	Amortised cost	31,617,541
Onshore equity Investments	FVTPL (Designated)	1,232,852,614	FVTPL (Mandatory)	1,232,852,614
Offshore equity Investments	FVTPL (Designated)	3,274,827,038	FVTPL (Mandatory)	3,274,827,038
Onshore bond Investments	FVTPL (Designated)	561,995,488	FVTPL (Mandatory)	561,995,488
Offshore bond Investments	FVTPL (Designated)	681,450,714	FVTPL (Mandatory)	681,450,714
BIFM term loan	Amortised cost (Loan and receivables)	21,820,040	Amortised cost	21,820,040
Vantage capital fund managers (proprietary) limited	Amortised cost	87,732,209	FVTPL (Mandatory)	87,732,209
Total		**6,578,585,643**		**6,577,156,928**

b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Fund performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

Financial assets	Ref	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Cash & cash equivalent	**A**				
Opening balance under IAS 39		684,861,284	-	-	-
Closing balance under IFRS 9		-	-	-	684,861,284
Contribution & other Receivables	B				
Opening balance under IAS 39		33,046,256	-	-	-
Remeasurement: ECL allowance		-	-	(1,428,715)	-
Closing balance under IFRS 9		-	-	-	31,617,541
Onshore equity Investments	C				
Opening balance under IAS 39		1,232,852,614	-	-	-
Closing balance under IFRS 9		-	-	-	1,232,852,614
Offshore equity Investments	D				
Opening balance under IAS 39		3,274,827,038	-	-	-
Closing balance under IFRS 9		-	-	-	3,274,827,038
Onshore bond Investments	E				
Opening balance under IAS 39		561,995,488	-	-	-
Closing balance under IFRS 9		-	-	-	561,995,488
Offshore bond Investments	F				
Opening balance under IAS 39		681,450,714	-	-	-
Closing balance under IFRS 9		-	-	-	681,450,714
BIFM term loan	G				
Opening balance under IAS 39		21,820,040	-	-	-
Closing balance under IFRS 9		-	-	-	21,820,040
Private equity - Vintage	H				
Opening balance under IAS 39		87,732,209	-	-	-
Closing balance under IFRS 9		-	-	-	87,732,209
Total		**6,578,585,643**	**-**	**(1,428,715)**	**6,577,156,928**

The following explains how applying the new classification and measurement requirements of IFRS 9 led to changes in classification and measurement of certain financial assets held by the Fund as shown in the table above:

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

Area and Potential Impact of IFRS 9: Financial Instruments – Recognition & Measurement [Classification & Measurement impact explained as at 1 January 2018 date of initial application]]	**Reference**
Cash & Bank Deposits: This financial asset class was classified as loans & receivables and measured at amortised cost under IAS 39. Under IFRS 9, these assets will continue to be measured at amortised cost because they satisfy the SPPI and business model tests for classification as amortised cost. Cash & bank deposits are subject to impairment under both IAS 39 and IFRS 9. As at 31 December 2017, the impairment provision under IAS 39 was nil as there was no objective evidence of impairment. The Fund has elected to the apply the simplified approach for impairment of cash & bank deposits since the lifespan of these securities is less than 12 months. The Fund has adopted the provision matrix contained in implementation guidance to IFRS 9 as its impairment methodology. Historical default rates on deposits held by banks is nil. Our review of forward looking macro-economic factors does not suggest possible defaults on bank deposits and consequently no provision has been raised on adoption of IFRS 9. On the basis of the above, the carrying amount of cash & bank deposits was not impacted at the year end. The Fund does not wish to rebut the presumption that a debt instrument is deemed to be in default if it is 90 days past due.	**A**
Contribution & other receivables: The amount 33,046,256 on 31 December 2017 includes the share of cash & cash equivalent from the joint operation amounting to P29,241,964 which is not subject to impairment as historical default rate is nil and forward looking information does not suggest that these money market securities would default. All other receivables have been aged as at 1 January 2018 and provided for using the simplified expected credit loss model based on the provision matrix. Consequently, the application of IFRS 9 on the date of initial application has resulted in the recognition of an additional impairment loss amounting to P1,428,715. This amount shall be debited to the opening retained earnings and credited to the provision for doubtful debts account.	**B**
Onshore equity investments: This asset class is held primarily for long term gain. The investment was designated at FVTPL under IAS 39. Under IFRS 9 the investment shall continue to be measured at fair value and classified as FVTPL on a mandatory basis. This asset class is not subject to impairment provisions of IFRS 9 and therefore the carrying amount is not impacted by IFRS 9 from the perspective of reclassification and measurement.	**C**
Offshore equity investments: This asset class is held primarily to generate long term gains. The investment was designated at FVTPL under IAS 39. Under IFRS 9 the investment shall continue to be measured at fair value and classified as FVTPL on a mandatory basis. This asset class is not subject to impairment provisions of IFRS 9 and therefore the carrying amount is not impacted by IFRS 9 from the perspective of reclassification and measurement.	**D**
Onshore bond investment: This asset class is held primarily to generate both short and long term gains. The investment was designated at FVTPL under IAS 39. Under IFRS 9 the investment shall continue to be measured at fair value and classified as FVTPL on a designation basis to reflect the financial performance mandate of the Fund. This asset class is not subject to impairment provisions of IFRS 9 and therefore the carrying amount is not impacted by IFRS 9 from the perspective of reclassification and measurement.	**E**

2. New Standards and Interpretations (continued)

Area and Potential Impact of IFRS 9: Financial Instruments – Recognition & Measurement [Classification & Measurement impact explained as at 1 January 2018 date of initial application]]	**Reference**
Offshore bond investment: This asset class is held primarily to generate both short and long term gains. The investment was designated at FVTPL under IAS 39. Under IFRS 9 the investment shall continue to be measured at fair value and classified as FVTPL on a designation basis to reflect the financial performance mandate of the Fund. This asset class is not subject to impairment provisions of IFRS 9 and therefore the carrying amount is not impacted by IFRS 9 from the perspective of reclassification and measurement.	**F**
BIFM term loan: This asset class is held primarily to generate short term gains. The investment is classified as loans and receivables and measured at amortised cost under IAS 39. Under IFRS 9, these assets will continue to be measured at amortised cost because they satisfy the 'solely payments of principal and interest' SPPI and business model tests for classification as amortised cost. Money market investments are subject to impairment under both IAS 39 and IFRS 9. As at 31 December 2017, the impairment provision under IAS 39 was nil as there was no objective evidence of impairment. The Fund has elected to the apply the simplified approach for impairment of money market investments since the lifespan of these securities is less than 12 months. The Fund has adopted the provision matrix contained in implementation guidance to IFRS 9 as its impairment methodology. Historical default rates on money market investments is nil. Our review of forward looking macro- economic factors does not suggest possible defaults and consequently no provision would have been raised on adoption of IFRS 9. On the basis of the above, the carrying amount of money market investments is not expected to be impacted on transition date of 1 January 2018. The Fund does not wish to rebut the presumption that a debt is deemed to be in default if it is 90 days past due.	**G**
Private equity – Vantage: Debt instruments previously classified as Loan and Receivable but which fail the SPPI test. The Fund holds private equity investment in a Vantage Mezzanine Fund that failed to meet the 'solely payments of principal and interest' (SPPI) requirement for amortised cost classification under IFRS 9. This investment contains provisions that allow the issuer to defer dividend payments, but which do not accrue additional interest. This clause breaches the criterion that interest payments should only be consideration for credit risk and the time value of money on the principal. As a result, this instrument, which amounted to P87,732,209 was classified as FVPL from the date of initial application.	**H**

c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	**Ref**	**Loss allowance under IAS 39**	**Reclassifications**	**Remeasurements**	**Loss allowance under IFRS 9**
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)					
Contribution & other Receivables		(2,373,052)	-	(1,428,715)	(3,801,767)

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

IAS 39: Impairment Provision Matrix as at 31 December 2017

Description	**Current**	**39 Days**	**60 Days**	**90 Days**	**120 Days**	**Total**
Gross carrying amount	1,675,015	-	815,625	-	3,686,704	6,177,344
Incurred loss rate	- %	- %	- %	- %	64.37 %	- %
Loss allowance provision	-	-	-	-	(2,373,052)	(2,373,052)
Amount not provided for**	-	-	-	-	-	29,241,964
Net carrying amount	**1,675,015**	**-**	**815,625**	**-**	**1,313,652**	**33,046,256**

IAS 39: Impairment Provision Matrix as at 1 January 2018

Description	Current	39 Days	60 Days	90 Days	120 Days	Total
Gross carrying amount	1,675,015	-	815,625	-	3,686,704	6,177,344
Expected loss rate	2.00 %	- %	10.00 %	- %	100.00 %	- %
Loss allowance provision	(33,500)	-	(81,563)	-	(3,686,704)	(3,801,767)
Amount not provided for**	-	-	-	-	-	37,544,644
Net carrying amount	**1,641,515**	**-**	**734,062**	**-**	**-**	**39,920,221**

Note: Incremental provision on transition date (1/1/2018): (3,801,767 - 2,373,052) = 1,428,715

***Share of receivables from joint ventures have already been subjected to impairment by the joint venture.*

The impact of the standard is not material.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.
The effective date of the standard is for years beginning on or after 1 January, 2018.
The Fund has adopted the standard for the first time in the 2018 financial statements.
The impact of the standard is not material.

Notes to the Financial Statements

Figures in Pula		2018	2017

3. Contributions

Contributions receivable are 20% of members' pensionable earnings for all participating employers. Members are also allowed to contribute towards their pension voluntarily.

4. Net transfers (to)/from other funds

	2018	2017
Transfers in	8,624,037	10,156,506
Transfers out	(15,301,481)	(972,792)
Net transfers	**(6,677,444)**	**9,183,714**

5. Administrative expenses

	2018	2017
Acturial fees	357,530	334,798
External audit fees - current year	672,403	563,887
Audit fees - internal audit	724,880	798,140
Bank charges	421,968	394,099
Communications expenses	1,490,944	1,136,225
Fidelity and other Insurance premiums	234,977	240,771
Legal and professional fees	409,473	89,105
License and maintenance fees	973,261	848,544
Regulator's fees	228,343	214,808
Other expenses	4,842,720	3,997,953
Employee costs	15,478,259	14,758,029
Stationery	46,709	22,611
Travel and entertainment	1,592,411	1,773,066
Investment consultancy fees	1,194,950	1,228,227
Unitisation fees	330,028	307,950
Loss/(profit) on disposal of plant and equipment	38,373	(77,233)
	29,037,229	**26,630,980**

6. Taxation

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

7. Investment properties

	Note	2018	2017
Investment properties at fair value			
Freehold and leasehold land and buildings		217,900,000	209,100,000
Leasehold land and buildings held in partnerships	20	133,924,520	101,868,340
Fair value		**351,824,520**	**310,968,340**
Loans in property investment companies			
Loans advanced to property investment companies		664,454	725,522
		352,488,974	311,693,862
Deferred lease rental		1,476,525	869,906
Total investment properties		**353,965,499**	**312,563,768**

The fair value of the Fund's investment properties as at 31 December, 2018 and 31 December, 2017 were arrived at on the basis of valuations carried out at the respective dates by Messrs Wragg (Proprietary) Limited, MG Properties (Proprietary) Limited, Willy Kathurima Associates (Proprietary) Limited and Ribery (Proprietary) Limited, 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.

The investment properties of the Fund are measured at fair value at the end of each reporting period and fall under Level 3.

Notes to the Financial Statements

Figures in Pula	2018	2017
7. Investment properties (continued)		
Recurring fair value measurements at the end of the reporting period	351,824,520	310,968,340
Reconciliation of fair value measurements categorised within Level 3 of fair value		
Balance at beginning of the year	310,968,340	298,751,334
Net unrealised gains on fair valuation	37,807,672	12,217,006
Additions	3,048,508	-
Balance at end of the year	**351,824,520**	**310,968,340**

Gains and losses arising from fair valuation of investment properties are shown as a separate line in the statement of comprehensive income as follows:

	2018	2017
Net unrealised gains on fair valuation of investment properties	37,807,672	12,217,006

31 December, 2018

Valuation techniques and inputs	Valuation technique	Unobservable input	Range
	Discounted net rentals	Capitalisation rate	8-13%

31 December, 2017

Valuation techniques and inputs	Valuation technique	Unobservable input	Range
	Discounted net rentals	Capitalisation rate	8 - 13%

Information about sensitivity to changes in unobservable inputs

The fair value of investment properties is a function of the unobservable inputs and the net rental generated by each property in the portfolio of the Fund. Significant increases/(decreases) in the capitalisation rate would result in significantly lower/(higher) fair value measurement.The changes are dependant on various market factors including location of property and quality and length of lease periods.The quantitative effect of changes in inputs is disclosed in note 18 of the financial statements.

8. Investments in associates and subsidiary

Name of company	Held by	% ownership interest 2018	% ownership interest 2017	Fair value accounting Carrying amount 2018	Equity accounting Carrying amount 2017
Healthcare Holdings (Proprietary) Limited		58.16 %	58.16 %	246,491,000	147,443,837
Mmila Fund Administrators (Proprietary) Limited		100.00 %	- %	124,343	-
Sphinx Associates (Proprietary) Limited		25.00 %	25.00 %	43,000,000	42,486,599
Less: Sphinx Associates (Proprietary) Limited - classified		- %	- %	(43,000,000)	-
as held for sale				**246,615,343**	**189,930,436**

	2018	2017
Balance at the beginning of the year	189,930,436	171,816,186
Fair value gain taken to profit or loss acoount-discontinued operations	513,401	-
Share of profits from associates	99,047,163	18,114,250
Mmila Fund Administrators (Proprietary) Limited	124,343	-
Less: Sphinx Associates (Proprietary) Limited - classified as held for sale	(43,000,000)	-
Balance at the end of the year	**246,615,343**	**189,930,436**

Figures in Pula	2018	2017

8. Investments in associates and subsidiary (continued)

31 December, 2018

Valuation techniques and inputs	Valuation technique	Unobservable input	Range
	Income capitalisation approach	Capitilisation rate	6 - 8%

Information about sensitivity to changes in unobservable inputs

The fair value of Investment in associates is a function of the unobservable inputs and the capitilisation rate generated by each property in the portfolio of the Fund. Significant increases/(decreases) in the capitalisation rate would result in significantly lower/(higher) fair value measurement and operating business valuation. The changes are dependant on various market factors including location of property and quality and length of lease periods. The quantitative effect of damages in inputs is disclosed in note 18 of the financial statements.

Summarised financial information of material associates

Summarised financial information in respect of each of the Fund's associates is set out below.

Healthcare Holdings (Proprietary) Limited

	2018	2017
Current assets	2,858,032	4,346,518
Non-current assets	265,499,222	252,648,048
Current liabilities	1,738,285	1,739,653
Non-current liabilities	3,900,323	5,100,480
Revenue	8,337,777	6,843,704
Profit for the year	34,276,538	34,500,632
Other comprehensive income for the year	-	-
Total comprehensive income	34,276,538	34,500,632

Sphinx Associates (Proprietary) Limited

	2018	2017
Current assets	7,694,255	6,725,927
Non-current assets	217,285,864	214,384,030
Current liabilities	11,780,544	5,145,130
Non-current liabilities	44,056,634	60,560,926
Revenue	18,853,395	22,666,830
Profit for the year	11,949,518	8,796,379
Other comprehensive income for the year	-	-
Total comprehensive income	11,949,518	8,796,379

Notes to the Financial Statements

Figures in Pula		2018	2017

9. Assets classified as held for sale

On 20 December 2018, the Board of Trustees resolved to dispose of one of the associated companies Sphinx (Proprietary) Limited. Negotiations with several interested parties have subsequently taken place. The investment is expected to be sold within twelve months and has been classified as held for sale and is presented separately in the statement of assets available for benefits. The valuation was carried out by Riscura Consulting Services (Proprietary) Limited a firm of qualified investment consultants.

The net proceeds on disposal (**Fair value less cost to sell) are expected to be lower than the carrying amount of the investment and accordingly, an impairment loss has been recognised on the classification of this investment as held for sale.

** Fair value less cost to sell = P41,280,000 (P43,000,000 – P1,720,000) cost to sell are expected to be 4% of fair value) Impairment on reclassification is P1,720,000

Description		Pula	Pula
Carrying amount of Sphinx Associates (Proprietary) Limited prior to reclassification	8	43,000,000	-
Less: Impairment on reclassification as held for sale		(1,720,000)	-
Carrying amount of Associate held for sale		**41,280,000**	**-**

Notes to the Financial Statements

Figures in Pula	2018	2017
10. Other financial assets		
Designated as at fair value through profit or loss		
Onshore equity investment by asset manager		
Investec Asset Management Limited	316,918,958	368,536,523
Allan Gray Botswana (Proprietary) Limited	777,262,192	630,694,565
Kgori Capital (Proprietary) Limited	-	233,621,526
Directly Owned-New Africa Properties Limited	284,232,959	-
	1,378,414,109	1,232,852,614
Onshore bonds unitised funds		
Investec Asset Management Limited	254,528,286	249,790,382
Botswana Insurance Fund Management Limited	502,896,669	312,205,106
Allan Gray Botswana (Proprietary) Limited	7,111,561	-
	764,536,516	561,995,488
Offshore bonds unitised funds		
Pimco Funds	340,386,339	681,450,714
	340,386,339	681,450,714
Offshore equity unitised funds		
Marathon Asset Management Limited	434,069,533	483,860,847
Orbis Investment Management Limited	486,924,952	540,890,330
Walter Scott & Partners Limited	430,629,711	485,818,970
State Street Fund Services (Ireland) Limited	443,789,765	483,594,226
State Street Global Advisors	46,515,761	165,593,714
Nedgroup Investments (IOM) Limited	579,288,935	660,159,635
American Century Investments	593,771,846	454,909,316
Vantage Capital Fund Managers (Proprietary) Limited	92,626,488	-
Steyn Capital Management (Proprietary) Limited	21,480,752	-
Morgan Stanley Investment Management Limited	317,996,436	-
Coronation Asset Management (Proprietary) Limited	25,216,255	-
	3,472,310,434	3,274,827,038
	5,955,647,398	**5,751,125,854**

Notes to the Financial Statements

Figures in Pula	2018	2017
10. Other financial assets (continued)		
Carried at amortised cost		
Private equity loan Investments in Vantage Mezzanine Fund II Partnership - offshore	-	87,732,209
Botswana Insurance Fund Management Limited-term loans	18,126,303	21,820,040
	18,126,303	**109,552,249**
Total other financial assets	**5,973,773,701**	**5,860,678,103**
Non-current assets		
Designated at fair value through profit or loss	5,955,647,398	5,751,125,854
Amortised cost	18,126,303	109,552,249
	5,973,773,701	**5,860,678,103**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Short-term deposits	252,433,709	311,566,404
Bank balances - Pula denominated	355,445,509	165,959,591
Bank balances - US Dollar denominated	14,946,154	207,335,289
	622,825,372	**684,861,284**

12. Plant and equipment

	2018 Cost	2018 Accumulated depreciation	2018 Carrying value	2017 Cost	2017 Accumulated depreciation	2017 Carrying value
Furniture and fixtures	1,275,854	(1,047,437)	228,417	1,279,502	(1,038,330)	241,172
Motor vehicles	724,349	(464,292)	260,057	724,349	(399,321)	325,028
Office equipment	1,438,920	(1,119,872)	319,048	1,560,216	(1,212,287)	347,929
Total	**3,439,123**	**(2,631,601)**	**807,522**	**3,564,067**	**(2,649,938)**	**914,129**

Reconciliation of plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	241,172	30,858	(1,262)	(42,351)	228,417
Motor vehicles	325,028	-	-	(64,971)	260,057
Office equipment	347,929	139,124	(61,660)	(106,345)	319,048
	914,129	**169,982**	**(62,922)**	**(213,667)**	**807,522**

Reconciliation of plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	245,209	71,899	-	(75,936)	241,172
Motor vehicles	-	348,929	-	(23,901)	325,028
Office equipment	383,429	134,049	(8,226)	(161,323)	347,929
	628,638	**554,877**	**(8,226)**	**(261,160)**	**914,129**

No assets are pledged as security.

Notes to the Financial Statements

13. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software, internally generated	3,965,710	(2,487,770)	1,477,940	3,771,916	(1,695,866)	2,076,050

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	2,076,050	193,794	(791,904)	1,477,940

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	2,537,389	262,367	(723,706)	2,076,050

The intangible asset comprises software costs incurred on the implementation of the Everest Pension Administration and Accounting System in August 2015.

14. Contributions and other receivables

Contributions receivables		718,597	648,281
Advance benefit payments		*2,435,442*	*2,514,442*
Allowance for doubtful debts - advance benefit payments		*(2,373,052)*	*(2,373,052)*
Net advance benefits payments		62,390	141,390
20% death advance claim		186,870	186,870
Pensioner deaths overpayments		290,994	290,994
Interest receivable		694,398	694,398
Property rentals receivable		1,869,866	815,625
Property partnership current assets	20	36,867,772	29,241,964
Other receivable		2,551,144	1,026,734
Impairment on other receivables		(3,321,810)	-
		39,920,221	**33,046,256**

IFRS: Impairment Provision Matrix as at 31 December 2018

Description	**Current**	**30 Days**	**60 Days**	**90 Days**	**120+ Days**	**Total**
Gross carrying amount	1,218,788	201,031	161,341	294,572	5,600,115	7,475,847
Expected loss rate	2.00 %	5.00 %	10.00 %	15.00 %	100.00 %	76.00 %
Loss allowance provision	(24,376)	(10,051)	(16,134)	(44,186)	(5,600,115)	(5,694,862)
Amount not provided for	-	-	-	-	-	38,139,236
	1,194,412	**190,980**	**145,207**	**250,386**	**-**	**39,920,221**

Note: Share of receivables from joint ventures have already been subjected to impairment by joint operations.

Notes to the Financial Statements

Figures in Pula		2018	2017
15. Benefits payable			
Retirement		16,550,988	11,969,834
Withdrawal		4,849,166	942,292
Death		8,843,273	18,445,974
Unclaimed benefits		886,219	906,453
Tax payable on benefits		349,091	317,759
Pensioners' deaths		2,052,951	1,848,022
Monthly pensions		1,924,375	2,622,092
Contributions for ineligible members		80,560	80,560
		35,536,623	**37,132,986**

Benefits payables are settled in accordance with the Rules of the Fund. No interest is charged on outstanding benefits payables.

16. Other payables

Rental deposits		889,717	889,717
Value added tax (VAT)		2,716,639	2,716,639
Property partnership current liabilities	20	1,925,624	2,056,667
Administration costs payable		3,457,828	5,058,649
		8,989,808	**10,721,672**

17. Actuarial valuation

The financial statements summarises 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, 2018. The valuation shows that the pensioners' account of the Fund, amounting to P2,119,511,000 (2017: P 2,037,697,000) adequately cover the pensioners' liabilities at that date amounting to P2,096,040,000 (2017: P 1,948,019,000), without taking into account future pension increases.

18. 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 overail risk profile and investment strategies are reviewed and approved by the Board of Trustees.

18. Financial risk management (continued)

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 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 and equity price risk, as well as 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 and South African Rands as at 31 December, 2018 amounted to P3,827,642,927 (2017: P 4,251,345,250).

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, 2018 amount to P782,662,819 (2017: P 583,815,528) being investments in onshore bonds and term loans, P340,386,339 (2017: P 681,450,714) being investments in offshore bonds, and P622,825,372 (2017: P 684,861,284) being short term deposits and cash and cash equivalents as disclosed in notes 10 and 11.

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 diminition of value of individual stocks. The investment guidelines stipulate the allowable holding levels. The net exposure to equity price risk as at 31 December, 2018 amounted to P1,378,414,109 (2017: P 1,232,852,614) for local equities, P3,472,310,434 (2017: P 3,274,827,038) for offshore equities and offshore unitised funds and P92,626,488 (2017: P 87,732,209) for offshore private equity loan investments as disclosed in note 10.

Figures in Pula	2018	2017

18. Financial risk management (continued)

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 approximate their fair values.

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

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

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

The fair values of other financial assets and financial liabilities are determined 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 dat

Notes to the Financial Statements

Figures in Pula	2018	2017

18. Financial risk management (continued)

Financial assets	Note	Fair value as at 2018 P	Fair value as at 2017 P	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Onshore listed equity investments	10	1,378,414,109	1,232,852,614	Level 1	Quoted last traded prices in an active market.	N/A	N/A
Onshore listed bonds	10	764,536,516	561,995,488	Level 2	Valued based on the aggregate published bond index	N/A	N/A
Offshore bonds unitised funds	10	340,386,339	681,450,714	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	10	3,472,310,434	3,274,827,038	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
Associate - Healthcare Holdings (Proprietary) Limited	8	246,491,000	147,443,837	Level 3	Capitalisation rate (Cap rate) used as the primary methodology	N/A	N/A
Associate held for sale - Sphinx (Proprietary) Limited	9	41,280,000	42,486,599	Level 3	Capitalisation rate (Cap rate) used as the primary methodology	N/A	N/A

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

Figures in Pula		2018	2017

18. Financial risk management (continued)

Credit risk

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

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

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

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

Concentration of credit risk

Counterparty (investment manager)	**Investment type**		
Investec Asset Management Limited	Government bonds	178,701,241	172,903,655
Investec Asset Management Limited	Corporate bonds	51,221,996	43,013,170
Investec Asset Management Limited	Parastatals bonds	24,605,050	33,874,145
Botswana Insurance Fund Management Limited	Government bonds	156,318,185	97,293,529
Botswana Insurance Fund Management Limited	Corporate bonds	316,751,838	198,938,510
Botswana Insurance Fund Management Limited	Parastatals bonds	29,827,543	15,973,066
Allan Gray Botswana (Proprietary) Limited	Corporate bonds	7,111,561	-
Pimco Funds: Global Investors Series plc.	Unitised offshore bonds	340,386,339	681,450,714
Botswana Insurance Fund Management Limited	Loans	18,126,303	21,820,040
Total		**1,123,050,056**	**1,265,266,829**

Bank balances and fixed deposits

Counterparty (investment manager)	Investment type		
First National Bank of Botswana Limited	Fixed deposits	52,046,979	106,449,066
Barclays Bank of Botswana Limited	Fixed deposits	12,242,411	27,747,659
Barclays Bank of Botswana Limited	Bank balances	92,137,449	319,458,466
Standard Chartered Bank Botswana Limited	Fixed deposits	161,285,199	96,861,083
Standard Chartered Bank Botswana Limited	Bank balances	556,472	555,420
Stanbic Bank Botswana	Fixed deposits	10,494,795	34,199,494
Stanbic Bank Botswana	Bank balances	277,343,496	52,951,632
Other Institutions	Fixed deposits	16,718,571	46,638,464
		622,825,372	**684,861,284**

Categories of financial instruments

Financial assets		
Cash and cash equivalents	622,825,372	684,861,284
Designated as at FV through profit (loss) (FV through income)	5,955,647,398	5,751,125,854
Held to maturity (amortised cost)	18,126,303	109,552,249
Contributions and other receivables	39,442,357	32,568,392
Financial liabilities		
Other financial liabilities at amortised cost	37,773,788	43,849,983

The Fund is exposed to credit risk if counterparties fail to make payments as they fall due in respect of:

- payment of rental receivables as invoices fall due after being raised
- contractual cash flows of advance benefit pension payment recoveries carried at amortised cost

Figures in Pula	2018	2017

18. Financial risk management (continued)

The Fund applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all shot-term receivables. To measure the expected credit losses, short-term receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2018 is determined and disclosed in note 14.

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 cashflows 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 here under 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	
		2018	2017		2018	2017
Currency risk	Strengthening of the Pula by 1%	(38,276,429)	(42,513,453)	Weakening of the Pula by 1%	38,276,429	42,513,453
Global Equity Risk	Decline in global equity prices by 1%	(34,723,104)	(32,748,270)	Increase in global equity prices by 1%	34,723,104	32,748,270
Local Equity Risk	Decline in local equity prices by 1%	(13,784,141)	(12,328,526)	Increase in local equity prices by 1%	13,784,141	12,328,526
Interest Rate Risk	Increase in interest yield by 1%	(17,758,744)	(19,501,275)	Decline in interest yield by 1%	17,277,482	19,501,275
Private Equity Loan	Increase in interest yield by 1%	(926,265)	(877,322)	Decline in interest yield by 1%	926,265	877,322
Investment property	Increase in interest yield by 1% 1%	(34,751,082)	(27,163,940)	Decline in interest yield by 1% 1%	43,855,617	32,994,932
Investment in associates	Increase in capitalisation by 1%	(15,682,668)	-	Decline in capitalisation by 1%	21,439,723	-
Sphinx proprietary limited	Increase in capitilisation by 1%	(525,825)	-	Decline in capitilisation by 1%	536,448	-

Figures in Pula		2018	2017

19. Related party transactions and balances

The related parties of the Fund comprise of the Trustees, Key management personnel as well as the participating employers as disclosed in note 22.

Related party transactions

Contributions income from participating employers	22	308,727,626	289,225,656
Internal audit fees charged by Debswana Diamond Company (Proprietary) Limited		724,880	798,140
Trustees fees			
Independent and Pensioner Trustees		21,454	82,005
Remuneration of key management personnel			
Key management personnel comprises the Principal Executive Officer			
Gross emoluments of the key management personnel are:			
Short-term employee benefits		1,943,066	1,778,896

20. 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	Effective Holding 2018	Effective Holding 2017
Engen Palapye partnership	Property partnership	Palapye	20.00 %	20.00 %
Engen Maun partnership	Property partnership	Maun	25.00 %	25.00 %
DBN Developments partnership	Property partnership	Gaborone	66.66 %	66.66 %
Francistown Retail partnership	Property partnership	Francistown	75.00 %	75.00 %

31 December, 2018	Notes	Engen Palapye Partnership	Engen Maun Partnership	DBN Developments Partnership	Francistown Retail Partnership	Total
Investment properties	7	14,020,000	7,000,000	90,404,520	22,500,000	133,924,520
Current assets	14	2,837,708	1,830,311	21,943,409	10,256,344	36,867,772
Current liabilities	16	(566,456)	(202,428)	(829,490)	(327,250)	(1,925,624)
Revenue - net rental income		1,171,386	525,107	6,590,388	2,518,478	10,805,359
Unrealised fair value gains on fair valuation of investment property		1,931,492	1,225,000	23,601,180	2,250,001	29,007,673
Total comprehensive income for the year		3,102,878	1,750,107	30,191,568	6,357,970	41,402,523
Net cash generated from operating activities		5,991,197	481,867	10,153,049	2,800,482	19,426,595
Net cash utilised in investing activities		(6,804,616)	-	(322,461)	(2,498,588)	(9,625,665)
Net cash (outflow)/inflow		(813,419)	481,867	9,830,588	301,894	9,800,930

Notes to the Financial Statements

20. Interest in property partnerships (continued)

31 December, 2017	Notes	Engen Palapye Partnership	Engen Maun Partnership	DBN Developments Partnership	Francistown Retail Partnership	Total
Investment properties	7	9,040,000	5,775,000	66,803,340	20,250,000	101,868,340
Current assets	14	4,148,374	1,102,776	16,580,198	7,410,616	29,241,964
Current liabilities	16	(245,129)	(279,320)	(1,180,388)	(351,830)	(2,056,667)
Revenue - net rental income		8,138,032	3,319,000	11,039,871	3,683,449	26,180,352
Unrealised fair value gains on fair valuation of investment property		2,200,000	1,300,000	5,123,824	1,135,000	9,758,824
Total comprehensive income for the year		1,473,543	715,653	12,613,845	2,582,261	17,385,302
Net cash generated from operating activities		7,191,193	3,131,262	9,916,701	2,882,061	23,121,217
Net cash utilised in investing activities		(7,334,536)	(1,077,011)	(2,612,661)	198,127	(10,826,081)
Net cash (outflow)/inflow		(143,343)	2,054,251	7,304,040	3,080,188	12,295,136

21. Contingency reserves

The contingency reserve has been split into various contingency reserve accounts as defined in the revised set of rules and in line with PFR 1 issued by NBFIRA as follows:

	Maximum limit	2018	2017
Processing error reserve	1.5%	62,286,000	74,834,000
Expense reserve	No limit	7,050,000	6,546,000
Solvency reserve	25.0%	144,441,000	138,824,000
		213,777,000	**220,204,000**

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.

22. Description of the Fund

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

The main purpose of the Fund is to provide for the payment of pensions to qualifying members on retirement. A secondary objective of the Fund is to provide benefits to nominated beneficiaries 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.

23. Membership statistics

Number of members		
Active	6,061	5,917
Deferred	2,213	2,330
Pensioners	3,937	3,819
	12,211	**12,066**

Notes to the Financial Statements

Figures in Pula	2018	2017

24. Commitments

Operating leases – as lessee (expense)

Operating lease payments represent rentals payable by the fund for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

25. Fidelity insurance cover

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

26. Future deferred lease receipts

Future deferred lease reciepts - Age analysis

	2018	2017
First year	12,722,125	9,410,810
Year two to year four	24,749,540	25,218,018
	37,471,665	**34,628,828**

27. Mmila Fund Administrators

The Board of Trustees approved the registration of a fully owned private company called Mmila Fund Administrators (Proprietary) Limited, licensed to operate as a Fund administrator, which has since given up to the end of April 2019 to have started operating. Mmila will administer Debswana Pension Fund, thereby satisfying the requirements of the law (Retirement Fund Act, 2014 and its regulations).

Mmila is an investment vehicle for Debswana Pension Fund, mandated to increase shareholder wealth by participating in the market, administering other funds profitably. To this end, Debswana Pension Fund approved private equity funding to Mmila amounting to P14 million, from which a return on investment is expected.

28. 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

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