Annual Report 2017

"Blended to perfection"

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

"Blended to perfection"

This concept depicts the journey towards the perfect traditional Setswana porridge; the much loved "Bogobe ba Lerotse" which takes a lot of patience and dedication, from preparation to the time the porridge is thoroughly blended and cooked (to perfection).

At Debswana Pension Fund we apply the same dedication and craftsmanship, coupled with unwavering loyalty and great thought leadership, as we go about our daily efforts to deliver value through unparalleled service delivery toward securing our members' and beneficiaries' future livelihoods.

DOMICILE, TRUSTEES & PRINCIPAL BUSINESS PARTNERS

PRINCIPAL ADDRESSES OF THE FUND
Debswana Pension Fund Secretariat
Private bag 00512, Gaborone
Plot 50361 Block D, Carlton House
Fairgrounds Office Park
Gaborone, Botswana

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

CHAIRMAN
Christopher Mokgware

PRINCIPAL TRUSTEES	RESIGNED
Christopher Mokgware (Chairperson)	
Reobonye China Abel (Deputy Chairperson)	
Lynette Armstrong	
Lebole Mpho Mokoto	
Lebogang Sebopelo	
Esther Palai	
Gakenaope Gakologelwang	31/07/2017
Lebogang Kwapa	
Garekwe Mojaphoko	
Professor Mtendeweka Mhango	25/05/2018

ALTERNATE TRUSTEES	RESIGNED
Eunice Mpoloka	09/02/2018
Tefo Setlhare	09/02/2018
Kitlanang Phuthego	09/02/2018
Mogorosi Victor Mbanga	09/02/2018
George Rantshilwane	31/07/2017
Boitumelo Senyane	09/02/2018
Letsibogo Ndwapi	09/02/2018
Potoko Bogopa	09/02/2018

INDEPENDENT TRUSTEE
Professor Mtendeweka Mhango

CHIEF EXECUTIVE OFFICER
Gosego January

AUDITOR
Deloitte & Touche

BANKERS
Barclays Bank of Botswana Limited

CUSTODIAN
Stanbic Bank Botswana Limited

INVESTMENT CONSULTANTS
Riscura Consulting Services (Proprietary) Limited

ACTUARIES
Tower Watson Actuaries and Consultants (Proprietary) Limited

ONSHORE INVESTMENT MANAGERS
Investec Asset Management Limited
Botswana Insurance Fund Management Limited
Allan Gray Botswana (Proprietary)
Kgori Capital (Proprietary) Limited

OFFSHORE INVESTMENT MANAGERS
Walter Scott & Partners Limited
Marathon Asset Management LLP
Aberdeen Asset Management PLC
PIMCO Funds
Vantage Capital Fund Managers (Proprietary) Limited
Orbis Investment Management Limited
Nedgroup Investment (IOM) Limited (Veritas)
State Street Global Advisors
State Street Fund Services (Ireland) Limited (South Eastern)
American Century Investments

INTERNAL AUDITORS
Debswana Diamond Company

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

ADMINISTRATION OFFICES
Gaborone Office
Plot 50361 Block D, Carlton House, Fairgrounds Office Park
Tel: 267 361 4267, Fax: 267 3936239

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

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

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

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01 FUND OVERVIEW

For the year ended 31 December 2017

FUND BACKGROUND

The Debswana Pension Fund (DPF) is the largest private pension fund in Botswana and a major player in the retirement services industry with assets valued at BWP 7 billion and a total membership of 12066 inclusive of active, deferred and pensioner members. The DPF is a pension fund secretariat to the Debswana & De Beers family of companies namely; Debswana Diamond Company (Debswana), Diamond Trading Company Botswana (DTCB), De Beers Holding Botswana (DBHB), Morupule Coal Mine (MCM), De Beers Global SightHolder Sales (DBGSS) and DPF. The Fund currently has a staff complement of twenty three and five main business functions which include Finance and Administration, Risk and Compliance, Investments, Communication, and IT. The Internal Audit and Information Management support are co-sourced with Debswana Diamond Company, whilst the Assets Management function, Actuarial Services and Investment Consultancy are outsourced to various asset managers and consultants locally and globally.

ASSETS

BWP 7 BILLION

MEMBERSHIP

12 066

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

OUR VISION

To be the preferred provider of retirement fund services in Botswana

OUR MISSION

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

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

OUR VALUES

Customer Focus / Trust & Integrity / Innovation / Agility / Self Driven & Motivation

FUND OVERVIEW
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

DEBSWANA PENSION FUND BOARD OF TRUSTEES

Principal Trustees

1. **Chris Mokgware**
Board Chairman
Principal Company Appointed
Trustee - DBGSS, DBHB, MCM, DPF

2. **Esther Palai**
Principal Member Elected Trustee - Jwaneng Constituency

3. **Professor Mtendeweka Mhango**
Independent Board Appointed Trustee - (Resigned 25 May 2018)

4. **Gakenaope Gakologelwang**
Principal Member Elected Trustee - DTCB (Retired 31 July 2017)

5. **Garekwe Mojaphoko**
Principal Member Elected Trustee - Pensioner Constinuency

6. **Reobonye China Abel**
Deputy Board Chairman Principal Member Elected Trustee - Orapal Letlhakane, Damtshaa Constituency

7. **Lebogang Sebopelo**
Principal Company Appointed Trustee - DTCB

8. **Lebole Mpho Mokoto**
Principal Company Appointed Trustee - Debswana Diamond Company (Appointed November 2017)

9. **Lebogang Kwapa**
Principal Member Elected Trustee - DTCB (Elected July 2017)

10. **Lapologang Letshwenyo**
Principal Member Elected Trustee - MCM (Elected February 2017)

11. **Lynette Armstrong**
Principal Company Appointed Trustee - Debswana Diamond Company

Alternate Trustees

1. **Potoko Bogopa**
Alternate Member Elected Trustee Pensioner Constituency
(Retired 28 Feb 2018)

2. **Letsibogo Ndwapi**
Alternate Company Appointed Trustee DBGSS, DBHB, MCM, DPF
(Retired 28 Feb 2018)

3. **George Rantshilwane**
Alternate Member Elected Trustee DTCB (Retired 31 July 2017)

4. **Condry Motshabi**
Alternate Member Elected Trustee DTCB (Retired 28 Feb 2018)

5. **Victor Mbanga**
Alternate Member Elected Trustee Jwaneng Constituency (Retired 28 Feb 2018)

6. **Mooketsi Oaitse**
Alternate Member Elected Trustee MCM (Retired 28 Feb 2017)

7. **Boitumelo Senyane**
Alternate Trustee Orapa Letlhakane & Damtshaa Constituency - Member Elected (Retired 28 Feb 2018)

8. **Eunice Mpoloka**
Alternate Company Appointed Trustee Debswana Diamond Company
(Retired 28 Feb 2018)

9. **Ishmael Mokobi**
Alternate Member Elected Trustee MCM (Retired 28 Feb 2017)

10. **Kitlanang Phuthego**
Alternate Company Appointed Trustee DTCB (Resigned 30 Nov 2017)

11. **Tefo Setlhare**
Alternate Company Appointed Trustee Debswana Diamond Company (Retired 28 Feb 2018)

DEBSWANA PENSION FUND EXECUTIVE MANAGEMENT

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1 **Gosego January**
Chief Executive Officer

2 **Thato Norman**
Investments Manager
(Appointed 01 March 2017)

3 **Sidney Mganga**
Legal & Compliance Manager
(Resigned 30 April 2018)

4 **Melvyn Pensee-Arnold**
IT & Projects Manager
(Resigned 31 March 2017)

5 **Mpho Mphafe-Fish**
Finance & Administration Manager

6 **Agatha Sejoe**
Communication Manager

7 **Boikanyo Europa**
IT & Projects Manager
(Appointed 1 April 2017)

02

2017 MARKETS REVIEW

For the year ended 31 December 2017

2017 GLOBAL MARKETS REVIEW

North America

United States (US) equities continued to outperform in 2017, with some US indices reaching record highs on optimism over President Trump's tax reforms. During the year, business investment sustained its recovery while household consumption, which accounts for two-thirds of US economic activity, continued to accelerate. Growth was partially supported by private sector confidence and the equity price rally. Gross domestic product expanded at a 2.9 percent annual rate in the final quarter of 2017, in contrast to a 2.5 percent growth forecast for the quarter. Markets remained concerned about trade protectionism policies from the Trump administration derailing growth and business activity. Standard & Poor's Composite Index, the Dow Jones Industrial Index, and Russell 2000 all reached record highs in 2017 driven by higher corporate earnings and improved optimism on the outlook for the US economy. Improved wage growth, high levels of employment, strong household consumption, stronger credit and increased business activity continued to underpin domestic growth. The Trump Trade, which is the increased economic activity driven by President Trump's pledged fiscal stimulus, continued during the year and aided the already bullish global stock markets.

With a view to normalize interest rates, the Federal Reserve Bank (Fed) raised the key policy rate three time during the year. The key policy interest rate target moved from 0.5 - 0.75 percent to a new range of 1.25 -1.50 percent. The Federal Open Market Committee (FOMC) pointed to a US economy characterized by high levels of employment with the unemployment rate dropping to 4.1 percent in December. However, the Fed reiterated its concern on the low level of inflation which remained below its 2 percent target. Additionally, the Fed initiated the unwinding of its USD 4.5 trillion asset purchase programme through ending the reinvestment of the funds from maturing bonds and allowing bonds to roll off the balance sheet without actively selling them. Against this background, US Treasury bond yields increased in line with rising inflation expectations. The Barclays US Credit investment grade bond Index rose 5.6 percent while the Barclays US Corporate High Yield Bond Index surged 17.1 percent. The broadening economic recovery continued to benefit credit bonds over government bonds. Tax reforms and deregulation remained, which provided a tailwind for US equities which was partially offset by concerns of high asset prices and the normalization of key policy rates.

Europe

The Euro-19 Gross Domestic Product (GDP) increased from 1.8 percent in 2016 to 2.3 percent in 2017. Domestic activity was led by an ongoing recovery in household consumption, gross capital formation, and net exports. Following many years of economic stagnation, the Euro-19 broadening cyclical expansion is underway largely driven by expansionary monetary policy by the European Central Bank and a recovery in business activity. The unemployment rate dropped to 7.3 percent in December, the lowest level since 2009. Economic indicators showed growth convergence in the last quarter of 2017 with output in Germany and Italy, declining while Netherlands and Portugal reported accelerated growth. This prompted the European Commission to report that growth in the Euro-19 was the most balanced since the start of the financial crisis. Household consumption on durable goods and big ticket items such as automobiles rose during the year. With a view to support domestic activity, monetary policy by the European Central Bank (ECB) remained accommodative thereby supporting the household and financial sectors. Political risk in the Euro-19 has stabilized with risks shifting to the US and UK.

The Office for National Statistics (ONS) reported that the UK economy grew by 1.4 percent in 2017. The UK was the only Group 7 economy decelerating thereby indicating that the concerns about the UK leaving the EU (Brexit) were weighing down on business confidence, investment and consumption. Although business investment weakened, household consumption strengthened. The services sector, which accounts for 80 percent of output,

2017 MARKETS REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

NORTH AMERICA

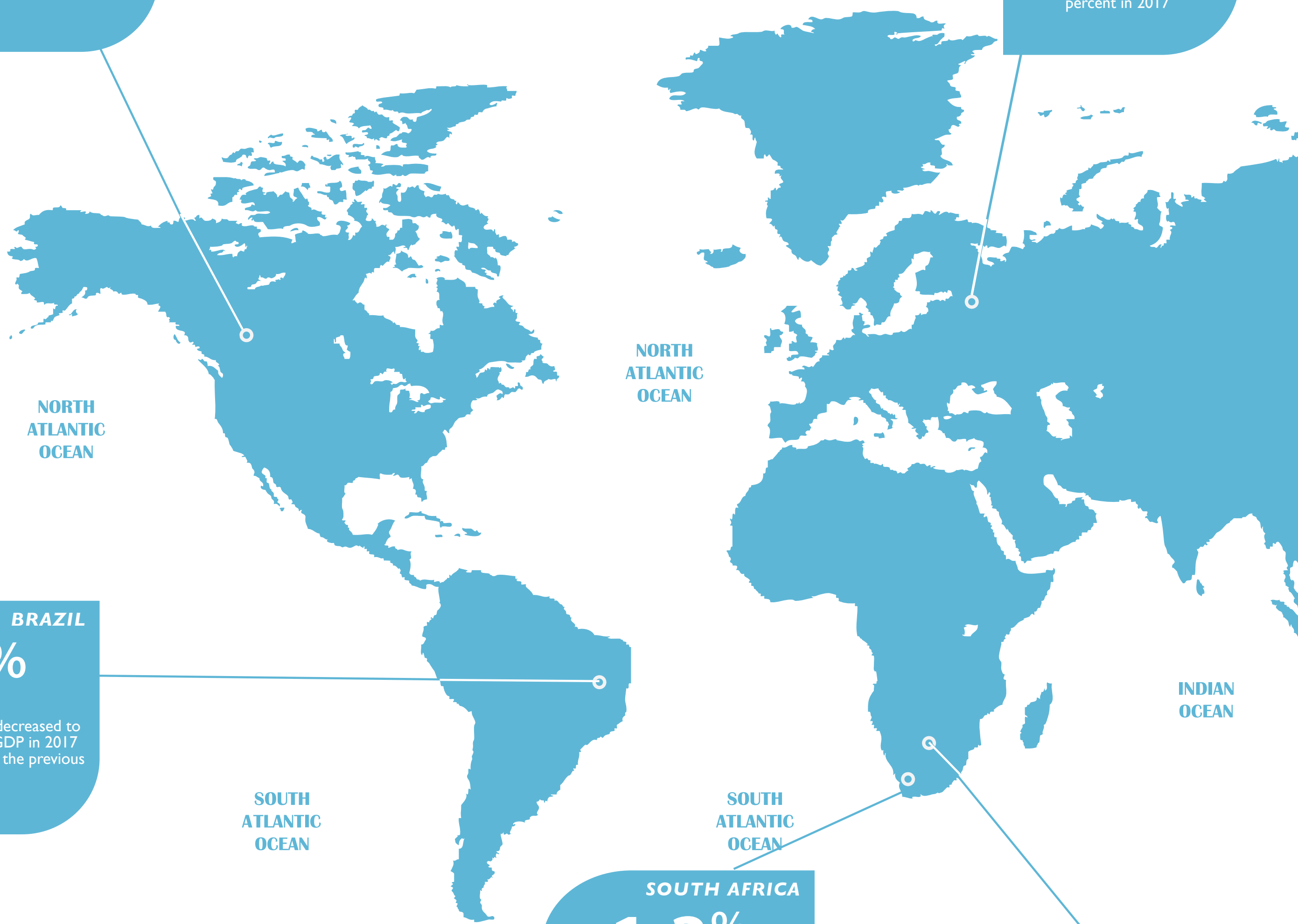
+ 2.9%

Gross Domestic Product expanded at a 2.9% annual rate in the final quarter of 2017

EUROPE

2.3%

The Euro-19 Gross Domestic Product (GDP) increased from 1.8 percent in 2016 to 2.3 percent in 2017



BRAZIL

1%

The fiscal deficit decreased to 7.80 percent of GDP in 2017 from 8.93 percent the previous year.

SOUTH AFRICA

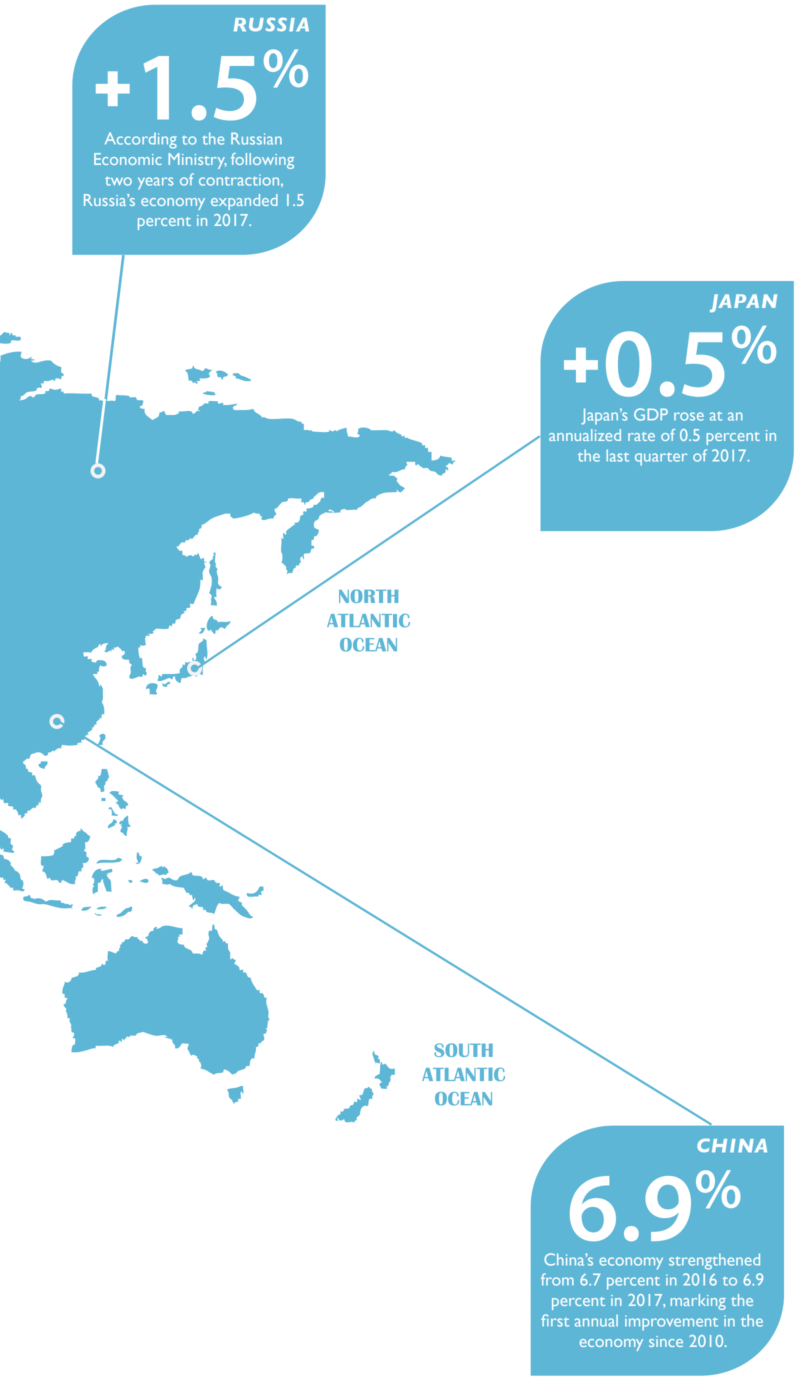
1.3%

South African Reserve Bank (SARB) cut the benchmark repo rate by 25 basis points to 6.75 percent.

BOTSWANA

+1.2%

Botswana's economy grew by 1.2 percent in the third quarter of 2017 against a previous increase of 6.9percent in the same quarter of 2016.



underpinned domestic growth with the business services and finance services sector sub-components driving output. Household confidence surveys pointed to weaker consumption activity which is currently affected by strong unemployment levels.

The unemployment rate increased to 4.4 percent in December 2017. Job losses affected all age groups with unemployment levels rising across full-time and part-time workers.

Japan

Japan's GDP rose at an annualized rate of 0.5 percent in the last quarter of 2017. Output was steered by private consumption and capital expenditure which indicated the emergence of a broadening improvement of the domestic economy. Capital expenditure was particularly supported by investment in communication and information technology, in addition to production machinery. The household final consumption expenditure deflator, which is a proxy for the Consumer Price Index, increased during the year. The government has indicated that the domestic demand deflator is a key consideration in establishing whether deflation has ended. The Bank of Japan continued its Quantitative and Qualitative Easing (QQE) as inflation continues to elude the 2 percent target. Resilient domestic growth during the past several quarters and rising inflation heightened market speculation that the central bank would fast track the normalization of interest rates. During the year the Topix index increased by approximately 14.5percent.

Emerging Markets

Emerging Markets (EM) comprise approximately half of the global economy and over half of the global youth population. Continued urbanization has driven a sustained material demand for infrastructure development in EM economies. Emerging Market asset classes posted significant outperformance over Developed Markets, particularly equity markets. The International Monetary Fund forecasts Emerging Markets GDP growth to increase as the global economic outlook improves.

2017 MARKETS REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

China

China's economy strengthened from 6.7 percent in 2016 to 6.9 percent in 2017, marking the first annual improvement in the economy since 2010. Improved global growth supported the job market, consumption and exports, albeit slower infrastructure investment offset some of the labor market gains and strong global growth. In an effort to decrease inflation and curtail rising asset prices, Peoples Bank of China (PBC) raised the interest rates on open market operations. Concerns about rising bond yields, the structural changes in the economy, financial market regulation contributed to the 6.2 percent year on year rise in the Shanghai Stock Exchange Composite Index.

Asia Ex china

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

Brazil

The economic recession ended in 2017 as the economy rose 1 percent against a contraction of 3.6 percent the previous year. The recovery has been driven by increased investment and improved household consumption as low interest rates stoked output. Unemployment improved to 11.8 percent as businesses activity improved. The fiscal deficit decreased to 7.80 percent of GDP in 2017 from 8.93 percent the previous year. The Ministry of Finance reported that over the year gross debt marginally fell to 74 percent from 74.4 percent of GDP. The moderate growth of the economy, improved confidence and business activity levels have supported government revenue. During the year, Brazil's stock exchange, Ibovespa, increased 38.9 percent as investors grew more confident of the president's economic reforms.

Russia

According to the Russian Economic Ministry, following two years of contraction, Russia's economy expanded 1.5 percent in 2017. Improved oil prices prompted a recovery in consumer and business confidence, thereby supporting domestic output. The economy remained affected by threats of sanctions from major economies due to concerns that the country interfered with the US presidential elections. Concerns about the health of the Russian banking sector heightened after the central bank bailed out some of the country's banks. The Russian MICEX Stock Market Index dropped 5.5 percent during the year.

South Africa

The South African rand strengthened against the Botswana pula and the United States dollar following South Africa's political transition from a Jacob Zuma to a Cyril Ramaphosa presidency of the African National Congress in December 2017. Renewed investment optimism and better governance increased demand for some South African investment assets. However, the first half of the year was characterized by moderate growth and low inflation which prompted the South African Reserve Bank (SARB) to cut the benchmark repo rate by 25 basis points to 6.75 percent.

Botswana

Botswana's economy grew by 1.2 percent in the third quarter of 2017 against a previous increase of 6.9 percent in the same quarter of 2016. Mining activity has remained weak as a result of the closure of some mines. Economic output was driven by an increase of water & electricity (15.7%), finance & business services (4.8), and trade & communications (4.5%). Mining activity, continued to face headwinds from the closure of as BCL and Tati Nickel mines, increasing 4.4 percent.

Household consumption improved 6.1 percent in the third quarter of 2017 while government expenditure rose by 3.2 percent. A substantial decrease of 8.0 percent was recorded in gross capital formation as business investment moderated. Exports dropped 14.1 percent as diamond sales fell 5.6 percent in third quarter of 2017 while imports declined 16.3 percent. Statistics Botswana reported that Botswana's unemployment rate declined to 17.7 percent in 2016. The private sector remained the largest employer as it employed 44.6 percent of the labour force, followed by the public sector at 22.1 per cent. Domestic output remains exposed to global headwinds such as commodity price volatility and geopolitical risks. Meanwhile, households have struggled from high levels of debt, tight credit availability, and anemic wage growth.

2017 MARKETS REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

The fiscal deficit narrowed to 1.3 percent of GDP in 2017 from 4.5 percent the previous year due to improvements in mineral receipts. The balance of payments surplus is forecast to narrow to P297 million in 2017 from P2.8 billion in 2016. The current account surplus is expected to grow from P16.6 billion from P19.9 billion. Government continued its fiscal policy of restricting total debt as a percentage of GDP at 40 percent, with debt levels remaining at 15.1 percent. Botswana managed to maintain an "A investment grade" rating by both Standard & Poor's and Moody's Investors rating agencies.

Inflation decreased from 3.1 percent in January to 2.9 percent in November before ending the year at 3.2 percent in December. Inflation remained within the Bank of Botswana (BoB) 3 - 6 percent inflation target. The low inflation trajectory prompted the Bank of Botswana to cut the Bank rate by 50 basis points to 5.0 percent in October. Monetary policy remained accommodative in order to drive investment borrowing and in turn aggregate demand.

The Pula depreciated against the South African rand by 1.8 percent while appreciating against the International Monetary Fund (IMF) unit of account the Special Drawing Rights (SDR) by 2.0 percent. Against the USD, the Pula appreciated by 7.36 percent as partially supported by the strengthening rand and a continued recovery of commodity prices which supported Emerging Market currencies. During 2017 the Domestic Companies Index (DCI) declined 5.8 percent large cap counters such as financial and consumer stocks continued to underperform. First National Bank, Standard Chartered, Sechaba, and Sefalana contributed to the financial sector underperformance. Moderate economic growth, characterized by weak employment levels and the subdued interest rate environment, contributed to the weak equity market performance. Barclays, BTCL and Chobe Holdings offset some of the losses in the DCI.

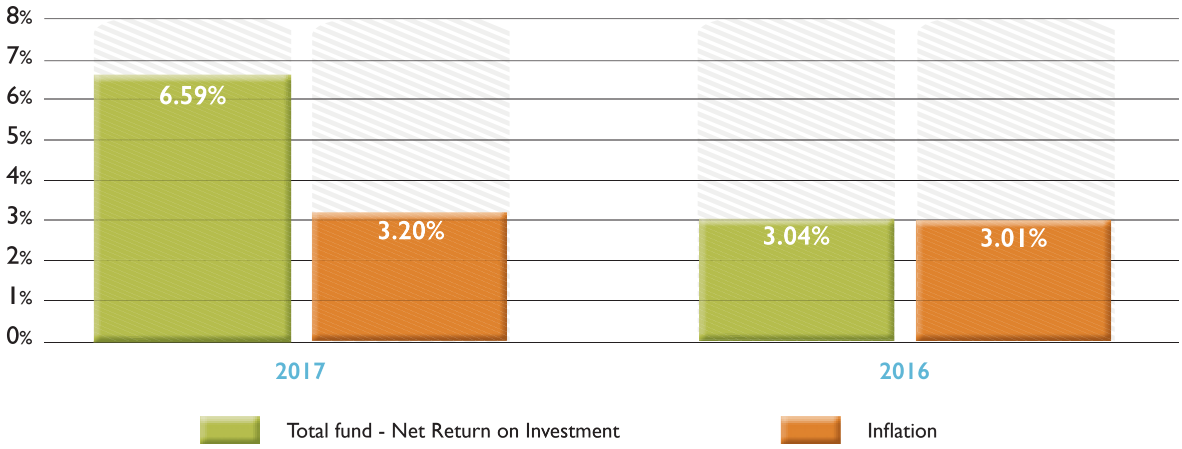
The Fleming Aggregate Bond Index (FABI) returned 5.3% over the year. Weak domestic activity and the benign inflation outlook prompted Bank of Botswana to cut interest rates thereby flattening the bond yield curve.

03 FUND PERFORMANCE HIGHLIGHTS

For the year ended 31 December 2017

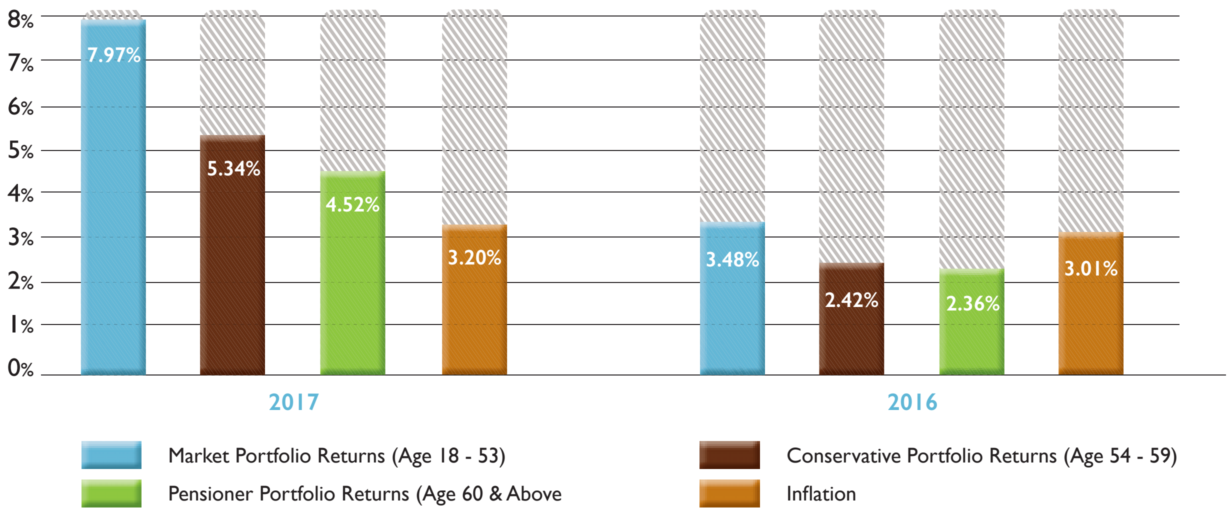
FUND PERFORMANCE HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2017

FUND PERFORMANCE - TOTAL FUND



FUND PERFORMANCE - LIFE STAGE INVESTMENT PORTFOLIOS

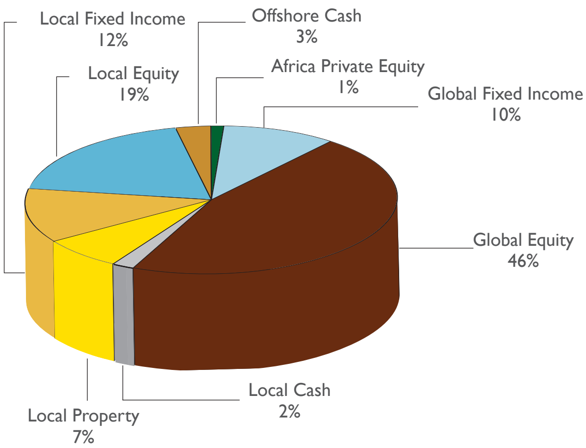
INVESTMENT PORTFOLIOS RETURNS



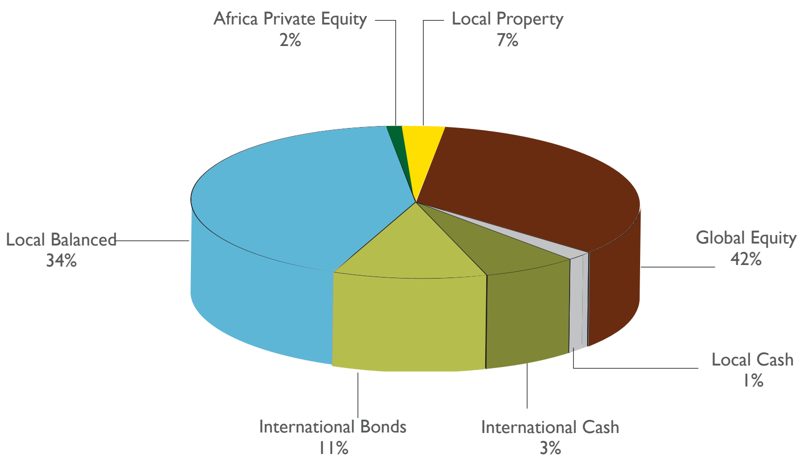
FUND PERFORMANCE HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

ASSET ALLOCATIONS

Asset Class Weights as at 31 December 2017



Asset Class Weights as at 31 December 2016



REVENUE & EXPENDITURE

	P'000		P'000
Fund as at 31 December 2016	**6,518,118**		
Contributions received	289,225	Administration expenses	27,617
Transfers received	10,157	Investment fees	45,980
Income from investments	112,441	Withdrawal and death benefits	19,230
Adjustment to fair value of assets	403,124	Retirement benefits	64,251
		Pensioner death benefits	1,968
		Pensions paid	136,568
		Transfers paid	973
		Fund as at 31 December 2017	**7,036,478**
Total	**7,333,065**	**Total**	**7,333,065**

FUND PERFORMANCE HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

MEMBERSHIP MOVEMENTS

Description	2017	2016
Numbers at beginning of period	11874	11724
Beneficiary Age 21 exit	579	(11)
Additions	(37)	568
Transfers-in	(3)	0
Transfers-out	(224)	(2)
Withdrawals	(81)	(82)
Retirements	(38)	(243)
Deaths	(4)	(80)
Numbers at end of period	**12066**	**11874**

	2017	2016	Difference	% Change
Active	5917	5790	127	22%
Deferred	2330	2402	-72	-3%
Pensioners	3819	3682	137	4%
Total	**12066**	**11874**	**192**	**2%**

FUNDING LEVEL

COMBINED POSITION	31/12/2017	31/12/2016	Change
	P'000	P'000	%
Fair value of assets	7 036 478	6,518,118	7.95%
Actuarial liabilities	6 726 596	6,191,443	8.64%
Surplus / (deficit)	**309 882**	**326,675**	**-5.14%**
Funding level	**104.6%**	**105.3%**	**-0.70%**

04
CHAIRMAN'S MESSAGE
For the year ended 31 December 2017

Chris Mokgware
Board Chairman

DEAR MEMBERS,

On behalf of the DPF Board of Trustees I present to you the 2017 Annual Report.

As you will note from the management reports contained herein, Debswana Pension Fund has made great strides in 2017 in all the various spheres of our operations, and I am pleased that the Fund is continuing to deliver satisfactorily on its mandate. I cannot emphasise enough that as a member and a major stakeholder you should make an effort to read the comprehensive reports to appreciate how your assets are being managed.

This year, I would like to focus my message particularly on the key 2017 events that have an impact on the Fund, particularly at industry level. During 2017, the Non-Bank Regulatory Authority (NBFIRA) announced the effective date for the new Retirement Fund Act 2014 as well as the accompanying Retirement Regulations 2016. These regulations brought about changes in our operational structure. In summary, the changes are as follows:

1. The Pensions and Provident Funds Act of 1987 has been repealed and replaced with the Retirement Funds Act of 2014. The Act was effected on 1st April 2017;

2. The Retirement Regulations 2016, which accompany the new Act, were effected in June 2017;

3. Through the above, the Fund is required to outsource its benefits administration function and the outsourcing of the Fund is primarily prompted by Regulation 10 (2) of the new Retirement Regulations, which stipulates that Pension Fund Administration can only be done through a limited liability company, and one that is solely in the business of Retirement Funds Administration. In that regard, DPF being a Trust, does not qualify to administer its pension records anymore and cannot continue with its current insourced administration model; and

4. The Fund (along with all other Pension Funds in the country) is also required under the new legislation to re-new its licence as a Pension Fund. This is outlined in Section 54 of the Retirement Funds Act.

CHAIRMAN'S MESSAGE
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

Your Board of Trustees has since passed several resolutions for implementation by Fund Management which will ensure that the Fund becomes compliant to the new regulations. Although the new regulations presents numerous challenges, we do not foresee any major disruption to the business of the Fund as a result. Instead, as your Board of Trustees we view them as opportunities to further the long term strategic objectives of the Fund. We shall provide a full progress report on this matter in our 2018 report.

Besides the new legislation, another pertinent issue that I would like to address briefly is with regard to the series of corporate scandals that brought on extreme media and public scrutiny on the operations of the retirement industry in 2017, thus throwing the retirement industry into a reputational crisis. In such a climate whereby the integrity of the industry as a whole is under scrutiny, it would be understandable for a member of any pension Fund, affected or not, to worry about the safety of their investments as well as the credibility of their Pension Fund. Although DPF was not particularly affected by the scandals, it is important that as your pension custodians, we re-affirm and re-assure you of our absolute commitment to the Fund's compliance to corporate governance principles and the pursuit of best practices in managing your Fund.

Regardless of any unknown events that may transpire in the future that may bring our operations under scrutiny, we shall, as our mandate requires, maintain transparency in our operations and remain fully accountable in our duty to manage your assets prudently towards securing your retirement income. We encourage and welcome members to engage with us at anytime as and when there is a need for clarity on the position of the Fund in any relevant matter, be it an internal corporate matter or at industry level.

Having said that, I would like to thank all of our stakeholders; DPF Trustees, CEO, DPF Staff, and Business partners for their continued allegiance to the Fund, especially the Participating Employers whose contribution was invaluable during the preliminary consultations we had with them in our effort to address the issues of regulatory compliance that emerged during the year.

I look forward to a successful 2018.

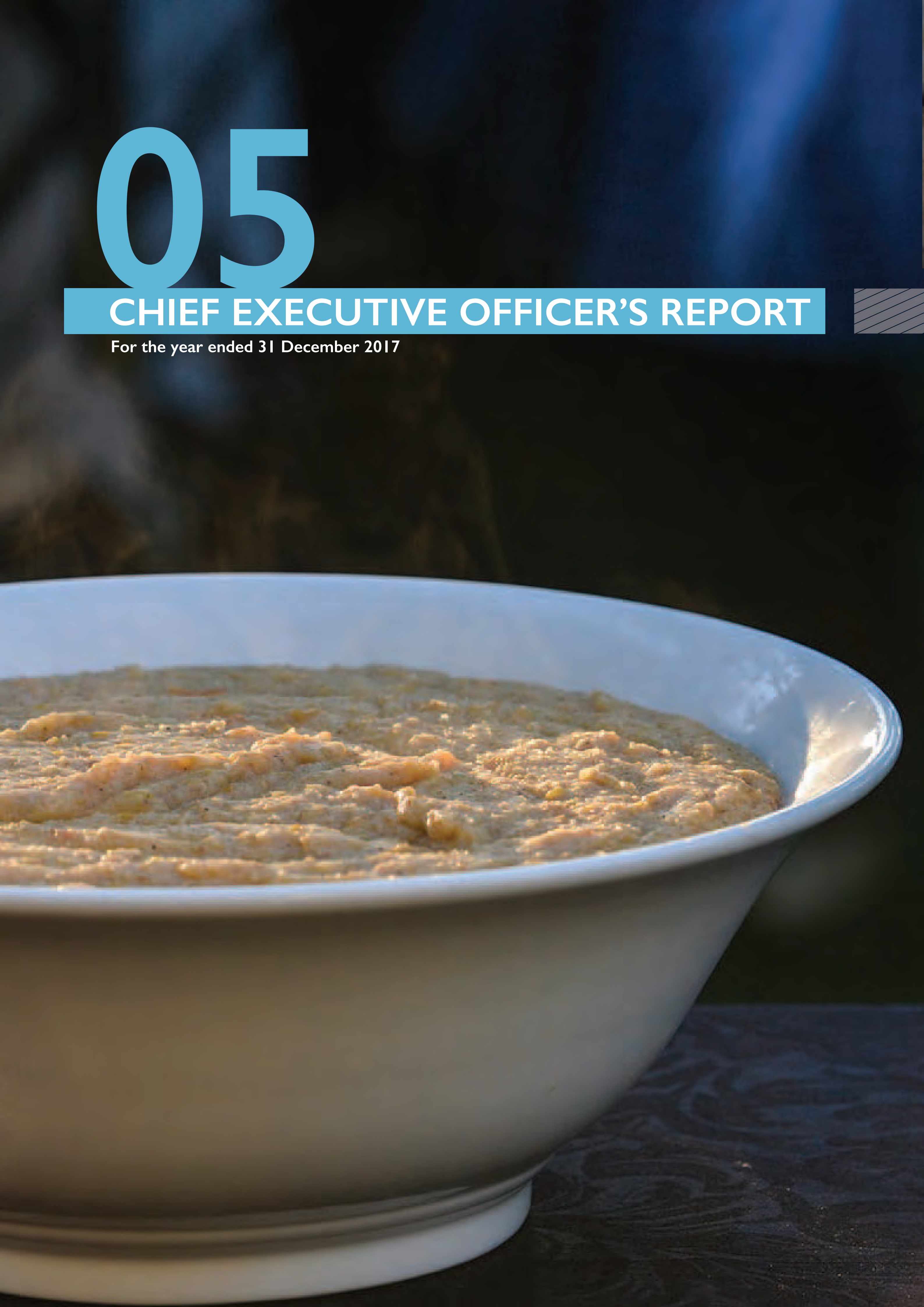
Sincerely

Chris Mokgware
Chairperson

05

CHIEF EXECUTIVE OFFICER'S REPORT

For the year ended 31 December 2017



CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Gosego January
Chief Executive Officer

DEAR MEMBERS,

I am happy to report that we have successfully wrapped up another productive year at the Fund despite the common challenges that we often face in the process of conducting business, be it internally or at industry level, e.g. investment climate, economic conditions, changing environment etc. It was a particularly challenging year mainly due to the added pressure of complying with new regulatory changes which in turn increased our day to day workload. Nevertheless, the Fund was able to meet its targets for the year. Our performance highlights for the year are as follows;

Financial

The Fund Management is entrusted with cost and capital management as one of the annual core Fund deliverables. If not managed appropriately, pension fund administration and investment costs can erode members' investment returns to a point where the members' future retirement earnings are compromised. Although there is not a universal benchmark on what the ideal cost per member should be, it is in the best interest of our members that we at all times keep our costs to the best possible minimum.

Cost containment is a duty that remains high on the agenda of the DPF Trustees and Fund Management year on year because of its absolute importance and as such, a permanent feature on our organisational scorecard. Our staff are trained to consciously consider cost in every day to day operational endeavour. For the year 2017, the Fund was able to contain costs within targets and achieved a budget saving of 11%.

In addition to cost containment, investment growth is another core financial consideration for the Fund. Without investment growth, members would not be able to earn enough pension to meet basic cost of living expenses in their retirement years. The money they save towards their pension now has to grow at a rate which beats inflation at all times in order for it to carry value at retirement, and another key responsibility for Trustees and Fund Management is to ensure the optimal investment growth of member assets. Returns for 2017 were low but nevertheless exceeding inflation. During the year ended December 31, 2017, the DPF assets increased by 7.73% to BWP7.048 billion. The Market Portfolio performance for 2017 returned 7.97% and a real return of 4.77% ; the Conservative Portfolio returned 5.34% with a real return of 2.14%, and The Pensioner Portfolio performance for 2017 returned 4.52%.

CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

Business Partners

Our strategic goals with regard to members and stakeholder satisfaction is to provide effective and efficient services to our members as well as drive effective business relations with all stakeholders. To ensure that these goals are achieved annually, Fund Management implements a robust member communication and stakeholder engagement plan that is designed to address the core Fund communication objectives of member education and reputation management.

In order to measure the effectiveness of our operations as a whole, the Fund conducts annual stakeholder satisfaction surveys as well as benchmark the outcomes against globally recognised customer satisfaction indexes in similar sectors, i.e. financial services. Please refer to the communication report for a detailed review of the 2017 Stakeholder satisfaction results.

Overall, DPF members and stakeholders are reasonably satisfied with the services that they received during the year.

Operations

Our strategic goals for internal processes are based on two pillars; enhancing corporate governance assurance and achieving operational excellence. The need for efficiencies in the management of a pension Fund can never be underestimated. There is a direct link between the operational efficiency of a pension fund and its financial position, and this is especially true for DPF given the investment strategy in place; the Life Stage Model, which is highly dependent on the integrity of member records for outcomes. To ensure these efficiencies, clean audits, robust risk management and compliance to operational plans and turnaround times is core. For the year ended 2017, the Fund had no outstanding audit queries and has achieved a 97% compliance to operational plans and turnaround times. Fund Management continues to make concerted efforts to improve the internal control environment to further improve efficiencies. All audits were green in 2017.

People

In 2017, DPF continued its drive to be a High Performing Organisation (HPO). The Management took this on as a critical strategic initiative. Establishing a desirable culture was key to setting the building blocks of an HPO. The culture review began with a survey to identify the gaps, workshops were held to unpack the results and the project culminated in a team building exercise that introspected on culture, personality, emotional intelligence and team dynamics. The annual employee satisfaction survey revealed a great improvement from previous years and affirmed that employee satisfaction was aligned to international standards. Other areas that the Fund concentrated on were training;. The Management participated in leadership training and staff continued to be up skilled in their respective careers. The Fund also reviewed key policies that affected staff and held workshops on the Training policy as well as the Fund's remuneration structure and approach.

The Fund considers employee health and wellness as a key components of employee welfare. We are a member of the Anti-Retrociral Therapy (A.R.T) Fund that facilitates the management of dread diseases and promotes overall physical and mental wellness, including financial wellness amongst staff. In June 2017, DPF partnered with the ART Fund to deliver a Wellness Day that was fun filled and educational, focussing on cancer awareness, the importance of nutrition, emotional intelligence and medical screening.

Over and above the aforesaid, the Fund has achieved 90% compliance on the implementation of the 2017 HR initiatives.

Implementation of Strategic Projects

The Debswana Pension Fund (DPF) strategy 2012-2017 sought to address a number of strategic and operational initiatives. A Strategic review workshop was held by DPF at Jwaneng Cresta Hotel was to chart a way forward in terms of aligned functional and support plans, and consolidate these into a clear integrated corporate level implementation plan for 2017. To date, DPF has implemented most of the operational plan and realised most of the envisaged deliverables. As at 31 December 2017 the Fund

strategic portfolio roadmap was 99% complete. Given the emergent regulatory changes and their expected impact on the DPF business model and long term strategic objective (i.e. growth of the Fund through insourced administration), the review of the Fund's long term strategy was deferred to Q2 of 2018 to facilitate the process of compliance with the new regulations and its outcomes, which would then give guidance to the future strategic direction of the Fund.

Industry

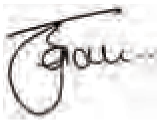
2017 marked the beginning of a major transition for the DPF. The Board of Trustees resolved at the end of 2017 to outsource Fund administration to an independent administration company following the emergence of new Pension Fund legislation that was announced by the regulator; Non-Bank Financial Institutions Regulatory Authority (NBFIRA) to the retirement funds industry in June 2017.

Following these developments, Fund Management spent the better part of 2017 developing a business case for compliance to the new regulation which was later approved by the Board in November 2017. The Fund will therefore spend most of 2018 working on the transition, and it is expected that by the end of 2018 the DPF will no longer be administering member records in-house as has been since 2010 to date. Fund Management will keep members appraised throughout 2018 on the progress of this major undertaking.

Conclusion

As the DPF Secretariat, My team and I continue to take pride in driving the DPF to greater heights. We are privileged and honoured to have this responsibility and we look forward to many more years of creating value for this great organisation and its people.

Sincerely



Gosego January
Chief Executive Officer

06 TRUSTEES' REPORT

For the year ended 31 December 2017

6.1 CONSTITUTION OF THE FUND

The Debswana Pension Fund (DPF) is mainly defined contribution pension Fund established in 1984 as a Trust through a joint initiative between De Beers Botswana Mining Company (now Debswana), Anglo American Corporation Botswana (Pty) Ltd and De Beers Prospecting Botswana (Pty) Ltd. The primary purpose of the Debswana Pension Fund is to meet future benefit obligations to members as defined by the rules of the Fund, earn positive investment returns on member funds and remain financially sound at all times. The DPF invest member funds across various asset classes mainly Property, Equities, bonds, Cash and alternatives. Active and deferred member assets are managed under the defined contribution plan, whilst pensioner assets form the defined benefit component through the Fund's provision of life annuities to its retiring active and deferred members.

Fund membership portfolio as at 31 Deceber 2017

12,066
REGISTERED MEMBERS

5917
ACTIVE MEMBERS

2405
DEFERRED MEMBERS

3819
PENSIONERS MEMBERS

Retiring members are given the option to purchase annuities from other service providers. Fund membership portfolios as at 31 December 2017 registered 12,066 members comprising of 5917 Active Members, 2330 Deferred Members and 3819 Pensioners.

All current participating employers of the Fund contribute 20% of pensionable salaries of their employees on their behalf towards the Fund on a monthly basis. Member contributions are exempt from income tax as per the provisions of the Botswana Unified Revenue Services (BURS) Act. The Fund, through its education program, continually encourages Active members to make additional voluntary contributions at a preferred percentage within the parameter provided by the BURS Act as a way of achieving better net replacement ratios (NRR) as well as reduce their tax obligation.

The Fund's targeted replacement ratio of 70% is calculated before commutation of the cash lump sum. A member with an average career progression in terms of salary increases and 35 years of service should ideally retire with a pension of 70% of his/her pensionable salary at normal retirement age of 60. The progression of the target member is based on the following assumptions;

Item Assumption

- A Career of 35 years continuous employment
- Age at retirement age of 60 years
- Retirement savings contribution rate at 20% of pensionable salary
- Consistent annual Salary increases in line with inflation

The Trustees recognise that the target replacement ratio may be different for individual members to the extent that their personal experience deviates from that of the target member. If investment conditions so allow, 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.

6.2. COMPLIANCE REPORT

a. Governance Statement

According to the Retirement Funds Act, fiduciary responsibility for the Fund rests with the Board of Trustees. The Fund is managed by the Trustees on behalf of the Members in accordance with the Fund Rules. The Board of Trustees is elected in terms of the Fund Rules. The Fund is managed by the Trustees on behalf of the Members in accordance with the Fund Rules. Currently the DPF Board composition

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

is as follows; (All the Trustees had alternates except for the Independent Trustee until February 2018, when a Board resolution was passed to end the position of Alternate Trustee)

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

The Board of Trustees having set up the Committees in terms of the Fund Rules, has delegated some responsibilities to the Committees who act on behalf of the Board but the ultimate responsibility of the administration of the Fund still rests with the Board of Trustees. The Board has its own Board Charter that is reviewed every two years to ensure that it remains up to date and relevant. Each Committee has its own set of Terms of references that clearly outlines the mandate of the Committee. There are four main Committees.

The Term of office for the Trustees is five years and the Trustees can be re-appointed for another five year term. The Board of Trustees have appointed independent Trustees to augment skills. There is currently one vacancies for Independent Trustee that the Board is looking to fill in the near future. The Board of Trustees has embarked on a process of strengthening Fund governance and oversight.

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

b. Trustee Register (as at 31 December 2017)

	Principal Trustees	Alternate Trustees	Representation
1	Christopher Mokgware (Chairman)	Letsibogo Ndwapi	Other Participating Employer*
2	Lebole Mpho Mokoto	Eunice Mpoloka	Debswana Diamond Company
3	Lynette Armstrong	Tefo Modise Setlhare	Debswana Diamond Company
4	Lebogang Sebopelo	Kitlanang Phuthego	Diamond Trading Company Botswana
5	Esther Palai	Mogorosi Victor Mbanga	Jwaneng Constituency
6	Lebogang Kwapa	Condry Motshabi	Gaborone Constituency
7	Reobonye China Abel	Boitumelo Senyane	Orapa Letlhakane Damtshaa Constituency
8	Lapologang Letshwenyo (Appointed November 2017)	Mooketsi Oaitse (Appointed May 2017)	Morupule Constituency
9	Garekwe Mojaphoko	Potoko Bogopa	Pensioners
10	Mtendeweka Mhango (Independent Trustee - appointed November 2016)		

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

c. Board and Committee membership (as at 31 December 2017)

TRUSTEES PRINCIPAL MEMBERS	BOARD	INVESTMENT COMMITTEE	BENEFITS & COMMUNICATIONS	AUDIT, RISK & FINANCE	NOMINATIONS & REMUNERATIONS COMMITTEE	TOTAL NUMBER OF COMMITTEES
Mr.Christopher Mokgware (Other PE's)	Board Chairman					0
Mr. R. China Abel (Orapa constituency)	Deputy Chair	✓			✓	2
Mr. Lebogang Sebopelo	✓		✓			1
Ms. L. Armstrong (Debswana)	✓	✓		Chairman		2
Ms. Ester Palai (Jwaneng Constituency)	✓		✓	✓		2
Mr. Mtende Mhango (Independent)	✓		Chairman			1
Mr. Lapologang Letshwenyo (Morupule Constituency)	✓				✓	1
Ms. Lebogang Kwapa (Gaborone Constituency)	✓	✓				1
Ms. Lebole Mpho Mokoto	✓				✓	1
Mr. G. Mojaphoko (Pensioner Trustee)	✓		✓			1
TRUSTEES ALTERNATES						
Mrs. Eunice Mpoloka	✓	✓		✓		2
Mr. Tefo Setlhare	✓	Chairman	✓	✓		3
Mr. Kitlanang Phuthego	✓	✓		✓		2
Mr. Boitumelo Senyane	✓	✓			✓	2
Mr. Mogorosi V. Mbanga	✓	✓			✓	2
Mr. Letsibogo Ndwapi	✓		✓		Chairman	2
Mr. Mooketsi Oaitse	✓	✓				1
Mr. Condry Motshabi	✓		✓			1
Mr. Bogopa Potoko	✓				✓	1
Independent Consultant						1
Total Members	**Seventeen**	**Eight**	**Seven**	**Six**	**Six**	
Vacancies	Nil	Nil	Nil	One	Nil	

Currently the Fund has a vacancy in the Audit, Risk and Finance Committee.

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

4. Board and Committee Meetings (Comparison Year 2017 and 2016)

In 2017 the Board of Trustees had in total five (5) meetings which comprised four (4) scheduled meetings and five (5) special meetings. The table below indicates the number of meetings held by both the Board and its Committees in 2017 compared to 2016.

	Meetings	Planned Meetings	Special Meetings	Total	Planned Meetings	Special Meetings	Total
		2016			2017		
1	Board of Trustees	4	1	6	4	5	9
2	Audit Committee	3	Nil	3	3	Nil	3
3	Investment Committee	4	Nil	4	4	1	5
4	Nominations Committee	4	Nil	4	2	Nil	2
5	Benefits & Communications	4	Nil	4	4	Nil	4

5. Board Achievements in 2017 - Highlights

The Board of Trustees, amongst other things, managed to achieve the following in 2017;

Board key achievements include;

- Approval of Investment Policy
- Approval of pension increase of 3.5%
- Grew the Fund by 7.7% to surpass the BWP7 billion mark
- Approved Anti-Money Laundering(AML), ABC Policies and KYC Procedures
- Reviewed and approved the appointment of a Global Fixed Income Manager
- Undertook and completed a due diligence on Global Asset Managers
- Approved and rolled out the Ill-Health Policy, Strategic Asset Allocation, reviewed Investment Policy and the Risk Statement.

a. Appointment and/or election of Trustees

- Lebogang Kwapa was elected to represent the Gaborone Campus constituency in July 2017 with Condry Motshabi as his alternate;
- Letsibogo Ndwapi was appointed as the new Nominations and Remuneration Committee Chairperson;

b. Investments Mandate

- Reviewed and approved the appointment of domestic equity and fixed income managers to manage segregated mandates.
- Implemented the Global Equity Transition.
- Reviewed and approved the appointment of a Global Fixed Income Manager
- Undertook and completed a due diligence on Global Asset Managers

c. Audit, Risk and Finance Mandate

- Reviewed and approved Auditors terms of engagement and scope
- Reviewed and approved the Fund Top Ten Risks quarterly
- Reviewed and approved Valuation Report
- Reviewed and approved Financial Statement
- Reviewed and approved pension increase

d. Benefits and Communications Mandate

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

e. Nominations and Remunerations Mandate

- Reviewed and approved the Board Composition
- Elected the Committee Chairperson
- Reviewed and approved 2017 updated Balance Scorecard and 2017 Key performance Indications
- Reviewed and approved Salary Increments and Staff Bonuses

6. Fund Rules Amendments

There were no Fund Rule amendments in 2017.

7. Trustees Training

During the year 2017 the Debswana Pension Fund Trustees were trained by specialist advisors on the following fields;

a) Introduction to Pension Fund Trusteeships
b) Fiduciary Duties and Disposal of Death Benefits
c) Attendance of Botswana Pension Society Annual Conference
d) Risk Management
e) Conflict of Interest Policy and Guidelines
f) Attendance of the Institute of Retirement Funds Conference

8. Audits

Internal

In 2017 a total of six (6) audits were completed by the Internal Auditors and the following profile was issued:

	Audit	Outcome
1.	Legal and Regulatory	Good
2.	Life Stage Model	Good
3.	Records Management	Good
4.	Benefits & Contributions process	Good
5.	IT Continuity Planning	Good
6.	Pensioner Records	Good

The Internal Auditors were of the opinion that the risk management processes in place at DPF were reasonably adequate and effective to provide reasonable assurance that risks are being managed appropriately and objectives should be met. No significant control breakdown was detected and Management was encouraged to improve on the current control environment for sustainability.

External Audit

In 2017 there were no significant findings reported by the External Auditors.

2017 Risk Management Report

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

In 2017 the most significant risks which were identified, closely monitored and mitigated were;

A) **Regulatory Risk** emanating from the coming into effect of the Retirement Fund Act, 2014 and the Retirement Fund Regulations, which amongst other things abolished pension fund self-administration. The Fund had to re-prioritise its project and focus on compliance requirements such as; review of payment methods of death benefits to beneficiaries; review of Board Composition; and review of internal policies and the Fund Rules to align with the provisions of the legislation.

B) **Decreasing Membership Numbers risk** which emanated from restructuring by participating employers and transfer out by both participating employers and members.

C) **Currency Fluctuations** caused by change in monetary policies, sovereign political events and market volatility.

D) **Increased Fund Administration costs** caused by inflation, high fixed costs, inefficiencies, inadequate planning, forecasting and budgeting resulting in erosion of member benefits and low NRR. Costs are closely monitored and cost containiment initiatives are implemented.

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

E) **Sub-optimal returns risk** caused by market volatility, exchange rate fluctuations, increasing inflation, ineffective manager selection process and unsatisfactory asset manager's performance resulting in low NRR. A robust investment policy has been put in place with clear controls to manage investment risks.

F) **Regulatory Risk** caused by non-compliance with the new Retirement Fund Act resulting in penalties (increased costs) and reputational damage. Trustees and employees are trained on the Act and its regulations.

G) **Inability to meet member obligations risk** (benefits payments and pensioner salaries) caused by misalignment of investment policies to membership profiles, inaccurate membership profiles and inefficient processes resulting in imbalance of ALM. Continuous performance monitoring and tactical asset allocation are used to monitor emerging investment risk.

H) **Business Continuity risk** caused by ineffective implementation of disaster recovery strategy and lack of Business Continuity Management Strategy. The Fund has an effective disaster recovery management framework and it current in the process of developing a comprehensive Business Continous Management Framework.

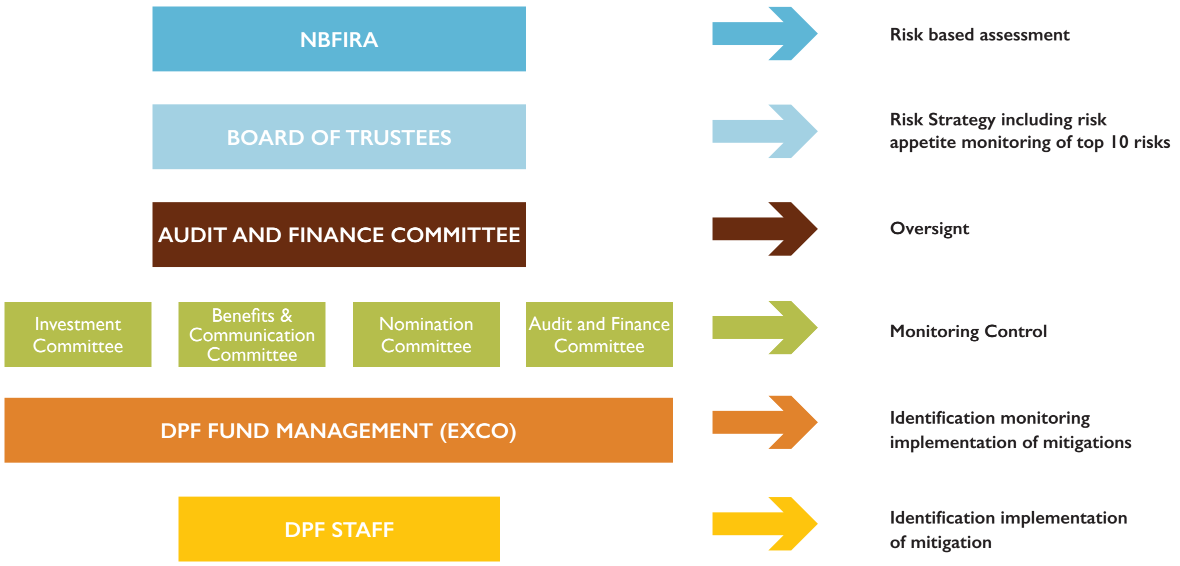
I) **Inability to recruit and retain key staff** caused by limited pension Fund Skills resulting in compromised service delivery and Fund not meeting High Performance Organization initiatives. The Fund HR Framework includes retention and talent managemnt policies that are implemented and reviewed on an ongoing basis.

J) **Non-delivery of Investment Policy (IP) initiatives** caused by unsatisfactory performance by assets managers, inefficient processes and inefficient Investment Policy. Service level agreements with business partners are strictly monitored and adhered to.

K) **Non-delivery of the Fund's strategic intents** caused by lack of stakeholder buy-in and limited understanding of the Fund's strategy. The Fund implements stakeholder engagement plans annually to ensure solid and effective relationships with its stakeholder.

DPF Risk Management Structure

The Following is the Fund Risk management structure and related roles;



6.3. FINANCE AND ADMINISTRATION REPORT

DPF has been a self-administered private pension fund since June 2010, and since the implementation of the Everest Administration system, the Fund has seen major accomplishments in efficiencies and data integrity.

1. MEMBERSHIP

a. Employer contribution rates

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

Contribution rates - All Employers	Percentage of Pensionable Salary
Member contributions	0%
Company contributions	20%
Retirement funding	20%

Deferred Members of the Fund contribute towards their pension in accordance with the Rules of the Fund, policies and procedures governing deferred member contributions. There is no restriction in terms of the amount of contributions. However, the Fund receives contributions through bank transfers only to curb the use of money from sources prohibited by the Financial Intelligence Act. Since the introduction of deferred member contributions in 2016, seven (7) deferred members are contributing to their pension and the number continues to grow. The total value of deferred contributions received in 2017 amount to P297 201.

b. Membership Movements in 2017

Changes in membership movements for the financial year ending 31 December 2017

Description	Active Members	Deferred Members	Pensioners	Total
Numbers at beginning of period	5790	2402	3682	**11874**
Additions	299	87	193	**579**
Withdrawals (Dismissals, resignations, retrenchments)	(37)	0	0	**(37)**
Transfers out	(3)	0	0	**(3)**
Retirements	(85)	(139)	0	**(224)**
Deaths	(18)	(11)	(52)	**(81)**
Other Exits - Client Transfer	(29)	(9)	-	**(38)**
Other Exits- Beneficiary - Maximum age	-	-	(4)	**(4)**
Numbers at end of period	**5917**	**2330**	**3819**	**12066**

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

The Fund's total membership as at 31 December 2017 was 12066 compared to 11874 in 2016. There has been growth in membership by 1.62% (192 Members) in 2017. Membership statistics for 2017 compared to 2016 are as follows;

	2017	2016	Difference	Comment
Active	5917	5790	127	Increase
Deferred	2330	2402	(72)	Decrease
Pensioners	3819	3682	137	Increase
Total	**12066**	**11874**	**192**	**Increase**

Active Members: The increase in the Active Members' numbers is consistent with the average annual membership growth experience in the DPF historical membership trend.

Deferred Members: The Deferred Members who attained early retirement age retired in high numbers, resulting in a reduction in deferred members' numbers by 3%.

Pensioners: The number of Pensioners increased by 137 in 2017 as some Active Members and Deferred Members attained retirement age in 2017, the latter contributing 53% of the increase.

c. Membership per Participating Employer (PE)

As at year end (December 2017) active members per PE were as follows;

Participating Employer	2017	2016	Change	% Change
Debswana Diamond Company	4,884	4799	+85	2%
Diamond Trading Company Botswana	373	348	+25	7%
Morupule Coal Mine	500	495	+5	1%
DeBeers Global Sightholder Sales	108	92	+16	17%
DeBeers Botswana Holding	30	38	-8	-21%
Debswana Pension Fund	22	18	+4	22%
Total	**5,917**	**5790**	**127**	**22%**

2. EXIT BENEFITS

Benefits paid in 2017 amounted to P 222 015 942, consisting of benefits on withdrawal as a result of resignations or dismissals from employment, member/pensioner deaths, retirements and membership contributions refund. There has been a decline in this expenditure category as there were no contributions and interest refunds in 2017. There was also a 36% decrease in active Member withdrawal and death benefits in the period under review, resulting in an overall decrease of benefits paid by 7% from P238 213 524 in 2016.

3. CONTRIBUTIONS

All Participating Employers make contributions of 20% on behalf of their employees (members). Total Contributions received in 2017 amounted to P 289 225 656 compared to P 272 829 024 in 2016. This increase was mainly due to salary increases effected by the respective Participating Employers as well as Additional Voluntary Contributions (AVC), the latter being insignificant.

4. TRANSFERS (IN & OUT)

The Fund received P 9 183 714 in net Transfers by Members in 2017, made up of Transfers-in amounting to P 10 156 505 and P 972 791in Transfers-out. This was a 16% increase in net Transfers, which is a positive indication of the Members' perception of the Fund as a whole, in particular the Fund's investment asset growth and its effective and efficient pension administration. .

5. ADMINISTRATION EXPENSES

The Fund's expenses are made up of general operating expenses incurred in the process of running the Fund. These include business operating expenses, actuarial and investment consultancy expenses and compliance expenditure, among others. The cost is expressed as cost per member and recovered from investment returns. The Fund ensures that costs are closely monitored to contain them within budget. The administration cost per member was budgeted at P215.24 in the year under review, but due to effective implementation of cost saving initiatives, the actual cost per member came out lower than budget at the end of the financial year.

6. TECHNOLOCIAL PLATFORMS

a. Administration System

With the use of the Fund's Administration System; Everest, the Fund continues to enjoy effective and efficient administration of the Pension Fund supported by robust processes and well trained employees, culminating in a high level of data integrity, reduced turnaround times in processing of member benefits and effective administration of pensioner annuities. DPF implements system enhancements where necessary to ensure achievement of continuous improvement for excellence, becoming a trend setter and a benchmark in pension administration.

b. Member Portal

The member portal enables members of the Fund to continuously view their records and update their personal details at their convenience, without having to visit the Fund's offices.

c. Annuity Calculator and Projection Statements

The Annuity calculator and Projection statement were launched and rolled out to Active and Deferred members during the year; 2017. The annuity calculator gives Members indicative pension salaries using retirement options offered by the Fund. It allows for prudent planning for retirement, which may encourage Members to voluntarily contribute towards their pension (AVC). The introduction of projection statements was an enhancement to the decision making tools for Members as it indicates the Net Replacement Ratio (NRR) of the pensionable salaries at retirement, complementing the use of the Annuity Calculator.

7. ACTUARIAL REVIEW

a. Statement of the Actuary

Willies Towers Watson, The Fund's actuary, performs Fund valuation every year in order to ascertain and report a true picture of the value of the Fund, having taken into consideration risks inherent in the financial markets. Reporting on the Fund's valuation is done in accordance with the professional guidelines for actuarial reports and the Prudential Fund Rule 6 (PFR6) issued by Non-Bank Financial Institutions Regulatory Authority (NBFIRA). In relation to the Fund's valuation for the period under review, the valuation date was 31 December 2017. The Board of Trustees for DPF approved the actuarial report for 2017 at its sitting of April 2018. During the valuation period, which is the period between the 2016 valuation and the valuation for the period under review, the Fund was administered by the Debswana Pension Fund Administrators as approved administrators.

b. Financial Status of the Fund

The Fund Actuaries confirm that the Fund remains in a sound financial condition as at 31 December 2017 as the value of the assets within each account is equal to or exceeds the liabilities of the respective account. The total fair value of assets was used for purposes of this valuation in order to ensure consistency in the

methodology applied in valuing the liabilities. The table below summarises the overall Fund's financial position, which shows the soundness of the Fund as indicated by the funding levels of Member liabilities by the Fund assets at 105.3%.

Combined Position	31 Dec 2017	31 Dec 2016
	P'000	P'000
Fair value of assets	7 036 478	6 518 118
Actuarial liabilities	6 726 596	6191 443
Surplus / (deficit)	**309 882**	**326 675**
Funding Level	**104.6 %**	**105.3 %**

The Fund's fair value of assets grew by 8% from P 6 518 118 in 2016 to P 7 036 478 in 2017.

c. Split of assets between accounts

The Fund operates various accounts in which the liabilities are housed. The breakdown of these accounts on the table below illustrates the split before and after the adjustments as recommended by the Actuary and approved by the Board in May 2018.

31 Dec 2017	Member Account	Pensioner Account	Contingency Reserve Account	Total
	P'000	P'000	P'000	P'000
Balance per financial statements	4 783 410	2 041 439	211 629	7 036 478
Actuarial adjustment at valuation date	3 742	(3 742)	-	-
Balance of accounts prior to recommended transfer	4 787 152	2 037 697	211 629	7 036 478
Approved transfer to Contingency Reserve Account	(8 575)	-	8 575	-
Balance as per the valuation report	4 778 577	2 037 697	220 204	7 036 478

d. Pension Increase

The Trustees awarded a 3.5% pension increase in 2017. This was in line with the guideline formula adopted by the Fund for granting increases. The Trustees also considered the fact that the Fund investments performed modestly in 2016 and the outlook for 2017 showed signs of perpetuated uncertainty.

e. Allocation of investment returns

The Investment Policy (Strategic Asset Allocation) allows for a specific strategic asset allocation for the pensioners and a separate and specific asset allocation for the active and deferred members and the contingency reserves. This approach is designed to take account of the different liability profiles applicable to different categories of the Fund. Active and deferred members are credited monthly with the actual net investment returns (positive or negative) achieved on the relevant assets. Similarly, the Pensioner Account and Contingency Reserve accounts are credited monthly with the actual net investment returns (positive or negative) achieved on the relevant assets backing the accounts.

A history of the Fund's returns over the period since the life-stage investment model was adopted is as set out below.

31 December	Market Channel	Conservative Channel	Pensioner Channel	Fund	Inflation
2005	32.9%	21.0%	26.9%	31.2%	11.4%
2006	33.9%	20.9%	27.9%	32.4%	8.5%
2007	16.6%	15.3%	17.5%	16.8%	8.2%
2008	-15.2%	-6.2%	-7.3%	-12.9%	13.7%
2009	15.9%	16.5%	15.2%	15.7%	5.8%
2010	7.5%	7.4%	7.1%	7.4%	7.4%
2011	10.6%	10.7%	11.7%	10.9%	9.2%
2012	16.7%	11.1%	13.8%	15.4%	7.4%
2013	28.9%	17.7%	22.1%	26.0%	4.1%
2014	11.5%	9.7%	11.0%	11.2%	3.8%
2015	13.6%	10.9%	12.6%	13.1%	3.1%
2016	3.01%	3.41%	2.69%	2.91%	3.0%
2017	7.87%	5.10%	5.35%	6.86%	3.2%
12 year annualised return (2005 – 2017)	**13.4%**	**10.8%%**	**12.4%**	**13.0%**	**6.8%**

f. Fund Liabilities and Reserves

i. Active and Deferred Member Liabilities

The benefits of active and deferred members are defined contribution in nature, given that the benefits paid on exit represent the retirement funding contributions paid by or on behalf of members accumulated with the net investment returns earned by the Fund. The liabilities in respect of active and deferred members are determined as the sum of their individual accounts. The individual member records totalled P4.751 billion, representing the active and deferred liability following the cashflows applicable at the end of December 2017. Furthermore, an adjustment to the liabilities in respect of the investment return allocated after the financial year-end, but in respect of the current year investment income has been made. This will increase liabilities by P31.844 million. The adjustment arises from the revaluation of the direct property, property partnerships and associate property companies at year-end.

The total active and deferred liabilities, after allowance for the above adjustments, amounted to P4.778 billion. The financial position for the Fund in respect of Active and Deferred member assets is as below:

Member Account	31 Dec 2017	31 Dec 2016
	P'000	P'000
Fair value of assets	4 778 577	4 351 217
Member liabilities	4 778 577	4 351 217
Surplus / (deficit)	**Nil**	**Nil**
Funding level	**100.0%**	**100.0%**

ii. Pensioner Liability and Calculation Methodology

The benefits of pensioners who are paid from the Fund are defined benefit in nature given that pensions are expressed in Pula terms at retirement. The pensions receive discretionary pension increases each year and are payable for the lifetime of

the pensioner (and possibly thereafter to a contingent spouse or children). At retirement, members can elect to purchase a pension from an approved provider outside the Fund or to 'purchase' a pension from the Fund. For members who elect the second option, the relevant portion of the member's Individual Fund Credit is transferred to the Pensioner Account and converted to a pension using pre-defined factors.

The Fund's pensioner liability is the amount (based on future assumptions) that the Fund should hold at the valuation date in order to continue to pay the current pensions in payment. The amount must also make provision for the payment, on the future death of the pensioner, of any elected contingent pensions to a nominated spouse, children and other dependants. The pensioner liability must make allowance for Fund expenses and for future pension increases on 1 July each year. In terms of the Fund's policy, pension increases are targeted at 100% of the mid-point of the Botswana inflation rate target range. The Pensioner liability as at 31 December 2017 is as reflected below:

Pensioner Account	31 Dec 2017	31 Dec 2016
	P'000	P'000
Fair value of assets	2 037 697	1 959 299
Pensioner liabilities	1 948 019	1 840 226
Surplus / (deficit)	**89678**	**119 073**
Funding level	**104.6%**	**106.5%**

g. Contractual Pensioner Liability

The contractual liability is the liability for the current pensions in payment (including Fund expenses) without any allowance for future pension increases. The Fund can continue to meet the contractual liability as long as the pensioner assets earn investment returns equal to the valuation rate (4% p.a. net) and no further pension increases are granted. The balance of the liability represents a reserve for future pension increases.

If the Fund were to achieve a net investment return on the pensioner assets of inflation plus 4% p.a. (and pensioner mortality and expenses were exactly in line with the assumptions), then this reserve would be sufficient to finance pension increases in line with inflation in future. The pension increase policy of the Fund is to grant increases each year targeted at 100% of inflation, but the increase is subject to affordability. Thus the pension liability, allowing for future increases, could be restricted to the amount of the assets available. The Fund's rules provide that the liability is restricted to the value of the assets available.

h. Contingency Reserve

The Rules provide that the opening balances would be as determined by the actuary in the valuation conducted at 31 December 2013. In the valuation conducted at 31 December 2013, recommendations were made in respect of the allocation of the amount set aside in the contingency reserve account, to various contingency reserve accounts as would be defined in the revised set of Rules and in line with PFR1 issued by the NBFIRA. These recommendations were accepted by the Trustees of the Fund. To this extent, the Fund Actuary has set out below the opening balance of each of the contingency reserve accounts and their build-up over the financial year.

Typically, expenses recovered from the Expense Reserve Account reflect extraordinary expenses (strategic and legal expenses). In the current year, there have not been any expenses deemed to be extraordinary. The amount recovered from the Processing Error Reserve Account reflects amounts required for previous processing errors and adjustments to data that have led to investment losses.

The Contingency Reserve was kept at required levels in accordance with the Rules of the Fund and the Board of Trustees approved a reduction of the Processing Error Reserve account to 1.25% in an effort to keep it within the prescribed limits as follows:

	Data Reserve Account	Processing Error Reserve Account	Expense Reserve Account	Solvency Reserve Account	Total Reserve Accounts
	P'000	P'000	P'000	P'000	P'000
RULE	12.5.3	12.5.4	12.5.5	12.5.6	N/A
Maximum allowable	5%	1.5%	No limit	25%	
Maximum reference	Liabilities	Defined Contribution Liabilities	Future Expense	Fund Assets	
Actual value	Nil	1.25%	N/A	2.0%	
Conclusion	Within limit	Within limit	Within limit	Within limit	

The financial position of the contingency reserve is as depicted below:

Contingency Reserve Accounts	31 Dec 2017	31 Dec 2016
	P'000	P'000
Fair value of assets	220 204	207 602
Actuarial liability	Nil	Nil
Surplus / (deficit)	**220 204**	**207 602**
Percentage of Fund assets	**3.1%**	**3.2%**

8. ACTUARIAL CERTIFICATION STATEMENT

The Fund Actuary certified that;

a. The Fund remains in a sound financial condition at 31 December 2017 as the value of assets within each account is equal to or exceeds the liabilities of the respective account. This position should be reviewed at the next valuation.
b. In the Actuary's view, the current provision for the future pension increases is sufficient under reasonable investment markets' conditions to support future pension increases in line with inflation.
c. As a defined contribution arrangement, the contributions required in terms of the Fund Rules meet the future service obligations in respect of the active members.
d. The Strategic Asset Allocation (SAA) represents a reasonable long-term investment strategy, given the nature of the Fund liabilities. In particular, the asset allocations of the various investment channels are reasonable, given the time horizon of each channel.
e. The matching of the Fund asset against liabilities is in their opinion adequate.

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

6.4. 2017 Communication

a. 2017 Communication Report

The Fund achieved an 88% completion rate on the implementation of the 2017 communication plan. The following are the key communication projects completed in 2017 for external stakeholders;

I. Two editions of Bokamoso Newsletter (for members)
II. One Employer Newsletter (HR Partners)
III. 2016 Annual Report
IV. Three Business e-Briefs
V. An annual Pensioner Conference
VI. A Deferred Members General Meeting
VII. A member education tour of the Participating Employers
VIII. Stakeholder engagement meetings with Executive Committees of Participating employers
IX. Two Communication campaigns

b. 2017 Stakeholder Satisfaction Survey Report

The Debswana Pension Fund conducts annual satisfaction surveys on all of its stakeholders as a means to measure the effectiveness of its operations for the year in review. The Fund management recognize the important need for a continuous and periodical audit of the Fund's overall service delivery in all areas of its Function. The Fund Communication department is therefore tasked with the measurement of stakeholder satisfaction levels as part of the annual Fund communication plans.

i. Survey objective

The DPF annual survey objectives are as follows;

a. To evaluate the various stakeholders' satisfaction with regard to services experienced in 2017
b. To identify gaps in service delivery
c. To obtain feedback and suggestions that can inform business improvement initiatives.
d. To determine the success or lack thereof of new innovations implemented during 2017.
e. To inform the Fund Balanced Scorecard and Individual Output agreements with performance scores for 2017 in the respective areas of business.

ii. Targets and benchmarks vs performance

1. Response Rate

The DPF currently targets a response rate of 10% or better on the surveyed population for all surveys carried out. Although exceeding target, Member response rates have declined slightly by 4% in 2017 from previous year as depicted below.

Year	Total Surveyed Population (Members)	Responses Received	Response Rate	Previous Year	Growth / Decline
2015	11477	2007	17%	13%	4%
2016	11874	2228	19%	17%	2%
2017	**11921**	**1762**	**15%**	**19%**	**-4%**

2. Satisfaction levels

The 2017 Fund Balance scorecard targets a minimum 78% Member satisfaction level using the 2016 performance result as a benchmark, and similarly, the Fund Scorecard targets 83% on Stakeholder satisfaction for 2017 based on previous performance. The Fund benchmarks its member satisfaction levels on customer satisfaction indexes reported by leading research institutions globally, particularly in the Finance and Insurance Sectors surveyed. The customer satisfaction benchmark used for 2017 was 76%.

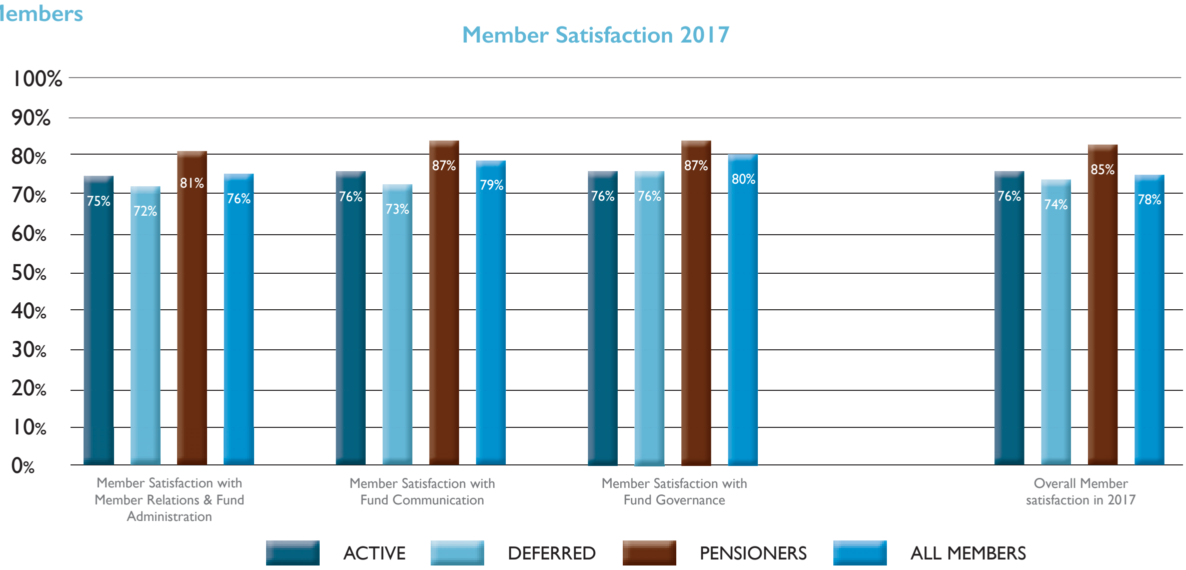
Below is the summary outcome of the results. The Fund continues to perform very well against both targeted performance and benchmarks.

2017 Survey					
Survey	**2015**	**2016**	**2017 Outcome**	**2017 DPF Scorecard Target**	**Global Benchmark**
Member satisfaction	80%	78%	78%	78%	76%
Business Partners Satisfaction	83%	83%	80%	83%	76%

3. Summary Results

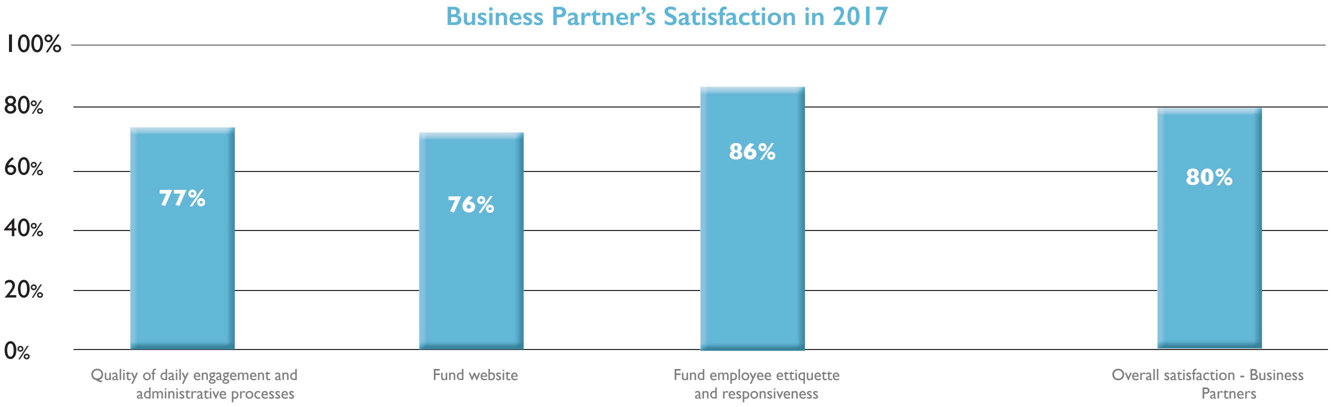
Members and business partners were reasonably satisfied with DPF service in 2017

A. Members



TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

B. BUSINESS PARTNERS



Summary of key learnings from the 2017 Stakeholder Satisfaction Survey

POSITIVES
1. Pensioners are highly satisfied with overall service delivery by the Fund across all functions
2. Most Members are happiest with the governance of the Fund by Trustees
3. All member categories consider DPF their Pension Fund of choice. Members also do not have any inclination to transfer out their Funds to other Funds
4. Relative to benchmarks, Business partners are happy with Fund services
5. There is a good alignment of current communication mediums with members' preferred mediums. Members also consider the communication relevant and useful overall

NEGATIVES
1. Member awareness of DPF satellite offices and knowledge of who their member relations officers are is still at a low
2. Benefit statements and projection statements are not fully reaching the members to an acceptable degree.A significantly low number of respondents did not understand their projection statements either

OPPORTUNITIES
1. 173 Active and Deferred member respondents have requested to be contacted regarding the possibility of transferring their deferred funds from other external funds to DPF
2. 295 Active and Deferred member respondents would like to be contacted regarding the possibility of enrolling for AVC
3. Most deferred member respondents indicated weekends as their preferred days for engagements, which presents the opportunity to improve their attendances
4 More than 450 respondents have requested to be contacted and given assistance with portal registration

CHALLENGES
1. With the exception of outgoing SMS, Members are failing to adapt to the Fund's technological platforms at the desired rate. Email, Portal and Social media remain the least utilised and also least preferred. The desired objective to reduce communication printing costs is at risk of not being achieved.
2. Regular Update of Beneficiary nomination forms is still a challenge for the Fund. More than half the respondents have not completed a nomination form in the past two years. Death benefit distribution challenges associated with nomination forms may continue
3. There is a significant number of Deferred and Pensioner members who cannot afford to travel and attend DPF engagement events. Respondent profiles also show that these stakeholder categories are widely and sparsely distributed across the country
4. Deferred member responsiveness to surveys and other Fund communication is still very low despite evidence that the communication reaches them, signalling an apathy towards their pensions.

C. COMMUNICATION POLICY STATEMENT

i. Communication Policy overview

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

ii. The DPF Communication Vision & Mission statement

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

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

1. Consistent, continuous and timely Fund Communication
2. Robust Member Education Programs
3. Effective Stakeholder engagement
4. Diligent and Proactive Reputation Management

iii. DPF Communication Objectives/Purpose

1. Primary Objectives

The primary communication objectives is to;

a. achieve an Educated and Informed Membership, and
b. Build effective and lasting stakeholder relationships through continuous Stakeholder engagement.

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

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

2. Secondary Objectives

a. Reputation Management

The Fund Communication Manager is tasked with risk monitoring and management of all communication risk that may face the Fund. In that regard, the Communication department maintains a risk log for review and mitigation on an on-going basis. Numerous departmental risks are outlined. Amongst these risks, the management of Fund reputation and ensuring sufficient member education are key considerations amongst the prevailing communication risks. As such, a reputational risk matrix has been developed to guide the Fund in the monitoring of the possible risk events that can lead to damage of the Fund reputation. Various communication policies and plans have been developed and implemented as reputational risk mitigations, e.g. crisis communication policy and Stakeholder Engagement Plan.

iv. Communication Mediums and Frequency of communication

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

Fund Communication Matrix

This matrix outlines the current (as of November 2017) communication channels, their target audience and frequency.

Communication medium	Focus Area	Active Members	Deferred Members	Pensioner Members	Participating Employers	Business Partners	Fund employees	General publics	Frequency of communication	Reviewed
Print/Paper Based										
Bokamoso Newsletter	Fund Communication & Member Education		✓	✓	✓	✓	✓	✓	Three per annum	Ongoing
Abridged Annual Report & Financial Statements	Fund Communication	✗	✓	✓	✗	✗	✓	✗	Once a year	Ongoing
Fund Book of Rules	Member Education	✓	✓	✓	✓	✓	✓	✓	Once off	As per rules change
Active & Deferred Members Guide	Member Education	✓	✓	✗	✗	✗	✓	✗	Once off	On a need basis
Pensioners Guide	Member Education	✗	✗	✓	✗	✗	✓	✗	Once off	On a need basis
Death Benefits Payment Policy & Guide	Member Education	✓	✓	✓	✓	✗	✓	✗	Once off	On a need basis
Funeral Advance Cover guide	Member Education	✓	✓	✓	✓	✗	✓	✗	Once off	On a need basis
AVC & Retirement Planning Guide	Member Education	✓	✓	✗	✗	✗	✓	✗	Once off	On a need basis
Fund Profile	Fund Communication	✓	✓	✓	✓	✓	✓	✓	Once off	On a need basis
Pension Projection Statements	Fund Communication	✓	✓	✗	✗	✗	✓	✗	Bi-annually	Bi-annually
Annual Benefit Statements	Fund Communication	✓	✓	✗	✗	✗	✓	✗	Once a year	Annually
Pension Annuity Pay Slips	Fund Communication	✗	✗	✓	✗	✗	✓	✗	Twice a year	Annually
Letter Correspondences	Fund Communication	✓	✓	✓	✗	✗	✗	✗	Ongoing	Ongoing
Employer Guide (new)	Stakeholder Engagement	✗	✗	✗	✓	✗	✓	✗	Once off	On a need basis
New Member Engagement Starter Packs (new)	Member Education	✓	✗	✗	✗	✗	✓	✗	Monthly	Annually
Newspaper advertorials & Press Releases (new)	Public Relations / ReputationManagement	✓	✓	✓	✓	✓	✓	✓	quarterly	quarterly
Digital/Electronic Media										
Fund Website (www.dpf.co.bw)	Fund Communication	✓	✓	✓	✓	✓	✓	✓	Ongoing	monthly
Member Portal (https://portal.dpf.co.bw/)	Fund Communication	✓	✓	✓	✗	✗	✓	✗	Ongoing	monthly
Bokamoso Newsletter (electronic)	Fund Communication & Member Education	✓	✓	✓	✗	✗	✓	✗	three times a year	Annually
Business e-Brief (electronic)	Fund Communication	✓	✓	✓	✓	✗	✓	✗	quarterly	Annually

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Employers' newsletter HR Partners (electronic) (new)	Fund Communication	✗	✗	✗	✓	✗	✓	✗	twice a year	Annually
Email notices & updates	Fund Communication	✓	✓	✓	✓	✗	✓	✗	Ongoing	Ongoing
Social Media (Facebook & Twitter)	Stakeholder Engagement & Public education (Financial literacy)	✓	✓	✓	✓	✓	✓	✓	Ongoing	Ongoing
Film Documentaries & Docudrama	Member Education	✓	✓	✓	✓	✓	✓	✓	Once off	On a need basis
SMS Communication (notices & updates)	Fund Communication	✓	✓	✓	✗	✗	✓	✗	Ongoing	Ongoing
Face-to Face Communication										
Employer (HR) training and workshops	Stakeholder Engagement	✗	✗	✗	✓	✗	✓	✗	Once a year	Annually
Participating Employers' Senior Leadership Business Updates	Stakeholder Engagement	✗	✗	✗	✓	✗	✓	✗	Once a year	Annually
New Employee Inductions	Member Education	✓	✗	✗	✗	✗	✓	✗	Once a month	Monthly
Active & Deferred Members Pre-retirement Seminars	Member Education	✓	✓	✗	✗	✗	✓	✗	Once a year	Annually
Annual Deferred Member's general Meeting	Stakeholder Engagement	✗	✓	✗	✗	✗	✓	✗	Once a year	Annually
Annual Pensioners' Conference	Stakeholder Engagement	✗	✗	✓	✗	✗	✓	✗	Once a year	Annually
Regional Pension Workshops (Deferred & Pensioner Members)	Member Education	✗	✓	✓	✗	✗	✓	✗	Once a year	Annually
Active & Deferred Member's Finance Fairs (new)	Member Education	✓	✓	✗	✗	✗	✓	✗	once a year	Annually
Walk-ins (one on one consultations)	Fund Communication	✓	✓	✓	✓	✗	✓	✗	Ongoing	Ongoing

6.5 INVESTMENT REPORT

A. 2017 DPF INVESTMENT PERFORMANCE OVERVIEW

During the year ended December 31, 2017, the Debswana Pension Fund increased 7.73 percent (gross) thereby generating an active return of 2.67 percent to P7.048 billion. Global equities returned 12.60 percent with performance partially offset by the 7.31 percent appreciation of the BWP against the USD. Orbis outperformed all global equity managers and generated returns of 19.22 percent. Global equity managers outperformed the benchmark returning net of the following fees namely; Marathon (13.32 percent), South Eastern (, 13.21 percent,), State Street (13.58 percent), Veritas (14.66 percent) and Walter Scott (14.89 percent) respectively.

Global bonds underperformed equities with the Barclays Global Bond Index contracting -0.45 percent. The fixed income mandate allocation to PIMCO outperformed the benchmark by returning 1.02 percent net of fees.

The Domestic Companies Index (DCI) contracted 5.75 percent for the year ended December 31, 2017. During the same period the Fleming Aggregate Bond Index returned 5.26 percent while cash returned 1.86 percent. Local Assets continued to struggle. Local equities continue to be a significant detractor, the DCI only returning 2.29 percent over the last three years. Different factors such as unemployment (retrenchment in the mines), low bank rates (the DCI mostly consists on financial sector counters), low business confidence, and a limited market size have all contributed to the poor performance. Property, in particular the retail sector, has performed well over the review period.

i. Global Asset Classes vs Local Asset Classes 2017

In 2017, Global Asset Classes outperformed local asset classes significantly. Global Asset classes have been experiencing phenomenal growth and performance, especially the equities sector. Equities have rallied due to Quantitative Easing and historically low interest rates. These inducive measures left cheap money in the hands of many different businesses who were able to take advantage and prosper in this yield churning environment. In most cases one would expect bonds to be overshadowed during a an equity rally, indeed global equities outperformed bonds.

ii. Strategic Asset Allocation and Manager share of Fund as at December 31, 2017

For the year ended December 31, 2017 the Fund had an allocation of P2.797 billion equivalent to 39.7 percent in Botswana domestic assets and P4.252 billion equivalent to 60.4 percent invested in international assets. Offshore investments for the Fund remain overweight the Strategic Asset Allocation due to the historical outperformance of foreign asset classes, particularly US based assets.

B. 2017 INVESTMENT PORTFOLIOS PERFORMANCE

Figure 1 illustrates the Market Channel, Conservative Channel, Pensioner Channel and Aggregate Fund returns since 2005. In particular, returns in 2016 declined due to several factors such as the appreciation of the BWP against the USD, economic and political uncertainty in addition to geopolitical risks. Global economic performance remained uneven, with challenges relating to economic restructuring in both developed and emerging market economies.

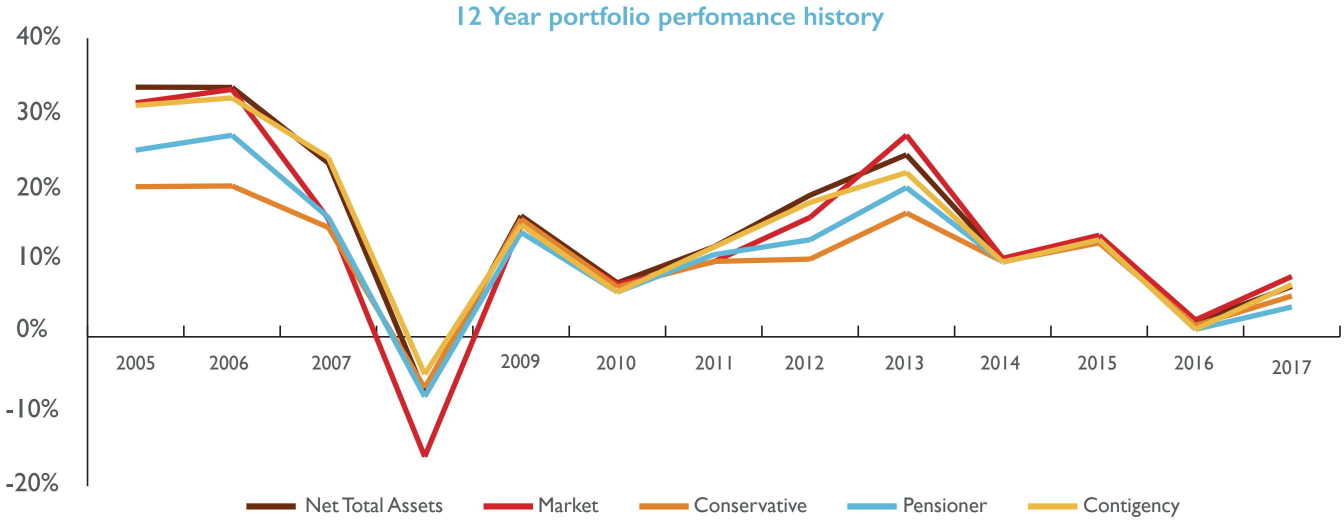

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Figure 1. 2017 Investment Return History

Fund*	12 months	36 months	60 months	Since Inception (Aug 2004)
Market	7.97%	7.85%	11.89%	12.65%
Conservative	5.34%	6.39%	9.00%	10.43%
Pensioner	4.52%	6.23%	9.71%	11.72%
Contingency	7.00%	7.25%	10.70%	14.13%
Fund	6.59%	12.75%	11.13%	15.58%

i) Market Portfolio Performance

The Market Portfolio performance for 2017 returned 7.97 percent and a real return of 4.77 percent. The Market Portfolio has achieved a return of 12.65 percent since inception of the Life Stage Model.

ii) Conservative Portfolio Performance

For the year ending December 31, 2017 the Conservative Portfolio returned 5.34 percent with a real return of 2.14 percent. Since inception the Conservative Portfolio has achieved a return of 10.43 percent in the life stage model.

iii) Pensioner Portfolio Performance

The Pensioner Portfolio performance for 2017 returned 4.52 percent. The Pensioner Portfolio has achieved a return of 11.72 percent since inception of the life stage model.

C. 2017 MOVEMENTS IN ASSET ALLOCATIONS

i. Strategic Asset Allocation as per the DPF Investment Policy

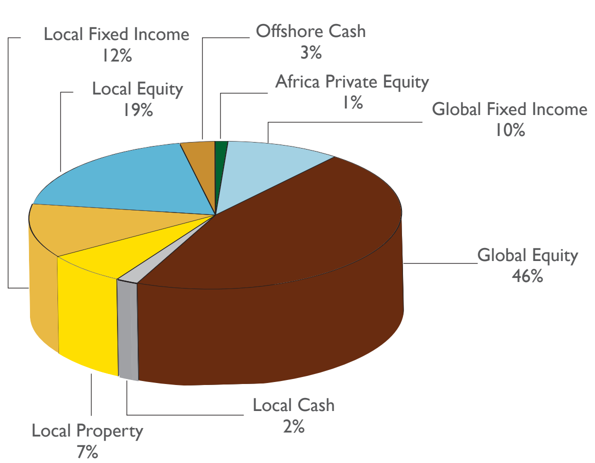
Empirical evidence indicates that the performance of pension funds is predominantly driven by Strategic Asset Allocation and the Investment Policy. The following is the DPF desired strategic asset allocations as per the current Investment Policy.

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

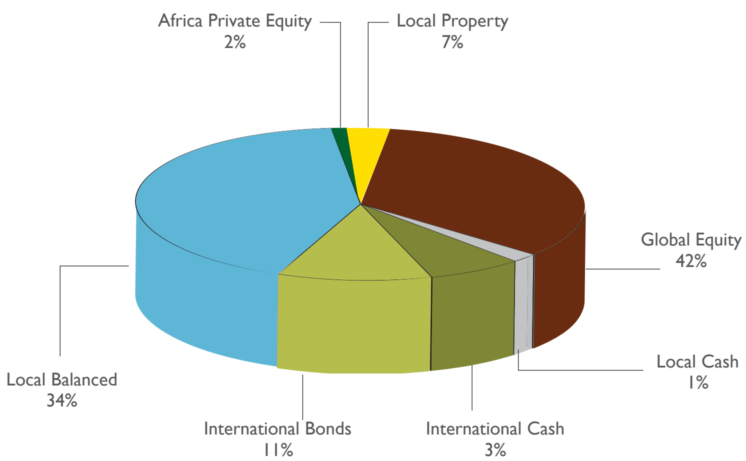
ii. 2017 Asset Class Weightings

Relative to the desired SAA in (i) above, the comparative fund asset class weightings for 2016 and 2017 are as follows

Asset Class Weights as at 31 December 2017



Asset Class Weights as at 31 December 2016



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iii. 2017 Asset Manager Performance

International Equity Managers (BWP)	3 Months to 31st December 2017	12 Months to 31st December 2017	36 months to 31st December 2017
American Century	0.12%	N/A	N/A
Marathon	0.58%	13.32%	11.64%
Orbis	3.61%	19.22%	15.56%
Walter Scott	1.50%	14.89%	10.90%
Veritas	-2.93%	14.73%	N/A
South - Eastern	-2.05%	13.55%	N/A
State Street	1.07%	13.59%	N/A
Global Bond Manager (BWP)	**3 Months to 31st December 2017**	**12 Months to 31st December 2017**	**36 months to 31st December 2017**
PIMCO	-3.27%	1.02%	4.39%
Locla Equity Managers (BWP)	**3 Months to 31st December 2017**	**12 Months to 31st December 2017**	**36 months to 31st December 2017**
Allan Gray	-0.86%	N/A	N/A
Investec	-1.77%	N/A	N/A
Kgori Capital	-0.77%	N/A	N/A
Locla Bond Managers (BWP)	**3 Months to 31st December 2017**	**12 Months to 31st December 2017**	**36 months to 31st December 2017**
BIFM	2.10%	N/A	N/A
Investec	1.61%	N/A	N/A

*The Local Segregated Mandates were only appointed towards the end of 2017 and only have three months of data

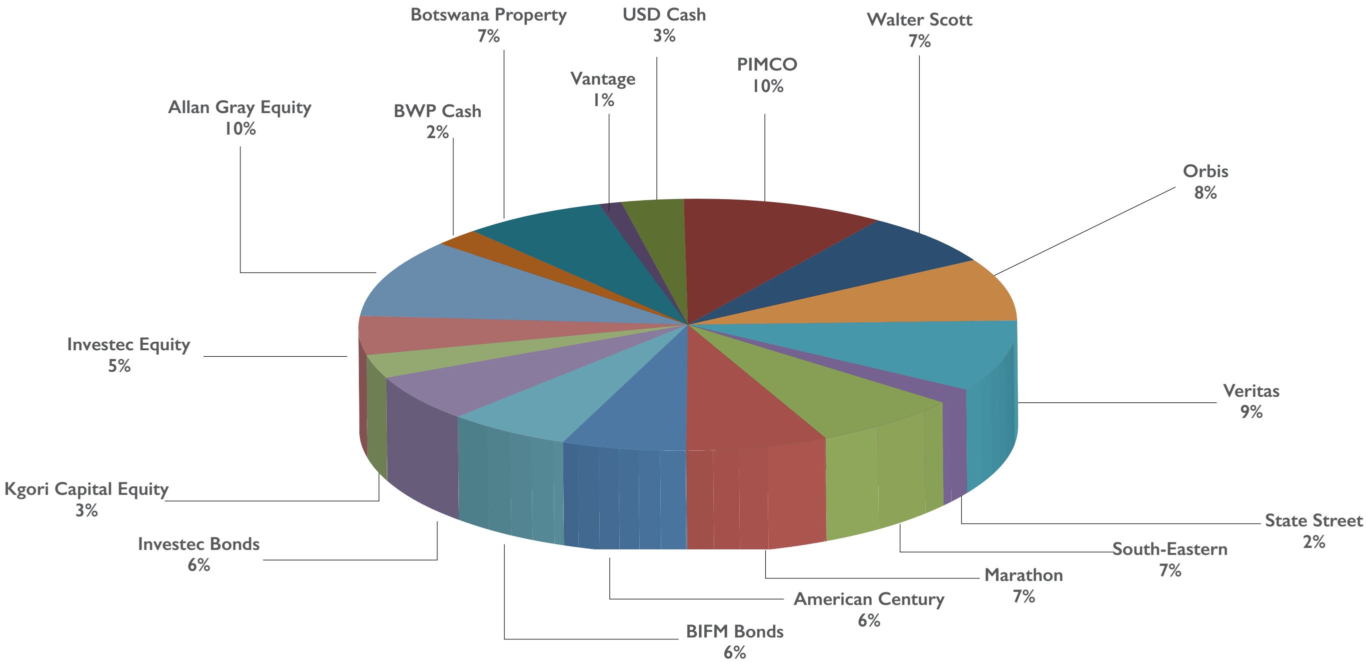
Asset Class	Benchmark	3 Months to 31st December 2017	12 Months to 31st December 2017	36 months to 31st December 2017
Botswana Cash	BOBC 91 day - 1	0.25%	1.86%	1.62%
Botswana Bonds	Fleming Aggregate Bond Index (FABI)	1.65%	5.26%	6.95%
Botswana Equities	Domestic Companies Index (DCI)	-0.79%	-5.75%	-2.29%
Global Bonds	BarCap GABI - BWP	-3.21%	-0.45%	3.28%
Global Equities	MSCI World - BWP	0.68%	13.46%	7.68%
Global Emerging Market Equities	MSCI EM - BWP	2.53%	26.29%	7.89%
Global Property	FTSE EPRA/NAREIT Developed Rental Index - BWP	-0.68%	11.38%	12.60%
Exchange rate	BWP/USD	-4.24%	-7.31%	-1.03%

iv. 2017 Asset Manager Allocations/Weightings

Manager	31-Dec-17	31-Dec-16
Aberdeen International Equity	N/A	215,845,063.00
American Century	454,909,316	-
Marathon International Equity	483,860,847	429,022,174.00
South-Eastern	483,594,226	422,021,535.00
State Street	165,593,714	146,136,057.00
Veritas International Equity (Nedgroup)	660,159,635	575,828,014.00
Orbis International Equity	540,890,330	478,264,196.00
Walter Scott International Equity	485,818,970	568,419,632.00
PIMCO International Bonds	681,450,714	674,701,124.00
USD Cash	207,335,289	-
Vantage Mezzanine	87,732,209	94,571,285.00
Property	502,494,204	472,133,071.00
Allan Gray Domestic Balanced	N/A	579,525,455.00
Allan Gray Equity	630,694,565	-
Investec Balanced Mandate	N/A	757,656,983.00
Investec Bonds	249,790,382	N/A
Investec Equity	368,536,523	N/A
Kgori Capital Equity	233,621,526	N/A
BIFM Balance Mandate	N/A	557,486,235.00
BIFM Bonds	334,025,146	-
Own Cash (Bank balances & Short-term deposits)	477,525,995	558,964,631.00
Total AUM	**7,048,033,591.00**	**6,530,575,455**

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

Asset Manager Weights as at 31 December 2017



D. 2017 STRATEGIC DEVELOPMENTS RELATIVE TO FUND INVESTMENTS

The Fund reviewed its Investment Policy in 2017 and the Strategic Asset Allocation continued to include assets such as African Equity, while adding Emerging Markets and a Technical Asset Allocation of Foreign Property. The allocation to South African Inflation Linked Bonds was eliminated while the Allocations to African Equity and Foreign Equity was moderated.

The 2017 Strategic Asset Allocation is expected generate the following performance targets over a 3 year rolling period:

Inflation + 4.9% - Market Channel
Inflation + 4.4% - Pensioner Channel
Inflation + 4.3% - Conservative Channel

E. BOARD REVIEW OF INVESTMENT AND DIS-INVESTMENT DECISIONS

The Fund was unable to complete the transitioning of offshore assets to new managers as expected during 2016. This was due to continued challenges with the appointment of a transition manager, ongoing challenges with the appointment of a transition manager

07
FINANCIAL STATEMENTS
For the year ended 31 December 2017

CONTENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

TRUSTEES' RESPONSIBILITY AND APPROVAL OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Trustees' Responsibilities for the Financial Statements

The members of the Board of Trustees are responsible for the preparation and fair presentation of the financial statements of Debswana Pension Fund ("the Fund"), comprising the statement of financial position as at 31 December 2017, 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 Retirement Funds Act 2014 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and the related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The independent auditors are engaged to express an independent opinion on the financial statements and their unmodified report is presented on pages 59 - 60.

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

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

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

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

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

Trustees' approval of the financial statements

The financial statements set out on pages 61 to 98, which have been prepared on the going concern basis, were approved by the Board of Trustees on 18 April 2018 and were signed on their behalf by:

Chairman
Board of Trustees

Chairman
Audit Committee

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

For the year ended 31 December 2017

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Debswana Pension Fund set out on pages 61 to 98, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in members' funds and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Debswana Pension Fund as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

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

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

Responsibilities of the Trustees for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

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

For the year ended 31 December 2017

assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trustee's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche Gaboronе
Certified Auditors 30 April 2018
Practicing Member: E Kyuchukova-Troanska (20130066)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

Figures in Pula	Note(s)	2017	2016
Revenue			
Contributions	3	289,225,656	272,829,024
Net transfers from other funds	4	9,183,714	7,940,579
		298,409,370	**280,769,603**
Net Investment Income			
Dividend income		61,908,537	66,433,881
Interest income		51,596,630	53,793,584
Net rental Income		30,513,546	16,262,196
Share of profits from private equity loan investment		4,547,729	1,009,065
Other income		9,596	8,250
		148,576,038	137,506,976
Total Revenue		446,985,408	418,276,579
Gains on Investments			
Gain/(loss) on disposal of financial assets at fair value through profit and loss		667,382	(2,865,405)
Unrealised foreign exchange loss on financial assets		(332,243,940)	(195,118,757)
Unrealised fair value gains on financial assets		667,969,188	234,097,111
Net unrealised gains on fair valuation of investment properties	7	12,217,006	9,757,420
		348,609,636	**45,870,369**
Share of profits from associates	8	18,114,250	58,944,976
Expenditure			
Benefits payable			
Benefits on withdrawal and death		(19,230,342)	(29,881,207)
Pensions to retired members		(136,567,641)	(122,316,065)
Pensioners' deaths benefits		(1,966,844)	(1,549,422)
Lump sums on retirement		(64,251,115)	(81,876,404)
Membership contributions refunds and interest		-	(2,590,426)
		(222,015,942)	**(238,213,524)**
Fund expenses			
Administrative expenses	5	(26,630,980)	(25,861,849)
Onshore investment management fees		(13,207,052)	(13,725,108)
Offshore investment management fees		(32,772,916)	(39,373,629)
Depreciation of plant and equipment	11	(261,160)	(231,559)
Amortisation of intangible assets	12	(723,706)	(701,930)
		(73,595,814)	**(79,894,075)**
Surplus for the year		**518,097,538**	**204,984,325**
Total comprehensive income for the year		**518,097,538**	**204,984,325**

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2017

Figures in Pula	Note(s)	2017	2016
Assets			
Investments			
Investment properties	7	312,563,768	300,316,885
Investments in associates	8	189,930,436	171,816,186
Other financial assets	9	5,860,678,103	5,499,477,753
Cash and cash equivalents	10	684,861,284	558,964,631
		7,048,033,591	**6,530,575,455**
Other assets			
Plant and equipment	11	914,129	628,638
Intangible assets	12	2,076,050	2,537,389
Contributions and other receivables	13	33,046,256	31,635,533
		36,036,435	**34,801,560**
Total Assets		**7,084,070,026**	**6,565,377,015**
Funds, Reserves and Liabilities			
Funds and reserves			
Pensioners' account	16	2,037,697,000	1,959,299,000
Contigency reserves	20	220,204,000	207,602,225
Fund account		4,778,314,369	4,351,216,606
		7,036,215,369	**6,518,117,831**
Liabilities			
Other liabilities			
Benefits payable	14	37,132,985	31,650,407
Other payables	15	10,721,672	15,608,777
		47,854,657	**47,259,184**
Total Funds, Reserve s and Liabilities		**7,084,070,026**	**6,565,377,015**

STATEMENT OF CHANGES IN MEMBERS' FUNDS

For the year ended 31 December 2017

Figures in Pula	Notes	Pensioner's Account	Contigency Reserves	Fund Account	Total
Balance at 01 January 2016		**1,884,671,811**	**193,256,006**	**4,235,205,689**	**6,313,133,506**
Surplus for the year		-	-	204,984,325	204,984,325
Total comprehensive income for the year		**-**	**-**	**204,984,325**	**204,984,325**
Transfers during the year		74,627,189	16,936,645	(91,563,834)	-
Transfer of expenses	20	-	(2,590,426)	2,590,426	-
		74,627,189	**14,346,219**	**(88,973,408)**	**-**
Balance at 31 December 2016		**1,959,299,000**	**207,602,225**	**4,351,216,606**	**6,518,117,831**
Surplus for the year		-	-	518,097,538	518,097,538
Total comprehensive income for the year		-	-	518,097,538	518,097,538
Transfer between reserves		78,398,000	12,601,775	(90,999,775)	-
		78,398,000	**12,601,775**	**(90,999,775)**	**-**
Balance at 31 December 2017		**2,037,697,000**	**220,204,000**	**4,778,314,369**	**7,036,215,369**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

Figures in Pula	Note(s)	2017	2016
Cash flows from/(used in) operating activities			
Surplus for the year		518,097,538	204,984,325
Adjustments for:			
Depreciation of plant and equipment	12	723,706	701,930
Amortisation of intangible asset	11	261,160	231,559
(Gains)/ losses on disposal of plant and equipment		(77,233)	381,392
Net investment income		(148,576,038)	(137,506,976)
Share of profit of associates		(18,114,250)	(58,944,976)
Net gains on investments		(348,609,636)	(45,870,369)
Cash generated from/(used in) operations		3,705,247	(36,023,115)
Movements in deferred lease rentals and advances		(29,877)	-
Increase in contributions and other receivables		(1,410,723)	(17,883,241)
Increase/(Decrease) in benefits payable		5,482,578	(5,416,159)
(Decrease)/increase in other payables		(4,887,105)	1,798,376
Net cash from/(used in) operating activities		**2,860,120**	**(57,524,139)**
Cash flows from investing activities			
Net investment income		148,576,038	137,506,976
Purchase of plant and equipment	11	(554,877)	(51,738)
Sale of plant and equipment		85,459	114,417
Purchase of investment properties	7	-	(55,402,464)
Purchase of other intangible assets	12	(262,367)	(265,645)
Payments for investment in associates	8	-	(109,367,896)
Net payments for investments in other financial assets		(24,807,720)	(95,365,751)
Net cash generated from / (used in) investing activities		**123,036,533**	**(122,832,101)**
Total cash movement for the year		**125,896,653**	**(180,356,240)**
Cash and cash equivalents at the beginning of the year		558,964,631	739,320,871
Total cash and cash equivalents at end of the year	**10**	**684,861,284**	**558,964,631**

1. Significant Accounting Policies

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

1.1 Basis of preparation

The financial statements incorporate the following significant accounting policies, which have been consistently applied in all material respects and comply with the, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC")interpretations issued and effective at the time of preparing these financial statements. The financial statements have been prepared on the historical cost basis except forthe revaluation of certain financial instruments and investment properties. The principal accounting policies are set out below.

1.2 Benefits payable

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

1.3 Pensioners' Account

This account comprises the equivalent of net assets of the Fund attributable to the Fund's pensioners.This reserve will be used to cover the Fund's liability, which is the actuarial value of the current pensions in payment and allows for future increases in pensions. Regular actuarial valuations are carried out to determine the Fund's liability to the pensioners.The last actuarial valuation was conducted as at 31 December 2017.

1.4 Contingency Reserve

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

1.5 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:

ITEM	Depreciation Method	Average Useful Life
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	4 - 5 years

1.6 Intangible assets

Internally-generated intangible asset

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended 31 December 2017

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets in respect of software development costs are amortised over a period of 4 years.

1.7 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.

1.8 Investments in associates

An associate is an entity over which the Fund has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Fund's share of the profit or loss and other comprehensive income of the associate. When the Fund's share of losses of and asociate exceeds the Fund's interest in that associate (which includes any long term interests that, in substance, from part of the Fund's net investments in the associate), the Fund discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Fund has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from date on which the investee becomes an associate.Any excess of the Fund's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired. The requirements of IAS 39 Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognize any impairment loss with respect to the Fund's investments in an associate.When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of the impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Fund discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is held for sale. When the Fund retains an interest in the former associate and the retained interes is a financial asset, the Fund measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds of disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the

associate.In addition, the Fund accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Therefore if again or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Fund reclassifies the gain or loss from the equity to profit or loss (as reclassification adjustment when the equity method is discontinued.

When the Fund reduces its ownership interest in an associate but the Fund continues to use the equity method, the Fund reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Fund transacts with an associate of the Fund, profits and losses from the transactions with the associate are recognized in the Fund's financial statements only to the extent of interests in the associate that are not related to the Fund.

1.9 Interest in partnerships

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

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

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

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

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

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

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

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

1.11 Revenue recognition contributions

Contributions

Contribution revenue is recognised on an accruals basis.

Dividend and interest income

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

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

Rental income

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

1.12 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 benfits from the leased asset are consumed. Contigent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

1.13 Foreign currencies

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

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

1.14 Related party transactions

Related parties are defined as those parties:

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

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

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

b) that are members of the key management personnel of the entity or its parent including close members of the family. All dealings with related parties are transacted at agreed prices and accordingly included in profit or loss for the year.

1.15 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.

Valuation of Investment Properties

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

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as discounted cash flows.

The carrying value less impairment allowance of receivables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Amendments to IFRS 12: Annual Improvements to IFRS 2014 - 2016 cycle

The amendment to IFRS 12 Disclosures of Interests in Other Entities now provides that if an investment in a subsidiary, associate or joint venture is part of a disposal group that is held for sale, then the disclosure of summary information as per paragraph B10 - B16 of IFRS 12 is not required. IFRS 12 previously only made the exemption for circumstances where the investment itself was classified as held for sale.

The effective date of the amendment is for financial years beginning on or after 01 January 2017.

The Fund has adopted the amendment for the first time in the 2017 financial statements.

There is no material impact on the current year financial statements.

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for financial years beginning on or after 01 January 2017.

The Fund has adopted the amendment for the first time in the 2017 financial statements.

There is no material impact on the current year financial statements.

2.2 Standards and Interpretations not yet effective

The Fund has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Fund's accounting periods beginning on or after 01 January 2018 or later periods:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

IFRS 17 Insurance Contracts

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

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

The Fund expects to adopt the standard for the first time in the 2021 financial statements.

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

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively. The effective date of the interpretation is for financial years beginning on or after 01 January 2019.

The Fund expects to adopt the interpretation for the first time in the 2019 financial statements.

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

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model.

The main changes arising from the issue of IFRS 16 which are likely to impact the Fund are as follows:

Fund as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any remeasurement of the lease liability. However, right of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Fund as lessor:

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

Sale and leaseback transactions:

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

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

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

The Fund will evaluate the effect of all the new standards,

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

amendments and interpretations that are in issue for adoption in applicable periods.

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

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

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

The effective date of the amendment is for financial years beginning on or after 01 January 2018.

The Fund expects to adopt the amendment for the first time in the 2018 financial statements.

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

Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle

The amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards deleted certain short term exemptions concerning disclosures of financial assets, employee benefits and investment entities from IFRS 1.

The effective date of the amendment is for financial years beginning on or after 01 January 2018.

The Fund expects to adopt the amendment for the first time in the 2018 financial statements.

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

Transfers of Investment Property: Amendments to IAS 40

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

The effective date of the amendment is for financial years beginning on or after 01 January 2018.

The Fund expects to adopt the amendment for the first time in the 2018 financial statements.

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for financial years beginning on or after 01 January 2018.

The Fund expects to adopt the interpretation for the first time in the 2018 financial statements.

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

Amendments to IFRS 4: Insurance Contracts

The amendment provides a temporary exemption that permits, but does not require, insurers, under specified criteria, to apply IAS 39 Financial Instruments: Recognition and Measurement, rather than IFRS 9 Financial Instruments for annual periods beginning before 1 January 2021. The exemption is only available provided the insurer has not previously applied any version of IFRS 9 (with some exceptions) and that the activities are predominantly connected with insurance.

A further exemption has been provided from IAS 28 Investments in Associates and Joint Ventures. In terms of the exemption, an insurer is exempt from applying uniform accounting policies when applying the equity method, in so far as the IAS 39/IFRS 9 exemption is applied. Thus, the relevant accounting policies of the associate or joint venture are retained if the entity applies the IFRS9/IAS 39 exemption and the associate or joint venture does not apply the exemption, or visa versa.

The amendment further permits, but does not require, insurers to apply the "overlay approach" to designated financial assets when it first applies IFRS 9. The overlay approach requires the entity to reclassify between profit or loss and other comprehensive income, an amount which results in the profit or loss of the designated financial assets at the end of the reporting period being equal to what it would have been had IAS 39 been applied to the designated financial assets. Additional disclosures are required as a result of the amendment.

The effective date of the amendment is for financial years beginning on or after 01 January 2018.

The Fund expects to adopt the amendment for the first time in the 2018 financial statements.

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

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

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

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

The effective date of the amendment is for financial years beginning on or after 01 January 2018.

The Fund expects to adopt the amendment for the first time in the 2018 financial statements.

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

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share-based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity-settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non-vesting conditions are taken into consideration when determining the fair value of the share based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity -settled share-based payment transactions. For such modifications, the equity-settled share based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in profit or loss.

The effective date of the amendment is for financial years beginning on or after 01 January 2018.
The Fund expects to adopt the amendment for the first time in the 2018 financial statements.

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

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods.

  Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of

the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI.

All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non financial items that are eligible for hedge accounting.

  In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for financial years beginning on or after 01 January 2018.

The Fund expects to adopt the standard for the first time in the 2018 financial statements.

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

IFRS 15 Revenue from Contracts with Customers

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

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

The Fund expects to adopt the amendment for the first time in the 2018 financial statements.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

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

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for financial years beginning on or after 01 January 2018.

The Fund expects to adopt the standard for the first time in the 2018 financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

Figures in Pula	Notes	2017	2016

3. Contributions

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

4. Net transfers from other funds

Transfers in		10,156,506	8,230,016
Transfers out		(972,792)	(289,437)
Net transfers		**9,183,714**	**7,940,579**

5. Administrative expenses

Actuarial fees		334,798	388,945
External audit fees - current year		563,887	587,000
External audit fees - prior year under provision		-	314,264
Audit fees - internal audit		798,140	821,654
Botswana Unified Revenue Service interest charge		-	607,493
Bank charges		394,099	367,600
Communications expenses		1,136,225	1,138,590
Fidelity and other insurance premiums		240,771	271,242
Legal and professional fees		89,105	516,121
License and maintenance fees		848,544	691,384
Regulator's fees		214,808	171,301
Other expenses		3,997,953	2,323,305
Employee costs		14,758,029	13,301,090
Stationery		22,611	87,411
Travel and entertainment		1,773,066	2,202,780
Investment consultancy fees		1,228,227	1,329,977
Unitisation fees		307,950	360,300
(Profit)/loss on disposal of plant and equipment		(77,233)	381,392
		26,630,980	**25,861,849**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

Figures in Pula	Notes	2017	2016

6. Taxation

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

7. Investment properties

Figures in Pula	Notes	2017	2016
Investment properties at fair value			
Freehold and leasehold land and buildings		209,100,000	201,200,000
Leasehold land and buildings held in partnerships	19	101,868,340	97,551,334
Fair value		**310,968,340**	**298,751,334**
Loans in property investment companies			
Loans advanced to property investment companies		725,522	786,590
		311,693,862	299,537,924
Deferred lease rental		869,906	778,961
Total Investment Properties		**312,563,768**	**300,316,885**

The fair value of the Fund's investment properties as at 31 December 2017 and 31 December 2016 were arrived at on the basis of valuation carried out at the respective dates by Messrs Wragg (Proprietary) Limited and Willy Kathurima (Proprietary) Limited firms of independent chartered valuers not related to the Fund. The valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were based on open market values.

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

Figures in Pula	2017	2016
Recurring fair value measurements at the end of the reporting period	310,968,340	298,751,334

Figures in Pula	2017	2016
Reconciliation of fair value measurements categorised within Level 3 of fair value		
Balance at beginning of the year	298,751,334	233,497,668
Net unrealised gains on fair valuation of investment properties	12,217,006	9,757,420
Additions	-	55,496,246
Balance at end of the year	**310,968,340**	**298,751,334**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

Figures in Pula	Notes	2017	2016

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

Net unrealised gains on fair valuation of investment properties		12,217,006	9,757,420

31 December 2017 Valuation techniques and inputs	Valuation technique	Unobservable input	Range
	Discounted net rentals	Capitalisation rate	8 - 13%

31 December 2016 Valuation techniques and inputs	Valuation technique	Unobservable input	Range
	Discounted net rentals	Capitalisation rate	8 - 15%

Information about sensitivity to changes in unobservable inputs

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

Figures in Pula	Notes	2017	2016

8. Investments in associates

Name of company		Carrying amount	Carrying amount
Healthcare Holdings (Proprietary) Limited		147,443,837	132,931,874
Sphinx Associates (Propietary) Limited		42,486,599	38,884,312
		189,930,436	171,816,186
Balance at the beginning of the year		171,816,186	3,503,314
Additions		-	109,367,896
Share of profits from associates		18,114,250	58,944,976
Balance at the beginning of the year		**189,930,436**	**171,816,186**

Details of material associates

Details of each of the Fund's material associates at the end of the reporting period are as follows:

Name of Associate	Principal Activity	Place of incorporation and principal place of business	Proportion of ownership interest/voting rights held by Fund
(i) Healthcare Holdings (Proprietary) Limited	Property Management. The Company owns a hospital and residential buildings	Gaborone, Botswana	58.16%/33.33%
(ii) Sphinx Associates (Proprietary) Limited	Proprty Investment (Shopping mall)	Gaborone, Botswana	25%

All of the above associates are accounted for using the equity method in these financial statements

(a) Pursuant to the shareholder agreement, the Fund has the right to cast 33.33% of the votes at Directors meetings of Healthcare Holding (Proprietary) Limited.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

(b) The Fund holds 25% of the equity shares of Sphinx Associates (Proprietary) Limited. The Fund exercises significant influence by virtue of its right to appoint a director to the board of directors of Sphinx Associates (Proprietary) Limited.

The associates are exposed to property market risk and changes in the general economic environment could have an impact on the rentals charged on the properties.

Summarised financial information of material associates

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

Figures in Pula	Notes	2017	2016
Healthcare Holdings (Proprietary) Limited			
Current assets		4,346,518	13,929,803
Non-current assets		252,648,048	211,681,857
Current liabilities		1,739,653	1,684,494
Non-current liabilities		5,100,480	2,004,043
Revenue		16,507,650	14,124,164
Profit for the year		34,500,632	19,923,735
Other comprehensive income for the year		-	-
Total comprehensive income		34,500,632	19,923,735
Sphinx Associates (Proprietary) Limited			
Current assets		6,725,927	2,055,281
Non-current assets		214,384,030	199,002,088
Current liabilities		5,145,130	4,562,496
Non-current liabilities		60,560,926	57,137,321
Revenue		22,666,830	20,126,002
Profit for the year		8,796,379	6,617,087
Other comprehensive income for the year		-	-
Total comprehensive income		8,796,379	6,617,087

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

Figures in Pula	Notes	2017	2016
9. Other Financial Assets			
Designated as at fair value through profit or loss			
Onshore equity investments by asset manager			
Investec Asset Management Limited		368,536,523	467,120,348
Botswana Insurance Fund Management Limited		-	390,861,099
Allan Gray Botswana (Proprietary) Limited		630,694,565	450,944,674
Kgori Capital (Proprietary) Limited		233,621,526	-
		1,232,852,614	1,308,926,121
Onshore bonds by asset manager			
Investec Asset Management Limited		249,790,382	290,536,635
Botswana Insurance Fund Management Limited		312,205,106	142,301,828
Allan Gray Botswana (Proprietary) Limited		-	128,580,781
		561,995,488	561,419,244
Offshore bonds unitised funds			
Pimco Funds		681,450,714	674,701,124
		681,450,714	674,701,124
Offshore equity unitised funds			
Marathon Asset Management LLP		483,860,847	429,022,174
Orbis Investment Management Limited		540,890,330	478,264,196
Walter Scott & Partners Limited		485,818,970	568,419,632
State Street Fund Services (Ireland) Limited (South Eastern)		483,594,226	422,021,535
State Street Global Advisors		165,593,714	146,136,057
Nedgroup Investments (IOM) Limited		660,159,635	575,828,014
Aberdeen Asset Management PLC		-	215,845,063
American Century Investments		454,909,316	-
		3,274,827,038	2,835,536,671
		5,751,125,854	**5,380,583,160**

Figures in Pula	Notes	2017	2016
Carried at amortised cost			
Private equity loan Investments in Vantage Mezzanine Fund II Partnership - offshore		87,732,209	94,571,285
Botswana Insurance Fund Management Limited - term loans		21,820,040	24,323,308
		109,552,249	118,894,593
Total other financial assets		**5,860,678,103**	**5,499,477,753**
Non-current assets			
Designated at fair value through profit or loss		5,751,125,854	5,380,583,160
Amortised cost		109,552,249	118,894,593
		5,860,678,103	**5,499,477,753**

10. Cash and cash equivalents

Cash and cash equivalents consist of:			
Short-term deposits		311,566,404	245,633,584
Bank balances - Pula denominated		165,959,591	102,002,892
Bank balances - US Dollar denominated		207,335,289	211,328,155
		684,861,284	**558,964,631**

1. The bank has staff loan schemes with Barclays Bank of Botswana, First National Bank of Botswana and Stanbic Bank of Botswana which are non-guarantee schemes. The fund does not have any financial exposure on the schemes..

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

11. Plant and equipment

	2017 Cost	2017 Accumulated depreciation	2017 Carrying value	2016 Cost	2016 Accumulated depreciation	2016 Carrying value
Furniture and fixtures	1,279,502	(1,038,330)	241,172	1,207,602	(962,393)	245,209
Motor vehicles	724,349	(399,321)	325,028	868,272	(868,272)	-
Office equipment	1,560,216	(1,212,287)	347,929	1,440,302	(1,056,873)	383,429
Total	**3,564,067**	**(2,649,938)**	**914,129**	**3,516,176**	**(2,887,538)**	**628,638**

Reconciliation of plant and equipment - 2017

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

Reconciliation of plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	825,539	-	(482,493)	(97,837)	245,209
Office equipment	478,729	51,738	(13,316)	(133,722)	383,429
	1,304,268	**51,738**	**(495,809)**	**(231,559)**	**628,638**

12. Intangible assets

	2017 Cost	2017 Accumulated amortisation	2017 Carrying value	2016 Cost	2016 Accumulated amortisation	2016 Carrying value
Computer software	3,771,916	(1,695,866)	2,076,050	3,509,651	(972,262)	2,537,389

Reconciliation of intangible assets - 2017

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

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	2,973,674	265,645	(701,930)	2,537,389

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

Figures in Pula	Notes	2017	2016
13. Contributions and other receivables			
Contributions receivables		648,281	1,266,322
Advance benefit payments		*2,514,442*	*2,891,894*
Allowance for doubtful debts - advance benefit payments		*(2,373,052)*	*(2,373,052)*
Net advance benefits payments		141,390	518,842
20% death advance claim		186,870	186,870
Pensioner deaths overpayments		290,994	290,994
VAT refundable		-	8,640,000
Interest receivable		694,398	694,398
Property rentals receivable		815,625	2,345,970
Property partnership current assets	19	29,241,964	16,814,013
Other receivable		1,026,734	878,124
		33,046,256	**31,635,533**

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 receivabies.

14. Benefits payable

Retirement		11,969,834	12,703,868
Withdrawal		942,291	815,631
Death		18,445,974	12,824,283
Unclaimed benefits		906,453	1,870,955
Tax payable on benefits		317,759	-
Pensioners deaths		1,848,022	1,390,777
Monthly pensions		2,622,092	1,964,333
Contributions for ineligible members		80,560	80,560
		37,132,985	**31,650,407**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

Figures in Pula	Notes	2017	2016
15. Other payables			
Rental deposits		889,717	942,613
Rental received in advance		-	421,772
VAT		2,716,639	-
Property partnership current liabilities	19	2,056,667	7,014,018
Administration costs payable		5,058,649	5,449,982
Other payables		-	1,780,392
		10,721,672	**15,608,777**

No interest is charged on outstanding other payables.

16. 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 2017. The valuation shows that the pensioners' account of the Fund, as reflected in the statement of changes in funds on page 9 amounting to P2,037,697,000 (2016: P1,959,299,000) adequately cover the pensioners' liabilities at that date amounting to P1,948,019,000 (2016: P1,840,226,000), without taking into account future pension increases.

17. Financial Risk Management

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

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

Risk Management Governance Structure

Board of Trustees

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

Investment Committee

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

Audit and Finance Committee

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

Benefits and Communications Committee

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

Nominations and Remuneration Committee

The Nominations and Remuneration Committee comprising of the Board of Trustees meets regularly and ensures that there is a formal, rigorous and transparent procedure for the appointment of new Independent Trustees and Committee members to the Board and Sub-committees. The Committee ensures that the Board and its Sub-Committees have appropriate balance of skills, experience, independence and knowledge of the Fund to enable them to discharge their respective duties and responsibilities. The Nominations and Remuneration Committee is also responsible for the Fund's Human Resources mandate.

Types of Risk Exposure

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

Currency risk

The Fund is exposed to currency risk mainly through its investments and term deposits denominated in foreign currencies. The Fund's total exposure to currency risk through its investments and term deposits denominated in United States Dollars and South African Rands as at 31 December 2017 amounted to P4,251,345,250 (2016: P3,816,137,235).

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 2017 amounted to P583,815,528 (2016: P585,742,552) being investments in onshore bonds and term loans, P681,450,714 (2016: P674,701,124) being investments in offshore bonds, and P684,861,284 (2016: P558,964,631) being short term deposits and cash and cash equivalents as disclosed in notes 9 and 10.

Equity price risk:

Equity price risk is the risk that the value of equities decreases as a result of changes in the equity prices and diminition of value of individual stocks. The investment guidelines stipulate the allowable

holding levels. The net exposure to equity price risk as at 31 December 2017 amounted to P1,232,852,614 (2016: P1,308,926,121) for local equities, P3,274,827,038 (2016: P2,835,536,671) for offshore equities and offshore unitised funds and P87,732,209 (2016: P94,571,285) for offshore private equity loan investments as disclosed in note 9.

Fair values of financial instruments

Fair values of financial instruments carried at amortised cost

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

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

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

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed equities and bonds).
The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value measurements recognised in the Statement of Financial Position

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

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

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

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

Financial Assets	Note	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		2017 P	2016 P				
Onshore listed equity investments	9	1,232,852,614	1,308,926,121	Level 1	Quoted last traded prices in an active market.	N/A	N/A
Onshore listed bonds	9	561,995,488	561,419,244	Level 2	Valued based on the aggregate published bond index	N/A	N/A
Offshore bonds unitised funds	9	681,450,714	674,701,124	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	9	3,274,827,038	2,835,536,671	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 cashflows and matching the maturity profiles of financial assets and liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

Market risk sensitivity analysis

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

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

	Adverse Market Change			Beneficial Market Change		
Risk Variable	Scenario	Effect on statement of comprehensive income		Scenario	Effect on Statement of Comprehensive Income	
		2017	2016		2017	2016
Currency risk	Strengthening of the Pula by 1%	(42,513,453)	(38,161,372)	Weakening of the Pula by 1%	42,513,453	38,161,372
Global Equity Risk	Decline in global equity prices by 1%	(32,748,270)	(28,355,367)	Increase in global equity prices by 1%	32,748,270	28,355,367
Local Equity Risk	Decline in local equity prices by 1%	(12,328,526)	(13,089,261)	Increase in local equity prices by 1%	12,328,526	13,089,261
Interest Rate Risk	Increase in interest yield by 1%	(19,501,275)	(18,194,083)	Decline in interest yield by 1%	19,501,275	18,194,083
Private Equity Loan	Increase in interest yield by 1%	(877,322)	(945,713)	Decline in interest yield by 1%	877,322	945,713
Investment property	Increase in interest yield by 1%	(27,163,944)	(25,096,606)	Decline in interest yield by 1%	32,994,932	30,227,784

Credit risk

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

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

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

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

Figures in Pula	Notes	2017	2016

Concentration of credit risk

Counterparty (Investment Manager)	Investment type	2017	2016
Investec Asset Management Limited	Government bonds	172,903,655	184,179,815
Investec Asset Management Limited	Corporate bonds	43,013,170	59,225,066
Investec Asset Management Limited	Parastatals bonds	33,874,145	47,131,754
Botswana Insurance Fund Management Limited	Government bonds	97,293,529	54,014,634
Botswana Insurance Fund Management Limited	Corporate bonds	198,938,510	72,453,116
Botswana Insurance Fund Management Limited	Parastatals bonds	15,973,066	15,834,078
Allan Gray Botswana (Proprietary) Limited	Government bonds	-	31,311,460
Allan Gray Botswana (Proprietary) Limited	Corporate bonds	-	64,796,657
Allan Gray Botswana (Proprietary) Limited	Parastatals bonds	-	32,472,664
Pimco Funds: Global Investors Series plc.	Unitised offshore bonds	681,450,714	674,701,124
Botswana Insurance Fund Management Limited	Loans	21,820,040	24,323,308
Total		**1,265,266,829**	**1,260,443,676**

Bank balances and fixed deposits

Counterparty (investment manager)	Investment type	2017	2016
First National Bank of Botswana Limited	Fixed deposits	106,449,066	11,273,355
Barclays Bank of Botswana Limited	Fixed deposits	27,747,659	60,518,539
Barclays Bank of Botswana Limited	Bank balances	319,458,466	233,344,686
Standard Chartered Bank Botswana Limited	Fixed deposits	96,861,083	50,115,615
Standard Chartered Bank Botswana Limited	Bank balances	555,420	555,864
Stanbic Bank Botswana	Fixed deposits	34,199,494	34,462,920
Stanbic Bank Botswana	Bank balances	52,951,632	79,430,497
Bank of Botswana	Treasury bills	-	13,979,000
Other Institutions	Fixed deposits	46,638,464	75,284,155
		684,861,284	**558,964,631**

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 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cntinued)

For the year ended 31 December 2017

Figures in Pula	Notes	2017	2016
Categories of financial instruments			
Financial assets			
Cash and cash equivalents		684,861,284	558,964,631
Designated at fair value through profit or loss		5,751,125,854	5,380,583,160
Amortised cost		109,552,249	118,894,593
Contributions and other receivables		32,568,392	22,517,669
Financial liabilities			
Other financial liabilities at amortised cost		43,849,984	45,814,239

18. Related party transactions and balances

`The related parties of the Fund comprise of the Trustees, Key management personnel as well as the participating employeers as disclosed in note 21

Figures in Pula	Notes	2017	2016
Related party transactions			
Contributions income from participating employers	21	289,225,656	272,829,024
Internal audit fees charged by Debswana Head Office		798,140	821,654
Trustees fees			
Independent and Pensioner trustees		82,005	35,296
Remuneration of key management personnel			
Key management personnel comprises the Principal Executive Officer			
Gross emoluments of the key management personnel are:		-	-
Short-term employee benefits		1,778,896	1,548,897

19. Interest in property partnerships

Details of the Fund's material investments in other entities at the end of the reporting period are as follows:

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

31 December 2017	Notes	Engen Palapye Partnership	Engen Maun Partnership	NDB Development Partnership	Francistown Retail Partnership	Total
Investment properties	7	9,040,000	5,775,000	66,803,340	20,250,000	101,868,340
Current assets	13	3,903,245	823,456	13,343,144	7,058,785	29,241,964
Current liabilities	15	(245,129)	(279,320)	(1,180,388)	(351,830)	(2,056,667)
Revenue - net rental income		8,138,032	3,319,000	11,039,871	3,683,449	26,180,352
Unrealised fair value gains on fair valuation of investment property		2,200,000	1,300,000	5,123,824	1,135,000	9,758,824
Total comprehensive income for the year		1,473,543	715,653	12,613,845	2,582,261	17,385,302
Net cash generated from operating activities		7,191,193	3,131,262	9,916,701	2,882,061	23,121,217
Net cash utilised in investing activities		(7,334,536)	(1,077,011)	(2,612,661)	198,127	(10,826,081)
Net cash (outflow)/inflow		(143,343)	2,054,251	7,304,040	3,080,188	12,295,136

31 December 2016	Notes	Engen Palapye Partnership	Engen Maun Partnership	DBN Development Partnership	Francistown Retail Partnership	Total
Investment properties	7	8,680,588	5,574,216	63,633,409	19,663,121	97,551,334
Current assets	13	2,818,628	535,790	8,285,269	5,174,326	16,814,013
Current liabilities	15	(143,797)	(148,669)	(6,375,580)	(345,972)	(7,014,018)
Revenue - net rental income		1,253,126	646,411	5,654,072	2,090,191	9,643,800
Unrealised fair value gains on fair valuation of investment property		1,140,000	450,000	6,270,000	1,398,750	9,258,750
Total comprehensive income for the year		2,393,126	1,096,411	11,924,072	3,488,941	18,902,550
Net cash generated from operating activities		1,120,944	635,010	5,526,469	1,994,936	9,277,359
Net cash utilised in investing activ-ities		(1,060,443)	18,604	(435,073)	80,027	(1,396,885)
Net cash used in financing activities		-	(1,000,000)	-	-	(1,000,000)
Net cash (outflow)/inflow		60,501	(346,386)	5,091,395	2,074,963	6,880,473

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

20. Contingency reserves

In the prior year, contributions refunds and related interest amounting to P2,590,426 were settled, correcting fund credits due to unallocated contributions and interest thereon. The Contingency Reserve was utilised for this.

The reason for allocating the expenses to the Contingency Reserve was to avoid over burdening members who retire 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 split into various contingency reserve accounts as defined in the revised set of rules and in line with PFR 1 issued by NBFIRA as follows:

	Maximum limit	2017	2016
Processing error reserve	1.5%	74,834,000	74,217,000
Expense reserve	0.0%	6,546,000	3,074,225
Solvency reserve	25.0%	138,824,000	130,311,000
		220,204,000	**207,602,225**

Processing error reserve

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

Expense reserve

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

Solvency reserve

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

Figures in Pula	Notes	2017	2016

21. Description of the Fund

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

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

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

22. Membership statistics

Number of members

		2017	2016
Active		5,917	5,809
Deferred		2,330	2,405
Pensioners		3,819	3,628
		12,066	11,842

23. Commitments

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

		2017	2016
Due within one to two years		1,349,434	1,332,624

24. Fidelity insurance cover

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

25. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

Figures in Pula	Notes	2017	2016

26. Change in legislation: Retirement Funds Act 2014

The Retirement Funds Act 2014 (the Act) stipulates that Funds are no longer permitted by law to perform self-administration with effect from 1 April 2018. To this end, Debswana Pension Fund requested extension of the deadline for compliance, which was granted by Non-Bank Financial Institutions Regulatory Authority (NBFIRA) to 30 September 2018. As a consequence of compliance with the Act, the Administration function will cease to be part of the Fund. Management and the Board of Trustees are in a process of finalising their strategic plans in respect of the future structure and operations of the Fund following the change in legislation.

27. Future deferred lease receipts

Balance at year end		89,124,857	74,824,571

DPF

DEBSWANA · PENSION · FUND

Your Fund, Your Security, Your Future

GABORONE OFFICE

Private Bag 00512, Gaborone Botswana
Plot 50361, Block D, Carlton House
Fairgrounds, Gaborone Botswana
Tel: +267 361 4267, Fax: +267 393 6239

JWANENG OFFICE

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

ORAPA OFFICE

HR Block,
Office No.11
Tel: +267 290 2323

www.dpf.co.bw