2013

DEBSWANA · PENSION · FUND · ANNUAL REPORT

Statements & Financials

DPF

DEBSWANA · PENSION · FUND

DEBSWANA · PENSION · FUND · ANNUAL REPORT

DPF

ANNIVERSARY 30 YEARS

DPF

2013 · ANNUAL REPORT

Kgoba Kgetsi:

"Over BWP 5billion In Member Assets"

2013

DEBSWANA · PENSION · FUND · ANNUAL REPORT

www.dpf.co.bw

Contents:

The DPF Story - Celebrating 30 Years of excellence	[01]
Board of Trustees	[05]
DPF Leadership Team	[06]
Chairman's Report	[07]
• Organizational overview and external environment	[07]
• Governance	[07]
• Strategy and regulatory developments	[09]
• Opportunities and risks	[10]
• Future outlook	[10]
PEO's Report	[11]
• Operations	[11]
• Investments	[14]
• Finance	[20]
• Communication	[21]
• Human Resources	[24]
Annual Financial Statements	[26]
Addendums	[59]
a) Summary Statement of Investment Principles	[60]
b) Statement by consulting Actuaries	[63]
c) Communication Policy Statement	[64]
d) Administration Policy Statement	[69]
e) Risk Governance Statement	[70]
f) Composition of the Board of Trustees	[71]
g) Board Committee Meeting Attendance	[73]

Vision

To be the preferred retirement services provider.

Mission

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

- Prudent management of member funds
- Efficient benefits administration
- Provision of focused communication
- Effective socially responsible investments

DPF

Touching lives...

* Our goal is not only to grow the DPF...

...but to continually create a better service proposition for members and beneficiaries.

Contact us:

Gaborone Office

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

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

Orapa Office

Administration Block,
Office No. 17
(Tel) + 267 290 2323

Jwaneng Office

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

Auditors

• Deloitte & Touche

Bankers

• Barclays Bank
• Standerd Chartered

Design

• Bullsheep Creative Studios

Photography

• Image Lounge
• Mabeo Furnitures [Cover Image]

Our History:

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

Our Values:

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

The DPF Story

Celebrating 30 Years Of Excellence

The Debswana Pension Fund (DPF) is the largest private pension Fund in size and value in Botswana. It was established in 1984 through visionary leadership of a number of key individuals at the time, one of them being a consulting engineer by the name of Mr Andrew Peter Britz, who in the years preceding the establishment of the DPF was the General Manager of Orapa Mine. He was instrumental in jumpstarting the process of negotiations between Debswana Diamond Company and De Beers Botswana Prospecting and the Union leadership to setup a separate Fund to manage employee pension benefits and replace the gratuity system that was available to employees at the time.

The Union leadership, who at the time had growing concerns over their members' misuse of their gratuity benefits were encouraged by the idea of a pension fund as suggested by Mr Andrew Peter Britz. Subsequently, the result of greater consultation and benchmarking with other Mineworker's Union in South Africa led to union leaders cooperating in the setup of the Fund and selling it to their membership. This was however not an easy sell for the Union and Management but eventually achieved with great success. Key individuals that played significant roles in the establishment of the DPF include former managing Director Mr Blackie Marole, Mrs Tsetsel Fantan who was a founder company appointed Trustee, Mr Bashi Sengwaketse, a founder Member elected Trustee, Kgotla Autlwetse and Teedzani Machacha, amongst others.

For the larger part of its life, the DPF administration function remained small despite its relatively large asset base. From its inception in 1984 until 2006, the DPF administration operated as a business function within the operations of the parent company Debswana Diamond Company until it become an independent secretariat in 2007.

The DPF transition into a Secretariat was the result of a deliberate decision by Debswana Diamond Company through their then North Star Strategy, to outsource all of its non-core business functions. Blackie Marole was the incumbent Managing Director at the time. At the time the Fund transitioned former Board Chairman Tabake Kobedi led the Fund through this transition. He has since retired from this position to become the Managing Director of DTCB.

It is with the tireless effort of these leaders that the DPF continued to grow steadily over the years in membership. As at year end 2013, the DPF boasted a sound membership of over 10000 members inclusive of active, deferred and pensioner members. The DPF investments have also blossomed over the years reaching a remarkable P5 billion (nearly USD600Million) in 2013 and making it the second largest in both value and membership size after the government employees' pension fund country wide.

As an autonomous organization, the Fund now needed to develop its own agenda going forward and this required the leadership to re-strategize and most importantly set-up a full-fledged and robust governance framework and operating structures for the new organization. A key element in this strategic drive was the acquisition of a Benefits Administration system which enabled the Fund to manage its own records in-house and further improve operational efficiency. The Fund's position as self-administrated was the first for the retirement industry in Botswana, further enhancing its position a key industry benchmark. The DPF has been fully insourced since 2010.

The DPF currently has five main business units which include Benefit Administration, Risk and Compliance, Investments, Communication, and Finance. The Internal Audit and Information Management functions are co-sourced with the founding company Debswana Diamond Company, whilst the Assets Management function, Actuarial Services and Investment Consultancy are fully outsourced to various asset managers and consultants locally and globally.

Membership of the fund is derived from the Debswana and De Beers family of companies, namely; Debswana Diamond Company, DeBeers Holding Botswana, Diamond Trading Company Botswana, DeBeers Global Sight-holder Sales, Morupule Coal Mine, Peo Venture Capital Fund and the DPF itself. These Participating Employers are an integral part of the Fund due to the major role they play as the provider of a pension benefit. They are also the primary source of the data that eventually forms the pension fund records. A stakeholder engagement program that includes HR Business Partners' training on Fund processes, rules and regulations is implemented annually. This is done so to ensure that the DPF objectives always remain in tangent with the employers. The DPF is the only Fund of its stature in Botswana that provides all of the pension administration services in-house, including services such as the provision of retirement annuities for its retiring active and deferred members.

In order to bring services closer to the people, the DPF has established three (3) Member Relations offices for three of the membership constituencies of the Fund. The offices are located at Gaborone, Jwaneng and Orapa within the vicinity of the various paypoints/companies where active members are employed. Deferred and pensioner members living around these areas can also access any of these offices for services.

The DPF implements on an annual basis comprehensive communication plans that is reviewed and approved by the Benefits and Communication Committee of the Board of Trustees. These plans aim to meet the communication objectives for members and other stakeholders as well as ensure compliance to the statutory requirements for pension fund communication

Fund Historical Performance – A look back since 1998

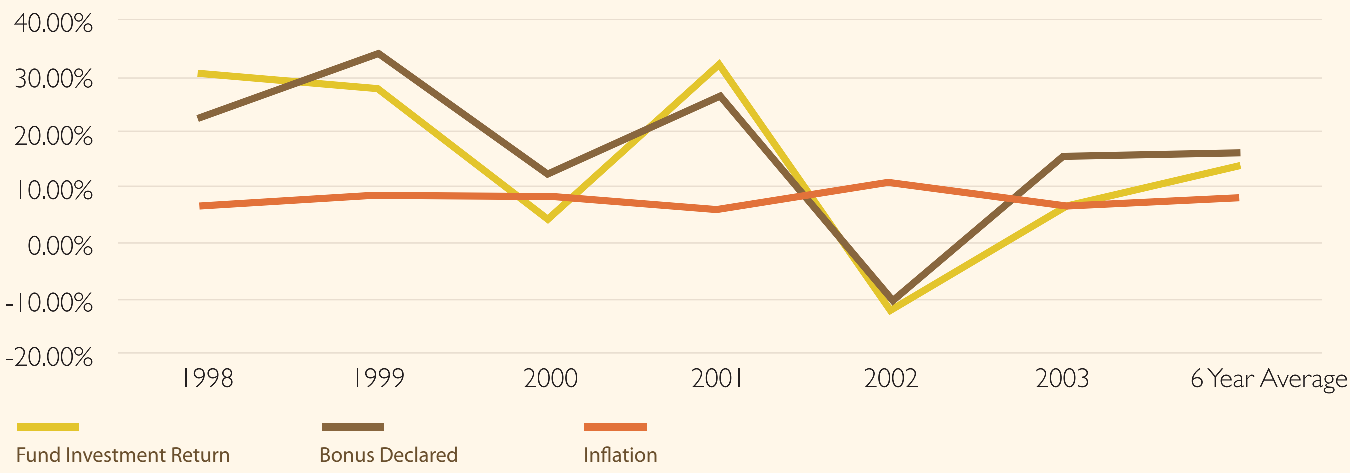
The DPF participation in the local economy is significant. By 2013, about 40% of the DPF assets (approximately P2billion) were invested in the local economy with a 30% market capitalisation of the BSE and 5% in property.

The Debswana Pension Fund prides itself with a sparkling investment performance. Prior to the year 2004, the DPF investment strategy was based on a smoothed return process. Through this strategy, members were awarded bonuses equally across the board based on market performance and subsequent bonus declarations by the Trustees. In the 6 years up to 2003, the fund made record performances with high margins above inflation, however the market downturn of 2002 brought about by world events presented new lessons for the Fund. Near retirees were hardest hit by the -12.13% loss on their fund credits noted below, hence having to retire before market recovery and with sizably reduced Fund credits.

Following from that experience the DPF Board of Trustees identified and adopted the Life Stage Investment Model as the best way forward to protect and minimize losses for vulnerable members by investing member funds based on risk appetite (varying asset allocations per investment instrument), hence re- classification of member funds into three age based portfolios; Market Portfolio (age 18-53), Conservative Portfolio (age 58-60) and a Pensioner Porfolio (above 60).

Investment Performance By Smoothed Returns & Bonuses Declared

To members (1998-2003)



Investment Objective Of The Life Stage Model:

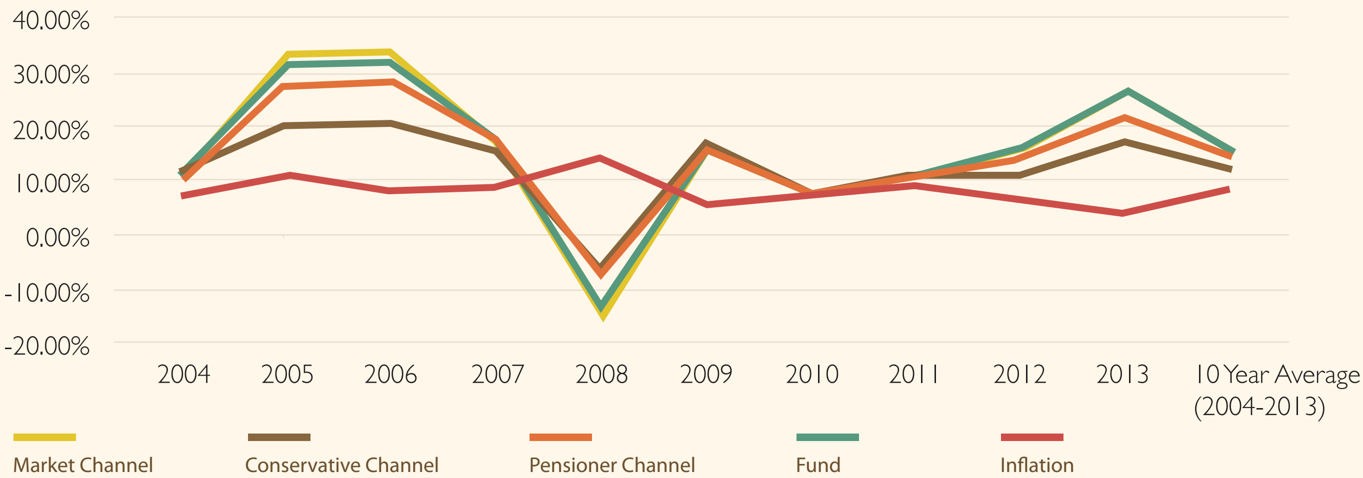
1. The primary investment objective of the Market Portfolio is to provide a net real return of 5.0% p.a. over any rolling 8-year period (after management fees, tax and other costs)

2. The investment objective of the Conservative Portfolio is to earn a net real return of 3.0% p.a. (after management fees, tax and other costs)

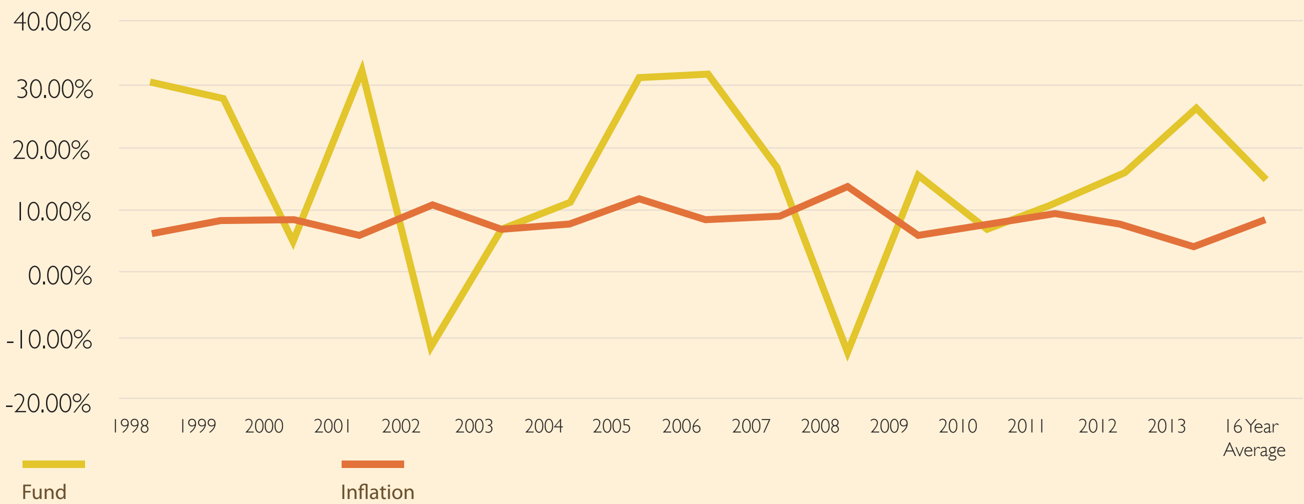
3. The pensioner liabilities have been valued at an interest rate of 4% p.a. This means that the pensioner assets need to earn a net real return of 4%p.a. (after management fees, tax and other costs) in order to grant pension increases that match inflation.

Life Stage Investment Portfolios Performance

(2004-2013)



Annual Fund Performance History *(1998-2003)*



Given its colourful history and prosperity, the Fund is on a path to soar to greater heights and despite the hurdles that can be anticipated in this journey, DPF remains focused on its key purpose to create value for members. The Board and Management are continuously looking for innovations and best practices that can be brought on board to enhance its performance. Current priorities include ensuring that the Fund remains progressive in terms of pursuing further operational efficiencies that will optimize member returns on investments and contain administration costs, thereby still remaining the preferred provider of retirement fund service in Botswana

Board of Trustees:

Board Chairman

Richard Vaka

Principal Trustees

Alternate Trustees

Principal Trustees:

1. Richard Moroka
2. China Abel
3. Tshepo Kgalaeng
4. Gakenaope Gakologelwang
5. Victor Maxwell
6. Wanjiru Kirima

Alternate Trustees:

1. Eunice Mpoloka
2. Vuyisile Garekwe
3. Mmoloki Onnelile
4. George Rantshilwane
5. Ian Modubule
6. Emmanuel Kgaboetsile

Leadership Team:

Principal Executive Officer

Gosego January

Team Heads

Leadership Team:

1. Bangidza Dhliwayo - *Investment Manager*
2. Neo Ebineng - *Risk Compliance Manager*
3. Francis Seelo - *Acting Operations Manager*
4. Agatha Sejoe - *Communications Manager*

Chairman's Report

Board Chairman
Richard Vaka

To our valued members... The year 2013 was filled with abundance in so far as the achievements of the Fund are concerned. We made great strides administratively and further gained record investment performance results that have surpassed all Fund results in the last five years. The Fund is in full recovery mode in all aspects of its business due to great efforts by all stakeholders concerned.

2013 Performance Overview:

The Fund remains financially sound as at year end the Fund, having recorded a healthy surplus of BWP1 billion relative to BWP500 million obtained in 2012. The Funding levels remain above target at 108.2%, an increase of 3% from 2012.

We are also very pleased that member asset have risen by a remarkable BWP1 billion to reach the BWP5 billion mark by year end. It is a huge milestone which favorably coincides with our 30th anniversary as a prosperous Fund in 2014. The Trustees also awarded a 7.4% pension increase (100% of inflation to 31 December 2012) to pensioners in payment during 2013.

Organizational Overview & External Environment:

Governance;

The DPF Board of Trustees appointed during the year an independent Trustee that was primarily brought in to augment skills, particularly in investment expertise. During 2013, the Independent Trustee, Ms. Wanjiru Kirima was re-appointed to a second 3 year term.

We have further embarked on a process of strengthening Fund governance and oversight and reviewed board committee composition to ensure alignment of skills and overall trustee effectiveness as well as to ensure that corporate objectives are met, resources are equitably allocated and used, that members' funds are properly invested and risk managed as well as member communication is optimised.

Currently there are four Board Committees; Audit/Risk and Finance Committe, Benefits and Communication Committe, Investment Committe and the Nominations and Remuneration Committe.

2013 Board Accomplishments;

- Board and Fund Management Team went on 3 day Retreat which was held in August 2013, the aim of which was to review the vision and strategic direction of the Fund. A Fund strategy for the medium to long term was developed for implementation.

- Appraisals of Board Members were carried out in March 2013. The Output from this led to the development of a programme of collective and individual training which will be implemented in 2014.

- There was introduction and approval of the Treasury Management Strategy which will also be implemented in 2014 to ensure improved cash management within the DPF investment strategy.

- A new risk management framework was adopted and applied which resulted in enhanced risk management processes.

- The Fund Rules were reviewed and submitted to the regulator to align them in advance with the revised Retirement Bill which was expected to be tabled before parliament in 2014.

- The Board extended the function of the Remuneration Committee to include nomination and succession planning matters affecting both Employees of the Fund and Trustees.

- The Board adopted an assessment matrix that sets targets and tracks the Board and Committee performance on a quarterly basis.

The Board Committees' Achievements for 2013;

Benefits and Communications Committee

The Committee;

a. Reviewed and recommended the amended Fund Rules for Board's approval that were reviewed in line with the new regulatory requirements.

b. Approved the 2014 Communications Strategy

c. Revised and enhanced the Death Benefit payment Policy

d. Developed a criteria and checklist for death investigations

e. Developed new Death Investigations questionnaire forms that recognises a more detailed data gathering process, including collection of information from key non family members, employers other parties that could be helpful in attaining a more robust and thorough investigative and decision making process for death benefits distributions.

Investment Committee

The Committee;

a. Reviewed all the Offshore asset managers and appointed a revised set of new managers

b. Approved for investment into money markets

c. Approved the Investment Policy in line with the new PFRs

d. Revised the Investment Strategy

e. Developed the Property Investment Strategy

f. Developed the alternative Investment (PIS) strategy

The Board Committees' Achievements for 2013;

Audit, Risk and Finance Committee

The Committee;

a. Developed and recommended for approval the Risk Management Strategy

b. Developed the Risk Management Policy

c. Approved the Actuarial Consultants

d. Approved External auditors

Trustee Training

For Trustees to be able to perform their fiduciary duties diligently and make prudent investments the Compliance department of the DPF is responsible to come up with a comprehensive training plan that covers a broader spectrum of the pension Fund Industry. The Trustees are trained in-house and externally by specialist advisors. Trustees are also sent both locally and outside the country to attend Pension Fund subject matter themed conferences

The specific areas in which Board members were trained on in 2013 to gain knowledge and understanding of their fiduciary duties includes:

- Trustees Fiduciary and Legal Duties
- Investment Duties
- Disposal of Death Benefits
- Governance
- Risk Management
- Benefits Administration
- Regulatory and legal issues

2013 Strategic & Regulatory Developments

During the 2013 financial year, the Board approved a Five Year Strategy that will ensure that the Fund is operating optimally. The Board is currently reviewing the Fund's Structure to ensure that the operational structure is aligned to the revised business model and further designed to provide a better service offering to the membership.

Regulatory Changes And Impact On Fund Investment Strategy

During 2013 the Non-Banking Financial Institutions Regulatory Authority (NBFIRA) engaged with the Industry Stakeholders around the Pension Funds Prudential rules which were expected to come into effect in 2014. The NBFIRA's Pension Prudential Rules set out the prudential requirements for regulated pension funds operating in Botswana. The key Investment rules are captured under PFR2-Prudential Investment Rule:

PFR2 – Prudential Investment Rule

The investment rules are broadly based on the thinking around how pension fund investment rules should be applied going forward. The reason why NBFIRA has adopted this framework includes the desire for harmonisation and for efficiency in designing a framework suitable for Botswana Pension Funds. There are three key components to the pension fund investment rules:

- Investment Strategy
- Prescribed Valuation Method for Pension Fund Assets
- Limits on the Investable Assets

The Regulator continues to engage on the aforementioned with stakeholders, the outcome of which will be known in 2014.

Board Review of Investment & Dis-Investment Decisions

During 2013 the DPF transitioned offshore assets from Alliance Bernstein, Investec and Brandes to its new managers Aberdeen and Walter Scott.

Opportunities & Risks

At the present time the Fund is primarily focused on optimizing the operations in order to attain a more cost effective operation. We remain conscious of the needs of our members and sponsors and will continually strive to harmonize where gaps may exist. The key risks that are top on the Trustees' agenda for mitigation include increasing administration costs as well as the need for critical mass which would also contribute towards bringing down cost per member to the desired levels.

Greater opportunities lay in creating additional value for members through new service offerings for members, and a number of these are in the pipeline, to be announced in the subsequent periods.

Future Outlook

As the Fund we continue to be committed to the attainment and maintenance of high standards of corporate governance incorporating the principles of integrity, accountability, transparency and social responsibility and that is attained through optimum use of resources.

Board Chairman
Richard Vaka

Principal Executive Officer's Review

PEO
Gosego January

"***To our valued members,*** 2014 ended on a high note for the secretariate with significant milestones achieved. We saw notable efficiencies being achieved in our administration, in particular, improved processing turnaround times which resulted in much more improved service delivery for members."

As always, our continued success is a result of great teamwork for which I applaud all stakeholders concerned. I am proud to count the DPF amongst those organisations that can truly boast of a very passionate hardworking and committed board of Trustees. Many resolutions had to be passed during the year to get us where we are as at year end and the Fund is all the better because of their effort.

DPF staff, true to their nature, were resilient as well, working long hours to ensure the Fund regains momentum from the hardships of the past few years. Ours operations are now in full swing as per the detailed report;

Operations:

The Fund continued to be fully operational during the course of the year without disruption. We continue to enjoy cordial relations with our participating employers as seen through the smooth administration and exchange of information between the Fund and the various operations during the year. Contributions were received timeously without any significant events.

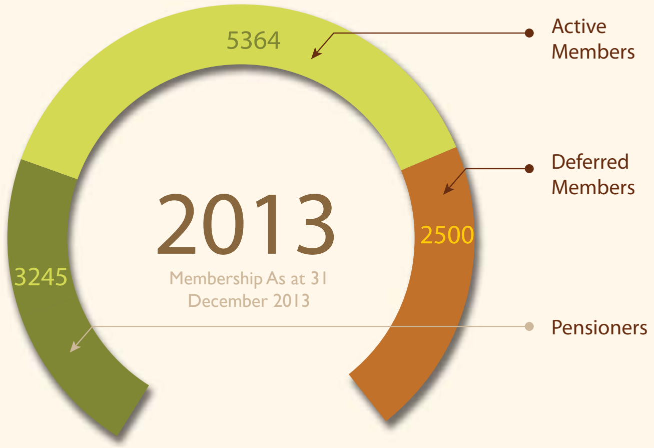
We however remain cognisant of the existing challenges between us and the need to further optimize the processes between our administration and employers, particularly with regard to the synchronization of employer inputs into the DPF administration as a way of minimizing reconciliations which have the potential to impact on service delivery.

Timely submission of member engagements to coincide with contribution receipts as an example is essential to ensure accurate and up to date member investment credits.

DPF is committed to continue engaging employers both at business partner and executive level to ensure that the desired synergies are achieved.

Membership Movements:

The year on year movements between the membership portfolios as depicted below show moderate to minimal change in the distribution between Active, Deferred and Pensioner members.



Active members increased by 2% from 47% in 2012 to 49% of the total membership in 2013. This indicates that employment across the participating employers remained subdued during the year under review.

There was a slight upward increase in pensioner membership of 5% while the Deferred Portfolio registered a 2% reduction. Membership distribution amongst the participating employers as at 31 December 2013 stands as follows:

Participating employers as at year end	No of employees	% contribution by employer	% contribution by employee
Debswana Diamond Company	4456	20%	0%
Diamond Trading Centre Botswana	416	20%	0%
Morupule Coal Mine	359	15%	5%
DeBeers Global Sightholder Sales	65	20%	0%
DeBeers Botswana Holding	35	20%	0%
Debswana Pension Fund	22	20%	0%
Anglo Coal Botswana	9	20%	0%
Peo Venture Capital	2	20%	0%
Total active fund membership	**5364**		

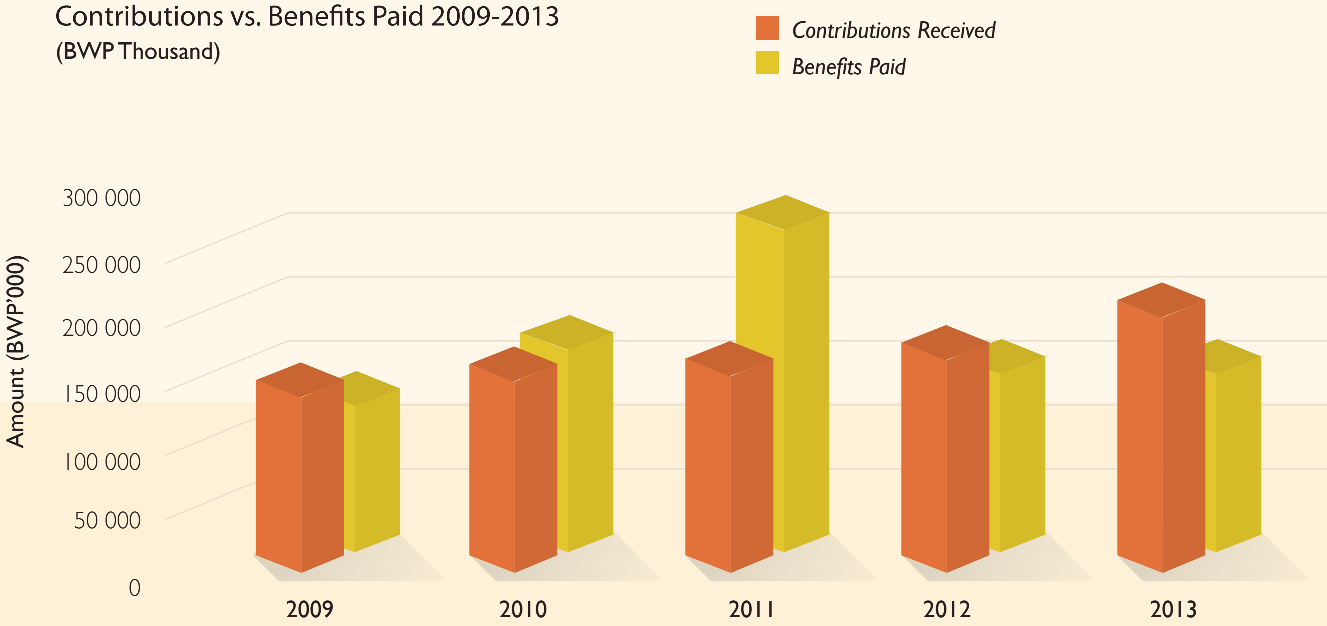
The number of participating employers has increased to eight (8) following inclusion of De Beers Global Sightholder Sales (DBGSS) as part of the family of companies whose pensions are managed under DPF. Debswana Diamond Company still retains the largest participating employer base at 83% of the total active member portfolio.

Contributions & Benefits payments

The Fund experienced a sharp increase in the contributions received mainly due to the inclusion of De Beers Global Sightholder Sales (DBGSS) as a participating employer as well as due to increase in pensionable earnings across all the participating employers.

The marginal decrease in benefits payments was mainly due to reduction in both the lump-sum on retirement and withdrawal benefits. This is a positive development for the Fund as the Fund was able to meet its obligations from the contributions received.

Contributions vs. Benefits Paid 2009-2013
(BWP Thousand)



Information Technology Systems

The Fund Benchmark administration system remained stable during the year under review thus ensuring uninterrupted and efficient services to members and other stakeholders. We are happy to inform the members that all key system functionalities are fully operational.

Investments:

Overview on Total Fund

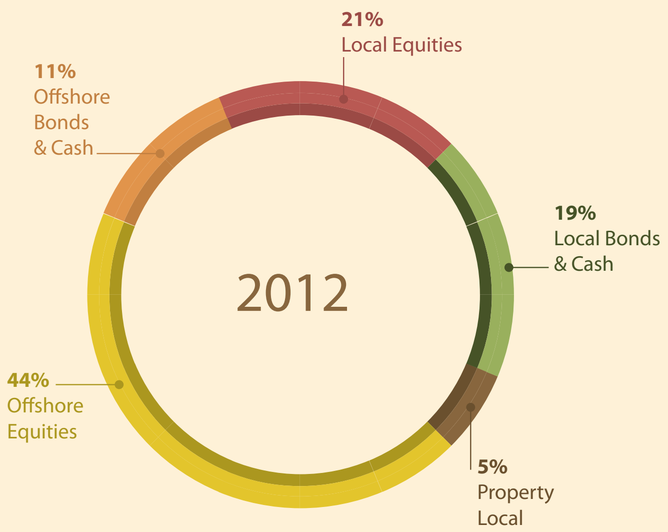
For the year ending 2013, the Debswana Pension Fund grew by 26.7% to a total Fund size of P 4,965 billion. Global equities were the biggest driver of performance over the year returning 42.2% for the year against the MSCI Pula index return of 42.8% followed by local equities which returned 24.4% against the Domestic Companies Index which delivered 25.1%. Global bonds performed poorly in 2013 compared to 2012, delivering a return of 8.8% whilst local fixed income returned 8.5% against benchmark returns of 8.8% and 10.0% respectively. The depreciation of the Botswana Pula against major currencies resulted in a positive return of 12.10% for the year. The Local property portfolio continued its stellar performance, delivering a return of 19% for the Fund.

In 2013 The Bank of Botswana cut the key bank rates for the 4th time to 7.5% in line with the positive outlook for inflation. Average Inflation for the year remained low, with the consumer price index closing out at 4.1% which was within the central banks 3 – 6% inflation objective.

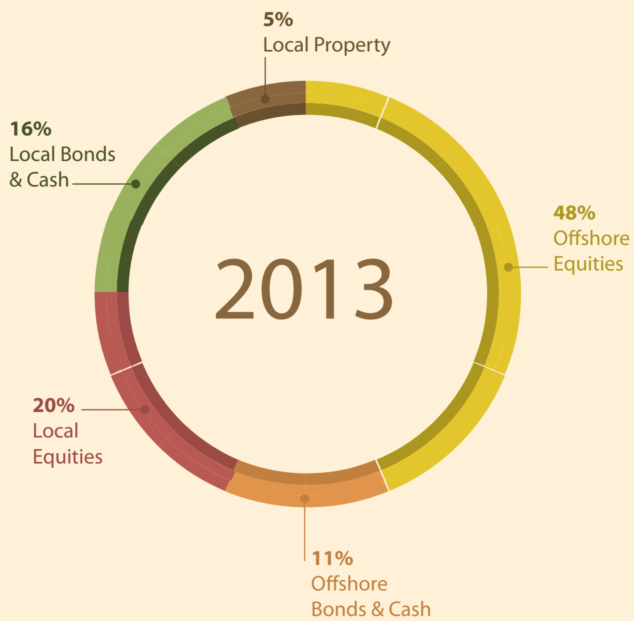
For the year ending in December 2013 The Fund had 60% of its assets invested offshore with 40% invested in Botswana. The Fund's actual offshore asset allocation was approximately 5% above its Strategic Asset Allocation (SAA), but remained within its upper rebalancing range.

* *Strategic Asset Allocation and Manager Share of Fund as at 31 December 2013*

Asset Allocation as at 31 December 2012



Asset Allocation as at 31 December 2013

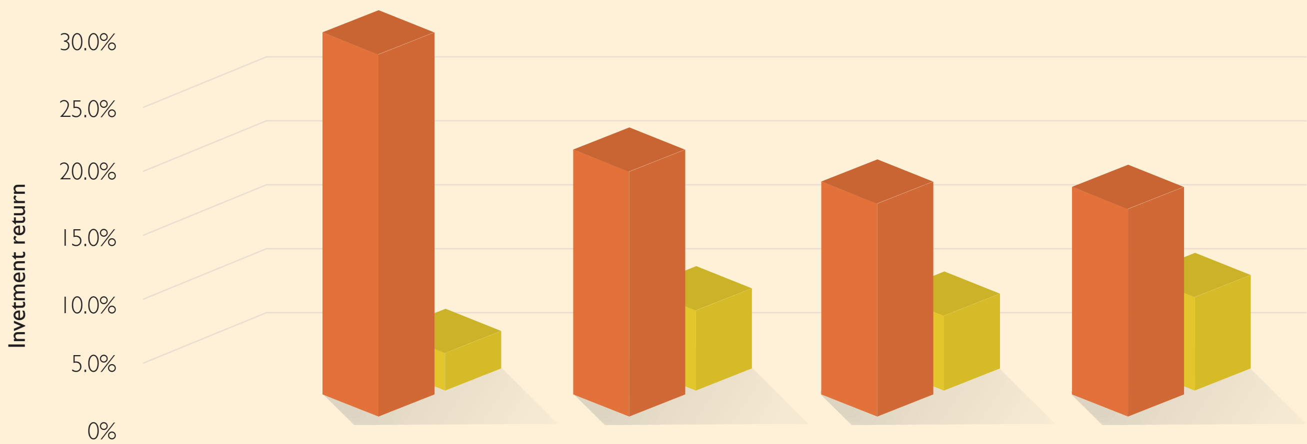


** As At Year End 2012 The Following Allocation Stood Between Asset Managers*

Portfolio Channel Performance

Market Portfolio Performance vs Inflation

Market Portfolio Performance

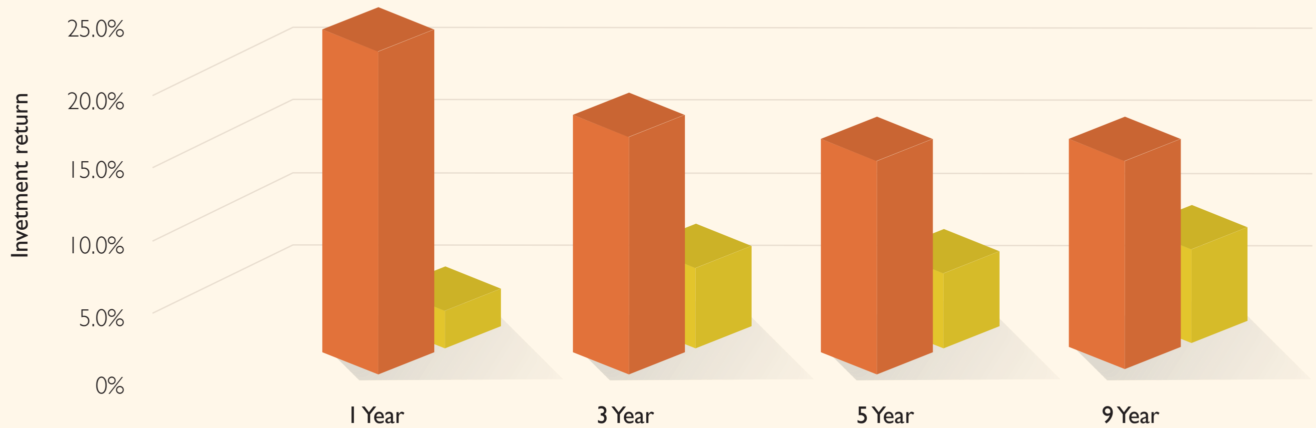


	1 Year	3 Year	5 Year	9 Year
Market	28.2%	18.3%	15.6%	15.3%
CPI	4.1%	6.3%	6.8%	8.2%

The Market Portfolio performance for 2013 returned 24.1% above inflation. The Market Portfolio has achieved a real return of 7.1% since inception of the life stage model which is comfortably ahead of its target of inflation + 5.0%. The overall level of managed skill over the last 5 years has improved with the portfolio outperforming its SAA by 1.3% per annum.

Pensioner Portfolio Performance vs Inflation

Pensioner Portfolio Performance

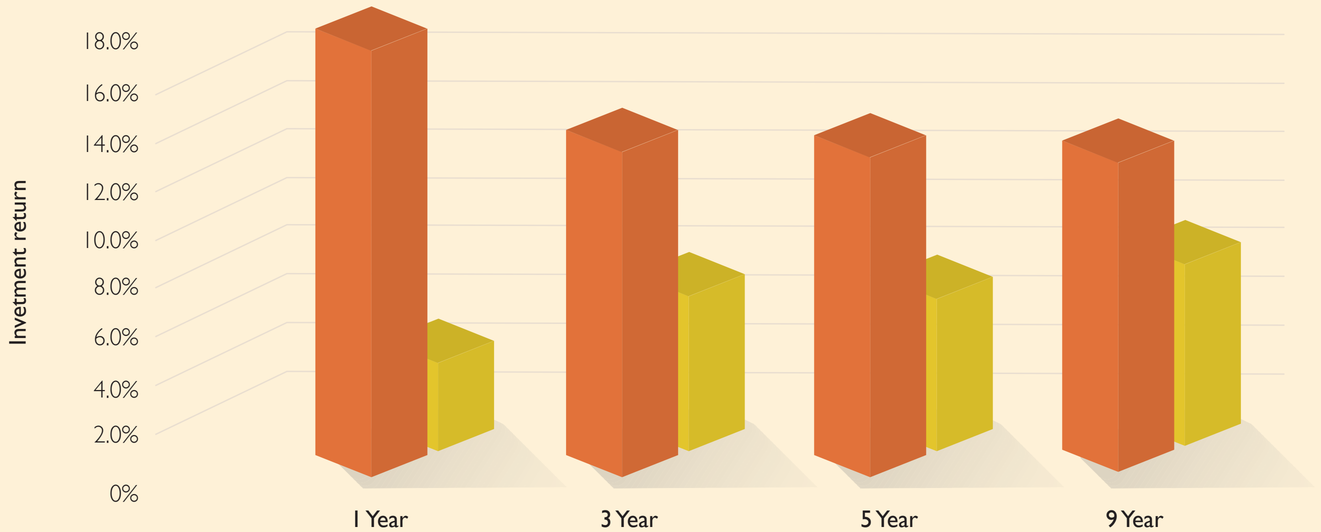


	1 Year	3 Year	5 Year	9 Year
Pensioner	21.2%	15.5	13.7%	14.3%
CPI	4.1%	6.3%	6.8%	8.2%

The Pensioner Portfolio performance for 2013 returned 17.1% above inflation. The Pensioner Portfolio has achieved a real return of 6.1% since inception of the life stage model which is comfortably ahead of its target of inflation + 4.0%.The overall level of skill over the last 5 years has improved with the portfolio outperforming its SAA by 1.5%.

Conservative Portfolio Performance vs Inflation

Conservative Portfolio Performance

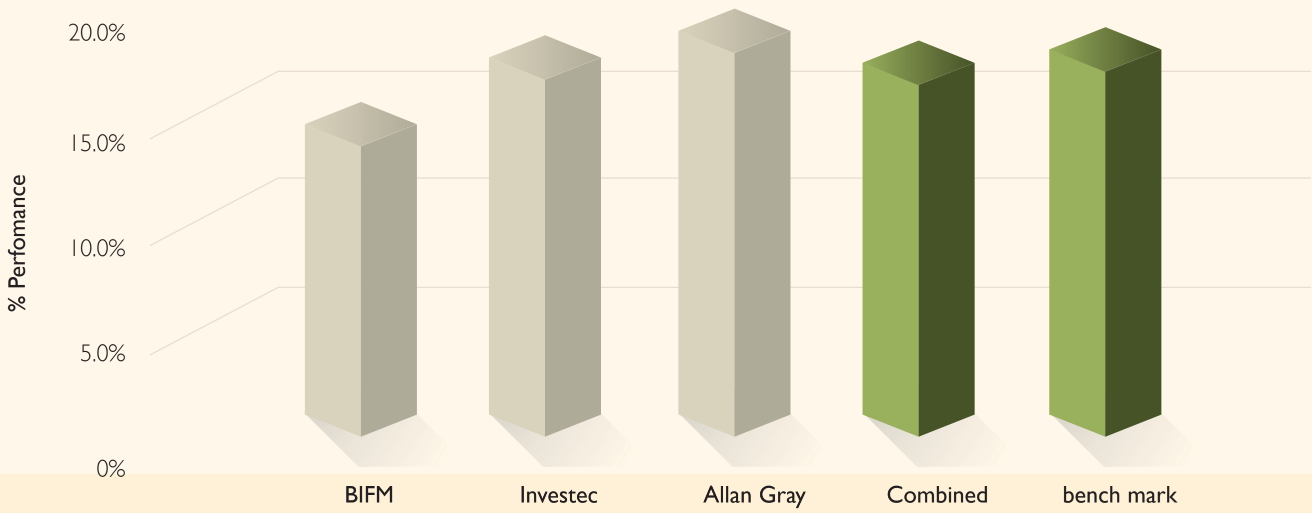


	1 Year	3 Year	5 Year	9 Year
Conservative	17.0%	12.9%	12.5%	12.4%
CPI	4.1%	6.9%	6.8%	8.2%

For the year ending 31 December 2013, the Conservative Portfolio returned 17.0% above inflation. The portfolio has achieved a real return of 4.2% since inception of the life stage model which is comfortably ahead of its target of inflation + 3.0%.The overall level of skill over the last 5 years has improved with the portfolio outperforming its SAA by 1.2%.

Local Manager Performance

Local Asset Managers (Balanced Mandates)

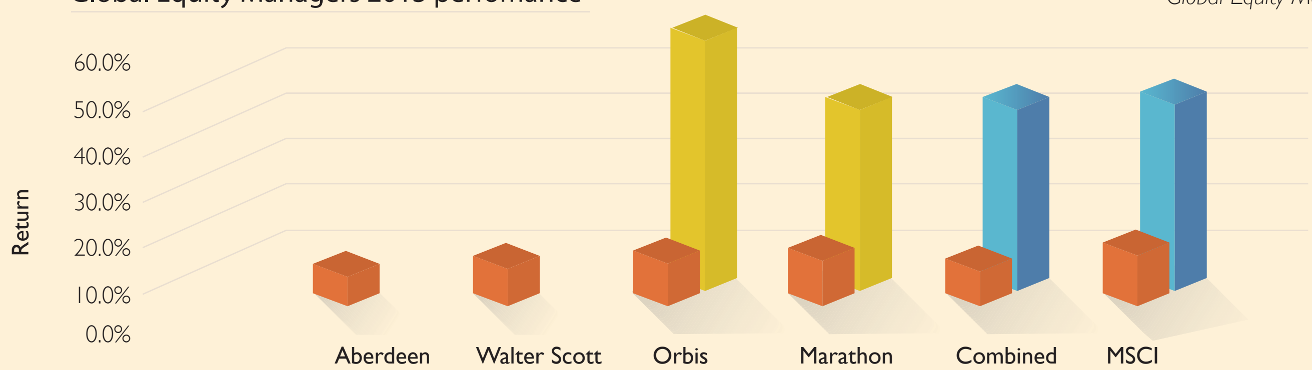


	BIFM	Investec	Allan Gray	Combined	bench mark
Perfomance	13.6%	16.7%	18.0%	16.5%	17.1%

The DPF's local managers delivered a combined return of 16.5% in 2013 compared to a benchmark that returned 17.1%. Although the local managers performance was poor over a 1 year period, In aggregate the Local asset managers outperformed the benchmark by 1.6% since inception of the life stage model which is a good result. This has been achieved a materially lower downside risk than the benchmark which has improved risk adjusted returns.

Global Equity Managers 2013 perfomance

Global Equity Managers

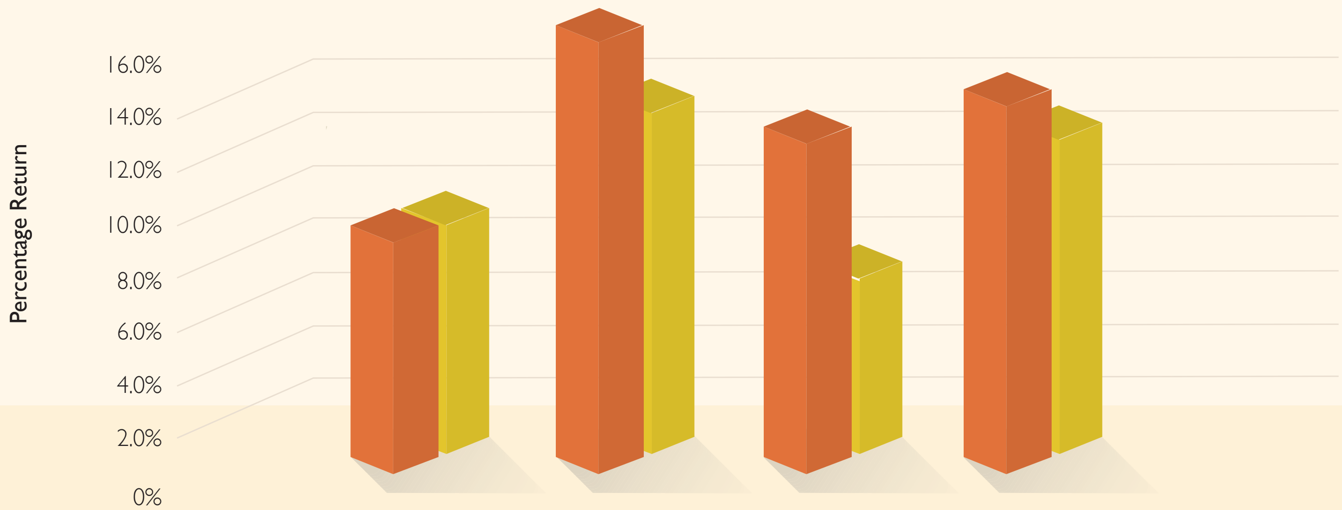


	Aberdeen	Walter Scott	Orbis	Marathon	Combined	MSCI
3 Month Perfomance	4.9%	6.9%	9.8%	9.9%	7.9%	10.5%
1 Year Perfomance			56.8%	42.6%	42.2%	42.8%

During 2013 the DPF transitioned offshore assets from Alliance Bernstein, Investec and Brandes to its new managers Aberdeen and Walter Scott. The DPF's Offshore Fund managers gave a combined returns of 42.2% relative to the MSCI (Pula) return of 42.8%. In aggregate the global equity managers underperformed their benchmark by 0.9% per annum (after fees) since inception of the life stage model. This has been achieved at slightly higher risk levels than the benchmark.

Global Bond Managers Perfomance

Global Bond Managers

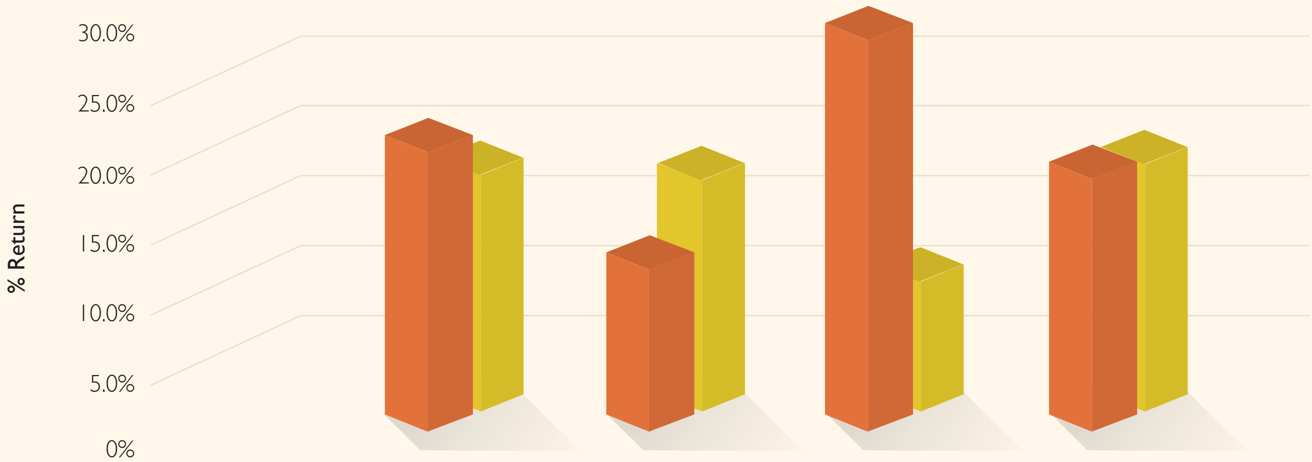


	1 Year	3 Year	5 Year	9 Year
PIMCO	8.8%	15.8%	12.0%	13.3%
Lehman/Barclays (PULA)	8.8%	13.1%	6.9%	12.1%

PIMCO has outperformed its benchmark by 1.2% per annum (after fees) since inception of the life stage model. This has been achieved at similar risk levels to the benchmark. The overall level of skill has been satisfactory for this portfolio.

DPF Propety Portfolio Performance

Property Portfolio Performance



	1 Year	3 Year	5 Year	Since January 2003
DPF Property Portfolio	19.0%	10.9%	26.8%	17.9%
BDCI	17.1%	17.0%	9.7%	17.9%

The DPF property portfolio is managed by Khumo Properties (Pty) Ltd. In 2013 The DPF property portfolio returned 19% against a benchmark return of 17.1%. The income and capital appreciation of the portfolio have remained strong despite challenging times in the Botswana property sector. The long term cumulative performance of the property portfolio is 17.9% which is in line with the benchmark performance since January 2003.

Vantage Mezzanine

The DPF's has made a commitment to invest USD 12.5 million into The Vantage Mezzanine Pan African Fund II. The Vantage Mezzanine Fund II is an en commandite partnership with a focus on origination mezzanine debt in Africa. The Pan African Fund aims to deliver a gross internal rate of return of between 22 – 25 % over its life.

The Pan African Fund II is a 2009 vintage, with its first investment having being made in 2010. The Fund has a 5 year investment period (ending September 2014 which is extendable by 1 year) and a 10 year life (extendable by 2 years) At the end of 2013 the Pan African Fund II has drawn about a third of total commitments. With the end of the investment period being September 2014, deal-flow is expected to accelerate going forward.

The return in local currency terms has been 24.3% (gross) and 1.3% (net) respectively, however due to the long-term nature of this investment; no meaningful conclusions can be drawn from this period to date.

Finance:

The Fund schedule for the commencement of the 2013 External Audit was successfully met due to a deliberate plan that was put in place to prepare the Audit files monthly and updating schedules continuously. The External Auditors therefore had a very smooth audit and finished the audit process within planned time and budget. Annual returns to the Regulator were also submitted within the prescribed timelines.

The Fund managed to overcome internal control legacy issues relating to the implementation of the benefit administration system arising from previous years. This was achieved by proactively doing away with manual processing through improved automation of some of the financial processes.

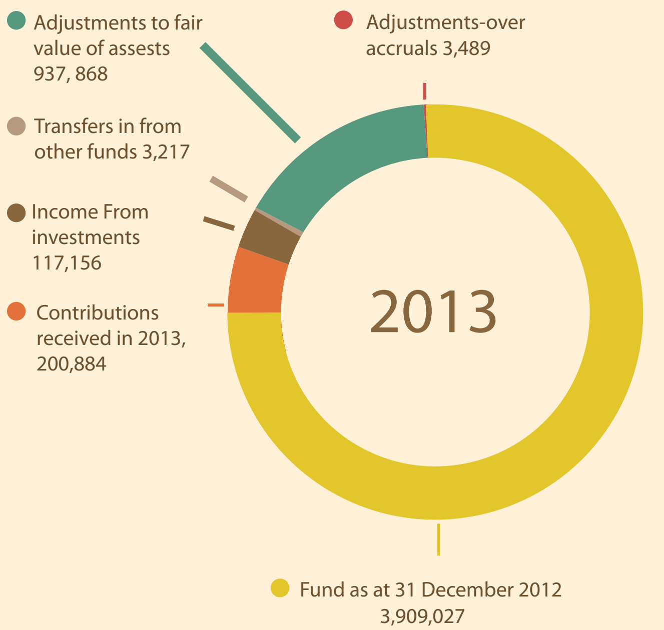
Disclosure enhancement was done to the Annual Financial Statement by splitting the contingency reserve between Processing, Expense and Solvency reserve accounts to achieve compliance to the revised set of prudential rules in particular (PRF1) issued by NBFIRA.

The accounting standards that came into effect in the year under review were incorporated in this year's Annual Financial Statements.

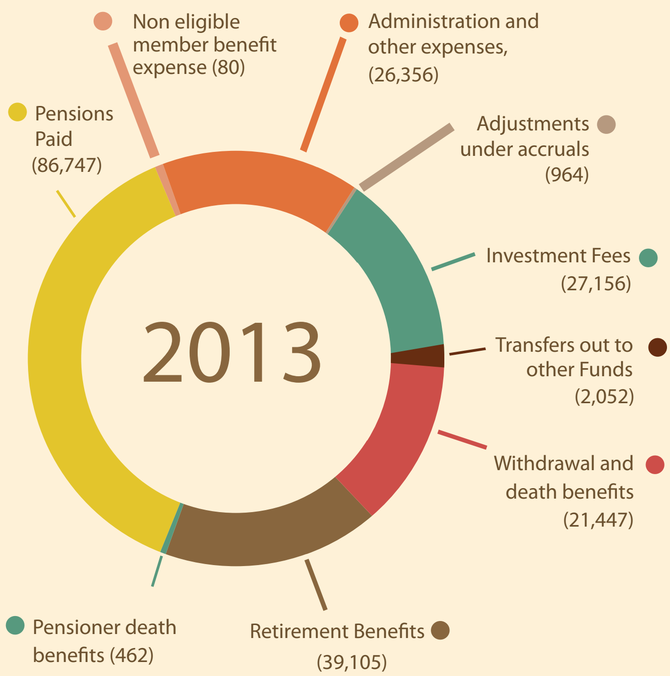
The re-organisation of Finance department between investment accounting and benefit payments accounting also contributed a lot in ensuring that individual team members are more focused in producing quality output in their respective sections.

Fund revenue and expenses as per the 2013 actuarial valuations were as follows;

Revenue; BWP (Million)



Expenditure; BWP (Million)



Communication:

Communication Plan Implementation

By close of year end the secretariat had successfully implemented the approved 2013 communication plan with a recorded 97% rate of compliance to the plan against a targeted 100%. The Fund was able to release 4 newsletters, benefit statements, monthly pensioner payslips, pensioner calendar, and numerous other correspondences. We also visited each of the employer operations twice to conduct member education presentations and further made a tour to brief pensioners across 17 villages where pensioner association branches are established. The Fund continues to uphold the use of technological mediums to enhance the effectiveness of our communication strategy and 2013 was no different as we intensified on SMS education campaigns and used the advantage of the intranet to maintain regular communication with members

The variance in the implementation outcome is mainly attributable to those communication activities that had to be suspended due to unavailable inputs/triggers from various sources; e.g. the revision and publication of our member guides was dependent on the regulators approving the revised DPF rules and the legislator passing the revised pensions and provident funds act into law. Due to the high cost of publishing, we resolved to keep the review and publication of the member guides pending until both these milestones have been achieved.

It is anticipated that regulator approval of the rules and enactment of the retirement bill will be achieved in 2014, afterwhich we shall clear the pipeline.

Communication Measurement

Member & stakeholder satisfaction surveys

In order to measure the effectiveness of our communication strategy, we conduct annual surveys at every year end (communication audit). This is done not only to review the COMMS strategy alone, but also to review overall member and stakeholder satisfaction levels with regard to quality of service given by the Fund as a whole throughout all departments.

The Secretariat uses the global customer satisfaction benchmarks to measure the success of our communication and client specific operational initiatives. In 2013 the Fund fell slightly short of the current benchmark of 75% to register an overall 70% member satisfaction score, a 7% decline from 2012. With this outcome, service excellence and communication enhancements have become a high priority on the management agenda for 2014.

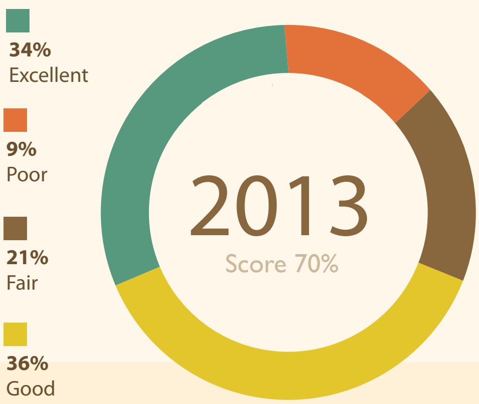
It is further notable from the statistics offered below that member confidence on the Fund in general has remained stagnant gearing towards a slight decline when compared to the previous period. Despite the decline however, the score is a good outcome and a reflection of great effort during the year on the part of the secretariat.

Comparative Survey Result For The Two Year Period Ended December 2013

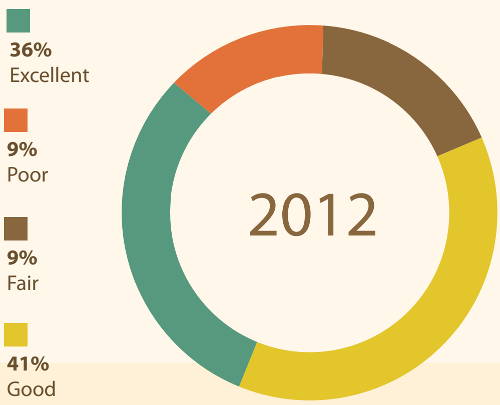
** There were 1018 respondents in 2012 and 614 respondents in 2013*

External Communication - Members

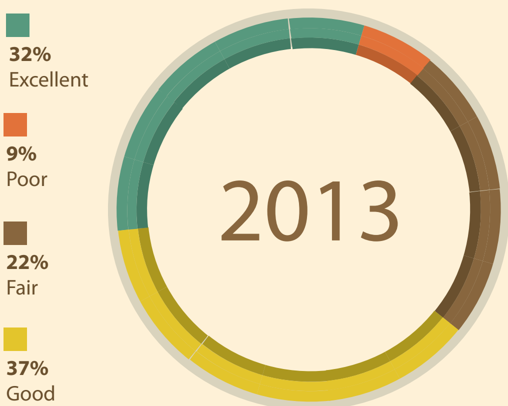
Overall Member Satisfaction: (2013)



Overall Member Satisfaction: (2012)



Client Support: (2013)



Client Support: (2012)

Comparative Survey Result For The Two Year Period Ended December 2013

** There were 1018 respondents in 2012 and 614 respondents in 2013*

External Communication - Members

Product & Services: (2013)

33% Excellent
10% Poor
21% Fair
36% Good

Product & Services: (2012)

37% Excellent
8% Poor
15% Fair
40% Good

Communication & Member Education: (2013)

37% Excellent
8% Poor
21% Fair
34% Good

Communication & Member Education: (2012)

36% Excellent
9% Poor
13% Fair
42% Good

Human Resources:

The year 2013 was centred on the implementation of the revised organisational strategy. The Human Resource department rendered administrative support to the project as well as communicating updates to staff about the progress of the project.

Staff Training was halted temporarily during the year in anticipation of re-organisation. With only few key training requirements implemented Management were sent on a leadership workshop to raise their consciousness about the importance and challenges of leadership during ongoing organisational transformation. In the same year, the spotlight was turned to our Performance Management System processes through an audit. A moderate score was achieved which allowed us to identify areas of strength and areas in need of further development.

On a talent perspective DPF improved its skills profile by recruiting a Finance Manager and an Assistant Accountant who are both chartered management accountants; this increased our tally from 1 to 3 chartered management accountants within the Fund; both recruits were in line with the vision of the ongoing strategy review. DPF has continued to support the National Internship Department in its endeavour to expose young graduates to the professional environment by enlisting interns in the various DPF departments.

ANNIVERSARY

30

YEARS

HERE'S TO

30 YEARS

Financial Statements

Annual Financial Statements

As at 31 December 2013

General Information

Annual Financial Statements

As at 31 December 2013

CHAIRMAN

Richard Vaka

PRINCIPAL TRUSTEES

Victor Maxwell
Richard Moroka
Tshepho Kgalaeng
Gakenaope Gakologelwang
China Abel (Appointed 22 July 2013)
Wanjiru Kirima

ALTERNATE TRUSTEES

Eunice Mpoloka
Vuyisile Garekwe
Emmanuel Kgaboetsile
Onneile Mmoloki (Appointed 25 July 2013)
George Rantshilwana
Ian Modubule

AUDITORS

Deloitte & Touche

REGISTERED OFFICE

Block D
Plot 50361
Carlton Centre
Fairgrounds

BANKERS

Barclays Bank of Botswana Limited
Standard Chartered Bank Botswana Limited

ACTUARIES

Towers Watson Actuaries and
Consultants (Proprietary) Limited

Contents

Annual Financial Statements

As at 31 December 2013

Trustees' responsibility for the annual financial statements	[29]
Trustees' approval of the annual financial statements	[29]
Independent auditor's report	[30]
Statement of comprehensive income	[31]
Statement of financial position	[32]
Statement of changes in members' funds	[33]
Statement of cash flows	[34]
Significant accounting policies	[35 - 41]
Notes to the annual financial statements	[42 - 58]

Trustees' Responsibility For The Annual Financial Statements

Annual Financial Statements

As at 31 December 2013

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 2013, and the statements of comprehensive income, changes in members' funds and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies, in accordance with International Financial Reporting Standards ("IFRS").

The members of the Board of Trustees are required by the Pension and Provident Funds Act (Cap 27:03) to maintain adequate accounting records and are responsible for the content and integrity of financial statements and related financial information included in this report. It is their responsibility to ensure that the 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 unmodified report is presented on page 4.

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

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The members of the Board of Trustees' responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The members of the Board of Trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the Fund and place considerable importance on maintaining a strong control environment.

To enable the Board of Trustees to meet these responsibilities, the Board of Trustees sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members of the Board of Trustees have made an assessment of the Fund's ability to continue as a going concern and there is no reason to believe the Fund will not be a going concern in the year ahead.

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

Trustees' Approval Of The Annual Financial Statements

The annual financial statements set out on pages 26 to 58 which have been prepared on the going concern basis, were approved by the members of the Board of Trustees on 07 May 2014 and were signed on its behalf by:

Trustee

Trustee

Independent Auditor's Report To The Members Of DPF

Annual Financial Statements

As at 31 December 2013

Report on Financial Statements

We have audited the accompanying financial statements of Debswana Pension Fund, set out on pages 31 to 58, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the 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 the International Financial Reporting Standards and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

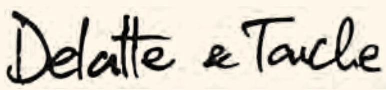
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Debswana Pension Fund as at 31 December 2013, and of its financial performance and cash flows for the year then ended in accordance with the International Reporting Standards.



Deloitte & Touche
Certified Auditors
Practicing member: CV Ramatlapeng (20020075)

Gaborone
07 May 2014

Statement Of Comprehensive Income

Annual Financial Statements

For the year ended 31 December 2013

	Notes	2013	2012
		P	P
REVENUE		202,049,397	166,142,949
Contributions	1	200,884,054	168,474,800
Net transfers from/(to) other funds	2	1,165,343	(2,331,851)
Net investment revenue		117,155,635	99,639,872
Dividends receivable		35,722,099	36,083,356
Interest receivable		55,370,671	50,794,493
Net rental income		14,458,835	12,667,622
Share of profits from private equity loan investment		7,222,360	-
Other income		4,381,670	94,401
Total revenue		319,205,032	265,782,821
GAINS/(LOSSES) ON INVESTMENTS		937,867,783	450,489,327
Gains/(losses) on disposal of financial assets at fair value through profit or loss		216,437,271	(2,059,856)
Unrealised foreign exchange gains on financial assets		164,644,128	55,382,680
Unrealised fair value gains on financial assets		540,404,754	392,768,821
Net unrealised gains on fair valuation of investment properties		16,381,630	4,397,682
EXPENDITURE			
Benefits payable		(147,840,644)	(148,708,964)
Benefits on withdrawal and death		(21,446,717)	(21,007,524)
Pensions to retired members		(86,747,077)	(77,149,409)
Pensioners' deaths benefits		(461,624)	(2,545,603)
Non-eligible membership expense		(80,261)	33,111
Lump sums on retirement		(39,104,965)	(48,039,539)
Fund expenses		(53,513,330)	(51,587,015)
Administration expenses	3	(24,715,992)	(21,391,826)
Onshore investment management fees		(11,380,663)	(10,182,061)
Offshore investment management fees		(15,775,960)	(17,070,805)
Depreciation of plant and equipment	8	(969,583)	(957,879)
Amortisation of intangible asset	9	(671,132)	(642,181)
Impairment of intangible asset	9	-	(1,342,263)
Surplus for the year		1,055,718,841	515,976,169
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,055,718,841	515,976,169

Statement Of Financial Position

Annual Financial Statements

As at 31 December 2013

	Notes	2013 P	2012 P
ASSETS			
Investments			
Investment in properties	5	215,484,331	201,346,117
Other financial assets	6	4,310,046,396	3,326,903,308
Cash and cash equivalents	7	460,555,588	382,015,150
Total investments		4,986,086,315	3,910,264,575
Other assets			
Plant and equipment	8	2,417,927	4,022,926
Intangible asset	9	671,129	1,342,261
Contributions and other receivables	10	10,581,477	37,095,879
Total other assets		13,670,533	42,461,066
Total assets		4,999,756,848	3,952,725,641
FUNDS, RESERVES AND LIABILITIES			
Funds and reserves			
Fund account		3,260,664,865	2,508,805,253
Pensioners' account		1,535,681,010	1,281,994,473
Contingency reserve		168,400,000	118,227,308
Total funds and reserves		4,964,745,875	3,909,027,034
Other liabilities			
Benefits payable	11	26,830,639	36,745,887
Other payables	12	8,180,334	6,952,720
Total other liabilities		35,010,973	43,698,607
Total funds, reserves and liabilities		4,999,756,848	3,952,725,641

Statement Of Changes In Members' Funds

Annual Financial Statements

For the year ended 31 December 2013

	Note	Fund account P	Pensioners' account P	Contingency reserve P	Total P
Balance at 1 January 2012		2,184,450,695	1,106,068,735	102,531,435	3,393,050,865
Total comprehensive income for the year		515,976,169	-	-	515,976,169
Transfers during the year		(193,606,055)	175,925,738	17,680,317	-
Transfer of expenses	17	1,984,444	-	(1,984,444)	-
Balance at 31 December 2012		2,508,805,253	1,281,994,473	118,227,308	3,909,027,034
Total comprehensive income for the year		1,055,718,841	-	-	1,055,718,841
Transfers during the year		(306,182,418)	253,686,537	52,495,881	-
Transfer of expenses	17	2,323,189	-	(2,323,189)	-
Balance at 31 December 2013		3,260,664,865	1,535,681,010	168,400,000	4,964,745,875

Statement Of Cash Flows

Annual Financial Statements

For the year ended 31 December 2013

	2013 P	2012 P
CASH FLOWS FROM OPERATING ACTIVITIES:		
Surplus for the year	1,055,718,841	515,976,169
Adjusted for:		
Depreciation of plant and equipment	969,583	957,879
Amortisation and impairment of intangible asset	671,132	1,984,444
Net investment revenue	(117,155,635)	(99,639,872)
Net gains on investments	(937,867,783)	(450,489,327)
Cash generated from/(used in) operations	2,336,138	(31,210,707)
Decrease/(increase) in contributions and other receivables	26,514,402	(11,636,496)
Decrease increase in benefits payable	(9,915,248)	(89,843,160)
Increase in other payables	1,227,614	1,180,385
Net cash generated from/(used in) operating activities	20,162,906	(131,509,978)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investment revenue	117,155,635	99,639,872
Payments for plant and equipment	(221,782)	(2,054,262)
Payments for intangible assets	-	(231,605)
Net payments for investments	(58,556,321)	(7,999,289)
Net cash generated from investing activities	58,377,532	89,354,716
Net increase/(decrease) in cash and cash equivalents for the year	78,540,438	(42,155,262)
Cash and cash equivalents at the beginning of the year	382,015,150	424,170,412
Cash and cash equivalents at the end of the year	460,555,588	382,015,150

Annual Financial Statements

As at 31 December 2013

BASIS OF PREPARATION

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

ADOPTION OF NEW AND REVISED STANDARDS

In the current period, the Fund has adopted the following new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2013. The adoption of these standards has not resulted in changes to the Fund's accounting policies.

IFRS 10 - Consolidated Financial Statements, effective 1 January 2013

IFRS 11 - Joint Arrangements, effective 1 January 2013

IFRS 12 - Disclosure of Interests in Other Entities, effective 1 January 2013

IFRS 13 - Fair Value Measurement, effective 1 January 2013

IAS 19 - Employees Benefits: Post-Employment and Termination Benefits Projects, effective 1 January 2013

IAS 27 - Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011), effective 1 January 2013

IAS 28 - Investments in Associates - Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011, effective 1 January 2013

Standards And Interpretations In Issue Not Yet Adopted

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

New/Revised International Financial Reporting Standards	Effective date
IFRS 7 - Financial Instruments: Disclosures (Government loans)	1 January 2015
IFRS 7 - Financial Instruments: Disclosures (initial application of IFRS 9)	1 January 2015
IFRS 9 - Financial Instruments : Classification and measurement	1 January 2015
IFRS 9 - Financial Instruments : Financial liabilities and derecognition	1 January 2015
IFRS 9 - Financial Instruments : Disclosure (amendment to transition)	1 January 2015
IAS 19 - Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
IAS 32 - Financial Instrument: Amendment (Offsetting of assets and liabilities)	1 January 2014
IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014

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

Annual Financial Statements

As at 31 December 2013

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 cover the Fund's liability, which is the actuarial value of the current pensions in payment and allows for future increases in pensions. Regular actuarial valuations are carried out to determine the Fund's liability to the pensioners. The last actuarial valuation was conducted at 31 December 2013.

CONTINGENCY RESERVE

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

PLANT AND EQUIPMENT

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

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The following useful lives are used in the calculation of depreciation:

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

INTANGIBLE ASSET

Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

INTANGIBLE ASSET (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets in respect of software development costs are amortised over a period of 4 years.

INVESTMENT PROPERTIES

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

FINANCIAL INSTRUMENTS

Financial assets

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

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

Effective Interest Method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

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

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

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

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

Loans and receivables

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

Cash and cash equivalents

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

Impairment of financial assets

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

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

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

Financial liabilities

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

Significant financial liabilities comprise benefits payable and other payables.

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

REVENUE RECOGNITION

Contributions

Contribution revenue is recognised on an accruals basis.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established. Withholding tax payable at 7.5% on dividends received from Botswana equities is netted off against dividend income.

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

Rental income

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

Annual Financial Statements
As at 31 December 2013

LEASING

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

The Fund as a lessor

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

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

The Fund as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

FOREIGN CURRENCIES

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

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

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

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

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Annual Financial Statements
As at 31 December 2013

RELATED PARTY TRANSACTIONS

Related parties are defined as those parties:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

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

(b) that are members of the key management personnel of the entity or its parent including close members of the family.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of financial assets

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

Useful lives of plant and equipment and intangible assets

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

Valuation of investment property

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

Annual Financial Statements

As at 31 December 2013

1. CONTRIBUTIONS

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.

2. NET TRANSFERS FROM /(TO) OTHER FUNDS

	2013 P	2012 P
Transfers in	3,217,001	2,396,026
Transfers out	(2,051,658)	(4,727,877)
Net transfers	1,165,343	(2,331,851)

3. ADMINISTRATION EXPENSES

	2013 P	2012 P
Actuarial fees	307,392	320,264
Auditors' remuneration:		
External audit fees - current year	563,074	531,202
- prior year under-provision	3,410	163,404
Internal audit fees	740,885	683,444
Strategy review costs	1,994,586	-
Bank charges	265,771	304,985
Communications expenses	1,102,317	531,077
Fidelity and other insurance	150,704	136,459
Legal and professional fees	421,519	1,024,783
License and maintenance fees	1,863,466	1,753,794
Regulator's Non-Bank Financial Institutions Regulatory Authority (NBFIRA) fees	146,590	317,353
Other expenses	3,247,955	2,738,772
Staff costs	10,979,372	11,230,131
Stationery	128,139	93,625
Travel and entertainment	1,981,931	1,042,652
Investment consultancy	557,490	129,743
Unitisation fees	261,391	390,138
	24,715,992	21,391,826

4. TAXATION

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

Annual Financial Statements

As at 31 December 2013

5. INVESTMENT IN PROPERTIES	2013 P	2012 P
Investment properties at fair value:		
Freehold and leasehold land and buildings	154,500,000	145,140,000
Leasehold land and buildings held in partnerships (refer to note 16)	55,296,844	48,275,214
Fair value	209,796,844	193,415,214
Balance at beginning of the year	193,415,214	109,574,777
Net gain from fair value adjustments	16,381,630	4,397,682
Additions	-	79,442,755
Balance at end of the year	209,796,844	193,415,214
Loans and shares in property investment companies:		
Loans advanced to property investment companies	977,014	3,680,959
Investment in shares of property investment company	3,503,314	3,503,314
	4,480,328	7,184,273
Total investment in properties	214,277,172	200,599,487
Deferred lease rental	1,207,159	746,630
Total	215,484,331	201,346,117

Fair Value Measurement Of The Fund's Investment Properties

The fair value of the Fund's investment properties as at 31 December 2013 and 31 December 2012 has been arrived at on the basis of valuation carried out at the respective dates by Messrs MG Properties International Botswana, Kwena Property Services and Wragg (Proprietary) Limited, firms of independent chartered valuers not related to the Fund. The valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was based on an open market value.

Details of the Fund's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 December 13
	P	P	P	
Investment property	-	209,796,844	-	209,796,844

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

Annual Financial Statements

As at 31 December 2013

6. OTHER FINANCIAL ASSETS	2013 P	2012 P
Designated as at fair value through profit and loss (FVTPL)		
Onshore equity investments by asset manager		
Investec Asset Management Limited	452,028,703	338,456,139
BIFM Asset Management (Proprietary) Limited	309,296,176	278,196,903
Allan Gray Botswana	213,627,435	201,116,316
	974,952,314	817,769,358
Onshore bonds by asset manager		
Investec Asset Management	209,954,400	200,499,575
BIFM Asset Management (Proprietary) Limited	127,615,997	106,989,682
Allan Gray Botswana	57,615,979	62,507,466
	395,186,376	369,996,723
Offshore bonds unitised funds		
Pimco Funds	539,927,985	430,474,087
	935,114,361	800,470,810
Offshore equity unitised funds		
Marathon Asset Management	594,517,387	423,298,488
Orbis Fund	595,857,987	433,018,982
Brandes Investment Funds Plc.	-	422,002,220
Alliance Bernstein	-	264,923,243
Walter Scott Global Investment Management	592,665,775	-
Aberdeen Global	562,564,935	-
Investec Global Plc.	-	143,372,735
	2,345,606,084	1,686,615,668
	4,255,672,759	3,304,855,836
Provision for impairment		
Dual listed equities	-	(3,866,724)
Bonds onshore	(1,122,944)	(1,122,944)
	(1,122,944)	(4,989,668)
Net carrying amount carried forward	4,254,549,815	3,299,866,168

Annual Financial Statements

As at 31 December 2013

	2013	2012
6. OTHER FINANCIAL ASSETS (continued)	P	P
Net carrying amount of other financial assets at FVTPL brought forward	4,254,549,815	3,299,866,168
Carried at amortised cost		
Private equity loan investments in Vantage Mezzanine Fund II Partnership - offshore	31,440,170	20,330,611
BIFM Asset Management (Proprietary) Limited	24,056,411	6,706,529
	55,496,581	27,037,140
Total	4,310,046,396	3,326,903,308

7. CASH AND CASH EQUIVALENTS

	2013	2012
Short-term deposits	303,794,307	200,414,183
Bank balances	156,761,281	181,600,967
	460,555,588	382,015,150

8. PLANT AND EQUIPMENT

2013	Motor Vehicles P	Office Equipment P	Furniture and Fittings P	Total P
Cost				
Balance at 1 January 2013	745,059	3,191,843	2,659,715	6,596,617
Additions	123,213	41,642	56,927	221,782
Disposal	-	-	(857,198)	(857,198)
Balance at 31 December 2013	868,272	3,233,485	1,859,444	5,961,201
Accumulated depreciation				
Balance at 1 January 2013	567,968	1,473,543	532,180	2,573,691
Charge for the year	155,461	603,811	210,311	969,583
Balance at 31 December 2013	723,429	2,077,354	742,491	3,543,274
Carrying amount	144,843	1,156,131	1,116,953	2,417,927

Annual Financial Statements

As at 31 December 2013

8. PLANT AND EQUIPMENT (continued)

2012	Motor Vehicles P	Office Equipment P	Furniture and Fittings P	Total P
Cost				
Balance at 1 January 2012	745,059	3,041,231	756,065	4,542,355
Additions	-	150,612	1,903,650	2,054,262
Balance at 31 December 2012	745,059	3,191,843	2,659,715	6,596,617
Accumulated depreciation				
Balance at 1 January 2012	412,506	822,059	381,247	1,615,812
Charge for the year	155,462	651,484	150,933	957,879
Balance at 31 December 2012	567,968	1,473,543	532,180	2,573,691
Carrying amount	177,091	1,718,300	2,127,535	4,022,926

9. INTANGIBLE ASSET	2013 P	2012 P
Cost		
Balance at beginning of year	6,421,806	6,190,201
Additions during the year	-	231,605
Balance at end of year	6,421,806	6,421,806
Amortisation and impairment		
Amortisation and impairment at beginning of year	(5,079,545)	(3,095,101)
Amortisation charge for the year	(671,132)	(642,181)
Impairment during the year	-	(1,342,263)
Balance at end of year	(5,750,677)	(5,079,545)
Carrying amount	671,129	1,342,261

The intangible asset comprises of an internally developed application system, the Benchmark Benefits Administration System.

Annual Financial Statements

As at 31 December 2013

10. CONTRIBUTIONS AND OTHER RECEIVABLES	2013 P	2012 P
Transfers receivable	-	58,416
Provision for pensioners	534,293	-
Pay point contributions clearing	1,503,383	-
Advance benefit payments	3,139,338	3,559,333
Provision for 25% deferred benefits	-	5,342,741
Benefit payments clearing account	-	128,497
Benefit payments tax receivables	-	4,347,492
20% death advance claim	338,337	121,817
Pensioner deaths overpayment	-	332,396
Interest receivable	11,400	668,197
Input VAT control account	172,859	9,879,713
Property rentals receivable	2,508,077	2,591,108
Property partnership current accounts	1,494,217	9,124,422
Other receivables	879,573	941,747
	10,581,477	37,095,879

Contributions and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. Contributions are received in accordance with the Rules of the Fund. No interest is charged on outstanding receivables.

11. BENEFITS PAYABLE	2013 P	2012 P
Retirement	7,713,285	10,920,433
Withdrawal	1,963,077	5,269,714
Death	7,742,738	8,985,973
Pensioner deaths	204,915	1,893,226
Benefits clearing account	1,178,771	-
Un-cleared contributions	-	1,615,313
Redirected funds (Deaths and Voids)	3,786,688	3,458,857
Monthly pensions	-	535,066
Provision for pensioner's medical aid	26,694	-
Redirected funds clearing	610,393	-
Unclaimed benefits	2,420,393	2,391,719
Tax payable on benefits	912,332	1,335,042
Contributions for ineligible members	271,353	340,544
	26,830,639	36,745,887

Annual Financial Statements

As at 31 December 2013

12. OTHER PAYABLES	2013 P	2012 P
Rental deposits	689,689	609,522
Rental received in advance	244,158	165,390
Withholding tax	173,573	-
Administration fees payable	4,937,049	4,500,512
Provisions and accruals	2,135,865	1,677,296
	8,180,334	6,952,720

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 2013. The valuation shows that the pension reserves of the Fund, as reflected in the statement of changes in funds on page 33 amounting to P1 550 302 469 (2012:P1 281 994 473) adequately cover the pensioners' liabilities at that date amounting to P1,327,804 (2012:P1 205 802 000), 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 on-going identification, measurement and monitoring that is subject to an extensive framework of risk limits and other controls. The process of risk management is critical to the Fund's on-going operations with the day to day management of financial instruments being conducted by investment managers. The Fund's objectives, policies and procedures for managing the risk exposure and the methods used to measure the risks have remained consistent with the prior year.

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

Risk Management Governance Structure

Board of Trustees

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

14. FINANCIAL RISK MANAGEMENT (continued)

Risk Management Governance Structure (continued)

Investment Committee

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

Audit and Finance Committee

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

Benefits Review Committee

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

Types of Risk Exposure

The Fund is exposed to various types of risk exposures, namely market risk, comprising currency risk, interest rate risk, equity price risk, credit risk and liquidity risk.

Currency risk:

The Fund is exposed to currency risk mainly through its investments and term deposits denominated in foreign currencies. The Fund's total exposure to currency risk through its investments and term deposits denominated in United States Dollars as at 31 December 2013 amounted to P2 926 752 500 (2012: P2 156 203 520).

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 2013 amounted to P419 242 787 (2012: P376 703 252) being investments in onshore bonds, promissory notes and short-term loans and P539 927 985 (2012: P430 474 087) being investments in offshore bonds, and P460 555 588 (2012: P382 015 150) being short term deposits and cash and cash equivalents as disclosed in notes 6 and 7.

Equity price risk:

Equity price risk is the risk that the value of equities decreases as a result of changes in the equity prices and diminution of value of individual stocks. The investment guidelines stipulates the allowable holding levels. The net exposure to equity price risk as at 31 December 2013 amounted to P974 952 314 (2012: P817 769 358) for local equities and P2 345 606 084 (2012: P1 706 946 279) for offshore equities and offshore unitised funds as disclosed in note 6.

Annual Financial Statements

As at 31 December 2013

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).

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

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

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

14. FINANCIAL RISK MANAGEMENT (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s) input(s)	Significant unobservable inputs to fair value	Relationship of unobservable
	2013 P	2012 P				
Onshore listed equity investments (see note 6)	974,952,314	817,769,358	Level 1	Quoted last traded prices in an active market	N/A	N/A
Onshore listed bonds (see note 6)	395,186,376	369,996,723	Level 1	Quoted last traded prices in an active market	N/A	N/A
Offshore bonds unitised funds (see note 6)	539,927,985	430,474,087	Level 2	Weighted average price for units held in portfolio. Fair value of underlying assets in portfolio is determined using quoted bid prices in an active market.	N/A	N/A
Offshore equity unitised funds (see note 6)	2,345,606,084	1,686,615,668	Level 2	Weighted average price for units held in portfolio. Fair value of underlying assets in portfolio is determined using quoted bid prices in an active market.	N/A	N/A

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

Liquidity risk:

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

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

Market risk sensitivity analysis

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

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

Annual Financial Statements

As at 31 December 2013

RISK VARIABLE	ADVERSE MARKET CHANGE			BENEFICIAL MARKET CHANGE		
	Scenario	Effect on statement of comprehensive income		Scenario	Effect on statement of comprehensive income	
		2013 P	2012 P		2013 P	2012 P
Currency Risk	Strengthening of the Pula by 1%	(29,267,525)	(21,562,035)	Weakening of the Pula by 1%	29,267,525	21,562,035
Global Equity Risk	Decline in global equity prices by 1%	(23,456,061)	(17,069,462)	Increase in global equity prices by 1%	23,456,061	17,069,462
Local Equity Risk	Decline in local equity prices by 1%	(9,749,523)	(8,177,693)	Increase in local equity prices by 1%	9,749,523	8,177,693
Interest Rate Risk	Decline in interest yield by 1%	14,197,264	11,891,925	Increase in interest yield by1%	(14,197,264)	(11,891,925)

Credit risk:

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

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

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

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

14. FINANCIAL RISK MANAGEMENT (continued)

Concentration of credit risk

Counterparty (investment manager)	Investment type	2013 P	2012 P
Investec Asset Management Limited	Government bonds	65,858,526	53,100,872
Investec Asset Management Limited	Corporate bonds	76,849,761	83,306,481
Investec Asset Management Limited	Parastatals bonds	67,246,113	64,092,222
BIFM Asset Management (Proprietary) Limited	Government bonds	83,379,551	67,862,159
BIFM Asset Management (Proprietary) Limited	Corporate bonds	24,638,274	24,468,928
BIFM Asset Management (Proprietary) Limited	Parastatals bonds	19,598,172	18,717,878
Allan Gray Botswana	Government bonds	11,014,955	10,825,677
Allan Gray Botswana	Corporate bonds	15,753,840	17,307,308
Allan Gray Botswana	Parastatals bonds	30,847,184	30,315,198
Pimco Funds: Global Investors Series plc.	Unitised offshore bonds	539,927,985	430,474,087
Total (per note 6)		**935,114,361**	**800,470,810**

Bank balances and fixed deposits

Counterparty (investment manager)	Investment type	2013 P	2012 P
First National of Bank Botswana Limited	Fixed deposits	93,778,028	31,481,027
Barclays Bank of Botswana Limited	Fixed deposits	5,015,966	-
Barclays Bank of Botswana Limited	Bank balances	78,041,875	66,296,116
Standard Chartered Bank Botswana Limited	Fixed deposits	40,004,000	115,304,851
Standard Chartered Bank Botswana Limited	Bank balances	78,719,407	-
Stanbic Bank Botswana	Fixed deposits	64,916,401	109,604,822
Bank of Botswana	Treasury bills	49,104,077	56,608,802
Other Institutions	Fixed Deposits	50,975,834	2,719,532
Total (per note 7)		**460,555,588**	**382,015,150**

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 37, 38 and 39 of the financial statements.

Annual Financial Statements

As at 31 December 2013

Categories of financial instruments	2013 P	2012 P
Financial assets		
Cash and cash equivalents	460,555,588	382,015,150
Designated as at fair value through profit and loss (FVTPL)	4,254,549,815	3,299,866,168
Investment carried at amortised cost	55,496,581	27,037,140
Loans and receivables	9,087,260	37,095,879
Financial liabilities		
Other financial liabilities at amortised cost	35,010,973	43,698,607

15. RELATED PARTY TRANSACTIONS AND BALANCES

	2013	2012
Contributions receivable from participating employers	200,884,054	168,474,800
Remuneration of key management personnel: Key management personnel comprises the Principal Executive Officer Gross emoluments of the key management personnel are: Short term benefits	1,129,719	1,354,608
Internal audit fees charged by Debswana Head Office	740,885	683,444

16. INTEREST IN PROPERTY PARTNERSHIPS

Details of the Fund's material investments at the end of the reporting period is as follows:

Name of partnership	Principal activity	Place of incorporation & principal place of business	2013	2012
Engen Palapye partnership	Property partnership	Palapye	20%	20%
Engen Maun partnership	Property partnership	Maun	25%	25%
DBN Developments partnership	Property partnership	Gaborone	33.33%	33.33%
Francistown Retail partnership	Property partnership	Francistown	75%	75%

Annual Financial Statements

For the year ended 31 December 2013

16. INTEREST IN PROPERTY PARTNERSHIPS (continued)

Summarised financial results of the partnerships:

	2013 P	2012 P
Engen Palapye partnership		
Investment property	6,777,773	6,042,621
Current assets	188,396	1,123,275
Current liabilities	(44,913)	(89,278)
Revenue - net rental income	870,639	878,683
Unrealised fair value gains on fair valuation of investment property	735,152	460,000
Total comprehensive income for the year	1,605,791	1,338,683
Net cash generated from operating activities	74,691	809,639
Net cash utilised in investing activities	(1,040,300)	(916,638)
Net cash outflow	(965,609)	(106,999)
Engen Maun partnership		
Investment property	4,773,899	4,536,964
Current assets	141,632	300,652
Current liabilities	(35,547)	(52,131)
Revenue - net rental income	484,179	413,216
Unrealised fair value gains on fair valuation of investment property	225,000	341,838
Total comprehensive income for the year	709,179	755,054
Net cash generated from operating activities	687,645	388,199
Net cash utilised in investing activities	(299,949)	(507,290)
Net cash inflow/(outflow)	387,696	(119,091)

Annual Financial Statements

As at 31 December 2013

16. INTEREST IN PROPERTY PARTNERSHIPS (continued)	2013 P	2012 P
DBN Developments partnership		
Investment property	24,744,801	22,995,630
Current assets	1,202,459	1,962,434
Current liabilities	(252,420)	(183,646)
Revenue - net rental income	2,750,735	3,360,365
Unrealised fair value gains on fair valuation of investment property	1,751,646	1,096,445
Total comprehensive income for the year	4,502,381	4,456,810
Net cash generated from operating activities	2,558,754	2,361,820
Net cash utilised in investing activities	(5,214)	(64,590)
Net cash used in financing activities	(3,333,000)	(2,399,760)
Net cash outflow	(779,460)	(102,530)
Francistown Retail partnership		
Investment property	19,000,371	14,700,000
Current assets	440,447	6,311,213
Current liabilities	(145,838)	(248,096)
Revenue - net rental income	2,022,392	1,737,860
Unrealised fair value gains on fair valuation of investment property	4,300,371	2,219,524
Total comprehensive income for the year	6,322,763	3,957,384
Net cash generated from operating activities	(2,358,558)	1,609,106
Net cash utilised in investing activities	(3,890,722)	26,361
Net cash (outflow)/inflow	(6,249,280)	1,635,467

Annual Financial Statements

For the year ended 31 December 2013

17. CONTINGENCY RESERVE

A decision was made by the Board of Trustees to allocate operating expenses amounting to P1 994 586 relating to the review of the Fund's strategy to the contingency reserve, in addition, the Fund utilised the contingency reserve to write off receivables in respect of overpaid pensioner death benefits amounting to P328 583. The reason for allocating the expenses to contingency reserve was to avoid overburdening members who retired in 2013 with the once-off cost which would have negatively impacted on their fund credits. The contingency reserve is utilised for such purposes.

The contingency reserve has been re-allocated to various contingency reserve accounts as defined in the revised set of prudential rules and in line with PFR1 issued by NBFIRA as follows:

Processing Error Reserve

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

Expense Reserve

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

Solvency Reserve

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

		2013	2012
		P	P
	Percentage		
Contingency reserve-general	3	-	118,277,308
Processing error reserve	1.5	58,106,000	-
Expense reserve	0.0	9,913,000	-
Solvency reserve	25	100,381,000	-
		168,400,000	118,277,308

The processing error reserve is in excess of 1.5% of members fund account. The Trustees have decided to retain the balance in the reserve account until after the next valuation.
The appropriate authorisation will be obtained from NBFIRA regarding the exceeded limit.

Annual Financial Statements

As at 31 December 2013

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 dependents of the qualifying members as the case may be.

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

19. MEMBERSHIP STATISTICS

		2013	2012
Number of members:	Active	5,364	5,150
	Deferred	2,500	2,563
	Pensioners	3,245	3,089

20. COMMITMENTS

	2013 P	2012 P
Amounts committed in terms of operating leases over the Fund's office premises in Gaborone:		
Due within two to one year	907,200	847,200
Due within two to five years	4,536,000	4,236,000
	5,443,200	5,083,200

21. FIDELITY INSURANCE COVER

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

22. EVENTS AFTER THE REPORTING PERIOD

No events have occurred between the end of the reporting period and the date of approval of the financial statements, which would materially affect the financial statements.

Addendums

(A) Summary Statement of Investment Principles

1. Purpose of the Fund

a. The Debswana Pension Fund exists primarily to provide members with reasonable and competitive retirement benefits.

2. In-service members

a. A member with an average career progression1 in terms of salary increases and 35 years of service should ideally retire with a pension of 70% to 75% of his/her pensionable salary at retirement.

b. If investment conditions so allow, being able to provide benefits in excess of the above. Given the defined contribution nature of the Fund, the above benefits are only a target and are not guaranteed.

3. Pensioners

a. Pensioners should receive increases over the long-term that match inflation. Such increases however, are not guaranteed and are subject to affordability.

4. Investment philosophy

a. 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.

b. 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.

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

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

e. 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);

f. 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)

g. 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.

h. 5. 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.

   i. The philosophy gives primacy to retirement benefits.

j. The Fund's investments must be conducted in a manner that is honest, transparent and ethical.

5. Investment objectives

a. Investment objective: In-service members

   i. 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.

   ii. 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.

   iii. 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.

   iv. These performance objectives are consistent with the stated purpose of the Fund.

b. Risk constraint: In-service members

   i. The Market Portfolio targets a standard deviation of absolute returns of 13% p.a.

   ii. The Conservative portfolio targets a standard deviation of absolute return of 8.0% p.a.

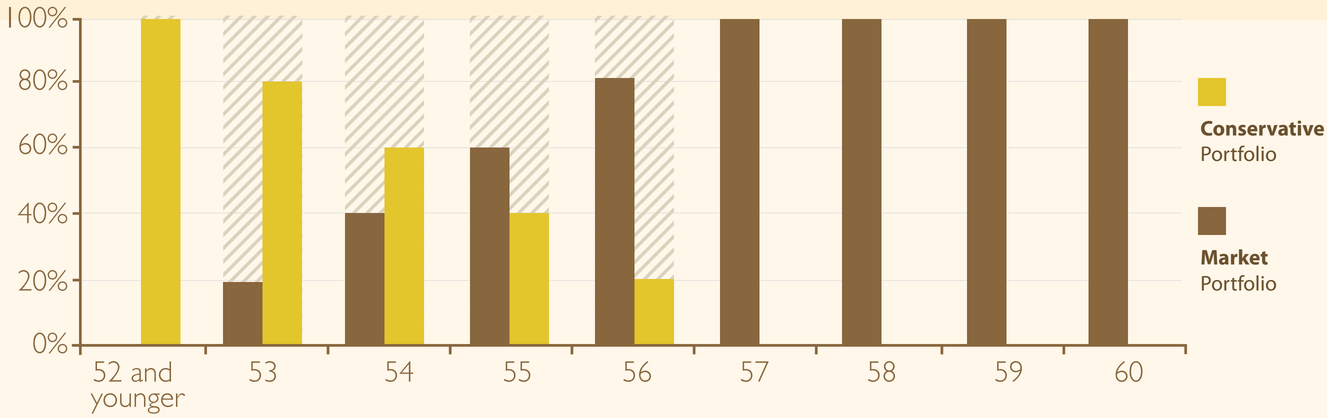
c. Trustees default life stage model: In-service members

   i. The Trustees have implemented a default life stage model for in-service members with effect from 1 August 2004.

   ii. 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.

   iii. From the end of the month in which the member turns 57 the member will be fully invested in the Conservative Portfolio.

   iv. (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***:



d. Investment objective: Pensioners

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

ii. 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.

iii. 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).

iv. The investment objective for the pensioners is to earn a net real return of 4% p.a. over any rolling 10-year period.

e. Risk constraint: Pensioners

i. The pensioner portfolio aims for a standard deviation of absolute returns of 9.5% p.a.

ii. Less than 1% chance of a net nominal return of less than 4% p.a. over the same 10-year measurement period.

iii. Less that 7.5% chance of net real return of less than 0% p.a. over a 10-year measurement period.

f. Investment Objective: Contingency Reserve Account

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

ii. The Trustees have set the required level of the Contingency Reserve Account at 3% of the Fund's assets.

iii. 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.

(B) Statement By Consulting Actuaries

Asset Matching Strategy

We are satisfied that the strategic asset allocation represents a reasonable long term investment strategy given the nature of the Fund liabilities. In particular the asset allocations of the various investment channels are reasonable given the time horizon of each channel.

The matching of the Fund assets against liabilities is in our opinion adequate. It is confirmed that a monthly process of matching is undertaken and any adjustment that may be required are incorporated on a monthly basis.

Certification

We certify that;

- The Fund remains in sound financial condition at 31 December 2013 as the value of assets with each account equals to or exceeds the liabilities of the respective accounts. This position should be reviewed at the next valuation date;

- In our view the current provision for future pension increases is sufficient under reasonable investment market conditions to support future pension increases in line with inflation;

- As a defined contributions arrangement, the contributions required in terms of the Fund rules meet the future service obligations in respect of Active members;

- The strategic asset allocation represents a reasonable long term investment strategy given the nature of the Fund liabilities. In particular the asset allocation of the various investment channels are reasonable given the time horizon of each channel;

- The matching of the Fund assets against liabilities is in our opinion adequate.

We recommend that;

- The various items of profit or loss reflected in the valuation report relating to member accounts and pensioner account be investigated by the administrators where so indicated;

- The adjustments made to the assets and liabilities in the valuation report be investigated and, where not already done so, be confirmed by the administrators.

- The Fund Trustees continue to monitor Fund expenses and to ensure that Fund expenses are monitored appropriately;

- The Trustees retain the various contingency reserve accounts allowable in terms of PFR 1, as approved at the previous valuation date and reflected in the revised rules of the Fund;

- Furthermore, the Trustees should approve the recommended transfer to the processing error reserve account and the intention to retain the balance until after next Fund valuation.

KM Lynch, B.Sc., F.A.S.S.A.
Fellow of the Actuarial Society of South Africa In my capacity as the valuator of the Fund andas an employee of Towers Watson

LM Taylor, B.Sc.
In my capacity as an employee Towers Watson
Our primary regulator is the Actuarial Society of South Africa

(C) Communication Policy Statement

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

1. Primary communication objectives

a. To ensure an educated and informed membership

b. To manage Fund reputation

c. To ensure that the Debswana Pension Fund administrative provisions and requirements are communicated accurately to all stakeholders;

d. To identify and meet all regulatory requirements regarding communication of information by the DPF to members

e. To appropriately promote the objectives of the Fund to employees of participating employers;

f. To facilitate ease of access to information between DPF and its stakeholders

g. To ensure timely communication

2. Secondary Communication Objectives

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

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

b. Understanding And Accessibility
To respond promptly to stakeholders' needs for information and contact by ensuring that needs are properly understood and providing effective access for all.

c. Pro-active Planning And Development
To anticipate and respond to stakeholder needs through development of a rolling communication strategy informed by continuous communication research, planning and measurement.

d. Customization of communication messages taking cognizance of stakeholder differences and needs.

To provide targeted communication based on the varying needs of groups of stakeholders: members, beneficiaries, employers, service providers etc.

e. Responsiveness
To develop strategies for crisis communication and ensure that appropriate responses for all events as well as ongoing mitigation of Fund reputational risks.

3. *Our Audiences*

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

1. Members
2. Prospective members
3. Employers
4. Community leaders
5. Trustees
6. Regulators
7. Fund employees
8. Business Partners/service providers
9. Public and Media.

4. *Communication Mediums*

The DPF generally use face-to-face and paper based communication as the two main means of communicating, for example by sending various publications and letters to members and stakeholders as well as in-house presentations. However, these are complemented by the use of electronic means such as the Debswana intranet site, (which is particularly convenient as a shared IT platform between the family of companies), the DPF website, SMS Communication.

The DPF also accept communications from stakeholders electronically, mainly by email and telephone. The communication mediums that the DPF uses include the following;

a. The Internet & intranet
b. Publications
c. Administration correspondence forms and letters
d. General Correspondence
e. Telephone & SMS Communication System
f. Member Welfare Offices
g. Pensioner Meetings – village Tours
h. In-house Presentations for active members
i. Induction presentations for new employees
j. Annual education Fairs
k. Pre-Retirement Workshops
l. HR Training Workshops
m. Trade Union Briefings

(C) Communication Policy Statement

Frequency of Communication to Members

Communication Medium	Media	Frequency of issue	Method of distribution	Audience group (active, deferred, pensioner or all)
Fund literature	Paper based, on intranet site and website	At joining, major scheme changes and upon request	Post to home address/via employers/email	All
Newsletters	Paper based, on intranet site and website	Quarterly	Post to home address/via employers/email	All
Pension Fund Annual Report	Paper based, on intranet site and website	Annually	Post to home address/via employers/email	All
Benefit Statements	Paper based	Annually	Via employers for activities; post to home address for deferred members	Activities and deferred only
Projection Statements	Paper based	Annually	Post to home address/via employers/email	Active members only
Pay Slips	Paper based	Monthly	Post to home address	Pensioners
Certificates of Existence	Paper based	Annually	Post to home address	Pensioners
Website and Intranet site	Electronic	Continually available	Advertised on all communications	Intranet for Active and website for all
'Member Welfare Offices	Face to face	Continually available	On request	All
Face to face education sessions including in-house presentations, meetings, pre-retirement workshops and training workshops	Face to face	Bi-annually for meetings and presentations and annually for workshops	On request	All
Telephone, email and fax	Electronic	Continually available	On request	All
Short message system (SMS)	Electronic	Ongoing and incident based	Mobile	All
Induction packs	Paper based	On joining the Fund	Post to home address	Active members
Fairs	Face to face	Annually	Event	All

Timeliness - We measure our communication against the following target delivery timescales

Communication of	Audience	Statutory delivery period	Target delivery period
Inductions	New members of the DPF	Unspecified	Within six weeks of joining the DPF
Benefit Statements as at 31 December	Active and Deferred members	Unspecified	30 September
Telephone calls	All	Unspecified	95% of phone calls to be answered within 3 rings
Issue of retirement benefits (lump sums and pensions)	Active and deferred members retiring	Unspecified	95% of retirement benefits to be paid within two month of retirement
Issue of deferred benefits (lump sums)	Leavers	Unspecified	Within two months of resignation/retrenchment
Transfers in /out	Joiners/ active members	Unspecified	Within two weeks of request
Issue of forms, i.e. expression of wish	Active/deferred members	N/A	Within five working days
Changes to scheme rules	Active/deferred and pensioner members, as required	Unspecified	Within three months of change coming into effect
Annual Pension Fund Report and Accounts	All	Unspecified	Within two months from approval of Audited Financial Statements by the Board of Trustees

(C) Communication Policy Statement

***Quality/ Measurement* -** We will measure the effectiveness of our communication by

Audience	Method	To consider	Measurement method
All member types	Paper and electronic based surveys annually	Operational efficiency, accessibility and service quality Frequency and quality of communication Relevance of our communication material Clarity of messages	Questionnaires are sent to members both electronically and by mail retirement.
Business partners/ service provider	Electronic and face to face surveys	All services and identify improvement areas/new services	Questionnaires and interviews
Employers	Electronic, telephone and Face to face surveys	Same as all of the above	Questionnaires and interviews

(D) Administration Policy Statement

Overview:

Debswana Pension Fund is responsible for the administration of Debswana and related companies Pension Scheme within Botswana. The service is carried out by Debswana Pension Fund Operations Division on behalf of qualifying employers and ultimately the members.

This statement outlines the policies and performance standards towards providing a cost-effective, inclusive and high quality pensions administration service.

Our administration policy recognizes that both employing bodies (Participating Employers) and the Debswana Pension Fund have a joint role to play in delivering an efficient service and that any overall improvements can only be achieved in partnership. The Strategy recognises the many administrative challenges faced by the Fund and Employers and contains proposals to streamline processes and improve the services to members and Employers. In this respect the Strategy is far broader than that contained in the legislation.

Aims

The aim of the policy is to move towards a seamless pension service, employing appropriate technology and best practice which both significantly improves the quality of information overall and the speed with which it is processed to provide better information for Employers and stakeholders and a more efficient service to members. The Strategy also recognises the challenges inherent in forthcoming proposals not least the NBFRA regulatory requirements and system enhancements in the Finance division.

Key Objectives

The key objectives of the Fund administration policy are to ensure that:

- The Fund and Employers are aware of and understand their respective roles and responsibilities under the NBIFRA and Debswana Pension Fund Regulations and in the delivery of administrative functions (largely defined in Service Level Agreements)
- Communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and other stakeholders
- Accurate records are maintained for the purpose of calculating pensions entitlements and Employer liabilities, ensuring all information and data is communicated accurately, timely and in a secure manner
- The Fund and Employers have appropriate skills and that training is in place to deliver a high quality service and effectively contribute to the changing pensions agenda
- Standards are set and monitored for the delivery of specified activities in accordance with Regulations and minimum standards as set out in each Employer's Service Level Agreement
- Potential risks to the Fund and Employers, in particular compliance risk, leading to financial penalties arising from the administration, are identified, mitigated and monitored
- Effective governance arrangements are established for the monitoring and improvement of the Administration Strategy
- Administrative services are delivered in a cost effective and efficient manner utilising appropriate technology and best practice, in order to maintain costs at below or average levels

(E) Risk Governance Statement

The board is responsible for the governance of risk of the Fund. The board's responsibility for risk governance is documented in a risk management strategy, policy and plan. The Board has established a policy and plan for a system and process of risk management.

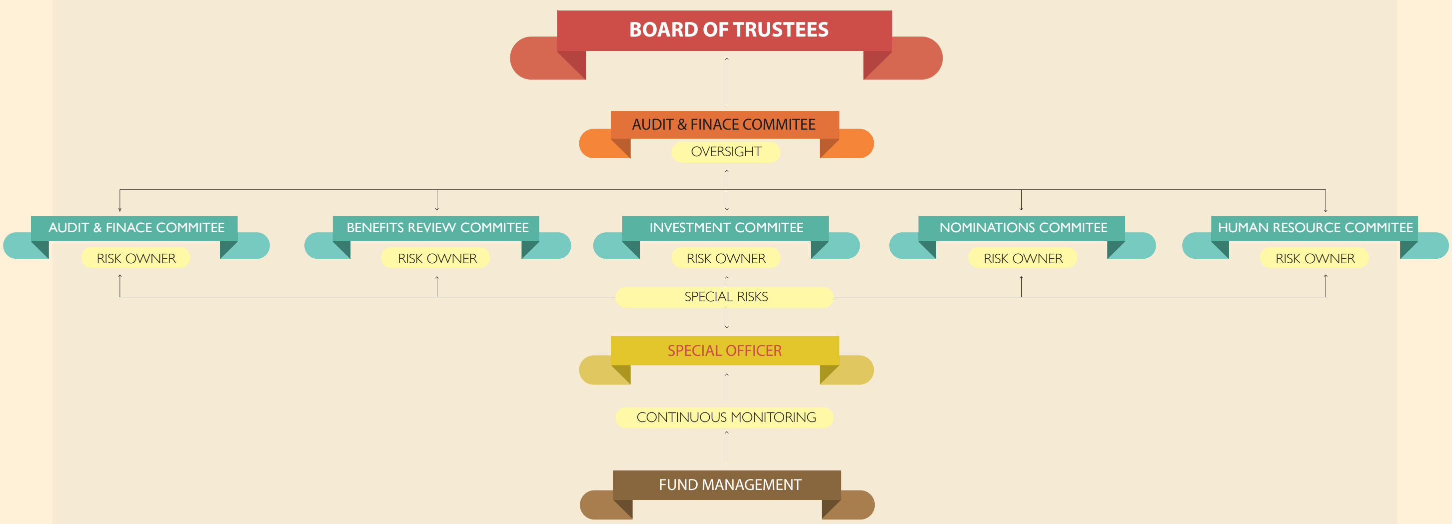
In line with King III the board comments in the integrated report on the effectiveness of the system and process of risk management. The board's responsibility for risk governance is expressed in the Board Charter. The Trustees are inducted and an on-going training programmes of the board incorporates risk governance.

Risk Management Structure

Managing risks is the responsibility of the Board of Trustees, Sub-Committees, the Fund Management and Staff at all levels. In order to embed the risk management function in the way that the Fund does its business, there is need for risk management structures as follows;

i. Board of Trustees
ii. Finance, Audit & Risk Committee
iii. Other Sub-Committees
iv. Fund Management
v. Risk Management Function
vi. Risk Champion

The Fund Risk Management structure of the Fund is depicted as follows;



The Finance and Audit Committee reviews the risk log on a quarterly basis 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 quarterly board meetings.

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. The board has delegated to the management the responsibility to design, implement and monitor the risk management plan.

(F) Composition of the Board of Trustees

Employer Nominee Trustee	Company	Alternates/substitutes	Company
Mr. Richard Vaka	Debswana Diamond Company	Mrs. Eunice Mpoloka	Debswana Diamond Company
Mr. Richard Moroka	Diamond Trading Company Botswana	Mrs. Vuyisile Garekwe	Diamond Trading Company Botswana
Mr.christopher Mokgware	De-beers, Anglo, Morupule, Dbgss	Mr. Letsibogo Ndwapi	De-beers, Anglo, Morupule, Dbgss
Mr. Victor Maxwell/ Mrs. Lynette Armstrong	Debswana Diamond Company	Mr. Ian Modubule	Debswana Diamond Company
Employee Nominee Trustee	**Constituency**		**Constituency**
Mr. R China Abel	Orapa, Lethlakane And Damtshaa Mines	Mr. Emmanuel Kgaboetsile	Orapa, Lethlakane And Damtshaa Mines
Mrs. Tshepo Rantho	Jwaneng Mine	Mr. Onneile Mmoloki	Jwaneng Mine
Mr.ishmael Mokobi	Morupule Colliery	Mr. Mooketsi Menyatso	Morupule Colliery
Mr. G Gakologelwang	Gaborone Campus	Mr. G Rantshilwane	Gaborone Campus

Independent Trustee
Ms.wanjiru Kirima

Independent Consultant
Ms. Neo Mokgwathi

(F) Composition of the Board of Trustees

Benefits & Communications	Committee Members	Responsibilities
	Mrs. Eunice Mpoloka Ms. Tshepo Rantho Mrs. Vuyisile Garekwe Mr. Emmanuel Kgaboetsile Ms. Onneile Mmoloki Mr. Letsibogo Ndwapi Mr. G Gakologelwang	Consists of seven (7) members) Chaired by: Mrs Tshepo Rantho and responsible for; Reviews all aspects of the Fund's administrative activities. Advises and makes recommendation on benefits and 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 Strategies, policies and member education
Audit, Risk & Finance	Mr. R China Abel Mr. Christopher Mokgware Mr. Ishmael Mokobi Mrs. Vuyisile Garekwe Mrs. Eunice Mpoloka Mrs Lynette Armstrong Mr. George Rantshilwane	Consists of seven (7) members Chaired by: ***Mr V Maxwell*** and responsible for; Reviews all aspects of the governance, risk and compliance. Reviews procedures and policies of internal control, Financial Statements, appointment of auditors, ensuring that the Fund has an effective risk management process.
Investment	Mr. Richard Moroka Mrs. Lynette Armstrong Mr. R China Abel Ms. Tshepo Rantho Ms. Wanjiru Kirima Mr. Christopher Mokgware Mr. Ishmael Mokobi	Consists of seven (8) members and is Chaired by: Mrs Wanjiru Kirima (Independent Trustee) and responsible for; The development and monitoring of the Investment strategies, appointment of; investment consultants and fund managers. Advises the Board of Trustees on the Strategic asset allocation, selection of the various assets, monitors and manages the performance of the Fund Managers
Nominations & Remunerations Committee	Mr. Richard Vaka Ms. Tshepo Rantho Ms. Wanjiru Kirima Mr. Victor Maxwell	Consists of four (4) members and is Chaired by: Mrs Wanjiru Kirima and responsible for; The role of the Committee is to exercise an oversight of the Fund's Human Resources Strategy, 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.

(G) Board Meetings & Committee Meetings Attendance

As at 31 December 2013

Board of Trustees	Board & Special Board Meetings	Benefits & Communications Committee	Investment Committee	Audit, Risk and Finance Committee	Nominations & Committee	Remunerations Human Resource Committee
Meetings held	*7*	*4*	*6*	*3*	*3*	*1*
Principal Trustees						
Richard Vaka	7				3	
Richard Moroka	6		2			1
Victor Maxwell	6		5	2	3	
Gakenaope Gakologelwang	6	1	3		2	
Reobonye Abel	4			1		
Ishmael Mokobi	2					
Tshepo Kgalaeng	3			2	1	1
Wanjiru Kirima	6		6		3	
Alternates						
Eunice Mpoloka	4	3		2		
Vuyisile Garekwe	3	2		-		
Ian Modubule	2		3			
George Rantshilwane	5					1
Emmanuel Kgaboetsile	7	4				1
Petrous Montshioa	1		2			1
Mmoloki Onneile	4	4				
Independent Specialist						
Neo Mokgwathi	1			3		
Tom Mongale	1				1	1
Stephen Seitshiro		1				
Ludo Tema	1	2				
Paul Ramokgalo	1		3	2		
Christopher Mokgware	1		3			
Lesego Makubate	1			1		