



Dar es Salaam Stock Exchange Limited

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

Dar es Salaam Stock Exchange Limited

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Website: www.dse.co.tz



VISION:

To be a sustainable securities exchange that is an engine of economic growth for Tanzania.

DSE'S MISSION:

To provide a responsive securities exchange that promotes economic empowerment and contributes to the country's economic development through offering a range of attractive and cost – effective products and services.

SCOPE OF BUSINESS

The Dar es Salaam Stock Exchange (DSE) is a duly approved Exchange under the Capital Market and Securities Act, 1994. Apart from being a listing authority, it provides electronic trading, clearing and settlement of securities (share bonds). It is set up as a Self-Regulatory Organization (SRO) maintaining the integrity of the market and playing a role of educator on matter related to capital markets.

SCOPE OF THE REPORT

The annual report for year ended 30th June 2013 presents a set of operations reports and financial statements for the period starting 1st July 2012 to 30th June 2013.

The financial statements have been prepared in accordance to the International Financial Reporting Standards (IFRS) and in addition, they comply with the provisions of the Companies Act, No. 12 of 2002 (CAP 212) and the Capital Markets and Securities Act, 1994.

KEY HIGHLIGHTS OF THE YEAR

The year recorded growth and improvements in many respects as summarized below.

Particular	2012/13	2011/12	Change
Market Capitalization (TZS billions)	14,057.92	12,772.79	10%
Value of Shares Traded (TZS billion)	73.00	44.45	64%
Tanzania Share Index (TSI) Points	1,840.11	1,206.99	52%
Value of Outstanding Listed Gov't Bonds (TZS billion)	2,991.77	2,287.31	31%

ABBREVIATION USED IN THESE FINANCIAL STATEMENTS

ABG	African Barrick Gold
ASEA	African Securities Exchange Association
ATS	Automatic Trading System
BoT	Bank of Tanzania
CDS	Central Depository System
CMSA	Capital Market & Securities Authority
COSSE	Committee of SADC Stock Exchanges
CRS Index	Corporate Social Responsibility Index
CSD	Central Securities Depository
DRS	Disaster Recovery Site
DSE	Dar es Salaam Stock Exchange
EAC	East African Community
EASEA	East African Securities Exchange Association
EDMS	Electronic Document Management System
EGM	Enterprise Growth Market
FSRP	Financial Sector Reform Programme
GDP	Gross Domestic Product
IPO	Initial Public Offer
ISIN	International Securities Identification Number
KQ	Kenya Airways
LUSE	Lusaka Stock Exchange
MoF	Ministry of Finance
NBS	National Bureau of Statistics
NDC	National Demutualization Committee
NOMADS	Nominated Advisors
PAS	Presicion Air Services Ltd
PSPF	Public Sector Pension Fund
RTGS	Real Time Gross Settlement
SADC	Southern African Development Commission
SITI	Securities Industry Training Institute
TBL	Tanzania Breweries Ltd
WAN	Wide Area Network



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CHAIRMANS' STATEMENT



I am delighted to report that 2012/2013 was a good year for Dar es Salaam Stock Exchange (DSE). As the fundamentals of our economy continue to improve despite challenges we see our role as the stock exchange becoming even more relevant.

Given the fact that the DSE was established to facilitate implementation of Government's economic reforms and encourage wider ownership of public resources, collaborative effort and support from the Government and other key stakeholders continues to be key towards supporting the country's economic development. The DSE strategy and Plans therefore, aims at positioning the DSE as the focus for raising capital for private enterprises and to the Government development projects through providing the platform for mobilizing savings for productive investments activities and creating investment opportunities for investors.

During 2012/2013, DSE continued with implementation of its 5 years strategic plan where efforts and resources were directed towards preparation for the introduction of the Enterprise Growth Markets, increasing on efficiency levels and raising the profile of the exchange. The outlook is exciting, as these efforts starts to bear fruits i.e. increase activity, broaden the range of products, streamline the operations and commercialization of the DSE as an entity.

During the year the DSE Blue Print was reviewed so as to address and improve on various areas in line with the current market development. The newly drafted DSE Rules Book has been submitted to the Regulator for approval. During this period we operationalized the Disaster Recovery Site after completion of its renovation.

During the year the Market Capitalization increased from TZS 12,772 billion to 14,057 billion this achievement is attributed by efforts that we utilized to increase the market efficiency such as reducing the settlement period moving into the Wide Area Network and increased public awareness initiatives. With regard to the fixed income securities, the outstanding listed debt securities went up by 69% (i.e. from 2,287.31 billion in June 2012 to 2,991.77 billion in June 2013).

Trading activities in both equities and bonds also increased during the period under review from TZS 67 million to TZS 147 million in equities and from TZS 248 billion to TZS 410 billion in bonds. The recorded performance positively impacted the financial performance during the year. The DSE internally generated increased by 69% from TZS 930.97 million – 2011/2012 to TZS 1,572 million – 2012/2013. The Government support through subvention also increased by 2% from TZS 333.80 million in year 2011/12 to TZS 340 million in financial years 2012/2013.

We have delivered another year of strong cash flow, which is enabling us to invest in the business and save the market efficiently. During the year, we have also made a number of value creating acquisitions, which are making a healthy contribution to the Exchange.

On behalf of the Governing Council, Management and the rest of the members of staff at Dar es Salaam Stock Exchange, I wish to acknowledge and extend our appreciation to the continued support of the Government of the United Republic of Tanzania through the Ministry of Finance to the DSE. It is our sincere belief that the Government will continue supporting the DSE for the foreseeable future. I am also grateful to all our development partners such as Financial Sector Deepening Trust (FSDT) for their support in developing the market. During the year under review we started the Public awareness campaigns for Enterprises Growth Market segment at the DSE. We believe through these we will envisage to result into more Small & Medium Enterprises raising capital and list into the Exchange.



Annual Report and Financial Statements for the year ended 30 June 2013

Again in the special way I acknowledge with appreciation the outstanding role played by all my colleagues (the Members of Governing Council) for their continued contribution and commitment to the development of the exchange. The concerted efforts by the Management and the Governing Council should push even further the development agenda of the DSE in years to come.

On behalf of the Board, I would like to thank also the DSE Management and entire team of staff for their dedication and commitment in ensuring that the Exchange meets its strategic objectives even during challenging moments.

In the longer term, we remain very positive about the opportunities to grow our exchange as we are well positioned to capitalize on the ongoing economic reforms and development in the country through providing efficient capital raising platform to support this growth.

A handwritten signature in black ink, appearing to read 'P. Maneno', is positioned above the printed name.

Pius A. Maneno
Chairman
DSE Governing Council

MEMBERS OF GOVERNING COUNCIL



*Mr. Pius A. Maneno
Chairman*



*Mr. Andulile J. Mwakalyelye
V/Chairman*



*Mr. Kisali G. Solomon
Member*



*Mr. Joseph Uiso
Member*



*Mr. Nyanduga D. Mukiryia
Member*



*Mrs. Gilder F. Kibola
Member*



*Mr. Steve F. Kilindo
Member*



*Mrs. Fatma S. Chakindo
Member*



*Mr. Rweyunga L. Malauri
Member*



*Mr. Moremi Marwa
DSE - CEO Ex Officio Member*



*Mrs. M. S. Mniwasa
Secretary to the Council*

CHIEF EXECUTIVE OFFICERS' REPORT



2012/13 Economic overview

Over the past two decades our country has experienced high rate of growth due to economic reforms, sound macroeconomic policies and the expanding of both public and private sector. The rate of growth of Tanzania Gross Domestic Product (GDP) for the year 2012/13 was 6.9%. In 2014 Tanzania is expecting to be one of the 10 faster growing economies in the world, the growth is expected to be 7% fueled by growth in key sectors such like infrastructure, construction, telecommunication, financials and trade.

Price Movement (Inflation)

The annual average inflation rate declined from 17.4% in July 2012 to 6.7% in June 2013. The decrease in inflation was due to continued decrease in the average price of oil, also the relatively favorable weather condition which improved agricultural harvest and efficient power generation.

Performance Review for 2012/13

Listings

During the year, there were no any new listings in the equity segment. However the Nation Media Group (NMG) undertook a right issue.

In the bonds segment, during the year under review, listing of Government bonds increased. The Government listed bonds worth TZS 977 billion compared to bonds worth TZS 433 billion in the preceding year (an increase of 126%).

Trading

Equity Trading

During the year, the exchange recorded significant improvements in its trading activities, turnover increased from TZS 44 billion in the 2011/12 to TZS 73 billion this is an increase of 66%. Volume of shares traded also increased by 120%; from 67 million shares in 2011/12 to 147 million shares in 2012/13.

Bonds Trading

Bonds turnover was TZS 452 billion in the 2012/2013 compared to bonds worth TZS 269 billion that exchanged hands in 2011/12. This is an increase of 68%.

Indices Performance

During the year the market depicted a significant growth. Tanzania share index (TSI) that tracks domestic listed companies grew by 52% from 1,209.58 points on 1st July 2012 to 1,840.11 points as of 30th June 2013.

Similarly the DSE all shares Index (DSI) the index that tracks all listed companies (including cross listings) increased by 10% from 1,438.45 points on 1st July 2012 to 1,582.51 points as of 30th June 2013.

Operationalization of the Enterprise Growth Market (EGM)

Preparations for operationalization of the Enterprise Growth Market segment (EGMs) were accomplished during the year. Training of the Nominated Advisors and preparations for the country-wide Public Awareness Campaigns regarding this new market segment (EGM) were at advance stage. The campaigns that will involve seminars, airing of TV and Radio programs started in September 2013.

Public Education Program – Engaging the Media

During the year DSE embarked in the public education program that includes using media (both mainstream and social media networks). This also involved writing educational and thought leadership articles in print media (news papers), educational postings in our website appearances in Radio and TV as well as creation of social media networks such like face book, you tube and twitter.

We also made preparations for participation in the Saba Saba Exhibitions at Mwalimu Nyerere International Trade Fair for year 2013.

During the period DSE hosted a total of 90 visiting students from Secondary schools and Higher Learning Institutions. We also received research students; from Mzumbe University, University of Strathclyde (UK) and Institute of Rural Development Planning –Dodoma.

Improving IT systems for better operations

During the year DSE has successfully completed implementation of Wide Area Network (WAN) and the reduction of settlement cycle from T+5 to T+3 for equities and from T+3 to T+1 for bonds. The implementation of WAN has enabled DSE Licensed Dealing Members (stock brokers) to conduct their trading activities on listed shares and bonds from their offices (remote). During the year, we also extended our trading hours from the previous two hours to four hours.

CSD users now can access and use the DSE's CDS services remotely. This initiative is expected to virtually enable the DSE's trading activities to be accessible throughout the country and hence make it accessible to more market players.

Operationalization of the Disaster Recovery Site (DRS)

During the year DSE managed to operationalize our Disaster Recovery Site in Morogoro through installation of the ATS & CDS equipment establishing the real time linkage between DSE offices and the DRS in Morogoro and enhanced the security services at the Site.

Developing the DSE's Operational and SRO Capacity

During the year under review DSE, with the assistance of a Consultant managed to complete review of the DSE Rule Book. The review process involved all shareholders. The newly drafted DSE Rule is now awaits approval by the Regulator.

Regional Integration Initiatives

During the year DSE continued to be an active member of the East African Stock Exchanges Associated (EASEA) and the Committee of Stock Exchanges of SADC (CoSSE). DSE participated in a number of initiatives spearheaded by these regional bodies. Among others DSE participated in the CoSSE meeting held in Mozambique and South Africa. During the year DSE also participated in the EASEA meetings that were held in Rwanda, and also in Uganda, where regional integration matters were discussed and action plans were agreed.



Financial Performance

Income

During the year 2012/13 DSE generated a total Income of TZS 2.83 billion, compared to TZS 1.81 billion recorded during 2011/12. The increase of income was a result of increase in listing of treasury bonds, increase in trading activities (trading activities increased from a turnover from TZS 44 billion to TZS 73 billion) and the slight increase in the Government subvention. In year 2012/13 the Government listed bond worth TZS 977 billion compared to TZS 433 billion listed in 2011/12. Government subvention improved by 2% to from TZS 334 million in year 2011/12 to TZS 340 million in year 2012/13.

Expenditure

Total expenses decreased by 10% (i.e. from TZS 2.25 billion in the year 2011/12 to TZS 2.04 billion in year 2012/13). The decrease in the expenditure was contributed by among others, efforts to better manage our costs and an efficient utilization of available resources. Major savings emanates from staff related costs and on regional integration activities where we recorded considerable mileage on this aspect.

Looking Forward

The major focus the year 2013/14 will be on consolidating on initializatives executed and achieved during 2012/13, which is part of the implementation of our 2012/13 – 2016/17 Strategic Plan. More efforts will be directed towards advocacy on policy development and implementation, public education and awareness creation, encouraging new listings both in the main market segment and Enterprise Growth Market segment (EGMs) creating additional liquidity, improving and consolidating the BOT and DSE CDSR systems, encourage REITS development and listing and joining and integrating into the National Payment System (RTGS).

We will also focus on increasing our efficiency through better use of technology platform towards achieving wider outreach and increase our operational efficiency and enable post trade risk management.

We intend to actively engage all key stakeholders; the Government (towards implementation of legislative initiatives meant to increase listing); the private sectors (towards raising equity and debt financing through the Exchange); Investors (towards making use of exchange for their investment and savings); financial journalist (towards capacity building and sustainable reporting of DSE related information) and development partners in technical and financial partnerships.

Appreciation

On behalf of the Management of the Exchange, I wish is to extend our gratitude and thanks to all stakeholders who worked hand in hand with DSE in achieving the milestones. We look forward to continuing working together in strengthening the achievement made on the Exchange thus far. I would like to thank the Governing Council for its guidance, the staff for their diligent professionalism, the Government and Development Partners for the unrelenting financial support.



Moremi Marwa
Chief Executive Officer

DSE MANAGEMENT



*Mr. Moremi Marwa
Chief Executive Officer*



*Mr. E. F. Nyalali
Manager - Operations*



*Mrs. M. S. Mniwasa
Manager - Corporate Affairs &
Legal Counsel*



*Mr. M. I. Mshindo
Manager - Research &
Market Development*



*Mr. Suleimani Mayongela
Manager - Finance &
Administration*



*Mr. Magabe Maasa
Manager - Projects &
Programs*



THE COUNCIL MEMBERS' REPORT FOR THE YEAR ENDED 30TH JUNE, 2013

The Council Members of Dar es Salaam Stock Exchange Limited (DSE) have the pleasure to present their report together with the DSE audited financial statements for the year ended 30th June, 2013 which disclose the state of affairs of the DSE as at that date.

Incorporation

The Dar es Salaam Stock Exchange Limited (DSE) was incorporated in 1996 under the Companies Act, 2002 (Cap.212, Revised) (herein after, the Companies Act) as a company limited by guarantee. Operations of the DSE started in April, 1998.

Vision

To be a sustainable securities exchange that is an engine of economic growth for Tanzania.

Mission

To provide a responsive securities exchange that promotes economic empowerment and contributes to the country's economic development through offering a range of attractive and cost-effective products and services.

Principal Activities

The principal activity of the DSE is to provide a securities market to investors who intend to invest in the listed companies. The Stock Exchange assists companies to raise capital through the issuance of equities and debt securities.

The DSE has the following main lines of business: Listing, trading, clearing and settlement of equities and bonds.

Financial Performance

During the year ended 30th June 2013, the DSE recorded a surplus of TZS 186 million compared to a deficit of TZS 339 million recorded in the previous year. The surplus could have been more than that if not for one-off obligations incurred during the year. Among others the surplus was contributed by partly increase in revenue from listing fees (Government listed bonds worth TZS 1,150 billion compared with TZS 433 billion listed previous year) and emphasis on management of controllable costs.

THE COUNCIL MEMBERS' REPORT

Council Members of the Company

The Council Members who held office during the year were as follows:

Name	Position	Qualifications	Nationality	Date appointed	Date resigned
Mr. Pius A. Maneno	Chairman	MAcc, PGDM, CPA(T)	Tanzanian	2007	
Mr. Andulile J. Mwakalyeye	V/Chairman	M.A Economics	Tanzanian	2011	
Mrs. Fatma S. Chakindo	Member	MBA	Tanzanian	2008	
Mrs. Gilder F. Kibola	Member	LLB, LLM & MBA	Tanzanian	2008	

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Mr. Rweyunga L. Malauri	Member	M.A. Economics	Tanzanian	2008	
Mr. Moremi Marwa	Member	MBA,CPA (T)	Tanzanian	2011	May 2013
Mr. Kisali G. Solomon	Member	MSC Finance	Tanzanian	2011	
Mr. Nyanduga D. Mukirya	Member	LLM	Tanzanian	2005	
Mr. Steve F.Kilindo	Member	LLB	Tanzanian	2008	
Mr. Moremi Marwa	Ex-Officio*	MBA,CPA (T)	Tanzanian	2013	
Mr. Joseph J Uiso	Member	B com MSc Fin. CPA (T)	Tanzanian	May 2013	
Mr. Gabriel Kitua	Ex-Officio**	MBA	Tanzanian	2010	Feb 2013

*Mr. Moremi Marwa joined DSE as new Chief Executive Officer since May 2013. Prior to his appointment Mr. Marwa was Council Member from 2011.

**Mr. Gabriel Kitua left DSE after expiration of his employment contract in February 2013.

Solvency

The Governing Council of the DSE confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Council Members consider the Company to be solvent within the meaning ascribed by the Companies Act, 2002.

Corporate Governance

The business of the Exchange is managed by a Governing Council, which is elected by the members of the Company and the CMSA. The Council is composed of representatives from Licensed Dealing Members, Listed Companies, Institutional Investors, Professional Bodies, General Public and the Chief Executive Officer who is an ex-officio member of the Council. During the year under review, the Council met nine times and its Council Committees held ten meetings to deliberate on several matters. All council members, except the Chief Executive Officer, were non-executive.

Meetings and Activities of the Council

There were 9 meetings (Ordinary and Extra ordinary) held during the 2012/2013 Financial Year. Below are details of attendance.

Name	26 th July 2012	5 th Sept 2012	7 th Sept 2012	12 th Nov 2012	11 th Dec 2012	14 th Jan 2013	19 th Feb 2013	6 th March 2013	27 th May 2013
Pius A. Maneno	√	√	√	√	√	√	√	√	√
Andulile J. Mwakalyeye	√	√	√	√	√	√	√	-	√
Fatma S. Chakindo	-	√	√	√	√	√	√	√	√
Gilder Kibola	√	√	√	√	√	√	√	-	-
Steve Kilindo	√	√	√	√	√	√	√	√	√
Kisali Solomon	√	√	√	√	√	-	√	√	√
Nyanduga Mukirya	√	√	√	√	√	√	√	√	√
Rweyunga L. Malauri	√	√	√	√	√	√	√	√	√
Moremi Marwa	√	√	√	√	√	√	√	√	√
G.D.Y. Kitua	√	√	√	√	√	-	-	-	-



Council Committees as at 30th June 2013

Listing & Trading Committee

	Name	Position	Qualifications	Nationality
i	Mrs. Gilder F. Kibola	Chairperson	LLB,LLM & MBA	Tanzanian
ii	Mr. Rweyunga L. Malauri	Member	M.A.Economics	Tanzanian
iii	Mr. Kisali G. Solomon	Member	Msc Finance	Tanzanian

Finance, Administration and Disciplinary Committee

	Name	Position	Qualifications	Nationality
i	Mr. Nyanduga. D. Mukiryia	Chairperson	LLM	Tanzanian
ii	Mr. Steve F. Kilindo	Member	LLB	Tanzanian
iii	Mr. Andulile. J. Mwakalyelye	Member	M.A Economics	Tanzanian

Audit Committee

	Name	Position	Qualifications	Nationality
i	Mr. Andulile. J. Mwakalyelye	Chairperson	M.A Economics	Tanzanian
ii	Mr. Moremi Marwa	Member	MBA, CPA (T)	Tanzanian
iii	Mrs. Fatuma S. Chakindo	Member	MBA	Tanzanian

Index Committee*

	Name	Position	Qualifications	Nationality
i	Dr. Suleiman Mohamed	Chairperson	PhD in Finance	Tanzanian
ii	Mr. Charles Chenza	Member	MBA	Tanzanian
iii	Mr. George Fumbuka	Member	MBA &ACCA	Tanzanian
iv	Mrs. Judith K. Ndissi	Member	MBA	Tanzanian

Fidelity Fund Committee*

	Name	Position	Qualifications	Nationality
i	Mr. Pius A. Maneno	Chairperson	MAcc, PGDM,CPA	Tanzanian
ii	Mr. Rweyunga L. Malauri	Member	M.A.Economics	Tanzanian
iii	Mr. Alfred Mregi	Member	MBA	Tanzanian
iv	Mr. Yacoub M. Kidula	Member	MBA	Tanzanian

* The Index Committee and the Fidelity Fund Committee are not part of the DSE Governing Council. The members of the Committee's are selected based on their expertise on the subject matter.

Membership

During the year under review CRDB Bank Plc was admitted as a new CDS Operator member to the Exchange making a total of 38 members comprising of 7 dealing members and 31 associate members.

Risk Management and Internal Control

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is

Annual Report and Financial Statements for the year ended 30 June 2013

the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding:

- ✓ The effectiveness and efficiency of operations;
- ✓ The safeguarding of the Company's assets;
- ✓ Compliance with applicable laws and regulations;
- ✓ The reliability of accounting records;
- ✓ Business sustainability under normal as well as adverse conditions; and
- ✓ Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 30 June 2013 and is of the opinion that they met accepted criteria.

The Board of Directors carries risk and internal control assessment through Audit Committee.

Auditors

The Controller and Auditor General using powers entrusted to him under Section 33 of Public Audit Act No.11 of 2008 approved KPMG to be the External auditors of the DSE for the accounts of the financial year ended 30th June 2013.

BY ORDER OF THE COUNCIL



.....
CHAIRMAN



.....
MEMBER

10th December 2013

.....
DATE:



**STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2013**

The Companies Act 2002 (cap 212) requires the Company to prepare financial statements for each financial year, which gives a true and fair view of the state of affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the Council members to ensure that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company. The Council Members are also responsible for safeguarding the assets of the Company.

The Council members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 among others and for such internal control as Council members determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

The Council members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2002. The Council members are of the opinion that, the financial statements give a true and fair view of the state of the financial affairs of the Company and of its loss in accordance with International Financial Reporting Standards. The Council members further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate system of internal financial control.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Nothing has come to the attention of the Council members to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

BY ORDER OF THE COUNCIL

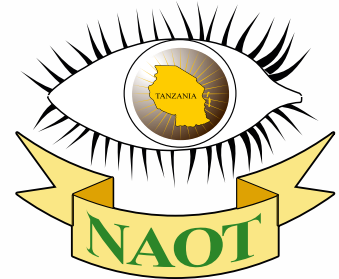
Chairman: Pius A. Maneno

10th December 2013
Date

Member: Rweyunga L. Malauri

10th December 2013
Date

**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF DAR ES SALAAM STOCK EXCHANGE
LIMITED FOR THE YEAR ENDED 30TH JUNE, 2013**

The Controller and Auditor General,
National Audit Office, Tanzania
Samora Avenue/Ohio Street,
P.O. Box 9080,
Dar Es Salaam
Tel: 255 (022) 2115157/8
Fax: 255 (022) 2117527
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Website: www.nao.go.tz

**Office of the Controller and Auditor General,
National Audit Office,
The United Republic of Tanzania
(Established under Article 143 of the Constitution of the URT)**



The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the United Republic of Tanzania and amplified in the Public Audit Act No.11 of 2008.

Vision

To be a centre of excellence in public sector auditing.

Mission

To provide efficient audit services to enhance accountability and value for money in the collection and use of public resources.

In providing quality services, NAO is guided by the following Core Values:

- ✓ **Objectivity:** We are an impartial organization, offering services to our clients in an objective, and unbiased manner;
- ✓ **Excellence:** We are professionals providing high quality audit services based on best practices;
- ✓ **Integrity:** We observe and maintain high standards of ethical behavior and the rule of law;
- ✓ **People focus:** We focus on stakeholders' needs by building a culture of good customer care and having competent and motivated work force;
- ✓ **Innovation:** We are a creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organization; and
- ✓ **Best resource utilization:** We are an organization that values and uses public resources entrusted to it in efficient, economic and effective manner.

We do this by:-

- ✓ Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- ✓ Helping to improve the quality of public services by supporting innovation on the use of public resources;
- ✓ Providing technical advice to our clients on operational gaps in their operating systems;
- ✓ Systematically involve our clients in the audit process and audit cycles; and
- ✓ Providing audit staff with adequate working tools and facilities that promote independence.

© ***This audit report is intended to be used by Government Authorities. However, upon receipt of the report by the Speaker and once it is tabled in Parliament, the report becomes a matter of public record and its distribution may not be limited.***



Chairman,
Governing Council
Dar es Salaam Stock Exchange Limited
P.O. Box 70081
DAR ES SALAAM.

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL TO THE COUNCIL OF THE
DAR ES SALAAM STOCK EXCHANGE LIMITED FOR THE YEAR ENDED 30TH JUNE, 2013**

Introduction

I have audited the accompanying financial statements of Dar es Salaam Stock Exchange Limited, which comprise the statement of financial position as at 30th June, 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out from pages 13 to 33 of the financial statements.

Council Members' Responsibility for the Financial Statements

The Governing Council of Dar es Salaam Stock Exchange Limited is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Tanzanian Companies Act, and for such internal control as the Council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility as auditor is to express an independent opinion on the financial statements based on the audit. According to Sect. 9 of the Public Audit Act No. 11 of 2008, my specific responsibilities are to examine, enquire into, audit and report on the financial statements of Dar es Salaam Stock Exchange Limited for the year ended 30 June 2013.

In addition, Sect. 10 (2) of the PAA of 2008 requires me to satisfy myself that the financial statements have been kept in accordance with generally accepted accounting principles; reasonable precautions have been taken to safeguard the collection of revenue, the receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed, expenditures of public monies have been properly authorized; and to satisfy myself whether the funds generated by Dar es Salaam Stock Exchange Limited were used exclusively and judiciously to meet eligible expenditure with due regard to economy and efficiency. Furthermore, Sect. 44(2) of the Public Procurement Act No.21 of 2004 and Reg. No. 31 of the Public Procurement (goods, works, non-consultant services and disposal of public assets by Tender) Regulations issued under G.N 97 of 2005 requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the law and its regulations

The audit was conducted in accordance with International Standards on Auditing (ISA) and such other audit procedures I considered necessary in the circumstances. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis of evidence supporting the amounts and disclosures in the financial statements of the audited entity. It also, includes assessing the significant estimates and judgments made in the preparation of the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of Dar es Salaam Stock Exchange Limited and that they have been consistently applied and

adequately disclosed. It also involves evaluating the overall financial statements presentation, and assessing the extent of compliance with the statutory requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis of my audit opinion.

Unqualified Audit Opinion

In my opinion, the financial statements presents fairly, in all material respects, the financial position of Dar es Salaam Stock Exchange Limited as at 30th June, 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared and have complied with the Companies Act, 2002.

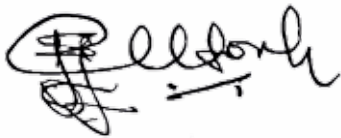
Report on other Legal and Regulatory Requirements

1. Compliance with Tanzanian Companies Act, 2002

As required by the Tanzanian Companies Act, 2002, I am also required to report to you if, in my opinion, the Council members' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if I have not received all the information and explanations I require for the audit, or if information specified by law regarding Council members' remuneration and transactions with the Company disclosed. There is no matter to report in respect of the foregoing requirements.

2. Compliance with Public Procurement Act, 2004

In view of my responsibility on procurement legislation, and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that Dar es Salaam Stock Exchange Limited has generally complied with the requirements of the PPA No. 21 of 2004 together with its related Regulations of 2005.



Ludovick S. L. Utouh

CONTROLLER AND AUDITOR GENERAL

Office of Controller and Auditor General,
National Audit Office,
DAR ES SALAAM.



31st January, 2014

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013**

		2013	2012
	Notes	TZS	TZS
Income			
Revenue	6	1,705,355,081	1,232,838,476
Other income	7	208,874,571	219,893,286
Amortization of capital grants	19	171,714,226	358,956,988
		2,085,943,878	1,811,688,750
Expenditure			
Staff costs	8	950,953,330	893,182,111
Administrative expenses	9	902,683,603	1,163,813,151
Other operating expenses	10	190,364,943	191,392,958
		2,044,001,876	2,248,388,220
Surplus/(deficit) from operations before financing charge			
		41,942,002	(436,699,470)
Interest income		144,412,543	97,850,099
Gross surplus/(deficit)			
		186,354,545	(338,849,371)
Taxation	11	-	-
Net surplus/(deficit) for the year			
		186,354,545	(338,849,371)
Other comprehensive income		-	-
Total Comprehensive income/(loss) for the year			
		186,354,545	(338,849,371)

Notes and related statements forming part of these financial statements appear on page 17 to 39
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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013**

	Notes	2013 TZS	2012 TZS
ASSETS			
Non-Current Assets			
Motor vehicles and equipment	12	461,418,885	635,806,953
Intangible assets	13	2,769,225	76,997,008
		464,188,110	712,803,961
Current Assets			
Trade and other receivables	15	348,824,282	195,900,010
Prepayments	16	100,084,210	77,754,941
Term deposit with the banks	18(a)	976,481,000	976,481,000
Cash and cash equivalents	18(b)	389,767,920	53,104,054
		1,815,157,412	1,303,240,005
Total Assets		2,279,345,523	2,016,043,966
EQUITY AND LIABILITIES			
Equity			
Accumulated fund		432,955,634	246,601,089
Capital grants		1,540,924,059	1,441,709,285
Car loan fund	20	35,000,000	35,000,000
		2,008,879,693	1,723,310,374
Current Liabilities			
Bank overdraft	18(c)	100,000,000	-
Listing fees received in advance	21	34,525,000	36,525,000
Trade and other payables	22	135,940,829	256,208,592
		270,465,829	292,733,592
Total Equity and Liabilities		2,279,345,523	2,016,043,966

These financial statements were approved for issue by the Governing Council on December 2013 and signed on its behalf by:

CHAIRMAN

MEMBER

10th December 2013

DATE:

Notes and related statements forming part of these financial statements appear on page 17 to 39
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**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2013**

		2013	2012
	Notes	TZS	TZS
CASH FROM OPERATING ACTIVITIES			
Surplus/(deficit) before taxation		186,354,545	(338,849,371)
Adjustments for:			
-Interest income		(144,412,543)	(97,850,099)
-Profit on disposal of fixed assets		(1,114,338)	(4,319,085)
-Amortization of capital grants	19	(171,714,226)	(358,956,988)
-Depreciation of motor vehicles and equipment	12	164,288,918	251,629,085
-Amortization of intangible assets	13	74,227,783	167,501,035
Operating surplus before changes in working capital items		107,630,139	(380,845,423)
Changes in:			
-fees receivable	15	(161,924,272)	124,303,985
-prepayments	16	(22,329,269)	204,733,070
- staff receivable	15	9,000,000	(16,194,789)
-term deposit	18(a)	-	3,609,863
-fees received in advance	21	(2,000,000)	(68,800,000)
- sundry creditors and accrued charges	22	(120,267,763)	100,353,758
Net cash flows used in operating activities		(189,891,165)	(32,839,356)
CASH FROM INVESTING ACTIVITIES			
Interest received		144,412,543	61,199,094
Acquisition of items of equipment	12	(3,286,512)	(753,382,725)
Proceed from disposal of fixed assets		14,500,000	22,671,720
Net cash flows from/(used in) investing activities		155,626,031	(669,511,911)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital grants received	19	270,929,000	335,776,125
Net cash flows from financing activities		270,929,000	335,776,125
Net increase/(decrease) in cash and cash equivalents		236,663,866	(370,185,185)
Cash and cash equivalents at 1 July		53,104,054	419,679,376
Cash and cash equivalents at 30 June		289,767,920	53,104,054

Notes and related statements forming part of these financial statements appear on page 17 to 39
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013**

	Capital Grants	Car Loan Fund	Accumulated Fund	Total
	TZS	TZS	TZS	TZS
Balance as at 1 July 2011	1,464,890,148	35,000,000	585,450,461	2,085,340,609
Amortization	(358,956,988)	-	-	(358,956,988)
Deficit for the year	-	-	(338,849,371)	(338,849,371)
Additions	335,776,125			335,776,125
Other comprehensive income	-	-	-	-
Balance as at 30 June 2012	1,441,709,285	35,000,000	246,601,090	1,723,310,375
Additions	270,929,000			270,929,000
Amortization	(171,714,226)	-	-	(171,714,226)
Surplus for the year	-	-	186,354,545	186,354,545
Other comprehensive income	-	-	-	-
Balance as at 30 June 2013	1,540,924,059	35,000,000	432,955,635	2,008,879,694

Notes and related statements forming part of these financial statements appear on page 17 to 39
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. REPORTING ENTITY

The Dar es Salaam Stock Exchange Limited (DSE) is a body corporate (limited by guarantee) incorporated in 1996 under the Companies Act, 2002 (Cap.212). The principal objective of the Stock Exchange is to provide a securities market to investors who intend to invest in the listed companies. The Stock Exchange assists companies to raise capital through the issuance of equities and debt securities.

The Stock Exchange is also an instrument for use by Government privatization and private companies for raising capital. Under the provisions of the Capital Markets and Securities (CMS) Act, 1994 (as amended), the Capital Markets and Securities Authority regulates the Exchange.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements for the year ended 30th June, 2013 and the comparative figures for the previous financial year have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved for issue by the Governing Council Members on 10th December 2013.

2.2 Basis of Measurement

The financial statements are prepared on the historical cost basis except for the financial instruments at fair value through profit or loss which are measured at fair value.

The methods used to measure fair value are discussed further in note 4.

2.3 Functional and Presentation Currency

The financial statements are presented in Tanzanian Shillings (TZS), which is the Company's functional currency.

2.4 Use of Estimates and Judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the respective notes to the financial statements.



3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency (TZS) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss in the period in which they arise.

3.2 Financial Instruments

3.2.1 Non-derivates financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalent and trade and other receivables.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits with maturities of three month or less from the acquisition date that are subject to insignificant risk of changes in their fair value and are used by the Company in the management of its short term commitments. Bank overdrafts (if any) that are repayable on demand and form an integral part of the Company's cash management are included as component of cash and cash equivalents for the purpose of the statement of cash flows.

Investment Securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

Held-to-Maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

3.3 Property and Equipment

3.3.1 Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3.3.2 Subsequent Costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.



3.3.3 Depreciation

Items of property and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual value using straight line method over their estimated useful life.

Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

• Office Furniture and equipment	4 years
• Power Generator	4 years
• Motor vehicles	4 years
• Building	40 years

3.3.4 Intangible Assets

Computer Software

Computer software is measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific assets to which it relates.

Amortization method, useful lives and residual value are reviewed at each reporting date. The estimated useful life for the current and comparative years of computer software is five years.

3.4 Impairment

i) Financial Assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortizations, if no impairment loss had been recognized.



3.5 Employees Benefits

3.5.1 Defined Contribution Plans

DSE has statutory obligations to contribute to various pension schemes in favor of all the employees employed under permanent and pensionable terms. The pension schemes in force, which the Exchange contributes to, are the PPF Fund (PPF) and National Social Security Fund (NSSF). Contributions to the funds are recognized as an expense in the Statement for Comprehensive Income when they are due.

3.5.2 Short Term Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.5.3 Leave Pay

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

3.5.4 Terminal Benefits

Terminal benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange of these benefits.

3.6 Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognized when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where reliable estimate can be made of the amount of the obligation.

3.7 Revenue

DSE revenue comprises listing fees, transaction fees and membership fee. Revenue is recognized in yearly basis for continued listed companies and members and for new members when they join the exchange or listed in the stock exchange for the first time. Transaction fee is recognized when actual trading of shares is done.

3.7.1 Listing Fees

Initial listing fee is recognized in the year in which the company makes the floatation.

Annual listing fee is computed on the capitalization value of the listed securities.

Additional listing income is recognized during the year in which the issuing company makes announcement of the bonus/rights issues.

3.7.2 Transaction Fees

Transaction fee is based on the percentage of the value of shares traded and is recognized on the dates of the transactions.

3.8 Other Income

Other income comprises of subvention from government, grant income, membership fee, CDS fees, and sundry income.

Subvention from the government is granted to compensate the company for expenses incurred and is recognized on profit or loss on a systematic basis in the same period in which the expenses are recognized

Membership fees are recognized at fair value in the year to which they relate.

3.9 Grants

Grants are recognized at their fair value where there is reasonable assurance that grant will be received and all attaching conditions will be complied with.

Grants received for capital expenditure are classified as capital grants in the Statement of Financial Position while grants received for operating expenses are treated as recurrent income.

Capital grants are amortized at the rate which fixed assets acquired through the grants are depreciated.

3.10 Finance Income

Finance income comprises interest income over fund invested. Interest income is recognized as it accrues, using the effective interest methods.

3.11 Income Tax

The DSE as a nonprofit making organization is being supported by the Government to meet both of its capital and recurrent expenditure. In view of its nature of operations, it is considered to be tax exempt. However, DSE is Tax exemption with effect from 01st July, 2012 as per amendments in the Finance Act, 2012.

3.12 New Standards and Interpretation not yet adopted

A number of new standards, amendments to standards and interpretations are not effective for the year ended 30 June 2013, and have not been applied in preparing these financial statements.

IAS 19 Employee benefits (effective 1 January 2013) (amended)

The amendment to IAS 19 requires a change to the accounting for current and future obligations resulting from the provision of defined benefit plans. The amendment eliminates the corridor approach and calculates finance costs on a net funding basis. The Company is still determining the impact of the standard on the financial position.

IFRS 9 Financial Instruments (effective 1 January 2017)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.



IFRS 9 (2010 and 2009) is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The Company is still determining the impact of the standard on the financial statements.

IFRS 13 Fair Value Measurement (effective 1 January 2013)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout other IFRSs. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Company is still determining the impact of the standard on the financial statements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

3.13 Comparative Figures

Comparative figures, where necessary, have been reclassified to conform to changes in presentation in the current year.

4.0 DETERMINATION OF FAIR VALUES

Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5.0 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Risk Management Framework

The Governing Council has overall responsibility for the establishment and oversight of the Company's risk management framework.. The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Governing Council oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

5.1 Credit Risk

Credit risk is the risk of financial loss to the DSE arising from failure of customers to meet their contractual obligations when fall due and arises principally from the company's investment securities such as fixed deposits and receivables from customers.

The DSE customers are basically brokerage firms whom the DSE rules require them to furnish their financial position each quarter. DSE Management uses this information to evaluate the creditworthiness of each broker as a way of mitigating credit and investing in issuers with known credibility.

Exposure to Credit Risk

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013 TZS	2012 TZS
Fixed deposits	976,481,000	976,481,000
Trade Receivables	272,537,446	108,292,487
Other Receivables	53,536,839	87,607,526
	1,302,555,285	1,172,381,013

The aging of trade and other receivables that are not impaired at the end of the reporting period was as follows:

	2013 TZS	2012 TZS
Past due but not impaired:		
- by up to 30 days	81,272,839	91,489,745
- by 31 to 60 days	35,070,599	8,505,499
- by 61 to 90 days	156,194,008	5,791,018
- Over 91 days	-	2,506,225
	272,537,446	108,292,487
Total past due but not impaired	272,537,446	108,292,487
Impaired	-	-
	272,537,446	108,292,487
Gross debtors (Note 15)	272,537,446	108,292,487

Cash and Cash Equivalents

The Company held cash and cash equivalents of TZS 289,767,920 at 30 June 2013 (2012: TZS 53,104,054), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, of good reputation.

5.2 Liquidity Risk

Liquidity risk is the risk that the DSE will not be able to meet its financial obligations as they fall due. The DSE's approach in managing liquidity ensures as far as possible, it always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.



Annual Report and Financial Statements for the year ended 30 June 2013

The DSE ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Maturity profile of non-derivative financial liabilities based on contractual cash flows, it as follows:

	Carrying Amount TZS	Contractual Amount TZS	Within One Year TZS	Above One Year TZS
As at 30 June 2013				
Bank overdraft	100,000,000	100,000,000	100,000,000	-
Fees receivable in advance	34,525,000	34,525,000	34,525,000	-
Other payables	135,940,829	135,940,829	135,940,829	-
	270,465,829	270,465,829	270,465,829	-
As at 30 June 2012				
Fees receivable in advance	36,525,000	36,525,000	36,525,000	-
Trade Payables	19,531,971	19,531,971	19,531,971	-
Other payables	236,676,621	236,676,621	236,676,621	-
	292,733,592	292,733,592	292,733,592	-

5.3 Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

- **Interest Rate Risk**

Interest Rate Risk is the risk that the DSE being exposed to gains or losses on fluctuations of interest in the market. The DSE exposure on interest rates fluctuations is mainly on its investment in short term securities. This is mitigated by DSE management through regular review on interest rates movement in money market and hence shifting funds from Treasury bills to Fixed deposits and vice versa.

The Company is not exposed to significant interest rate risk as it does not have external funding or debt instruments.

The following table analyses the interest risk profile for assets and liabilities at year end.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amount	
	<u>2013</u>	<u>2012</u>
	TZS	TZS
Fixed rate instruments		
Financial assets	976,481,000	976,481,000
Financial liabilities	-	-
	976,481,000	976,481,000
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(100,000,000)	-
	(100,000,000)	-

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value though profit and loss. Therefore a change in interest rate at end of the reporting period would not affect profit and loss.

A change of 100 basis points interest rates at the reporting date would have increased (decreased) equity and profit or loss by TZS 976,481(2012 – TZS 976,481).

Cash Flow Sensitivity Analysis for Variable Rate Instruments

A change of 100 basis points interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts below. This analysis assumes that all other variables in particular foreign currency rates, remain constant.

	Profit or loss	
	<u>100 bp</u>	<u>100 bp</u>
	<u>increase</u>	<u>decrease</u>
	TZS	TZS
31 December 2013		
Variable rate instruments	876,481	(876,481)
31 December 2012		
Variable rate instruments	976,481	(976,481)

The Company has not elected to hedge interest risk and therefore there would be no impact on equity.

Capital Risk Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market and to sustain future development of the business. Capital consists of total equity.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

There were no changes in the Company's approach to capital management during the year.

- Currency Risk**

Currency risk arises on financial instruments that are denominated in a foreign currency, i.e. a currency other than the functional currency in which they are measured. Currency risk does not arise from non-



Annual Report and Financial Statements for the year ended 30 June 2013

monetary items or items denominated in the functional currency.

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. At the reporting date, the Company did not have significant assets and/or liabilities denominated in foreign currency.

6. REVENUE

	2013	2012
	TZS	TZS
Government subvention	340,310,400	333,800,400
Listing fees	1,135,446,739	755,571,849
Transaction fees	229,597,942	143,466,227
	1,705,355,081	1,232,838,476

7. OTHER INCOME

Annual membership fees	17,200,000	16,900,000
Membership application fees	1,500,000	2,000,000
Gain from Disposal of fixed assets	1,114,338	4,319,185
ATS Fees Support-Treasury	170,100,000	150,000,000
ISIN Fees	3,150,000	-
FSP funds from BOT	-	33,632,275
SITI Training fee	-	9,100,000
Sale of tender documents	-	100,000
Data vending	6,828,240	3,841,826
Penalty & Fines	7,654,593	-
Miscellaneous income	1,327,400	-
	208,874,571	219,893,286

8. STAFF COSTS

	2013	2012
	TZS	TZS
Personnel emoluments	657,552,933	624,647,951
PPF Contribution-Company	74,906,215	66,707,421
Skills and Development Levy	36,057,845	37,478,878
Leave Passage	34,804,422	33,271,457
Medical Expenses	43,918,554	33,122,167
Furniture allowance	7,706,914	7,706,914
Special Pension Scheme for CEO	9,009,000	7,055,211
Special allowance	6,200,000	6,700,000
Staff terminal benefit	10,148,414	-
Gratuity	55,614,934	-
Acting allowance	5,188,081	-
Training Expenses	9,846,018	76,492,112
	950,953,330	893,182,111

9. ADMINISTRATIVE EXPENSES

	2013 TZS	2012 TZS
Depreciation	238,516,699	419,130,120
Director's fees	18,000,000	18,000,000
General expenses:		
Audit fees and expenses	21,757,353	24,115,766
Traveling expenses	59,036,969	116,155,481
Fuel Expenses - motor vehicles	16,322,585	26,031,235
Council meeting - expenses	75,832,680	140,794,066
Office rent	220,451,006	177,847,926
Telephone expenses	28,680,077	31,325,372
Stationery expenses	11,562,964	14,912,132
Postage and e-mail	11,653,184	6,218,541
Insurances	5,638,000	7,578,334
Repair & maintenance motor vehicles	7,896,025	16,808,173
Office security expenses	5,717,500,	8,820,000
Office snacks	4,932,000	4,823,020
Office expenses	296,000	3,486,940
Office cleaning expenses	6,240,000	6,240,000
Parking fees	8,691,530	6,495,300
Bank charges	1,785,047	808,336
Annual general meeting expenses	381,100	357,600
Newspapers magazine & periodicals	3,750,400	4,186,300
Public education	10,426,300	19,205,420
EGM Public Awareness Campaigns – FSDT funds	15,943,369	-
Electricity and water	19,415,813	16,311,622
Tendering and Related Advertising expenses	10,542,661	5,073,285
Maintenance plant and equipment	6,694,623	7,837,231
Exchange Rate losses	969,738	7,048,598
Business Activities	9,838,000	29,708,610
Expenses for training courses	-	11,191,876
Interest on Overdraft facility	8,237,421	-
Condolences & burial expenses	-	3,825,000
Disaster Recovery Site(DRS) Running cost	7,936,391	9,311,195
Office relocation expenses	-	10,741,648
Legal charges	3,500,000	-
Provision for Probable Claims on Labor disputes cases	47,762,544	-
Withholding tax	14,275,624	9,424,024
	902,683,603	1,163,813,151



10. OTHER OPERATING EXPENSES

	2013 TZS	2012 TZS
Publications and periodicals	11,416,500	17,193,780
CDS Certificate expenses	3,835,000	4,041,500
ATS license fees	167,353,708	165,299,539
Hospitality expenses	452,400	228,900
Gifts and donations	300,000	300,000
Subscriptions	7,007,335	4,329,239
	190,364,943	191,392,958

11. TAXATION

DSE is Tax exempt with effect from 01 July 2012 as per amendments made in the Finance Act, 2012.

12. MOTOR VEHICLES AND EQUIPMENT

	Office Equipment TZS	Office Furniture TZS	Power Generator TZS	Motor vehicles TZS	Building TZS	Office partition TZS	Total TZS
Cost							
Balance at 1 July 2011	631,843,911	15,003,036	57,564,117	88,814,839	-	-	793,225,903
Additions	300,279,266	23,377,865	39,115,159	127,509,480	100,000,000	163,100,955	753,382,725
Disposals	(108,286,456)	(4,739,598)	(14,730,000)	(50,615,136)	-	-	(178,371,190)
Balance at 30 June 2012	823,836,721	33,641,303	81,949,276	165,709,183	100,000,000	163,100,955	1,368,237,438
Balance at 1 July 2012	823,836,721	33,641,303	81,949,276	165,709,183	100,000,000	163,100,955	1,368,237,438
Additions	-	-	-	-	3,286,512	-	3,286,512
Disposals	-	-	(42,834,117)	-	-	-	(42,834,117)
Balance at 30 June 2013	823,836,721	33,641,303	39,115,159	165,709,183	103,286,512	163,100,955	1,328,689,833

	Office Equipment TZS	Office Furniture TZS	Power Generator TZS	Motor vehicles TZS	Building TZS	Office partition TZS	Total TZS
Accumulated depreciation							
Balance at 1 July 2011	516,734,804	9,831,781	25,438,529	88,814,839	-	-	640,819,953
Depreciation for the year	151,980,274	6,508,886	20,487,319	31,877,370	-	40,775,238	251,629,087
Disposals	(94,298,801)	(374,618)	(14,730,000)	(50,615,136)	-	-	(160,018,555)
Balance at 30 June 2012	574,416,277	15,966,049	31,195,848	70,077,073	-	40,775,238	732,430,485
Balance at 1 July 2012	574,416,277	15,966,049	31,195,848	70,077,073	-	40,775,238	732,430,485
Depreciation for the year	67,614,801	6,211,320	17,810,189	31,877,370	-	40,775,238	164,288,918
Disposals	-	-	(29,448,455)	-	-	-	(29,448,455)
Balance at 30 June 2013	642,031,078	22,177,369	19,557,582	101,954,443	-	81,550,476	867,270,948
Carrying Amounts							
At 1 July 2011	115,109,107	5,171,255	32,125,588	-	-	-	152,405,950
At 30 June 2012	249,420,444	17,675,254	50,753,428	95,632,110	100,000,000	122,325,717	635,806,953
At 30 June 2013	181,805,644	11,463,932	19,557,579	63,754,740	103,286,512	81,550,478	461,418,885

13. INTANGIBLE ASSETS

	2013 TZS	2012 TZS
Cost		
As at 1 July 2012	864,346,924	864,346,924
Additions	-	-
As at 30 June 2013	864,346,924	864,346,924
Amortization		
As at 1 July 2012	787,349,916	619,848,882
Charge for the year	74,227,783	167,501,034
As at 30 June 2013	861,577,699	787,349,917
Net book value as at 30 June 2013	2,769,225	76,997,007



Annual Report and Financial Statements for the year ended 30 June 2013

Intangible assets related to Automated Trading System and Pastel Accounting software.

14. OTHER INVESTMENTS

DSE has 20% stake in CAD Securities Ltd as per the Memorandum and Articles of Association of CAD Securities Ltd. An agreement between the DSE and the other Shareholders of CAD Securities Ltd was entered in 2003 where the DSE had to provide office accommodation to CAD Securities as its consideration. The issued and paid up share capital of CAD Securities Ltd is TZS. 81,000,000. DSE has not recognized its investment in CAD securities Ltd because it does not meet measurability criteria.

15. TRADE AND OTHER RECEIVABLES

	2013	2012
	TZS	TZS
Interest receivable on term deposits	48,236,839	36,651,005
Listing fees receivable-securities and bonds	208,913,113	76,609,922
Transaction fees receivable	63,624,333	31,682,565
Swift Uganda	-	4,175,600
Membership fees	5,300,000	3,100,000
BOT	-	6,930,921
Government Subvention	-	5,000,000
Staff car loan receivable	22,750,000	31,750,000
	348,824,285	195,900,013

16. PREPAYMENTS

	2013	2012
	TZS	TZS
Prepaid ATS/CDS License fee	78,216,215	74,916,363
Prepaid Insurance	1,540,023	1,488,578
Prepaid Medical insurance	20,327,972	-
TTCL Internet recharge	-	1,350,000
	100,084,210	77,754,941

17. OPERATING LEASES

The Company's affairs are conducted in the Dar es Salaam Stock Exchange office in the 14th floor of the Golden Jubilee Towers Ohio Street in Dar es Salaam.

18.

(a) TERM DEPOSIT WITH THE BANKS

Term deposit are held to maturity and subsequently measured at amortized cost. The term deposits are held at the following institution;

	2013	2012
	TZS	TZS
Kenya Commercial Bank Limited(KCB)	350,571,000	350,571,000
Exim Bank (T) Ltd	525,910,000	525,910,000
Commercial Bank of Africa Limited(CBA)	100,000,000	100,000,000
	976,481,000	976,481,000

The effective interest rate on term deposits as at 30 June 2013 and 30 June 2012 and maturity date are shown below:

	2013		2012	
	Effective Interest rate per annum	Maturity Date	Effective Interest rate per annum	Maturity Date
KCB	14.50%	1 August 2014	9.3%	1 August 2013
EXIM BANK	15.60%	27 Dec 2013	17%	25 June 2013
EXIM BANK	15.50%	12 April 2014	9.6%	1 October 2012

18.

(b) CASH AND CASH EQUIVALENTS

	2013	2012
	TZS	TZS
Operational Main Account	84,712,629	12,447,313
Car Loan Fund Account	12,426,600	3,475,600
Uncollected Tanzania Breweries Limited dividends Account	2,703,145	2,758,145
Cash in hand	699,012	375,112
Twiga Bancorp	22,035	144,235
CRDB Bank	289,204,499	33,902,649
	389,767,920	53,104,054

c) Bank overdraft

The Company has an overdraft facility with Kenya Commercial Bank up to a limit of TZS 100,000,000. DSE requested this facility to short term maturing obligations. The facility carries an interest charge of 13% per annum. The facility is secured by DSE fixed deposit of TZS 350,000,000.

The overdraft facility expired on 20 August, 2013 and was fully settled by 31 August 2013.



19. CAPITAL GRANTS

	2013	2012
	TZS	TZS
Balance as at 1 st July	1,441,709,285	1,464,890,148
Additions during the year	270,929,000	335,776,125
	1,712,638,285	1,800,666,273
Less: Amortization during the year	171,714,226	358,956,988
Balance as at 30 June	1,540,924,059	1,441,709,285

The capital grants comprise of the following items: Automated Trading System, Central Depository System equipment's, cash advanced to the DSE by the Government and Financial Sector Deepening Trust (FSDT) for the DSE's development activities and Public awareness campaigns. The ATS equipment was granted to the DSE in December, 2006.

The capital grants added was a cash grants received during the year from the Financial Sector Deepening Trust (FSDT) for the Enterprises Growth Market segment Public Awareness Campaigns.

20. CAR LOAN FUND

This is a revolving fund established on 3rd August, 2001 from the accumulated fund account with a seed capital of TZS 35 million for the purpose of extending loans to staff for purchase of motor vehicles.

21. FEES RECEIVED IN ADVANCE

	2013	2012
	TZS	TZS
Standard Chartered Bank	4,125,000	6,125,000
Richland Resources Ltd	30,000,000,000	30,000,000
Membership fees in advance	400,000	400,000
	34,525,000	36,525,000

22. TRADE AND OTHER PAYABLES

Trade payables	-	19,531,971
Accrued Council members' fees	18,000,000	18,000,000
Accrued audit fees	22,500,000	22,500,000
Office partition	-	118,021,303
Office rent	-	37,210,799
Provision for probable claims on labour disputes cases	47,762,544	-
Accrued charges	47,678,285	40,944,519
	135,940,829	256,208,592



23. RELATED PARTY TRANSACTIONS

23.1 Council members' Remunerations

The remunerations to the Council members were as follows:

Non- Executive Council members' fees	63,800,000	71,800,000
Key management compensation	<u>418,820,260</u>	<u>343,049,930</u>

24. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The DSE has provided a total of TZS 47,762,544 as contingent liabilities for the probable labour related cases as at the end of the financial year 2012/13.

**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF FIDELITY FUND
FOR THE YEAR ENDED 30TH JUNE, 2013**

The Controller and Auditor General,
National Audit Office, Tanzania
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Dar Es Salaam
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**Office of the Controller and Auditor General,
National Audit Office,
The United Republic of Tanzania
(Established under Article 143 of the Constitution of the URT)**

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the United Republic of Tanzania and amplified in the Public Audit Act No.11 of 2008.

Vision

To be a centre of excellence in public sector auditing.

Mission

To provide efficient audit services to enhance accountability and value for money in the collection and use of public resources.

In providing quality services, NAO is guided by the following Core Values:

- ✓ **Objectivity:** We are an impartial organization, offering services to our clients in an objective, and unbiased manner;
- ✓ **Excellence:** We are professionals providing high quality audit services based on best practices;
- ✓ **Integrity:** We observe and maintain high standards of ethical behaviour and the rule of law;
- ✓ **People focus:** We focus on stakeholders' needs by building a culture of good customer care and having competent and motivated work force;
- ✓ **Innovation:** We are a creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organization; and
- ✓ **Best resource utilisation:** We are an organisation that values and uses public resources entrusted to it in efficient, economic and effective manner.

We do this by:-

- ✓ Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- ✓ Helping to improve the quality of public services by supporting innovation on the use of public resources;
- ✓ Providing technical advice to our clients on operational gaps in their operating systems;
- ✓ Systematically involve our clients in the audit process and audit cycles; and
- ✓ Providing audit staff with adequate working tools and facilities that promote independence.

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Annual Report and Financial Statements for the year ended 30 June 2013

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REPORT OF THE FUND MANAGEMENT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2013

The Fund Management Committee present this report together with the audited financial statements of the Dar es Salaam Stock Exchange – Fidelity Fund (the fund) for the year ended 30 June 2013.

1. ESTABLISHMENT AND PURPOSE

In accordance with the provisions of the Capital Markets and Securities (CMS) Act, 1994, the fund was established in April 1998 to hold in trust certain assets, the property of the Dar es Salaam Stock Exchange (the Stock Exchange), for the purpose of providing compensation to persons who suffer pecuniary loss from any defalcation committed by a Licensed Dealing Member (LDM) or its directors or partners or through defalcations by any of the employees of the company or firm.

2. MINIMUM BALANCE

The Fund shall consist of an amount of not less than TZS 100 million or such other sum as may be directed by the Minister, by Notice in the Gazette in accordance with the CMS Act 1994.

3. ACTIVITIES

As noted above, the Fund holds in trust certain assets, the property of the Stock Exchange, for the purpose of compensating any persons who suffer pecuniary loss as a result of defalcations committed by a member company of the stock exchange and certain other persons. The Fund's income to meet these potential commitments is obtained from, inter alia, fees based on a certain percentage of the underlying transactions on the Stock Exchange and annual receipts equal to 10% or more of the net income of the Stock Exchange for any one financial year.

4. FUND POSITION

The position of the Fund as at the end of the year is reflected in the accumulated fund balance of TZS 213,935,673 shown in the financial position statement sheet on page 7 and in note 10 to the financial statements. The minimum amount of the Fund, however, shall be either TZS 100 million or such other sum as the Minister for Finance may direct to be paid into the fund. The Minister has, through a Government Notice, gazette the amount to be credited to the Fund to be at the rate of 0.04% from equity securities. No claim has been made against the Fund since its establishment.

5. RESULTS FOR THE YEAR

The results for the year are shown in the Statement of Comprehensive Income on page 6. No annual receipt based on the net income of the Stock Exchange has been recognized in the accounts as the Stock Exchange did not realize a net income after the exclusion of government subventions.

6. FIDELITY FUND MANAGEMENT COMMITTEE

The committee was established under the Capital Markets and Securities Act, 1994 to oversee the administration of the DSE Fidelity Fund. The Committee is composed of four members. These are:

Name	Position	Qualifications/Disciplines	Nationality
Mr. Pius A. Maneno	Chairperson	MBA, CPA	Tanzanian
Mr. Rweyunga L. Malauri	Member	M.A.Economics	Tanzanian
Mr. Alfred Mregi	Member	MBA	Tanzanian
Mr. Yacoub M. Kidula	Member	MBA	Tanzanian

7. AUDITORS

The Controller and Auditor General using powers entrusted to him under Section 33 of Public Audit Act No.11 of 2008 approved KPMG to be the External auditors of the DSE fidelity fund accounts for the financial year ended 30th June 2013.



.....
Chairman



.....
Member

**FUND MANAGEMENT COMMITTEE RESPONSIBILITY STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

As provided by the Capital Market and Securities Act 1994, the Fund shall be administered by the Council of the Stock Exchange which, as further provided, may appoint a Fund Management Committee (The committee) to which it may delegate all its powers. This delegation has been effected.

The committee is responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 30th June, 2013, and the statement of Comprehensive income, and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

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

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

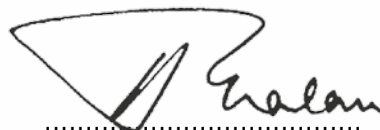
The committee has made an assessment of the Fund's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Approval of the financial statements

The financial statements of Fidelity Fund, as indicated above, were approved for issue by the Fund management Committee on 10th December 2013 and are signed on its behalf by:

A handwritten signature in black ink, appearing to be 'A. H. Khan', written over a dotted line.

Chairman

A handwritten signature in black ink, appearing to be 'R. H. Khan', written over a dotted line.

Member



To: Chairman,
Fidelity Fund Management committee
Dar es Salaam Stock Exchange-Fidelity Fund
P.O. Box 70081
DAR ES SALAAM.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL TO THE FUND MANAGEMENT COMMITTEE OF THE DAR ES SALAAM STOCK EXCHANGE – FIDELITY FUND FOR THE YEAR ENDED 30 JUNE 2013

Introduction

I have audited the accompanying financial statements of Dar es Salaam Stock Exchange- Fidelity Fund, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out from pages 9 to 15 of the financial statements.

Council members' Responsibility for the Financial Statements

The Fund Management Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Capital Markets and Securities Act, 1994, and for such internal control as the Committee members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility as auditor is to express an independent opinion on the financial statements based on the audit. According to Sect. 9 of the Public Audit Act No. 11 of 2008, my specific responsibilities are to examine, enquire into, audit and report on the financial statements of Dar es Salaam Stock Exchange – Fidelity Fund for the year ended 30 June 2013.

In addition, Sect. 10 (2) of the PAA of 2008 requires me to satisfy myself that the financial statements have been kept in accordance with generally accepted accounting principles; reasonable precautions have been taken to safeguard the collection of revenue, the receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed, expenditures of public monies have been properly authorized; and to satisfy myself whether the funds generated by Dar es Salaam Stock Exchange- Fidelity Fund were used exclusively and judiciously to meet eligible expenditure with due regard to economy and efficiency.

Furthermore, Sect. 44(2) of the Public Procurement Act No.21 of 2004 and Reg. No. 31 of the Public Procurement (goods, works, non-consultant services and disposal of public assets by Tender) Regulations issued under G.N 97 of 2005 requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the law and its regulations

The audit was conducted in accordance with International Standards on Auditing (ISA) and such other audit procedures I considered necessary in the circumstances. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis of evidence supporting the amounts and disclosures in the financial statements of the audited entity. It also, includes assessing the significant estimates and judgments made in the preparation of

the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of Dar es Salaam Stock Exchange – Fidelity Fund and that they have been consistently applied and adequately disclosed. It also involves evaluating the overall financial statements presentation, and assessing the extent of compliance with the statutory requirements.

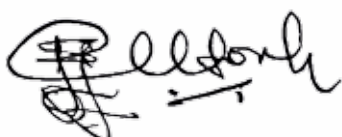
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis of my audit opinion.

Unqualified audit opinion

In my opinion, the financial statements presents fairly, in all material respects, the financial position of Dar es Salaam Stock Exchange – Fidelity Fund as at 30th June 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared and have complied with the Capital Markets and Securities Act, 1994.

Report on other Legal and Regulatory Requirements

In view of my responsibility on procurement legislation, and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that Dar es Salaam Stock Exchange- Fidelity Fund has generally complied with the requirements of the PPA No. 21 of 2004 together with its related Regulations of 2005.



Ludovick S. L. Utouh

CONTROLLER AND AUDITOR GENERAL

Office of Controller and Auditor General,
National Audit Office,
DAR ES SALAAM.

30th January, 2014



Annual Report and Financial Statements for the year ended 30 June 2013

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	2013 TZS	2012 TZS
Income			
Fee income	6	29,193,605	17,622,570
Other income	7	<u>18,016,738</u>	<u>17,399,856</u>
		47,210,343	35,022,426
Expenditure			
Audit fees	8	2,565,317	2,547,618
Administrative expenses		2,791,200	-
Bank charges		<u>58,000</u>	<u>62,000</u>
		5,414,517	2,609,618
Surplus before taxation		<u>41,795,826</u>	<u>32,412,808</u>
Taxation		-	-
Surplus for the year		<u>41,795,826</u>	<u>32,412,808</u>


Notes and related statements forming part of these financial statements appear on page 48 to 57

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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013**

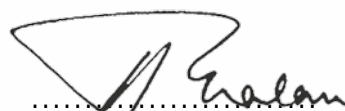
	Notes	2013 TZS	2012 TZS
ASSETS			
Current assets			
Receivables	9	28,440,128	19,182,333
Fixed deposits		176,000,000	136,306,000
Bank balances		12,095,545	19,251,513
Total assets		216,535,673	174,739,846
RESERVES AND LIABILITIES			
Reserves			
Accumulated fund	10	213,935,673	172,139,846
Current liabilities			
Accruals	11	2,600,000	2,600,000
Total reserves and liabilities		216,535,673	174,739,846

The financial statements of Fidelity Fund were approved for issue by the Governing Council on 10th December 2013 and are signed on its behalf by:



.....
Chairman

Date: 10th Dec. 2013



.....
Member

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**FIDELITY FUND STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 TZS	2012 TZS
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before taxation	41,795,826	32,412,808
Adjustment for:		
-Interest income	<u>(18,016,738)</u>	<u>(11,199,856)</u>
Operating surplus before working capital changes	23,779,088	21,212,952
Changes in receivables	<u>(3,040,160)</u>	<u>4,276,041</u>
Cash generated from operations	20,738,928	25,488,993
Taxation paid	-	-
Net cash flow from operating activities	<u>20,738,928</u>	<u>25,488,993</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	11,799,104	9,306,000
Acquisition of fixed deposit	<u>(39,694,000)</u>	<u>(26,306,000)</u>
Net cash flow from investing activities	(27,894,896)	(17,000,000)
Net increase in cash and cash equivalents	<u>(7,155,968)</u>	<u>8,488,993</u>
Cash and cash equivalents at 1 July	19,251,513	10,762,520
Cash and cash equivalents at 30 June	<u>12,095,545</u>	<u>19,251,513</u>

Notes and related statements forming part of these financial statements appear on page 48 to 57

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. REPORTING ENTITY

a) Establishment and Legal Status

The Fidelity Fund (the Fund) was established in accordance with the provisions of the Capital Markets and Securities (CMS) Act 1994 whereby the Dar es Salaam Stock Exchange is required to establish and keep a fidelity fund which shall be administered by its council on behalf of the Stock Exchange. The assets of the Fidelity Fund shall be the property of the Dar es Salaam Stock Exchange but shall be kept separate from all other property and shall be held in trust for the purpose set out in the CMS Act.

The Dar es Salaam Stock Exchange is a body corporate incorporated in 1996 under the Companies Ordinance (Cap 212) as a company limited by guarantee without a share capital.

b) Purpose

The Fund's assets are to be used to provide compensation to persons who suffer pecuniary loss from any defalcation committed by a member company or member firm or its directors or partners or through defalcations by any of the employees of the company or firm, in accordance with the provisions of the CMS Act. No claims against the Fund have been received since the Fund was created.

2. BASIS OF PREPARATION

a) Statement of Compliance

The Financial Statements for the year ended 30th June, 2013 and the comparative figures for the previous financial year have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved for issue by the Fidelity Fund Committee on 10th December 2013.

b) Basis of Measurement

These financial statements are presented in Tanzanian shillings, which is the Fund's functional and presentation currency. The financial statements have been prepared under the historical cost basis except for the items stated at fair value as described below:

- available for sale financial assets
- cash and cash equivalents

c) Use of Estimates and Judgments

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

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



In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the respective notes to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign Currency Transactions

The functional and presentation currency of the Fund is the Tanzanian Shilling (TZS). Transactions in foreign currency are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities dominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognized in profit or loss.

b) Financial Instruments

Non derivative Financial Instruments:

Non derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, and trade and other payables.

Non derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs.

Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and bank deposits with maturities of three month or less from the acquisition date that are subject to insignificant risk of changes in their fair value and are used by the Company in the management of its short term commitments. Bank overdrafts (if any) that are repayable on demand and form an integral part of the Company's cash management are included as component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables:

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise as a result of the company providing money, goods, or services directly to a debtor with no intention of trading the receivable. These non derivatives are measured at amortized cost using effective interest method, less any impairment losses.

c) Income

Fee income - comprises fees on the underlying transactions of the Dar es Salaam Stock Exchange based on the percentage of shares traded and is recognized on the date of transaction. Fees are accrued at the rate gazetted by the Government of Tanzania from time to time on the underlying transactions on the stock exchange.

Annual receipts – an amount equal to 10% or more of the net income of the stock exchange for any one financial year (section 89(2) of the CMS Act) is accounted for on an accrual basis.

d) Comparative Figures

Where it is necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

e) New Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations are not effective for the year ended 30 June 2013, and have not been applied in preparing these financial statements.

IFRS 9 Financial Instruments (effective 1 January 2017)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Fund is still determining the impact of the standard on the financial statements.

IFRS 13 Fair Value Measurement (effective 1 January 2013)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout other IFRSs. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Fund is still determining the impact of the standard on the financial statements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

4. DETERMINATION OF FAIR VALUES

Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. FINANCIAL RISK MANAGEMENT

5.1 Credit Risk

Credit risk is the risk of financial loss to the DSE Fidelity Fund arising from failure of customers to meet their contractual obligations when fall due and arises principally from the Fund's investment securities such as fixed deposits and receivables from customers.

The DSE Fidelity Fund customers are basically brokerage firms whom the DSE rules require them to furnish their financial position each quarter. DSE Management uses this information to evaluate the creditworthiness of each broker as a way of mitigating credit and investing in issuers with known credibility.



Annual Report and Financial Statements for the year ended 30 June 2013

Exposure to Credit Risk

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013	2012
	TZS	TZS
Fixed deposits	176,000,00	136,306,000
Trade receivables	13,317,268	10,277,107
Interest receivables	<u>15,122,860</u>	<u>8,905,226</u>
	<u>204,440,128</u>	<u>155,488,333</u>

The aging of trade and other receivables that are not impaired at the end of the reporting period was as follows:

	2013	2012
	TZS	TZS
Past due but not impaired:		
- by up to 30 days	9,248,852	4,337,736
- by 31 to 60 days	2,782,147	525,362
- by 61 to 90 days	35,601	174,174
- Over 91 days	<u>1,250,668</u>	<u>5,239,835</u>
Total past due but not impaired	13,317,268	10,277,107
Impaired	<u>-</u>	<u>-</u>
Gross debtors (Note 15)	<u>13,317,268</u>	<u>10,277,107</u>

5.2 Liquidity risk

Liquidity risk is that the Fund will not be able to meet its financial obligations as they fall due. The Fund Committee approach in managing liquidity ensures as far as possible, it always have sufficient liquidity to meet its liabilities when due.

Maturity profile of non-derivative financial liabilities based on contractual cash flows, it as follows:

	Carrying Amount TZS	Contractual Amount TZS	Within One Year TZS	Above One Year TZS
As at 30 June 2013				
Other payables	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,600,000</u>	<u>-</u>
	Carrying Amount TZS	Contractual Amount TZS	Within One Year TZS	Above One Year TZS
As at 30 June 2012				
Other payables	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,600,000</u>	<u>-</u>

5.3 Market Risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

- Interest rate risk**

Interest Rate Risk is the risk that the DSE Fidelity Fund is exposed to gains or losses on fluctuations of interest in the market. In order to mitigate this exposure Fund Management Committee regularly reviews interest rates movement in Money Market to hedge the risk and hence shifting funds from Treasury bills to fixed deposit and vice versa.

The following table analyses the interest risk profile for assets and liabilities at year end.

Profile

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was as follows;

	Carrying Amount	
	2013 TZS	2012 TZS
Fixed rate instruments		
Financial assets	176,000,000	136,306,000
Financial liabilities	-	-
	176,000,000	136,306,000
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	-

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate at end of the reporting period would not affect profit or loss.

A change of 100 basis points interest rates at the reporting date would have increased (decreased) equity and profit or loss by TZS 176,000 (2012- TZS 136,306)

- Currency risk**

Currency risk arises on financial instruments that are denominated in a foreign currency, i.e. a currency other than the functional currency in which they are measured. Currency risk does not arise from non-monetary items or items denominated in the functional currency.



Annual Report and Financial Statements for the year ended 30 June 2013

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

At the reporting date, the Fund did not have significant assets and/or liabilities denominated in foreign currency.

6. FEE INCOME

	2013 TZS	2012 TZS
Transaction fees	<u>29,193,605</u>	<u>17,622,570</u>

Fee income - comprises fees on the underlying transactions of the Dar es Salaam Stock Exchange. Fees are accrued at the rate gazetted by the Government of Tanzania from time to time on the underlying transactions on the stock exchange.

7. OTHER INCOME

	2013 TZS	2012 TZS
Interest income	18,016,738	11,199,856
Penalties from Brokers	-	6,200,000
	<u>18,016,738</u>	<u>17,399,856</u>

8. AUDIT FEE

	2013 TZS	2012 TZS
Audit fees	<u>2,565,317</u>	<u>2,547,618</u>

9. RECEIVABLES

Amount owing by brokers & DSE	13,317,268	10,277,107
Interest receivable from fixed deposits	<u>15,122,860</u>	<u>8,905,226</u>
	<u>28,440,128</u>	<u>19,182,333</u>

10. ACCUMULATED FUND

At beginning of year	172,139,847	139,727,039
Surplus for the year	<u>41,795,826</u>	<u>32,412,808</u>
	<u>213,935,673</u>	<u>172,139,847</u>

The minimum amount of the fund as provided by the Capital Markets and Securities (CMS) Act, 1994 is Tzs 100 million or such other sum as the Minister may, by Notice in the Gazette, direct to be paid to the credit of the fund on the establishment of the Stock Exchange. Subsequent to establishment a Notice in the Gazette dated 25th March 1998 stated that the Fund shall consist of a credit of 0.04% of the total commissions charged for securities transactions at the Exchange.

The CMS Act, 1994 further provides that an annual sum equal to 10% or more of the net income of the Stock Exchange for any one financial year be paid to the fund, as reflected in the accounting policies. No such sum has been received since inception as there has been no net income after exclusion of Government subventions.

11. ACCRUALS

This is a provision for audit fee.



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