DAR ES SALAAM STOCK EXCHANGE PLC

DSE
Creating Opportunities

annual report and financial statements | 2015

ABBREVIATION USED IN THESE FINANCIAL STATEMENTS

ABG	African Barrick Gold
ASEA	African Securities Exchange Association
ATS	Automatic Trading System
BoT	Bank of Tanzania
CSD	Central Securities Deposits
CMSA	Capital Market and Securities Authority
COSSE	Committee of SADC Stock Exchanges
CRS Index	Corporate Social Responsibility Index
DRS	Disaster Recovery System
DSE/Exchange	Dar es Salaam Stock Exchange PLC
EAC	East African Community
EASEA	East African Securities Exchange Association
EDMS	Electronic Document Management System
EGM	Enterprise Growth Market
FSDT	Financial Sector Deepening Trust
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

PRINCIPAL PLACE OF BUSINESS

Dar es Salaam Stock Exchange PLC
14th Floor, Golden Jubilee Towers, Ohio Street
P.O. Box 70081
Dar es Salaam

BANKERS

Akiba Commercial Bank Ltd
P.O. Box 669
Dar es Salaam

CRDB Bank (T) Limited
PPF Tower
P.O. Box 268
Dar es Salaam

COMPANY SECRETARY

Mrs. M.S.Mniwasa
14th Floor, Golden Jubilee Towers, Ohio Street
P.O. Box 70081
Dar es Salaam

COMPANY AUDITORS

The Controller and Auditor General
National Audit Office, Tanzania
Samora Avenue/Ohio Street
P.O. Box 9080
Dar es Salaam

Ernst & Young
Certified Public Accountants
Tanhouse Tower (4th Floor)
Plot no.34/1, Ursino South
New Bagamoyo Road
P.O.Box 2475
Dar es Salaam

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It is my pleasure to present to you the year 2014/15 annual financial results of the Dar es Salaam Stock Exchange PLC (DSE). This being the third year of implementation of the DSE Five Year Strategic Plan (2012/13 – 2016/17), I am therefore delighted to underscore the accomplishments of the Exchange during the period. The year 2014/15 was another exciting year for the history of the Exchange operations.

Operating Environment

Performance of the Tanzanian economy has remained satisfactory, recording a growth rate of around 7.2 percent in 2014/15. The main drivers of the growth were communication, transport, financial intermediation, construction, agriculture and manufacturing. In the medium term, growth is expected to accelerate further due to three main factors: the ongoing investment in infrastructure; discovery of gas reserves; and low inflation rate that has been oscillating at around 4.5%. The projected economic expansion and positive efforts on taming of inflation, is expected to steer investment activities in the economy.
(Source: Government budget 2015/16 statistics)

Market Performance

During the year both Domestic Market Capitalization and Domestic Share Index (TSI) increased by 33 percent. Domestic Market capitalization increased from TZS 7,490 billion to TZS 9,927 billion and TSI from 3,561.62 points to 4,684.09 points. The positive performance is a result of different strategic initiatives undertaken by the DSE which include improvement on operation efficiency; public awareness campaigns; and general country's economic trend. On the other hand, total market capitalization and DSEI increased by 25 percent during the financial year 2014/15 from TZS 18,902.16 billion to TZS 23,721.49 billion.

On trading activities, during the period under review equity trading increased from TZS 273 billion to TZS 879 billion a 223 percent increase. However, bonds trading decreased by 21 percent from TZS 477 billion in the financial year 2013/14 to TZS 375 billion in year 2014/15.

Financial Performance

The recorded good market performance positively impacted the financial performance during the year 2014/15. In the financial year 2014/15, the Exchange made a net surplus of TZS 1,942.85 million. This is an increase of 288 percent compared to TZS 501.01 million recorded in 2013/14.

Accomplishments for the Financial Year 2014/15

Year 2014/15 was the third year of the DSE 5 Year Strategic Plan (2012/13 -2016/17). During the year DSE accomplished a number of planned strategic activities including:

(i) increasing number of listed companies by listing: Swala Oil & Gas, Mkombozi Bank and Uchumi Supermarkets;

(ii) Enhancing the Exchange settlement process by linking DSE platform with the National Payment System (NPS-TISS);

(iii) Introduce mobile trading and become the first Exchange in the region using mobile phone on trading of securities; and

(iv) Continued with initiatives on capacity building to market participants and other key stakeholders like media (financial and economic journalists).

Changes in DSE Registration

Towards end of the financial year 2014/15 and as part of the planned Exchange demutualization, DSE changed its registration status from mutual entity to a public limited company. The changes are in line with the DSE Five Year Strategic Plan (2012/13 – 2016/17) which among others the plan target to enhance the Exchange governance structure and its economic position so as to discharge its mandated role more effectively and efficiently. In the ongoing demutualization process, DSE will issue its shares to the public and conduct a self-listing.

Exchange Initiatives for 2015/16

The financial year 2015/16 will be the fourth year in implementation of the DSE Five Year Strategic Plan (2012/13- 2016/17). In year 2014/15 the Exchange will consolidate on the achievement made in 2014/15 and initiate some other strategic activities as identified in the DSE five year plan. Major focus will dwell on: increasing efforts in sustaining existing business initiatives; finalize the Exchange demutualization process including IPO and self-listing of the DSE; increase number of products on both equity and fixed income (bonds) market segments; and continue with various initiatives on capacity building and public awareness campaigns.

Appreciation

Taking the cognizant of the fact that DSE has changed its legal structure and business orientation from non-for-profit to profit oriented entity; I would like to sincerely thank everyone who has supported the Exchange on this journey from inception. First and foremost the Government of the United Republic of Tanzania which has been providing financial and other policy incentives for the Exchange development; our regulator – the Capital Markets and Securities Authority (CMSA); development partners and other stakeholders who shared the DSE vision and ambition.

Finally, I would also like to thank my fellow Council members, DSE Management and staff and key stakeholders for their unwavering support in steering the Exchange in attaining the achieved goals. Together we have made it happen.

Pius A. Maneno
Chairman
DSE Governing Council

MEMBERS OF GOVERNING COUNCIL

Mr. Pius Maneno
Chairman

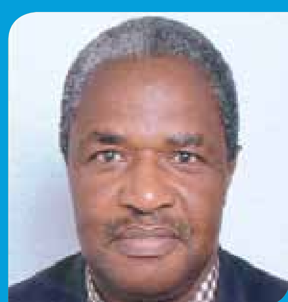
Mr. Nyanduga Mukirya
Vice Chairman

Mr. Kisali Solomon
Member

Mr. Mark Wiessing
Member

Ms. Juliana Sweke
Member

Mrs. Gilder Kibola
Member



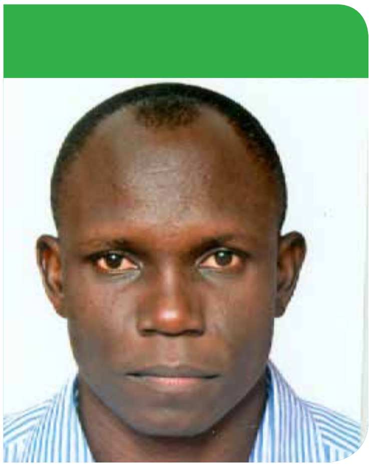
Mr. Arphaxad Masambu
Member

Mr. Alfonso Rodriguez
Member

Mr. Raphael Masumbuko
Member

Mr. Moremi Marwa
DSE - CEO Ex Officio Member

Mrs. Mary Mniwasa
Secretary to the Council



On behalf of Management and Staff of the Dar es Salaam Stock Exchange PLC (DSE), I am delighted to share with you highlights on the operational and financial performance of the Exchange for the financial year 2014/15.

Trading Performance

In the financial year 2014/15, equity turnover raised by 223 percent to TZS 879.22 billion from TZS 272.45 billion in year 2013/14. Market capitalization increased by 25 percent to TZS 23.7 trillion from TZS 18.9 trillion. However, secondary market transaction in the fixed income market segment decreased to TZS 375 billion from TZS 477 billion recorded in the financial year 2013/14.

Financial Performance

I am pleased to report that in financial year 2014/15 the Exchange made a net surplus of TZS 1,943 million, a 288 percent increase from 2013/14 surplus of TZS 501 million. **This is the highest reported surplus in the history of the Exchange.** The Exchange's internally generated revenue was TZS 4.08 billion, a 94 percent increase from the previous TZS 2.18 billion.

In 2014/15, revenue from equity transactions fee increased to TZS 2,463 million from TZS 763 million in 2013/14 (an increase of 230 percent). Annual listing fees for equity increased by 13 percent to TZS 408 million from TZS 360 million in 2013/14. Annual listing fees in bonds increased to TZS 1,064 million from TZS 833 million. Other sources that contributed to good revenue performance include new services like bonds transaction fees TZS 16 million, data vending and registry services TZS 39 million and ISIN fees TZS 7 million.

In year 2014/15 transaction fees constituted 61 percent of total own revenue compared to 37 percent in 2013/14. Government bond listing fees was 26 percent of the total internal revenue compared to 40 percent in year 2013/14.

Our strong financial performance in 2014/15 was a result of the efforts to improve operational efficiency, diversified revenue sources, emphasis on financial controls and a relatively sound macro-economic performance which positively affected some of listed companies fundamental performance and hence positive investor's sentiments.

Accomplishments for the Financial Year 2014/15

The planned activities and budget for the year 2014/15 was devised to give more strategic impetus towards achieving major goals in the DSE 5 Year Strategic Plan. More focus was on increasing DSE revenue base (sustainability), improving infrastructure, and capacity building to market intermediaries and DSE staff as well as public awareness campaigns. In order to achieve these strategic goals and objectives, Management pursued different approaches. Below is a summary of major strategic initiative:

Increasing number of products and market liquidity

In year 2014/15 DSE planned to undertake several strategic activities on public education with a view to increase public awareness on the stock market activities and the Exchange visibility which eventually led to the increase in number of listings as well as liquidity in the market.

Enhancing operational efficiency through better use of resources (financial, human and technology)

In order to ensure effective and efficiency utilization of the available resources and other capacities, DSE did the following activities: Conducted capacity building programmes to DSE staff, market intermediaries and other key stakeholders; introduced mobile trading; enhanced settlement process by linking its platform to the National Payment System through TISS. As a result of these, there has been improved efficiency. DSE also acquired floors for the Exchange offices at the new NHC project in Morocco area.

Strengthening of DSE as a Self- Regulatory Organization (SRO)

In order to maintain and reinforce the DSE's SRO functions and roles, DSE organized a seminar to market participants and listed companies to enlighten them on the provisions of the new DSE Rules. DSE also conducted frequent on/off site inspections to LDMs.

Business Promotion Activities

In year 2014/15 DSE undertook the following activities: DSE engaged Municipals of Ilala, Kinondoni, Arusha and Tanga for potential introduction of Municipal Bonds; We also organized the DSE Scholar Investor Challenge; We actively participated on promulgation of the draft regulations under the Mining Act 2010 and Electronic and Postal Communication Act, 2010 and continued to take part on the Top 100 Medium Size companies' survey 2014, an initiative by KPMG and Mwananchi Communication Limited.

DSE conducted bonds training seminar to commercial banks and pension funds. The objective is to increase number of market participants on fixed income market segment. DSE also conducted six (6) capacity building forums for financial journalists. The objective is to enhance capacity of local finance and economic news editors and reporters on stock market operation issues. DSE also participated actively in forum for preparation of Regulations for Public Private Partnership Act.

Governance and Strategic Increase Efficiency

With a view of enhancing the Exchange's governance and operational efficiency, DSE started preparations for the Exchange's IPO and self-listing. As part of the IPO process, towards end of the 2014/15 financial year, DSE changed its registration from non-profit mutual entity to a company limited by shares.

Future Outlook and Initiatives for 2015/16

DSE will leverage on lessons from challenges encountered during the past three years of implement the strategic plan. Major objectives for year 2015/16 will be sustaining the existing business activity level; enhance core infrastructure; conduct studies that will entail introduction of new products and services; and finalize the envisioned demutualization and self-listing exercise.

Appreciation

On behalf of the Management and staff, I would like to extend my appreciation and gratitude to our Governing Council for their guidance, to our staff for their hard work and dedication, to the Government and market development stakeholders for supporting the DSE vision.

Moremi Marwa
Chief Executive Officer

DSE MANAGEMENT

Mr. Moremi Marwa
Chief Executive Officer

Mr. Emmanuel Nyalali
Manager - Operations

Mrs. Mary Mniwasa
Manager - Coporate Affairs & Legal Counsel

Mr. Ibrahim Mshindo
Manager - Finance & Research

Mr. Patrick Musussa
Manager - Projects & Programs

1. INTRODUCTION

The Governing Council Members of Dar es Salaam Stock Exchange PLC (DSE) have the pleasure to present their report together with the DSE audited Financial Statements for the year ended 30 June 2015 which disclose the state of affairs of the DSE as at that date.

2. INCORPORATION

The Dar es Salaam Stock Exchange PLC (formerly known as Dar es Salam Stock Exchange Limited) was incorporated in 1996 under the Tanzania Companies Act, 2002 (herein after, the Companies Act) as a limited liability company by guarantee. Operations of the DSE started in April, 1998. In 29th June 2016, the Company changed its legal name from Dar es Salam Stock Exchange Limited to Dar es Salaam Stock Exchange PLC.

3. VISION

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

4. MISSION

The DSE mission is 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.

5. 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 Exchange provides a platform that 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, bonds and other stock markets related products & services.

6. FINANCIAL PERFORMANCE

During the year ended 30th June 2015, the DSE recorded a pretax profit of TZS 1.94 billion compared to a profit of TZS 501.01 million recorded in the previous year. The profit was a result of increase in revenue that emanated from a number of factors, such as: improvement in operational efficiency, uplifting foreign investment restrictions, efforts on public awareness campaigns, good performance of some listed companies and generally, an improvement in the country's economy. Efforts to manage operational costs also explain the increase in profit.

7. DEMUTULIZATION

As part of operational improvement, the Dar es Salaam Stock Exchange PLC is in the process of changing its limited status from being limited by guarantee to being limited by shares. The Exchange plans to issue shares to the public and self-list in the first quarter of the year 2016.

8. CORPORATE GOVERNANCE

DSE was been governed by a Governing Council, which is elected by the members of the DSE 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 (CEO) who is an Ex-Officio member of the Council. During the year under review, the Council met six times and its Council Committees held six meetings to deliberate on several matters.

All Council Members, except the Chief Executive Officer (CEO), were non-executive. The Council Members are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with general accepted best practice. In so doing the Council Members therefore confirm that;

a. The Council met regularly throughout the year.
b. They retain full and effective control over the Company and monitor executive management.
c. The positions of Chairman and Chief Executive Officer (CEO) are held by two different people.
d. Council accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance.

9. COUNCIL MEMBERS OF THE COMPANY

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

Name	Position	Qualifications	Nationality	Age	Date appointed
Mr. P. A. Maneno	Chairman	MAcc, PGDM, CPA(T)	Tanzanian	49	2007
Mr. N. D. Mukirya	Vice Chairman	LLM	Tanzanian	58	2005
Mr. M. H.Wiessing	Member	MBA	Dutch	57	2014
Mrs. G. F. Kibola	Member	LLB ,LLM & MBA	Tanzanian	59	2008
Mr. R. Masumbuko	Member	MSC Acc.&Fin	Tanzanian	46	2014
Mr. A. Rodriguez	Member	MBA	Spanish	46	2014
Mrs. M. J. Solomon	Member	B.Com & MBA - Finance	Tanzanian	61	2014
Ms. J.Sweke	Member	MBA, CPA (T)	Tanzanian	49	2014
Mr. A. G.Masambu	Member	MA Economics	Tanzanian	57	2014
Mr. M. Marwa	CEO Ex-Officio	MBA,CPA (T)	Tanzanian	39	2013

10. COUNCIL MEMBERS' REMUNERATION

The Company paid a total of TZS 25,000,000 (2014: TZS 18,000,000) for services rendered by the Council Members of the Company.

11. MEETINGS AND ACTIVITIES OF THE COUNCIL

There were four (4) Ordinary and two (2) Extra ordinary meetings held during the financial year 2014/2015.Below are details of attendance.

Name	21 Aug 2014	4 Nov 2014	30 Dec 2014	29 Jan 2015	20 Apr 2015	30 Apr 2015
Mr. P. A. Maneno	√	√	√	√	√	√
Mrs. G.F. Kibola	-	√	√	√	√	√
Mrs. M. J. Solomon	√	√	-	-	√	√
Mr. N. Mukirya	√	√	-	√	√	√
Mr. M. Marwa	√	√	√	√	√	√
Mr. A. Masambu	√	√	√	√	√	√
Mr. M.H. Wiessing	√	√	√	√	√	√
Mr. R. Masumbuko	√	√	√	√	√	√
Mrs. J. Sweke	√	√	√	√	√	√
Mr. A. Rodriguez	-	√	-	√	√	√

The Council discussed and resolved matters recommended by its standing committees and provided directives to Management on operational matters. The Council is supported by the following committees as at 30 June 2015.

(a) Primary Markets, Trading and Programs Steering (PTP) Committee

Name	Position	Qualifications	Nationality
Mrs. G. F. Kibola	Chairperson	LLB,LLM & MBA	Tanzanian
Mr. A. G. Masambu	Member	M.A.Economics	Tanzanian
Mrs. M. J. Solomon	Member	B.Com & MBA - Finace	Tanzanian

The PTP Committee reports to the DSE Council. The PTP Committee met four (4) times during the year. The committee deliberated on different applications for listing.

11. MEETINGS AND ACTIVITIES OF THE COUNCIL (Continued)

(b) Administration, Risk Management and Compliance (ARC) Committee.

Name	Position	Qualifications	Nationality
Mr. N. D. Mukirya	Chairperson	LLM	Tanzanian
Mr. A. Rodriguez	Member	MBA	Spanish
Ms.J.Sweke	Member	MBA, CPA (T)	Tanzanian

The ARC Committee reports to the DSE Council. The ARC Committee met once to discuss various issues on staff matters and application for admission of new associate members.

(c) Audit Committee

Name	Position	Qualifications	Nationality
Ms.J.Sweke	Chairperson	MBA, CPA (T)	Tanzanian
Mr. R. Masumbuko	Member	MSC Acc.& Fin	Tanzanian
Mr. B. Waziri	Member	MBA	Tanzanian

Audit Committee reports to the Council. Audit Committee met twice during the year. On the first instance the Audit Committee discussed the Internal Auditor's Report; the Operations Report and Management Accounts for the Fourth Quarter of the Year 2013/2014; the DSE and Fidelity Fund Unaudited Accounts for the Year 2013/2014; the DSE Plan and Budget for the Year 2014/2015 and the following meeting the Committee discussed the DSE audit and financial statements for the year ended 30 June 2014.

12. MANAGEMENT

The management of the company is under the Chief Executive Officer and organized on the following departments:

- Finance and research department;
- Corporate Affairs and Legal department;
- Operations department;
- Market development, projects and programmes department;

13. 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 (Cap. 212).

14. KEY HIGHLIGHTS OF THE YEAR

During the year DSE recorded growth and improvements in many activities as summarized below:

Particular	2015	2014	Change
Market capitalization (TZS billions)	23,721.49	18,902.16	25%
Value of shares traded (TZS billions)	879.22	272.45	223%
All shares index	2,726.77	2,172.71	26%
Tanzania share index (TSI) Points	4,684.09	3,561.62	32%
Value of outstanding listed bonds (TZS billions)	4,263.67	3,226.94	32%

15. SCOPE OF BUSINESS

The Company is a dully approved Exchange under Capital Market and Securities Act, 1994. It is a modern securities exchange providing full electronic trading, clearing and settlement of securities (shares and bonds). It is also a Self-Regulatory Organization (SRO) for the purpose of maintain the integrity of the market and plays a role of educator on matters relating to capital markets.

16. SCOPE OF THE REPORT

The annual report for the year ended 30 June 2015 presents a set of annual reports and financial statements for the period starting 01 July 2014 to 30 June 2015.The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in addition, they comply with the provisions of the Companies Act, 2002 (Cap. 212) and the Capital Markets and Securities Act, 1994 (Cap. 79).

17. CAPITAL STRUCTURE

DSE was incorporated in September 1996 as a company limited by guarantee without a share capital. The Company was created among other things to facilitate the Government's implementation of the economic reforms and enabling the private sector to raise long term capital. The Exchange became operational in April, 1998. On 29th June, 2015 DSE changed its structure from a company limited by guarantee to a public company limited by shares.

18. RISK MANAGEMENT AND INTERNAL CONTROL

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

18. RISK MANAGEMENT AND INTERNAL CONTROL (continued)

- 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 Council with reasonable assurance that the procedures in place are operating effectively.

The Council assessed the internal control systems throughout the financial year ended 30 June 2015 and is of the opinion that they met the accepted criteria.

The Council carries risk and internal control assessment through the Audit Committee.

19. MEMBERSHIP

During the year under review, E.A Capital Ltd and Optima Corporate Finance Ltd were admitted as Licensed Dealing Members making a total of nine (9) Licensed Dealing Members for Equity Securities, Standard Chartered Bank, CRDB Bank and Stanbic Bank were all admitted as Dealing Members for Debt Securities.

20. CORPORATE SOCIAL RESPONSIBILITY

DSE played its role in the society during the year. A total of TZS 0.3mill (2014: TZS 0.3mill was contributed to National Board of Accountants and Auditors (NBAA) graduates as award for the best three CPA candidates in International finance course.

DSE also enabled students from higher learning institutions to access its actual data and virtual trading platform for the purpose of learning practically on how to service and invest via a Stock Exchange, this was executed as part of the DSE Scholar Investment Challenge programme.

21. EMPLOYEES WELFARE

Healthy and medical care
The Company provides medical insurance to staff and their families through AAR Insurance (T) Limited medical services. This is a renewable one-year contract. During the year, services received from the service providers were generally satisfactory.

Staff strength and gender parity
The Company had 17 employees, out of whom 6 were female and 11 were male. The Company had the same number of staff in the previous year 2014.

21. EMPLOYEES WELFARE (continued)

Training

The Company continued to strengthen its human capital. During the year under review, DSE management and staff attended various shorts courses both within and outside the country. DSE will continue to strengthen its human capital as a strategy to improve staff morale and productivity in the coming financial years depending on the need and availability of funds.

22. AUDITORS

The By virtue of the provisions of Article 143 of the Constitution of the United Republic of Tanzania and Sect.10 of the Public Audit Act No.11 of 2008, the Controller and Auditor General is the statutory auditor of all Government revenues. However, the Controller and Auditor General using powers entrusted to him under Section 33 of Public Audit Act No.11 of 2008 appointed Ernst & Young to be the External auditors of the DSE for the accounts of the financial year ended 30 June 2015.

23. RELATED PARTY TRANSACTIONS

The Company has been limited by guarantee and not having a share capital. Details of guarantors and related party transactions are shown in note 29 of the financial statements. In 29 June 2016, the Company changed its incorporation to a Public Company Limited by shares.

BY ORDER OF THE COUNCIL

Chairman: Pius A. Maneno	09/03/2016 **Date**
Member: Nyanduga D. Mukirya	09/03/2016 **Date**

The Companies Act, 2002 (Cap. 212) requires companies to prepare financial statements for each financial year, which presents fairly, in all material respects, the state of affairs of the Company as at the end of the financial year and of its operating results for the year that ended. 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 present fairly, in all material respects, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002 among others and for such internal controls as Council Members determine is necessary to enable the preparation of the financial statements that are free from material misstatements, 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 presents fairly, in all material respects of the state of the financial position of the Company and of its financial performance and its cash flows 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 International Financial Reporting Standards.

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

	09/03/2016
Chairman: Pius A. Maneno	**Date**
	09/03/2016
Member: Nyanduga D.Mukirya	**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 PLC

FOR THE YEAR ENDED 30 JUNE 2015

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
E-mail: ocag@nao.go.tz

Website: www.nao.go.tz

(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, National Audit Office (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.

To: Chairman
Governing Council
Dar es Salaam Stock Exchange PLC
P.O. Box 70081
DAR ES SALAAM.

REF: REPORT OF THE CONTROLLER AND AUDITOR GENERAL TO THE COUNCIL OF THE DAR ES SALAAM STOCK EXCHANGE PLC FOR THE YEAR ENDED 30 JUNE 2015

INTRODUCTION

I have audited the accompanying financial statements of Dar es Salaam Stock Exchange PLC, which comprise the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes comprising a summary of significant accounting policies and other information set out from pages 22 to 53 of the financial statements.

COUNCIL MEMBERS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Governing Council of Dar es Salaam Stock Exchange PLC 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, 2002 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 PLC for the year ended 30 June 2015.

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 properties, 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 PLC were used exclusively and judiciously to meet eligible expenditures with due regard to economy and efficiency.

Furthermore, Sect. 48(3) of the Public Procurement Act No.7 of 2011 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 from material misstatements. An audit includes examining, on a test basis of evidences 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 PLC 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 PLC as at 30 June 2015 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 Companies Act, 2002 (Cap. 212)

As required by the 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, 2011

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 PLC has generally complied with the requirements of the Public Procurement Act No.7 of 2011.

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Prof: Alhaji Mussa J. Assad

CONTROLLER AND AUDITOR GENERAL

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

09/03/2016

Date

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 TZS	2014 TZS
Revenue	8	4,162,515,878	2,144,151,093
Other income	9	668,199,816	1,205,686,686
Operating expenses	10	(557,618,038)	(268,978,633)
Staff costs	11	(1,134,665,805)	(1,044,006,089)
Administrative expenses	12	(749,322,474)	(548,580,787)
Project cost (Public Education Campaigns-EGM)	13	(401,375,975)	(961,891,343)
Depreciation and amortisation	7,17&18	228,349,711)	(166,974,382)
Operating profit before financing		**1,759,383,691**	**359,406,545**
Finance income	14	183,464,487	143,309,463
Finance costs	15	-	(1,699,788)
Operating profit before tax		**1,942,848,178**	**501,016,220**
Income tax expense	6	-	-
Net profit for the year		1,942,848,178	501,016,220
Other comprehensive income			
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Revaluation of land and buildings	7&18	370,264,433	-
Other comprehensive income/(loss), net of tax		**370,264,433**	**-**
Total comprehensive income, net of tax		**2,313,112,611**	**501,016,220**

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	2015 TZS	2014 TZS
ASSETS			
Non-current assets			
Property and equipment	7	235,873,414	308,351,252
Intangible asset	17	261,988,088	82,959,912
Leasehold land	18	350,000,000	37,559,192
		847,861,502	**428,870,356**
Current assets			
Trade receivables	19	582,399,522	290,969,120
Other receivables	20	121,102,608	80,741,429
Short term deposits	21	861,538,575	178,389,713
Cash and cash equivalents	22	2,474,860,243	1,630,708,740
		4,039,900,948	**2,180,809,002**
TOTAL ASSETS		**4,887,762,450**	**2,609,679,358**
EQUITY AND LIABILITIES			
Equity			
Accumulated fund		2,876,820,031	933,971,853
Revaluation reserve		370,264,433	-
Car loan fund	23	35,000,000	35,000,000
		3,282,084,464	**968,971,853**
Non-current liabilities			
Grant	24	1,116,296,745	1,177,250,109
		1,116,296,745	**1,177,250,109**
Current liabilities			
Grant	24	-	254,985,631
Provisions	26	91,242,744	17,762,544
Trade and other payables	25	398,138,497	190,709,221
		489,381,241	**463,457,396**
TOTAL EQUITY AND LIABILITIES		**4,887,762,450**	**2,609,679,358**

These financial statements were approved and authorised for issue by the Governing Council on 9th March 2016 and signed on its behalf by:

Chairman: Pius A. Maneno

Member: Nyanduga D. Mukirya

	Car Loan Fund (Note 21) TZS	Accumulated Fund TZS	Revaluation Reserve TZS	Total TZS
At 01 July 2014	35,000,000	933,971,853	-	968,971,853
Profit for the year	-	1,942,848,178	-	1,942,848,178
Other comprehensive income, net of taxes	-	-	370,264,433	370,264,433
Total comphrehensive income, net of taxes	-	1,942,848,178	370,264,433	2,313,112,611
At 30 JUNE 2015	**35,000,000**	**2,876,820,031**	**370,264,433**	**3,282,084,464**

	Car Loan Fund (Note 21) TZS	Accumulated Fund TZS	Revaluation Reserve TZS	Total TZS
At 01 July 2013	35,000,000	432,955,633	-	467,955,633
Profit for the year	-	501,016,220	-	501,016,220
Other comprehensive income, net of taxes	-	-	-	-
Total comphrehensive income, net of taxes	-	501,016,220	-	501,016,220
At 30 June 2014	**35,000,000**	**933,971,853**	**-**	**968,971,853**

	Notes	2015 TZS	2014 TZS
OPERATING ACTIVITIES			
Profit before taxation		1,942,848,178	501,016,220
Adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	7,17&18	228,349,711	166,974,382
Interest expenses	15	-	1,699,788
Revenue grant - FSDT		-	(939,038,191)
Amortisation of capital grant	9	(324,096,614)	(69,110,983)
Foreign exchange difference		(25,978,263)	(13,526,346)
Increase in provision for impairment of trade receivables	19	-	10,835,996
Interest income	14	(183,464,487)	(143,309,463)
Gain on disposal of property and equipment	9	-	(8,150,000)
Cash flows before changes in working capital items		**1,637,658,525**	**(492,608,597)**
Changes in working capital items:			
Increase in trade receivables		(291,430,402)	(23,967,670)
(Decrease)/increase in other short-term operating receivables		(40,361,179)	42,092,781
Increase/(decrease) in legal cases liabilities		73,480,200	(30,000,000)
Increase in trade and other payables		207,429,276	76,243,358
Cash flows after changes in working capital items		**1,586,776,420**	**(428,240,128)**
Corporation tax paid	16	-	-
Interest paid		-	(1,699,788)
Net cash inflows from operating activities		**1,586,776,420**	**(429,939,916)**
INVESTING ACTIVITIES			
Capital works-in-progress	7	(12,183,500)	(27,861,399)
(Purchase) /sale of Short term deposits	21	(683,148,862)	495,757,126
Interest received - short term deposits	14	183,464,487	143,309,464
Purchase of intangibles	17	(245,543,924)	(81,941,184)
Proceed from disposal of property and equipment		-	8,150,000
Leasehold land		-	(1,603,395)
Purchase of property and equipment	7	(19,349,000)	(20,250,650)
Net cash flows used in investing activities		**(776,760,799)**	**515,559,962**
FINANCING ACTIVITIES			
Receipt of capital grant	24	8,157,619	899,460,855
Net cash flows used in financing activities		**8,157,619**	**899,460,855**
Net increase in cash and cash equivalents		**818,173,240**	**985,080,901**
Net foreign exchange difference		25,978,263	13,526,346
Cash and cash equivalents at start of the year		1,630,708,740	632,101,493
Cash and cash equivalent at 30 June	22	**2,474,860,243**	**1,630,708,740**

1. CORPORATE INFORMATION

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

The Exchange is also an instrument for use by Government privatized companies 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

Statement of compliance

The financial statements for the year ended 30 June 2015 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.

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.

Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (Continued)

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

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.

Financial instruments

(a) 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:

(i) 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 staff loans and advances and trade and other receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with maturities of three months 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.

(b) Financial liabilities

Initial recognition
Financial liabilities are recognised initially at fair value.

Subsequent measurement
The financial liabilities consist of trade and other payables. Subsequent measurement of the financial liabilities is as follows:-

Trade and other payables
Trade and other payables are of short-duration with no stated interest rate and are measured at original invoice amount.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Leasehold land

Operating lease
Leases under which substantial risks and benefits of ownership of the assets are effectively retained by the lessor are classified as operating leases. Obligation incurred under operating leases are charged to the statement of profit or loss and other comprehensive income in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Recognition and measurement

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

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.

Depreciation

Items of property and equipment are fully depreciated in the year they are purchased and 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	4 years
• Office equipment	4-5 years
• Power generator	4 years
• Motor vehicles	4 years
• Office partition	4 years
• Building	40 years
• Work in progress	Nil

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Gain or loss in disposal of property and equipment is charged to the income statement on the year it occurs.

Intangible assets

Computer software is measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Impairment

i) Financial assets

A financial asset 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment (Continued)

ii) Non-financial assets (Continued)

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.

Employees benefits

(i) Defined contribution plan

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 Public Service Pension Fund (PSPF). Contributions to the funds are recognized as an expense in the statement of profit or loss and other comprehensive income when they are due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees benefits (Continued)

(ii) Short term employee benefits

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

(iii) 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.

(iv) 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.

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.

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 Exchange for the first time. Transaction fee is recognized when actual trading of shares is done.

(i) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Transaction fees

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

(iii) Other income

Other income comprises of subvention from government, grant income, membership fee, CDS fees, ISIN fees, registry services 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.

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 (revenue grant).

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

Finance Income.

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

Income tax

DSE income is a tax exempt as per section 32(a) of the Financial Act of 2012.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Use of Estimates, Assumptions and Judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. Although these estimates are based on the management's knowledge of current events and actions, actual results ultimately may differ from those estimates. The most significant use of judgments and estimates are as follows:

a. Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

a. Impairment losses on trade and other receivable

The Company reviews its trade receivables to assess impairment at least on annual basis. In determining whether an impairment loss should be recorded in the profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows in trade receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of clients, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in Company's trade receivable when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b. Useful lives of property and equipment's

The useful lives of items of property and equipment have been estimated annually and are in line with the rate at which they are depreciated.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

c. 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, these include; IFRS 2 Share-based Payment, FRS 3 Business Combinations, *IFRS 8 Operating Segments and Amendments to IAS 19 Defined Benefit Plans: Employee Contributions* have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2014:

Annual Improvements 2010-2012 Cycle

With the exception of the improvements relating to IFRS 2 Share-based Payment, IFRS 3 Business Combinations and IFRS 8 Operating Segments all other improvements as listed below were considered by the Company due to material impact.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Company has recorded revaluation adjustments of TZS 370.2 million on other comprehensive income during the current year.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IAS 24 Related Party Disclosures (Continued)

the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Company has applied these amendments for the first time in these financial statements except for IFRS 3 Business Combinations which have no material impact to the Company. They include:

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Company.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following accounting standards, amendments to standards and new interpretations, which are not yet mandatory for the company, have not been adopted in the current year:

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when applicable as they become effective.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE(Continued)

S/N	Standard issued but not effective	Effective date on or before
1.	IFRS 9 Financial Instruments	1 January 2018
2.	IFRS 14 Regulatory Deferral Accounts	January 2016
3.	IFRS 15 Revenue from Contracts with Customers retrospectively	1 January 2018
4.	Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests	1 January 2016, prospectively
5.	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016 prospectively

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
  - o Servicing contracts
  - o Applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

7 PROPERTY AND EQUIPMENT

Cost	Building TZS	Office Equipment TZS	Office Furniture TZS	Power Generator TZS	Motor Vehicles TZS	Work In Progress TZS	Office Partition TZS	Total
At 01 July 2013	-	823,836,721	33,641,303	39,115,159	165,709,183	63,286,512	163,100,955	1,288,689,833
Additions	-	13,658,650	6,592,000	-	-	27,861,399	-	48,112,049
Disposals	-	-	-	-	(38,199,703)	-	-	(38,199,703)
At 30 June 2014	**-**	**837,495,371**	**40,233,303**	**39,115,159**	**127,509,480**	**91,147,911**	**163,100,955**	**1,298,602,179**
At 01 July 2014	-	837,495,371	40,233,303	39,115,159	127,509,480	91,147,911	163,100,955	1,298,602,179
Additions	-	4,075,000	9,739,000	-	-	12,183,500	5,535,000	31,532,500
Revaluation	56,668,589	-	-	-	-	-	-	-
Transfer	103,331,411	-	-	-	-	(103,331,411)	-	-
At 30 June 2015	**160,000,000**	**841,570,371**	**49,972,303**	**39,115,159**	**127,509,480**	**-**	**168,635,955**	**1,226,803,268**
Accumulated depreciation								
At 01 July 2013	-	642,031,078	22,177,369	19,557,582	101,954,443	-	81,550,476	867,270,948
Charge during the year	-	70,888,964	7,859,320	9,778,790	31,877,370	-	40,775,238	161,179,682
Disposals	-	-	-	-	(38,199,703)	-	-	(38,199,703)
At 30 June 2014	**-**	**712,920,042**	**30,036,689**	**29,336,372**	**95,632,110**	**-**	**122,325,714**	**990,250,927**
At 01 July 2014	-	712,920,042	30,036,689	29,336,372	95,632,110	-	122,325,714	990,250,927
Charge during the year	2,578,661	64,949,753	9,335,364	9,778,790	31,877,370	-	42,158,989	160,678,927
At 30 June 2015	**2,578,661**	**777,869,795**	**39,372,053**	**39,115,162**	**127,509,480**	**-**	**164,484,703**	**1,148,351,193**
Carrying amount								
At 30 June 2015	**157,421,339**	**63,700,576**	**10,600,250**	**(3)**	**-**	**-**	**4,151,252**	**235,873,414**
At 30 June 2014	**-**	**124,575,329**	**10,196,614**	**9,778,787**	**31,877,370**	**91,147,911**	**40,775,241**	**308,351,252**

As at 30 June 2015,items of property and equipment are free from encumbrances and have not been held as collateral.
No restrictions has been placed to items of property and equipment.
As at June 2015, DSE management engaged professional valuer to value land and building located at Morogoro. Resulting gain on revaluation has been credited on Revaluation reserve on the Equity.

	2015 TZS	2014 TZS
8 REVENUE		
Listing fees		
Equity	408,055,454	359,867,470
Government bonds	1,063,728,218	833,128,141
Corporate bonds	8,125,000	12,637,500
	1,479,908,672	**1,205,633,111**
Transaction fees		
Equity	2,462,900,106	762,621,901
Bonds	7,985,954	5,285,000
Data Vending Real Time	19,933,800	19,800,014
	2,490,819,860	**787,706,915**
CSD Fees		
Bonds	7,985,954	5,285,000
Annual Membership Fees	17,000,000	15,500,000
Transaction Fees	35,033,779	21,506,000
Membership Application Fees	4,000,000	2,800,000
IPO Processing Fees	21,900,000	18,000,000
Registry Services	15,000,000	5,000,000
Data Vending End of Day	3,667,613	3,120,067
ISIN	7,200,000	38,100,000
	111,787,346	**109,311,067**
Other operating income	-	
DSE annual membership fees	42,000,000	37,500,000
DSE membership application fees	8,000,000	-
Listing income realized	30,000,000	4,000,000
	80,000,000	**41,500,000**
	4,162,515,878	**2,144,151,093**
9 OTHER INCOME		
Government subvention	196,486,894	165,086,233
Grant from donors	107,607,259	9,850,000
Sale of property and equipment	-	8,150,000
Bad debts recovered	10,000,000	925,000
Gain on exchange of foreign currency	25,978,263	13,526,279
Amortisation of capital grant	324,096,611	1,008,149,174
Miscellaneous income	4,030,789	-
	668,199,816	**1,205,686,686**

	2015 TZS	2014 TZS
10 OPERATING EXPENSES		
Regional integration costs	53,119,897	55,160,744
DRS running costs	61,564,448	35,742,768
ATS license fee	436,235,693	171,494,621
CSD certificates and business license	6,698,000	6,580,500
	557,618,038	**268,978,633**
11 STAFF COSTS		
Salary and wages	807,602,494	750,515,303
Skills and development levy	35,297,337	27,710,337
Employer contribution to pension funds	92,126,286	83,620,598
Leave cost	52,992,119	47,317,549
Medical expenses	74,140,647	63,369,394
Training and workshops	40,636,922	44,368,919
Other staff cost; special, acting and furniture allowances	31,870,000	27,103,989
	1,134,665,805	**1,044,006,089**
12 ADMINISTRATIVE EXPENSES		
Office rent (Note 30)	245,400,748	228,088,783
Council members fee	24,700,000	18,000,000
Council expenses	71,298,000	56,506,000
Telephone, internet and courier cost	40,392,367	53,887,628
Stationery and office computer consumables	14,431,635	11,125,421
Repair and maintenance	11,026,761	24,073,295
Donations and hospitality cost	2,650,000	1,487,400
WAN and swift charges	27,553,447	-
Fuel expenses	8,844,765	11,535,445
Contingent liability and legal charges	78,301,144	5,640,000
Internal audit fees	16,095,200	2,755,300
Audit fee	26,300,000	21,844,617
Bad and doubtful debts	-	13,035,996
Subscriptions, tenders and newspapers	22,557,828	19,139,774
Electricity and security cost	18,048,771	14,768,851
Business development	89,329,786	14,170,000
Bank charges and insurance cost	8,456,572	11,427,271
Withholding tax	18,346,449	14,330,946
Office cleaning, parking and recreations	24,696,401	24,165,560
Other administrative cost	892,600	2,598,500
	749,322,474	**548,580,787**

	2015 TZS	2014 TZS
13 PROJECT COST (PUBLIC EDUCATION CAMPAIGNS-EGM)		
Public education and business development costs	**401,375,975**	**961,891,343**

The amount comprises of expenses relating to projects funded by the PSCP and FSDT.

	2015 TZS	2014 TZS
14 FINANCE INCOME		
Interest income - short term deposits	183,464,487	143,309,463
15 FINANCE COSTS		
Interest charged on bank overdraft	-	1,699,788

16 TAXATION

Dar es Salaam Stock Exchange Plc   is tax exempt with effect from 1 July 2012.

17 INTANGIBLE ASSET

"Intangible cost relates to software used by DSE on day to day operations. This consists of Automated Trading System (ATS), Central Securities Depository (CSD), MICS and Pastel Accounting software, whose movement was as follows:

	2015 TZS	2014 TZS
Cost		
At start of the year	946,288,108	864,346,924
Additions	245,543,924	81,941,184
At end of the year	**1,191,832,032**	**946,288,108**
Accumulated amortisation		
At start of the year	863,328,196	861,577,699
Charge during the year	66,515,748	1,750,497
At end of the year	**929,843,944**	**863,328,196**
Net carrying amount		
At 31 June	**261,988,088**	**82,959,912**

The remaining useful lives of existing software are 5 years on added software.

18 LEASEHOLD LAND

	2015 TZS	2014 TZS
At start of the year	37,559,192	40,000,000
Additions	-	1,603,395
	37,559,192	**41,603,395**
Less: Amortisation for the year	(1,155,036)	(4,044,203)
Add: Revaluation	313,595,844	-
At 31 June	**350,000,000**	**37,559,192**
Within one year	10,763,333	1,155,035
After one year but less than five years	43,053,332	4,620,138
After five years	296,183,335	31,784,019
	350,000,000	**37,559,192**

Leasehold land was acquired from National Insurance Company Ltd with the remaining period of 35 years.

Leasehold land has been used to erect the building in conformity to the Morogoro Municipal Council plans. DSE has the right to repurchase the leasehold land from the Government of United Republic of Tanzania after the end of lease term,99 years from 1 January 1975. Occupier of the land is to pay annual rent of TZS 1,280 in advance on first day of July in every year.

As at June 2015, DSE management engaged professional valuer to value land and building located at Morogoro. Resulting gain on revaluation has been credited on Revaluation reserve on the Equity.

19 TRADE RECEIVABLES

	2015 TZS	2014 TZS
Listing fee receivables	458,273,934	201,422,261
Transaction fee receivables	62,255,900	77,436,807
Others trade receivables: WAN and Internet bridge	61,869,688	22,946,048
	582,399,522	**301,805,116**
Provision for impairment on receivables		
At 01 July	(10,835,996)	-
Additional provision	-	(13,035,996)
Utilised/reversed during the year	10,835,996	2,200,000
At 30 June	-	(10,835,996)
	582,399,522	**290,969,120**

19 TRADE RECEIVABLES (Continued)

As at 30 June, the ageing analysis of trade receivables is as follows:

==>Neither past due nor impaired	564,898,081	211,209,696
==>Past due but not impaired		
Not impaired & overdue 31 - 60 days	11,194,733	30,221,318
Not impaired & overdue 61 -90 days	600	33,077,007
Not impaired & overdue 91 -120 days	50,000	4,021,977
Not impaired & overdue > 120 days	6,256,108	23,275,118
	582,399,522	**301,805,116**

Terms and conditions of the above trade receivables:

Trade receivables are non-interest bearing and are generally on 30 day terms.

As at 30 June 2015, trade receivables on listing, membership and transactions fees at initial value of TZS NIL (2014: TZS 13,035,996) were fully provided for out of which TZS NIL membership receivables were impaired (2014: TZS 2,200,000).The movements in the provision for impairment of receivables is as shown above.

20 OTHER RECEIVABLES

Staff car loans receivables (Note 22)	5,250,000	15,500,000
Staff advances	13,232,660	9,119,565
Prepaid expenses	102,619,948	56,121,864
	121,102,608	**80,741,429**

As at 31 June, the ageing analysis of other receivables is as follows:

==>Neither past due nor impaired	121,102,608	80,467,842
==>Past due but not impaired		
Not impaired & overdue 31 - 60 days	-	273,587
	121,102,608	**80,741,429**

Terms and conditions of the above other receivables:

Other receivables are non-interest bearing and are generally on 30 day terms.

As at 30 June 2015 and 2014, no provision for impairment has been made with respect to these periods.

21 SHORT TERM DEPOSITS

Short term deposits are held to maturity and subsequently measured at amortized cost.

Short term deposits with maturity of more than 3 months	2,532,991,174	1,054,870,713
Short term deposits with maturity of less tha 3 months (Note 20)	(1,671,452,599)	(876,481,000)
	861,538,575	**178,389,713**

The short-term deposits are held at the following institutions:

Commercial Bank of Africa	1,211,175,551	-
Bank M	351,570,685	-
Azania Bank Limited	108,706,364	-
Kenya Commercial Bank Limited(KCB)	-	350,571,000
Exim Bank (T) Ltd	-	525,910,000
	1,671,452,599	**876,481,000**

The effective interest rate and maturity date on short term deposits as at 30 June 2015 and 30 June 2014 are shown below:

	2015		2014	
FDR Summary	Effective interest rate per annum	Maturity date	Effective interest rate per annum	Maturity date
Bank M	14.00%	17-Sep-15	-	-
Commercial Bank of Africa	13.50%	30-Sep-15	-	-
Azania Bank Limited	10.00%	17-Jul-15	13.50%	17-Oct-14
Kenya Commercial Bank Limited(KCB)	-	-	14.50%	1-Aug-14
Exim Bank (T) Ltd	-	-	15.60%	6-Jul-14

Call Accounts Summary	**TZS**	**Effective interest rate per annum**
Azania	387,072,130	10%
Commercial Bank of Africa	474,466,445	10%
	861,538,575	

	2015 TZS	2014 TZS

22 CASH AND CASH EQUIVALENTS

	2015 TZS	2014 TZS
Cash at bank	803,061,144	754,216,434
Short term deposits (maturity within 3 months) (Note 19)	1,671,452,599	876,481,000
Cash at hand	346,500	11,306
	2,474,860,243	**1,630,708,740**

The carrying amounts disclosed above are reasonably approximate fair value at the reporting date. The cash and cash equivalent position for cash flow purposes is as follows:

	2015 TZS	2014 TZS
Cash and cash equivalents as above	2,474,860,243	1,630,708,740
Net cash and cash equivalent	**2,474,860,243**	**1,630,708,740**
Cash at bank above consist of Car loan fund of TZS (Note 22)	**26,803,100**	**19,616,600**

23 CAR LOAN FUND

	2015 TZS	2014 TZS
Car Loan Fund at June	**35,000,000**	**35,000,000**

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.

24 GRANT

	2015 TZS	2014 TZS
At start of the year	1,432,235,740	1,540,924,059
Received during the year	8,157,619	899,460,855
Release to the statement of profit or loss and other comprehensive income	(324,096,614)	(1,008,149,174)
At end of the year	**1,116,296,745**	**1,432,235,740**
At 30 June	1,116,296,745	1,432,235,740
Less current portion - deferred capital grant	-	(254,985,631)
	1,116,296,745	**1,177,250,109**

Released to the statement of profit or loss and other comprehensive income

	2015 TZS	2014 TZS
as amortisation of capital grant	69,110,983	69,110,983
as revenue grant- FSDT	254,985,631	939,038,191
	324,096,614	**1,008,149,174**

24 GRANT

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.

Addition to capital grant was a cash grant received during 2014 from the Financial Sector Deepening Trust (FSDT) to facilitate Public Awareness Campaigns for the Enterprises Growth Market (EGM) segment.

25 TRADE AND OTHER PAYABLES

Deferred revenue	133,582,414	90,247,445
Trade payables	6,325,662	3,616,448
Accruals	258,230,421	96,845,328
	398,138,497	**190,709,221**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled between 15 to 45 days after date of invoice.
- Accruals are non-interest bearing and have an average term of 30 days.
- Deferred revenue consists of non-interest bearing listing fee received in advance.

26 PROVISIONS

At start of the year	17,762,544	47,762,544
Arising during the year	78,301,144	-
Utilised	(4,820,944)	(30,000,000)
At end of the year	**91,242,744**	**17,762,544**

As at 30 June 2015, provision has been recognised at TZS 91,242,744 (2014: TZS 17,762,544). Provision recognised above relates to probable claims on labour disputes cases to the tune of TZS 76,063,688 and TZS 15,179,056 relating to claims on the Swissport Shares.

27 EMPLOYMENT BENEFIT LIABILITIES

The Company contributes to a pension scheme administered by the Parastatal Pension Fund (PPF) and Public Sector Pension Fund (PSPF). These two schemes are defined contribution plans.

The Company total contributions during the year to the Funds are as follows:

Parastatal Pension Fund (PPF)	80,872,372	67,095,518
Public Sector Pension Fund (PSPF)	18,863,539	16,525,080
	99,735,911	**83,620,598**

28 OTHER STATUTORY PAYROLL REMITTANCES

Other statutory payroll remittances include Pay As You Earn (PAYE), Skills and Development Levy (SDL). PAYE and SDL are payable by the Company to the Tanzania Revenue Authority (TRA) in accordance with the Income Tax Act 2004.

The amounts charged to the statement profit or loss and other comprehensive income in the year in respect of the Skills and Development Levy remittances are:

Skills and Development Levy (SDL)	**35,297,337**	**27,710,337**

The amount deducted from the employees' salaries and wages in the year in respect of PAYE is:

Pay As You Earn (PAYE)	**152,773,350**	**136,315,353**

At 30 June 2015 and 2014 no outstanding liabilities to relevant authorities with respect to PAYE and SDL. PAYE and SDL were remitted before the year to relevant authorities.

29 RELATED PARTY TRANSACTIONS

a) Share Capital

The Dar es Salaam Stock Exchange started as a company limited by guarantee without sharecapital. The original founding guarantees were eleven (11). However the number increased to thirty nine as of 29th June 2015. On 29th June 2015, the Dar es Salaam Stock Exchange changed its registration to a public company limited by shares.

b) Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Council member (whether executive or otherwise) of the Company.

i. Executive Key Personnel		
Short-term employee benefits (salaries and allowances)	477,803,470	477,803,470
Post employment benefits (defined contribution plans)	92,126,286	54,621,322
	569,929,756	**532,424,792**
Staff loans and advances	15,675,060	7,250,000

The Company has abolished the policy of giving gratuity and other terminal benefit to Ex-Officio and therefore the same has not been recognised on the current period.

29 RELATED PARTY TRANSACTIONS (Continued)

ii. Non-Executive Key Personnel

Council expenses	71,298,000	50,200,000
Council members fee	25,000,000	18,000,000
	96,298,000	68,200,000

30 CAPITAL 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.

31 COMMITMENTS

Capital commitment
The Exchange has invested on short term deposits with three bankers; Commercial Bank of Africa, Bank M and Azania Bank Limited (Note 20) for three tranches; TZS 1,211.18 mill ,TZS 351.57 mill and TZS 108.7 mill, of interest rate of 13.50% ,14% and 13.50% respectively. The deposits will mature on 13 July 2015, 16 September 2015 and 13 July 2015 respectively.

Acquisition of an Office
The Exchange has entered into an agreement with the National Housing Corporation to purchase an office space at the Morocco Square project currently under construction. The space to be acquired is 900 SQM which is expected to cost USD 2,124,000/=. The Exchange has already settled the first installment to the acquisition amounting to TZS 1,359,634,580/= which is at 30%.

Operating lease commitment - Company as lessee
The Company has entered into commercial lease with PSPF to occupy office premises at 14th floor of the Golden Jubilee Towers Ohio Street in Dar es Salaam. The lease has an average life of 5 years from 1 February 2011. The Company does not pay rent in advance. In 2014, the lease was renewed for another 5 years term with similar terms. As at 30 June the Company has paid the following amount as annual rentals.

31 COMMITMENTS (Continued)

	2015 TZS	2014 TZS
Rental expenses recognised during year (Note 12)	245,400,748	228,088,783

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Within one year	245,400,748	245,400,748
After one year but not more than five years	736,202,244	588,961,795
	981,602,992.00	**834,362,543**

32 CONTINGENCIES

Contingent assets- Other investment
The Company 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. The DSE has plans to sale its stake in the near future.

Contingent liabilities
The Exchange recognized 20 Million as at 30th June 2015 (30 June 2014:Nill) as contingent liability.

33 COMPERATIVE BALANCES

Whenever necessary ,comparative figures have been reclassified to facilitate comparison.

34 POST BALANCE SHEET EVENTS

Maturity and re-investment of FDRs
Short term deposits of TZS 1,795 Million in total (Note 20) were subsequently re-invested to Bank M and are expected to mature on 24 October 2015 and 25 December 2015, these are in two tranches; TZS 1,095.5 mill and TZS 700 mill , with interest rate of 17% and 14%.

DSE exit from CAD Securities
DSE has received USD 5,000 from CAD Securities in November,2015 as final settlement of 20% of its stake in the Company.

Change of DSE Registration
DSE has changed its registration from being limited by guarantee to being limited by shares, therefore, it is now incorporated as the Dar es Salaam Stock Exchange PLC.

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial assets and liabilities are classified as level two with carrying value approximates the fair value. Therefore, there are no fair value adjustments.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

“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 analyse 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.

a. 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

“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.

The Company agree predetermined exchange rates with suppliers denominated in foreign currency and use the same to record and settle the outstanding amounts. Consequently expected impacts on exchange rate movements are eliminated.

b. Credit risk management

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:

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	2015 TZS	2014 TZS
Trade receivables (Note 18)	582,399,522	301,805,116
Other short-term operating receivables (Note 19)	121,102,608	80,741,429
Staff Receivables (Note 19)	18,482,660	24,619,565
Cash and bank balances (Note 21)	2,474,860,243	1,630,708,740
	3,196,845,033	**2,037,874,850**

Ageing analysis of trade receivables is shown under Note 18

Cash and cash equivalents

	2015 TZS	2014 TZS
As at 30 June (Note 21)	**2,474,860,243**	**1,630,708,740**

The Company held cash and cash equivalents at 30 June as indicated above , 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.

c. 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.

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.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On demand TZS	Less than 3 months TZS	3 to 12 months TZS	1 to 5 years TZS	Total TZS
As at 30 June 2015					
Capital grant - non current portion	-	-	-	1,116,296,745	1,116,296,745
Trade and other payables	-	6,325,662.00	391,812,835	-	398,138,497
	-	**6,325,662**	**391,812,835**	**1,116,296,745**	**1,514,435,242**
As at 30 June 2014					
Capital grant -non current portion	-	-	-	1,177,250,109	1,177,250,109
Capital grant-current portion	-	254,985,631	-	254,985,631	
Trade and other payables	-	3,616,448	187,092,773	-	190,709,221
	-	**3,616,448**	**442,078,404**	**1,177,250,109**	**1,622,944,961**

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d. 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	
	2015 TZS	**2014 TZS**
Fixed rate instruments		
Short term deposits (Note 20)	**1,671,452,599**	**876,481,000**

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 as indicated below at end of the reporting period have not been recognised to profit and loss.

A change of 100 basis points interest rates at the reporting date have the impact of increased (decreased) equity and profit or loss by TZS 1,671,453(2014: – 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 and equity	
	100 bp increase TZS	**100 bp decrease TZS**
31-Dec-14		
Variable rate instruments	(100,000)	100,000

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

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

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 PLC

FOR THE YEAR ENDED 30 JUNE 2015

The Controller and Auditor General,
National Audit Office, Tanzania
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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 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 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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1. INTRODUCTION

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 2015.

2. 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 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.

3. 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.

4. ACTIVITIES

As noted above, the Fund holds in trust certain assets, the property of the 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 Exchange and annual receipts equal to 10% or more of the net income of the Exchange for any one financial year.

5. FUND POSITION

The position of the Fund as at the end of the year is reflected in the accumulated fund balance of TZS 714,484,626 (2014: TZS 342,688,299) as shown in the statement of financial position on page 63 and on note 11 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.

6. RESULTS FOR THE YEAR.

The results for the year are shown in the Statement of profit or loss and other comprehensive income on page 63. No annual receipt based on the net income of the Exchange has been recognized in the accounts as the Exchange is not a for - profit entity.

7. 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 three members. These are:

Name	Position	Nationality
Mr. Simon C. Mponji	Member	Tanzanian
Mrs. Lucy Mandara	Member	Tanzanian
Mr. Alfonso Rodriguez	Member	Spanish

8. AUDITORS

The Controller and Auditor General using powers entrusted to him under Section 33 of Public Audit Act No.11 of 2008 approved Ernst & Young to be the External auditors of the DSE Fidelity fund accounts for the financial year ended 30 June 2015.

BY THE ORDER OF FIDELITY FUND MANAGEMNT COMMETTEE

S.C. MPONJI

....
Name and signature: Chairperson Name and signature: Member

As provided by the Capital Market and Securities Act 1994, the Fund shall be administered by the Council of the 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 30 June 2015, and the statement of profit or loss and other comprehensive income, 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 International Financial Reporting Standards.

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 14th November 2015 and are signed on its behalf by:

....	S.C. MPONJI ....
Name and signature: Chairman	Name and signature: Member

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

REF: 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 2015.

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 2015, 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 18 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 2015.

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. 48(3) of the Public Procurement Act No.7 of 2011 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 2015 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 Limited has generally complied with the requirements of the PPA No.7 of 2011.

CONTROLLER AND

Prof: Alhaji Mussa J. Assad

CONTROLLER AND AUDITOR GENERAL

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

12\04\2016

Date

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS AT THE YEAR ENDED 30 JUNE 2015

	Notes	2015 TZS	2014 TZS
Income			
Fee income	7	351,341,164	108,922,754
Other income	8	27,025,662	22,472,037
		378,366,826	**131,394,791**
Expenditure			
Audit fees	9	2,600,000	2,565,317
Committee Expenses	9	3,835,500	-
Bank charges		135,000	76,848
		6,570,500	**2,642,165**
Profit before taxation		**371,796,326**	**128,752,626**
Taxation		-	-
Profit after tax		**371,796,326**	**128,752,626**

STATEMENT OF FINANCIAL POSITION
AS AT THE YEAR ENDED 30 JUNE 2015

DSE
Creating Opportunities

	Notes	2015 TZS	2014 TZS
ASSETS			
Current assets			
Receivables	10	51,656,444	28,628,606
Fixed deposits	12	234,294,605	196,988,000
Cash and cash equivalents	13	435,206,674	119,909,291
Total assets		**721,157,723**	**345,525,897**
RESERVES AND LIABILITIES			
Reserves			
Accumulated fund	11	714,484,625	342,688,299
Current liabilities			
Accruals and Payables	14	6,673,098	2,837,598
Total reserves and liabilities		**721,157,723**	**345,525,897**

The financial statements of Fidelity Fund were approved for issue by the Governing Council on 9th March 2016 and are signed on its behalf by:

………………………………………
Name and signature:
Chairman

S.C. MPONJI………………………………
Name and signature:
Member

	2015 TZS	2014 TZS
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	371,796,326	128,752,626
Adjustment for:		
-Interest income	(27,025,662)	(22,472,037)
Operating profit before working capital changes	**344,770,664**	**106,280,589**
Increase in receivables	(23,027,837)	(188,477)
Increase in accruals	3,835,500	237,597
Cash generated from operating activities	**325,578,327**	**106,329,709**
Tax paid	-	-
Net cash flow from operating activities	**325,578,327**	**106,329,709**
INVESTING ACTIVITIES		
Interest received	27,025,662	22,472,037
Investment in fixed deposit with financial institutions	(37,306,606)	(20,988,000)
Net cash flow (used)/generated in investing activities	**(10,280,943)**	**1,484,037**
Net increase in cash and cash equivalents	315,297,383	107,813,746
Cash and cash equivalents at the beginning of the year	119,909,291	12,095,545
Cash and cash equivalents at the end of the year.	**435,206,674**	**119,909,291**

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 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, 2015 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 4th November 2015.

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

2. BASIS OF PREPARATION (*Continued*)

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Financial instruments (Continued)

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) Determination of fair values

Trade and other receivables
The fair value of trade and other receivables is estimated as the resent 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.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, these include; IFRS 2 Share-based Payment, FRS 3 Business Combinations, *IFRS 8 Operating Segments and Amendments to IAS 19 Defined Benefit Plans: Employee Contributions* have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2014:

Annual Improvements 2010-2012 Cycle

With the exception of the improvements relating to IFRS 2 Share-based Payment, *IFRS 3 Business Combinations and IFRS 8 Operating Segments all other improvements as listed below were considered by the Company due to material impact.*

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the current financial year since no revaluation adjustments have been recorded by the Company during the current period.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Company has applied these amendments for the first time in these financial statements except for IFRS 3 Business Combinations which have no material impact to the Company. They include:

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (*Continued)*

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Company.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following accounting standards, amendments to standards and new interpretations, which are not yet mandatory for the company, have not been adopted in the current year:

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when applicable as they become effective.

S/N	Standard issued but not effective	Effective date on or before
1.	IFRS 9 Financial Instruments	1 January 2018
2.	IFRS 14 Regulatory Deferral Accounts	January 2016
3.	IFRS 15 Revenue from Contracts with Customers	1 January 2018 retrospectively
4.	Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests	1 January 2016, prospectively
5.	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016 prospectively

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
  - o Servicing contracts
  - o Applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE *(Continued)*

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

6. FINANCIAL RISK MANAGEMENT

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.

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:

	2015 TZS	2014 TZS
Fixed deposits	234,294,605	198,988,000
Trade receivables	45,330,490	12,021,708
Interest receivables	6,325,954	16,606,898
	285,951,049	**227,616,606**

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

	2015 TZS	2014 TZS
Past due but not impaired:		
- by up to 30 days	43,301,865	8,242,410
- by 31 to 60 days	1,503,843	1,081,129
- by 61 to 90 days	459,305	95,282
- Over 91 days	65,477	2,602,887
Total past due but not impaired	45,330,490	12,021,708
Impaired	-	-
Gross debtors (Note 15)	**45,330,490**	**12,021,708**

6 FINANCIAL RISK MANAGEMENT (*Continued*)

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 2015				
Other payables	6,673,098	6,673,098	6,673,098	-

	Carrying Amount TZS	Contractual Amount TZS	Within One Year TZS	Above One Year TZS
As at 30 June 2014				
Other payables	2,837,598	2,837,598	2,837,598	-

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.

6. FINANCIAL RISK MANAGEMENT (*Continued*)

Market risks (Continued)

Interest risk (Continued)

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

Carrying amount

	2015 TZS	2014 TZS
Fixed rate instruments		
Financial assets	234,294,605	196,988,000
	234,294,605	**196,988,000**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value 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 234,295 (2014- TZS 198,988)

- **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.

  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.

7. FEE INCOME

	2015 TZS	2014 TZS
Transaction fees	**351,341,164**	**108,922,754**

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.

8. OTHER INCOME

	2015 TZS	2014 TZS
Interest income	27,025,662	22,472,037
	27,025,662	**22,472,037**

9. EXPENDITURES

	2015 TZS	2014 TZS
Committee Expenses	3,835,500	-
Audit fees	**2,600,000**	**2,565,317**

10. RECEIVABLES

Amount owing by brokers &DSE	45,330,490	12,021,708
Interest receivable from fixed deposits	6,325,954	16,606,898
	51,656,444	**28,628,606**

11. ACCUMULATED FUND

At beginning of year	342,688,299	213,935,673
Surplus for the year	371,796,326	128,752,626
	714,484,625	**342,688,299**

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 traded value of securities transacted 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 the Exchange is not a for – profit entity.

12. FIXED DEPOSITS

The effective interest rate and maturity date on short term deposits of TZS 234,294,605 and (2014: TZS 196,988,000) invested by the Fund at CBA Bank were as follows:

	2015		2014	
	Effective interest rate per annum	Maturity date	Effective interest ate per annum	Maturity date
CBA Bank	**13.5%**	**13-Jul-15**	**13.00%**	**10-Oct-14**

13. CASH AND CASH EQUIVALENTS

As at 30 June 2015 the Fund has a bank balance of TZS 435,206,674 (2014: TZS 119,909,291).

14. ACCRUALS AND PAYABLES

	2015 TZS	2014 TZS
Committee Expenses	3,835,500	-
Audit fees	2,600,000	2,600,000
Akiba Bank Payable	237,598	237,598
	6,673,098	**2,837,598**

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