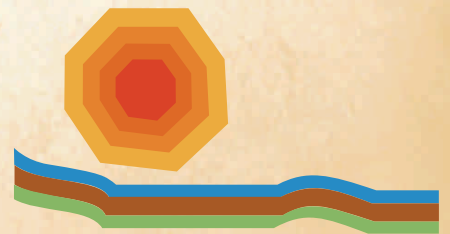


2009
annual report



DEBSWANA PENSION FUND
Your fund: your security for your future



2009

annual report



Fund Overview

The Debswana Pension Fund (DPF) is a defined contribution established in 1984 as a trust through a joint initiative between, De Beers Botswana Mining Company (now Debswana), Anglo American Corporation Botswana (Pty) Ltd and De Beers Prospecting Botswana (Pty) Ltd. The primary purpose of the Debswana Pension Fund is to meet future benefit obligations to members as defined by the rules of the Fund, earn positive investment returns on member funds and remain financially sound at all times. The DPF invest member funds across four asset classes namely Property, Equities, Bonds, and Cash.

The DPF vision statement

To be the preferred provider of retirement fund services in Botswana

The DPF mission statement

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

- Prudent management of member funds
- Efficient administration of member records
- Provision of focused communication

The DPF Values

Innovation * Trust and Integrity * Value Oriented * Quality focused *
Member Focused

Fund Contact details

Visiting the Fund

The DPF office is currently located at Plot 682/683 Visible Edge Building opposite the Gaborone main mall. The office is open for consultations Mondays through to Fridays (except holidays) from 8.00am to 1645pm. The DPF will update members should there be a change of address in the future.

Calling the Fund

We provide a toll-free telephone number for use by DPF members and beneficiaries. You may reach us at 0 800 600 681 during working hours to speak to one of our administration officers.

Other direct member contact telephone numbers are 3614267, 3614253, 3614236

Our fax number is 3936239 email: bokamoso@debswana.co,bw or bokamoso@dpf.bw

Writing to the Fund

When writing to the Fund, please always remember include your full name, telephone number and return address. The Fund address is as follows;

The Secretariat Debswana Pension Fund
Private Bag 00512, Gaborone, Botswana



2009

annual report



Contents

Fund Overview	pg01
Leadership	pg04
Chairman's Report	pg05
Fund governance, structure and its management	pg07
Membership report	pg11
Communications Strategy	pg12
Investment Report	pg15
Annual Financial Statements	pg20
Independent Auditors Report	pg22
Income Statement	pg23
Statement of Financial Position	pg24
Cash Flow Statement	pg25
Statement of Changes in Funds	pg26
Significant Accounting Policies	pg27
Notes to the Annual Financial Statements	pg32



Board of Trustees

PRINCIPAL TRUSTEES



T. Kobedi
Chairman Debswana Head Office
Company Appointed



Nchidzi Mmolawa
MMEWA
Company Appointed



Calistas Chijoro
Debswana Gaborone
Member Elected



Kaywa Namoshe
Debswana Jwaneng
Member Elected



Anita Malapela (retired)
Debswana Orapa
Member Elected



Richard Moroka (DTCB)
Company Appointed

ALTERNATE TRUSTEES



Maipelo Motshwane
Debswana Head Office



Ezekiele Moumakwa
MMEWA



Enoch Shabane
Debswana Head Office



Otsenye Tsietsjo
Debswana Jwaneng



Petrous Montshiwa
Morupule Colliery



Vuyisile Garekwe (DTCB)

SUB-COMMITTEES (ADDITIONAL MEMBERS)



Kennedy Ndiane
Audit and Finance
Committee



Naseem Lahri
Audit and Finance
Committee



David Reetsang
Investment
Committee

DPF MANAGEMENT



Tiny Kgatlwane
Principal Executive
Officer (resigned)



Wangu Thipe
Operations Manager



Francis Seelo
Fund Accountant



Agatha Sejoe
Communications
Manager



Neo Ebineng
Compliance
Manager

DPF Chairman's Report



I am pleased to present my review of the year ended 31st December 2009.

The beginning of the year 2009 marked the dawn of a rather turbulent 2008. Up until the end of 2009 the Fund was still experiencing the impact of the market downturn, however with an unexpected but welcome upturn during the second quarter till to date.

Your Board of Trustees has had a busy year monitoring the investment performance of the asset managers and implementing some tactical changes to the strategic asset allocation of the Fund, including re-balancing to correct the shift in asset allocation brought about by the 2008 performance.

Despite the market setbacks experienced early in 2009, the overall assets of the Fund have increased over the 12 months from P2.6 billion to P3 billion, re-gaining the 2007 milestone that had been eroded by the global crisis. Whilst acknowledging the lost opportunity in 2008, we are happy the upturn was experience sooner rather than later, as it presented the Fund with an opportunity to recover and to start focusing on future value-adding initiatives.

Adding to our fortunes as well was the declining inflation rate for the year which by year end was at an all time low of 5.8%. At an average of 15.7%, this year's investment performance did well against the Fund's performance target, exceeding it by a healthy 5 per cent. Over the long term period the twelve year average positions the Fund at 14.1% against average inflation of 8.5%, still favorably within target.

Strategic projects for 2009

The award of a tender to supply an end to end business administration solution in 2009 marked a very significant step towards our quest to add value to the lives of DPF members and further assert the Fund as an innovative and progressive industry leader. The establishment of the DPF as a self administering Fund by the end of 2010 will add a new dynamic to the Botswana pensions industry, with service standards elevated and re-defined. As a Fund entrusted with the important tasks of shaping the future of our members, we pride ourselves in this initiative and we sincerely believe that it will transform the fund significantly for the better in the long term.

Why we decided to automate

1. To address the gaps around the issue of data integrity & security
2. To consolidated scattered functions within the DPF operation
3. To address customer service shortfalls

What the expected benefits are from this solution:

1. A high governance environment
2. High degree of flexibility
3. Absolute Ownership of data
4. Automated archive systems
5. Flow of processes
6. Reduced administration burden on employer and DPF

Legislative and regulatory developments

Keeping up to speed with legislative and regulatory developments has required the ongoing attention of the Board of Trustees, however no major changes were made during 2009 in this regard. It is important that members note that the Fund is currently awaiting the outcomes of an ongoing review of the Botswana Pensions and Provident Funds Act by the regulatory body NBFIRA. It is expected that this review may result in some necessary changes being made to the Debswana Pension Fund Rules. These changes would affect how benefits are managed and disbursed and as a result may thereafter lead to an operational review depending on the extent to which they impact the Fund. Your Trustees will continue to observe and keep you appraised on any developments and changes that affect you will be duly communicated. We are continuously evaluating all Fund compliance requirements to ensure that they remain in line as required by NBFIRA.

It is an encouraging and welcome development to see the industry grow in this manner, by having a fully functioning and active regulator. This makes it more conducive for the Fund to position itself appropriately and further find new ways to spread its wings and optimise the return potentials for the members in a properly regulated industry.

Trustee training

The Fund provides a comprehensive orientation program for new Trustees, including an understanding of the contribution that the Trustee is expected to make, an explanation of the Board and its committees, and an explanation of the Fund's business, including corporate governance and other issues that will assist them in discharging their duties.

The Fund continuously provides general access to training courses to its Trustees as a matter of continuing professional education. This is done in order to maintain and enhance their skills as Trustees, and keep them updated in their knowledge and understanding of the Fund's business. There is an existing comprehensive training program for Trustees that is reviewed annually to keep it relevant.

The specific areas in which Board members endeavor to gain knowledge and understanding include: Governance and fiduciary duties; Investment policy and asset allocation; Benefits administration; Principal Officer's duties; Regulatory and legal issues; Annual Financial Statements of Retirement Funds; Human Resources Management

Risk management

Your Board of Trustees has overall responsibility for general risk management and internal controls. We are committed to continue to actively identify, evaluate and manage risk and by implementing control policies and procedures that will reduce significant risks to an acceptable level. This is even more pertinent following the challenges we faced during the global financial crisis that saw our fund growth reversed. In order to meet this responsibility we maintain and monitor regularly a Risk Register for which the main purpose is to highlight the scope of risk to which the Fund is exposed and to identify management actions that are required to be taken in order to mitigate the identified risks to an acceptable level. The Register is reported at each Trustees meeting and is regularly reviewed by the Trustees

Operations

Our staff members have worked tirelessly over the past few years to ensure that the Fund operations remain as functional as possible. We acknowledge the need for continuous service improvement, hence the Fund has an actively managed balanced score card through which we constantly endeavour to maintain operational efficiency. The Trustees however recognize, despite our high customer service ratings that more can be achieved, and one of the initiatives that we look forward to as a solution to this concern is the automation of our processes through which we expect our turnaround times to reduce significantly by the end of 2010.

The Year Ahead

Looking forward we have a number of major challenges and these include the following;

1. Ensuring the successful implementation of the end to end system and stabilization of our processes thereafter.
2. Rigorous monitoring of investment performance to ensure continued Fund sustainability
3. Maintaining Fund costs to acceptable levels
4. Improved service levels and member education and
5. Ensuring the successful completion of the Fund 5 year strategy within the targeted period.

Despite the apparent mammoth task involved, I am confident that my team of Trustees and the Fund leadership will continue to achieve one milestone after another due to their unwavering commitment to the cause at hand. On this note, I would like to further thank the Trustees and Fund Secretariat for having worked to steer the Fund through the past year.



Tabake Kobedi

Fund governance, structure and its management

Constitution and Governance

The Fund is a Defined Contribution Scheme which provides benefits for all employees of Debswana Diamond Company, DTCCB, De-Beers and Associated Companies and Morupule Colliery, who have not opted to make their own pension arrangements. It is established under, governed by, a Trust Deed and Rules which have been approved by Non Bank Financial Regulatory Authority and Botswana Unified Revenue Services.

The Fund was approved by the Commissioner of taxes under the Income Tax and is treated as an 'exempt approved scheme' for tax purposes.

Debswana Pension Fund Structure

The Fund is managed by the Trustees on behalf of the Members in accordance with the Trust Deed. The Fund is committed to the attainment and maintenance of high standards of corporate governance incorporating the principles of integrity, accountability, transparency and social responsibility.

The Board of Trustees is accountable for the pursuit of corporate objectives and that the Fund itself conforms to the law and regulations. The Fund is managed by the Board of Trustees who provides an oversight on the Fund. The Board is made up of six (6) Principal Trustees and their alternates. There are three Company appointed Trustees and three Member elected Trustee.

The Board is governed by a Board Charter that outlines the responsibilities of the Trustees towards the Fund. The other issues addressed in the Board Charter include the approval of strategy and policies, selection, orientation and evaluation of Trustees. The Board of Trustees usually meets four times per year with additional meetings as required.

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

The Fund committees are made up as follows;



Maipelo Motshwane

Benefits Review Committee - (consists of seven (7) members)

Chaired by: Mrs Maipelo Motshwane

The main responsibility is to the members;

- That is withdrawals due to: resignations, retirements, ill health and retrenchments.
- Responsible for the proper distribution and disposal of death benefits.
- Keeping under review developments in legislative and regulatory requirements
- Responsible for the Fund's Communication and member education



Calistas Chijoro

Investment Committee - (consists of seven (7) members)

Chaired by: Mr. Calistas Chijoro

Responsible for;

- The Investment strategy;
- The appointment of; investment consultants and fund managers as well as custodians.
- Advising the Board of Trustees on the Strategic Asset Allocation
- Selection of the various assets within which the funds are invested
- Monitors and manages the performance of the Fund Managers
- The Committee has developed a tool called a Statement of Investment Principles which guides the committee in carrying out its investment mandate.



Ezekiel Moumakwa

Audit and Finance Committee- (consists of seven (7) members)

Chaired by: Mr. Ezekiel Moumakwa

Responsible for;

- Corporate governance and reviews procedures and policies of internal control.
- Financial Statements
- Appointment of auditors
- Ensuring that the Fund has an effective risk management process.



Enoch Shabane

Human Resources Committee - (consists of seven (7) members)

Chaired by: Mr. Enoch Shabane

- The role of the Committee is to exercise an oversight of the Fund's Human Resources strategy and policies and practices and to ensure that these are contributing as effectively as possible towards the achievement of the Fund's Strategic Objectives, Vision, Mission and Values.

Attendance of current Trustees at board and committee meetings during the year ended 31 December 2009.

Trustee	Board		Benefits Review Committee		Investment Committee		Audit and Finance Committee		Human Resources Committee	
	A	B	A	B	A	B	A	B	A	B
TRUSTEES										
Tabake Kobedi	4	4								
Calistas Chijoro	4	4			5	5	2	2		
Nchidzi Mmolawa	4	4	5	3	5	4				
Richard Moroka	2	2			5	2			2	2
Kaywa Namoshe	3	3	5	4					1	0
Anita Malapela	4	4	5	5	5	4			2	2
ALTERNATES										
Maipelo Motshwane	4	3	5	5			2	2		
Enoch Shabane	4	4	5	5					2	2
Ezekiel Moumakwa	3	3					1	1	1	0
Vuyisile Garekwe	2	2	3	3			1	1		
Otsenye Tsietso	4	3	4	3	4	3				
Petrous Montshioa					2	2	1	1		
COMMITTEE MEMBERS										
David Reetsang					5	4				
Kennedy Ndiane			4	4	5	4				
Naseem Lahri							2	1		

A: indicates the number of meeting held during the year the trustee was a member of the board and/or committee
 B: indicates the number of meetings attended during the year the trustee was a member of the board and/or committee

Risk Management

Debswana Pension Fund policy is to adopt good practices in the identification, evaluation and cost effective control of risks to ensure that they are eliminated where possible, reduced to an acceptable level or managed and contained; and to embed risk management practices within management and planning activities. The Finance and Audit Committee reviews the risk logs in which all key financial and non-financial risks affecting the business are recorded. New risks, if and when identified, are added to the risk log while others fall away over a period of time. A systematic process is used to priorities the risks for ongoing monitoring and management.

The Audit and Finance Committee provides the board with recommendations at board meeting. Current risks include, but are not limited to, the regulatory and legal framework, currency and market risk, safety and environment, skills availability and systems development.

COMPLIANCE STATEMENT

The purpose of this Compliance Statement is primarily to disclose some additional information required by law which is considered to be of significance to members.

Taxation

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

Statement of Investment Principles

The Trustees have produced a Statement of Investment Principles, which is reviewed at intervals of not more than three years; copies are available on request from the Pension Fund Secretariat. A formal investment policy governs the Pension Plan Investment Process. The Investment Policy details:

- Total return and risk objectives
- Spending policy
- Permitted and excluded investments
- Asset allocation guidelines with defined targets and permissible ranges
- Evaluation benchmarks by asset class and for the portfolio as a whole
- Risk and diversification requirements by asset class
- Use of derivatives
- Performance standards and evaluation
- Responsibilities of all parties concerned

Pension Increase Policy

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

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

Any increase for pensioners whose pensions commenced during the 12-month period immediately preceding a 1st July increase will be pro-rata to the number of pension payments payable to the Pensioner during this 12-month period divided by 12. The investment returns available for pension increases is the investment return on the pensioner account less taxes, manager fees and other relevant fund costs, less the budgeted return (currently 4% per annum) assumed from time to time by the actuary to value pensioner liabilities.

Transfer Values

Transfer Values for members leaving pensionable service during the year were calculated in accordance with the Pension and Provident Fund Act 1987.

The Rules of the Fund have always provided that deferred pensioners may transfer the value of their benefits to another approved/ registered scheme at any time before any benefits have been paid from the Fund. The Fund accepts transfers from other approved schemes.

ADDITIONAL VOLUNTARY CONTRIBUTION

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

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

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

Trustee Training

The major changes over recent years have required much bespoke training and development in order to equip Trustees to take well-informed decisions. The Trustees are trained at meetings by specialist advisors and are sent locally or outside the country for further training.

Membership Report

Employing Bodies

Debswana Diamond Company, De Beers, De Beers, Morupule Mine, Diamond Trading Company Botswana (DTCB), Debswana Pension Fund, De Beers Prospecting, Anglo Coal.

Employer Contributions

- Morupule Colliery Limited: 15% of pensionable earnings for each member, payable monthly.
 - All other participating employers: 20% of pensionable earnings for each member, payable monthly.
- Fund expenses are met from investment returns and/or employer contributions.

Summary of membership figures

Active Members

Active members	31 December 2008	31 December 2009	Change
Number	5 548	5 138	-7.4%
Average age (weighted by Individual Investment Account)	45 years 7 months	45 years 8 months	

Deferred Members

Deferred members	31 December 2008	31 December 2009	Change
Number	2 244	2 354	4.9%
Average age (weighted by Individual Investment Account)	44 years 11 months	46 years 5 months	

The reduction in active members corresponds to an increase in the number of deferred members

Pensioners

Pensioner members	31 December 2008	31 December 2009	Change
Number	1 810	2 190	21.0%
Total Annual Pensions	P 34 973 128	P42 407 398	21.3%
Average Annual Pension	P19 322	P19 364	0.2%
Average age (weighted by pension)	58 years 8 months	58 years 8 months	

The average pension has increased by only 0.2% as a result of the zero percent pension increase awarded during the year and is impacted by new entrants and deaths over the year.



DPF Communication Strategy

OVERVIEW

The Debswana Pension Fund Communication Strategy is reviewed annually to achieve the following objectives;

1. *To keep Fund communication aligned to changing business and market conditions*
2. *To update ongoing and new communication objectives;*
3. *To incorporate where necessary new best practice tools for the continuing effectiveness of Fund communication;*

Since 2008 the Fund has taken a deliberate step to diversify its communication plan to comprehensively cover all pillars and publics as per best practice. Prior to the review, Fund Communication was predominantly focused on member education as the major communication event. Member education will continue to receive great emphasis as the nature of the business dictates, however the changing business environment of the Fund requires that a more holistic communication strategy be gradually adopted.

With its revised mandate and in the face of new challenges and opportunities, the DPF will endeavor to develop stronger brand presence going forward.

Below are the governing policies and principles on which the annual communication plans are designed.

The Annual Communication Plans are premised on the overall organisational strategic objectives that prevail at the given point in time.

KEY OBJECTIVES

The primary communication objective of the DPF is to educate members and maintain a positive professional image of the Fund. The Fund uses a variety of communication vehicles as outlined in the Annual Communication Plan.

To ensure maintained relevance in the market, the Fund communicates its messages through all forms of media where relevant to ensure maximum achievement of the above objective.

COMMUNICATION POLICY

Key Principles

The Fund has five key principles that support all of its communications.
That all:

1. Communication is factual and presented in simple language;
2. Communication is looked upon as involving a dialogue with others;
3. Communication is designed in a manner appropriate to its audience;
4. Communication exploits the developments and improvements of new technology; and
5. Communication is planned, coordinated and evaluated.

DPF Communication Strategy (continued)

Key Messages

In the design and execution of our communication, the key messages that the Fund endeavors to deliver to its audiences at all times are:

1. *That the Debswana Pension Fund adds value to employer organization through active partnership and ongoing counsel in the provision of long-term benefits for their staff.*
2. *That the DPF guarantees prudent management of member funds and will constant exploit growth opportunities for optimal returns on their investments.*
3. *That the DPF aims to achieve member satisfaction through unparalleled service excellence.*
4. *That the DPF is a caring and socially responsible organization and is committed to good corporate governance.*

Access to Communications

The Fund takes steps to make all possible and reasonable adjustments for various stakeholders who require assistance in accessing our printed communications. Both the Operations and Communication departments can, on request, provide the available printed literature and field other enquiries as they arise.

How the Fund Communicates with Stakeholders

Printed Literature

The Fund produces all paper based communications in a corporate style, be it brochure, guides or individual letters. A consistent approach is taken with colour coding to help differentiate literature for specific audiences. All key communications are produced in a both printed and electronic format and distributed to members as appropriate.

Office consultations

For those members who prefer face to face communication the Fund's offices are centrally situated in Gaborone and are easily accessible by public transport from all areas of Gaborone. Two Administration Officers are on duty to field enquiries between 8am and 1645pm Mondays to Fridays excluding holidays. Private interview rooms are available for members who wish to discuss confidential matters. Appointments can be made to discuss specific pension options or problems and if necessary appropriate staff can visit the workplace or members at home in cases of special need.

Internet

The Fund's planned website (www.dpf.co.bw) will provide Fund information and updates. Electronic copies of the Fund literature, policies and reports will be available for download.

Intranet

The Fund sends out notices and other communiqué through the Debswana intranet regularly. It is one of the most cost effective means of reaching a larger proportion of the membership and with guaranteed contact.

Telephone

All Fund communications have a published telephone number. The Fund also provides a toll-free line.

Fax, Mail and E-Mail

For general communications, the Fund has a central FAX number, email account and postal address.

Presentations

The Fund delivers standard or tailored presentations on a wide range of subjects for both Employers and their staff. These presentations are provided at the request of Employers at geographically convenient locations by Fund staff. The Fund pro-actively arranges presentations on wider topic areas and can invite appropriate third parties to assist Fund staff in presenting relevant information, workshop activities and also to provide relevant support materials to take home.

Newsletter

BOKAMOSO is the Fund's newsletter published four times a year with an audience of members, eligible non-members, deferred members and pensioners. The newsletter aims to provide topical news, engaging articles, competitions and the latest information about the Fund and pensions in general.

Annual Review

The aim of the report is to highlight the important issues affecting the Fund over the previous twelve months, along with detail on both investment and administration performance. The Annual Review is distributed to all members and employers. Additional copies are available on request and an electronic version is available for download from the website.

Claims Investigations

The Fund visits families of deceased members, and local authorities as and when necessary to determine benefit payout criteria.

Public Relations

The Fund makes courtesy visits to Tribal administrators and other service providers to strengthen relations and identify gaps for service improvement. At the minimum, visits are made annually.

Corporate Social Responsibility

The Fund currently has established Pensioner Associations across the country to promote dialogue and community participation with retired and deferred members. The Association is named "Badiri Ba Meepo Pensioners Association" and has established membership and committees in 15 villages across Botswana. Through this association, the fund ensures ongoing education and welfare of its retired members through various initiatives that are deemed appropriate to their needs.

COMMUNICATE

Investment Report

Investment philosophy

The Trustees have adopted a **long-term** horizon in formulating the Fund's investment strategy. This means that the overall success of the strategy will only be measured over a period of at least 5 years, with the planned measurement period being 10 years.

The **primary risk** of the Fund is inflation risk. This is the risk that the Fund does not earn a sufficient return to be able to provide reasonable retirement benefits and pension increases in line with inflation.

A **secondary risk** for in-service members close to retirement is that the markets fall sharply just before they retire. Generally members that retire will secure a profit life annuity from the Fund. The terms of this pension are set at retirement and so the retiring member should not be placed in the position that he/she would need to "lock-in" large negative returns at the time he/she retires.

Consistent with the Fund's purpose and risk, the **primary investment philosophy** of the Fund is to provide a return that is:

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

The achievement of such a return signature should allow the Fund to meet its objective of providing reasonable and competitive benefits over as wide a range of investment scenarios as possible.

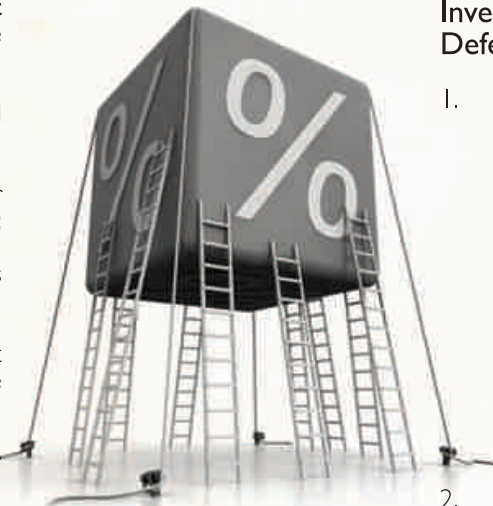
This philosophy is varied for in-service members as they approach retirement, where the primary investment philosophy is the protection of capital and to reduce the chance of negative investment returns over an investment horizon of 12 months.

The philosophy gives primacy to retirement benefits. The Fund's investments must be conducted in a manner that is honest, transparent and ethical.

Investment Strategy

Trustees default life stage model

1. The Trustees have implemented a default life stage model for in-service members with effect from 1 August 2004.
2. Based on an assumed retirement age of 60, the member's retirement savings will be invested in the Market Portfolio up to age 53. (This portfolio concentrates on managing the member's inflation risk.) The member's future retirement savings contributions will be invested in the Conservative Portfolio from the end of the month in which the member turns 53. From the end of the month in which the member turns 57 the member will be fully invested in the Conservative Portfolio. (This portfolio concentrates on managing the member's final payment risk.) Starting at the end of the month in which the member turns 53, the member's accumulated retirement savings will be transitioned in five more or less equal annual tranches from the Market Portfolio to the Conservative Portfolio. This is reflected in the following chart:



Investment objective: Active and Deferred Members

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

Investment objective: Pensioners

A separate pool of assets will be maintained in respect of the pensioners with effect from 1 August 2004.

1. The pensioner liabilities have been valued at an interest rate of 4% p.a. This means that the pensioner assets need to earn a net real return of 4% p.a. (after management fees, tax and other costs) in order to grant pension increases that match inflation.

2. At the same time the Fund needs to earn a nominal return of at least 4% p.a. in order to meet the current pension payments with no future increases (the so-called contractual liability).
3. The investment objective for the pensioners is to earn a net real return of 4% p.a. over any rolling 10-year period

Investment objective: Contingency Reserve Account

The Trustees have decided to maintain a Contingency Reserve Account in the Fund to meet unexpected contingencies.

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

Strategic Asset Allocation

The Trustees have derived a **strategic asset allocation** (i.e. the mix of local and international equities, bonds

and cash) that optimises the chances of the Fund being able to achieve its investment objectives for each category of membership. It is important to emphasize that the strategic asset allocation represents the best allocation to achieve the stated investment objective, but that adopting this allocation does not guarantee that the Fund will achieve its performance objectives.

A separate strategic asset allocation is derived in respect of the Market Portfolio, the Conservative Portfolio and the Pensioner Portfolio. The Fund will re-balance to the strategic asset allocation using pre-defined rules. During extreme market conditions when asset classes become very cheap or expensive the Fund may choose to deviate from the SAA.

Annual Review of strategic Asset Allocation

The Fund completed a process of reviewing the strategic asset allocation during 2008, leading to changes in the strategic asset allocation and changes in investment managers, both locally and offshore. A subsequent recommendation relating to the strategic asset allocation of the Conservative Portfolio was adopted by the Fund in 2009.

Changes were also made to the local asset managers' asset allocations, which have been in force since April 2009.



Actuarial Valuation report

The key aspects of the 2009 year under review are as follows:

- The financial position of the Fund as a whole is set out in the table below:
- A surplus has arisen in both the Active and Deferred Account and the Pensioner Account.
- The investment return of the Fund as a whole for the year ending 31 December 2009 was approximately 15.7%, net of investment manager fees.
- The investment returns, net of investment management fees, on the various life stage portfolios, the pensioner account and the contingency reserve account, which were credited to the accounts during 2009 were as follows:

	31.12.2008	31.12.2009	% of Assets (31.12.2009)
Net Assets of the Fund	P2 607 601 320	P3 005 590 934	100.0%
Actives and Deferred individual investment accounts	P1 967 974 439	P2 215 517 507	73.7%
Pensioner liability	P546 357 656	P635 948 946	21.1%
Contingency reserve account	P77 485 204	P89 018 846	3.0%
Surplus	P15 784 021	P65 105 635	2.2%

Portfolio	Investment Return
Market Portfolio	15.9%
Transition Portfolio 1	16.0%
Transition Portfolio 2	16.1%
Transition Portfolio 3	16.3%
Transition Portfolio 4	16.4%
Conservative Portfolio I	6.5%
Pensioner Portfolio	15.2%
Contingency Reserve	14.9%

These returns will differ from the actual return allocated to members' records as a result of the further deductions for expenses.

Investment return history

The Fund returns over the last 12 years are shown below.

Calendar year	Actual investment return	Inflation	Cumulative investment return	Cumulative Inflation
1998	30.1%	6.4%	30.1%	6.4%
1999	27.8%	8.4%	66.3%	15.3%
2000	4.6%	8.5%	73.9%	25.1%
2001	32.5%	5.8%	130.4%	32.4%
2002	-12.1%	10.6%	102.6%	46.4%
2003	6.5%	6.4%	115.7%	55.8%
2004	10.9%	7.8%	139.2%	68.0%
2005	31.0%	11.4%	213.4%	87.1%
2006	31.4%	8.5%	311.8%	103.0%
2007	16.8%	9.0%	381.0%	121.3%
2008	-12.9%	13.7%	318.9%	151.6%
2009	15.7%	5.8%	384.7%	166.2%
12 year average per annum	14.1%	8.5%		

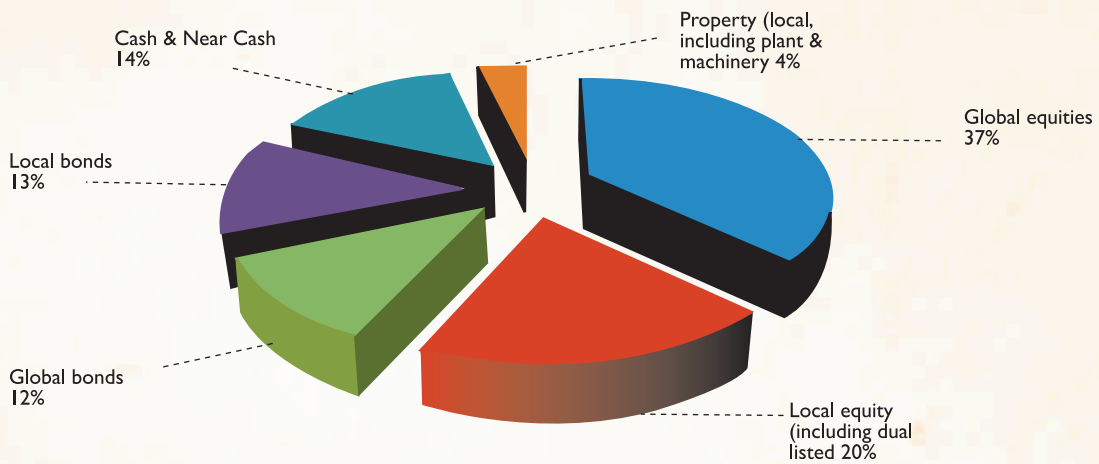
It is evident from the above table that the returns over the 12 years to 31 December 2009 have been significantly higher than the increase in the country's inflation index over the same period.

Market Value of Assets Classes as at 31 December 2009

The following table sets out the market value of the assets of the Fund as at 31 December 2009 split by asset class, including the net current assets of the Fund. Total market value of the Fund's assets at 31 December 2009 was therefore P3 005 590 934 compared to P2 607 601 320 at 31 December 2008.

	Asset class Asset value (As at 31 December 2009)	% of total	Asset class Asset value(As at 31 December 2008)	% of total
Equities	P1 705 832 868	56.8%	P1 404 687 838	53.9%
Global equities	P1 101 723 322	36.7%	P926 200 879	35.5%
Local equity (including dual listed)	P604 114 546	20.1%	P478 486 959	18.4%
Bonds	P752 010 473	25.0%	P948 201 498	36.4%
Global bond	P361 217 999	12.0%	P339 141 132	13%
Local bonds	P390 792 474	13.0%	P609 060 366	23.4%
Market Neutral	P13 108 073	0.4%	P40 265 220	1.5%
Cash & Near Cash	P433 021 857	14.4%	P147 182 058	5.6%
Property (local, including plant & machinery)	P104 457 864	3.5%	P90 307 266	3.5%
Net Current Assets	(P2 845 201)	(0.1)%	(P23 042 560)	-0.9%
Total Assets	P3 005 590 934	100.0%	P2 607 601 320	100.0%

Assets Allocation as at 31 Dec 2009



Asset Allocation by Investment Manager

The following table sets out the total assets of the Fund as at 31 December 2009 split according to asset Manager;

Asset class	P	% of total
Global Equity	P1 098 497 055	36.6%
Brandes Investment Partners	P315 832 454	10.5%
Alliance Bernstein	P206 808 087	6.9%
Marathon Asset Management	P260 832 559	8.7%
Orbis Investment Management	P315 023 955	10.5%
Global Bonds	P361 217 999	12.0%
Pacific Investment Management Company	P361 217 999	12.0%
Market Neutral	P13 108 073	0.4%
Russell Investment Group	P13 108 073	0.4%
Global Cash	P43 409 143	1.5%
US Dollar Cash Account	P43 406 143	1.5%
Local Equities	P607 700 294	20.2%
Allan Gray Asset Management	P147 237 570	4.9%
BIFM	P222 274 510	7.4%
Investec Asset Management	P238 188 213	7.9%
Local Bonds & Cash	P780 045 709	25.9%
Allan Gray Asset Management	P208 065 014	6.9%
BIFM	P151 699 549	5.0%
Investec Asset Management	P298 057 662	9.9%
Debswana Cash Fund	P122 223 484	4.1%
Property	P104 021 258	3.5%
Debswana Property Fund	P104 021 258	3.5%
Net Current Assets (incl. Fixed Assets)	(P2 408 641)	-0.1%
Fixed Assets	P436 606	0.0%
Sundry Debtors	P21 470 403	0.3%
Sundry Creditors	(P24 315 604)	-0.4%
Total Assets	P3 005 590 934	100.0%



ANNUAL FINANCIAL STATEMENTS 31 December 2009

CONTENTS

Trustees' responsibility for the annual financial statements
Trustees' approval of the annual financial statements
Independent auditor's report
Statement of comprehensive income
Statement of financial position
Statement of cash flows
Statement of changes in members' funds
Significant accounting policies
Notes to the annual financial statements



DEBSWANA PENSION FUND TRUSTEES' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS 31 December 2009

Trustees' responsibility statement

The members of the Board of Trustees are responsible for the preparation and fair presentation of the annual financial statements of Debswana Pension Fund ("the Fund"), comprising the statement of financial position as at 31 December 2009, and the statement of comprehensive income, the statement of changes in members' funds and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies, in accordance with International Financial Reporting Standards ("IFRS") and in compliance with the Pension and Provident Funds Act (Cap 27:03).

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

The Board of Trustees responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as well as the preparation of the supplementary schedules included in these financial statements.

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 business will not be a going concern in the year ahead.

The members of the Board of Trustees are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Trustees' approval of the annual financial statements

The annual financial statements set out on pages 5 to 23 which have been prepared on the going concern basis, were approved by the members of the Board of Trustees on 22 April 2010.

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

Report on the Financial Statements

We have audited the accompanying financial statements of Debswana Pension Fund, set out on pages 23 to 41, which comprise the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in members' funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Pension and Provident Funds Act in Botswana (Cap 27:03).

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Debswana Pension Fund as of 31 December 2009, and of its financial performance, cash flows and changes in funds for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Pension and Provident Funds Act in Botswana (Cap 27:03).

Deloitte & Touche

DEBSWANA PENSION FUND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 P	2008 P
REVENUE			
		129,506,215	137,965,722
Contributions receivable	1	130,259,155	134,595,750
Net transfers (to)/ from other funds	2	(752,940)	3,369,972
Net investment revenue			
		116,082,199	108,466,365
Dividends receivable		23,098,004	21,364,980
Interest receivable		79,887,413	77,727,931
Net rental income		12,845,126	5,051,409
Other income		251,656	4,322,045
Total revenue		245,588,414	246,432,087
GAINS/(LOSSES) ON INVESTMENTS			
		292,974,492	(459,248,894)
Losses on disposal of financial assets at fair value through profit or loss		(2,773,553)	(17,692,993)
Unrealised foreign (losses)/gains on financial assets		(150,451,156)	391,315,697
Unrealised fair value gains/(losses) on financial assets		438,768,527	(843,104,370)
Net unrealised gains on fair value adjustment of investment properties		10,299,837	10,232,772
Impairment loss on financial assets		(2,869,163)	-
EXPENDITURE			
Benefits payable			
		(122,272,381)	(136,831,202)
Benefits on withdrawal and death		(24,612,433)	(34,216,569)
Interest to members		(268,034)	(374,679)
Pensions to retired members		(41,320,905)	(32,592,020)
Pensioners' deaths benefits		(504,675)	(324,051)
Lump sums on retirement		(55,566,334)	(69,323,883)
Fund expenses			
		(18,582,752)	(16,341,271)
Administration expenses	3	(11,217,519)	(10,385,200)
Investment management fees		(7,245,645)	(5,827,595)
Depreciation of plant and equipment	8	(119,588)	(128,476)
Surplus/(deficit) for the year		397,707,773	(365,989,280)

DEBSWANA PENSION FUND STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2009

	Notes	2009 P	2008 P
ASSETS			
Investments			
Investment in properties	5	103,739,417	90,307,266
Other financial assets	6	2,470,956,414	2,104,160,746
Cash and cash equivalents	7	<u>433,021,857</u>	<u>436,175,876</u>
Total investments		<u>3,007,717,688</u>	<u>2,630,643,888</u>
Other assets			
Plant and equipment	8	436,606	480,605
Contributions and other receivables	9	<u>21,470,403</u>	<u>6,683,011</u>
Total other assets		<u>21,907,009</u>	<u>7,163,616</u>
Total assets		<u><u>3,029,624,697</u></u>	<u><u>2,637,807,504</u></u>
 FUNDS, RESERVES AND LIABILITIES			
Funds and reserves			
Fund account		2,237,701,009	1,993,579,625
Pensioners' account		678,589,238	536,536,492
Contingency reserve		<u>89,018,846</u>	<u>77,485,203</u>
Total funds and reserves		<u>3,005,309,093</u>	<u>2,607,601,320</u>
Other liabilities			
Benefits payable	10	21,996,183	27,059,900
Other payables	11	<u>2,319,421</u>	<u>3,146,284</u>
Total other liabilities		<u>24,315,604</u>	<u>30,206,184</u>
Total funds, reserves and liabilities		<u><u>3,029,624,697</u></u>	<u><u>2,637,807,504</u></u>



DEBSWANA PENSION FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 P	2008 P
CASH FLOWS FROM OPERATING ACTIVITIES:		
Surplus/(deficit) for the year	397,707,773	(365,989,280)
Adjusted for:		
Depreciation of plant and equipment	119,588	128,476
Net investment revenue	(116,082,199)	(108,466,365)
(Gains)/losses on investments	<u>(292,974,492)</u>	<u>459,248,894</u>
Cash used in operations	(11,229,330)	(15,078,275)
Increase in contributions and other receivables	(14,845,871)	(2,002,647)
Decrease in other payables	(826,863)	(1,323,612)
(Decrease)/increase in benefits payable	<u>(5,063,717)</u>	<u>7,218,829</u>
Net cash used in operating activities	<u>(31,965,781)</u>	<u>(11,185,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investment revenue	116,082,199	108,466,365
Proceeds from sale of investments	106,477,475	105,676,415
Payments for plant and equipment	(88,070)	(390,091)
Payments for investment securities	<u>(193,659,842)</u>	<u>(46,153,901)</u>
Net cash generated by investing activities	<u>28,811,762</u>	<u>167,598,788</u>
Net(decrease) increase in cash and cash equivalents for the year	(3,154,019)	156,413,083
Cash and cash equivalents at the beginning of the year	<u>436,175,876</u>	<u>279,762,793</u>
Cash and cash equivalent at the end of the year	<u><u>433,021,857</u></u>	<u><u>436,175,876</u></u>

DEBSWANA PENSION FUND STATEMENT OF CHANGES IN MEMBERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Fund account P	Pensioners' account P	Contingency reserve P	Total P
Balance at 1 January 2008		2,418,148,050	478,139,531	77,303,019	2,973,590,600
Deficit for the year		(365,989,280)	-	-	(365,989,280)
Transfers during the year		(58,972,026)	58,396,961	575,065	-
Transfer of expenses		<u>392,881</u>	<u>-</u>	<u>(392,881)</u>	<u>-</u>
Balance at 31 December 2008		1,993,579,625	536,536,492	77,485,203	2,607,601,320
Surplus for the year		397,707,773	-	-	397,707,773
Transfers during the year		(153,632,087)	142,052,746	11,579,341	-
Transfer of expenses	16	<u>45,698</u>	<u>-</u>	<u>(45,698)</u>	<u>-</u>
Balance at 31 December 2009		<u>2,237,701,009</u>	<u>678,589,238</u>	<u>89,018,846</u>	<u>3,005,309,093</u>

DEBSWANA PENSION FUND SIGNIFICANT ACCOUNTING POLICIES 31 DECEMBER 2009

BASIS OF PREPARATION

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

ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Fund has adopted all the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting period beginning on 1 January 2009. The adoption of these standards has not resulted in changes to the Fund's accounting policies.

Standards and interpretation affecting amounts reported in the current period

The new and revised Standards and Interpretations adopted in the current period have not affected the amounts reported in these financial statements.

Standards and interpretation affecting presentation and disclosure

IAS 1 (as revised in 2007 Presentation of financial statements)

IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements and changes in the format and content of financial statements).

IFRS 7 - Financial Instruments: Disclosures - Amendments enhancing disclosures about fair value and liquidity risk

The amendment to IFRS 7 expands the disclosures required in respect of fair value measurements and liquidity risk. Refer to note 14 for additional disclosures on fair values.

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

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

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective from 1 July 2009)

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective from 1 January 2010)

IFRS 9 - Financial Instruments - Classification and Measurement (effective from 1 January 2013)

IAS 1 - Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective from 1 January 2010)

IAS 7 - Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective from 1 January 2010)

IAS 24 - Related Party Disclosures - Revised definition of related parties (effective from 1 January 2011)

IAS 36 - Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective from 1 January 2010)

IAS 38 - Intangible Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective from 1 July 2009)



DEBSWANA PENSION FUND SIGNIFICANT ACCOUNTING POLICIES 31 DECEMBER 2009 (CONTINUED)

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED (CONTINUED)

IAS 39 - Financial Instruments: Recognition and Measurement - Amendments for embedded derivatives when reclassifying financial instruments (effective 30 June 2009)

IAS 39 - Financial Instruments: Recognition and Measurement - Amendments for eligible hedge items (effective 1 July 2009)

IAS 39 - Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective from 1 January 2010)

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

BENEFITS PAYABLE

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

PENSIONERS' ACCOUNT

This account comprises the equivalent of net assets of the Fund attributable to the Fund's pensioners. This reserve will be used to fund the Fund's liability, which is the actuarial value of the current pensions in payment and allows for future increases in pensions. Regular actuarial valuations are carried out to determine the fund's liability to the pensioners. The last actuarial valuation was conducted at 31 December 2009.

CONTINGENCY RESERVE

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

PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

DEBSWANA PENSION FUND SIGNIFICANT ACCOUNTING POLICIES 31 DECEMBER 2009(CONTINUED)

INVESTMENT PROPERTIES

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

FINANCIAL INSTRUMENTS

Financial assets

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

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

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

DEBSWANA PENSION FUND SIGNIFICANT ACCOUNTING POLICIES 31 DECEMBER 2009 (CONTINUED)

FINANCIAL INSTRUMENTS (continued)

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

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

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of the amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Financial liabilities

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

Significant financial liabilities comprise benefits payable and other payables.

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

DEBSWANA PENSION FUND SIGNIFICANT ACCOUNTING POLICIES 31 DECEMBER 2009 (CONTINUED)

REVENUE RECOGNITION

Contributions

Contribution revenue is recognised on an accruals basis.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established. Withholding tax payable at 15% on dividends received from Botswana equities is netted off against dividend income.

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

Rental income

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

LEASING

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

The fund as a lessor

Amounts due from lessees under finance leases are recorded as a receivable at the amount of the Fund's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the fund's net investment outstanding in respect of the leases.

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

FOREIGN CURRENCIES

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

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

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

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

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

DEBSWANA PENSION FUND SIGNIFICANT ACCOUNTING POLICIES 31 DECEMBER 2009 (CONTINUED)

RELATED PARTY TRANSACTIONS

Related parties are defined as those parties:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the entity that gives it significant influence over the entity; or
- (b) that are members of the key management personnel of the entity or its parent including close members of the family.

All dealings with related parties are transacted on an arms length basis and accordingly included in profit or loss for the year.

ACTUARIAL VALUATION

In terms of the Rules of the Fund, actuarial valuations are carried out at intervals of at least three years. The last actuarial valuation was conducted as at 31 December 2009.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of financial assets

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

Useful lives of plant and equipment

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

Valuation of investment properties

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

DEBSWANA PENSION FUND NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2009

I CONTRIBUTIONS RECEIVABLE

Contributions receivable are 20% of members' pensionable earnings for all participating employers except for Morupule Colliery Limited. Morupule Colliery Limited contributes 15% of members' pensionable earnings whilst members contribute 5% of pensionable earnings.

	<u>2009</u>	<u>2008</u>
	P	P
2 NET TRANSFERS FROM OTHER FUNDS		
Transfers in	527,004	5,026,181
Transfers out	<u>(1,279,944)</u>	<u>(1,656,209)</u>
Net transfers	<u>(752,940)</u>	<u>3,369,972</u>
3 ADMINISTRATION EXPENSES		
Actuarial fees	252,133	224,275
Auditors' remuneration:		
External audit fees - current year	377,421	368,124
- prior year	(18,229)	30,252
Internal audit fees	151,608	193,349
Administration fees	2,370,979	2,372,490
Staff costs	5,014,773	4,328,385
Bank charges	19,297	13,676
Legal and professional fees	655,574	450,816
Stationery	76,374	65,098
Fidelity and other insurance	55,474	19,928
Travel and entertainment	262,230	382,273
Communications expenses	795,953	669,113
Unitisation fees	413,113	310,927
Other expenses	745,121	563,613
Strategic plan expenses	45,698	392,881
	<u>11,217,519</u>	<u>10,385,200</u>
4 TAXATION		

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

5 INVESTMENT IN PROPERTIES

Investment properties at fair value:		
Freehold and leasehold land and buildings	49,800,000	43,800,000
Leasehold land and buildings held in partnerships	<u>37,938,861</u>	<u>30,977,183</u>
	<u>87,738,861</u>	<u>74,777,183</u>
Balance at beginning of the year	74,777,183	64,544,411
Net gain from fair value adjustments	10,581,678	10,232,772
Additions of investment properties	<u>2,380,000</u>	<u>-</u>
Balance at end of the year	<u>87,738,861</u>	<u>74,777,183</u>
Loans and shares in property investment companies:		
Loans advanced to property investment companies	11,815,506	11,345,033
Investment in shares in property investment company	<u>4,185,050</u>	<u>4,185,050</u>
	<u>16,000,556</u>	<u>15,530,083</u>
Total investment in properties	<u>103,739,417</u>	<u>90,307,266</u>

Investment properties were revalued at 31 December 2009 by Pam Golding International Botswana, Kwena Property Services and Wragg (Proprietary) Limited, firms of independent chartered valuers on an open market value basis.

The Fund holds 20% (2008:20%) of the ordinary share capital of Riverwalk (Proprietary) Limited, a company owning an investment property. The Trustees of the Fund do not believe that the Fund is able to exert significant influence over the company as 60% of the ordinary share capital is controlled by a single shareholder.

DEBSWANA PENSION FUND NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2009 (CONTINUED)

	<u>2009</u>		<u>2008</u>	
	P		P	
6 OTHER FINANCIAL ASSETS				
Designated as at fair value through profit and loss (FVTPL)				
Equity investments ^b - Onshore	604,114,546		467,463,456	
- Offshore	<u>5,331,967</u>		<u>11,023,502</u>	
	<u>609,446,513</u>		<u>478,486,958</u>	
Fixed income securities				
Bonds - Onshore	382,160,610		311,255,114	
- Offshore unitised	<u>361,217,999</u>		<u>339,141,133</u>	
	743,378,609		650,396,247	
Promissory notes	9,754,808		8,811,442	
	<u>753,133,417</u>		<u>659,207,689</u>	
Offshore equity unitised funds	<u>1,111,245,647</u>		<u>966,466,099</u>	
	<u>2,473,825,577</u>		<u>2,104,160,746</u>	
Provision for impairment (Diamonex Limited)				
Dual listed equities	(1,746,219)		-	
Bonds onshore	<u>(1,122,944)</u>		-	
	<u>(2,869,163)</u>		-	
Net carrying amount	<u>2,470,956,414</u>		<u>2,104,160,746</u>	
7 CASH AND CASH EQUIVALENTS				
Term deposits	187,222,666		74,087,891	
Bank balances	<u>245,799,191</u>		<u>362,087,985</u>	
	<u>433,021,857</u>		<u>436,175,876</u>	
8 PLANT AND EQUIPMENT				
	<u>Motor</u>	<u>Office</u>	<u>Furniture</u>	
	<u>Vehicles</u>	<u>Equipment</u>	<u>and Fittings</u>	
	P	P	P	
2009				
COST			<u>Total</u>	
			P	
Balance at 1 January 2009	197,140	391,054	466,504	1,054,698
Additions	-	63,070	25,000	88,070
Write off	-	<u>(13,952)</u>	-	<u>(13,952)</u>
Balance at 31 December 2009	<u>197,140</u>	<u>440,172</u>	<u>491,504</u>	<u>1,128,816</u>
ACCUMULATED DEPRECIATION				
Balance at 1 January 2009	197,140	243,608	133,345	574,093
Charge for the year	-	44,865	74,723	119,588
Write off	-	<u>(1,471)</u>	-	<u>(1,471)</u>
Balance at 31 December 2009	<u>197,140</u>	<u>287,002</u>	<u>208,068</u>	<u>692,210</u>
CARRYING AMOUNT	<u>-</u>	<u>153,170</u>	<u>283,436</u>	<u>436,606</u>
2008				
COST				
Balance at 1 January 2008	197,140	325,733	141,734	664,607
Additions	-	65,321	324,770	390,091
Balance at 31 December 2008	<u>197,140</u>	<u>391,054</u>	<u>466,504</u>	<u>1,054,698</u>
ACCUMULATED DEPRECIATION				
Balance at 1 January 2008	151,962	206,695	86,960	445,617
Charge for the year	45,178	36,913	46,385	128,476
Balance at 31 December 2008	<u>197,140</u>	<u>243,608</u>	<u>133,345</u>	<u>574,093</u>
CARRYING AMOUNT	<u>-</u>	<u>147,446</u>	<u>333,159</u>	<u>480,605</u>

DEBSWANA PENSION FUND NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2009 (CONTINUED)

9 CONTRIBUTIONS AND OTHER RECEIVABLES	2009 P	2008 P
Contributions receivable	6,583	182,737
Interest receivable	447,097	114,548
Withholding tax	5,330	4,302
Dividends receivable	355,838	-
Property rentals receivable	481,852	436,653
Property partnership current accounts	18,828,189	5,479,500
Amounts due from pay points	-	58,478
Other receivables	1,345,514	406,793
	<u>21,470,403</u>	<u>6,683,011</u>

Contributions receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. Contributions are received in accordance with the fund rules. No interest is charged on outstanding contributions.

10 BENEFITS PAYABLE

Retirement	6,453,789	13,399,479
Death	2,894,743	4,182,514
Pension deaths	200,077	62,188
Withdrawal	11,552,078	9,190,343
Monthly pension	33,074	222,526
Tax payable on benefits	75,374	2,850
Contributions for ineligible members	787,048	-
	<u>21,996,183</u>	<u>27,059,900</u>

11 OTHER PAYABLES

Rental deposits	311,879	283,115
Rental received in advance	29,994	46,415
Administration fees payable	1,704,175	2,569,543
Provisions and accruals	273,373	241,573
Other	-	5,638
	<u>2,319,421</u>	<u>3,146,284</u>

12 FIDELITY INSURANCE COVER

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

13 ACTUARIAL VALUATION

The financial statements summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future.

In accordance with the rules of the fund, the actuarial position of the Fund, which does take account of such liabilities, is examined and reported upon by the actuaries of the Fund.

An actuarial valuation was carried out as at 31 December 2009. The valuation shows that the reserves of the Fund, as reflected in the statement of changes in funds on page 6 amounting to P678 589 238 (2008:P536 536 492) adequately cover the pensioners' liabilities at that date, without taking into account future pension increases.

14 FINANCIAL RISK MANAGEMENT

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

DEBSWANA PENSION FUND NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) 31 DECEMBER 2009

14 FINANCIAL RISK MANAGEMENT (continued)

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 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 decision on the fund's investments in terms of composition and other relevant factors. The Investment Committee has outsourced the investment managers' performance assessment and review to the fund's actuaries, who report regularly to the 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.

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, credit risk and liquidity risk.

Currency risk:

The Fund is exposed to currency risk mainly through its investments and term deposits denominated in foreign currencies. The Fund's total exposure to currency risk through its investments and term deposits denominated in United States Dollars as at 31 December 2009 amounted to P1,515,872,788 (2008: P1,335,289,084).

Interest rate risk:

Interest rate risk is the possible loss in the value of a fixed income asset resulting from an unexpected and adverse movement in interest rates and consequent change in price. Interest rate risk is measured by modified duration, which measures the sensitivity of the price of a bond to changes in interest rates expressed in years.

Financial instruments that are sensitive to interest rate risk are bank balances and cash, interest bearing securities and term deposits. Interest rates earned on financial instruments compare favourably with those currently available in the market. The net exposure to interest rate risk as at 31 December 2009 amounted to P390,792,474 (2008: P320,066,556) being investments in onshore bonds and promissory notes and P361,217,999 (2008: P339,141,133) being investments in offshore bonds, and P433,021,857 (2008: P436,175,876) being term deposits and cash and cash equivalents as disclosed in notes 5 and 6.

Equity price risk:

Equity price risk is the risk that the value of equities decreases as a result of changes in the equity prices and diminution of value of individual stocks. The investment guidelines stipulates the allowable holding levels. The net exposure to equity price risk as at 31 December 2009 amounted to P604,114,546 (2008: P467,463,456) for local equities and P1,114,831,395 (2008: P977,489,601) for offshore equities and offshore unitised funds as disclosed in note 6.

DEBSWANA PENSION FUND NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) 31 DECEMBER 2009

Fair values of financial instruments

Fair values of financial instruments carried at amortised cost

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

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

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

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

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

Fair value measurements recognised in the Statement of Financial Position

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

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

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

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

	31 December 2009			
Financial assets at fair value through profit or loss	Total P	Level 1 P	Level 2 P	Level 3 P
Onshore listed equity investments	604,114,546	604,114,546	-	-
Offshore listed equity investments	3,585,748	3,585,748	-	-
Onshore listed bonds	381,037,666	381,037,666	-	-
Promissory notes	9,754,808	-	9,754,808	-
Offshore bonds unitised funds	361,217,999	-	361,217,999	-
Offshore equity unitised funds	<u>1,111,245,647</u>	-	<u>1,111,245,647</u>	-
Total	<u>2,470,956,414</u>	<u>988,737,960</u>	<u>1,482,218,454</u>	<u>-</u>

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

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

DEBSWANA PENSION FUND NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2009 (CONTINUED)

14 FINANCIAL RISK MANAGEMENT (continued)

Market risk sensitivity analysis

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

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

31 December 2009

Risk Variable	Adverse market change		Beneficial market change	
	Scenario	Effect on statement of comprehensive income P	Scenario	Effect on statement of comprehensive income P
Currency Risk	Strengthening of the Pula by 1%	(15,158,728)	Weakening of the Pula by 1%	15,158,728
Global Equity Risk	Decline in global equity prices by 1%	(11,112,456)	Increase in global equity prices by 1%	11,112,456
Local Equity Risk	Decline in local equity prices by 1%	(6,041,145)	Increase in local equity prices by 1%	6,041,145
Interest rate risk	Decline in interest yield by 1%	23,700,647	Increase in interest yield by 1%	(23,700,647)

31 December 2008

Risk Variable	Adverse market change		Beneficial market change	
	Scenario	Effect on statement of comprehensive income P	Scenario	Effect on statement of comprehensive income P
Currency Risk	Strengthening of the Pula by 1%	(13,352,896)	Weakening of the Pula by 1%	13,352,896
Global Equity Risk	Decline in global equity prices by 1%	(9,664,665)	Increase in global equity prices by 1%	9,664,665
Local Equity Risk	Decline in local equity prices by 1%	(4,674,635)	Increase in local equity prices by 1%	4,674,635
Interest rate risk	Decline in interest yield by 1%	14,665,913	Increase in interest yield by 1%	(14,665,913)

DEBSWANA PENSION FUND NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2009 (CONTINUED)

14 FINANCIAL RISK MANAGEMENT (continued)

Credit risk:

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

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

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

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

Concentration of credit risk

Counterparty (investment manager)	Investment type	2009 P	2008 P
Investec Asset Management Limited	Government bonds	67,123,811	58,081,936
Investec Asset Management Limited	Corporate bonds	62,389,469	11,994,827
Investec Asset Management Limited	Parastatals bonds	78,986,223	113,286,325
Investec Asset Management Limited	Corporate promissory notes	9,754,808	8,811,442
BIFM Asset Management (Proprietary) Limited	Government bonds	49,094,171	28,822,370
BIFM Asset Management (Proprietary) Limited	Corporate bonds	32,467,947	18,645,364
BIFM Asset Management (Proprietary) Limited	Parastatals bonds	13,754,981	11,058,705
Allan Gray Botswana	Government bonds	11,679,334	15,361,500
Allan Gray Botswana	Corporate bonds	35,936,213	27,991,673
Allan Gray Botswana	Parastatals bonds	29,605,517	26,012,412
Pimco Funds: Global Investors Series plc.	Unitised offshore bonds	361,217,999	339,141,133
Total (per note 6)		752,010,473	659,207,687

Bank balances and fixed deposits

Counterparty (investment manager)	Investment type	2009 P	2008 P
First National of Bank Botswana Limited	Fixed deposits	78,473,148	59,864,970
Barclays Bank of Botswana Limited	Fixed deposits	28,527,574	-
Barclays Bank of Botswana Limited	Bank balances	234,627,621	351,681,259
Standard Chatered Bank Botswana	Bank balances	11,171,569	10,405,775
Stanbic Bank Botswana	Fixed deposits	44,072,716	3,238,475
Botswana Development Corporation	Fixed deposits	1,230,370	1,237,690
Bank of Botswana	Treasury bills	34,918,859	-
Letshego Holdings Limited	Fixed deposits	-	9,747,707
Total		433,021,857	436,175,876

Liquidity risk:

Ultimate responsibility for the liquidity risk management rests with the Board of Trustees, which has built an appropriate liquidity risk management framework for the management of the Fund's short, medium and long term funding and liquidity management requirements. The Fund manages liquidity by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Based on the nature of the Fund's payables, an analysis of undiscounted cash flows of financial liabilities is not relevant. Substantially, the Fund's benefits and other accounts payable are due for settlement within three months after the year end.



DEBSWANA PENSION FUND NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2009 (CONTINUED)

14 FINANCIAL RISK MANAGEMENT (continued)

Significant accounting policies

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

Categories of financial instruments	2009 P	2008 P
Financial assets		
Cash and cash equivalents	<u>433,021,857</u>	<u>436,175,876</u>
Designated as at fair value through profit and loss (FVTPL)	<u>2,470,956,414</u>	<u>2,104,160,746</u>
Loans and receivables	<u>21,470,403</u>	<u>6,683,011</u>
Financial liabilities		
Amortised cost	<u>24,315,604</u>	<u>30,206,184</u>

15 RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

Key management personnel comprises the Principal Executive Officer

Gross emoluments of the key management personnel are:

Short term benefits	<u>1,135,436</u>	<u>845,376</u>
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Internal audit fees charged by Debswana Head Office	<u>151,608</u>	<u>193,349</u>
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16 CONTINGENCY RESERVE

A decision was made by the Board of Trustees to allocate expenses amounting to P45 698 relating to the acquisition of the benefit payment system to the Contingency Reserve. The reason for allocating the expenses to Contingency Reserve was to avoid overburdening members who retired in 2009 with the once off cost which would have negatively impacted on their fund credits. The Contingency Reserve is utilised for such purposes.

17 POST BALANCE SHEET EVENTS

No events have occurred between the balance sheet date and the date of approval of the financial statements, which would materially affect the financial statements.

18 DESCRIPTION OF THE FUND

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

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

The participating employers are Debswana Diamond Company (Proprietary) Limited and related companies.



DEBSWANA PENSION FUND NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2009 (CONTINUED)

19 MEMBERSHIP STATISTICS		2009	2008
Number of members:	Active	5,140	5,548
	Deferred	2,344	2,244
	Pensioners	<u>2,147</u>	<u>1,810</u>

20 COMMITMENTS

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

Due within one year	3,313,475	3,012,250
Due within five years	<u>1,139,007</u>	<u>4,711,347</u>
	<u>4,452,482</u>	<u>7,723,597</u>

The Fund has entered into a contract for the development of an in-house benefits administration system for the next year and this will give rise to the following expenditure.

Total operating costs	4,583,682	-
Commitments for the acquisition of plant and equipment	<u>1,665,805</u>	<u>-</u>
	<u>6,249,487</u>	<u>-</u>

21 COMPARATIVE FIGURES

Comparative figures for the statement of comprehensive income and statement of cash flows have been reclassified to conform with the current year classifications. As there are no changes to the balances reported in the prior periods, comparative statements for 2007 have not been presented.



DEBSWANA PENSION FUND ANNUAL REPORT 31 DECEMBER 2009

GENERAL INFORMATION

CHAIRMAN

T Kobedi

PRINCIPAL TRUSTEES

C Chijoro
N Mmolawa
A Malapela (retired 2010)
R Moroka
K Namoshe

ALTERNATE TRUSTEES

M Motshwane
E Moumakwa
P Montshioa
V Garekwe
E Shabane
O Tsietso

PRINCIPAL OFFICER

Tiny Kgatlwane (resigned 2010)

AUDITORS

Deloitte & Touche

ACTUARIES

5TH Quadrant

REGISTERED OFFICE

Plot 682/683
Visible Edge Building
The Mall

BANKERS

Barclays Bank of Botswana Limited
Standard Chartered Botswana Limited

ASSET MANAGERS (LOCAL)

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

INTERNATIONAL ASSET MANAGERS

Brandes Investment Partners
Alliance Beintin
Marathon Asset Management
Orbis Investment Management
Pacific Investment Management Company
Mark Russell Investment Group

CONSULTANTS

Khumo Properties Consultants (Property)
Native Impressions (Advertising)

The Mall P/Bag 00512 Gaborone,
Botswana

FUND OFFICES

Tel: 361 4236/4267/4318/4366

Fax: 393 6239

Toll-free (landline): 0 800 600 681