



DPF
DEBSWANA · PENSION · FUND



ANNUAL REPORT
2019

.....
TOGETHER, WE GO FORWARD

Together, We Go Forward

Some animals live their entire lives in one place, while others have adapted to seasonal and geographical variations by **migrating** to areas that they can thrive better in, and discover better opportunities.

This movement ensures not only the longevity and survival of the species, but their safety and the promise of bountiful returns.

Our Philosophy summons equal resoluteness and is driven by a similar and passionate attentiveness; an unwavering focus on the greater mission to provide our Members with competitive and sustainable retirement benefits.

This collective journey, between the Fund and it's Members, promises long-deferred results through thorough mapping and methodical navigation. Undeterred by challenges, we aim to seek and utilise resources that will ensure our promises to our Members are fulfilled.

Thank you for joining us on this journey, let us continue going forward, together.



DOMICILE, TRUSTEES & PRINCIPAL BUSINESS PARTNERS

PRINCIPAL ADDRESSES OF THE FUND

Debswana Pension Fund Secretariat
Private bag 00512, Gaborone
Plot 1188 - 1196, Debswana House
5th Floor, Main Mall
Gaborone, Botswana

PARTICIPATING EMPLOYERS

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

BOARD OF TRUSTEES

Principal Trustees

Christopher Mokgware - Board Chairperson
Company Appointed Trustee - DBGSS, DBHB, MCM, DPF

China Reobonye 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 - MCM

Lebogang Kwapa
Member Elected Trustee - DTCB

Garekwe Mojaphoko
Member Elected Trustee - Pensioner Constituency (Resigned
August 2019)

Claire Busetti
Independent Trustee (Appointed September 2019)

DPF EXECUTIVE MANAGEMENT

Gosego January - Chief Executive Officer
Thato Norman - Investments Manager

Boikanyo Europa - IT and Projects Manager (Transferred
to Mmila Fund Administrators April 2019)

Tidimalo Poonyane - Legal & Compliance Manager
Saone Balopi - Strategy and Business Development Manager
(Appointed September 2019)

Daniel Mompoti - Fund Accountant
(Appointed December 2019)

AUDITOR

Deloitte & Touche

BANKERS

ABSA Bank Botswana Limited

CUSTODIAN

Stanbic Bank Botswana Limited

INVESTMENT CONSULTANTS

Riscura Consulting Services (Proprietary) Limited

ACTUARIES

TowerWatson Actuaries and Consultants (Proprietary) Limited

ONSHORE INVESTMENT MANAGERS

Investec Asset Management Limited
Botswana Insurance Fund Management Limited
Allan Gray Botswana (Proprietary)
African Alliance
Morula Capital Partners

OFFSHORE INVESTMENT MANAGERS

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

INTERNAL AUDITORS

Debswana Diamond Company (Pty) Ltd

ADMINISTRATORS

Mmila Fund Administrators (Pty) Ltd
(Debswana Pension Fund ceased to self-administer in April
2019 with the enactment of the Retirement Funds Act as
of 2014. The Fund provides optional annuities in-house for
its retiring active and deferred members.)

REGISTERED OFFICE

Gaborone
Private bag 00512, Gaborone
Plot 1188 - 1196, Debswana House
5th Floor, Main Mall
Tel: 267 361 4288, Fax: 267 3936239

ENQUIRIES

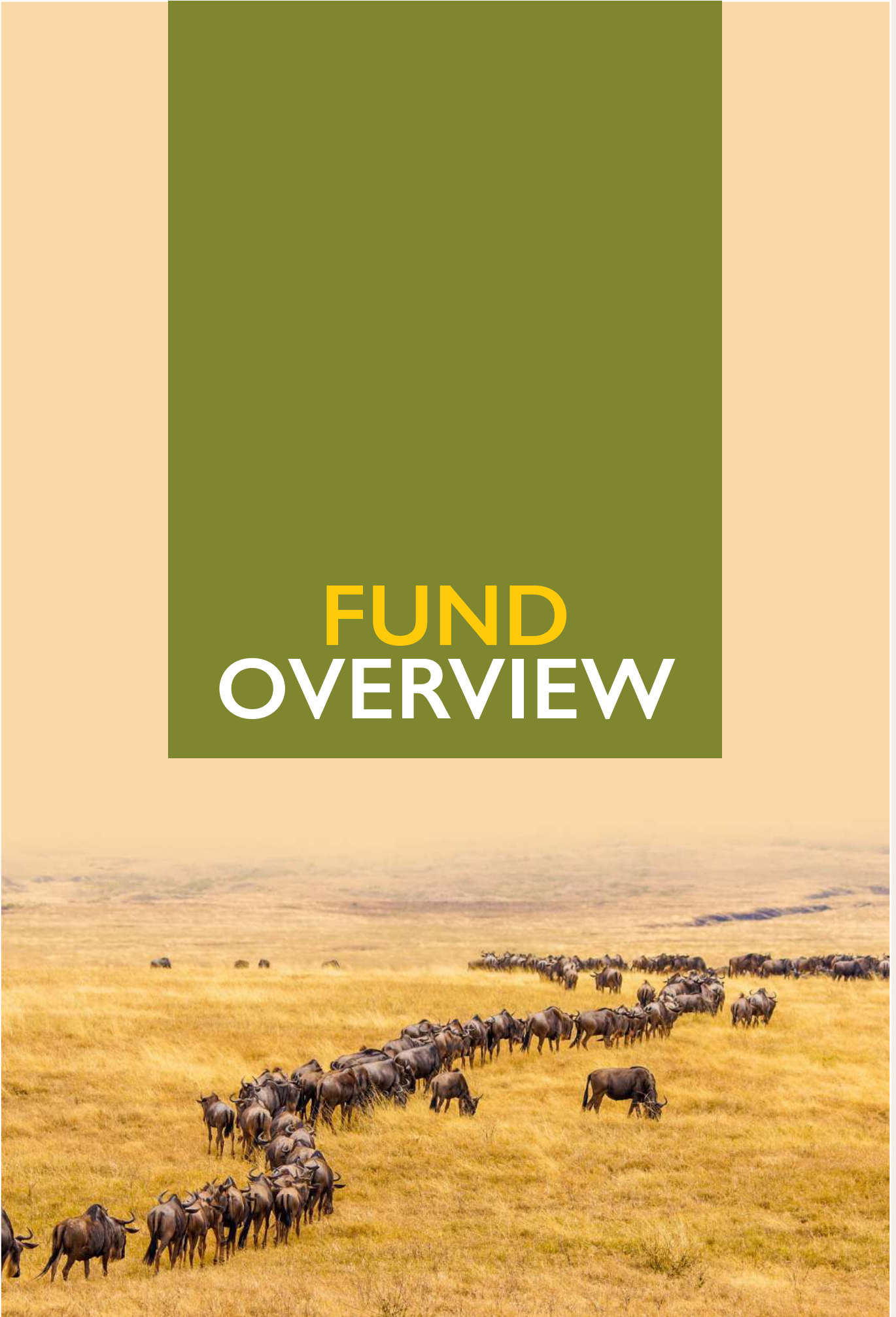
Enquiries about the Fund and its services may be made
by visit, telephone or email to bokamoso@debswana.bw.
More information is available on the website www.dpf.co.bw



TABLE OF CONTENTS

	PAGE
1. Fund Overview	07
2. Global Market Overview	10
3. Fund Performance Highlights	15
4. Chairperson's Remarks	20
5. CEO's Report	22
6. Trustees' Report	24
6.1 Constitution of the Fund	25
6.2 Compliance Report	26
6.3 Administration Report	31
6.4 Communications Report	36
6.5 Investment Report	42
7. Financial Statements	49

FUND OVERVIEW





DEBSWANA PENSION FUND

FUND OVERVIEW

FOR THE YEAR ENDED 31 DECEMBER, 2019

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 BWP8.4 billion and a total membership of 12455 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), DPF and recently Mmila Fund Administrators (DPF's subsidiary company).

The Fund currently has a staff complement of eight and four main business functions that include Strategy and Business Development, Finance, Legal and Compliance, Investments. The Internal Audit and Information Management support are co-sourced with 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 has only one office in Gaborone located at Debswana House 5th Floor, Main Mall.

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 & Integrity
- Innovation
- Agility
- Self-Driven & Motivation



BOARD OF TRUSTEES



CHRISTOPHER MOKGWARE

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



REOBONYE CHINA ABEL

Deputy Board Chairperson
Member Elected - OLDM Constituency



ESTHER PALAI

Member Elected Trustee
Jwaneng Constituency



LYNETTE ARMSTRONG

Company Appointed Trustee
Debswana



LEBOLE MPHOMO MOKOTO

Company Appointed Trustee
Debswana



LAPOLOGANG LETSHWENYO

Member Elected Trustee
Morupule Constituency



LEBOGANG KWAPA

Member Elected Trustee
Gaborone Campus



LEBOGANG SEBOPELE

Company Appointed Trustee
DTC Botswana



GAREKWE MOJAPHOKO

Member Elected Trustee
Pensioner Constituency
Resigned August 2019



CLAIRE BUSETTI

Independent Trustee
Appointed September 2019

EXECUTIVE MANAGEMENT



GOSEGO JANUARY
Chief Executive Officer



TIDIMALO POONYANE
Legal & Compliance Manager



SAONE BALOPI
Strategy and Business Development
Manager - Appointed September 2019



BOIKANYO EUROPA
IT and Projects Manager - Transferred to
Mmilla Fund Administrators April 2020



THATO NORMAN
Investment Manager



DANIEL MOMPATI
Fund Accountant
Appointed December 2019

GLOBAL MARKET OVERVIEW



DEBSWANA PENSION FUND
GLOBAL MARKET OVERVIEW
FOR THE YEAR ENDED 31 DECEMBER, 2019

North America

United States (US) equities outperformed in 2019 with the equity market rally underpinned by increased market optimism on global growth. Moderate concerns of additional future interest rate hikes by the US Federal Reserve Bank, in addition to decreased US-China trade tensions contributed to the equity rally. During the year, business investment extended its recovery while household consumption, which accounts for two-thirds of US economic activity, continued to accelerate. Gross Domestic Product (GDP) expanded at a 2.2 percent annual rate in the final quarter of 2019 against 2.9 percent in the last quarter of 2018. The moderate output was driven by decreased investment amidst low export growth. Uncertainty over the US-China trade war and its ultimate outcome curtailed capital expenditure and investment. The US economy remained supported by improving levels of household confidence which underpinned consumption. Sharp upwards and downwards movements in asset prices continued 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 extended their rally in 2019. High levels of employment supported by increased wage growth supported household consumption and business activity. Unemployment reached a 50-year low towards the end of the year while the labour participation rate remained above 63 percent during the year.

With a view to stoke economic activity, the Federal Reserve Bank (Fed) cut the key policy rate three times during the year. The key policy rate target range shifted downwards from 2.25 - 2.50 percent to a new range of 1.50 – 1.75 percent. The Federal Open Market Committee (FOMC) pointed to a US economy characterised by improving domestic activity which is being partially offset by exogenous factors such as the US – China trade war, Brexit uncertainty and moderating global growth. The unemployment rate dropped to 3.5 percent in December. The FOMC indicated that they would continue to adopt a data dependent monetary policy driven by macroeconomic and financial indicators. The Fed Chairman determined that the weakness of the global economy despite the strength of the US economy supported rate hikes cuts. There have been disagreements amongst the Federal Reserve Bank on

the number of rate cuts required to stoke economic activity. Meanwhile, President Trump has called for additional rate cuts and increased Quantitative Easing which he has deemed is a prerequisite for US economic growth. Against this background, US Treasury bond yields rallied during the year, predominantly driven by the Fed's monetary policy and low inflation expectations. The investment grade bond Barclays Global US Bond Index increased 5.82 percent in 2019. Optimism on the extension of accommodative monetary policy; further supporting economic activity, has acted as a tailwind for US equities.

Europe

The Euro-19 Gross Domestic Product (GDP) decreased from 1.8 percent in 2018 to 1.1 percent in 2019. Geopolitical events, such as Brexit and its impact on the outlook of the European Union, ongoing trade wars, in an environment of the economic slowdown in major trading partners, contributed to the slowdown. Domestic activity was curtailed by softening industrial production, as export driven Euro-19 economies were affected by trade tensions and geo-political uncertainty. Household consumption, manufacturing and net exports remained weak fueling concerns of a narrowing recovery in the Euro-zone. Markets continued to forecast continued expansionary monetary policy by the European Central Bank following many years of economic weakness. The unemployment rate fell to 7.4 percent in December, marking the lowest level of joblessness since 2008. Economic indicators pointed to weak output across the Euro-19's major economies. The Euro-19's largest economy, Germany, experienced modest growth of 0.6 percent in 2019, as the tepid demand for exports hurt the country's industrial sector thereby marking the lowest growth of the economy since 2013. Other major economies in the Euro-zone namely, France, Italy, Spain and Belgium demonstrated poor growth. Italy has experienced higher sovereign bond yields as it remains the epicenter of financial risk with fiscal imbalances amidst structural challenges. Business confidence remained subdued with the European Central Bank (ECB) warning that trade disputes were affecting its member countries. Against this background, the ECB downwardly revised its growth and inflation forecasts. With a view to support domestic activity, monetary policy by the ECB remained accommodative with additional key policy rate cuts accompanied by the extension of asset purchases.

DEBSWANA PENSION FUND
GLOBAL MARKET OVERVIEW
FOR THE YEAR ENDED 31 DECEMBER, 2019

Political risk in the Euro-19 remained stable during the year with risks moving between United States, China and the United Kingdom.

The Office for National Statistics (ONS) reported that the United Kingdom (UK) economy marginally increased from 1.3 percent in 2018 to 1.4 percent in 2019. Concerns about the UK leaving the European Union (Brexit) weighed down on business confidence, particularly for businesses predominantly dependent on the EU market. Household consumption softened while 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, fell as retail and wholesale trade softened. Business investment dropped 1 percent while manufacturing activity remained weak. Household confidence surveys remained weak as consumers remained worried about prospects of a hard Brexit. The unemployment rate decreased to 3.8 percent in December 2019. 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 improved from 0.8 percent in 2018 to 1.1 percent in 2019. Natural disasters that occurred in the previous year such as flooding, typhoons and earthquakes hurt manufacturing and production. This was compounded by weaker demand for exports, which were partially affected by the US - China trade wars and tepid global demand. The global trade concerns affected capital expenditure, while private consumption was capped by the 2018 Value Added Tax (VAT) increase. The headline Consumer Price Index (inflation) was 0.48 percent in 2019 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 accommodative monetary policy with Quantitative and Qualitative Easing (QQE) maintained as inflation continues 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 increased by approximately 17.0 percent, on renewed optimism of corporate earnings improvement.

Emerging Markets

Emerging Markets (EM) comprise approximately over half of the global youth population and half of the global economy. Over the years, Emerging Markets have 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 concerns over the outlook of the global economy, which was worsened by the ongoing trade wars. According to the International Monetary Fund (IMF), Emerging Markets and Developing Economies growth moderated from 4.5 percent in 2018 to 3.7 percent in 2019.

China

China's economy decelerated from 6.6 percent in 2018 to 6.1 percent in 2019, underlining a softening but stabilizing economy. The International Monetary Fund (IMF) forecasts growth to moderate to 6.0 percent in 2020 and 5.8 percent in 2021. Industrial production was 5.7 percent in 2019 well below the 6.5 percent forecast target, with activity hampered by protectionist policies which hurt exports. 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 predominantly contained. 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 required ratio, the amount of money banks are mandated to hold in reserve and cut the key policy rate during the year in an effort to stoke demand. The Shanghai Stock Exchange Composite Index increased 67.7 percent in 2019, marking a recovery from the previous year whereby the index experienced the worst performance in a decade.

Brazil

The economy registered positive growth of 1.1 percent in 2019 against a previous increase of 1.3 percent in 2018. The economic outlook has marginally improved as supply disruptions in mines faded away and pension reforms improved the business outlook. Fiscal reforms and record low interest rates underpinned economic growth. Unemployment averaged 12.2 percent during the year, demonstrating an improvement from 12.5 percent in 2018. The public sector deficit decreased

DEBSWANA PENSION FUND
GLOBAL MARKET OVERVIEW
FOR THE YEAR ENDED 31 DECEMBER, 2019

to 5.9 percent of GDP in 2019 from 7.1 percent the previous year. The Ministry of Finance reported that over the year, gross debt fell to 75.8 percent from 77.6 percent of GDP. During the year, Brazil's stock exchange, Ibovespa, increased 40.4 percent as investors grew more confident of on the stock market economic recovery.

Russia

The Russian economy declined to 1.0 percent in 2019 from 2.3 percent in 2018. The ongoing trade sanctions against Russia curtailed business investment and consumption. Industry production growth accelerated to 2.1 percent in December. The economy remained affected by threats of sanctions from major economies as a result of concerns of President Putin's strong leadership of Russia. The federal government reported a surplus of 1.8 percent of GDP in 2019 from 2.6 percent the previous year as a result of lower tax receipts.

South Africa

South Africa's economic growth momentum moderated from 0.8 percent in 2018 to 0.3 percent in 2019. 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 face moderate global demand. President Cyril Ramaphosa who is considered more business friendly than his predecessor continues to promote investment and structural reforms.

Botswana

Botswana's economy increased 1.6 percent in the fourth quarter of 2019 against a previous increase of 4.2 percent in the same quarter of 2018. During the same period, mining activity decreased 8.1 percent against a previous surge of 13.9 percent. Mining activity was curtailed by a reduction in diamond production in addition to a drop-in coal and soda ash production. Decreased international demand for commodities particularly diamonds and coal are expected to affect domestic output. Economic output was driven by an increase of 22.3 percent, 5.9 percent and 4.8 percent in water & electricity, finance & business services and transport & communications. The biggest negative contributor to output stemmed from mining which decreased 8.1 percent and agriculture which dropped 1.0 percent.

Household consumption improved 3.6 percent in the

fourth quarter of 2019 while government expenditure rose 4.3 percent. Gross capital formation increased 4.5 percent as business investment experienced a moderate pick up. Exports decreased 28.7 percent driven by a large drop in diamond sales in the fourth quarter of 2019, while imports fell 1.2 percent. Government expenditure rose 3.7 percent with increased government expenditure reported during the presidential elections. Statistics Botswana reported that Botswana's unemployment rate increased to 17.7 percent, with the unemployment rate for females at 19.3 percent against 16.3 percent for males. Youth unemployment remained high at 37.52 percent. The private sector remained the largest employer as it employed 47.3 percent of the labour force, followed by the public sector at 25.8 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 3.9 percent of GDP in 2018 from a deficit of 2.3 percent the previous year due to lower mineral receipts. The balance of payments deficit is forecast to widen to BWP10 billion in 2019 from P4.2 billion in 2018. The deficit comprises mostly of government payments and imported goods and services. The current account deficit is expected to widen to 6.8 percent of GDP in 2019. 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 2.2 percent in December and remained below 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 25 basis points to 4.75 percent in August 2019. Monetary policy remained accommodative in order to drive investment borrowing and in turn aggregate demand.

During the year, the Pula depreciated against the South African rand by 1.5 percent. Against the USD, the Pula appreciated by 1.4 percent partially driven by the strengthening rand as improved optimism on capital markets led to a marginal gains in Frontier Markets and

DEBSWANA PENSION FUND
GLOBAL MARKET OVERVIEW
FOR THE YEAR ENDED 31 DECEMBER, 2019

Emerging Market currencies as investors bought riskier assets.

During 2019 the Domestic Companies Index (DCI) marginally increase 0.86 percent as large cap counters such as some financial stocks improved. Letlole, FNB, Sechaba and the NewGold Exchange Traded Fund (ETF) positively contributed to performance while Standard Chartered and Letshego continued to struggle. Moderate economic growth characterized by high levels of unemployment and the subdued interest

rate environment continued to offset equity markets. The biggest underperformance during the year was predominantly driven by Letshego, Stanchart, Tlou Energy and Seed Co.

The Fleming Aggregate Bond Index (FABI) returned 5.61 percent over the year. Weak domestic activity and the benign inflation outlook prompted Bank of Botswana to cut the Bank rate to a historic low of 4.75 percent which lead to a flattening of the bond yield curve.

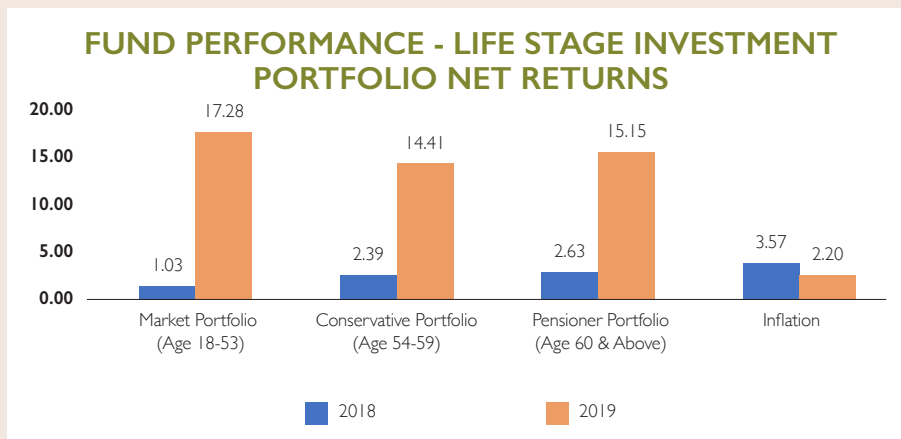
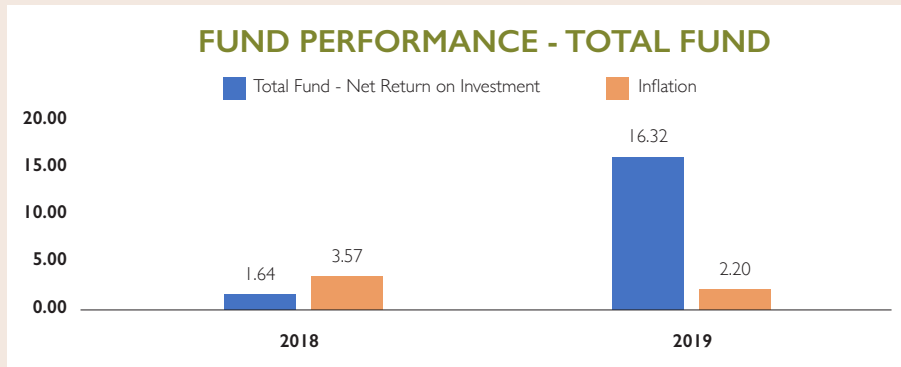


FUND PERFORMANCE HIGHLIGHTS



DEBSWANA PENSION FUND
FUND PERFORMANCE HIGHLIGHTS
 FOR THE YEAR ENDED 31 DECEMBER, 2019

Fund Performance Highlights – For the year end 31 December 2019



Fund Performance

Life Stage Investment Portfolios (Investment Portfolios Returns)

Fund	12 Month	36 Month	60 Month	Since Inception (Aug 2004)
Market	17.28%	8.54%	8.38%	12.15%
Conservative	14.41%	7.20%	7.23%	11.22%
Pensioner	15.15%	6.87%	7.05%	11.61%
Contingency	14.77%	7.30%	7.46%	13.32%
Fund	16.32%	8.01%	7.94%	13.57%
Inflation	2.20%	2.98%	3.01%	6.25%

DEBSWANA PENSION FUND

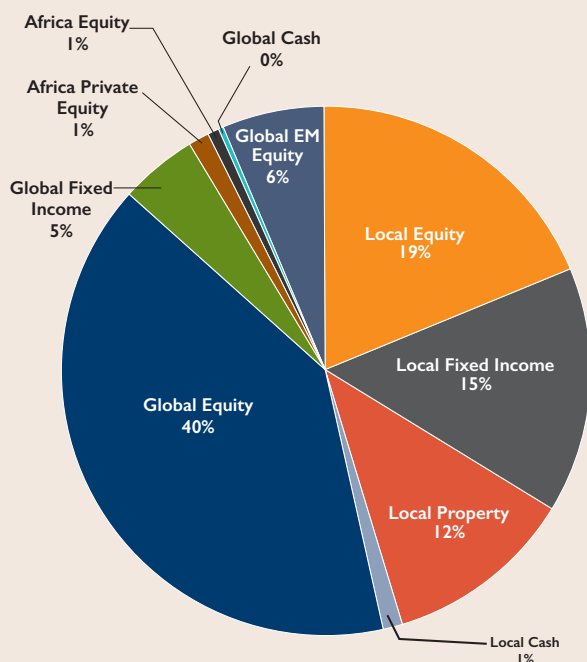
FUND PERFORMANCE HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER, 2019

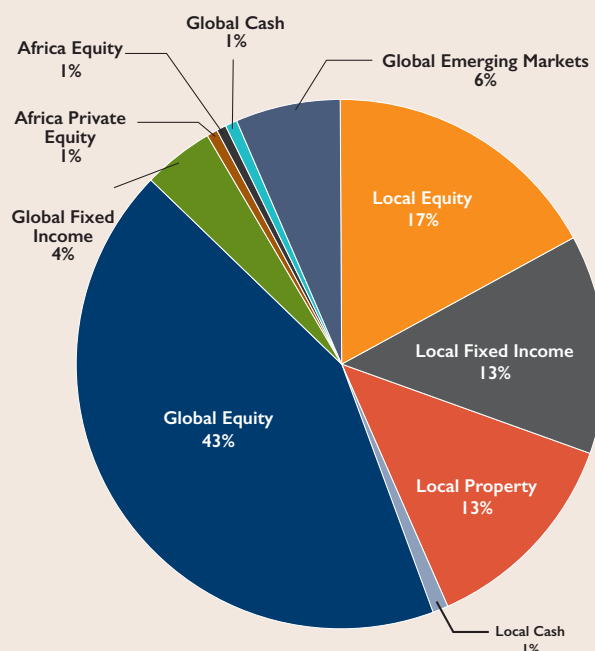
Asset Allocations

Asset Class Weights as at 31 December 2019 in comparison to Asset Class Weights as at 31 December 2018

ASSET CLASS WEIGHTS AS AT 31 DECEMBER 2018



ASSET CLASS WEIGHTS AS AT 31 DECEMBER 2019



Revenue and Expenditure

	P'000		P'000
Fund account as at 31 December 2018	7,236,139	Administration Expenses	34,797
Contributions received	328,114	Investment Fees	42,275
Transfers received	13,022	Withdrawal and death benefits	33,537
Income from Investments	206,255	Retirement benefits	89,859
Adjustments to fair value of Assets	947,860	Pensioner death benefits	694
		Pensions paid	164,663
		Transfers paid	18,691
		Fund Account as at December 2019	8,346,693

DEBSWANA PENSION FUND
FUND PERFORMANCE HIGHLIGHTS
 FOR THE YEAR ENDED 31 DECEMBER, 2019

Membership Movements

Membership movements for the financial year ending 31 December 2019

Description	Active Members	Deferred Members	Pensioners	Total
Numbers at beginning of period	6061	2213	3937	12211
Additions	382	59	212	653
Withdrawals (Dismissals, resignations, retrenchments)	(59)	0	0	(59)
Transfers out	0	(55)	0	(55)
Transfers in	0	22	0	22
Retirements	(75)	(141)	0	(216)
Deaths	(15)	(7)	(52)	(74)
Client Transfer (Merging of Records)	(10)	(11)	-	(21)
Beneficiary Maximum age	-	-	(6)	(6)
Numbers at end of period	6284	2080	4091	12455

The Fund's total membership as at 31 December 2019 was 12455 compared to 12211 in 2018. There has been growth in membership of 1.99% (244 Members) in 2019.

The membership statistics for 2019 compared to 2018 are as follows;

	2019	2018	Difference	Comment
Active	6284	6061	223	Increase
Deferred	2080	2213	(133)	Decrease
Pensioner	4091	3937	154	Increase
Total	12455	12211	244	

Funding Level

Combined Position	31/12/2019	31/12/2018	Change
	P'000 000	P'000 000	%
Fair Value of Assets	8,347	7,236	15.33
Actuarial Liabilities	7,962	6,999	13.77
Surplus / (deficit)	382	237	61.18
Funding Level	104.8%	103.4%	



CHAIRPERSON'S REMARKS



CHRISTOPHER MOKGWARE

Board Chairperson

DEBSWANA PENSION FUND
CHAIRPERSON'S REMARKS
FOR THE YEAR ENDED 31 DECEMBER, 2019

Dear Members

On behalf of the DPF Board of Trustees, I present to you the 2019 financial year Annual Report.

This time last year, the Board of Trustees and the Fund Management, were optimistic that despite the volatile market performance, the Fund had put in place a resilient investment strategy which would withstand the market downturn and outperform once markets recovered. I am delighted that indeed we were able to outperform during the year, which was characterized by a strong market rally, thereby achieving the BWP 8 Billion fund value mark.

The rally in investment performance in 2019 was driven by the broadening global economic recovery. United States equities outperformed during the year on the backdrop of supportive monetary and fiscal policies, moderating concerns of additional future interest rate hikes by the US Federal Reserve Bank. The decreased US-China trade tensions also contributed to the market rally. Geo political events, such as Brexit and its impact on the outlook of the European Union, continued to dominate news headlines. We continued to see the economic convergence theme characterized by improvements in Emerging Market economies. Meanwhile, the economy of Botswana continued to face challenges of low demand for its commodities thereby curtailing economic activity.

To ensure the Fund meets its key obligation of protecting and growing member's wealth, it is necessary to periodically undertake extensive due diligence exercises on our asset managers locally and globally. This exercise not only ensures that we safeguard the reputation of the Fund and comply with regulatory requirements, but furthermore exposes the Trustees and the DPF Managers to more investment opportunities. I am confident that the due diligence tour undertaken this year will yield positive long-term growth for the Fund.

Governance and adherence to regulatory changes timeously remain a key focus for the Fund, Trustees and the DPF Management. Compliance to the regulatory requirements resulted in formation of Mmila Fund

Administration, which is fully operational. We look forward to the success of this strategic investment vehicle for the Fund as we continue to look at ways to innovate and enhance the Fund's offering.

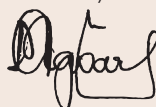
The Fund continues to tighten its controls and ensure that adequate and effective measures are in place to provide reasonable assurance that risks are being managed appropriately. There were no significant findings in the 2019 External Auditors' Report.

In the year, we welcomed a new member to the Board, Mrs Claire Busetti, Independent Trustee. Mrs Busetti brings a wealth of experience in Corporate Governance, Financial and Investment Management amongst others to the DPF Board. She has served in various boards in the Financial Services Sector in South Africa. Following the resignation of Mr Garekwe Mojaphoko in August 2019, the Board has since submitted a recommendation for the Pensioner Elected Trustee to the Regulator for approval. I wish to thank Mr Mojaphoko for his valuable contribution to the Board during his tenure.

As we continue to transform and grow Debswana Pension Fund, we remain optimistic that 2020 will return positive gains. This however requires for the Fund Management to continue to be prudent in the investment approach and identify key areas of investment, while navigating the challenging economic and global environment. We remain resolute in delivering improved results and reaching new milestones for the betterment of our member portfolios.

I wish to thank all of our stakeholders including DPF Trustees, DPF Management and Staff and business partners for their unwavering determination to continue to transform and grow Debswana Pension Fund.

Sincerely



Christopher Mokgware
Board Chairperson

CHIEF EXECUTIVE OFFICER'S REPORT



GOSEGO JANUARY
Chief Executive Officer

DEBSWANA PENSION FUND
CEO'S REMARKS
FOR THE YEAR ENDED 31 DECEMBER, 2019

Dear Members,

I am delighted to report to you a great year in which Debswana Pension Fund was able to return back its value and attain greater milestones.

Despite the market volatility and uncertainties that the Fund has had to maneuver through in this year, the Board of Trustees and the Management of DPF have remained resilient in deploying the strategic priorities of the Fund and in return be able to grow the Fund and end the year at the BWP 8.400 Billion mark. Performance over the 12-month period, is predominantly attributed to accommodative monetary policy, trade agreements between the United States and China; decrease in the United States trade deficit, strong company earnings; and buoyant economic outlook.

The Fund continues to ensure that the asset managers appointed deliver to the expected levels, and undertake their business activities within the guided regulatory frameworks and are compliant at all times. It is critical that as we continue to invest locally and offshore, we conduct our business with entities that are reputable and hence the big undertaking by the Board of Trustees and the Management of the Fund to conduct a due diligence tour. The tour enabled the Fund to meet prospective asset managers and open new frontiers that are well underway to be closed as we strive to remain the biggest private pension fund in Botswana.

I am happy to inform you that Mmila Fund Administrators is now fully operational. Furthermore, DPF has been extensively working on its long-term strategy rollout that aims to transform the Fund's operations and bring new offering to its members. There have been several fruitful engagements between DPF and the Regulator as we carve out the implementation path. I wish to thank the Regulator for their continued support and guidance.

In 2019, the Fund underwent several audits Internal and External. I am pleased to report that the continuous efforts implemented to improve the internal control environment are robust and adequately manage risk. We have managed to close all items identified through audit and have no outstanding matters.

Member engagement and communication are one of the top priorities of the Fund. Once again we held a

successful deferred members conference in Gaborone and the annual pensioners conference in Palapye, which saw an increased number of attendees compared to previous years. These two events allow the Board and the Management Team to update members on the performance of DPF and communicate any initiatives that the Fund is undertaking. In an effort to enhance and broaden our reach, we have continued to use social media to drive key campaigns and educate our members and the broader public on matters relating to pension funds and broadly around wealth creation and secured retirement. The 2019 Member Satisfaction survey results did show a dip in the overall satisfaction levels and plans are underway to address some of the key areas of concern that came through the survey. I am confident that we will be able to reverse this position.

I spent a portion of this year, recruiting for key strategic roles with highly experienced persons and building a strong secretariat team that is now fully resourced to look at the future diversification plans of the Fund. The annual employee satisfaction survey results revealed that the team is highly engaged and motivated to deliver exceptional results collectively.

Pension funds globally continue to face challenges and Botswana is by no means immune to this. What is pivotal for Debswana Pension Fund is transparency and good governance. I wish to applaud the Board of Trustees and the staff of DPF for their relentless efforts in ensuring preservation and growth of our member's retirement funds. This remains top of mind at all times as we deliver DPF's mandate.

I look forward to delivering greater returns in 2020 despite the possible headwinds markets may be challenged with.

I wish to thank you our Members for trusting us and for your continuous support

Sincerely



Gosego January

Chief Executive Officer

TRUSTEES REPORT



DEBSWANA PENSION FUND
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER, 2019

CONSTITUTION OF THE FUND

The Debswana Pension Fund (DPF) is 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. The Fund now exists as a registered pension fund licensed by the Non-Bank Financial Institutions Regulatory Authority through the Retirement Fund Act of 2014.

Retiring members are given the option to purchase annuities from other service providers. Fund membership portfolios as at 31 December 2019 registered 12,455 members comprising of 6284 Active Members, 2080 Deferred Members and 4091 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;

- A Career of 35 years continuous employment
- 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, the Fund aims to provide benefits in excess of the targeted NRR of 70%. Given the defined contribution nature of the Fund, the above benefits are only a target and are not guaranteed.

DEBSWANA PENSION FUND
TRUSTEES' REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

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 Pensioner Members; and
- One (1) Independent Trustee

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 and that is attained through optimised use of resources.

The Fund's Board of Trustees and its designated Committees performs 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 still rests with the Board of Trustees. The Board has its own Board Charter that is reviewed every two years to ensure that it remains up to date and relevant.

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. Board 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 the Trustees can be re-appointed for another five-year term. The Board recently filled the vacancy for Independent Trustee as this was critical to adhere to legislative requirements. The Board of Trustees has embarked on a process of strengthening Fund governance and oversight.

2. Trustees List

	Trustees	Representation
1	Christopher Mokgware (Chairman)	Other Participating Employers*
2	Lebole Mpho Mokoto	Debswana Diamond Company
3	Lynette Armstrong	Debswana Diamond Company
4	Lebogang Sebopelo	Diamond Trading Company Botswana
5	Esther Palai	Jwaneng Constituency
6	Lebogang Kwapa	Gaborone Constituency
7	Reobonye China Abel	Orapa Letlhakane Damtshaa Constituency
8	Lapologang Letshwenyo	Morupule Constituency
9	Garekwe Mojaphoko (Resigned August 2019)	Pensioners
10	Claire Buseti (Appointed September 2019)	Independent Trustee

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

DEBSWANA PENSION FUND
TRUSTEES' REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

3. Board and Committee Membership (As at December 2019)

TRUSTEES	BOARD	INVESTMENT COMMITTEE	BENEFITS & COMMUNICATIONS COMMITTEE	AUDIT, RISK & FINANCE COMMITTEE	NOMINATIONS & REMUNERATIONS COMMITTEE	TOTAL NUMBER OF COMMITTEES
MEMBERS						
Mr. Christopher Mokgware (Other PE's)	Board Chair-person					0
Mr. R China Abel (Orapa Constituency)	Deputy Chair	√			√	2
Mr. Lebogang Sebopelo	√	√	√			2
Ms. L Armstrong (DEBSWANA)	√	Chair-person		Chair-person		2
Ms. Ester Palai (Jwaneng Constituency)	√		Chair-person	√		2
Mr. Lapologang Letshwenyo (Morupule Constituency)	√		√		√	2
Ms. Lebogang Kwapa (Gabs constituency)	√	√		√		2
Ms. Lebole Mpho Mokoto	√		√		Chair-person	2
*Garekwe Mojaphoko (Pensioner Trustee)	√		√		√	2
Ms. Claire Buseti (Independent Trustee)	√					0
Total Members	Nine	Five	Three	Three	Three	
Vacancies	One	One	Two	Two		

Currently the Fund has a vacancy in the Board of Trustees, Audit, Risk and Finance Committee and Benefits and Communications Committee.

* Trustee resigned August 2019.

DEBSWANA PENSION FUND
TRUSTEES' REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

4. Board and Committee Meetings (Comparison Year 2019 and 2018)

In 2019 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 2019 compared to 2018.

Meetings		Planned Meetings	Special Meetings	Total	Planned Meetings	Special Meetings	Total
		2018			2019		
1.	Board of Trustees	4	2	6	4	1	5
2.	Audit Committee	4	1	5	3	Nil	3
3.	Investment Committee	4	1	5	4		4
4.	Nominations & Remunerations Committee	2	1	3	2	Nil	2
5.	Benefits & Communications Committee	4	Nil	4	4	Nil	4

5. Board Achievements in 2019

The Debswana Pension Fund Board of Trustees amongst other things managed to achieve the following in 2019;

a. Board achievements include;

- Reviewed and approved 2019 updated Balance Scorecard and 2019 Key performance Indications
- Annual Board Assessment conducted by an independent assessor
- Approval of pensioner salary increase of 4%
- Grew the Fund by BWP 1,233,699,840.73 to reach the BWP 8 billion mark
- Approval of the Rewards Remuneration Policy
- Reviewed and approved Auditors terms of engagement and scope
- Reviewed and approved 2018 Valuation Report
- Reviewed and approved 2018 Audited Financial Statement
- Reviewed and approved the Investment Policy Statement for submission to NBFIRA
- Reviewed and approved the Communication Policy for submission to NBFIRA
- Successfully undertook the transition from being a self administering Fund to outsourcing fund administration to Mmila Fund Administrators
- Reviewed and approved the Cash Management Policy
- Reviewed and approved the Asset Liability Modelling and Strategic Asset Allocation
- Reviewed and approved the appointment of the Fund's Communication Strategy and the appointment of the consultants that will be engaged to work on the strategy with the Fund

b. Appointment and/or election of Trustees

- The term for Ms Esther Palai, who is the member elect of the Jwaneng constituency, ends in April 2020. The Fund intends to hold elections for the Jwaneng Constituency and will facilitate for the successful candidate to be vetted by NBFIRA to be appointed as a Trustee of the Fund

c. Investments Committee Mandate

- Achieved all investment targets across the Fund's 3 Life Stage channels
- Conducted an ALM exercise to align the investment strategy
- Negotiated lower cash and Fixed Income Fees for select mandates
- Reviewed and approved Investment Policy Statement
- Introduced new asset classes; China A Shares, EM Debt Hard Currency, & Global Listed Property
- Embarked on a Global Due Diligence for all offshore managers
- Finalized transfer of Hollard House to the Fund
- Cash Management policy was reviewed and approved by Board

d. Audit, Risk and Finance Committee Mandate

- Reviewed and approved the Fund Top Ten Risks quarterly during the year as part of the risk management process.

e. Benefits and Communications Committee Mandate

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

f. Nominations and Remunerations Committee Mandate

- Reviewed and recommended the Board Committee composition
- Reviewed and recommended the appointment of the Pensioner Trustee and Independent Trustee to the Board
- Reviewed and approved Salary Increments and Staff Bonuses

6. Fund Rules Amendments

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

7. Trustees Training

During the year 2019 the Fund Trustees were trained by specialist advisors on the following fields;

- a. Advantage Training's 28th African Corporate Governance Conference
- b. Goldman Sachs Asset Management Training on investment on Investment Themes and Strategies Across Asset Classes
- c. 2019 SALT Abu Dhabi Conference on The Investment Diversity Exchange
- d. AML CFT – Offered by Botswana Stock Exchange
- e. AML/CFT/Proliferation – Offered by NBFIRA
- f. Interpretation the Actuarial Report - Offered by Willis Towers Watson
- g. Understanding Pension Benefits - Offered by NBFIRA
- h. Retirement Funds Legislation - Offered by NBFIRA
- i. The Importance of Cyber Security - Offered by Debswana Diamond Company
- j. Risk Management and Risk Management Tools - Offered by Debswana Diamond Company

8. Audits

Internal

In 2019 a total of three (3) audits were completed by the Internal Auditors and the following profile was issued:

1. Governance Process rated Good
2. Investment Management rated Good
3. Contributions Management rated Moderate

Based on reviews and assessments completed for the year ended 2019 (12 months to December 2019), 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.

External Audit

In 2019 there were no significant findings reported by the External Auditors.

Risk Management

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

In 2019 the most significant risks which were identified, closely monitored and mitigated were;

- i. **Sub-optimal returns risk** caused by low bond yields, high equity valuations, low global output, non-delivery of IP initiatives and geo-political events
- ii. **Business Operation Disruption** caused by Ineffective implementation of disaster recovery strategy and Lack of Business Continuity Management Strategy
- iii. **Market Volatility**, which is caused by change in US monetary policies, US-China trade war, BREXIT, protectionism by the G7 and China, poor performing local equities market, increased delisting in the BSE and Botswana's FATF grey listing
- iv. **Non-Compliance with the Regulatory Requirements on licensing to carry on retirement fund business (re-licensing of DPF under the new RFA)** caused by introduction of the new legislation and Regulation (Retirement Fund Act and Regulations), misinterpretation of regulations and limited compliance timelines
- v. **Reputational damage** caused by inadequate stakeholder engagement, public scandals involving both internal and external stakeholders, possible increased member and other stakeholder dissatisfaction and employee dissatisfaction
- vi. **Inability to meet member obligations (benefits payments and pensioner salaries)** caused by misalignment of investment policies to membership profiles, inaccurate Membership profiles and inefficient Processes resulting in imbalance of ALM
- vii. **Change in membership profile from deferred and active members to pensioner portfolio** caused by active and Deferred members retiring before normal retirement age and by increased ill-health retirements
- viii. **Increased Fund Administration Costs** caused by a highly fixed cost structure, operational Inefficiencies, inadequate planning, change in legislation and outsourcing of fund administration services
- ix. **Loss of annuity book caused** by new legislation that requires Pensioner Portfolio to be insured and managed under an Insurance License

DEBSWANA PENSION FUND
TRUSTEES' REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

ADMINISTRATION REPORT

I. Membership

a. Membership Movements in 2019

Membership movements for the Financial Year ending 31 December 2019

Description	Active Members	Deferred Members	Pensioners	Total
Numbers at beginning of period	6061	2213	3937	12211
Additions	382	59	212	653
Withdrawals (Dismissals, resignations, retrenchments)	(59)	0	0	(59)
Transfers out	0	(55)	0	(55)
Transfers in	0	22	0	22
Retirements	(75)	(141)	0	(216)
Deaths	(15)	(7)	(52)	(74)
Client Transfer (Merging of Records)	(10)	(11)	-	(21)
Beneficiary Maximum age	-	-	(6)	(6)
Numbers at end of period	6284	2080	4091	12455

The Fund's total membership as at 31 December 2019 was 12455 compared to 12211 in 2018. There has been growth in membership of 1.99% (244 Members) in 2019.

b. The membership statistics for 2019 compared to 2018 is as follows;

	2019	2018	Difference	Comment
Active	6284	6061	223	Increase
Deferred	2080	2213	(133)	Decrease
Pensioner	4091	3937	154	Increase
Total	12455	12211	244	

Active Members: Morupule Coal Mine contributed up to 55 % of the total growth of the active members. The rest of the Participating employers remained conservative on their approach to recruitment of pensionable employees.

Deferred Members: The decline is mainly because majority of deferred members who attain the age of 50 years opt for early retirement and those below the age of 50 and have remained unemployed for a period more than one year opt to transfer out their Fund Credit to licenced Preservation Funds. The Retirement Funds Act 2014 permits the latter to encash 25% of the deferred member's fund credit.

DEBSWANA PENSION FUND
TRUSTEES' REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

Pensioners: Pensioner portfolio increased significantly because a majority of deferred members who attained the early retirement age of 50 years in 2019 opted for early retirement.

c. Membership per participating Employer

As at year end (December 2019) the active members per PEs were as follows:

Participating Employer	2019
Debswana Diamond Company	5060
Diamond Trading Company Botswana	385
Morupule Coal Mine	627
DeBeers Global Sightholder Sales	160
DeBeers Botswana Holding	26
Debswana Pension Fund	26
Anglo Coal Botswana	0
TOTAL	6284

- In 2019 Morupule Coal Mine increased its membership numbers by 122 pensionable employees, followed by Debswana Diamond Company with 66.

d. Exits for the Period

Benefits payable as commuted lump sum for the period amounted to BWP339,084,885.17 when compared to BWP276,174,760.10 in 2018. This amount comprises benefits on withdrawal as a result of resignations or dismissals from employment, member/pensioner deaths, retirements, transfers out and membership contributions refunds, resulting in an increase of 28.5% from 2018.

e. Contributions

All Participating Employers make contributions of 20% of pensionable earnings on behalf of their members. Total Contributions received in 2019 amounted to BWP 328,113,648.30 compared to BWP 308,727,625.38 in 2018. The increase is attributable to salary increases effected by the respective Participating Employers as well as Additional Voluntary Contributions (AVC).

f. Transfers (In & Out)

Transfers-in for 2019 amounted to BWP 7,012,528.6 while transfers-out were BWP 18,677,232.46. There was generally an increase in transfers-out in 2019 when compared to 2018, where the Fund had a total of BWP 15,161,735.67.

2. ADMINISTRATION EXPENSES

Debswana Pension Fund outsourced its pension administration services to Mmila Fund Administrators in the year under review, following a change in legislation which barred pension funds from self-administration. However, the DPF maintains a secretariat function to provide the overall oversight of the business of the Fund and perform some of the functions not provided by the administrator such as investment management, legal and compliance services, actuarial and investment consultancy (outsourced). All of these costs make up the cost per member;

DEBSWANA PENSION FUND
TRUSTEES' REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

which is off set against investment returns. DPF continues to closely monitor costs to ensure they are kept to the minimum, while not compromising on the quality of services rendered to members.

3. ACTUARIAL REVIEW

a. Statement of the Actuary

Willies Towers Watson are the Fund's appointed actuaries who, among other contracted responsibilities, perform the Fund valuation as required by law governing pension funds as well as the Board of Trustees. While the Retirement Funds Act 2014 provides that Fund valuation may be performed once in three years as a minimum threshold, Debswana Pension Fund was valued by the Fund Actuaries; Willies Towers Watson in 2019 as it is in the best interest of the Fund to assess its financial position annually, which the DPF considers reasonable as a measure for risk control in cognizance of the inherent risks in the financial markets where the Fund invests members' money, as well as for an effective management of the annuity book. This cycle has been perpetuated for the financial year 2019, and the valuation report was presented for approval to the Board of Trustees at the June 2020 sitting, which was duly approved by the Trustees.

During the valuation period, which is the period between the 2018 valuation and the valuation for the period under review, the Fund was administered by the Mmila Fund Administrators as approved by the Board of Trustees for DPF.

b. Financial Status of the Fund

The Fund Actuaries confirmed that the Fund remains in a sound financial condition at 31 December 2019 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 104.8%.

	Following Transfer 31 Dec 2019 (000)	Prior Transfer 31 Dec 2019 (000)	31 Dec 2018 (000)
Fund Combined Position			
Fair Value of Assets	8 344 934	8 344 934	7 235 997
Actuarial Liabilities	7 692 925	7 692 925	6 998 749
Surplus/Deficit	382 109	382 109	237 248
Funding Level	104.8	104.8%	103.4%

The Fund's fair value of assets grew by 15.3% from BWP 7 235 997 in 2018 to BWP 8 344 934 in 2019.

i. Pension Increase

The Board of Trustees awarded a 4.0% pension increase in 2018 and in 2019 the Trustees approved a pension increase of 2.2% which will be effective on 1 July 2020. This was in line with the guideline formula adopted by the Fund for granting increases. Although the investment returns were better in 2019, due to the Covid-19 pandemic and its resultant impact on economies across the globe and capital markets, the Board of Trustees decided to remain cautious in awarding this year's pension increase, in order to ensure that future adjustments are protected and can be awarded in line with the level of inflation.

DEBSWANA PENSION FUND
TRUSTEES' REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

Allocation of investment returns

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	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%	13.7%
2009	15.9%	16.5%	15.2%	15.7%	5.8%
2010	7.5%	7.4%	7.1%	7.4%	7.4%
2011	10.6%	10.7%	11.7%	10.9%	9.2%
2012	16.7%	11.1%	13.8%	15.4%	7.4%
2013	28.9%	17.7%	22.1%	26.0%	4.1%
2014	11.5%	9.7%	11.0%	11.2%	3.8%
2015	13.6%	10.9%	12.6%	13.1%	3.1%
2016	3.01%	3.41%	2.69%	2.91%	3.0%
2017	7.87%	5.1%	5.35%	6.86%	3.2%
2018	0.45%	2.13%	2.03%	1.10%	3.5%
2019	17.58%	14.04%	15.43%	16.55%	2.20%
15 Year Annualized (2005-2019)*	12.77%	10.40%	11.89%	12.4%	6.25%

* These are returns gross of any administration expense deductions. It is noted that the above return in 2019 excludes the impact of the current valuation's Property revaluations which will be included in the returns allocated to the members' accounts, Pensioner Account and contingency reserve accounts during 2020. Correspondingly, it includes the impact of the prior year Property revaluations which were performed during the year in respect of the 2018 valuation results.

c. Funding Levels

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

Portfolio/ Account	31 Dec 2019	31 Dec 2018
Active & Deferred	100.0%	100.0%
Pensioners	106.4%	101.1%
Contingency Reserve Accounts	2.9%	3.0%

There was generally an increase on the Funding levels when comparing the period under review to 2018, mainly under pensioner portfolio. The Fund however still remained in a sound financial condition as at 31 December 2019, as the value of the assets on the rest of the accounts are equal the liabilities of the respective account.

d. Contingency Reserve Accounts

The 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 December 2019 these reserves were as follows;

DEBSWANA PENSION FUND
TRUSTEES' REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

	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 Contribution Liabilities	Future Expenses	Fund Assets
Actual Value	NIL	1.2%	N/A	1.97%
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 at 31 December 2019 as the value of the assets within each account is equal to or exceed 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
- The matching of the Fund asset against liabilities was in their opinion, adequate



DEBSWANA PENSION FUND
COMMUNICATIONS REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

COMMUNICATION

1. 2019 Communication Report

The following are the key communication projects completed in 2019 for external stakeholders;

- Two editions of Bokamoso Newsletter (for members)
- 2018 Annual Report
- Three Business e-Briefs
- An annual Pensioner Conference
- A Deferred Members General Meeting
- A member education tour of the Participating Employers
- Two Communication campaigns (Social Media)

2. 2019 Stakeholder Satisfaction Survey Report

Debswana Pension Fund conducts annual satisfaction surveys on all its stakeholders as a means to measure the effectiveness of its operations for the year under review.

The Pension Administration company engaged is therefore tasked with the measurement of stakeholder satisfaction levels as part of the annual Fund communication plans.

2.1 Survey objectives

The 2019 annual survey objectives were as follows;

- To evaluate the various stakeholders' satisfaction regarding service delivery experienced in 2019
- 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 new innovations implemented during 2019
- To inform the Fund Balanced Scorecard and Individual Output agreements with performance scores for 2019 in the respective areas of business

2.2 Targets and benchmarks vs performance

a. Response Rate

DPF targets a response rate of 10% or better on the surveyed population for all surveys carried out. Member response rates have declined by 5% in 2019 from previous year as depicted below.

Year	Population Surveyed	Responses Received	Response Rate	Previous Year	Growth/ Decline
2017	11 874	2 228	19%	17%	2%
2018	11 921	1 762	15%	19%	-4%
2019	12 445	1 239	10%	15%	-5%

DEBSWANA PENSION FUND
COMMUNICATIONS REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

b. Satisfaction levels

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 2019 was 78%.

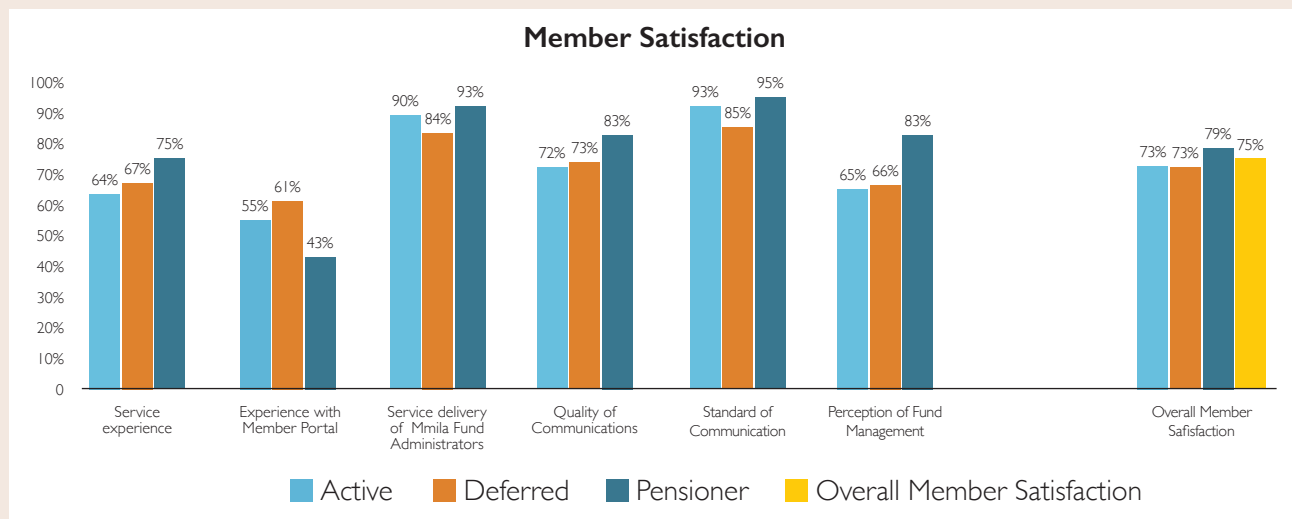
Below is the summary outcome of the 2019 Satisfaction survey results for Members and Business partners.

SUMMARY SCORES - 2019					
Survey	2017	2018	2019	2019 DPF Scorecard Target	Global Benchmark
Member satisfaction	78%	80%	75%	78%	78%
Business Partners Satisfaction	80%	87%	92%	78%	78%

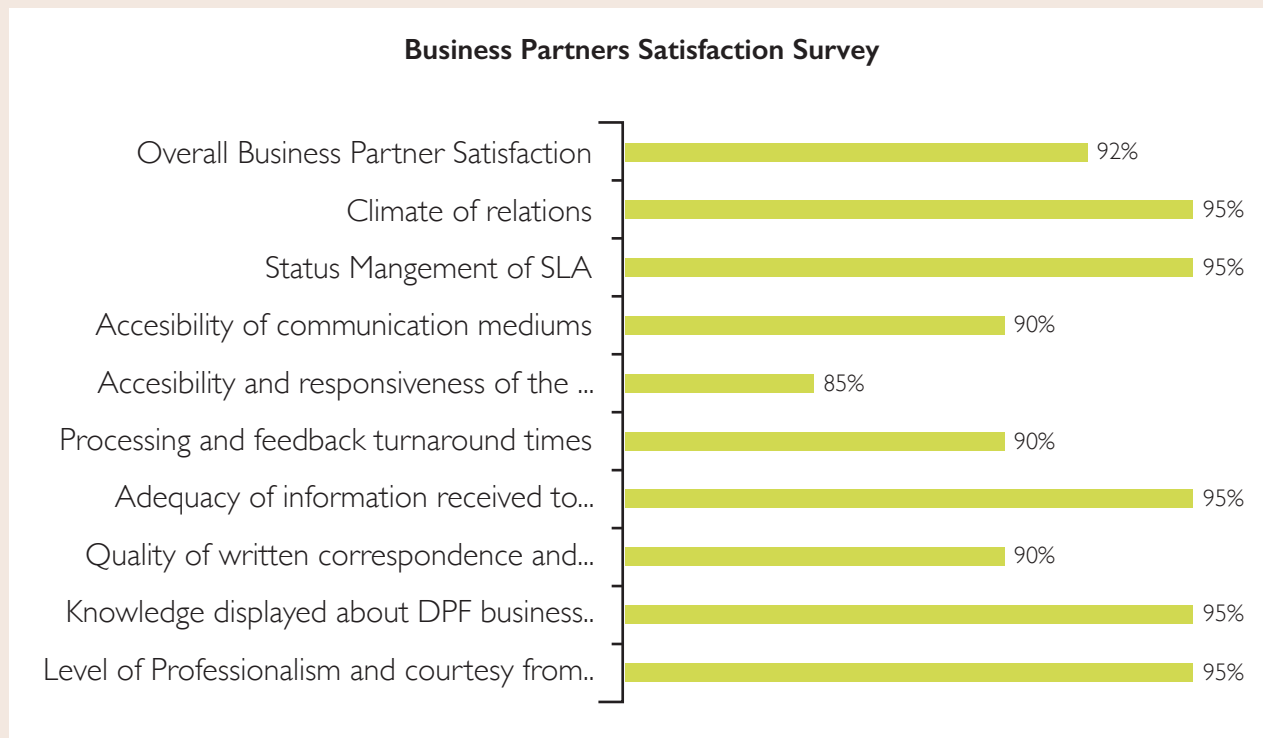
c. Summary Results

Business partners were satisfied with DPF service in 2019 while Members are barely satisfied with service delivery.

2019 Member Satisfaction Survey Results



2019 Business Partners Survey Results



Summary of key learnings from the 2019 Stakeholder Satisfaction Survey

a. Strengths

- Relative to benchmarks, Business partners are satisfied with Fund services and have outperformed the targeted score
- Pensioner members are the most responsive
- All Member categories outcomes reflect satisfaction with service delivery at all satellite offices with Gaborone office leading the pack
- Members prefer telephone medium to communicate with the Fund over all other communication mediums

b. Threats

- Active Members do not regard highly the option of meeting the Fund at Employer Fairs and Village of learning
- Updating of Beneficiary nomination forms is still a concern as less numbers of Members complete the form within the stipulated two years
- Pensioner Members still prefer visiting the Fund as an effective mode of communication
- Deferred Members prefer receiving email communication while the numbers of those with access to emails are still very low
- All member portfolios do not have a positive experience with the member portal, with Pensioners being the least happy with this service

c. Opportunities

- An average of 26% of both Active and Deferred members would like to be contacted regarding the possibility of transferring their deferred balances funds from other external Funds to DPF

d. Challenges

- Attendance of stakeholder engagements activities still poor as Active and Deferred members do not attend activities in satisfying numbers
- Members' responsiveness to surveys is still very low with Active and Deferred members failing to reach the response rate of 10% as they fell short by 4% and 3% respectively
- Members' access to Member portal is very poor with Pensioners' access attaining the lowest score

3. Communication Policy Statement

a. Communication Policy overview

The Communication Policy has been designed to meet the legislative communication requirements as well as meet the general Fund communication objectives. The policy is to be reviewed and updated bi-annually. The latest review date is 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. Communication Mediums and Frequency of communication

The communication tools we use will incorporate our existing communication channels for efficiency. The tools we use may adapt as we receive feedback from each of audiences.



DEBSWANA PENSION FUND
COMMUNICATIONS REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

Fund Communication Matrix

This matrix outlines the current (as of November 2019) communication channels, their target audience and frequency. The tools we will use for each of our audiences are outlined below:

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	√	√	√	√	√	√	√	Two 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 Statements	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

DEBSWANA PENSION FUND
COMMUNICATIONS REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

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
Fund Communication	√	√	√	√	√	√	√	On-going	Monthly	
Member Portal (https://portal.mmila.co.bw/)	Fund Communication	√	√	√	×	×	√	×	Ongoing	Monthly
Bokamoso Newsletter (electronic)	Fund Communication & Member Education	√	√	√	×	×	√	×	Two times a year	Annually
Business e-Brief (electronic)	Fund Communication	√	√	√	√	×	√	×	Quarterly	Annually
Email notices & updates	Fund Communication	√	√	√	√	×	√	×	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	×	×	×	√	×	√	×	Once a year	Annually
Participating Employers' Senior Leadership Business Updates	Stakeholder Engagement	×	×	×	√	×	√	×	Once a year	Annually
New Employee Inductions	Member Education	√	×	×	×	×	√	×	Once a month	Monthly
Active & Deferred Members Pre-retirement Seminars	Member Education	√	√	×	×	×	√	×	Once a year	Annually
Annual Deferred Member's Meeting	Stakeholder Engagement	×	√	×	×	×	√	×	Once a year	Annually
Annual Pensioners' Conference	Stakeholder Engagement	×	×	√	×	×	√	×	Once a year	Annually
Active & Deferred Member's Finance Fairs (new)	Member Education	√	√	×	×	×	√	×	Once a year	Annually

INVESTMENT REPORT

2019 DPF Investment Performance Review

During the year ended December 31, 2019, the Debswana Pension Fund assets under management increased 16.98 percent (gross) and 16.32 percent (net) to BWP8,345 billion. Global equities returned 25.96 percent as markets were supported by accommodative monetary and fiscal policy instituted by major economies. American Century outperformed all global equity managers and generated returns of 33.88 percent. Global equity managers outperformed the benchmark returning net of the following fees namely; Walter Scott (27.87 percent), Veritas (27.62 percent), State Street (26.23) percent). South Eastern was the least performing global equity manager at 16.42 percent.

In a year characterized by episodes of risk aversion, the Barclays Global Bond Index increased 5.82 percent. The fixed income mandate allocation to PIMCO outperformed the benchmark by returning 6.05 percent net of fees.

The Domestic Companies Index (DCI) increased 0.86 percent on a total return basis for the year ended December 31, 2019. During the same period the Fleming Aggregate Bond Index returned 5.62 percent while local cash returned 0.61 percent.

a. Global Asset Classes vs Local Asset Classes 2019

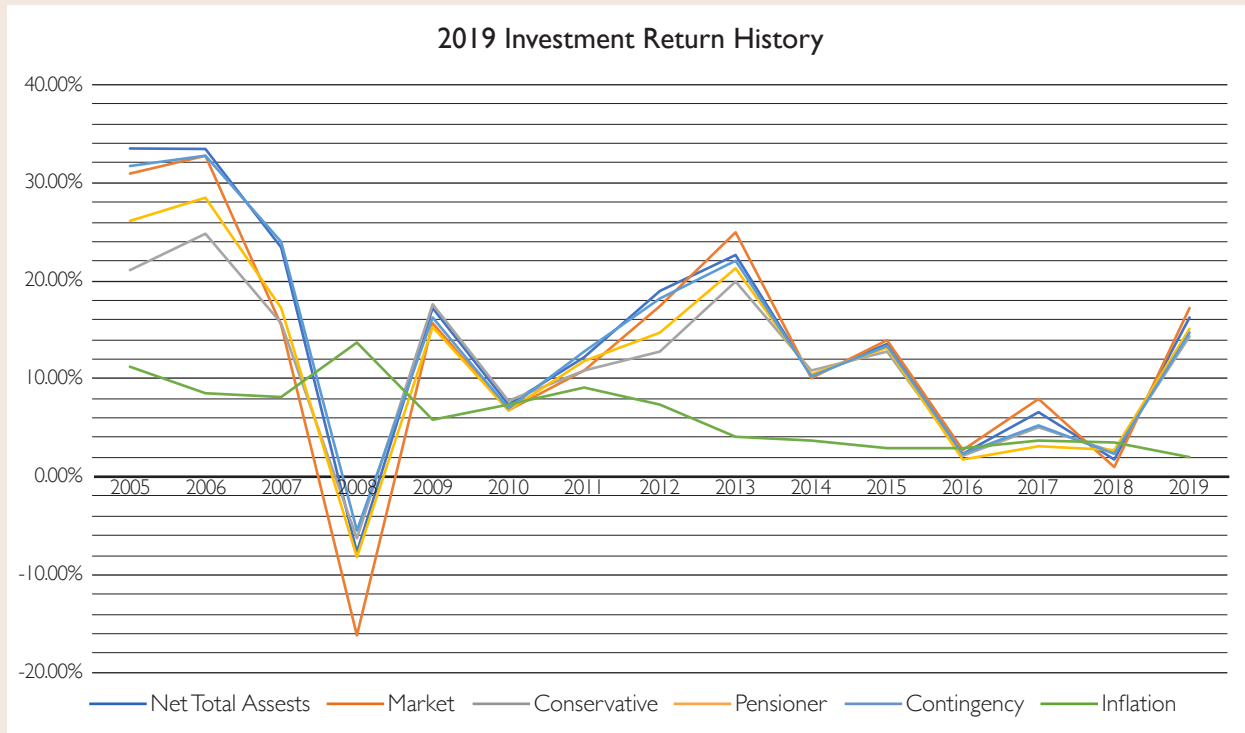
In 2019, Global Asset Classes outperformed local asset classes thereby continuing their outperformance over domestic asset classes. In the period leading to the fourth quarter Global Asset classes experienced strong growth, as a partial trade agreement between the United States and China was reached. The US labour market remained strong while moderate business activity and dampened household confidence in the final quarter led to increased expectations of a dovish Federal Reserve Bank.

b. Strategic Asset Allocation and Manager share of Fund as at December 31, 2019

For the year ended December 31, 2019 the Fund had an allocation of P3.680 billion equivalent to 44.1 percent in Botswana domestic assets and P4.666 billion equivalent to 55.9 percent invested in international assets. Offshore investments for the Fund have remain overweight 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 2019 increased due to several factors such as the expected successful negotiation of phase one of the US – China trade wars, in addition to the increased probability of monetary policy extension led by the United States Federal Reserve Bank. Global economic performance remained uneven, with structural challenges affecting both developed and emerging market economies.

Figure 1. 2019 Investment Return History



• **Market Portfolio Performance**

The Market Portfolio performance for 2019 returned 17.28 percent. The Market Portfolio has achieved a return of 12.15 percent since inception of the life stage model.

• **Conservative Portfolio Performance**

For the year ending December 31, 2019 the Conservative Portfolio had a net return of 14.41 percent with a 11.22 percent return since inception of the life stage model.

• **Pensioner Portfolio Performance**

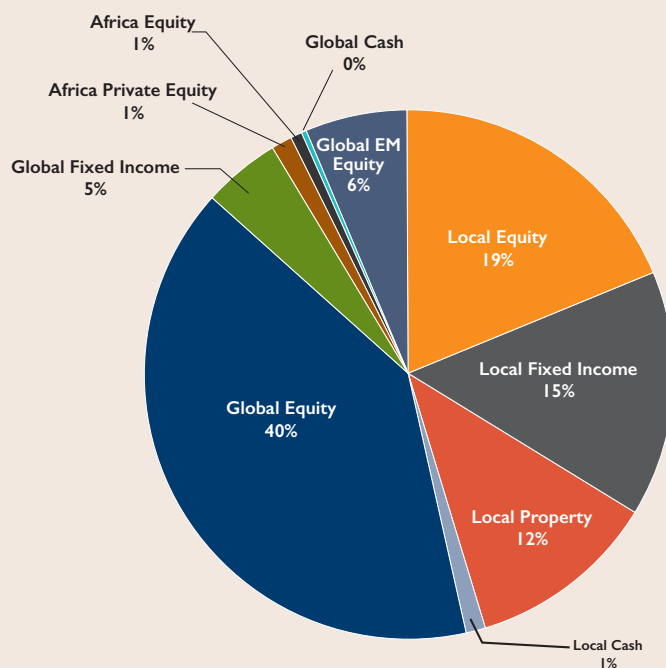
The Pensioner Portfolio performance for 2019 returned 12.33 percent. The Pensioner Portfolio has achieved a return of 11.47 percent since inception of the life stage model.

DEBSWANA PENSION FUND
INVESTMENT REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

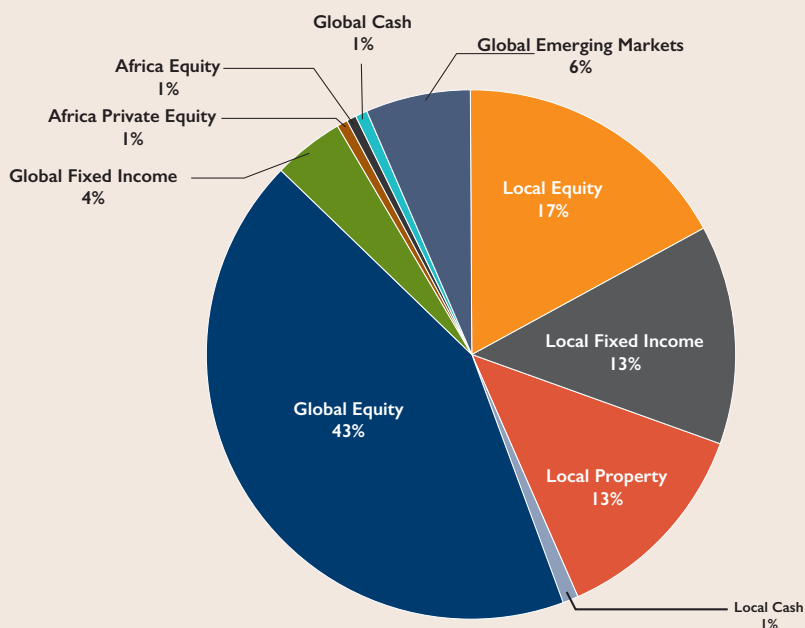
2019 INVESTMENT POLICY ASSET ALLOCATION

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

ASSET CLASS WEIGHTS AS AT 31 DECEMBER 2018

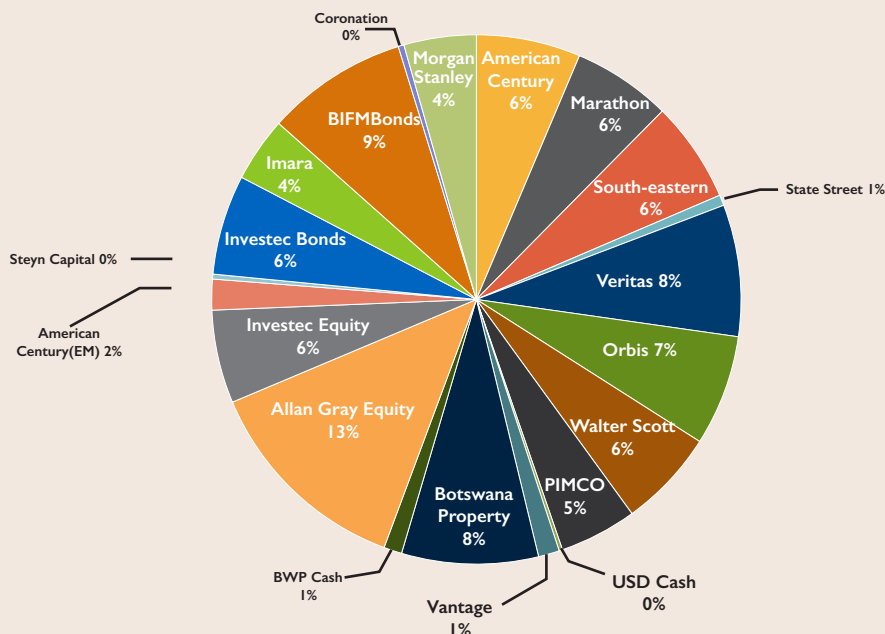


ASSET CLASS WEIGHTS AS AT 31 DECEMBER 2019

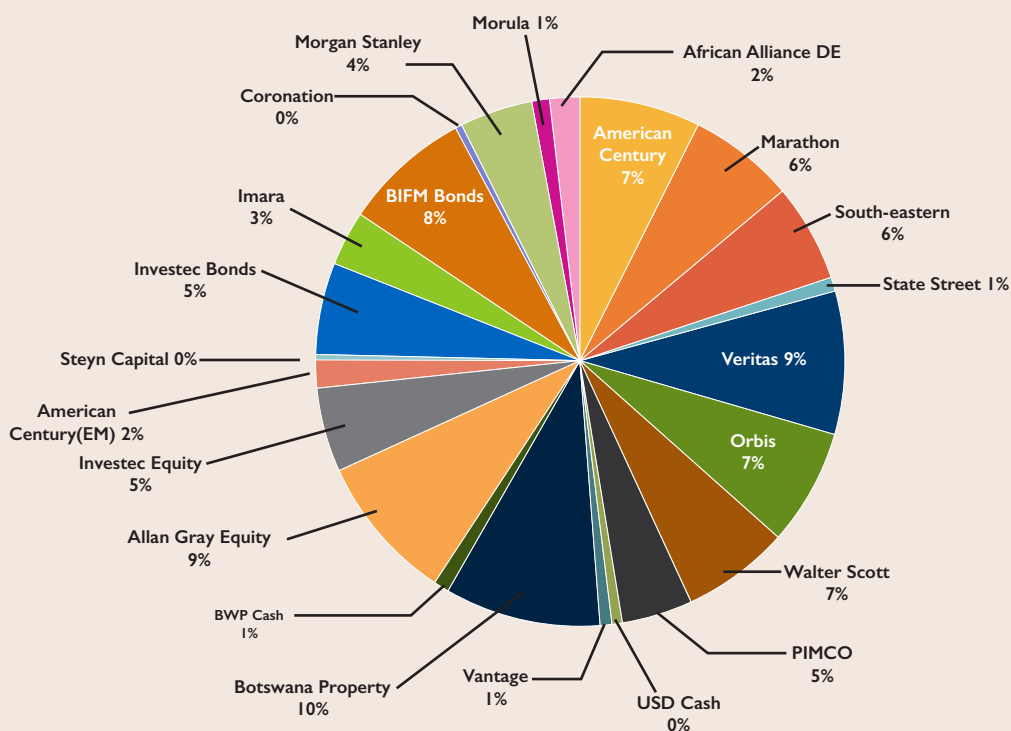


DEBSWANA PENSION FUND
INVESTMENT REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

ASSET MANAGER WEIGHTS AS AT 31 DECEMBER 2018



ASSET MANAGER WEIGHTS AS AT 31 DECEMBER 2019



DEBSWANA PENSION FUND
INVESTMENT REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

INVESTMENT POLICY ASSET ALLOCATION

Manager	31 Dec 19	01 Dec 18
American Century	615 635 200,00	458 636 202,00
Marathon International Equity	535 644 478,00	434 069 533,00
South-Eastern	516 628 596,00	443 789 765,00
State Street	58 506 819,00	46 515 761,00
Veritas International Equity	739 323 615,00	579 288 935,00
Orbis International Equity	592 076 166,00	486 924 952,00
Walter Scott International Equity	550 484 650,00	430 629 712,00
Coronation	23 154 245,00	25 216 254,00
Steyn Capital	18 861 046,00	21 480 751,00
Morgan Stanley	375 523 299,00	317 996 436,00
American Century (EM)	163 931 813,00	135 135 644,00
PIMCO International Bonds	360 934 764,00	340 386 336,00
USD Cash	56 426 149,00	14 946 154,00
Vantage Mezzanine	58 866 811,00	92 626 489,00
Directly Owned-New Africa Properties Limited	283 358 396,00	284 232 959,00
Property	758 432 299,00	641 860 842,00
Allan Gray Equity	630 943 645,00	777 262 192,00
Investec Equity	345 222 091,00	316 918 958,00
African Alliance Equity	1 18 729 045,00	
Morula Capital Partners	88 568 061,00	
Investec Bonds	355 262 581,00	254 528 286,00
BIFM Bonds	593 237 065,00	521 022 972,00
Allan Gray Botswana (Proprietary) Limited	7 109 442,00	7 111 561,00
Own Cash	499 276 412,00	607 879 218,00
Total AUM	8 346 136 688,00	7 238 459 912,00

DEBSWANA PENSION FUND
INVESTMENT REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

2019 STRATEGIC DEVELOPMENTS

The Fund reviewed its Investment Policy in 2019 and the Strategic Asset Allocation continued to include assets such as African Equity, while adding Emerging Market Debt, China A- Shares as an asset class and Foreign Property. In the absence of domestic inflation linked bonds, allocation to South African Inflation Linked Bonds remained excluded.

The 2019 Strategic Asset Allocation is expected generate the following performance targets over a 5-year rolling period:

Inflation + 4.71% - Market Channel

Inflation + 4.20% - Conservative Channel

Inflation + 4.11% - Pensioner Channel

	Market Channel			Conservative Channel			Pensioners		
	SAA	LB	UB	SAA	LB	UB	SAA	LB	UB
Botswana Equity	19.00%	14.00%	24.00%	15.00%	9.00%	20.00%	11.00%	5.00%	17.00%
Botswana Cash	0.00%	0.00%	10.00%	1.00%	0.00%	14.00%	1.00%	0.00%	13.00%
Botswana Bonds	12.50%	7.50%	17.50%	23.00%	18.00%	28.00%	25.00%	15.00%	35.00%
Botswana ILB	0.00%	0.00%	5.00%	0.00%	0.00%	8.00%	0.00%	0.00%	10.00%
Botswana Prop- erty	12.50%	7.50%	27.50%	15.00%	5.00%	25.00%	16.00%	5.00%	25.00%
Foreign Equity	37.00%	22.00%	42.00%	32.00%	24.50%	34.50%	32.00%	21.00%	36.00%
EM Equity	7.00%	0.00%	12.00%	5.00%	0.00%	10.00%	6.00%	0.00%	11.00%
Global Property	3.00%	0.00%	8.00%	0.00%	0.00%	5.00%	0.00%	0.00%	10.00%
Foreign Bonds	0.00%	0.00%	5.00%	3.00%	0.00%	8.00%	3.00%	0.00%	8.00%
Emerging Mkt Debt	0.00%	0.00%	5.00%	2.00%	0.00%	5.00%	2.00%	0.00%	5.00%
Foreign Cash	3.00%	0.00%	5.00%	3.00%	0.00%	2.50%	0.00%	0.00%	2.50%
Africa Equity	3.00%	0.00%	7.50%	2.00%	0.00%	7.50%	2.00%	0.00%	7.00%
China	3.00%	0.00%	5.00%	2.00%	0.00%	5.00%	2.00%	0.00%	5.00%
Total	100.00%			100.00%			100.00%		

DEBSWANA PENSION FUND
INVESTMENT REPORT
 FOR THE YEAR ENDED 31 DECEMBER, 2019

2019 STRATEGIC DEVELOPMENTS (Continued)

	Market Channel			Conservative Channel			Pensioners		
	LB	SAA	UB	LB	SAA	UB	LB	SAA	UB
SA ILB MT	0.00%	0.00%	0.00%	0.00%	0.00%	17.50%	0.00%	0.00%	15.00%
SA ILB LT	0.00%	0.00%	10.00%	0.00%	0.00%	10.00%	0.00%	0.00%	15.00%
Botswana Equity	14.00%	19.00%	24.00%	9.00%	15.00%	20.00%	5.00%	11.00%	17.00%
Botswana Cash	0.00%	0.00%	10.00%	0.00%	1.00%	14.00%	0.00%	1.00%	13.00%
Botswana Bonds	7.50%	12.50%	17.50%	18.00%	23.00%	28.00%	15.00%	25.00%	35.00%
Botswana ILB	0.00%	0.00%	5.00%	0.00%	0.00%	8.00%	0.00%	0.00%	10.00%
Botswana Property	7.50%	12.50%	27.50%	5.00%	15.00%	25.00%	5.00%	16.00%	25.00%
Foreign Equity	22.00%	37.00%	42.00%	24.50%	32.00%	34.50%	21.00%	32.00%	36.00%
EM Equity	0.00%	7.00%	12.00%	0.00%	5.00%	10.00%	0.00%	6.00%	11.00%
Global Property	0.00%	3.00%	8.00%	0.00%	0.00%	5.00%	0.00%	0.00%	10.00%
Foreign Bonds	0.00%	0.00%	5.00%	0.00%	3.00%	8.00%	0.00%	3.00%	8.00%
EM Debt	0.00%	0.00%	5.00%	0.00%	2.00%	5.00%	0.00%	2.00%	5.00%
Foreign Cash	0.00%	3.00%	5.00%	0.00%	3.00%	2.50%	0.00%	0.00%	2.50%
Africa Equity	0.00%	3.00%	7.50%	0.00%	2.00%	7.50%	0.00%	2.00%	7.00%
China	0.00%	3.00%	5.00%	0.00%	2.00%	5.00%	0.00%	2.00%	5.00%
Total		100.00%			100.00%			100.00%	

Board review of Investment and Dis-Investment Decisions

The Fund is currently implementing the transitioning of offshore assets to new managers in 2019. The process has been delayed by onerous onboarding Know Your Customer Requirements. The African Alliance Mandate was also terminated in 2019.

DEBSWANA PENSION FUND
**FINANCIAL
STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER, 2019



DEBSWANA PENSION FUND

Financial Statements for the Year Ended 31 December, 2019

General Information

Trustees		Designation	Appointed	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		30/08/2019
	Lebogang Kwapa	Principal Trustee		
	Mpho Lebole Mokoto	Principal Trustee		
	Lapologang Letshwenyo	Principal Trustee		
	Claire Busetti	Independent Trustee	12/09/2019	
Registered office	Plot 1188-1196,1145 Fifth Floor Debswana House Main Mall Gaborone, Botswana			
Business Address	Plot 1188-1196,1145 Fifth Floor Debswana House Main Mall Gaborone, Botswana			
Bankers	ABSA Bank Botswana Limited			
Auditor	Deloitte & Touche Gaborone, Botswana			
Custodian	Stanbic Bank Botswana Limited			
Investment Consultants	Riscura Consulting Services (Proprietary) Limited			
Actuaries	Tower Watson Actuaries and Consultants (Proprietary) Limited			
Onshore Investment Managers	Investec Asset Management Limited Botswana Insurance Fund Management Limited Allan Gray Botswana (Proprietary) Limited African Alliance Morula Capital Partners			
Offshore Investment Managers	Marathon Asset Management Limited Orbis Investment Management Limited Walter Scott & Partners Limited State Street Fund Services (Ireland) Limited (South Eastern) State Street Global Advisors Nedgroup Investments (IOM) Limited Brown Brothers Harriman Vantage Capital Fund Managers (Proprietary) Limited Steyn Capital Management (Proprietary) Limited Morgan Stanley Investments Management Limited Coronation Asset Management (Proprietary) Limited PIMCO Funds			



TABLE OF CONTENTS

	PAGE
Trustees' Responsibilities and Approval of the Financial Statements.....	52-53
Independent Auditor's Report	54-59
Statement of Changes in Net Assets Available for Benefits	60
Statement of Assets Available for Benefits	61
Statement of Changes in Members' Funds.....	62
Statement of Cash Flows	63
Significant Accounting Policies	64-71
Notes to the Financial Statements	72-95

Trustees' 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 31 December 2019, 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 54 - 59.

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. Uncertainties related to Covid-19 pandemic have been disclosed in note 28 of the financial statements.

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' Responsibilities and Approval of the Financial Statements

Trustees' approval of the financial statements

The financial statements set out on pages 60 to 95, which have been prepared on the going concern basis, were approved by the Board of Trustees on 24 June 2020 and were signed on their behalf by:



Chairman - Board of Trustees



Chairman - Audit Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DEBSWANA PENSION FUND

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 60 to 95, which comprise the statement of assets available for benefits as at 31 December 2019, 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 2019, 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 (ISAs). 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 the Fund in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and other independence requirements applicable to performing audits of financial statements in Botswana, and we have fulfilled our other ethical 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DEBSWANA PENSION FUND

Key Audit Matter	How the matter was addressed in the audit
Valuation of offshore investments in unitised funds	
<p>The Fund holds significant investments in offshore unitised funds. The carrying value of offshore investments in unitised funds as at 31 December 2019 amounted to P4 610 million.</p> <p>These offshore investments in unitised funds are not directly linked to the underlying assets. The Fund is reliant on service organisations for the management, valuation and recording of its offshore investments.</p> <p>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.</p> <p>Related disclosures in the financial statements are included in Note 8 and Note 19.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none">• We assessed the design and implementation of the relevant controls over the valuation process of offshore investments in unitised funds.• We obtained the latest internal controls reports issued by the service organisations' 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 the 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 evaluated 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 compliance with IFRS 7: Financial Instruments – Disclosures and IFRS 13: Fair Value Measurement. <p>As a result of the procedures performed, we concluded that the valuation of offshore investments in unitised funds is not materially misstated and the related disclosures are appropriate.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DEBSWANA PENSION FUND

Key Audit Matter	How the matter was addressed in the audit
Valuation of investment properties	
<p>The carrying value of investment properties as at 31 December 2019 amounted to P390 million.</p> <p>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.</p> <p>The investment properties of the Fund are revalued on a yearly basis by independent professional valuers.</p> <p>The inputs with the most significant impact on these valuations are disclosed in Note 6, and include future expected net income and a range of capitalisation rates.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • 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 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 evaluated the appropriateness of the valuation methods used by comparison to valuation methods used by other property companies. • 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. • We found the models (discounted cash flow and net income model) to be appropriate and the capitalisation rates to be comparable to market rates. <p>As a result of the procedures performed, we concluded that the valuation of investment properties is not materially misstated and the related disclosures are appropriate.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DEBSWANA PENSION FUND

Key Audit Matter

How the matter was addressed in the audit

Valuation of investments in associates and subsidiary

The Fund measures its investments in associates and subsidiary at fair value through profit and loss. The carrying value of investments in associates and subsidiary amounted to P368 million as at 31 December 2019.

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 and subsidiary of the Fund were valued by independent professional valuers as at 31 December 2019.

Related disclosures are included in Note 7 and Note 19 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 and subsidiary.
- For material associates, we involved our 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 valuations against the associates' most recent financial statements and considered the appropriateness of key inputs used by management experts.
- We reviewed the calculation of the 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 calculation 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.

As a result of the procedures performed, we concluded that the valuation of investments in associates and subsidiary is not materially misstated and the related disclosures are appropriate.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DEBSWANA PENSION FUND

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DEBSWANA PENSION FUND

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 2020)

Gaborone
29 June 2020

DEBSWANA PENSION FUND

Financial Statements for the Year Ended 31 December, 2019

Statement of Changes in Net Assets Available for Benefits

Figures in Pula	Note(s)	2019	2018
Revenue			
Contributions	3	328,113,648	308,727,626
Net transfers to other funds	4	(5,668,600)	(6,677,444)
		322,445,048	302,050,182
Net investment income			
Dividend income		102,294,624	83,340,947
Interest income		62,009,640	57,427,112
Net rental income		21,274,327	22,248,407
Share of profits from private equity loan investment		20,551,616	4,266,808
Other income		125,000	65,588
		206,255,207	167,348,862
Total revenue		528,700,255	469,399,044
(Losses)/gains on investments			
(Loss)/gain on disposal of financial assets at fair value through profit and loss		(7,780,406)	20,879,779
Unrealised foreign exchange (loss)/gain on financial assets		(44,647,582)	274,942,322
Unrealised fair value gain/(loss) on financial assets		914,543,530	(377,746,585)
Net unrealised gains on fair valuation of investment properties	6	19,061,779	37,807,672
Fair value gains from associates and subsidiary	7	66,683,000	97,840,564
		947,860,321	53,723,752
Expenditure			
Benefits payable			
Benefits on withdrawal and death		(33,536,927)	(17,664,348)
Pensions to retired members		(164,662,962)	(146,040,590)
Pensioners' death benefits		(693,956)	(4,233,481)
Lump sums on retirement		(89,858,563)	(74,409,851)
		(288,752,408)	(242,348,270)
Fund expenses			
Administrative expenses	10	(33,873,759)	(29,037,229)
Impairment sundry debtors		651,549	(1,893,095)
Onshore investment management fees		(11,126,923)	(14,487,856)
Offshore investment management fees		(31,148,277)	(32,998,261)
Depreciation of plant and equipment	11	(278,934)	(213,667)
Amortisation of intangible assets	12	(1,477,940)	(791,904)
		(77,254,284)	(79,422,012)
Surplus for the year		1,110,553,884	201,352,514
Total comprehensive income for the year		1,110,553,884	201,352,514

DEBSWANA PENSION FUND

Financial Statements for the Year Ended 31 December, 2019

Statement of Assets Available for Benefits

Figures in Pula	Note(s)	2019	2018
Assets			
Investments			
Investment properties	6	389,978,299	353,965,499
Investments in associates and subsidiary	7	368,454,000	287,895,343
Other financial assets	8	7,032,001,827	5,973,773,701
Cash and cash equivalents	9	555,702,561	622,825,372
		8,346,136,687	7,238,459,915
Other assets			
Plant and equipment	11	681,259	807,522
Intangible assets	12	-	1,477,940
Contributions and other receivables	13	47,951,508	39,920,221
Intercompany receivable from subsidiary	14	5,337,144	-
		53,969,911	42,205,683
Total Assets		8,400,106,598	7,280,665,598
Funds, Reserves and Liabilities			
Funds and reserves			
Pensioners' account	15	2,413,953,000	2,119,511,000
Contingency reserves	16	237,852,000	213,777,000
Fund account		5,694,888,050	4,902,851,166
		8,346,693,050	7,236,139,166
Liabilities			
Other liabilities			
Benefits payable	17	42,017,817	35,536,624
Other payables	18	8,575,418	8,989,808
Intercompany payable to subsidiary		2,820,313	-
		53,413,548	44,526,432
Total Funds, Reserves and Liabilities		8,400,106,598	7,280,665,598

DEBSWANA PENSION FUND

Financial Statements for the Year Ended 31 December, 2019

Statement of Changes in Members' Funds

Notes	Pensioner's account	Contingency reserves	Fund account	Total
Figures in Pula				
Balance at 1 January, 2018	2,037,697,000	220,204,000	4,778,314,367	7,036,215,367
Surplus for the year	-	-	201,352,514	201,352,514
Total change in net assets available for benefits	-	-	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	4,902,851,166	7,236,139,166
Surplus for the year	-	-	1,110,553,884	1,110,553,884
Total change in net assets available for benefits	-	-	1,110,553,884	1,110,553,884
Transfer between reserves	294,442,000	24,075,000	(318,517,000)	-
Balance at 31 December 2019	2,413,953,000	237,852,000	5,694,888,050	8,346,693,050

DEBSWANA PENSION FUND

Financial Statements for the Year Ended 31 December, 2019

Statement of Cash Flows

Figures in Pula	Note(s)	2019	2018
Cash flows used in operating activities			
Surplus for the year		1,110,553,884	201,352,514
Adjustments for:			
Amortisation of intangible asset	12	1,477,940	791,904
Depreciation of plant and equipment	11	278,934	213,667
Impairment of receivables as per IFRS 9		(651,549)	1,893,095
Gains on disposal of plant and equipment		-	38,373
Net investment income		(206,255,207)	(167,348,862)
Net gains on investments (Inclusive of investments in associates and subsidiary)		(947,860,321)	(53,723,752)
Cash used in operations		(42,456,319)	(16,783,061)
Movements in deferred lease rentals and advances		(461,018)	(545,551)
Contributions and other receivables		(7,379,738)	(12,912,414)
Intercompany receivable from subsidiary		(5,337,144)	-
Increase /(decrease) in benefits payable		6,481,193	(1,596,362)
Decrease/(increase) in other payables		(414,390)	984,775
Intercompany payable to subsidiary		2,820,313	-
Net cash used in operating activities		(46,747,103)	(30,852,613)
Cash flows from investing activities			
Net investment income		206,255,207	167,348,862
Purchase of plant and equipment	11	(152,671)	(169,982)
Sale of plant and equipment		-	24,549
Additions of investment properties	6	(16,490,003)	(3,048,508)
Purchase of other intangible assets	12	-	(193,794)
Net movement in associates		(13,875,657)	(124,343)
Net purchases of financial assets		(197,224,252)	(195,819,416)
Net cash used in investing activities		(21,487,376)	(31,982,632)
Total cash movement for the year		(68,234,479)	(62,835,245)
Cash and cash equivalents at the beginning of the year		622,825,372	684,861,284
Effect of exchange rate movement on cash balances		1,111,668	799,333
Total cash and cash equivalents at end of the year	9	555,702,561	622,825,372

Significant Accounting Policies

I. Significant accounting policies

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

I.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.

I.2 Benefits payable

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

I.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 2019.

I.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.

I.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.

Significant Accounting Policies

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

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.

1.8 Investment in associates and subsidiaries

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 statements but instead prepares separate financial statements inline with IAS 27 Separate financial statements which is in line with the requirements of IAS 26. Gains and losses from changes in the fair value of investments in associates and subsidiary are included in the statement of changes in net assets available for benefits in the period in which they arise.

1.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the statement of changes in net assets available for benefits 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.

Significant Accounting Policies

1.10 Interest in partnerships

A partnership 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.
- 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 initially measured at fair value, net of transaction costs.

All financial assets are classified 'at fair value through profit or loss' ("FVTPL").

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.

Significant Accounting Policies

Financial assets at FVTPL

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

- A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial Instruments that the Fund manages together and has a recent actual pattern of short-term profit taking.

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

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

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

Financial 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

Significant Accounting Policies

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.

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.

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.

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.

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

Significant Accounting Policies

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 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 changes in net assets available for benefits.

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.

Significant Accounting Policies

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.

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.

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.

Significant Accounting Policies

1.16 Key sources of estimation uncertainty (continued)

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 and subsidiaries

An investment in associates and subsidiaries 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 uncertainty. 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.

The valuation of the subsidiary was arrived at on the basis of a valuation carried out by KAL-ENI Consulting (Proprietary) Limited a firm of qualified 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.

Covid-19 effects on the Fund

The outbreak of COVID-19 has resulted in future economic uncertainty. Most economic factors and indices have become very volatile and it is difficult to predict how long this situation is going to last. It is difficult to forecast accurately future economic factors and outcomes, such as exchange rate, inflation rate, the unemployment rate, interest rates, economic growth rates and price indices. The Trustees, as a result made significant judgements in their assessment of going concern and other economic factors affected by COVID 19. A detailed assessment of the result of COVID-19 on the operations and financial reporting of the Fund is outlined in Note 28.

Actuarial assumptions

The pensioner liability is defined benefit in nature and is calculated using assumptions about the Fund's anticipated future investment returns on the pensioner assets, the expected mortality of pensioners and the Fund pensioner expenses. The key assumptions used to calculate the pensioner liability for the current and future valuation.

Notes to the Financial Statements

2. New Standards and Interpretations

2.1 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:

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 01 January 2019.

The amendment has no 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 01 January 2019.

The amendment has no 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 amendment is for years beginning on or after 01 January 2019.

The amendment has no 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 01 January 2019.

The amendment has no material impact on the Fund's financial statements.

Notes to the 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 01 January 2019.

The amendment has no material impact on the Fund's financial statements.

IFRIC 23 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 01 January 2019.

The IFRIC has no impact on the Fund's 2019 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.

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

- 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.
- 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.

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

The effective date of the standard is for years beginning on or after 01 January 2019.

The Fund has adopted the standard for the first time in the 2019 financial statements.

The impact of the standard is not material

2.2 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 01 January 2020 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.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2021.

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

Notes to the Financial Statements

Figures in Pula	2019	2018
-----------------	------	------

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

Transfers in	13,022,364	8,624,037
Transfers out	(18,690,964)	(15,301,481)
Net transfers	(5,668,600)	(6,677,444)

5. Taxation

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

6. Investment properties**Investment properties at fair value**

Freehold and leasehold land and buildings	250,210,003	217,900,000
Leasehold land and buildings held in partnerships	21 137,166,299	133,924,520
Fair value	387,376,302	351,824,520

Loans in property investment companies

Loans advanced to property investment companies	603,000	664,454
	387,979,302	352,488,974
Deferred lease rental	1,998,997	1,476,525
Total investment properties	389,978,299	353,965,499

The fair value of the Fund's investment properties as at 31 December 2019 and 31 December 2018 were arrived at on the basis of valuations carried out at the respective dates by Messrs Wragg (Proprietary) Limited, MG Properties (Proprietary) Limited and Riscura Botswana (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.

Recurring fair value measurements at the end of the reporting period	387,376,302	351,824,520
---	-------------	-------------

Reconciliation of fair value measurements categorised within Level 3 of fair value

Balance at beginning of the year	351,824,520	310,968,340
Net unrealised gains on fair valuation	19,061,779	37,807,672
Additions	16,490,003	3,048,508
Balance at end of the year	387,376,302	351,824,520

Notes to the Financial Statements

Figures in Pula	2019	2018
-----------------	------	------

6. Investment properties (continued)

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

Net unrealised gains on fair valuation of investment properties	19,061,779	37,807,672
---	------------	------------

31 December 2019

Valuation techniques and inputs	Valuation technique	Unobservable input	Range
	Discounted net rentals	Capitalisation rate	8-10.5%

31 December 2018

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 19 of the financial statements.

7. Investments in associates and subsidiary

Name of company	Held by	%	%	Fair value	Fair value
		ownership	ownership	accounting	accounting
		interest	interest	Carrying	Carrying
		2019	2018	amount 2019	amount 2018
Healthcare Holdings (Proprietary) Limited		58.16 %	58.16 %	311,954,000	246,491,000
Mmila Fund Administrators (Proprietary) Limited		100.00 %	100.00 %	15,500,000	124,343
Sphinx Associates (Proprietary) Limited		25.00 %	25.00 %	41,000,000	41,280,000
				368,454,000	287,895,343
Balance at the beginning of the year				287,895,343	189,930,436
Fair value gains of associates and subsidiary				66,683,000	97,840,564
Mmila Fund Administrators (Proprietary) Limited-additions				13,875,657	124,343
Balance at the end of the year				368,454,000	287,895,343

Notes to the Financial Statements

Figures in Pula	2019	2018
7. Investments in associates and subsidiary (continued)		
Share of profits from associates		
Fair value gain from associates and subsidiary	66,683,000	99,047,163
Fair value gain from associate held for sale-Sphinx	-	513,401
Impairment loss on reclassification of associate held for sale	-	(1,720,000)
Total share of profit from associates	66,683,000	97,840,564

The Investment in associate (Sphinx Associates Proprietary limited) that was classified as held for sale as at 31 December 2018 no longer meets the criteria for a non-current asset held for sale (under IFRS 5) and consequently it has been reclassified as investment in an associate. The investment is now carried at fair value in compliance with IAS 26 because the sale is considered to not be highly probable in the next 12 months.

31 December 2019**Valuation techniques and inputs**

Valuation technique	Unobservable input	Range
Income capitalisation approach	Capitalisation rate	8.25-13%

31 December 2018**Valuation techniques and inputs**

Valuation technique	Unobservable input	Range
Income capitalisation approach	Capitalisation rate	6 - 8%

Information about sensitivity to changes in unobservable inputs

The fair value of investments in associates and subsidiary is a function of the unobservable inputs and the capitalisation rate generated by each associate 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 factors considered include the history of the business, economic outlook, financial condition of the business, earnings and dividend paying capacity of the associate. The quantitative effect of damages in inputs is disclosed in note 19 of the financial statements.

Notes to the Financial Statements

Figures in Pula	2019	2018
8. Other financial assets		
Designated as at fair value through profit or loss		
Onshore equity investment by asset manager		
Investec Asset Management Limited	345,222,091	316,918,958
African Alliance	118,729,045	-
Allan Gray Botswana (Proprietary) Limited	630,943,645	777,262,192
Morula Capital Partners	88,568,061	-
Directly Owned-New Africa Properties Limited	283,358,396	284,232,959
	<u>1,466,821,238</u>	<u>1,378,414,109</u>
Onshore bonds unitised funds		
Investec Asset Management Limited	355,262,581	254,528,286
Botswana Insurance Fund Management Limited	593,237,065	521,022,972
Allan Gray Botswana (Proprietary) Limited	7,109,442	7,111,561
	<u>955,609,088</u>	<u>764,536,516</u>
Offshore bonds unitised funds		
Pimco Funds	360,934,764	340,386,339
	<u>360,934,764</u>	<u>340,386,339</u>
Offshore equity unitised funds		
Marathon Asset Management Limited	535,644,478	434,069,533
Orbis Investment Management Limited	592,076,166	486,924,952
Walter Scott & Partners Limited	550,484,650	430,629,712
State Street Fund Services (Ireland) Limited	516,628,596	443,789,765
State Street Global Advisors	58,506,819	46,515,761
Nedgroup Investments (IOM) Limited	739,323,615	579,288,935
Brown Brothers Harriman	779,567,012	593,771,846
Vantage Capital Fund Managers (Proprietary) Limited	58,866,811	92,626,489
Steyn Capital Management (Proprietary) Limited	18,861,046	21,480,751
Morgan Stanley Investment Management Limited	375,523,299	317,996,436
Coronation Asset Management (Proprietary) Limited	23,154,245	25,216,254
	<u>4,248,636,737</u>	<u>3,472,310,434</u>
Total other financial assets	<u>7,032,001,827</u>	<u>5,973,773,701</u>

DEBSWANA PENSION FUND

Financial Statements for the Year Ended 31 December, 2019

Notes to the Financial Statements

Figures in Pula	2019	2018
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Short-term deposits	109,196,724	252,433,709
Bank balances - Pula denominated	390,079,688	355,445,509
Bank balances - US Dollar denominated	56,426,149	14,946,154
	555,702,561	622,825,372

10. Administrative expenses

Actuarial fees	343,902	357,530
External audit fees - current year	637,561	672,403
Audit fees - internal audit	330,000	724,880
Bank charges	513,241	421,968
Communications expenses	1,380,372	1,490,944
Fidelity and other Insurance premiums	343,060	234,977
Legal and professional fees	1,521,310	409,473
License and maintenance fees	679,013	973,261
Regulator's fees	137,362	228,343
Other expenses	3,207,131	4,842,720
Fund administration fees	9,797,814	-
Employee costs	10,964,546	15,478,259
Stationery	42,962	46,709
Travel and entertainment	2,455,006	1,592,411
Investment consultancy fees	1,216,894	1,194,950
Unitisation fees	303,585	330,028
Loss/(profit) on disposal of plant and equipment	-	38,373
	33,873,759	29,037,229

11. Plant and equipment

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	1,352,116	(1,084,767)	267,349	1,275,854	(1,047,437)	228,417
Motor vehicles	724,349	(561,570)	162,779	724,349	(464,292)	260,057
Office equipment	1,515,330	(1,264,199)	251,131	1,438,920	(1,119,872)	319,048
Total	3,591,795	(2,910,536)	681,259	3,439,123	(2,631,601)	807,522

Notes to the Financial Statements

11. Plant and equipment (continued)

Figures in Pula	2019	2018
-----------------	------	------

Reconciliation of plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	228,417	66,485	(27,553)	267,349
Motor vehicles	260,057	-	(97,278)	162,779
Office equipment	319,048	86,186	(154,103)	251,131
	807,522	152,671	(278,934)	681,259

Reconciliation of plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	241,172	30,858	(1,261)	(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	(62,921)	(213,667)	807,522

No assets are pledged as security.

12. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software, internally generated	-	-	-	3,965,710	(2,487,770)	1,477,940

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Impairment loss	Total
Computer software, internally generated	1,477,940	(198,244)	(1,279,696)	-

Reconciliation of intangible assets - 2018

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

The intangible asset comprises software costs incurred on the implementation of the Everest Pension Administration and Accounting System in August 2015 and has been fully impaired in 2019.

Notes to the Financial Statements

Figures in Pula	2019	2018
13. Contributions and other receivables		
Contributions receivables	1,689,911	718,597
<i>Advance benefit payments</i>	2,234,689	2,435,442
<i>Allowance for doubtful debts - advance benefit payments</i>	(2,234,689)	(2,373,052)
Net advance benefits payments	-	62,390
20% death advance claim	186,870	186,870
Pensioner deaths overpayments	290,995	290,994
Interest receivable	694,398	694,398
Property rentals receivable	1,626,785	1,869,866
Property partnership current assets	21 42,931,255	36,867,772
Other receivable	3,201,555	2,551,144
Impairment on other receivables	(2,670,261)	(3,321,810)
	47,951,508	39,920,221

IFRS: Impairment Provision Matrix as at 31 December 2019

Description	Current	30 Days	60 Days	90 Days	120+ Days	Total
Gross carrying amount	484,732	201,031	161,341	294,572	2,004,499	3,146,175
Expected loss rate	36.767 %	48.265 %	66.036 %	96.401 %	100.000 %	76.00 %
Loss allowance provision	(178,221)	(97,028)	(106,543)	(283,970)	(2,004,499)	(2,670,261)
Amount not provided for	-	-	-	-	-	47,475,594
	306,511	104,003	54,798	10,602	-	47,951,508

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

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	2.000 %	5.000 %	10.000 %	15.000 %	100.000 %	76.00 %
Loss allowance provision	(24,376)	(10,052)	(16,134)	(44,186)	(5,600,115)	(5,694,863)
Amount not provided for	-	-	-	-	-	38,139,236
	1,194,412	190,979	145,207	250,386	-	39,920,220

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

14. Intercompany receivable from subsidiary

Intercompany receivable from subsidiary	5,337,144	-
---	-----------	---

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

Figures in Pula	2019	2018
-----------------	------	------

15. 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 2019. The valuation shows that the pensioners' account of the Fund, amounting to P2,413,953,000 (2018: P2,119,511,000) adequately covers the pensioners' liabilities at that date amounting to P2,269,696,000 (2018: P2,096,040,000), without taking into account future pension increases.

The pensioner liability is defined benefit in nature and is calculated using assumptions about the Fund's anticipated future investment returns on the pensioner assets, the expected mortality of pensioners and the Fund pensioner expenses. The key assumptions used to calculate the pensioner liability for the current and future valuation are outlined below:

Basis item

Inflation (mid-point of the Bank of Botswana target range of 3%-6%)	4.5%	4.5%
Gross post-retirement rate of interest	8.68% per annum	8.68% per annum
Pensioner increase	4.5%	4.5%
Net post-retirement rate of interest	4.0% per annum	4.0% per annum
Provision for monthly pension expenses (for each pension in payment)	P231.67, increasing at the underlying inflation rate	P226.64, increasing at the underlying inflation rate
Pensioner mortality	Mortality table PA (90) male and female	Mortality table PA (90) male and female

The Fund's actual experience in future with regard to actual investment returns, pension increases, pensioner mortality and pensioner expenses will differ from the assumptions used. Accordingly, profits or losses will arise in the Fund in future. Ultimately it is the Fund's actual experience with regards to these aspects that will determine the actual cost of the pensioners to the Fund and pensioner increases that can be awarded.

Notes to the Financial Statements

Figures in Pula	2019	2018
-----------------	------	------

16. 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 I issued by NBFIRA as follows:

	Maximum limit	2019	2018
Processing error reserve	1.5%	67,194,000	62,286,000
Expense reserve	No limit	6,443,000	7,050,000
Solvency reserve	25.0%	164,215,000	144,441,000
		237,852,000	213,777,000

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.

17. Benefits payable

Retirement	14,603,364	16,550,988
Withdrawal	1,995,170	4,849,167
Death	21,445,834	8,843,273
Unclaimed benefits	859,270	886,219
Tax payable on benefits	13,613	349,091
Pensioners' deaths	607,704	2,052,951
Monthly pensions	2,412,302	1,924,375
Contributions for ineligible members	80,560	80,560
	42,017,817	35,536,624

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

Notes to the Financial Statements

Figures in Pula	2019	2018
18. Other payables		
Rental deposits	859,418	889,717
Value added tax (VAT)	-	2,716,639
Property partnership current liabilities	21 1,521,690	1,925,624
Administration costs payable	6,194,310	3,457,828
	8,575,418	8,989,808

19. Financial risk management

Risk is inherent in the Fund's management of investments which are held in various financial instruments. This is managed through a process of on-going identification, measurement and monitoring that is subject to an extensive framework of risk limits and other controls. The process of risk management is critical to the Fund's on-going operations with the day to day management of financial instruments being conducted by investment managers. The Fund's objectives, policies and procedures for managing the risk exposure and the methods used to measure the risks have remained consistent with the prior year.

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

Risk Management Governance Structure**Board of Trustees**

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

Investment Committee

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

Audit and Finance Committee

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

Notes to the Financial Statements

Figures in Pula	2019	2018
-----------------	------	------

19. Financial risk management (continued)**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 2019 amounted to P4,665,997,650 (2018: P3,827,642,927).

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 2019 amount to P955,609,088 (2018: P782,662,819) being investments in onshore bonds and term loans, P360,934,764 (2018: P340,386,339) being investments in offshore bonds, and P555,702,561 (2018: P622,825,372) being short term deposits and cash and cash equivalents as disclosed in notes 8 and 9.

Notes to the Financial Statements

Figures in Pula	2019	2018
-----------------	------	------

19. Financial risk management (continued)**Equity price risk:**

Equity price risk is the risk that the value of equities decreases as a result of changes in the equity prices and diminution of value of individual stocks. The investment guidelines stipulate the allowable holding levels. The net exposure to equity price risk as at 31 December 2019 amounted to P1,466,821,238 (2018: P1,378,414,109) for local equities, P4,248,636,737 (2018: P3,472,310,434) for offshore equities and offshore unitised funds.

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 data (unobservable inputs).

Notes to the Financial Statements

19. Financial risk management (continued)

Financial assets	Note	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		2019 P	2018 P				
Onshore listed equity investments	8	1,466,821,238	1,378,414,109	Level 1	Quoted last traded prices in an active market.	N/A	N/A
Onshore listed bonds	8	955,609,088	764,536,516	Level 2	Valued based on the aggregate published bond index	N/A	N/A
Offshore bonds unitised funds	8	360,934,764	340,386,339	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	8	4,248,636,737	3,472,310,434	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	7	311,954,000	246,491,000	Level 3	Capitalisation rate (Cap rate) used as the primary methodology	N/A	N/A
Associate held for sale - Sphinx (Proprietary) Limited	7	41,000,000	41,280,000	Level 3	Capitalisation rate (Cap rate) used as the primary methodology	N/A	N/A
Mmila Fund Administrators	7	15,500,000	124,343	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.

Notes to the Financial Statements

Figures in Pula

2019

2018

19. 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)

Investec Asset Management Limited
 Investec Asset Management Limited
 Investec Asset Management Limited
 Botswana Insurance Fund Management Limited
 Botswana Insurance Fund Management Limited
 Botswana Insurance Fund Management Limited
 Allan Gray Botswana (Proprietary) Limited
 Pimco Funds: Global Investors Series plc.
 Botswana Insurance Fund Management Limited

Total

Investment type

Government bonds 247,944,586 178,701,241
 Corporate bonds 90,209,346 51,221,996
 Parastatals bonds 17,108,649 24,605,050
 Government bonds 206,029,736 156,318,185
 Corporate bonds 348,399,997 316,751,838
 Parastatals bonds 20,835,989 29,827,543
 Corporate bonds 7,109,442 7,111,561
 Unitised offshore bonds 360,934,764 340,386,339
 Loans 17,971,343 18,126,303

1,316,543,852 1,123,050,056

Bank balances and fixed deposits

Counterparty (investment manager)

First National Bank of Botswana Limited
 Barclays Bank of Botswana Limited
 Barclays Bank of Botswana Limited
 Standard Chartered Bank Botswana Limited
 Standard Chartered Bank Botswana Limited
 Stanbic Bank Botswana
 Stanbic Bank Botswana
 African Alliance
 Other Institutions

Investment type

Fixed deposits 32,412,309 52,046,979
 Fixed deposits 41,021,896 12,242,411
 Bank balances 123,860,945 92,137,449
 Fixed deposits 16,027,616 161,285,199
 Bank balances 559,001 556,472
 Fixed deposits - 10,494,795
 Bank balances 290,824,214 277,343,496
 Bank balances 31,240,608 -
 Fixed deposits 19,755,972 16,718,571

555,702,561 622,825,372

Notes to the Financial Statements

Figures in Pula	2019	2018
19. Financial risk management (continued)		
Categories of financial instruments		
Financial assets		
Cash and cash equivalents	555,702,561	622,825,372
Designated as at FV through profit/(loss)	7,032,001,827	5,973,773,701
Contributions and other receivables	47,473,643	39,442,357
Intercompany receivable from subsidiary	5,337,144	-
Financial liabilities		
Benefits payable	42,017,822	38,253,265
Other payables	8,575,418	6,273,169
Intercompany payable to subsidiary	2,820,313	-

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

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 short-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 13.

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.

Notes to the Financial Statements

Figures in Pula	2019	2018
------------------------	-------------	-------------

19. Financial risk management (continued)

Risk Variable	Adverse market change		Beneficial market change			
	Scenario	Effecton statement of comprehensive income		Scenario	Effecton statement of comprehensive income	
		2019	2018		2019	2018
Currency risk	Strengthening of the Pula by 1%	(46,659,977)	(38,276,429)	Weakening of the Pula by 1%	46,659,977	38,276,429
Global Equity Risk	Decline in global equity prices by 1%	(42,486,367)	(34,723,104)	Increase in global equity prices by 1%	42,486,367	34,723,104
Local Equity Risk	Decline in local equity prices by 1%	(14,668,212)	(13,784,141)	Increase in local equity prices by 1%	14,668,212	13,784,141
Interest Rate Risk	Increase in interest yield by 1%	(18,722,464)	(17,758,744)	Decline in interest yield by 1%	18,722,464	17,277,482
Investment property	Increase in interest yield by 1%	(42,569,848)	(34,751,082)	Decline in interest yield by 1%	55,835,652	43,855,617
Investment in associates	Increase in capitalisation by 1%	(22,518,651)	(16,208,493)	Decline in capitalisation by 1%	30,091,529	21,946,171

Notes to the Financial Statements

Figures in Pula	2019	2018
20. Related party transactions and balances		
Related party balances		
Intercompany balances		
Intercompany payable to subsidiary	(2,820,313)	-
Intercompany receivable from subsidiary	5,337,144	-
	2,516,831	-

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	328,113,648	308,727,626
Internal audit fees charged by Debswana Head Office		330,000	724,880
Fund administration fees charged by Mmila Fund Administrators		12,618,128	-
Printing costs charged by Debswana Head Office		128,980	-
Rent charged to Mmila Fund Administrators		(44,830)	-
Dividends received from Health care holdings		(11,832,660)	(12,793,228)
		1,199,618	(12,068,348)

Trustees fees

Independent and Pensioner trustees		16,302	21,454
------------------------------------	--	--------	--------

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		2,102,249	1,943,066
------------------------------	--	-----------	-----------

21. 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 2019	Effective Holding 2018
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 %

Notes to the Financial Statements

Figures in Pula

2019

2018

21. Interest in property partnerships (continued)

31 December 2019	Notes	Engen Palapye Partnership	Engen Maun Partnership	DBN Development Partnership	Francistown Retail Partnership	Total
Investment properties	6	14,440,000	7,200,000	92,651,299	22,875,000	137,166,299
Current assets	13	3,630,534	2,472,267	24,238,937	12,589,517	42,931,255
Current liabilities	18	(129,092)	(200,560)	(888,657)	(303,381)	(1,521,690)
Revenue - net rental income		5,421,867	2,596,877	4,795,415	3,142,726	15,956,885
Unrealised fair value gains on fair valuation of investment property		2,850,683	800,000	2,631,708	500,000	6,782,391
Total comprehensive income for the year		8,272,550	3,396,877	7,427,123	3,642,726	22,739,276
Net cash generated from operating activities		3,229,754	2,697,149	4,911,674	2,824,210	13,662,787
Net cash utilised in investing activities		(1,119,433)	(2,706,332)	(3,607,924)	(2,498,740)	(9,932,429)
Net cash (outflow)/inflow		2,110,321	(9,183)	1,303,750	325,470	3,730,358
31 December 2018	Notes	Engen Palapye Partnership	Engen Maun Partnership	DBN Development Partnership	Francistown Retail Partnership	Total
Investment properties	6	14,020,000	7,000,000	90,404,520	22,500,000	133,924,520
Current assets	13	2,837,708	1,830,311	21,943,409	10,256,344	36,867,772
Current liabilities	18	(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

22. Description of the Fund

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

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

Notes to the Financial Statements

Figures in Pula	2019	2018
23. Membership statistics		
Number of members		
Active	6,284	6,061
Deferred	2,080	2,213
Pensioners	4,091	3,937
	12,455	12,211

24. Commitments**Operating leases – as lessee (expense)**

Operating lease payments represent rentals payable by the Fund for a certain space 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 receipts - Age analysis**

First year	16,323,192	12,722,125
Year two to year four	23,080,711	24,749,540
	39,403,903	37,471,665

27. Mmila Fund administrators

As at 31 December 2019, Mmila operates as a fully licenced fund administration company, wholly owned by Debswana Pension Fund, having satisfied all the regulatory requirements. Mmila's licence was renewed effective August 2019 for a period of three(3) years.

Notes to the Financial Statements

Figures in Pula	2019	2018
-----------------	------	------

28. Events after the reporting period

The Covid-19 pandemic and the consequent fall in the price of oil has resulted in a steep drop in risky asset prices such as global equities. Markets have shown increased levels of weakness with most sectors of the global economy affected by the outbreak. Tourism, travel, manufacturing and oil companies have been most affected by Covid-19. This crisis has been predominantly driven by the novel Covid-19 virus and not economic disproportions as per previous episodes of significant market sell offs.

The ensuing lockdowns by many nations from the United States to Botswana is expected to have a material effect on the global economy. This impact has affected the Debswana Pension Fund's investment portfolio, which declined from BWP8.305 billion as at 31 December, 2019, to BWP7.782 billion as at 31 March 2020. The investment portfolio as at 30th April 2020 recovered to BWP8.298 billion with a further improvement of the investment portfolio to BWP8.407 billion as at 31 May 2020. The recovery has been partially driven by the appreciation of the US dollar which is deemed as a safe haven currency, against the BWP which is deemed a riskier currency. The BWP depreciated by 10.3 percent against the USD from 0.0941 on 31 December 2019 to 0.0844 on 31 May, 2020. As the novel Covid-19 outbreak unravels the Fund acknowledges that there will be upward and downward swings in global asset prices as demonstrated by the sharp movements in asset prices and DPF's investment portfolio. There are three possible scenarios that might occur in the global economy over a medium to long term horizon, which are in the form of a sharp recovery, a moderate recovery or a period of prolonged weakness. As a long term investor, the Fund opines that the portfolio will be resilient to market weakness in the medium to long term, as market assumptions are recalibrated in the event of fundamental long term changes to how business and economies operate. The monetary and fiscal stimulus action by major central banks point to a long term recovery, which will underpin the strength of the investments made by Debswana Pension Fund.

Debswana Pension Fund will continue to monitor markets closely and ensure that the Strategic Asset Allocation remains resilient to different business cycles characterized by market downturns and rallies. The Fund is confident that it is liquid and able to cover the liabilities to its members in the foreseeable future.

Fund Management has determined that the impact of Covid-19 constitutes an event that arose after the end of the reporting period, and therefore, no adjustment to the financial statements as at 31 December 2019 is required.

Except for the event described above there are no other events after the reporting period that require further disclosure in the financial statements.



GABORONE OFFICE

Private Bag 00512,
Gaborone Botswana
Tel: +267 361 4267,
Fax: +267 393 6239
Plot 1188-1196,1145
Fifth Floor
Debswana House
Main Mall
Gaborone, Botswana
www.dpf.co.bw

