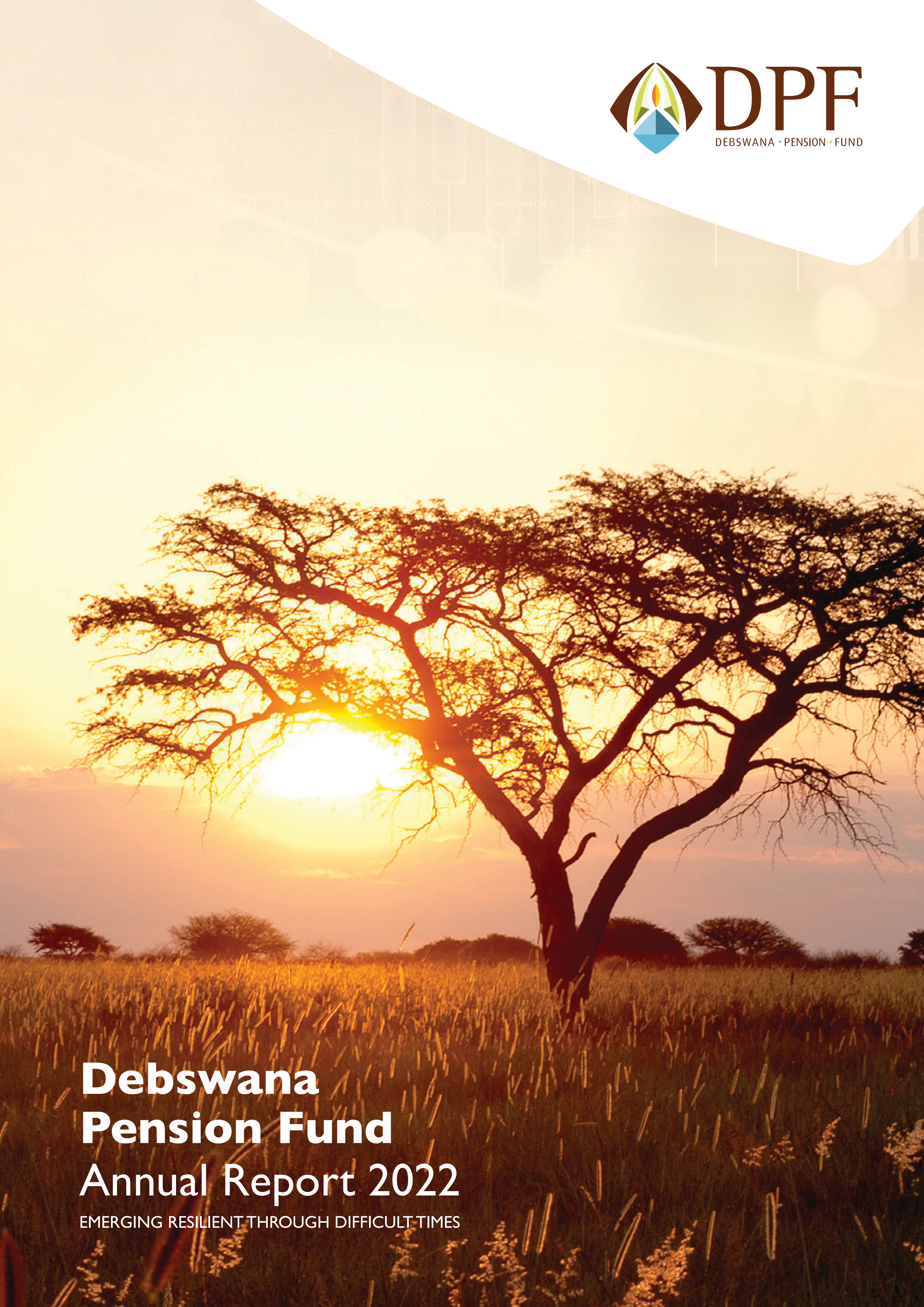
DPF
DEBSWANA · PENSION · FUND



Debswana Pension Fund
Annual Report 2022

EMERGING RESILIENT THROUGH DIFFICULT TIMES

DEBSWANA · PENSION · FUND

Emerging Resilient Through Difficult Times

Why and what is an Acacia Tree?

Acacia tortilis tree is an incredible desert creature and is usually used to symbolise **resilience.** It survives in harsh and hostile ecosystems and resists the normal weathering conditions but evolves its resistance to the changing climates. The desert flora is really unique and highly adapted. Such flora is a food of choice for desert animals and domesticated livestock.

In the past year, businesses have been operating in harsh and hostile environments that at times challenged the operations and created uncertainties for investment performance. Despite the headwinds faced by the Fund, the DPF Board and Management deployed an investment strategy that has been able to weather different market cycles thereby safeguarding member assets and emerging resilient through difficult times.


EMERGING RESILIENT THROUGH DIFFICULT TIMES

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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 Holdings Botswana (DBHB)
Debswana Pension Fund (DPF)
Mmila Fund Administrators

BOARD OF TRUSTEES
Principal Trustees
Thabiso Moanakwena
Board Chairperson -Member Elected Trustee - Gaborone Constituency
Lebogang Sebopelo
Outgoing Board Chaiperson - Company Appointed Trustee-DTCB (Resigned 30th November 2022)
Lapologang Letshwenyo
Member Elected Trustee - Morupule Constituency
Potoko Bogopa
Member Elected Trustee -Pensioner Constituency
Claire Busetti
Independent Trustee
Matlhogonolo Mponang
Company Appointed Trustee – Other Participating Employers
Obakeng Moroka
Company Appointed Trustee-Debswana Diamond Company
Tshepo Mokgethi
Company Appointed Trustee-Debswana Diamond Company
Malebogo Ntshwabi
Member Elected Trustee - Orapa, Letlhakane,Damtshaa Constituency
Baintlafatsi Thomas
Member Elected Trustee -Jwaneng Constituency

EXECUTIVE MANAGEMENT
Gosego January - Chief Executive Officer
Thato Norman - Investment Manager
Tidimalo Poonyane - Legal & Compliance Manager
Saone Balopi - Strategy and Business Development Manager
Daniel Mompati - Fund Accountant

AUDITOR
PricewaterhouseCoopers

BANKERS
ABSA Bank Botswana Limited
First National Bank Botswana Limited
Standard Chartered Bank Botswana Limited

CUSTODIANS
Stanbic Bank Botswana Limited (Local)
The Northern Trust Company (Offshore)

INVESTMENT CONSULTANTS
RisCura Botswana (Pty) Ltd

ACTUARIES
Tower Watson Actuaries and Consultants (Proprietary) Limited

ONSHORE INVESTMENT MANAGERS
Ninety One Botswana (Proprietary) Limited
Botswana Insurance Fund Management Limited
Allan Gray Botswana (Proprietary) Limited
iPro Botswana (Proprietary) Limited
Morula Capital Partners (Proprietary) Limited
Vunani Fund Managers

OFFSHORE INVESTMENT MANAGERS
American Century Emerging Markets Limited
American Century Global Growth
BlueBay Asset Management
Coronation Asset Management (Proprietary) Limited
CBRE Investment Management
Marathon Asset Management Limited
Morgan Stanley Investments Management Limited
Ninety One UK Limited
Orbis Investment Management Limited
PIMCO Funds
Schroders
State Street Global Advisors
Steyn Capital Management (Proprietary) Limited
Vantage Capital Fund Managers (Proprietary) Limited
Veritas Asset Management
Walter Scott & Partners Limited
Southeastern Asset Management

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: +267 393 6239

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

FUND BACKGROUND

The Debswana Pension Fund (DPF) is the largest private pension fund in Botswana and a major player in the retirement services industry with assets valued at BWP 9.671 billion and a total membership of 12566 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 Holdings 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 and Investments. The Internal Audit and Information Management support are outsourced to 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 secure members' futures through sustainable superior returns.

OUR MISSION

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

- Prudent & optimal management of member funds
- Ensuring efficient benefits administration
- Focused communication / information
- Effective socially responsible investments to benefit our members
- Innovative and relevant products.

OUR VALUES

- Member Centric
- Credibility
- Accountability
- Agility
- Self-Driven and Motivated

BOARD OF TRUSTEES

1

Thabiso Moanakwena
Board Chairperson - Member Elected Trustee - Gaborone

2

Lebogang Sebopelo
Outgoing Board Chaiperson - Company Appointed Trustee- DTCB (Resigned 30th November 2022)

3

Lapologang Letshweyo
Member Elected Trustee Morupule Constituency

4

Potoko Bogopa
Member Elected Trustee -Pensioner Constituency

5

Claire Busetti
Independent Trustee

6

Matlhogonolo Mponang
Company Appointed Trustee – Other Participating Employers

7

Obakeng Moroka
Company Appointed Trustee- Debswana Diamond Company

8

Tshepo Mokgethi
Company Appointed Trustee- Debswana Diamond Company

9

Malebogo Ntshwabi
Member Elected Trustee - Orapa, Letlhakane,Damtshaa Constituency

10

Baintlafatsi Thomas
Member Elected Trustee -Jwaneng Constituency

EXECUTIVE MANAGEMENT


1


2


3


4


5

1 **Gosego January**
Chief Executive Officer

2 **Thato Norman**
Investment Manager

3 **Tidimalo Poonyane**
Legal & Compliance Manager

4 **Saone Balopi**
Strategy and Business Development Manager

5 **Daniel Mompati**
Fund Accountant

2022 GLOBAL MARKET OVERVIEW

For the year ended 31 December 2022

United States

United States (US) equities struggled significantly in 2022 thereby reversing the gains from 2021. The equity market sell off was driven by geopolitical risks, precarious economic data, elevated inflation amidst aggressive monetary tightening by central banks across the globe. This fueled market concerns of a global economic recession and led to a precipitous decline in asset prices across global equities and global bonds. Concerns that monetary policy was misaligned to the global macro-economic fundamentals further undermined asset prices. Consensus forecasts for inflation in the United States no longer viewed inflation as transitory but sticky in the short to medium term. Inflation reached 6.5 percent in December 2023, three times the US Federal Reserve Bank's target of 2 percent. Inflation curtailed the broadening economic recovery as well as dampened household and business confidence. Elevated domestic price levels prompted the Federal Reserve Bank to take an aggressive stance in curbing inflation and inflation expectations. Tight market and economic conditions in the United States alongside a declining earnings outlook prompted businesses to become more defensive. Due to the foregoing, businesses revaluated their enterprises by cutting operating costs in order to mitigate and manage risks. Household consumption on the other hand, which accounts for two-thirds of US economic activity, increased to USD 17.4 trillion, up from USD 15.9 trillion in 2021 as reported by the United States Bureau of Economic Analysis (BEA). Spending, adjusted for inflation, and remained above the 2021 levels, landing at 2 percent in November 2022. Household consumption was driven by pandemic pent up demand and significantly improved household

2022 GLOBAL MARKET OVERVIEW

For the year ended 31 December 2022

savings ratios and balance sheets. Gross Domestic Product (GDP) increased 2.1 percent in 2022 against a 5.9 increase in 2021. The increase in real GDP in 2022 was largely driven by increased consumer spending, nonresidential fixed investment, federal government spending, and local government spending. The Russia-Ukraine War bolstered U.S exports as the European Union (EU) turned to the United States for its energy needs after severing ties with Russia and Russian Energy. The United States saw substantial increases in exports of crude oil, fuel oil, and natural gas. BEA states that the increase in private inventory investment was due to manufacturing of petroleum and coal products as well as mining, utilities, and construction industries.

Post pandemic supply chain disruptions prompted President Biden to introduce initiatives and penalties that would encourage companies to seek supply chains that would be resilient to future disruptions. Additionally, the US – China Cold War has prompted American companies to diversify their overreliance on Chinese supply chains.

Global asset prices plummeted in 2022 as the Federal Reserve Bank maintained its restrictive fast-paced tightening cycle. The Federal Reserve raised interest rates 7 times in 2022, the most aggressive policy stance from the Federal Reserve since the 1980s. This prompted the biggest equity sell off this decade. The Nasdaq Composite Index was the worst performer, declining 33.1 percent, followed by The Russell 2000, which fell 21.6 percent. The S&P 500 experienced its worst year since the 2008 Global Financial Crisis (GFC) falling 19.4 percent. Meanwhile, the Dow Jones Industrial Average had a drop of 8.8 percent.

The unemployment rate declined from 4 percent in January to 3.5 percent in December 2022, matching a 50-year low. The decline in the labour force participation rate has partially contributed to the low unemployment rate with aging demographics contributing to less people looking for work.

The Federal Reserve Bank (Fed) increased the key policy rate to a range of 4.25 percent – 4.50 percent. The Federal Open Market Committee (FOMC) was concerned with the elevated inflation levels and focused on returning inflation to its 2 percent target range. The Committee anticipated ongoing increases in the Fed Funds Rate as the outlook for labour, growth and inflation remained elevated. The Federal Reserve continues to implement Quantitative Tightening (QT) through reducing the size of its balance sheet by allowing up to USD 95 billion in proceeds from maturing securities to roll off each month rather than be reinvested. Continued inflation, a looming recession, and uncertainty about the direction of the Fed caused to the 10-year Treasury yield to rise above 4 percent after starting the year at 1.5 percent. The Barclays Capital Global Aggregate Bond Index, comprised of investment grade fixed income instruments, decreased by 8.87percent in 2022, one of the worst years for bonds in the last 47 years.

Europe

The Euro-19 Gross Domestic Product (GDP) increased by 3.5 percent in 2022 after rising by 5.3 percent in 2021.The slowdown was predominantly driven by the impact of the Russia-Ukraine War, which resulted in soaring energy prices, rampant inflation, and ultimately social and economic turmoil. The EU has experienced the brunt of the war due to its close proximity to the conflict and the blocks heavy reliance on Russian gas. The energy crisis has had a profound impact on EU manufacturing activity subsequently undermining exports. Despite the challenges presented by the War, household consumption, driven by pandemic pent up demand, stoked up inflation. The European Central Bank (ECB), similar to the Fed, adopted a contractionary monetary policy stance and hiked rates in order to reduce inflation to the 2 percent target. The ECB cut interest rates by 50 basis points in December.The ECB plans to reduce its Asset Purchase Programme (APP) by not reinvesting all of the

2022 GLOBAL MARKET OVERVIEW

For the year ended 31 December 2022

principal payments from maturing securities held. Unemployment declined to 6.6 percent in December 2022 from 7 percent in December 2021. Economic indicators pointed to weak output across the Euro-19's major economies due to the energy crisis and weakening global economic activity amidst tighter financing conditions. Europe's largest economy, Germany, recorded a drop in exports due to supply chain bottlenecks and ongoing geopolitical concerns. Ireland, a major financial services center in the block, recorded the largest economic growth rate of 13.1 percent in the final quarter of the year. Ireland remains the fastest growing economy in Europe and has stimulated growth by offering substantially low corporate tax rates. United Kingdom firms have established their presence in Ireland in order to continue to have access to the lucrative European market following Brexit, thereby boosting Irish GDP. The EU's second and third largest economies namely France and Italy increased 0.5 percent and 1.4 percent, respectively. The pan-European Stoxx 600 index declined 12.76 percent during the year under review.

The United Kingdom (UK) Gross Domestic Product (GDP) declined from 7.6 percent in 2021 to 4.1 percent in 2022. The main drivers of growth were the service sector primarily in tourism, in addition to telecommunications, construction, and manufacturing. Under the leadership of Rishi Sunak, who became Prime Minister on 25 October 2022 after taking over from Liz Truss, UK business confidence and business activity improved. Similar to other developed nations pent up demand and supply chain disruptions have driven up inflation, which has prompted the Bank of England to tighten monetary policy. The Office for National Statistics (ONS) stated that real household spending growth (adjusted for inflation) rose by 0.2 percent in Quarter 4 2022 against 1.4 percent in Quarter 4 2021. Business capital formation, which includes the addition of fixed assets to the economy, ascended by 1.5 percent during the calendar year.

The services sector, which accounts for approximately 80 percent of the economy, decreased by 0.8 percent in the final quarter of 2022. Industrial production rose 0.3 percent while manufacturing output remained unchanged in December 2022. Household confidence surveys remained weak as consumers worried about the elevated inflationary pressures and the rising cost of living. Unemployment fell to 3.7 percent in December 2021. The Bank of England's Monetary Policy Committee increased the Bank Rate by 0.5 percentage points, to 3.5 percent. In a bid to tame inflation to the 2 percent target, Bank of England raised interest rates nine times in 2022. The FTSE 100 gained 0.9 percent in 2022.

Japan

Japan's economy increased 1.1 percent in 2022, against 2.1 percent in 2021. Household consumption increased 2.3 percent while corporate capital investment rose by 1.8 percent. Japan continued its growth post the Covid-19 pandemic year, which boosted domestic consumption particularly in the services sector, which received a significant push from the uptick in the tourism industry. Manufacturing outlook and activity, as represented by the Purchase Managers Index (PMI), declined to 48.9 in December 2022 as manufacturing companies experienced weaker domestic and global demand. Japan's export dependent economy was particularly affected by large spikes in Covid-19 cases in China, which slowed demand for Japanese goods. Japan's policy makers, who have promoted an export-led recovery also considered encouraging Japanese firms to accelerate wages hikes in order to spur domestic demand. The Core Consumer Price Index (CPI), which excludes energy and food prices, rose 3.0 percent in the last quarter driven by Japanese firms reflecting higher input costs in their goods and services. Meanwhile, the headline CPI increased 4 percent as energy and food prices rose.

Bank of Japan (BOJ) kept interest rates unchanged in 2022. The BOJ sated that interest rate hikes would subdue already weak domestic demand and curtail a fragile post

2022 GLOBAL MARKET OVERVIEW

For the year ended 31 December 2022

pandemic economic recovery. In the fourth quarter, the BOJ did expand the range for its long-term interest rate policy allowing 10-year bond yields to rise up to 0.5 percent. The Topix Index decreased by approximately 5.21 percent in 2022 from 17.0 percent the previous year.

Emerging Markets

Emerging Markets (EM), similar to Developed Markets, underperformed during the year. Emerging Market economies were curtailed by the Russia-Ukraine War, volatile commodity markets, elevated inflation, weak currencies, tightening financial conditions, and a slowdown in China. China accounts for approximately half of Emerging Market Equity Indexes while a significant portion of Emerging Market nations depend on China exports and imports. Emerging Market economies generated growth in 2022 with the Internal Monetary Fund (IMF) estimating that EM economies rose 3.7 percent, significantly outpacing growth in Developed Markets. Despite the positive prospects in Emerging Markets, the Emerging Market asset class underperformed their Developed Markets counterparts.

China

China had a challenging year which was predominantly caused by Covid-19 and the republic's extended lockdowns aimed to combat the spread of the virus. Beijing initiated and implemented its Zero-Covid policy, which was aimed at controlling outbreaks and ensuring minimal social and economic impacts. Despite the concerted efforts of the government's Zero-Covid policy, the strategy had a profound effect on the domestic economy and China's major trading partners. China's Zero-Covid policy disrupted supply chains and impacted the flow of trade and investment. The policy caused an economic slowdown, a drop in Chinese company earnings, and increased unemployment. Due to the foregoing, the Chinese economy slumped from 8.1 percent in 2021 to 3 percent in 2022, well below the government's 5.5 percent target. The Chinese property sector declined 5.5 percent as the sector experienced increased foreclosures. Chinese authorities introduced numerous property market initiatives as countercyclical measures to support the sector and the aggregate economy. Industrial production rose 3.6 percent in 2022. Industrial and manufacturing production remained affected by the restrictive lock downs experienced during the year. Supply side bottle necks caused by Beijing's restrictive Covid polices have caused its trading partners to consider different supply chain alternatives in order to mitigate any risks that may emerge in the future. China's monetary policy has remained accommodative when measured against global peers. The People's Bank of China (PBC) maintained its main key policy rate in December at 4.30 percent following rate cuts during prior months. The Shangai Stock Exchange Composite Index declined 13.70 percent in 2022.

Brazil

Brazil's economy increased 2.9 percent in 2022 after rising 4.6 percent the previous year. The Brazilian Institute of Geography and Statistics stated that the drop in economic activity was due to the lagged effects of previous interest rate increases. According to the World Bank, economic output in 2022 was largely driven by household consumption, which advanced 4.3 percent in the year in addition to large social welfare expenditure by former President Jair Bolsonaro. Unemployment fell to 7.9 percent, the lowest level since 2015. Inflation remained a headwind for the Latin American economy reaching a high of 12.1 percent in April. Aggressive monetary policy from the Central Bank of Brazil resulted in inflation declining to 5.79 percent in December. The Central Bank of Brazil halted its interest rate hikes in September 2022 after 12 consecutive increases with the key interest rate anchored at 13.75 percent. The central bank reported that Brazil's Gross Debt to GDP fell to 73.5 percent from 80.3 percent in 2021, the lowest level in more than 5 years. During the year, Brazil's stock exchange, Ibovespa, increased 6.83 percent, driven by increasing commodity prices.

2022 GLOBAL MARKET OVERVIEW

For the year ended 31 December 2022

South Africa

South Africa experienced one of its most difficult calendar years post its independence in 1994.The Rainbow Nation faced prolonged electricity supply shortages, which resulted in scheduled power cuts across the country.The World Bank has warned that scheduled power cuts in South Africa started in 2007 and escalated immensely in 2022. South Africa's energy crisis has had a profound effect on the country's economy with the mining and manufacturing sectors struggling tremendously as a result of higher operating costs. The power blackouts have also impacted the water and Information Technology infrastructure as well as the health and education services. GDP declined from 4.9 percent in 2021 to 2 percent in 2022 as financial, transport, and personal services sectors underpinned growth. Unemployment remained high at 32.7 percent with youth unemployment increasing to 46.5 percent, in the final quarter of the year. South Africa continues to have one of the highest inequality rates in the world. Domestic inflation marginally declined to 7.2 percent in December after peaking at 7.8 percent in the first half of the year. The South African Reserve Bank has been aligned with global peers in hiking interest rates and has raised interest rates in 7 consecutive meetings.

During the year, The Johannesburg stock exchange (JSE) FTSE All Share Index, decreased 1.21 percent for the year.

Botswana

Botswana's economy decreased to 5.8 percent in 2022 from 11.9 percent in 2021. Growth for the year was below the Ministry of Finance's 6.7 percent forecast and the International Monetary Fund's (IMF) 6.4 percent projection. The reduction in growth was driven by stabilizing diamond prices. Most sectors of the economy had positive output for the year led by mining which increased 21.4 percent, public administration (16.7) percent, retail (11.0 percent) and Construction (11.0 percent). Mining remained the most dominant sector in the economy. Mining activity was supported by higher diamond output, increases in mineral prices and Khoemacau copper mine reaching full production capacity. Agricultural activity rose 2 percent while accommodation and trade increased 2 percent underscoring the gradual recovery in the tourism industry. Household consumption increased 4.0 percent while government expenditure rose 1.1 percent. Gross capital formation decreased by 3.6 percent in the quarter, despite the decline Bank of Botswana's Business Expectations Survey demonstrated increased optimism in business investments. The IMF forecasts Botswana's economy to increase 3.7 percent in 2023 while the Ministry of Finance and Economic Development projects growth of 4 percent and 5.7 in subsequent periods. Botswana reported a trade a surplus of P2.57 billion in 2022, which was the first surplus for the country since 2018. . All major exports increased, with mineral exports rising 24.5 percent to BWP 102.39 billion.

Domestic credit extension increased 5.4 percent in the twelve-month period to September 2022, due to increased lending to households. According to Bank of Botswana, household indebtedness registered 29.9 percent of GDP in 2022 compared to 31.7 percent in 2021. Households continue to struggle from high levels of debt, tight credit conditions and anemic wage growth amidst high levels of unemployment.

Standard & Poor's reaffirmed Botswana's BBB+ /A-2 credit rating and maintained the country's stable rating outlook. Bank of Botswana extended its tightening monetary policy stance by increasing key interest rates three times in the year to 2.65 percent in December 2022. Inflation registered 12.4 percent in December and remained above the BoB's 3 - 6 percent inflation target.

As at 31st December 2022, the Botswana's foreign reserves stood at BWP54.5 billion with the decline largely driven by increased government withdrawals, market volatility, and geo-political events such as the Russia-Ukraine war.

Statistics Botswana reported that

2022 GLOBAL MARKET OVERVIEW

For the year ended 31 December 2022

Botswana's unemployment rate was 25.4 percent in December 2022 a 0.6 percent decline from Q4 of 2021. The youth unemployment remains high at 34.4 percent which poses significant challenges for the economy.

The pula marginally depreciated against the South African rand by 2 percent in the 12 month period to December. The pula also depreciated against the International Monetary Fund (IMF) unit of account the, Special Drawing Rights (SDR), by 3.5 percent. Against the USD, the pula depreciated by 8.1 percent, as the US dollar strength continued. The US economy remains at the apex of the global recovery with currency markets favoring the dollar's interest rate margins.

During 2022, the Domestic Companies Total Return Index increased 18.45 percent as companies reported improved earnings following the lifting of the Covid– 19 restrictions in Botswana. Banks continued to thrive in the high interest rate regime environment. Numerous counters, particularly in the property and financial services sector (banks), declared large dividends, which additionally supported the strong price returns providing a much-needed tailwind to local equities.

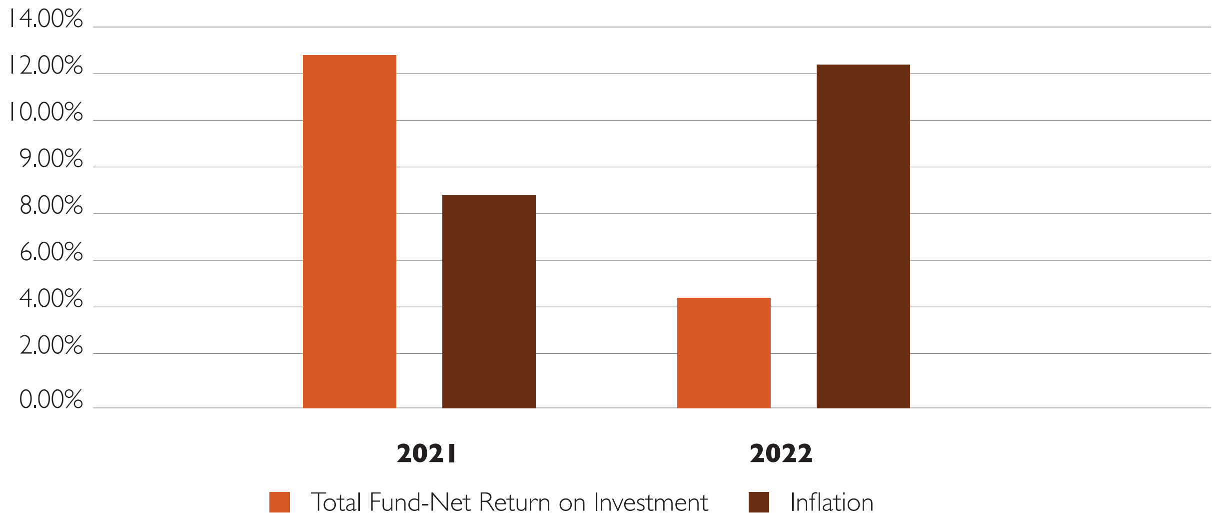
The Fleming Aggregate Bond Index (FABI) increased by 5.72 percent over the year. Both corporate and government debt performed well in the calendar year. The High interest rate environment has been supportive for demand in local fixed income markets due to the improve attractiveness arising from government's efforts to increase the government bond yield curve.

FUND PERFORMANCE HIGHLIGHTS

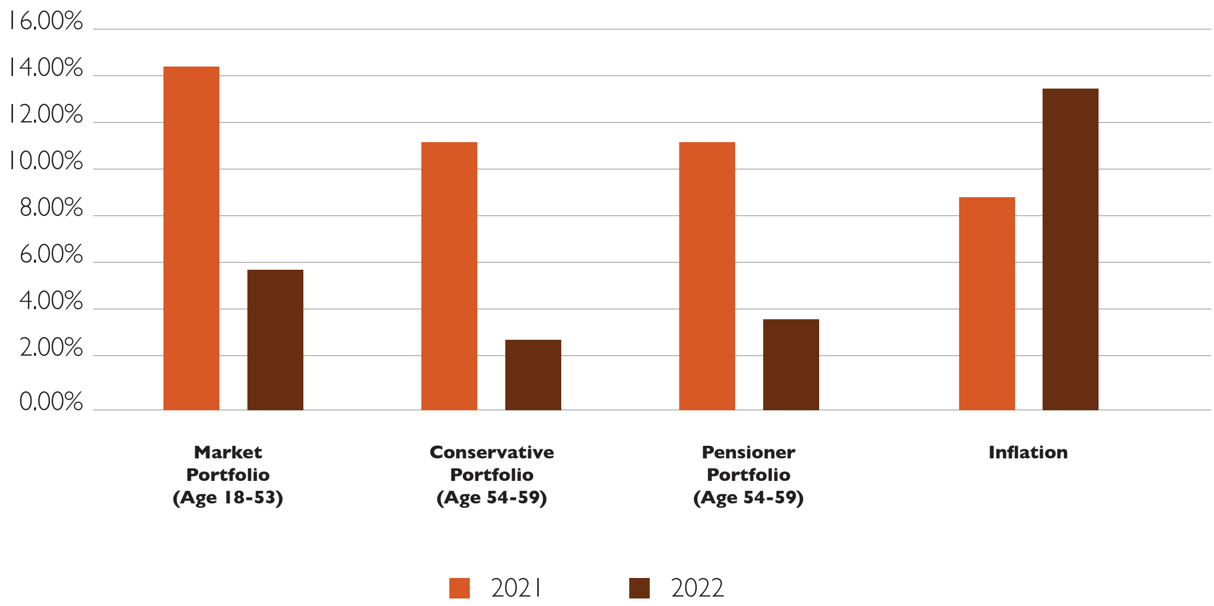
FUND PERFORMANCE HIGHLIGHTS

For the year ended 31 December 2022

Fund Performance-Total Fund



Fund Performance-Life Stage Investment Portfolio Net Returns



FUND PERFORMANCE HIGHLIGHTS

For the year ended 31 December 2022

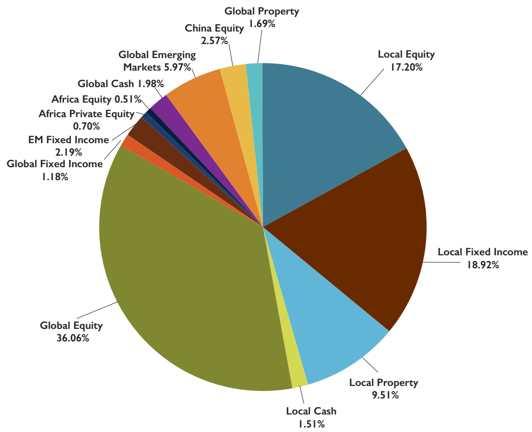
Fund Performance-Total Fund

Fund	12 Month	36 Month	60 Month	Since Inception (July 2004)
Market	-4.97%	6.25	7.22	11.90
Conservative	-2.47	5.75	6.61	10.11
Pensioner	-3.31	5.67	6.80	10.97
Contingency	-2.97	5.42	6.62	12.61
Fund	-4.15	6.01	7.02	12.89
Inflation	12.40	7.68	5.72	-

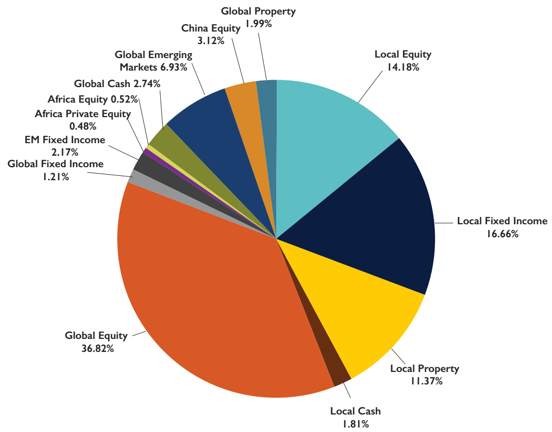
Asset Allocations

Asset Class Weights as at 31 December 2022 in comparison to Asset Class Weights as at 31 December 2021

Asset Class Weights as at 31 December 2022



Asset Class Weights as at 31 December 2021



Revenue and Expenditure

	P'000		P'000
Fund as at 31 December 2021	9,952,008		
Contributions received	386 384	Administration and other expenses	48 106
Transfers received	11 745	Investment fees	47 754
Income from investments	168 410	Withdrawal and death benefits	33 751
Adjustments to fair value of assets	(451 345)	Retirement benefits	118 450
		Pensioner death benefits	3 251
		Pensions paid	229 834
		Transfers paid	20 541
		Fund as at 31 December 2022	9 565 515

FUND PERFORMANCE HIGHLIGHTS

For the year ended 31 December 2022

Membership Movement

Membership Movement for the financial year ending 31 December 2022

Description	Active members	Deferred Members	Pensioners	Beneficiaries	Total
Numbers at beginning of period	**5,986**	**1,998**	**4,409**	**75**	**12,468**
Adjustments at data take on	0	0	0	0	0
Additions	253	70	221	19	563
Transfers in		8	0	0	8
Transfers out	-11	-42	0	0	-53
Withdrawals (Dismissal, retrenchment, Resignation)	-70	0	0	0	-70
Retirements	-74	-156	0	0	-230
Beneficiary Maxi Age				-11	-11
Deaths	-12	-8	-89	0	-109
Numbers at end of period	**6,072**	**1,870**	**4,541**	**83**	**12,566**

The Fund's total membership as at 31 December 2022 was 12566 compared to 12468 in 2021. There has been a net growth in membership of 0.78% (98 Members) in 2022.

The membership statistics for 2022 compared to 2021 are as follows;

	2022	2021	Difference	Comment
Active	6072	5986	86	Increase
Deferred	1870	1998	(128)	Decrease
Pensioners	4624	4484	140	Increase
Total	**12566**	**12468**	**98**	

Funding Level

Combined Position	31 Dec-2022	31 Dec-2021	Change
	P'000,000	P'000,000	%
Fair value of assets	9 565 515	9 952 008	-4
Actuarial liabilities	9 536 065	9 452 476	-1
Surplus / (deficit)	29 450	499 532	-94
Funding Level	100.3%	105.3%	-5

CHAIRPERSON'S REMARKS

"Despite the numerous economic challenges, working against us, we managed to pull through because the market climate demanded that we adapt."

CHAIRPERSON'S REMARKS

Thabiso Moanakwena

Board Chairperson

Dear Members,

On behalf of the DPF Board of Trustees, I present to you the 2022 financial year Annual Report.

The year started with optimism as most of the world emerged out of the COVID-19 pandemic lockdowns.This optimism was quickly disrupted by the emergence of the Russian – Ukraine War in February 2022, which heralded significant global macro-economic challenges characterized by increased inflation, geopolitical tensions and market volatility. The rise in energy prices, high inflation levels across the globe and China's protracted strict Covid-19 control measures amidst in the tightening of the monetary policy across the globe provided a significant headwind to economic performances globally. The current market environment has compelled the Fund to focus on continuous improvement and adaptability to ensure sustained growth and success.

Fund Performance

With inflation in Botswana reaching highs of 12.4% in December 2022, as well as hikes in interest-rates, which risked derailing the nascent global economic recovery thereby increasing the global market uncertainty; the Fund was faced with major performance challenges this year which almost mirrored the 2007/2008 global financial crisis. DPF ended the year with BWP 9.671 billion as at 31st December, 2022. Global market uncertainty led to a sell off in global asset classes including offshore equities and bonds while alternative assets such as global property underperformed. Notwithstanding, the market selloff was unsurprising as asset classes repriced due to rising interest rates which rerated discount factors. Debswana Pension Fund's diversified investment strategy offset some of these reported losses as domestic asset prices recovered driven by local equities which have historically underperformed. The Fund took to increase its investments in local enterprises such as the construction of a Boutique Hotel in Jwaneng which has not only created jobs but could place Jwaneng as a center for business excellence. The challenges posed by the current market and economic conditions require a

FUND PERFORMANCE HIGHLIGHTS

For the year ended 31 December 2022

greater need for diversification and impact investing, such as the creation of jobs.

Board Changes

This year the Fund saw a composition of a new Board of Trustees following the departure of some of the long-term serving Members being Ms Lynette Armstrong, Mr China Abel both who's term came to an end having served on the DPF Board for a period of 10 years as well as the Chairperson of the Board of Trustees Mr Lebogang Sebopelo who's term came to an end following his resignation from the Board. Additionally, Mr Thabo Moeti also left the Board of Trustees in the year. I would like to thank them for their endless dedication, wisdom and valuable contribution to the Fund over the years. Their immense value has indeed paved the DPF to what it is today.

The Board of Trustees welcomed the new cohort of trustees Ms Matlhogonolo Mponang, Ms Tshepo Mokgethi, Mr Obakeng Moroko Mr Baitlafatsi Thomas and Ms Malebogo Ntswabi who joined during the year and bring with them a wealth of experience, expertise and multi-faceted skills sets across various disciplines. We look forward to the contributions that the Trustees will bring to the Board of Trustees.

Governance and Compliance

The Board of Trustees has maintained focus on ensuring adhere to strong corporate Governance and Compliance as we exercise sound leadership and independent judgement on matters affecting the Fund and by so doing ensuring that our member's futures are secure. In 2022, Retirement Fund Act underwent an amendment as well as other critical regulations such as the Prudential Fund Rules 2 which requires a greater allocation to domestic investments. This has underscored the need for greater domestic investments, which is aligned to the Fund's committed to develop Botswana.

Strategy and Outlook

Despite the turbulent year that the Fund has undergone, one thing remains to be and that is the strength of the Fund Strategy and the team that continues to deliver to the members. The Fund growth strategy remains critical and as we go into the final lap of the 2019-2023 Strategy, we are looking forward to crystalizing some of the critical areas of growth and additionally develop the next 5-year Strategic direction for the Fund.

As we look ahead to 2023, I assure you that we remain committed to the advancement of the Fund and impacting the lives of our members and communities. Despite the looming recession, the Board of Trustees and Fund Management will continue to focus on executing the Funds strategy, invest in areas of competitive strength, support and protect the wellbeing of members.

Sincerely

Thabiso Moanakwena
Board Chairperson

CHIEF EXECUTIVE OFFICER'S REMARKS

Gosego January
Chief Executive Officer

Dear Members,

The calendar year 2022 has proved to be one of the most challenging years for Debswana Pension Fund since the 2008 Global Financial Crisis due to a material slowdown in global macro-economic activity which was characterized by multiple crises events. In particular, global macro-economic growth was undermined by the Russia – Ukraine War which led to unprecedented global inflation during the year. Meanwhile, the extended Zero Covid Policy in China amidst interest rate hikes by central banks across the globe provided a headwind to global asset prices and the Fund's performance.

Fund Performance Update

During the year ended December 31, 2022, Debswana Pension Fund decreased 4.15 percent (net of investment and administration fees) to BWP9. 671 billion from the BWP 10.104 billion historic milestone. The main detractor to performance was the negative performance from the Fund's offshore investments. Global equities declined by 11.53 percent as companies and investors struggled to optimally navigate the highly volatile market environment. Debswana Pension Fund's diversified investment strategy paid off during the year with the domestic investment component outperforming following a decade of underperformance. The Domestic Companies Index (DCI) increasing 18.45 percent on a total return while domestic bonds increased 5.27 percent. This further underscores the importance of the Fund being diversified across regions and asset classes.

I am delighted that we have been able to commence the construction of the Cresta Boutique hotel in Jwaneng, one of the many similar investments that we will be looking at as a Fund. The Board of Trustees, remains supportive to infrastructural development a new asset class that has been added in the reviewed Prudential Fund Rules 2 Guidelines.

Compliance Update

In this year the fund has continued the KYC (Know Your Customer) exercise in our quest to ensure that the fund is compliant as prescribed by regulations. The KYC exercise continues to be a focus point for the fund and one that the fund is looking to ensure completion by the end of 2023. Additionally, as the Fund seeks

FUND PERFORMANCE HIGHLIGHTS

For the year ended 31 December 2022

to drive enhance its operations, there has been investment towards a comprehensive compliance system. This technological enhancement is critical for the Fund as more and more regulations are calling for better efficiencies and management of risks and ensuring the tightening of lose rivets.

Additionally given the current regulatory changes, it is important that Fund Management increases awareness to our members on the changes and importantly the impact of these changes on their futures in particular Section 52 of the Retirement Funds Act (2022). The Board OF Trustee's Risk and Audit subcommittees focused on emerging risks, while providing the needed scrutiny of internal controls and financial reporting.The Fund has recorded positive audit outcomes in the year bearing testament to the effective risk management process in place.

Strategy and Communication

In 2019 the Fund commence on its growth and diversification strategy. Key to the Strategy is ensuring the longer sustainability of the Fud to meets its future liabilities. The Fund has steadily progressed on this mandate considering the current market conditions as we remain committed to ensuring the DPF remains sound and identifies investments that will bring about economic prosperity for our members and the Economy at large. As we head on the last stretch of the 5-year strategy, we are excited of possible collaborations.

Once again, the Fund undertook the Member satisfaction surveys to assess its effectiveness of the Fund communication as well how we serve and engage our members. We have continued to receive positive feedback from our members something that we do not take lightly in our quest to be a true partner to our members and importantly ensuring that they are kept abreast of the Funds initiatives at all times.

People

At the forefront of DPF is the team that is determined to advance the Fund and ensure that DPF remains a world class pension Fund. In the latter part of the year the team returned back into office as we deployed a biweekly remote working strategy. This has proven to immensely strike a work life balance for staff whilst still being successful professionally. DPF Management and Board deem this initiative successful and exemplary to the fact that post Covid a new normal has been set.

Conclusion

Looking ahead, 2023, is an exciting and important year for the Fund. We're focused on continuing to deliver to our members. We have the right Investment strategy that has been executed well over the years. We have seen a stronger performance by the fund in the later quarters of the year and we believe going into 2023, the Fund should be able to return on its path to reaching newer heights. I remain committed to ensure that our members wealth is guarded and enhanced today and in years to come.

Sincerely

Gosego January
Chief Executive Officer

TRUSTEES' REPORT

TRUSTEES' REPORT

For the year ended 31 December 2022

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 2022 registered 12,566 members comprising of 6,072 Active Members, 1,870 Deferred Members and 4,624 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.

TRUSTEES' REPORT

For the year ended 31 December 2022

Compliance Report

1. Board of Trustees

The Trustees are appointed to the Board of Trustees in terms of the Fund Rules which are aligned to the Retirement Funds Act. The Rules allow for the following number of Trustees;

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

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 optimum 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 four 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 is governed by the Board Charter.

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. The Term of office for the Trustees is five years and the Trustees can be re-appointed for another five-year term.

In 2022, new members joined the Board of Trustees following elections in Jwaneng and Orapa, Letlhakane and Damtsha mines. There were 2 members also appointed from Participating Employers, being Debswana. These appointments were as a result of vacancies created by Trustees that had vacated the Board during the year. All the Trustees were vetted and approved by NBFIRA, a further induction was conducted for the Trustees to introduce them to the Fund and its processes.

TRUSTEES' REPORT

For the year ended 31 December 2022

2. 2022 Trustees List

	Principal Trustees		Representation
1	Matlhogonolo Mponang	Employer appointed	Other Participating Employers* (De Beers Sightholder Sales)
2	Tshepo Mokgethi	Employer appointed	Debswana Diamond Company
3	Obakeng Moroka	Employer appointed	Debswana Diamond Company
4	Malebogo Ntshwabi	Member appointed	Orapa Letlhakane Damtshaa Constituency
5	Lapologang Letshwenyo	Member appointed	Morupule Constituency
6	Potoko Bogopa	Pensioner Trustee	Pensioners
7	Claire Busetti	Independent Trustee	Independent Trustee
8	Baintlafatsi Thomas	Member appointed	Jwaneng Constituency
9	Thabiso Moankawena	Member appointed	Gaborone Constituency

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

2022 Board of Trustees exits:

Trustee Name	Date Exited
Ms. Lynette Armstrong	31/07/2022
Mr. China Abel	31/07/2022
Mr. Thabo Moepi	31/ 03/2022
Mr. Lebogang Sebopelo	30/11/2022

TRUSTEES' REPORT

For the year ended 31 December 2022

3. Board and Committee Membership (As at 31st December 2022)

TRUSTEES	BOARD	INVESTMENT & FINANCE COMMITTEE	BENEFITS & COMMUNICATIONS COMMITTEE	AUDIT& RISK COMMITTEE	NOMS & REMUNERATIONS COMMITTEE	TOTAL NUMBER OF COMMITTEES
MEMBERS						
MR. LEBOGANG SEBOPELO *	Board Chairperson					
MR. LAPOLOGANG LETSHWENYO	√		Chairperson	√		2
MR. POTOKO BOGOPA	√		√		√	2
MS. CLAIRE BUSETTI	√	Chairperson		√		2
MR THABISO MOANAKWENA*	Board Chairperson					
MR. BAINTLAFATSI THOMAS	√		√		√	2
MS. MALEBOGO NTSHWABI	√		√		√	2
MS. MATLHOGONOLO MPONANG	√	√			√	2
MS. TSHEPO MOKGETHI	√		√	√		2
MR. OBAKENG MOROKA	√	√		√		2
TOTAL MEMBERS	**TEN**	**THREE**	**FOUR**	**FOUR**	**FOUR**	**2**
VACANCIES	**ONE**	**TWO**	**ONE**	**ONE**	**NONE**	

*Following the exit of the Board Chairperson Mr Sebopelo on the 30th November 2022, Mr Thabiso Moanakwena was appointed Board Chairperson effective the 1st December 2022. According to the governing policies, Mr Moanakwena's ceased to be a member of the Committees he had previously been appointed to.

TRUSTEES' REPORT

For the year ended 31 December 2022

4. Board and Committee Meetings (Comparison Year 2021 and 2022)

		Special Meetings	Planned Meetings	Total	Planned Meetings	Special Meetings	Total
	Meetings	2021			2022		
1	Board of Trustees	4	1	5	4	3	7
2	Audit and Risk Committee	3	Nil	3	3	Nil	3
3	Investment and Finance Committee	4	2	6	4	Nil	4
4	Nominations and Remunerations Committee	3	1	4	3	Nil	3
5	Benefits & Communications	4	1	3	4	Nil	4

5. Board Achievements in 2022

The Debswana Board of Trustees achieved the following in 2022:

- The Fund invested in 2 local money market funds.
- The Board approved the construction of the Cresta Jwaneng Boutique Hotel.
- Reviewed and approved 2023 updated Balance Scorecard and 2023 Key performance Indications
- Reviewed and approved Fund Policies.
- Fund Management accompanied by delegated Trustees conducted a global due diligence on the offshore asset managers.
- Reviewed and approved the 2023 budget.
- The Fund's organisational structure.
- Played an oversight role over all the Committee and received reports from all Committee meetings.
- Reviewed and approved the annual financial statements which were submitted to NBFIRA.

6. Trustees Training

The Trustees undertook the following pension industry related trainings and workshops as a way to ensure they are equipped for their fiduciary responsibility:

1. Botswana Pension Funds Annual Conference
2. Investors Forum offered by MN Capital
3. Advantage Training's African Corporate Governance Conference
4. Vantage Fund Annual Investors Conference

TRUSTEES' REPORT

For the year ended 31 December 2022

7. Audits

Internal

As at 31st December 2022, Internal Audit confirmed that they conformed to the principles of independence and objectivity for the consulting engagements conducted. They further confirmed that there were no unresolved disagreements with management on controls.

There were no audits conducted in the year.

External Audit

External audit was carried out and delivered the annual financial statements for submission to the Regulator. There were no significant findings reported by the External Auditors during the period.

8. 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 2022 the Fund had identified 20 high risks which were monitored by the Committees and reported to the Audit and Risk Committee and the Board of Trustees. The mitigation plans identified were implemented through the year resulting in 45 mitigations being closed in 2022 out of 59 mitigations. The 14 mitigations that were not closed will be closely monitored in 2023 for closure. Be that as it may, these mitigations were partly implemented therefore the risks were reduced to a manageable level and were largely due to external factors including the economic changes in the market.

The high risks that were monitored in 2022 are the following:

1. Sub-optimal returns risk
2. Market Volatility
3. Currency Volatility
4. Loss of annuity book
5. Non-Compliance to ESG Compliance
6. Increased Fund Administration cost
7. Decreasing membership numbers due to transfer of deferred accounts to preservation fund
8. Mmila Fund Administration Business Performance
9. Elevated inflation
10. Rising member apathy and uncertainty
11. Business Disruption
12. Non-Delivery of Fund Strategic objectives
13. Failure to meet SLA obligations by outsourced administrator
14. Loss of Trustees Membership in the Board
15. Reputational damage

TRUSTEES' REPORT

For the year ended 31 December 2022

16. Property Risk
17. Regulatory restrictions by international regulatory bodies
18. Reputational risk
19. Business risk
20. Non Compliance with the Regulatory Requirements on asset class allocations (PFR2)

9. Corporate Governance

The Board of Trustees upholds principles of good governance and best practices and in ensuring that the Fund upholds these principles. In this endeavor the Board of Trustees were evaluated by Institute of Directors of Southern Africa, which reviewed the Board performance include performance of the Trustees, the Committees and the Board Secretary. This is a regulatory requirement as well as a corporate governance principle.

The Board Secretary is responsible for providing independent guidance to the Board on their fiduciary responsibilities and this is done through training and providing researched and relevant reports and ensuring that the Board is aware of the relevant laws and policies.

The Board of Trustees are responsible for organizational performance of the Fund and ensuring that the Fund achieves its strategy. Management reports on the strategy at all Board meetings to provide update on the affairs of the Fund.

The Fund reviewed the following policies to align to the changes in legislation;

1. Data Protection Policy
2. Anti Money Laundering/ Counter Terrorism Financing Policy
3. Anti Bribery and Corruption Policy
4. Conflict of Interest Policy
5. Records Management Policy

Ethics

The Fund continues to use the services of its tip off anonymous facility to promote transparency and guard against issues of fraud, corruption etc.

TRUSTEES' REPORT

For the year ended 31 December 2022

ADMINISTRATION REPORT

Membership Movement for the financial year ending 31 December 2022

DESCRIPTION	Active members	Deferred Members	Pensioners	Beneficiaries	Total
Numbers at beginning of period	**5,986**	**1,998**	**4,409**	**75**	**12,468**
Adjustments at data take on	0	0	0	0	0
Additions	253	70	221	19	563
Transfers in		8	0	0	8
Transfers out	-11	-42	0	0	-53
Withdrawals (Dismissal, retrenchment, Resignation)	-70	0	0	0	-70
Retirements	-74	-156	0	0	-230
Beneficiary Maxi Age				-11	-11
Deaths	-12	-8	-89	0	-109
Numbers at end of period	**6,072**	**1,870**	**4,541**	**83**	**12,566**

The Fund's total membership as at 31 December 2022 was 12566 compared to 12468 in 2021. There has been a net growth in membership of 0.78% (98 Members) in 2022.

The membership statistics for 2022 compared to 2021 are as follows;

	2022	2021	Difference	Comment
Active	6072	5986	86	Increase
Deferred	1870	1998	(128)	Decrease
Pensioners	4624	4484	140	Increase
Total	**12566**	**12468**	**98**	

Active Members:

Morupule Coal Mine registered a net growth of 68 new members, followed by Debswana Diamond Company who in total registered 23. The other Participating employers remained conservative on their approach to recruitment of pensionable officers.

TRUSTEES' REPORT

For the year ended 31 December 2022

Deferred Members

The deferred members portfolio declined by 128 members, mainly because majority of deferred members who attain the age of 50 years opt for early retirement. 42 members transferred out and 156 members opted for early retirement.

Pensioners Member

Pensioner portfolio increased significantly because of voluntary separations experienced at Debswana Diamond Company. Those members who had attained retirement age opted for normal retirement.

Membership per Participating Employer

As at year end (December 2022) the active members per PE were as follows:

Participating Employer	2022	2021	Variance
Debswana Diamond Company	4765	4742	23
Diamond Trading Company Botswana	383	401	(18)
Morupule Coal Mine	699	631	68
DeBeers Global Sightholder Sales	189	177	12
DeBeers Botswana Holding	9	9	0
Debswana Pension Fund	27	26	1
Anglo Coal Botswana	0	0	0
TOTAL	**6072**	**5986**	**86**

- In 2022 Debswana Pension Fund active membership increased by 86 members.

ii. Exits for the Period

In 2022, a total of BWP 385,285,841 was paid to members compared to BWP 457,550,723. The big variance resulting from Debswana Diamond Company voluntary separation exercise that was implemented in 2021.

iii. Contributions

All Participating Employers make contributions of 20% of pensionable earnings on behalf of their members. Total statutory contributions received in 2022 amounted to BWP384,005,926 when compared BWP 351,977.546 in 2021. The increase is attributable to salary increases effected by the respective Participating Employers. Additionally, members made voluntary contributions of BWP 2,377,655 in 2022 compared to BWP 2,201,140 in 2021.

iv. Transfers Out

Transfers-in in 2022 amounted to BWP 11,744,537 compared to BWP 6,132,460 in 2021, while transfers out were BWP 20,540,995 in 2022 compared to BWP 6,964,787 in 2021.

TRUSTEES' REPORT

For the year ended 31 December 2022

ADMINISTRATION EXPENSES

Debswana Pension Fund outsourced its pension administration services to Mmila Fund Administrators in 2019, following a change in legislation which barred pension funds from self-administration. However, the DPF maintains a secretariat function to have 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, 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.

ACTUARIAL REVIEW

i. Statement of the Actuary

Willies Towers Watson (WTW) 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 provides that Fund valuation may be performed once in three years as a maximum threshold, Debswana Pension Fund was valued by the Fund's Actuaries; WTW in 2022 as it is in the best interest of the Fund to assess its financial position annually. The DPF considers valuation as a reasonable risk control measure considering inherent risks in the financial markets where the Fund invests members' funds, as well as for an effective management of the annuity book. This cycle has been perpetuated for the financial year 2022, and the valuation report was presented for approval to the Board of Trustees on the 9th of June 2023 sitting, which was duly approved by the Trustees.

During the valuation period, which is the period between the 2021 valuation and the valuation for the period under review, the Fund was administered by the Mmila Fund Administrators (Pty) Limited, as approved by the Board of Trustees.

ii. Financial Status of the Fund

The Fund Actuaries confirmed that the Fund remains in a sound financial condition at 31 December 2022 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.

TRUSTEES' REPORT

For the year ended 31 December 2022

The table below summarises the overall Fund's financial position, clearly showing the soundness of the Fund as indicated by the combined position funding level of 100.3% as at end of December 2022.

	Following Transfer 31December 2022 (000)	Prior Transfer 31 Dec 2022 (000)	31 Dec 2021 (000)
Fund Combined Position			
Fair value of assets	9 565 515	9 565 515	9 952 008
Actuarial liabilities	9 536 065	9 536 065	9 452 476
Surplus / (deficit)	29 450	29 450	499 532
Funding Level			
	100.3%	**100.3%**	**105.3%**

The Fund's fair value of assets declined by 3.9% from BWP9 952 008 to BWP9 565 515 in 2022.

a. Pension Increase

The Trustees awarded a 8.7 % pension increase in 2021 and in 2022 the Trustees approved a pension increase of 3.2% which will be effective on 1 July 2023. This was in line with the guideline formula adopted by the Fund for granting increases.

b. Allocation of investment returns

The below table indicates the 2022 gross investment returns which were declared per portfolio;

Net Returns	1000 - I0 - Investment Portfolio LT 53	1005 - I5 - Conservative Portfolio GE 57	1010 - IA - Annuity Product	Fund	Inflation
2022 Annualised	**-4.48%**	**-2.28%**	**-2.90%**	**-3.74%**	**12.40%**

TRUSTEES' REPORT

For the year ended 31 December 2022

c. Investment Return History

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	32.90%	21.00%	26.90%	31.20%	11.40%
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%	3.50%
2019	17.58%	14.04%	15.43%	16.55%	2.20%
2020	9.77%	9.36%	9.80%	9.74%	2.20%
2021	14.39%	10.66%	10.68%	12.78%	8.70%
2022	-4.48%	-2.28%	-2.90%	-3.74%	12.40%
18 year annualised return (2005 – 2022)	**11.65%**	**9.61%**	**10.83%**	**11.30%**	**6.49%**

TRUSTEES' REPORT

For the year ended 31 December 2022

iii. Funding Levels

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

Portfolio/ Account	31 December 2021	31 December 2022
Active & Deferred	99.3%	100.0%
Pensioners	109.3%	100.0%
Contingency Reserve Accounts	2.4%	0.3%

The deficit in the Member Account over the period was P4 348 000, prior to the recommended transfer. The surplus in the Pensioner Account has decreased from a surplus of BWP 259 131 000 at 31 December 2021 to a deficit of BWP 201 179 000 at 31 December 2022. The Pension Account Funding level is below the targeted funding level of 102.5%.

iv. 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 2021 these reserves were as follows;

	Data Reserve Account	Processing Error Reserve Account	Expense Reserve Account	Solvency Reserve Account
Maximum Allowable	5%	1.5%	No Limit	2.5%
Maximum Reference	Liabilities	Defined Contributions Liabilities	Future Expenses	Fund Assets
Actual Value	Nil	0.0%	N/A	0.0%
Conclusion	Within Limit	Within Limit	Within Limit	Within Limit

- The reserve accounts are all within the prescribed limits.

v. Actuarial Certification Statement

The Fund Actuary certified that;

a. The Fund remains in a sound financial condition at 31 December 2022 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.

TRUSTEES' REPORT

For the year ended 31 December 2022

b. In their view the current provision for the future pension increases is sufficient under reasonable investment market conditions to support future pension increases in line with inflation.
c. 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.
d. The strategic asset allocation represents a reasonable long-term investment strategy given the nature of the Fund liabilities. In particular, the asset allocations of the various investment channels are reasonable given the time horizon of each channel.
e. The matching of the Fund's assets against liabilities was in their opinion, adequate.

COMMUNICATIONS REPORT

“ Communication between us and our members is key. Everyone needs to stay informed and updated about opportunities and challenges from both ends. ”

COMMUNICATIONS REPORT

For the year ended 31 December 2022

Members are at the heart of everything we do as a Fund additionally communication is a key element in us building strong lasting relationships with our members. During this year, some of the initiatives undertook included:

- Two editions of Bokamoso Newsletter (for members)
- 2021 Annual Report
- Three Business e-Briefs
- Virtual Member Engagement initiatives
- Thought leadership articles across several local media publications
- Social Media Campaigns including education on the amended Retirement Fund Act (2022)

2. 2022 Stakeholder Satisfaction Survey Report

Annual Debswana Pension Fund conducts satisfaction surveys on all its stakeholders to measure the effectiveness of its operations for the year in review. In 2022, the Fund managed to maintain an overall satisfactory score attaining above the benchmarks scores on several of the areas of assessment. Listening and actioning stakeholders' key priorities and concerns is important and more so as we endeavor to keep our members always informed.

2.1 The Survey objectives are as follows;

a. To evaluate the members' satisfaction with regard to services experienced in 2022
b. To identify gaps and opportunities in the Administrator's (Mmila Fund Administrators) service delivery
c. To obtain feedback and suggestions that can inform business improvement initiatives.
d. To determine the success or lack thereof of new innovations implemented during 2022.
e. To inform the Fund Balanced Scorecard and Individual Output agreements with performance scores for 2022 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 slightly decreased by 1% in 2022 from previous year as depicted below. Population surveyed in this year was lower as some members could not be reached due to lack of emails and or postal addresses.

Year	Total Survey Population	Total Responses	Response Rate	Previous Year	Growth Decline
2020	12 466	1312	11%	10%	1%
2021	11015	1340	12%	11%	1%
2022	10999	1201	11%	12%	-1%

COMMUNICATIONS REPORT

For the year ended 31 December 2022

b. Satisfaction levels

The Fund benchmarks its satisfaction levels on customer and industry satisfaction indexes reported by leading research institutions globally, particularly in the Finance and Insurance Sectors surveys. The customer satisfaction benchmark and business satisfaction survey used for 2022 was 79% respectively.

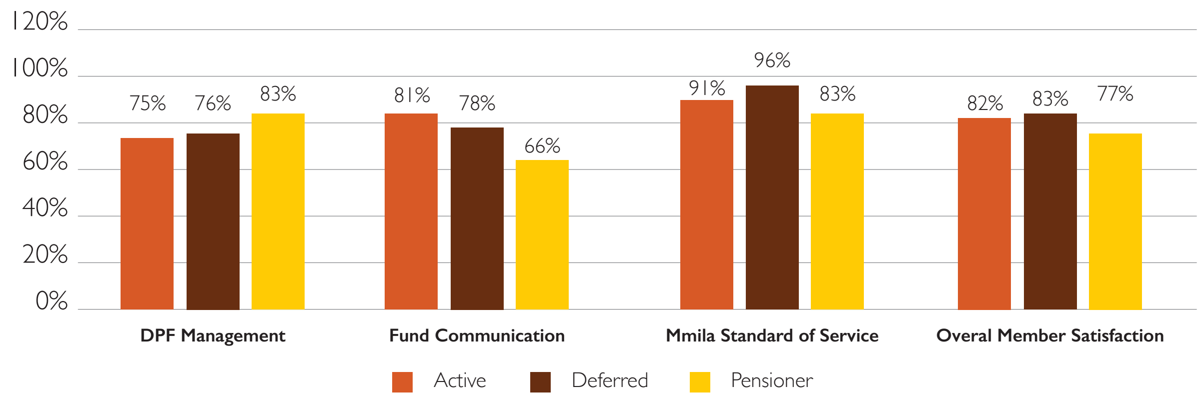
Survey	2021 DPF Score	2022 DPF Score	2022 DPF Scorecard Target	2022 Global Benchmark
Member Satisfaction Survey	83%	81%	79%	79%
Business Satisfaction Survey	96%	94%	79%	79%

C. Summary Results

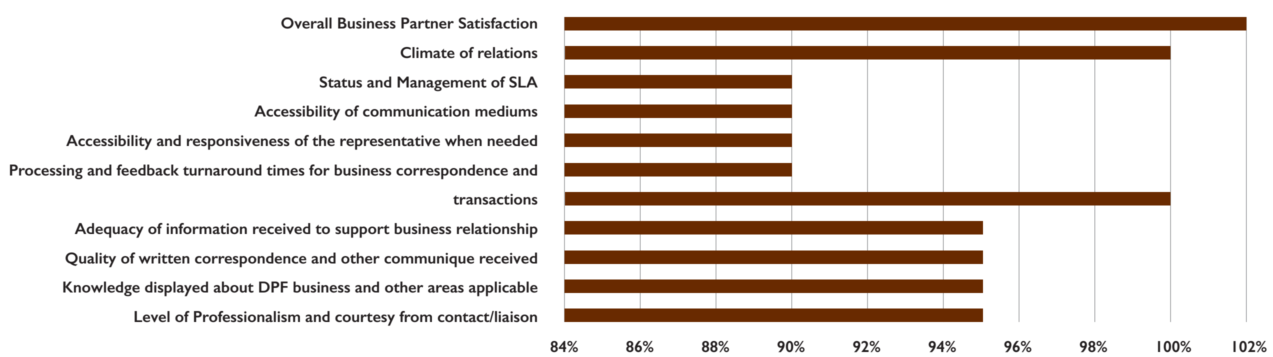
Members and Business Partners are satisfied with DPF service in 2022.

2022 Member Satisfaction Survey Results

Fund Performance-Total Fund



2022- Business Partner Survey Results



COMMUNICATIONS REPORT

For the year ended 31 December 2022

Summary of key learnings from the 2022 Stakeholder Satisfaction Survey

a. Strengths

- Relative to benchmark, Members and Business Partners are satisfied with Fund Management
- and have outperformed the targeted scores
- All the areas of measure on the Business Partner Satisfaction scored above the benchmark demonstrating the Funds commitment to ensure timely deliver to stakeholders.
- Overall Members continue to express their satisfaction around the Management of the Fund.

b. Threats

- Active members failed to reach the response rate of 10% falling short by 1%.
- Limited face-to-face interactions due to COVID has affected how members like being engaged. This is evident in the Pensioner Portfolio who prefer to have the annual conference as opposed to webinars.

c. Opportunities

- Ensure regular meetings with Business Partners to enhance efficiencies and build stronger relationships.
- Increase education on the member portal as some of the highly needed requests/services from the administrator can be provided via the member portal.

d. Challenges

- Lack of data or limited access to internet has had an impact on members attendance of virtual member engagements.

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 last policy review and update was 2020. The next policy review will be in 2024.

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 and are agile to ensure suitability for our of audiences.

COMMUNICATIONS REPORT

For the year ended 31 December 2022

4. Fund Communication Matrix

This matrix outlines the current (as at 31st December 2022) 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
Annual Report & Financial Statements	Fund Communication	√	√	√	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

COMMUNICATIONS REPORT

For the year ended 31 December 2022

Communication Medium	Focus Area	Active Members	Deferred Members	Pensioner Members	Participating Employers	Business Partners	Fund employees	General publics	Frequency of communication	Reviewed
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	Once a year	Annually
Letter Correspondences	Fund Communication	√	√	√	X	X	X	X	Ongoing	Ongoing
Newspaper advertorials & Press Releases (new)	Public Relations /Reputation Management	√	√	√	√	√	√	√	Ongoing	On a need basis
Digital/Electronic media										
Fund Website (www.dpf.co.bw)	Fund Communication	√	√	√	√	√	√	√	Ongoing	monthly
Member Portal (https://portal.mmila.co.bw/)	Fund Communication	√	√	√	X	X	√	X	Ongoing	monthly
Bokamoso Newsletter (electronic)	Fund Communication & Member Education	√	√	√	X	X	√	X	two times a year	Annually
Business e-Brief (electronic)	Fund Communication	√	√	√	√	X	√	X	quarterly	Annually
Email notices & updates	Fund Communication	√	√	√	√	X	√	X	Ongoing	Ongoing

COMMUNICATIONS REPORT

For the year ended 31 December 2022

Communication Medium	Focus Area	Active Members	Deferred Members	Pensioner Members	Participating Employers	Business Partners	Fund employees	General publics	Frequency of communication	Reviewed
Social Media (Facebook)	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	√	√	√	X	X	√	X	Ongoing	Ongoing
Virtual Communication										
Employer (HR) training and workshops	Stakeholder Engagement	X	X	X	√	X	√	X	Once a year	Annually
Participating Employers' Senior Leadership Business Updates	Stakeholder Engagement	X	X	X	√	X	√	X	Once a year	Annually
New Employee Inductions	Member Education	√	X	X	X	X	√	X	Once a month	Monthly
Active & Deferred Members Pre-retirement Seminars	Member Education	√	√	X	X	X	√	X	Once a year	Annually
Annual Deferred Member's Meeting	Stakeholder Engagement	X	√	X	X	X	√	X	Once a year	Annually
Annual Pensioners' Member Meetings	Stakeholder Engagement	X	X	√	X	X	√	X	Once a year	Annually

INVESTMENT REPORT

“ The ability to adjust, required us to protect our assets despite turbulence that prompted a lot of shift and adaptation. ”

INVESTMENT REPORT

For the year ended 31 December 2022

2022 DPF Investment Performance Review

During the year ended December 31, 2022, Debswana Pension Fund decreased 4.15 percent (net of investment and administration fees) to BWP9. 671 billion from the BWP 10.104 billion historic milestone. The main detractor to performance was the negative performance from the Fund's offshore investments. In aggregate, 2022 was a challenging and turbulent year for capital markets culminating in the worst performance since the 2008 Global Financial Crisis (GFC). Geopolitical events such as the Russia-Ukraine War and the protracted strict China Zero Covid policy further undermined performance. In particular, elevated domestic and global inflation prompted central banks across the globe to introduce countercyclical measures to stem off inflation which risked derailing the nascent economic recovery.

Global equities declined by 11.53 percent as companies and investors struggled to optimally navigate the highly volatile market environment. Orbis outperformed all Global Equity Managers declining 2.95 percent. Most of the Fund's Global equity managers unperformed the benchmark return of -10.93 percent. Net of fees, Marathon declined -10.44 percent, Southeastern (-15.90 percent), State Street (-10.80 percent), Veritas (-12.45 percent) and Walter Scott (-12.68 percent). American Century was the worst performing Global Equity Manager at -17.63 percent as technology stocks which form a significant component of their strategy underperformed.

Despite being considered a safe haven asset during market downturns, Global Bonds were not sparred from negative performance in 2022. The Barclays Global Bond Index decreased 8.87 percent while the fixed income mandate allocation to PIMCO outperformed the benchmark at -8.70 percent.

The Domestic Companies Index (DCI) increased 18.45 percent on a total return basis for the year ended December 31, 2022. During the same period the Fleming Aggregate Bond Index returned 5.72 percent while local cash returned 1.87 percent against a benchmark return of 2.69 percent

Global Asset Classes vs Local Asset Classes 2022

For the first time in nearly a decade, Global Assets underperformed Local Asset Classes, which have historically struggled due to an underperforming domestic economy characterized by high unemployment levels. The domestic economy extended its growth trajectory post the lifting of Covid-19 restrictions, albeit at a slower pace. Listed domestic counters such as banks and financial services companies thrived in the current environment of a recovering economy. In particular, firms reported stronger balance sheets and improved earnings for the year, and rewarded shareholders with significant dividends in 2022. The Domestic Company Index generated 18.45 percent for the year under review. A key concern for domestic counters is finding suitable investment opportunities within the local market. This has spurred some domestic companies to diversify their investments outside of Botswana.

Strategic Asset Allocation and Manager share of Fund as at December 31, 2022.

For the year ended December 31, 2022 the Fund had an allocation of P4.815 billion equivalent to 49.79 percent in Botswana domestic assets and P 4.856 billion equivalent to 50.21% percent invested in international assets. Offshore investments for the Fund remain slightly overweight the Strategic Asset Allocation due to the historical

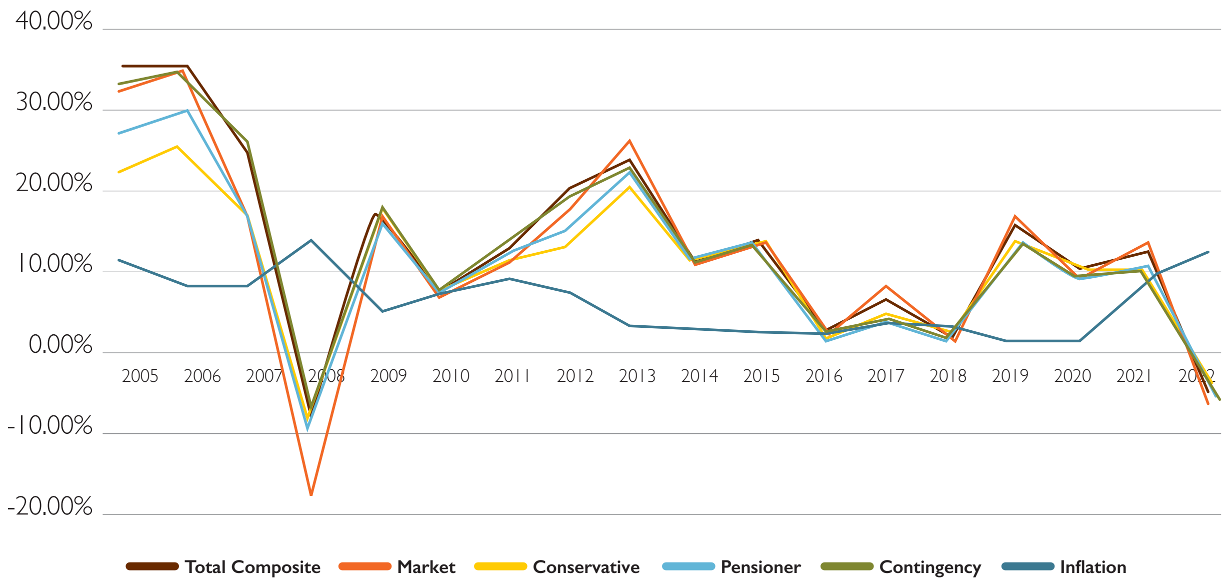
INVESTMENT REPORT

For the year ended 31 December 2022

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. It is important to note that returns in 2022 declined significantly due to geo-political events, heightened inflation, aggressive interest rate hikes and the risk of a protracted global recession.

Figure 1. 2022 Investment Return History



Fund	3 Months to December 2022 (%)	6 Months to December 2022 (%)	12 Months to December 2022 (%)	36 Months to December 2022 (%)	60 Months to December 2022 (%)	Since Inception (August 2022) (%)
Market	4.38	4.47	- 4.97	6.25	7.22	11.90
Conservative	3.77	4.18	-2.47	5.75	6.61	10.11
Pensioner	3.37	3.83	-3.31	5.67	6.80	10.97

i) Market Portfolio Performance

The Market Portfolio performance for 2022 returned -4.97 percent. The Market Portfolio has achieved a return of 11.90 percent since inception of the life stage model.

ii) Conservative Portfolio Performance

For the year ending December 31, 2022 the Conservative Portfolio had a net return -2.47. The Conservative Portfolio has achieved a return of 10.11 percent since inception of the life stage model.

INVESTMENT REPORT

For the year ended 31 December 2022

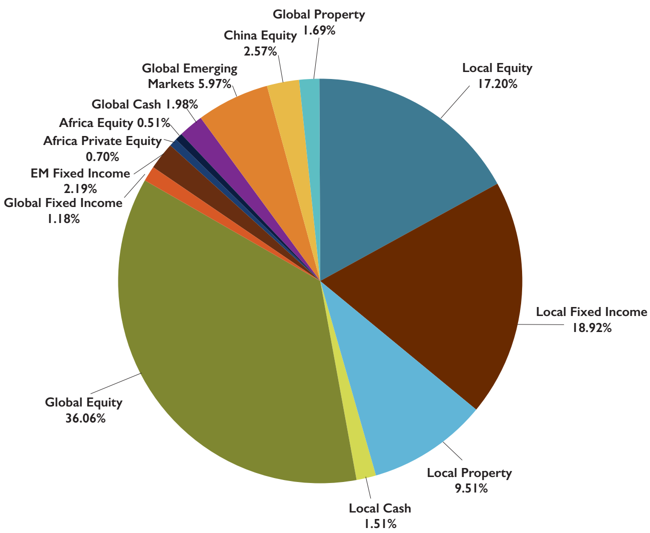
iii) Pensioner Portfolio Performance

The Pensioner Portfolio performance for 2022 returned -3.31 percent. The Pensioner Portfolio has achieved a return of 10.97 percent since inception of the life stage model.

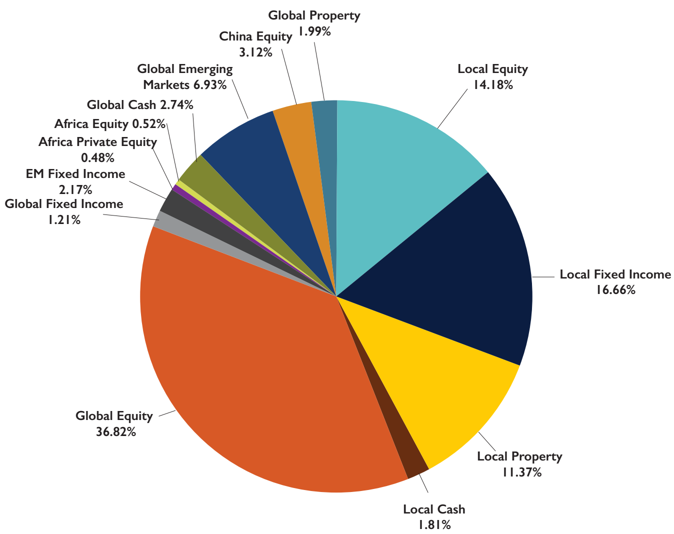
2022 Investment Policy Asset Allocation

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 2022



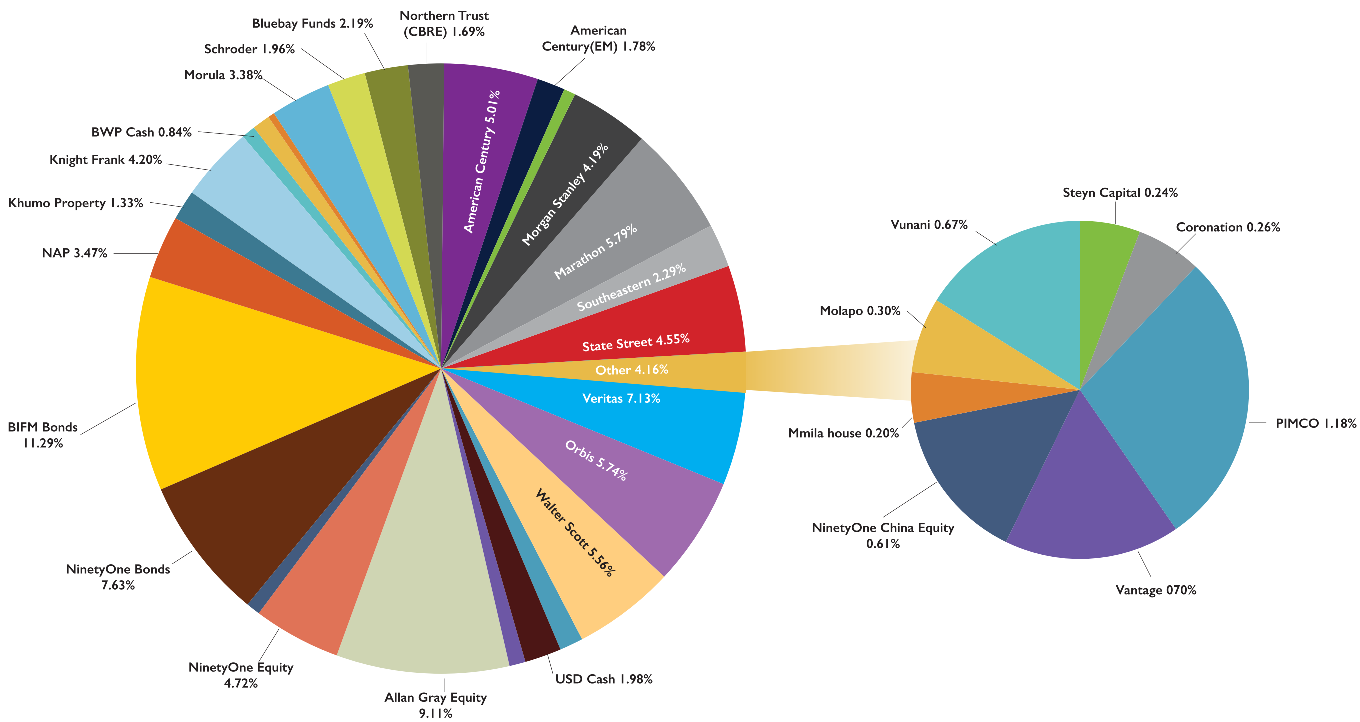
Asset Class Weights As At 31 December 2021



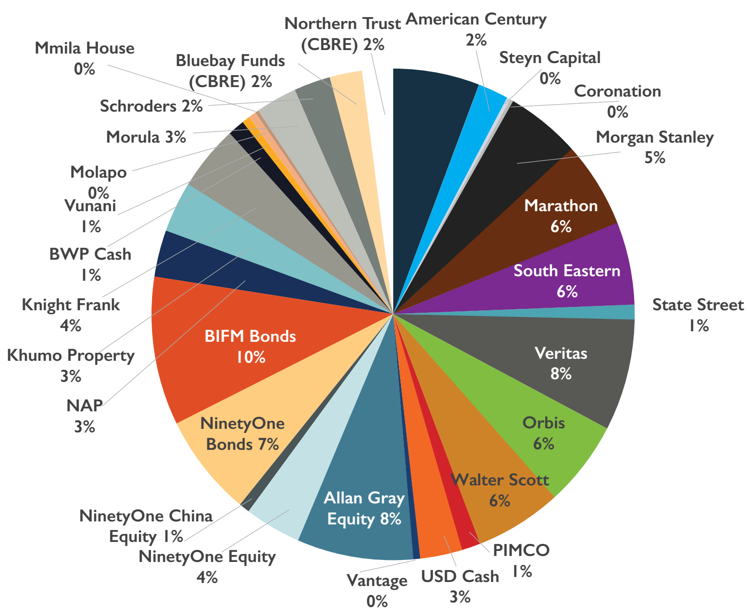
INVESTMENT REPORT

For the year ended 31 December 2022

Asset Manager Weights As At 31 December 2022



Asset Manager Weights As At 31 December 2021



INVESTMENT REPORT

For the year ended 31 December 2022

2022 Investment Policy Asset Allocation

Manager	31-Dec-22	31-Dec-21
Onshore Equity Investment by Asset Manager		
Allan Gray Botswana (Proprieraty) Limited	766,681,031	714,121,281
IPRO Botswana (Proprietary) Limited	304,379,227	285,136,862
Ninety One Botswana (Proprierary Limited)	375,303,128	328,275,980
Morula Capital Partners	315,015,334	262,253,940
Onshore Bonds unlisted Funds		
Botswana Insurance Fund Management Limited	1,017,921,709	793,108,864
Ninety One Botswana (Proprierary) Limited	628,739,497	554,427,020
Offshore Bonds unlisted Funds		
BlueBay Asset Management	209,328,921	222,151,088
Pimco Funds	112,901,700	123,658,075
Offshore equity unitised Funds		
Brown Brothers Harriman Fund Administration Services (Ireland) American Century Global Growth	169,580,573	578,941,299
Brown Brothers Harriman Fund Administration Services (Ireland)	478,153,828	215,822,257
CBRE	161,362,006	204,113,160
Coronation Asset Management (Proprietary) Limited	24,945,832	30,245,964
Orbis Investment Management Limited	547,624,432	565,381,764
Marathon Asset Management Limited	552,788,735	584,750,459
Morgan Stanley Investment Management Limited	399,891,296	493,631,137
Ninety One UK Limited	58,374,717	72,716,636
Schroders	187,378,329	246,531,465
Southeastern Asset Management	218,865,246	570,192,377
State Street Global Advisors	434,004,969	90,474,554
Steyn Capital Management (Proprietary) Limited	23,352,738	23,061,978
Vantage Capital Fund Managers (Proprietary) Limited	66,764,581	49,666,254
Veritas Asset Management	680,148,172	772,061,423
Walter Scott & Partners Limited	530,623,260	607,320,341
Cash		
Cash and Cash Equivalents	705,328,184	994,138,932
Property		
Investment Properties At Fair Value	393,913,512	387,544,591
Investment in Associates and Subsidiary	277,767,000	300,800,000
Total AUM (excluding Property and Cash)	8,264,129,261	8,388,044,178.00
Total AUM (including Property and Cash)	9,641,137,957	10,070,527,701

INVESTMENT REPORT

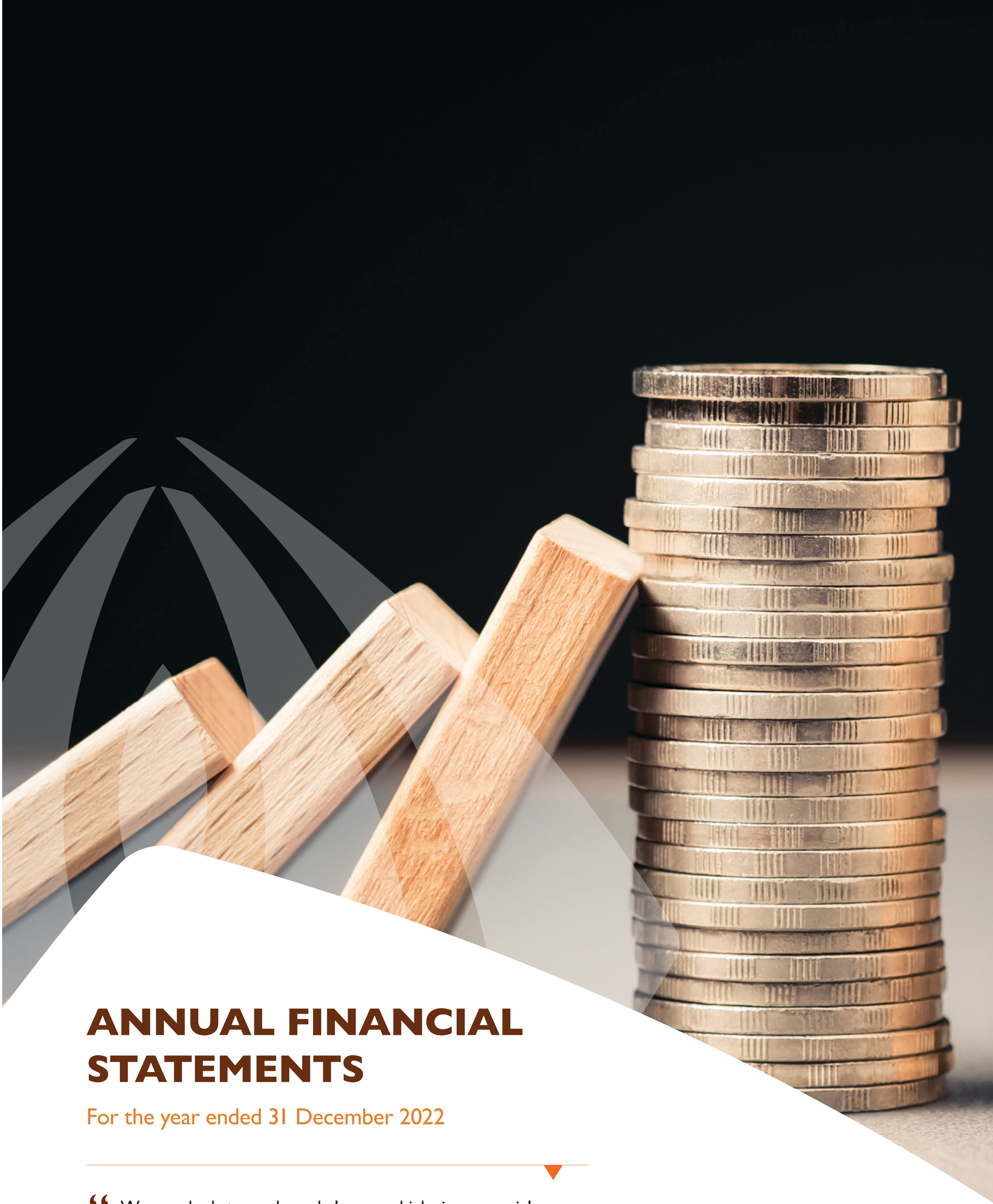
For the year ended 31 December 2022

2022 Strategic Developments

The 2022 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			Pensioner		
	LB	SAAU	BL	BS	AA	UB	LB	SAAU	B
SA ILB MT	0.00%	0.00%0	.00%	0.00%	0.00%	17.50%	0.00%	0.00%	15.00%
SA ILB MT	0.00%	0.00%1	0.00%	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%1	5.00%	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	7.5%	12.50%	27.5%	5.00%	15.00%	25.00%	5.00%	16.00%	25.00%
Foreign Equity	22.00%	37.00%	42.00%	24.50%	32.00%	34.5%	21.00%	32.00%	36.00%
EM Eqiuty	0.00%	7.00%1	2.00%	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%	3.00%5	.00%	0.00%	2.00%	5.00%	0.00%	2.00%	5.00%
Foreign Cash	0.00%	0.00%2	.5%0	.00%	0.00%	2.5%	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%	



ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

“ We worked towards a balance, which is a crucial element that has kept the Fund operating, despite the market setbacks we faced. ”

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GENERAL INFORMATION

Annual Financial Statements for the year ended 31 December 2022

Country of Incorporation and Domicile Botswana

Trustees		Designation	Appointment Date	Resignation Date
	Thabiso Moanakwena	Chairperson	1-Dec-22	
	Lebogang Sebopelo	Chairperson(outgoing)		30-Nov-22
	Lynette Armstrong	Trustee		31-Jul-22
	Claire Busetti	Trustee		
	Reobonye China Abel	Trustee		31-Jul-22
	Obakeng Moroka	Trustee	8-Nov-22	
	Lapologang Letshwenyo	Trustee		
	Tshepo Mokgethi	Trustee	24-Aug-22	
	Potoko Bogopa	Trustee		
	Malebogo Ntshwabi	Trustee	24-Aug-22	
	Baintlafatsi Thomas	Trustee	24-Aug-22	
	Gosego January	Principal Officer		

Registered Office	Main Mall, Debswana House 5th Floor Gaborone Botswana
Business Address	Main Mall, Debswana House 5th Floor Gaborone Botswana
Postal Address	Private Bag 00512 Gaborone
Bankers	ABSA Bank Botswana Limited First National Bank Botswana Limited Standard Chartered Bank Botswana Limited
Auditor	PricewaterhouseCoopers Inc. Plot 64289, Tlokweng Road Gaborone, Botswana PO Box 294 Gaborone
Custodian	Stanbic Bank Botswana Limited
Investment Consultants	Riscura Consulting Services (Proprietary) Limited
Actuaries	Towers Watson (Proprietary) Limited
Onshore Investment Managers	Allan Gray Botswana (Proprietary) Limited Botswana Insurance Fund Management Limited IPro Botswana (Proprietary) Limited Morula Capital Partners Ninety One Botswana (Proprietary) Limited Vunani Fund Managers

GENERAL INFORMATION

Annual Financial Statements for the year ended 31 December 2022

Offshore Investment Managers	BlueBay Asset Management Brown Brothers Harriman Fund Administration Services (Ireland) Limited (American Century Emerging Markets) Brown Brothers Harriman Fund Administration Services (Ireland) Limited (American Century Global Growth) CBRE Investment Management Coronation Asset Management (Proprietary) Limited Marathon Asset Management Limited Morgan Stanley Investments Management Limited Ninetyone UK Limited Orbis Investment Management Limited PIMCO Funds Schroders Southeastern Asset Management State Street Global Advisors Steyn Capital Management (Proprietary) Limited Vantage Capital Fund Managers (Proprietary) Limited Veritas Asset Management Walter Scott & Partners Limited

TRUSTEES' RESPONSIBILITIES AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

TRUSTEES' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The members of the board of trustees are responsible for the preparation and fair presentation of the annual financial statements of Debswana Pension Fund ("the Fund"), comprising the statement of assets available for benefits as at 31 December 2022, the statement of changes in net assets available for benefits, statement of changes in members' funds and reserves, statement of cash flows for the year then ended and the notes to the annual 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 2022 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and the related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The independent auditor is engaged to express an independent opinion on the annual financial statements and their report is presented on pages 58-62.

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

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

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

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

The members of the board of trustees have made an assessment of the Fund's ability to continue as a going concern and there is no reason to believe the Fund will not be a going concern in the year ahead. The members of the board of trustees are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The annual financial statements set out on pages 63 to 110 which have been prepared on the going concern basis, were approved and authorised for issue by the board of trustees and were signed on 9 June 2023 on its behalf by:

L. Letshwenyo

Lapologang Letshwenyo
(Audit and Risk Chairperson)

Thabiso Moanakwena
(Board Chairperson)

pwc

Independent auditor's report

To the members of Debswana Pension Fund

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Debswana Pension Fund (the "Fund") as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Debswana Pension Fund's financial statements set out on pages 63 to 110 which comprise:

- the statement of assets available for benefits as at 31 December 2022;
- the statement of changes in net assets available for benefits for the year then ended;
- the statement of changes in member's funds and reserves for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Fund in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property The Fund accounts for investment property at fair value and the carrying value as at 31 December 2022 was P393 913 512. Investment Properties were valued at fair value as at the reporting date using the income capitalisation method. The Fund's valuation of the portfolio of properties was based on valuations carried out by independent valuers. Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property, directly impact fair values. Amongst others, the following assumptions were key in establishing fair value: • net market rent • average market rental growth • capitalisation rate We considered the valuation of investment property to be a matter of most significance to the current year audit due to the nature of assumptions applied by the Fund in determining the fair values and the magnitude of the carrying value. The disclosure associated with investment properties is set out in the financial statements as follows: • Significant accounting policies - "1.7 Investment Property"; • Significant accounting policies - "1.17 Key sources of estimation uncertainty"; • Notes to the financial statements - "15 Investment Property"; • Notes to the financial statements - "25 Financial risk management (Market risk sensitivity analysis)".	In respect of the Fund's independent valuers (the "Valuers"), we performed the following procedures: • Inspected the Valuers' valuation reports for statements of independence and compliance with generally accepted valuation standards, as well as for confirmation of the Valuers' affiliation with the relevant professional body. • Inspected the Valuers' professional certifications and curricula vitae, which list their experience in the industry. Based on our procedures performed, we noted no matters requiring further consideration. • Evaluated whether there are any matters that might have affected the Valuers' objectivity or may have imposed scope limitations upon the work performed by the Valuers by obtaining written confirmation from the Valuers that: i. all professional staff involved in the valuation process are in good standing with relevant professional bodies; ii. they are free from any direct or indirect financial interest in the Fund; iii. the Fund did not place any restrictions on the valuation process; and iv. they are not aware of any information relevant to the valuation which had been withheld by the Fund. Based on our procedures performed, we noted no matters requiring further consideration. We assessed the appropriateness of the valuation methodologies used by the Valuers against the requirements of IFRS 13 - Fair value measurement and industry practice. Based on our procedures performed, we accepted the valuation methodology used by the Valuers. We compared data inputs used in the independent valuations for a sample of investment properties, including net cash flows, to relevant documentation (such as tenancy schedules and rental agreements). The data inputs used in the independent valuations were found to be consistent with such supporting information. For a sample of investment properties, we compared capitalisation rates utilised by the Valuers to rates utilised in valuation of comparable properties based on our experience, and rates used in historical valuations for the same properties. Based on our procedures, we accepted the capitalisation rates used by the Fund.

Key audit matter	How our audit addressed the key audit matter
	For a sample of investment properties, we compared the fair value recorded in the accounting records to the external valuation reports and found no exceptions.
Valuation of investments in equity securities (associates and subsidiary) The Fund accounts for investment in equity securities (associates and subsidiary) at fair value and the carrying value as at 31 December 2022 was P277 767 000. The Fund accounts for these investments based on valuations carried out by independent valuers using the income capitalisation method. Judgement is exercised to determine the fair value of investments in equity securities, especially with respect to the determination of appropriate capitalisation rates and maintainable income. We considered the valuation of equity securities to be a matter of most significance to the current year audit due to the nature of assumptions applied by the Fund in determining the fair values, as well as the magnitude of the balances. The disclosures associated with investments in equity securities is set out in the financial statements as follows: • Significant accounting policies - "1.8 Investment in associates and subsidiary"; • Significant accounting policies " 1.17 Key sources of estimation uncertainty"; • Notes to the financial statements - "14 Investment in equity securities"; • Notes to the financial statements - "25 Financial risk management (Market risk sensitivity analysis)"	In respect of the Fund's independent valuers (the "Valuers"), we performed the following procedures: • Inspected the Valuers' professional certifications and curricula vitae, which list their experience in the industry. Based on our procedures performed, we noted no matters requiring further consideration; • Evaluated whether there are any matters that might have affected the Valuers' objectivity or may have imposed scope limitations upon the work performed by the Valuers by obtaining written confirmation from the Valuers that: i. all professional staff involved in the valuation process are in good standing with relevant professional bodies; ii. they are free from any direct or indirect financial interest in the Fund; iii. the Fund did not place any restrictions on the valuation process; and iv. they are not aware of any information relevant to the valuation which had been withheld by the Fund. Based on our procedures performed, we noted no matter requiring further consideration. Involved our internal valuation specialists to evaluate the appropriateness of the valuation models and capitalisation rates used by the Fund's experts for a sample of valuations. We found the valuation models used by the Valuers to be appropriate and found the capitalisation rates used to be within an acceptable range. For a sample of valuations, we compared the maintainable earnings projections used for the valuation against the associates' most recent financial statements and found these to be reasonable. Compared the fair value recorded in the accounting records to the external valuation reports for all investments in associates and subsidiary and found no material exceptions.

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Other information
The Trustees are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "Debswana Pension Fund Annual Financial Statements for the year ended 31 December 2022." 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 on the other information that we obtained prior to the date of this auditor's report, 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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as 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.

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 ISAs 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 ISAs, 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.
- 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 the purpose of expressing an opinion on the effectiveness of the Company'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.

We communicate with those charged with governance 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.

From the matters communicated with those charged with governance, 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
Firm of Certified Auditors
Practicing Member: Kosala Wijesena (CAP 0025 2023)

14 June 2023
Gaborone

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended 31 December, 2022

Figures in Pula	Notes	2022	2021
Performance from membership activities			
Member contributions			
Member statutory contributions	3	384,005,926	351,977,546
Member voluntary contributions	3	2,377,655	2,201,140
Net transfers to other funds	4	(8,796,457)	(832,327)
Total contributions from members		**377,587,124**	**353,346,359**
Member benefit expenses			
Benefits on withdrawal		(33,751,497)	(98,247,275)
Lump sums on retirement		(118,449,537)	(144,819,351)
Pensioners' death benefits		(3,251,213)	(8,137,100)
Pensions to retired members		(229,833,594)	(206,346,997)
Total member benefits expenses		**(385,285,841)**	**(457,550,723)**
Fund operating expenses			
Employee costs - salaries	6	(14,546,969)	(12,978,436)
Administrative expenses	6	(33,422,769)	(26,905,899)
Depreciation - property, plant and equipment	11	(136,749)	(235,411)
Depreciation - rights of use asset	12	(397,300)	-
Movement in impairment of receivables (Expected Credit Loss)	18	(4,316,986)	(575,392)
Total fund operating expenses		**(52,820,773)**	**(40,695,138)**
Change in net assets from membership activities		**(60,519,490)**	**(144,899,502)**
Performance from investment activities			
Investment income			
Interest income	9	137,643,957	109,814,459
Dividend income	9	149,451,051	122,547,683
Other income	7	36,631	3,017,746
Rental income	5	21,233,910	25,790,053
Unrealised fair value (losses)/gains on investment securities	8	(1,039,223,885)	589,976,683
Unrealised foreign exchange gains on investment securities	8	483,156,567	409,009,232
Unrealised gains/(losses) on fair valuation of investment properties	15	15,982,540	(1,586,014)
Total investment income		**(231,719,229)**	**1,258,569,842**
Investment expenses			
Onshore investment management fees		(14,535,375)	(12,804,339)
Offshore investment management fees		(33,218,183)	(92,198,168)
Fair value losses from associates and subsidiaries	14	(36,081,000)	(43,587,000)
Losses on disposal of investment securities		(2,819,937)	(16,932,753)
Rental expenses	5	(7,582,309)	(10,482,713)
Total investment expenses		**(94,236,804)**	**(176,004,973)**
Change in net assets from investment activities		**(325,956,033)**	**1,082,564,869**
(Decrease)/Increase in net assets during the year		**(386,475,523)**	**937,665,367**

STATEMENT OF ASSETS AVAILABLE FOR BENEFITS

As at 31 December, 2022

Figures in Pula	Notes	2022	2021
Non-current assets			
Property, plant and equipment	11	462,495	439,837
Right-of-use asset	12	4,767,606	-
Investment in equity securities	14	277,767,000	300,800,000
Investment property	15	393,913,512	387,544,591
Investment securities	16	8,264,129,260	8,388,044, 178
Operating lease asset	17	2,263,739	5,134,352
Financial assets at amortized cost	13	421,000	481,282
		8,943,724,612	**9,082,444,240**
Current assets			
Other receivables at amortized cost	18	22,813,694	27,637,951
Cash and cash equivalents	19	705,328,184	994,138,932
		728,141,879	**1,021,776,883**
Total assets		**9,671,866,491**	**10,104,221,123**
Funds, Reserves and Liabilities			
Funds and reserves			
Pensioners' account	33	3,124,693,000	3,057,068,000
Contingency reserves	20	29,450,000	240,401,000
Fund account		6,411,372,035	6,654,539,022
Total funds and reserves		**9,565,515,035**	**9,952,008,022**
Liabilities			
Non-current liabilities			
Lease liability	12	4,697,501	-
Total non-current liabilities		**4,697,501**	**-**
Current liabilities			
Benefits payable	21	70,716,112	89,292,415
Other payables	22	30,489,487	62,715,898
Lease liability	12	243,569	-
Intercompany balances	23	204,788	204,788
Total current liabilities		**101,653,955**	**152,213,101**
Total liabilities		**106,351,457**	**152,213,101**
Total Funds, Reserves and Liabilities		**9,671,866,491**	**10,104,221,123**

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES

For the year ended 31 December, 2022

Figures in Pula	Pensioners' account	Contingency reserves	Fund account	Total
Balance at 1 January 2021	**2,709,303,000**	**259,774,000**	**6,045,565,655**	**9,014,642,655**
Increase in net assets during the year	-	-	937,665,367	937,665,367
Total change in net assets available for benefits	**-**	**-**	**937,665,367**	**937,665,367**
Transfers between reserves	347,765,000	(19,073,000)	(328,692,000)	-
Transfer of expenses (Project costs)	-	(300,000)	-	(300,000)
Balance at 31 December 2021	**3,057,068,000**	**240,401,000**	**6,654,539,022**	**9,952,008,022**
Decrease in net assets during the year	-	-	(386,475,523)	(386,475,523)
Total change in net assets available for benefits	**-**	**-**	**(386,475,523)**	**(386,475,523)**
Transfers between reserves	67,625,000	-	(67,625,000)	-
Transfer from Contingency Reserve	-	(210,951,000)	210,933,535	(17,465)
Balance at 31 December 2022	**3,124,693,000**	**29,450,000**	**6,411,372,035**	**9,565,515,035**

STATEMENT OF CASH FLOWS

As at 31 December, 2022

Figures in Pula	Notes	2022	2021
Cash flows used in operating activities			
(Decrease)/Increase in net assets during the year		**(386,475,523)**	**937,665,367**
Adjustments for:			
Depreciation on property, plant and equipment	11	136,749	235,411
Depreciation on right of use asset	12	397,300	-
Loan interest - Barclays House	13	(36,631)	-
Adjustments on property plant and equipment	11	(35,646)	-
Finance cost - lease liability	12	438,740	-
Interest income	9	(137,643,957)	(109,814,459)
Dividend income	9	(149,451,051)	(122,547,683)
Unrealised fair value losses/(gains) on investment securities	8	1,072,442,068	(543,206,909)
Unrealised foreign exchange gains on investment securities	8	(464,496,961)	(405,583,965)
Unrealised (gains)/losses on fair valuation of investment properties	15	(15,982,540)	1,586,014
Fair value losses from associates and subsidiaries	14	36,081,000	43,587,000
Losses on disposal of investment securities		2,819,937	16,932,753
Cash used in operations		**(41,806,515)**	**(181,146,471)**
(Decrease)/increase in operating lease assets	17	(2,870,613)	3,135,355
Decrease in other receivables		4,824,257	3,396,814
Decrease in benefits payable	21	(18,576,303)	(16,870,513)
(Decrease)/Increase in other payables	22	(32,226,411)	49,137,773
Increase in investment in equity security payable	23	-	90,157
Net cash used in operating activities		**(90,655,585)**	**(142,256,885)**
Cash flows used in investing activities			
Interest received	9	136,924,449	105,633,285
Proceeds from sale of investment securities	10	424,558, 121	964,271,646
Purchases of investment securities	10	(886,782,863)	(749,100,147)
Purchase of property, plant and equipment	11	(195,053)	(40,685)
Additions of investment properties	15	(2,886,381)	(458,742)
Dividend received	9	149,451,051	122,547,683
Investment in subsidiary - equity funding	14	-	(6,000,000)
Capital repayment on Barclays House loan	13	61,068	-
Loan interest received on Barclays House loan	13	36,631	-
Net cash (used in)/from investing activities		**(178,832,977)**	**436,853,040**
Cash flows used in financing activities			
Rental payments	13	(662,578)	-
Cash flows used in financing activities		**(662,578)**	-
Cash and cash equivalents movement for the year		**(270,151,140)**	**294,596,155**
Cash and cash equivalents at the beginning of the year		994,138,930	702,968,044
Effect of exchange rate movement on cash balances	8	(18,659,606)	(3,425,267)
Total cash and cash equivalents at end the of the year	19	**705,328,184**	**994,138,932**

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1. Significant accounting policies

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

1.1 Basis of preparation and summary of significant accounting policies

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.

Items on the statement of Assets Available for Benefits are presented in liquidity order.

1.2 Benefits payable

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

1.3 Pensioners' account

This account comprises the equivalent of net assets of the Fund attributable to the Fund's pensioners. The 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, 2022.

1.4 Contingency reserve

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

1.5 Valuation of plan assets

Retirement benefit plan investments are carried at fair value.

In the case of marketable securities fair value is market value because this is considered the most useful measure of the securities at the reporting 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Fund.

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.5 Valuation of plan assets(continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1.6 Property, plant and equipment

Property, plant and equipment (PPE) 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. PPE includes furniture and fixtures, motor vehicles and office equipment.

An item of PPE is recognized as an asset when it is probable that future economical benefits associated with the item will flow to the Fund, and the cost of the item can be measured reliably.

PPE is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Expenditure incurred subsequently for major services, additions to or replacement of parts of PPE are capitalized if it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost can be measured reliably.

Maintenance costs are included in the Statement of Changes in Net Assets Available for Benefits in the period in which they are incurred.

All items of PPE are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management.

Depreciation is charged to write off the assets' carrying amount over its' estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the assets economic benefits are consumed by the Fund. Depreciation of an asset seizes at the earlier of the date that the asset is classified as held for sale or derecognized.

The residual value, useful life and depreciation method of each asset class are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimates.

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation and impairment charges for the year are recognized in the Statement of Changes in Net Assets Available for Benefits unless it is included in the carrying amount of another asset.

Impairment tests are performed on PPE when there is an indicator that they may be impaired. When the carrying amount of an item

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.6 Property, plant and equipment(continued)

of PPE is assessed to be higher than the estimated recoverable amount, an impairment loss is recognized immediately to bring the carrying amount in line with the recoverable amount.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from derecognition of an item of PPE, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in the Statement of Changes in Net Assets Available for Benefits when the item is derecognized.

Recognition

Property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Initial measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. The cost of an item of property, plant and equipment includes:
- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Subsequent measurement - Cost model

After initial recognition, property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses.

The useful lives of items of PPE and methods of depreciation are stated as follows;

Item	Depreciation method	Average useful life
Fixtures and fittings	Straight line	10 years
Motor vehicles	Straight line	4 Years
Office equipment	Straight line	4 - 5 years

1.7 Investment property

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 Statement of Changes in Net Assets Available for Benefits in the period in which the property is derecognised.

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.8 Investment in associates and subsidiary

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 financials statements in line 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 Interest in joint operations

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.

1.10 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the Fund becomes a party to the contractual provisions of the instruments. Transaction costs are included to the initial value.

Financial Assets

Financial assets held by the Fund are initially recognised at fair value and subsequently measured at amortised cost. In order for a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Subsequent measurement

For purposes of subsequent measurement, financial assets held by the Fund are measured at amortised.

Financial assets at amortized cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.10 Financial instruments(continued)
Financial assets at amortized cost(continued)

Gains and losses are recognised in statement of changes in net assets available for benefits when the asset is derecognized, modified, or impaired. The Fund's financial assets at amortised cost include loans, receivables and cash and cash equivalents.

Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of changes in net assets available for benefits.

Impairment of financial assets

The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, loans and receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Fund always recognises lifetime expected credit losses (ECL) for receivables and cash equivalent. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Funds recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Fund's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Fund's core operations. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition.

An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.

Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost.

Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.

An actual or expected significant deterioration in the operating results of the debtor.

Significant increases in credit risk on other financial instruments of the same debtor.

An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations Irrespective of the outcome of the above assessment, the Fund presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.10 Financial instruments(continued)
Impairment of financial assets(continued)

i) Significant increase in credit risk (continued)

than 30 days past due, unless the Fund has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Fund assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

The financial instrument has a low risk of default.

The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.

Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations The Fund considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts. For financial guarantee contracts, the date that the Fund becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Fund considers the changes in the risk that the specified debtor will default on the contract. The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Fund considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

When there is a breach of financial covenants by the debtor;

Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full (without taking into account any collateral held by the Fund) Irrespective of the above analysis, the Fund considers that default has occurred when a financial asset is more than 90 days past due unless the Fund has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

Significant financial difficulty of the issuer or the borrower

A breach of contract, such as a default or past due event (see (ii) above)

The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Fund writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Fund's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.10 Financial instruments(continued)
Impairment of financial assets(continued)

v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Fund's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

If the Fund has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Fund measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used. The Fund recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses. For trade receivables, a simplified approach is applied in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments, other than collateral provided in respect of derivatives and securities borrowing transactions. Cash and cash equivalents are measured at amortised cost.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability. Significant financial liabilities comprise benefits payable and other payables.

Derecognition of financial liabilities

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in statement of changes in net assets available for benefits.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.11 Contributions

Each employer contributes monthly in respect of each active member an amount equal to 20% of his/her pensionable earnings, or such other amount as such employer is able to demonstrate to the fund has been agreed with their members.

1.12 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.

1.13 Rental income

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

1.14 Levies

The ordinary levies receivable are accounted for on a straight-line basis over the financial year and decided amongst the trustees on a participation quota basis. The annual ordinary levies are agreed and approved by the trustees at the Fund's annual general meeting. Interest is recognised, in surplus or deficit, using the effective interest rate method. Interest on arrear levy contributions is recognised in terms of prescribed management rule 21(3)(c).

1.15 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.

1.16 Related parties

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 fund (this includes parents, subsidiaries and fellow subsidiaries);

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

b) that are members of the key management personnel (Senior Management) of the fund

All dealings with related parties are transacted at agreed prices and accordingly included in the Statement of Changes in Net Assets Available for Benefits for the year.

1.17 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.

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.17 Key sources of estimation uncertainty(continued)

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.

Valuation of investment properties

The Fund's investment properties were valued as at 31 December 2022 by independent professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

Investment Properties were valued at fair value as at the reporting date using the income capitalisation method.

Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property, directly impact fair values. Amongst others, the following assumptions were key in establishing fair value:

- net market rent;
- average market rental growth;
- the capitalisation rate.

The Fund's administrator reviews the valuations performed by the independent valuers for financial reporting purposes. They report directly to Trustees and the Fund'sInvestment Committee.

At each financial year-end the administrator;
- assesses all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Valuation of investments in associates and subsidiary

An investment in associates and subsidiary 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:

- maintainable income;
- capitalisation rate.

The Fund's administrator reviews the valuations performed by the independent valuers for financial reporting purposes. They report directly to Trustees and the Fund's Investment Committee. At each financial year end the administrator.

- assesses all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.17 Key sources of estimation uncertainty (continued)
Valuation of investments in associates and subsidiary (continued)

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.

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 are disclosed in Note 30.

1.18 Impairment of non-financial assets

The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Fund makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or ash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other Fund's assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in the Statement of Changes in Net Assets Available for Benefits unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

1.19 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services hat increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.19 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Fund's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.20 Leases

The Fund assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases as a lessee

Definition

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Identification of a lease

At inception of a contract, it is assessed to determine whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the terms and conditions of a contract are changed, it is reassessed to once again determine if the contract is still or now contains a lease.

Where a contract contains a lease, each lease component with the contract is accounted for separately from the non-lease components. The consideration is then allocated to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components are determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, an estimate of the stand-alone price is made, maximising the use of observable information in each case. All non-lease components are accounted for in accordance with whatever other policy is applicable to them.

Lease term

The lease term of a lease is determined as the non-cancellable period of the lease, together with the periods covered by an option to extend the lease where there is reasonable certainty that the option will be exercised, and periods covered by an option to terminate the lease if there is reasonable certainty that the option will not be exercised.

The assessment of the reasonable certainty of the exercising of options to extend the lease or not exercising of options to terminate the lease is reassessed upon the occurrence of either a significant event or a significant change in circumstances that is within the Fund's control and it affects the reasonable certainty assumptions.

The assessment of the lease term is revised if there is a change in the non-cancellable lease period.

Recognition

At inception, a right-of-use asset and a lease liability is recognised. Right-of-use assets are included in the statement of assets available for benefits as a separate line item.

Measurement

Right-of-use assets are initially measured at cost, comprising the following:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.20 Leases (continued)

Measurement (continued)

restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The obligation for those costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Where a lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right of-use asset reflects a purchase option will be exercised, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Fund tests for impairment where there is an indication that a right-of-use asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of a right-of-use asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in surplus or deficit, except where the decrease reverses a previously recognised revaluation increase for the same asset the decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, if the rate can be readily determined, else it is based on the Fund's incremental borrowing rate. The following lease payments are included where they are not paid at the commencement date:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if there is reasonably certainty that the option will be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the exercising an option to terminate the lease.

Subsequently, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate described above, or if applicable the revised discount rate described below.

Surplus or deficit for the year will include the interest expense on the lease liability, and the variable costs not included in the measurement of the lease liability are included in the year in which the event of condition that triggers the payment of the variable costs occurs.

Reassessment of the lease liability

Where there are changes in the lease payments, the amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset. Where the carrying amount of the right of use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the remaining amount of the remeasurement is recognised in surplus or deficit.

The remeasurement is performed by discounting the revised lease payments using a revised discount rate where there is a change in the lease term or where there is a change in the assessment of exercising an option contained in the contract. The discount rate is revised to the interest rate implicit in the remainder of the lease term if it can be readily determined, or at the Fund's incremental borrowing rate at the date of the reassessment.

The remeasurement is performed by discounting the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee, or if there is a change in the future lease payments resulting from a change in an index or a rate used to determine those payments. This remeasurement will use an unchanged discount rate unless the change in lease payments resulted from a change in a floating interest rate.

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December, 2022

1.20 Leases (continued)

Fund as a lessor

At inception or on modification of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Fund acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Fund makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Fund considers certain indicators such as whether the lease is for the major part of the economic life of the asset. When the Fund is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Fund applies the exemption described above, then it classifies the sublease as an operating lease. If an arrangement contains lease and non-lease components, then the Fund applies IFRS 15 to allocate the consideration in the contract. The Fund applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Fund further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Fund recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other Income'.

The Fund mitigates risks associated with rights retained in the underlying lease assets by embedding a rental escalation clause within the lease agreement.

Operating leases (Low value leases)

Lease payments from operating leases are recognised as income on either a straight-line basis or another systematic basis. Another systematic basis is applied if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Costs, including depreciation, incurred in earning the lease income is recognised as an expense.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and those costs are recognised as an expense over the lease term on the same basis as the lease income.

Depreciation and impairment is calculated and recognised on the underlying asset in accordance with the relevant policy for the class of underlying asset.

Lease modifications
Modifications to an operating lease are accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

2. New Standards and Interpretations
2.1 Standards and interpretation adopted during the year

2.1.1 Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

The amendment has no impact on prior and current periods of the Fund.

2.1.2 Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts-Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

The amendment has no impact on prior and current periods of the Fund.

2.1.3 Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment has no impact on prior and current periods of the Fund.

2.2 New standards and interpretations not yet adopted

2.1.4 IFRS 17, 'Insurance contracts'

Overview of IFRS 17
IFRS 17 replaces IFRS 4, which was issued as an interim standard and permitted entities to account for insurance contracts (particularly the measurement thereof) using local accounting practices, resulting in a multitude of different approaches. The definition and scope of contracts to be measured under IFRS 1 7 is largely aligned to IFRS 4, however there are some slight differences regarding certain judgements related to investment contracts with Direct Participating Features and the introduction of the determination of significant insurance risk now being on a present value basis.

Whereas IFRS 4 required the use of local accounting practices in measuring insurance liabilities (which essentially referred to the local actuarial guidance), IFRS 17 introduces defined accounting models which will increase the comparability of information reported by all reporting entities that issue insurance contracts. Alignment to accounting principles applied to other industries (besides insurance) that report under IFRS, was a key objective of the standard. In particular, revenue recognition principles and disclosure comparisons between industries have specifically been enhanced. There are very closely aligned recognition principles between IFRS 17 and IFRS 15 Revenue from Contracts with Customers. The main revenue recognition principle that IFRS 1 7 adopts is to recognise revenue (and consequently profit or loss) over the duration of the applicable policyholder contracts (i.e, Annuities) in a manner that best reflects the delivery of insurance contract services in the specific reporting period.

This aligns closely to the principles applied in IFRS 15. The total recognised profit or loss outcome of contracts (i.e. the actual cash flows that emerge over the total contract term) naturally remains unchanged. However, the year-by-year reporting of profit or loss outcomes

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

2. New Standards and Interpretations(continued)
2.1.4 IFRS 17, 'Insurance contracts' (continued)
Overview of IFRS 17(continued)

between IFRS 4 and IFRS 17 is often different. This is mainly due the accounting policy measurement elections under the application of IFRS 4 being largely referenced to locally adopted actuarial standards or guidance. This has led to significant divergence of profit recognition between jurisdictions, and in many cases within the insurance industry in each jurisdiction.

One significant change for Botswana insurers, is that the standard does not allow for profits to emerge on "day one" (contract recognition date), while still avoiding the deferral of anticipated contracted losses (onerous contracts). Losses for each applicable contract are to be recognised immediately in profit or loss.

A general measurement model (GMM) is applicable to longer contract duration insurance contracts such as without profit annuities that do not have significant investment components. It requires the use of current estimates of future cash flows, which are those informed by actual trends and investment markets, adjusted for the time value of money. A risk adjustment (RA) is established as an explicit, current adjustment to compensate the group for bearing non-financial risk, that is a deferral of margin to cover the risk of variation to the estimated cash flows. The risk adjustment is released over the contract duration in line with the reduction of the estimated risk.

IFRS 17 establishes a contractual service margin (CSM) at the initial measurement of the liability for remaining coverage (LRC). The CSM represents the unearned profit on the contract which is expected to be earned in the future and results in no profit at initial recognition. The CSM is only applicable to the LRC as the group still has an obligation for service, and not to the liability for incurred claims (LIC). The CSM is released over the life of the contract in line with the level of service provided in each period. The interest rate used to discount cash flows and determine the initial CSM is locked in at the rate at inception for that contract, for all future CSM movements. Although there is no profit recognised at inception, the standard does require the group to recognise losses on any onerous groups of contracts upfront.

Apart from the CSM, all other probability-weighted estimates of cash flows contained in the measurement of insurance assets or liabilities are measured at current values.

For contracts that have a component of significant insurance risk but are substantially investment-related contracts with direct participation in a share of underlying items, the GMM is modified to measure such contracts using the variable fee measurement approach (VFA), for example, a retirement annuity that may include a product benefit of a minimum return of contributions on death. This approach effectively amortises, over the remaining life of the contract, the impact to the future estimated revenue (e.g., asset-based investment management fees) that have arisen from changes in investment values at the reporting date. A key difference to the GMM approach is that the CSM is not locked in at the original discount rate.

An insurance contract is considered to be a direct participating contract when the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items: the entity expects to pay the policyholder an amount equal to a substantial share of the fair value returns on the underlying items: and the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

Impact assessment of adopting IFRS 17

The adoption of IFRS 17 is going to fundamentally change the accounting treatment of annuity contracts issued by the Fund. Annuity contracts meet the definition of insurance contracts as set out in IFRS 17. The standard is effective for annual reporting periods beginning on or after 1 January 2023. The Fund has embarked on a project to assess the impact of adoption and implement the standard in the financial year beginning 1 January 2023. As at year end, the Fund has performed a formal qualitative assessment of the impact of adopting as set out under various headings below:

Key revenue recognition changes between IFRS 17 and current practice

Whereas IFRS 4 permitted local actuarial practice to measure annuity contracts, IFRS 17 prescribes the use of GMM or VFA depending on the features of the an annuity contract. A key change is the creation of the CSM and the establishment of the non-financial risk adjustment (collectively representing a deferral of estimated profit) in respect of GMM and VFA measured contracts. The CSM and RA, which is established on initial contract recognition and the associated related guidance of future measurement results in a different pattern of revenue recognition for many portfolios over the contract coverage period, compared to existing accounting policies.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

2. New Standards and Interpretations (continued)
2.1.4 IFRS 17, 'Insurance contracts'(continued)
Key revenue recognition changes between IFRS 17 and current practice (continued)

Under current accounting policies, margins are established and deferred over future service periods, but:

- these are not locked in at discount rates applicable on date of contract inception for GMM contracts (and therefore were continually remeasured to reflect current interest rate environments).
- the use of designated coverage units to release the margin over the remaining contract period under IFRS 17 differs in many cases to the current (mainly systematic time-based) approach to releasing the deferred margins.
- allowed for day one profit on initial recognition, if the expected service revenue was higher than required to meet the service obligations, within a group adopted risk adjusted return threshold.
- recognised changes to future best estimate assumptions in the profit or loss in full, as and when effected, and are not absorbed by the remaining reserved margins.
- portfolios of similar type contracts are not restricted by a twelve-month cohort of contracts, allowing for more cross subsidisation within the groups of contracts.

The application of the CSM as guided under IFRS 17 is likely to result in lower volatility in insurance earnings between reporting periods over time. This is mainly a consequence of the requirement to, where applicable, absorb any changes to estimates of future contractual fulfilment cash flows into the CSM. This then systematically impacts future margin releases rather than the current treatment which impacts the profit or loss in the year of change.

Financial Statement presentation

Statement of changes in net assets available for benefits

Under current accounting practice, the Fund's performance is presented and analysed under two main headings namely, membership and investments activities respectively but under IFRS 17, annuity contracts shall be presented on their own with a performance heading "Insurance activities". This is going to result in claims and expenses included in Member benefit expenses and Fund operating expenses being represented as part of insurance activities so that the performance under membership activities reflects that of the active and deferred members only. On the other hand, Insurance activities shall reflect performance from the issuance of annuities to retired members.

Insurance activities shall largely comprise of insurance revenue derived from the release of the CSM, ,risk adjustment margins, expected benefit and expenses on expiration of promised coverage using actuarial models and incurred expenses. These estimates will replace the changes (gains and losses) included under member benefit expenses as the introduction of IFRS 17 will supersede solvency/statutory estimates reported in the statement of changes in net assets available for benefits relating to annuities.

IFRS 17 shall improve the performance reporting by Fund by analysing performance relating to active and deferred members (Accumulation activities) , retired members/pensioners (insurance activities) and investment performance (investment activities).

Statement of assets available for benefits

A new reserve account on the statement of assets available for benefits will be introduced for recognizing the cumulative contractual service margin earned. This reserve is not prescribed by statute as in the case of the fund reserve. Statutory pensioner's liabilities will be superseded by insurance liabilities that are valued using IFRS 17 principles.

Disclosures

The adoption IFRS 17 will result in additional disclosures both qualitative and quantitative about:

a. the amounts recognised in its financial statements for annuity contracts
b. the significant judgements, and changes in those judgements, made when applying IFRS 17; and
c. the nature and extent of the risks arising from annuity contracts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

2. New Standards and Interpretations (continued)
2.1.4 IFRS 17, 'Insurance contracts'(continued)

Transition

The standard provides three transitional approaches that apply depending on the availability and quality of data relating to annuity contracts. It is expected that the Fund will apply the full retrospective method for contracts issued between 2016 and 2022; modified retrospective or fair value methods for contracts issued between 2015 and date the first annuity contract was issued by the Fund.

Broader business impact

The adoption of IFRS 17 is also expected to have a broader business impact of the Fund in the following areas:

Product design, pricing and product cross subsidization
Risk management framework
Governance, systems and processes Technology and business reporting

2.1.5 Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'.

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendments include two illustrative examples to help stakeholders understand how to apply the new definition of accounting estimates. The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Effective for annual periods beginning on or after 1 January 2023. The Fund will adopt the standard on 1 January 2023.

The amendment is not expected to have a material impact on the Fund .

2.1.6 Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller- lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8 transition.

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

2. New Standards and Interpretations (continued)
2.1.6 Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 (continued)

transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16. Effective for annual periods beginning on or after 1 January 2024. The Fund will adopt the standard on 1 January 2024.

The amendment is not expected to have a material impact on the Fund.

2.1.7 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Replacement of the term 'significant' with 'material' In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board.

In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

Disclosure of standardised information - Although standardised information is less useful to users than entity specific accounting policy information, the Board agreed that, in some circumstances, standardised accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardised accounting policy information is material, and should be disclosed.

The amendments to the PS also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS may be considered material accounting policy information. Effective for annual periods beginning on or after 1 January 2023. The Fund will adopt the standard on 1 January 2023.

The amendments may impact the accounting policy disclosures of Fund. The full impact is still being assessed.

2.1.8 Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022, however, their effective date was initially delayed to 1 January 2023. This is further delayed until 1 January 2024. The Fund will adopt the standard on 1 January 2024.

The amendments result from a request received by the IASB to clarify the criteria for the classification of a liability as either current or non-current. In particular, the IASB was asked to clarify how having an unconditional right to defer settlement (specified in IAS 1:69(d)) reconciled with having the discretion to refinance or roll over an obligation (specified in IAS 1:73). This is because having an unconditional right to defer settlement was seen as a much higher hurdle than having the discretion to defer settlement.

The IASB decided to address this conflict by proposing amendments to IAS 1 in Exposure Draft ED/2015/1 Classification of Liabilities. The IASB decided to finalise these proposals with additional clarifications, but no fundamental changes.

The amendment is not expected to have a material impact on the Fund.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

Figures in Pula	2022	2021

3. Contributions

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

4. Net transfers from/(to) other funds

	2022	2021
Transfers in	11,744,537	6,132,460
Transfers out	(20,540,994)	(6,964,787)
	(8,796,457)	**(832,327)**

5. Rental income and expenses

	2022	2021
Rental income		
Rental income on investment property	21,233,910	25,790,053
Rental expenses		
Repairs and maintenance	(781,534)	(909,445)
Electricity and water	(1,675,109)	(1,346,230)
Property rates	(25,408)	(70,474)
Security expenses	(616,905)	(561,465)
Operating costs	(2,581,975)	(4,647,756)
Valuation fees	(220,000)	(504,750)
Letting fees	(358,095)	(378,059)
Legal fees	(121,143)	(94,718)
Insurance	(348,693)	(468,920)
Management fees	(853,447)	(1,500,896)
Total rental expenses	**(7,582,309)**	**(10,482,713)**

6. Administrative expenses

	2022	2021
Actuarial fees	415,368	423,918
Audit fees - internal audit	-	461,450
Bank charges	291,678	476,963
Communications expenses	1,101,600	939,134
Consulting and professional fees	3,774,482	3,620,789
Custodial services fees	1,807,387	1,544,999
External audit fees - current year	1,099,986	767,300
Fidelity and other Insurance premium	375,982	398,794
Finance cost - lease liability	438,740	-
Fund administration fees (Mmila Fund Administrators)	16,586,546	12,256,558
Investment consulting fees	2,172,844	2,418,338
Legal fees	421,338	318,449
License and maintenance fees	126,879	352,492
Other expenses	2,534,611	2,040,493
Stationery	26,956	21,718
Travel and entertainment	1,692,831	435,556
Unitisation fees	555,541	428,948
Total administrative expenses	**33,422,769**	**26,905,899**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

Figures in Pula	2022	2021

6. Administrative expenses (continued)

Employee costs

As at 31 December, 2022 the Fund had 8 permanent employees (2021:8). The total cost of employment of all employees, including the executive director, was as follows:

Salaries, wages, bonuses and other benefits (Including key management)	13,365,866	12,013,758
Defined contribution expense (Including key management)	1, 181,103	964,678
	14,546,969	**12,978,436**

7. Other income

VAT Refund	-	2,936,746
Board sitting allowances-Mmila Fund Administrators	-	55,000
Tender document fees	-	26,000
Loan interest - Barclays House	36,631	-
	36,631	**3,017,746**

8. Unrealised foreign exchange gain on investment securities

Foreign exchange effect on offshore investments	464,496,961	405,583,965
Foreign exchange effect on foreign currency denominated Bank accounts	18,659,606	3,425,267
	483,156,567	**409,009,232**

Unrealised fair value gains on investment securities

Onshore equity investment	128,863,913	69,061,204
Onshore Bonds investment	(27,988,880)	(97,882,064)
Offshore	(1, 140,098,918)	618,797,543
Total unrealised fair value gains on investment securities	**(1,039,223,885)**	**589,976,683**
Investment management fees deducted at source	(33,218,183)	(46,769,774)
Net unrealised fair value gains on investment securities	**(1,072,442,068)**	**543,206,909**

9. Income from investment securities

Interest income

Interest - Bonds	116,100,284	93,119,926
Interest - Bank	1,221,070	1,222,106
Interest - fixed deposit	20,322,603	15,463,792
Rental interest charge	-	8,635
Total interest income	**137,643,957**	**109,814,459**
Accrued interest	(719,508)	(4,181,174)
Interest received	**136,924,449**	**105,633,285**

Dividend income

Onshore investments	124,999,574	115,712,233
Associates	24,451,477	6,835,450
	149,451,051	**122,547,683**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

Figures in Pula	2022	2021
10. Investment security proceeds and purchases		
Proceeds from sale of investment securities		
On shore bonds	145,039,138	406,399,744
On shore equity	24,471,877	74,518,034
Off shore	255,047,106	353,058,415
Cash in transit	-	130,295,453
	424,558,121	**964,271,646**
Purchases of investment securities		
On shore bonds	462,603,924	484,899,735
On shore equity	67,727,534	107,173,512
Off shore	356,451,405	157,026,900
	886,782,863	**749,100,147**

11. Property, plant and equipment

Original cost	**Motor vehicles P**	**Fixtures and fittings P**	**Office Equipment P**	**Total P**
Opening Balance at I January 2022	724,349	531,709	1,733,356	**2,989,414**
Additions	-	-	195,053	**195,053**
Adjustments	-	(1,692)	(190,430)	**(192,122)**
At 31 December, 2022	**724,349**	**530,017**	**1,737,979**	**2,992,345**
Accumulated depreciation				
Opening Balance at I January 2022	(689,449)	(433,172)	(1,426,956)	**(2,549,577)**
Charge for the year	-	(29,575)	(107,174)	**(136,749)**
Adjustments	-	1,692	154,784	**156,476**
Transfers	1,310	46,301	(47,611)	-
At 31 December, 2022	**(688,139)**	**(414,754)**	**(1,426,957)**	**(2,529,850)**
Net book Value	**36,210**	**115,263**	**311,022**	**462,495**
Opening Balance at I January 2021	724,349	531,709	1,692,671	**2,948,729**
Additions	-	-	40,685	**40,685**
At 31 December, 2021	**724,349**	**531,709**	**1,733,356**	**2,989,414**
Accumulated depreciation				
Opening Balance at I January 2021	(640,077)	(409,890)	(I ,264, 199)	**(2,314,166)**
Charge for the year	(49,372)	(23,282)	(162,757)	**(235,411)**
At 31 December, 2021	**(689,449)**	**(433,172)**	**(1,426,956)**	**(2,549,577)**
Net book Value	**34,900**	**98,537**	**306,400**	**439,837**

No assets are pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

12. Right of use asset and lease liability

As at 01 January 2022, the Fund held one (l) property lease contract with a third party in its capacity as the lessee.

In determining the lease term, management considered the non-cancellable period, extension options and terminations clauses embedded in the lease contracts.

DPF should have applied the provisions of IFRS 16 Leases under lessee accounting to recognise the "Right of Use Asset" and "Lease Liability" on I January 2019. This error has been corrected prospectively by applying the principles of IAS 8 Errors. The right of use asset (Investment Property IAS 40) should be measured at cost and amortised over the lease term while the lease liability should subsequently be measured at amortised cost in line with IFRS 9.

The asset is physically distinct as being third floor of plot 8842 Barclays House Gaborone measuring 1,282.48 Sqm. The lessor has no substantive substitution rights. The contract does not provide for substitution rights.

DPF has exclusive use of the identified asset throughout the period of use and has the right to obtain substantially all of the economic benefits by generating rental income from subletting the property.

DPF cannot cede, mortgage or pledge the property and therefore economic benefits are limited to own use or subletting of the assigned floor space.

The lessee is required to pay for utilities separately and therefore the rental amount does not include a non lease component.

Figures in Pula	2022	2021
Amounts recognised in the statement of assets available for benefits		
Right-of-use asset		
Buildings	4,767,606	-
Lease liability		
Building	4,941,070	-
Amounts recognised in the statement of changes in net assets available for benefits		
Depreciation	397,300	-
Finance cost	438,740	-
Right of use asset - Building		
Cost	5,164,906	-
Depreciation	(397,300)	-
Closing balance	4,767,606	-
Lease liability		
Opening balance	5,164,906	-
Rental payments	(662,578)	-
Finance cost	438,740	-
Closing balance	4,941,068	-
Rent paid	662,578	-
Loan interest	(36,631)	-
Capital payments	(61,068)	-
Net rental payment	**564,879**	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

13. Financial assets at amortised cost

The Debswana Pension Fund along with other parties on the 10th of March 1989, entered into a shareholders agreement to finance the settlement of the capital cost for their respective portions in Barclays House. This means that each party committed to providing funds to cover the costs associated with the construction or acquisition of their portion within the building. The financing by each party was in the form of a loan.

The Fund has recognised a financial asset measured at amortised cost in respect of the loan receivable from Barclays House, as per shareholders agreement. Pension Fund assets should be measured at fair value in line with IAS 26 unless the amortised cost value approximates to fair value.

Figures in Pula	2022	2021
Opening Balance	**481,282**	**542,318**
Effective interest income	36,631	40,761
Less: Cash received	(96,913)	(101,797)
Closing balance	421,000	481,282
The arrangement for monthly rental payments is such that DPF as a lessee pays rent to Barclays House net of loan interest and capital. The movements for the year are as follows;		
Rent paid	662,578	-
Loan interest	(36,631)	-
Capital payments	(61,068)	-
Net rental payment	564,879	-

Expected Credit Loss Assessment
2022

Credit Rating	IFRS 9 Staging	Probability of Default	Loss given Default	Exposure at Default	Expected credit loss Rate	Expected Credit Loss
Equivalent to Investment Grade (Moody's BBB) since the Barclays House has never defaulted nor missed any scheduled payment	Stage 1 - 12month ECL (Low credit risk)	Equivalent to a BB corporate bond rating at 0.64% .	67% LGD based on long-term recovery rates for investment grade bonds	421,000	0.43%	1,810

Conclusion: ECL is very negligible at P1810. A low ECL indicates that the fair value of the loan is not materially different from the amortised cost value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

Expected Credit Loss Assessment
2021

Credit Rating	IFRS 9 Staging	Probability of Default	Loss given Default	Exposure at Default	Expected credit loss Rate	Expected Credit Loss
Equivalent to Investment Grade (Moody's BBB) since the Barclays House has never defaulted nor missed any scheduled payment	Stage 1 - 12month ECL (Low credit risk)	Equivalent to a BB corporate bond rating at 0.64% .	67% LGD based on long-term recovery rates for investment grade bonds	481,282	0.43%	2,070

Conclusion: ECL is very negligible at P2070. A low ECL indicates that the fair value of the loan is not materially different from the amortised cost value.

14. Investments in equity securities

The following are a list all of the associates and subsidiary in the Fund:

Healthcare Holdings (Proprietary) Limited

Debswana Pension Fund owns 58.15% in equity in Healthcare Holdings as at 31 December 2022. Healthcare Holdings is a property management company with interests on land, on which a hospital and a number of residential properties have been constructed. The Fund retains voting rights on the board of directors of the entity. Healthcare Holdings is domiciled in Gaborone.

Mmila Fund Administrators (Proprietary) Limited

Mmila is a subsidiary owned 100% by the Fund for the purpose of rendering fund administration services to the Fund and to the market. The Fund has appointed an independent board of directors to give strategic direction to the entity to which the Fund has one representative. The company is domiciled in Gaborone.

Sphinx (Proprietary) Limited

Debswana Pension Fund has a 25% Shareholding in Sphinx. Sphinx holds a 100% of the Molapo Crossing mall (Molapo) shares. Molapo is a double-storey retail property development domiciled in Gaborone which generates income from leasing out commercial space. The Fund retains a sitting in the board of directors of the entity.

Barclays House

As of the reporting date, Debswana Pension Fund owns 13.98% of the 5th floor at Plot 1188 - 1196, 1145 Debswana House. The floor is used for the Fund's operations and is classified as an equity security on the balance sheet.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

14. Investments in equity securities (continued)

Name of company	% Ownership interest 2022	% Ownership interest 2021	Fair value accounting carrying amount 2022	Fair value accounting carrying amount 2021
Healthcare Holdings (Proprietary) Limited	58.15%	58.15%	207,000,000	243,800,000
Mmila Fund Administrators (Proprietary) Limited	100.00%	100.00%	25,000,000	23,000,000
Sphinx Associates (Proprietary) Limited	25.00%	25.00%	37,200,000	34,000,000
Barclays House	13.98%	13.98%	8,567,000	-
			277,767,000	**300,800,000**

	2022	2021
Balance at the beginning of the year	300,800,000	338,387,000
Fair value losses on equity securities	(31,600,000)	(43,587,000)
Mmila Fund Administrators (Proprietary) Limited-additions		6,000,000
Barclays House - Equity Security recognition as at 01 January 2022	8,019,000	-
Equity securities valuation gain	548,000	-
Balance at the end of the year 31 December, 2022	**277,767,000**	**300,800,000**

31 December, 2022

Valuation techniques and inputs Range	Valuation technique	Unobservable input	
	Income capitalisation approach	Capitalisation rate	6- 12%

31 December, 2021

Valuation techniques and inputs	Valuation technique	Unobservable input	Range
	Income capitalisation approach	Capitalisation rate	6- 12%

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 capitilisation 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 25 of the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

14. Investments in equity securities (continued)

Reconciliation of fair value losses from associates and subsidiary

Figures in Pula	2022	2021
Recognition of equity investment in Barclays House at 1 January 2022 which was not previously recognised in error	8,019,000	-
Derecognition of investment property as at 1 January 2022 which was recognised in error relating to Barclays House	(12,500,000)	-
Fair value loss - Investment property	**(4,481,000)**	**-**
Fair value losses on equity securities	(31,600,000)	(43,587,000)
Fair value losses from associates and subsidiary	**(36,081,000)**	**(43,587,000)**

15. Investment property

	2022	2021
Investment properties at fair value		
Freehold and leasehold land and buildings	246,502,222	246,745,841
Leasehold land and buildings held in partnerships	147,411,290	140,798,750
Total investment properties	**393,913,512**	**387,544,591**

The fair value of the Fund's investment properties as at 31 December, 2022 and 31 December, 2021 were arrived at on the basis of valuations carried out at the respective dates by Messrs Wragg (Proprietary) Limited and MG Properties (Proprietary) Limited. These firms of independent chartered valuers are 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.

	2022	2021
Recurring fair value measurements at the end of the reporting period	393,913,512	387,544,591
Reconciliation of fair value measurements categorised within Level 3 of fair value hierarchy		
Balance at the beginning of the year	387,544,591	388,671,863
Unrealised gains/(losses) on fair valuation of investment properties	15,982,540	(1,586,014)
Additions	2,886,381	458,742
Derecognition of Barclays House	(12,500,000)	-
Balance at the end of the year	**393,913,512**	**387,544,591**

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

	2022	2021
Investment property	15,982,540	(1,586,014)
Property operating costs relating to rental income are as follows;		
Direct property costs	1,634,980	2,410,341
Indirect property costs	6,512,992	8,133,409
	8,147,972	**10,543,750**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

15. Investment property (continued)

31 December, 2022

Valuation techniques and inputs	Valuation technique	Unobservable input	Range
	Income capitalisation approach	Capitalisation rate	6- 12%

31 December, 2021

Valuation techniques and inputs	Valuation technique	Unobservable input	Range
	Income capitalisation approach	Capitalisation rate	5- 12%

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 25 of the financial statements.

16. Investment securities

Onshore equity investment by asset manager

Figures in Pula	2022	2021
Allan Gray	766,681,031	714,121,281
Ninety One Botswana (Proprietary) Limited	375,303,128	328,275,980
Morula Capital	315,015,334	262,253,940
IPRO	304,379,227	285,136,862
	1,761,378,720	**1,589,788,063**
Onshore bonds unitised funds		
Ninety One Botswana (Proprietary) Limited	628,739,497	554,427,020
Botswana Insurance Fund Management Limited	1,017,921,709	793,108,864
	1,646,661,206	**1,347,535,884**
Offshore bonds unitised funds		
BlueBay Asset Management	209,328,921	222,151,088
Pimco Funds	112,901,700	123,658,075
	322,230,621	**345,809,163**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

Figures in Pula	2022	2021
Offshore equity unitised funds		
Brown Brothers Harriman Fund Administration Services (Ireland)		
American Century Emerging Markets	169,580,573	215,822,257
Brown Brothers Harriman Fund Administration Services (Ireland)		
American Century Global Growth	478,153,828	578,941,299
CBRE	161,362,006	204,113,160
Coronation Asset Management (Proprietary) Limited	24,945,832	30,245,964
Marathon Asset Management Limited	552,788,735	584,750,459
Morgan Stanley Investment Management Limited	399,891,296	493,631,137
Ninety One UK Limited	58,374,717	72,716,636
Orbis Investment Management Limited	547,624,432	565,381,764
State Street Global Advisors	434,004,969	90,474,554
Southeastern Asset Management	218,865,246	570,192,377
Steyn Capital Management (Proprietary) Limited	23,352,738	23,061,978
Schroders	187,378,329	246,531,465
Vantage Capital Fund Managers (Proprietary) Limited	66,764,581	49,666,254
Veritas Asset Management	680,148,172	772,061,423
Walter Scott & Partners Limited	530,623,260	607,320,341
	4,533,858,714	5,104,911,068
Total Investments securities	**8,264,129,260**	**8,388,044,178**

17. Operating lease asset

	2022	2021
Opening balance	5,134,352	1,998,997
Movement for the year	(2,870,613)	3,135,355
Closing balance	**2,263,739**	**5,134,352**

18. Other receivables at amortized cost

	2022	2021
Contributions receivables	(579,567)	220,304
Advance benefit payments	2,175,444	2,238,575
Allowance for doubtful debts - advance benefit payments	(2,234,689)	(2,234,689)
Trade receivables - net	(638,812)	224,190
Impairment on receivables (Expected Credit Loss))	(5,301,264)	(984,277)
Prepaid expenses	(76,442)	-
Property rentals receivable	6,347,326	2,759,580
Interest receivable	694,398	694,398
Property partnership current assets	19,296,755	23,236,145
Other receivable	2,491,733	1,707,915
	22,813,694	27,637,951

Movement in impairment of other receivables

	2022	2021
Opening balance	984,278	408,886
Movement for the year	4,316,986	575,392
At the end of the year	**5,301,264**	**984,278**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

IFRS: Impairment Provision Matrix as at 31 December, 2022
Rental receivables

	Performing	Non-Performing			Default	
	Current	30 Days	60 Days	90 Days	Over 90 Days	Total
Gross carrying	597,163	793,267	720,178	299,187	3,937,531	6,347,326
Expected loss rate	54.480%	44.460%	62.380%	79.060%	100.000%	84.00%
Impairment loss	(325,334)	(352,687)	(449,247)	(236,538)	(3,937,531)	(5,301,337)
	271,829	440,580	270,931	62,649		1,045,989

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

IFRS: Impairment Provision Matrix as at 31 December 2021
Rental receivables

	Performing	Non-Performing			Default	
	Current	30 Days	60 Days	90 Days	Over 90 Days	Total
Gross carrying	229,491	483,661	328,540	110,462	673,264	1,825,418
Expected loss rate	12.880%	20.820%	36.940%	53.770%	100.000%	53.92%
Impairment loss	(29,558)	(100,698)	(121,363)	(59,395)	(673,264)	(984,278)
	199,933	382,963	207,177	51,067		841,141

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

19. Cash and cash equivalent

Figures in Pula	2022	2021
Cash and cash equivalents consist of:		
Short term deposits	306,557,751	490,628,816
Bank balances - Pula denominated	206,454,281	226,249,084
Bank balances - US Dollar denominated	192,316,152	277,261,032
	705,328,184	**994,138,932**

20. 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		
Processing error reserve	1.5%	29,450,000	40,872,000
Expense reserve	No limit	-	3,716,000
Solvency reserve	25.0%	-	195,813,000
		29,450,000	240,401,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

20. Contingency reserves(continued)

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.

21. Benefits payable

Figures in Pula	2022	2021
Retirement	30,665,760	11,251,211
Withdrawal	7,718,427	5,472,983
Death	21,278,973	59,785,238
Unclaimed benefits	859,269	859,270
Pensioner's deaths	4,347,017	6,932,719
Monthly pensions	5,766,106	4,910,434
Contributions for ineligible members	80,560	80,560
Total benefits payable	**70,716,112**	**89,292,415**

All benefits are payable within 12 months.

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

22. Other payables

Figures in Pula	2022	2021
Financial instruments:		
Sundry creditors	29,227,872	39,481,398
Property partnership current liabilities	-	1,773,242
Security deposits (Rental)	845,067	859,417
Non-financial instruments:		
Value added tax (VAT)	416,548	20,601,841
	30,489,487	62,715,898

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

23. Related parties

Group entities
Subsidiary

Mmila Fund Administrators (Proprietary) Limited

Associates

Healthcare Holdings (Proprietary)
Limited Sphinx Associates (Proprietary) Limited
Barclays House

Intercompany balances

Figures in Pula	2022	2021
Intercompany payable from subsidiary	(204,788)	(204,788)

The related parties of the Fund comprise of the Trustees, Key management personnel, Subsidiary, Associates as well as the participating employers.

Inter company payables arise from outstanding balances relating to administration services fees and any other costs paid by a related party on behalf of the Fund. These are payable within 14 working days upon receiving the invoice by the Fund.

Related party transactions

Figures in Pula	Relationship	2022	2021
Contributions income from participating employers		384,005,926	351,977,546
Internal audit fees charged by Debswana Head Office	Participating employer	367,250	461,450
Fund administration fees charged by Mmila Fund	Subsidiary	16,586,546	12,256,558
IT costs charged by Debswana Head Office	Participating employer	249,223	470,013
Rent charged to Mmila Fund Administrators	Subsidiary	551,508	551,508
Dividends received from (Sphinx Associates)	Associate	418,750	
Fair value loss from Associates (Healthcare Holdings)	Associate	(31,600,000)	(42,087,000)
Fair value gains/(losses) from Subsidiary (Mmila)	Subsidiary	2,000,000	(1,500,000)
		(11,426,723)	**(29,847,471)**

Trustees fees

Figures in Pula	2022	2021
Independent and Pensioner trustees	211,711	277,367

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

Remuneration of key management personnel

Key management personnel comprises the Chief Executive Officer

Figures in Pula	2022	2021
Short-term employee benefits	3,010,743	2,749,885
Post-employment benefits - Pension - Defined contribution plan	296,395	216,367
Long term incentive plan (LTIP)	792,828	-
	4,099,966	**2,966,252**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

24. Impairment of bank balances

Balances with other Banks: General Model: IFRS 9 provision at 31 December 2022	Status	IFRS 9 Staging	Rating Agency	Proxy Rating	Economic Outlook	Credit Quality	12 Month PD*	LGD**	EAD	ECL	Coverage
Absa Bank Botswana Limited	Corporate	Level 1	Moodys	Ba1	Stable	Investment Grade		60%	9,481,755	-	0%
First National Bank Botswana Limited	Corporate	Level 1	Moodys	Ba1	Stable	Investment Grade		60%	95,109,252	-	0%
Standard Chartered Bank Botswana Limited	Corporate	Level 1	Moodys	Ba1	Stable	Investment Grade		60%	50,855,582	-	0%
									155,446,589		

Notes

•Historical Probability of Default for Botswana Commercial and Central Banks is Zero and the same trend is expected to continue for the foreseeable future.

•• Average recovery rates for global bonds by Standards & Poor is at 40% and consequently the LGD is placed at 60%.

••• Information on credit rating of Botswana Commercial banks is not publicly available and therefor we have used credit ratings of the Parent Company as a proxy rating.

Balances with other Banks: General Model: IFRS 9 provision at 31 December 2021	Status	IFRS 9 Staging	Rating Agency	Proxy Rating	Economic Outlook	Credit Quality	12 Month PD*	LGD**	EAD	ECL	Coverage
Absa Bank Botswana Limited	Corporate	Level 1	Moodys	Ba1	Stable	Investment Grade		60%	150,494,260	-	0%
First National Bank Botswana Limited	Corporate	Level 1	Moodys	Ba1	Stable	Investment Grade		60%	68,185,916	-	0%
Standard Chartered Bank Botswana Limited	Corporate	Level 1	Moodys	A3	Stable	Investment Grade		60%	28,720,676	-	0%
									247,400,852		

Notes

* Historical Probability of Default for Botswana Commercial and Central Banks is Zero and the same trend is expected to continue for the foreseeable future.

** Average recovery rates for global bonds by Standards & Poor is at 40% and consequently the LGD is placed at 60%.

*** Information on credit rating of Botswana Commercial banks is not publicly available and therefor we have used credit ratings of the Parent Company as a proxy rating.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

25. Financial risk management

This note explains the Fund's exposure to financial risks and how these risks could affect the Fund's future financial performance. Current year surplus and deficit information has been included where relevant to add further context.

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

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

Risk Management Governance Structure

Board of Trustees

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

Investment Committee

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

Audit and Finance Committee

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

Benefits and Communications Committee

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

Nominations and Remuneration Committee

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

25. Financial risk management(continued)

Currency risk

The Fund is exposed to currency risk mainly through its investments and short term deposits denominated in foreign currencies. The Fund's total exposure to currency risk through its investments and short term deposits denominated in United States Dollars and South African Rands as at 31 December, 2022 amounted to P4 839 076 563 (2021: P 5,505,830,175).

Figures in Pula	2022	2021
Offshore bonds	322,230,621	123,658,075
Bank balances - Foreign currency denominated	192,316,152	277,261,032
Offshore equity	4,533,858,714	5,104,911,068
	5,048,405,487	**5,505,830,175**

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, term deposits and rental interests. 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, 2022 amount to Pl,646,661,206 (2021: P 1,347,535,884) being investments in onshore bonds and term loans, P322,230,621 (2021: P 345,809,163) being investments in offshore bonds, P704,833,885 (2021: P 994,138,932) being short term deposits and cash and cash equivalents as disclosed in notes 16 and 19 and Nil (2021: P 8,635) being rental interest.

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, 2022 amounted to Pl,761,378,721 (2021: P 1,589,788,063) for local equities, P4,533,858,713 (2021: P 5,104,911,068) for offshore equities and offshore unitised funds.

Fair values of financial instruments

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

25. Financial risk management(continued)

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 security investments that are measured subsequent to initial recognition at fair value, grouped into Level I to 3 based on the degree to which the fair value is observable.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

25. Financial risk management(continued)

Financial assets	Notes	Recurring Fair 2022 P	Value as at 2021 P	Fair value	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Onshore listed equity investments	16	1,761,378,720	1,589,788,063	Level 1	Quoted last traded prices in an active market.	N/A	N/A
Onshore listed bonds	16	1,646,661,206	1,347,535,884	Level 2	Valued based on the aggregate published bond index	N/A	N/A
Offshore bonds unitised funds	16	322,230,621	345,809,163	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	16	4,533,858,714	5,104,911,068	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	14	207,000,000	243,800,000	Level 3	Capitalisation rate and Income capitalisation approach used as the primary methodology	N/A	N/A
Associate - Sphinx (Proprietary) Limited	14	37,200,000	34,000,000	Level 3	Capitalisation rate and income capitalisation approach used as the primary methodology	N/A	N/A
Mmila Fund Administrators	14	25,000,000	23,000,000	Level 3	Capitalisation rate and income capitalisation approach used as the primary methodology	N/A	N/A

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

25. Financial risk management (continued)

Credit risk (continued)

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.

Financial assets that are subject to credit risk include bonds, loans, financial assets at amortised cost and other receivables. Investments in bonds, cash and cash equivalents are considered low credit risk because the funds are held by financial institutions that are considered investment grade and consequently the expected credit loss is immaterial.The loan due from Barclays House is also considered low credit risk based on zero historical default rate. Bonds measured at fair value are not subject to the impairment requirements.The credit risk exposure of all investment securities subject to credit risk are disclosed under the concentration risk disclosure below, by category of investment. Rental receivables are considered to have significant credit risk for which the expected credit loss is calculated as per the table on Note 18.

Low credit risk investments are considered as performing investments.

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

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

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

Concentration of credit risk

Counterparty (investment manager)	Investment type		
Ninety One Botswana (proprietary) Limited	Government bonds	302,729, 171	286,982,230
Ninety One Botswana (proprietary) Limited	Corporate bonds	309,030,694	197,650,180
Ninety One Botswana (proprietary) Limited	Parastatals bonds	16,979,633	69,794,610
Botswana Insurance Fund Management Limited	Government bonds	773,528,738	531,972,851
Botswana Insurance Fund Management Limited	Parastatals bonds	37,752,508	208,505,185
Botswana Insurance Fund Management Limited	Corporate bonds	197,184,628	39,267,870
BlueBay Asset Management	Parastatals bonds	209,328,921	222,151,088
Pimco Funds: Global Investors Series pie.	Unitised offshore bonds	11 2,901,700	123,658,075
Botswana Insurance Fund Management Limited	Loans	9,455,834	13,362,957
		1,968,891,827	**1,693,345,046**

Bank balances and fixed deposits

Counterparty (investment manager)	Investment type		
First National Bank of Botswana Limited	Fixed deposits	114,942,529	-
First National Bank of Botswana Limited	Bank balances	95,109,252	68,185,916
ABSA Bank Botswana Limited	Fixed deposits	87,202,551	89,211,921
ABSA Bank Botswana Limited	Bank balances	9,481,755	280,789,712
Standard Chartered Bank Botswana Limited	Fixed deposits	13,531,734	44,237,375
Standard Chartered Bank Botswana Limited	Bank balances	50,855,582	28,720,676
Stanbic Bank Botswana	Fixed deposits	60,684,267	148,398,000
Stanbic Bank Botswana	Bank balances	128,381,316	125,813,813
Other Institutions	Fixed deposits	145,139,199	208,781,519
		705,328,184	**994,138,932**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

25. Financial risk management (continued)

Credit risk (continued)

Categories of financial instruments

Financial assets at amortized cost	Notes		
Cash and cash equivalents	19	705,328, 184	994,138,932
Other receivables	18	22,813,694	27,637,951
Barclays House loan	13	421,000	481,282
Financial liabilities at amortized cost			
Benefits payable	21	70,716,112	89,292,415
Other payables	22	30,072,939	42,114,057
Lease liability	12	4,941,070	-
Intercompany payable to subsidiary	23	204,788	204,788

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 2022 is determined and disclosed in note 18.

The fund holds financial assets at amortized cost of which the liquidity risk associated with these financial assets has been assessed, and it is determined to be considered low risk.

The financial assets at amortized cost are readily marketable, and the fund has the ability to sell these assets in active and established markets with minimal impact on their fair value. Therefore, the liquidity risk associated with financial assets at amortized cost is considered low.

Liquidity risk

Liquidity risk is the risk that the investments will not readily convert into cash should the need for funds arise. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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 all investment securities, financial assets and financial 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.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Fund held deposits at call of P 306,557,751 (2021 - P 490,628,816) that are expected to readily generate cash

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

25. Financial risk management (continued)

Liquidity risk (continued)

inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, Fund treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Fund's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 19) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Fund in accordance with practice and limits set by the Fund. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Fund's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring the statement of assets available for benefits liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

25. Financial risk management(continued)

Maturities of financial liabilities

The tables below analyses the Fund's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities Year ended 31 December 2022	Less than 6	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Non-derivatives							
Benefits payable (Note 21)	-	70,716,112	-	-	-	**70,716,112**	**70,716,112**
Other financial liabilities A (Note 22)	-	30,072,939	-	-	-	**30,072,939**	**30,489,487**
Lease liabilities (Note 12)	119,127	124,441	265,784	951,839	3,479,879	**4,941,070**	**4,941,070**
Intercompany payable from subsidiary (Note 23)		204,788	-	-	-	**204,788**	**204,788**
Total non-derivatives	**119,127**	**101,118,280**	**265,784**	**951,839**	**3,479,879**	**105,934,909**	**106,351,457**
Year ended 31 December 2021							
Non-derivatives							
Benefits payable (Note 21)	-	89,292,415	-	-	-	**89,292,415**	**89,292,415**
Other financial liabilities A (Note 22)	-	42,114,057	-	-	-	**42,114,057**	**42,114,057**
Intercompany payable from subsidiary (Note 23)	-	204,788	-	-	-	**204,788**	**204,788**
Total non-derivatives		**131,611,260**	**-**	**-**	**-**	**131,611,260**	**131,611,260**

Market risk sensitivity analysis

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

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

Risk Variable	Adverse market change			Beneficial market change		
		Effect on statement of comprehensive income			Effect on statement of comprehensive income	
	Scenario	2022	2021	Scenario	2022	2021
Currency risk	Strengthening of the Pula by 1%	(50,484,055)	(55,058,302)	Weakening of the Pula by 1%	50,484,055	55,058,302
Local Equity Risk	Decline in global equity prices by 1%	(45,338,587)	(51,049,111)	Increase in global equity prices by l%	45,338,587	51,049,111
Interest Rate Risk	Decline in local equity prices by 1%	(17,613,787)	(15,897,881)	Increase in local equity prices by l%	17,613,787	15,897,881
Investment property	Increase in interest yield by 1%	(22,754,313)	(21,839,739)	Decline in interest yield by 1%	22,754,313	21,839,739
Investment in associates	Increase in capitalisation by 1%	(28,241,204)	(34,400,000)	Decline in capitalisation by 1%	35,159,598	34,400,000

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For the year ended 31 December, 2022

26. Interest in property partnerships

Name of partnership	Principal activity	Place of Incorporation and Principal place of business	Effective Holding 2022	Effective Holding 2021
Engen Palapye partnership	Property partnership	Palapye	20.00%	20.00%
Engen Maun partnership	Property partnership	Maun	25.00%	25.00%
DBN Developments partnership	Property partnership	Gaborone	66.66%	66.66%
Francistown Retail partnership	Property partnership	Francistown	75.00%	75.00%

31 December, 2022	Engen Palapye Partnerships	Engen Maun Partnership	DBN Developments Partnership	Francistown Retail Partnership	Total
Investment properties	14,998,000	8,375,000	99,123,420	24,900,000	147,396,420
Current assets	695,652	4,755,591	4,987,577	1,523,291	11,962,111
Current liabilities	(156,527)	(129,087)	(921,897)	(599,201)	(1,806,712)
Revenue - net rental income	1,741,121	1,219,480	13,035,485	3,064,723	19,060,809
Unrealised fair value gains on fair valuation of investment property	801,480	550,000	4,132,919	120,255	5,604,654
Total comprehensive income for the year	2,542,601	1,769,480	17,168,404	3,184,978	24,665,463

31 December, 2021	Engen Palapye Partnerships	Engen Maun Partnership	DBN Developments Partnership	Francistown Retail Partnership	Total
Investment properties	14,200,486	7,825,000	94,475,350	24,297,914	140,798,750
Current assets	1,702,661	3,637,676	11,944,431	5,951,377	23,236,145
Current liabilities	(193,435)	(146,390)	(976,503)	(456,914)	(1,773,242)
Revenue - net rental income	1,303,737	69,988	5,466,095	2,673,206	9,513,026
Unrealised fair value gains on fair valuation of investment property	(559,514)	400,000	(809,414)	1,050,000	81,072
Total comprehensive income for the year	744,223	469,988	4,656,681	3,723,206	9,594,098

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For the year ended 31 December, 2022

26. Interest in property partnerships (continued)

Material Interest in Property Partnerships:

The fund has evaluated its interest in property partnerships and assessed whether any of these interests are material. Materiality is determined on the basis of significance of the partnership interest relative to the fund's overall financial position and operations. After careful assessment, it has been determined that the Interest in property partnerships held by the fund are considered material. This determination is based on factors such as the relative size of the partnership interest, the impact on the fund's liquidity, and the potential risks associated with these partnerships. The fund regularly reviews its investments in property partnerships to ensure their ongoing compliance with the established materiality thresholds and to identify any changes in their significance to the fund.

The material interest in these property partnerships exposes the fund to liquidity risk due to the potential challenges in converting the investments into cash quickly or the potential impact on the fund's liquidity position in the event of a need to divest from these partnerships.

27. 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.

28. Membership statistics

Members comprise:

Active	6,140	5,993
Deferred	1,942	1,997
Pensioners	4,610	4,485
	12,692	**12,475**

29. Fidelity insurance cover

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

30. Taxation

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

31. Future operating lease receipts

Future minimum lease receipts in relation to non-cancellable operating leases are receivable as follows:

Within one year	13,252,438	15,509,679
Later than one year but not later than five years	24,339,969	16,348,948
Later than five years	1,939,883	2,877,697
	39,532,290	34,736,324

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December, 2022

32. Events after the reporting date

There are no events after the reporting period that require disclosure in these financial statements.

33. Actuarial valuation

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, 2022. The valuation shows that the pensioners' account of the Fund, amounting to P 3,124,693,000 (2021: P 3,057,068,000) adequately covers the pensioners' liabilities at that date amounting to P 3,124,693,000 (2021: P 2,797,937,000), 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	6.80%	6.20%
Net post-retirement rate of interest	4,0% per annum	4,0% per annum
Provision for monthly pension expenses (for each pension in payment)	P 249.49 Increasing at the underlying inflation rate	P225.48 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.


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