



DSE
Creating Opportunities



ANNUAL
REPORT
2017



ANNUAL
REPORT
&
FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTH
PERIOD ENDED 31 DECEMBER 2017



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Introduction

I am delighted to present to you the Annual Financial Results of the Dar es Salaam Stock Exchange PLC ("DSE" or "the Exchange") and CSDR & Registry Company Limited (together "the Group"). This being the first set of results following demutualization and self-listing of the DSE. I would like to assure our shareholders of the Board's determination in ensuring that DSE is steered to the shareholders' envisioned direction.

1. Socio-political Environment

During the 2016/17 period, Tanzania remained largely stable both on the political and social aspects. We take this opportunity to commend the Government for being vigilant, steadfast and decisive in maintaining peace and stability in the country.

2. Macro-economic environment

The Bank of Tanzania (BOT) Monthly Economic Review report for the month of February 2018 indicates that economy will continue to grow supported by strong macro-economic factors and low inflationary environment. Real GDP is expected to grow by about 7% and inflation is expected to remain at a single digit rate; the twelve-months that ended December 2017 the headline rate remained at 4%.

Stability of the Tanzania Shilling against major currencies as well as the increase in money supply and credit will also support the projected growth. Furthermore, the positive and necessary reforms by the government in fiscal discipline and its investment in long-term public sector infrastructure projects are expected to consolidate the GDP even further in the medium to long-term.

3. Market performance

Year 2016/17 was a last year in implementing the First Five-Years (2012 - 2017) DSE Strategic Plan. Most of the planned strategic initiatives have been implemented. These include change of the DSE legal status from mutual to a demutualized entity, selling of the DSE shares to the public through a public offer and self-listing, turnaround of the DSE from loss making mutual entity to a commercially run and profit making company; introduction of efficient Automated Trading System (ATS) and Central Depository System (CDS); demutualization, Initial Public Offer (IPO) and self-listing; acquisition of DSE own office premises; operationalization of CSDR as a separate legal entity which is a wholly owned subsidiary of DSE; linking of DSE CDS system to that of BOT; among other initiatives.

In 2016/17 DSE recorded increase in its core business activities (i.e. listing, trading and settlement of traded securities). During this reporting period there were 2 listed equity securities (DSE PLC and Vodacom PLC) whose IPOs had a combined amount about TZS 500 billion. There were Treasury Bonds worth more than TZS 3,700 billion that were listed during this period. Trading turnover on equity during the period was about TZS 710 billion while trading turnover on bonds was about TZS 1,120 billion. The investor base during this period increased by almost 50,000 to reach 530,000 investors.

4. Dividends

During this reporting period the Board of Directors recommended and approved the payment of Interim dividend of about TZS 1 billion (equivalent to TZS 42 per share). The Board of Directors recommends a further TZS 58 per share as final dividend. When added together, the total dividend for the Year ended 31st December 2017 is TZS 100 per share.

5. Governance issues

DSE Board, through its committees and the full board met regularly to deliberate on various strategic and performance issues as identified in the DSE's plans and provided guidance and directives to the Management.

6. Looking ahead

The year 2018 will be the first year in implementation of the DSE's Five Year Strategic Plan (2018 - 2022). The plan has identified 20 key strategic initiatives that aims at among others to achieve a "Frontier Market Status (FMS) by 2020 and Emerging Market Status (EMS) by 2030".

Appreciation

I would like to sincerely thank those who supported the DSE on its journey to-date. First and foremost our shareholders who showed great confidence in the Exchange; the Government of Tanzania for the provision of fiscal incentives and other policy and legislative actions and initiatives that support the development of the stock markets; the regulator (the Capital Markets and Securities Authority-CMSA) for the lead role of promoting an efficient and orderly market; BOT for its role in handling primary market for bonds; as well as Development Partners (Financial Sector Deepening Trust-FSDT, FSD Africa and the World Bank) for their support on different DSE's initiatives.

Last but not least, I would like to thank my colleagues in the Board, all DSE stakeholders as well as DSE Management and staff for their dedication in seeing the DSE vision come into reality. Together we made some milestones in the history of the Company.



Jonathan Andrew Njau
Board Chairman

Date: 29th May 2018

BOARD OF DIRECTORS



Mr. Jonathan Andrew Njau
Chairman



Mr. Joseph Mwaisemba
Board Member



Mr. Andulile Mwakalyelye
Board Member



Mr. Wilhelm Ngasamiaku
Board Member



Mr. Riyaz Takim
Board Member



Mr. Ramadhan Unguu
Board Member



Mr. Moremi Marwa
BOARD MEMBER - CEO



Mrs. Mary Mniwasa
Secretary to the Board



i) Introduction

On behalf of the Management and staff of the Dar es Salaam Stock Exchange PLC ("DSE"), I am pleased to share with you highlights of the DSE's operational and financial performance for the 18-months period from July 2016 to December 2017.

The year 2016/17 was the final year of implementation of the DSE's Five Year Strategic Plan (2012 - 2017). The concluded plan had identified 20 key initiatives, most of which have successfully been implemented.

Some of the key initiative and activities implemented include:

- Demutualization, IPO and self-listing of the DSE. DSE became the third stock exchange in Africa to self-list.
- Incorporation and operationalization of the DSE wholly owned subsidiary - CSD & Registry Company Limited.
- Increasing number of equity listed companies from 17 companies to 27.
- Increasing equity market liquidity from an annual average of about TZS 50 billion to TZS 500 billion.
- Increase in investor base to more than 500,000.
- Increase Licensed Dealing Members, from 8 to 15 (including Commercial Banks in Bond Dealers category).
- Increase fixed income market liquidity from an average TZS 300 billion to more than TZS 400 billion.
- Increase operational efficiency by reducing significantly fixed costs related for the DSE ATS & CDS Systems.
- Linking of the DSE and BOT Central Depository Systems for Government Bonds listing and trading.
- Acquisition of DSE's own office premises at the NHC Morocco Square; and
- Operationalization of the Disaster Recovery Site in Morogoro.

ii) Market operation for the financial period 2016/17

In the financial Year 2016/17 DSE listed two equity issuing companies namely DSE PLC and Vodacom Tanzania PLC with a combined IPO value of about TZS 500 billion and Market capitalization of about TZS 1,940 billion. The DSE also listed Treasury Bonds worth TZS 3,744 billion

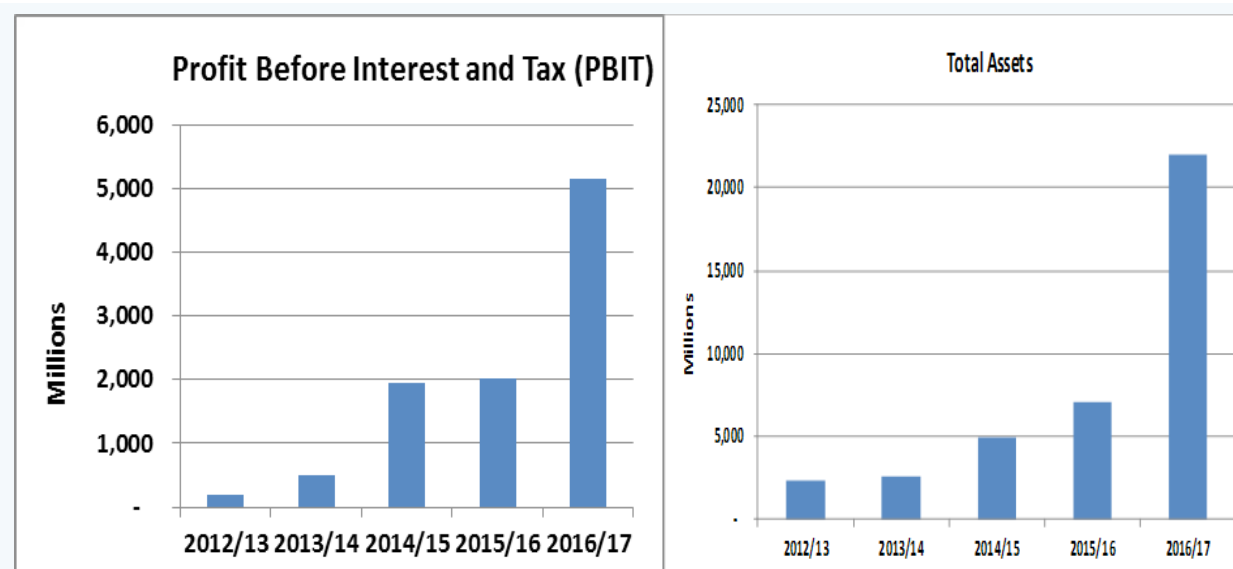
In the financial year 2016/17, equity trading turnover declined by 3 percent to TZS 713 billion from TZS 734 billion in year 2015/16. Total market capitalization increased by 6 percent to TZS 23,076 billion from TZS 21,728 billion. On fixed income segment, secondary market transaction of bonds trading increased to TZS 1,118 billion from TZS 459 billion recorded in the financial year 2015/16.

iii) Financial performance for the financial period 2016/17

During this reporting period DSE made a net profit of TZS 5,266 million, which is 162 percent increase from 2015/16 net profit of TZS 2,010 million. The DSE's core revenue was TZS 7,354 million, 68 percent increase from the previous TZS 4,367 million.

In 2016/17, revenue from equity transactions fee increased by 5 percent to TZS 2,202 million from TZS 2,099 million in 2015/16. Annual listing fees for equity increased by 36 percent to TZS 659 million from TZS 485 million in 2015/16. Annual listing fees in bonds increased to TZS 3,054 million from TZS 1,130 million, an increase of 170 percent. Other sources that contributed to good revenue performance includes: CSD transactions fees TZS 840 million, IPO processing fees TZS 82 million, data vending TZS 41 million, registry services TZS 42 million and dividend processing fees TZS 81 million.

During the five years DSE has recorded a Compounded Annual Growth Rate (CAGR) of 94 percent and 57 percent on profitability and total assets respectively.



The significant improvement in the financial performance was a result of the resilient implementation of 5-Years DSE Strategic Plan initiatives, improvement in operational efficiency, diversified revenue sources as well as strong emphasis on financial controls.

v) Accomplishments in the financial year 2016/17

The planned activities and budget for the year 2016/17 targeted to achieve the following key objectives: Expanding of the Exchange business by increasing number of listings and introduction of new products and services, enhancing of the Exchange core operating infrastructure; separating the CSD operations from the Exchange by establishing the CSDR company as a wholly owned subsidiary; continued engagements with Local Government Authorities (LGAs) for listing of Municipal Bonds; capacity building to market intermediaries; increase public awareness as well as engagement with policy makers on policy issues that affect stock market operations.

vi) Below is a summary of achievements under each strategic initiative:

Consolidate and leverage on the current and ongoing strategies to encourage more listings, and increase market liquidity:

- We continued engagements with the Government for implementation of Electronic and Postal Communication Act and Mining Act that resulted into listing of Vodacom Tanzania PLC;
- Engaged commercial banks to pursue licenses that will enable them to transact in via direct access to DSE ATS;
- Engage with the Government for the potential of issuance of Municipal bonds by LGAs, Municipals and Cities Authorities;
- Increased number of Data vending customers by providing support dissemination of EOD data to new customers;
- Engaged in efforts to increase public awareness about the DSE activities.
- Organized two capacity building forums for market intermediaries, where a total of 63 participants attended.

Undertaking conscious and targeted investments in areas of great value creation for the DSE's next envisaged development strategies and profitability:

- Reviewed the DSE Investment policy.
- Undertook investments in treasury and cash management functions which resulted into achievement of average returns targets set.
- Capital expenditure were prudently incurred on areas that improve operational efficiency and help to achieve strategic goals.

Pursuing strategies related to the introduction of new products and services that will enable diversification of DSE's revenue sources:

- Facilitated and coordinated a study for Introduction of new products and services.
- Actively engaged with other key stakeholders in a study to introduce micro-saving products (M-Akiba bond).
- Engaged with potential issuers through organized forums and participation in the Top 100 Mid-Sized companies survey and DSE members award.

Pursue strategic alliances with key stakeholders for market growth and development

- Actively participated on different activities organized by global and regional Stock Exchanges Associations and pursuing full members to the World Federation of Exchanges (WFE). Currently DSE is an affiliate member to the WFE.
- Facilitated/participated in business forums with a view to engage potential issuers and investors.
- Actively participated on implementation of the Government's roadmap for improving investment and business environment.

Engage key stakeholders to enhance legal/regulatory environment and fiscal environment that will spur growth of the DSE operations:

- Engaged with the Government on various policy issues that affect stock market operations.
- Pursued the Treasury Registrar's office on the potential of future privatizations via the Stock Market.

Enhance efficiency & governance of the DSE and the Central Securities Depository & Registry Services:

- Pursued efforts of encouraging licensed nominated advisors to seek admission TO DSE membership.
- Organized a forum for listed companies to sensitize them on the necessity of complying with DSE rules and capacity building on matters of Environmental, Social Sustainability and Good Governance.
- Incorporated and operationalized the CSD & Registry Company Limited as a wholly owned subsidiary of DSE.

Enhancement of the Market infrastructure

- Finalized the integration/connectivity of DSE CSD with BoT CSD for listing and secondary trading of Treasury Bonds.
- Continued to engage in efforts of linking the DSE systems to EAC-CMI infrastructure.

Preparation of the DSE PLC Strategic Business Plan for 2018 to 2022

- Finalised the preparation of DSE 5 - Year Strategic Plan from 2018 to 2022 which has incorporated specific recommendation of the New Products and services study as well as the M-Akiba Study


2018 Plans

The major plans to be implemented during year 2018 have taken into account some proposed initiatives as per the New Products and Services Study and the 2018 - 2022 Strategic Plan. Some of these strategic initiatives includes: Introduction of Micro savings product (M-Akiba Bonds); Advocacy on policy development; Post-Trade risk management, Listing of closed ended investment funds and Real Estate Investment Trusts and Negotiable Certificate of Deposits; Enhancing existing DSE and CSD services (i.e. Market Data, registry services and training to market intermediaries); Restructuring of the DSE and CSDR Websites and content; Achieve full membership to the World Federation of Exchanges (WFE) and the Africa and Middle East Depositories Association (AMEDA) as well relocation of the DSE offices to the DSE own office premises at NHC Morocco Square.

Appreciation

On behalf of the Management and staff, I would like to extend my appreciation and gratitude to our Board of Directors for their guidance and good counselling; DSE's staff for their hard work and dedication; to the DSE shareholders for their continued trust in the DSE vision and services. Development partners, Government and its institution as well as other stakeholders including market intermediaries for supporting the DSE vision.

Moremi Marwa
Chief Executive Officer

Date: 

MANAGEMENT



Mr. Moremi Marwa
Chief Executive Officer



Mr. Ibrahim Mshindo
Chief Financial Officer



Mrs. Mary Miwasa
Chief Legal Counsel



Mr. Emmanuel Nyalali
Director Trading & Market
Operations



Mr. Ali Othman
Chief Technology Officer



Mr. Mecklaud Edson
Chief Internal Auditor



Mr. Benitho Kyando
Interim Managing Director of DSE Subsidiary (CSDR)

DIRECTORS' REPORT

1. INTRODUCTION

The Board of Directors of the Dar es Salaam Stock Exchange PLC ("DSE") have the pleasure to present its report together with the audited financial statements for the eighteen month period ended 31 December 2017 which discloses the state of affairs of the DSE and its subsidiary, CSD & Registry Company Limited (CSDR) (together "Group") as at that date.

2. INCORPORATION

The Dar es Salaam Stock Exchange PLC (formerly known as Dar es Salaam Stock Exchange Limited) was incorporated in 1996 under the Tanzania Companies Act, 2002 (hereinafter, the Companies Act) as a limited liability company by guarantee (a mutual company). Operations of the DSE started in April 1998. On 26 June 2015, the Company changed its registration from mutual status to a company owned by shareholders (Public Limited Company) and subsequently changing its name from Dar es Salaam Stock Exchange Limited to Dar es Salaam Stock Exchange PLC and issued twenty shares of TZS 400 each. In June 2016 DSE issued shares to the public and thereafter self-listed its shares on its own Exchange on 12th July 2016.

3. VISION

To be the engine that fuels and finances economic developments and a national agent of change towards achieving Frontier Market Status (FMS) by attracting capital and investment.

4. MISSION

To maximise the wealth of shareholders by creating value propositions for all stakeholders, creating economic empowerment and an efficient allocation of capital.

5. PRINCIPAL ACTIVITIES

The principal activity of the DSE is to provide 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.

During the year, DSE invested in a fully owned subsidiary company, CSD & Registry Company Limited (CSDR), whose main activities are to provide automated clearing, delivery and settlement facilities in respect of transactions carried out at the DSE.

6. FINANCIAL PERFORMANCE

The Group profit for the eighteen month period ended 31st December 2017 was TZS 5,266,462,864 (Year ended 30th June 2016: TZS 2,010,258,097).

7. CORPORATE GOVERNANCE

During the period, the new board of Directors was appointed.

All board members, except the Chief Executive Officer (CEO), were non-executive. The Directors 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 Directors therefore confirm that:

- I. The Board met regularly throughout the period.
- II. It retains full and effective control over the Group and monitor executive management.
- III. The positions of Chairman and Chief Executive Officer (CEO) are held by two different people.



7. CORPORATE GOVERNANCE (CONTINUED)

IV. Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance.

8. BOARD OF DIRECTORS OF THE EXCHANGE

The Board of directors who held office during the period up to the date of this report were as follows:

Name	Position	Qualifications	Nationality	Age	Date appointed	Date resigned
Mr. P. A. Maneno	Chairman	MAcc, PGDM, CPA(T)	Tanzanian	51	2015	August 2016
Mr. N. D. Mukirya	Non-Ex. Director	LLM	Tanzanian	60	2015	August 2016
Mr. W. S. E. Barnabas	Non-Ex. Director	B.Com Acc, CPA (T)	Tanzanian	51	2015	August 2016
Mr. R. Masumbuko	Non-Ex. Director	MSC Acc & Fin	Tanzanian	48	2015	August 2016
Mr. A. Rodriguez	Non-Ex. Director	MBA	Spanish	48	2015	August 2016
Mrs. M. J. Solomon	Non-Ex. Director	MBA Finance, B.Com Marketing, Diploma BA	Tanzanian	62	2015	August 2016
Mrs. J. Sweke	Non-Ex. Director	MBA, CPA (T)	Tanzanian	51	2015	August 2016
Mr. A. G. Masambu	Non-Ex. Director	MA Economics	Tanzanian	59	2015	August 2016
Mrs. J. K. Ndissi	Non-Ex. Director	BA & MA Economics	Tanzanian	63	2015	January 2018
Dr. M. Warsame	Non-Ex. Director	PhD, CPA & CFA	Tanzanian	44	September 2016	July 2017
Dr. C. Kimei	Non-Ex. Director	MSC Economics	Tanzanian	64	September 2016	November 2016
Mr. J. Njau	Non-Ex. Director	LLB & MBA - Finance	Tanzanian	56	September 2016	-
Mr. E. Busara	Non-Ex. Director	MBA, CPA (T)	Tanzanian	44	September 2016	February 2018
Mr. R. Takim	Non-Ex. Director	BSC & MSC Economics	Tanzanian	44	September 2016	-
Mr. L. R. Malauri	Non-Ex. Director	MSC Economics	Tanzanian	69	September 2016	November 2016
Mr. E. Caramaschi	Non-Ex. Director	MSC Economics	Tanzanian	43	September 2016	April 2017
Mr. A. Mwakalyelye	Non-Ex. Director	M. A. Economics	Tanzanian	59	April 2017	-
Dr. W. Ngasamiaku	Non-Ex. Director	BA (Econ), Masters (Econ) and Phd (Economics)	Tanzanian	43	31 July 2017	-
Mr. U. Sulay	Non-Ex. Director	MSC Accounting & Finance, FCCA and ACPA	Tanzanian	41	31 July 2017	-

8. BOARD OF DIRECTORS OF THE EXCHANGE (CONTINUED)

Name	Position	Qualifications	Nationality	Age	Date appointed	Date resigned
Mr. J. Mwaitembe	Non-Ex. Director	MBA, CPA (T)	Tanzanian	38	13 October 2017	-
Mr. M. Marwa	CEO -Executive Director	MBA, CPA (T)	Tanzanian	42	2015	-

9. DIRECTORS' REMUNERATION

The Exchange paid a total of TZS 97,517,900 as directors' fees (Year ended 30 June 2016: TZS 23,200,000).

10. MEETINGS AND ACTIVITIES OF THE BOARDS

DSE started the year with an interim board, which was before undergoing demutualisation and a self-listing; this Interim Board met two times during the period. After undergoing a self-listing, the interim board was replaced by a new DSE board that met for the first time on 9th September 2016. The board met 9 times during the period to 31st December 2017 as indicated below;

Name	9 Sept 2016	8 Nov 2016	25 Apr 2017	24 May 2017	31 Jul 2017	3 Aug 2017	7 Nov 2017	14 Dec 2017
Mrs. J. K. Ndissi	✓	✓	✓	✓	✓	-	✓	✓
Dr. M. Warsame	-	✓	-	-	N/A	N/A	N/A	N/A
Dr. C. Kimei	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Mr. J. Njau	✓	✓	✓	✓	-	✓	✓	✓
Mr. E. Busara	✓	✓	✓	✓	✓	✓	✓	-
Mr. R. Takim	✓	✓	-	-	✓	✓	✓	✓
Mr. L. R. Malauri	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Mr. E. Caramaschi	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Mr. A. Mwakalyelye	N/A	N/A	✓	✓	✓	✓	✓	-
Dr. W. Ngasamiaku	N/A	N/A	N/A	N/A	✓	✓	✓	✓
Mr. U. Sulay	N/A	N/A	N/A	N/A	✓	✓	✓	✓
Mr. J. Mwaitemba	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓
Mr. M. Marwa	✓	✓	✓	✓	✓	✓	✓	✓

The board discussed and resolved matters recommended by its standing committees and provided directives to management on operational matters. The Board is supported by the following committees as at 31 December 2017.

10. MEETINGS AND ACTIVITIES OF THE BOARD (CONTINUED)

a) Listing and Trading Committee (LTC)

Name	Position	Qualifications	Nationality
Mr. Jonathan Njau	Chairperson	LLB & MBA - Finance	Tanzanian
Mr. Wilhelm Ngasamiaku	Member	Phd. Economics	Tanzanian
Mr. Andulile Mwakalyeye	Member	BSC & MSC ADMIS	Tanzanian

The LTC Committee reports to the DSE Board. The LTC Committee met nine (9) times during the period. The committee deliberated on different applications for listing.

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

Name	Position	Qualifications	Nationality	Resigned
Mr. R. Takim	Chairperson	BSC & MSC ADMIS	Tanzanian	
Mr. A. Mwakalyeye	Member	MA Economics	Tanzanian	
Mrs. J. K. Ndissi	Member	BA & MA Economics	Tanzanian	January 2018

The ARC Committee reports to the DSE Board. The ARC Committee met five (5) times to discuss various issues on staff matters and application of the new associate members.

(c) Audit Committee

Name	Position	Qualifications	Nationality	Resigned*/Join**
Mr. U. Sulay	Member	MSC Accounting & Finance and FCPA	Tanzanian	
Mr. R. Takim	Member	BSC & MSC ADMIS	Tanzanian	*7 November 2017
Mr. E. Busara	Member	MBA. CPA (T)	Tanzanian	* February 2018
Mr. A. Mwakalyeye	Chairman	M. A. Economics	Tanzanian	*17 November 2017
Mr. J. Mwisemba	Member	MBA. CPA (T)	Tanzanian	**17 November 2017

Audit Committee reports to the Board. Audit Committee met five times during the period to discuss on various matters such as DSE Quarterly Financial Reports, Internal Audit Reports and DSE External Audit for the period ended 31st December 2017.

11. MANAGEMENT

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

- Finance and Research Department;
- Corporate Affairs and Legal Counsel Department;
- Project and Business Development;
- Trading and Market Data Department;
- ICT Department and,
- Internal Audit Department.

12. SOLVENCY

The Board of Directors 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 Board Members consider the DSE to be solvent within the meaning ascribed by the Tanzanian Companies Act, 2002.

13. KEY HIGHLIGHTS OF THE PERIOD

During the period, the operational performance of the exchange was as highlighted on the table below:

Particular	Eighteen month period ended 31 December 2017	Year ended 30 June 2016
Market capitalization (TZS billions)	23,076	21,729
Domestic Market capitalization (TZS billions)	10,226	7,912
Value of shares traded (TZS billions)	711	734
Value of bonds traded (TZS billions)	889	459
All shares index (DSEI) Points	2,396	2,482
Tanzania share index (TSI) Points	3,919	3,706
Value of outstanding listed bonds (TZS billions)	8,108	4,897

14. SCOPE OF BUSINESS

The DSE is a duly approved Exchange under Capital Markets and Securities Act, 1994 (Cap 79). 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 maintaining the integrity of the market and plays a role of educator on matters relating to capital markets.

15. SCOPE OF REPORT

The annual report for the period ended 31 December 2017 presents a set of annual reports and financial statements for the period starting 01 July 2016 to 31 December 2017. 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.

16. CAPITAL STRUCTURE

DSE was incorporated in 19 September 1996 as a company limited by guarantee without a share capital. The Exchange 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 July 2015, the Exchange changed its legal status from a company limited by guarantee to a company limited by shares and its name to Dar es Salaam Stock Exchange PLC and on 12th July 2016 and issued shares to the public.

16. CAPITAL STRUCTURE (CONTINUED)

DSE's shareholding structure as of 31st December 2017, is as below;

S/N	Shareholder	Number of Shares	Percentage of Share holding
1	The Government of Tanzania through Treasury Registrar	3,574,000	15%
2	SCB (T) NOMINEES SCB – Consumer Banking Re Mr. Aunali F. Rajabali and Sajjad F. Rajabali	3,003,314	13%
3	SCB (T) NOMINEE RE SCB Mauritius A/C Briarwood Chase Management LLC A/C Briarwood Capital Partners LP	2,848,314	12%
4	National Investment Company Limited	1,285,831	5%
5	General Public	13,112,541	55%
Total		23,824,000	100%

17. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Exchange. 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 Exchange's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and,
- Responsible behaviours 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 Exchange system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial period ended 31 December 2017 and is of the opinion that they met the accepted criteria. The Board carries risk and internal control assessment through both the Administrative, Risk and Compliance Committee and the Audit Committee.

18. CORPORATE SOCIAL RESPONSIBILITY

DSE played its role in the society during the period. A total of TZS 0.15 million (June 2016: TZS 0.3 million) 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 to learning practically on how to save and invest via a Stock Exchange, this was executed as part of the public education campaign through its DSE Scholar Investment Challenge Programme.

19. EMPLOYEES WELFARE

Health and Medical Care

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

Staff Complement


As at 31st December 2017, the DSE had 21 employees, out of which 8 were female and 13 were male. In 2016 a total 19 staff; 7 staff were female and 12 were male.

20. AUDITORS

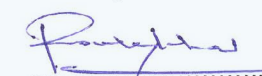
PricewaterhouseCoopers have expressed their willingness to continue in office in accordance with Section 170 (2) of the Tanzania Companies Act, 2002. Appointment of auditors for the year ending 31 December 2018 will be done at the Annual General Meeting.

BY ORDER OF THE BOARD

Approved by the Board of Directors on 18 May 2018 and signed on its behalf by:


 Mr. J. Njau

29th May 2018
 Date


 Mr. U. Sulay


30th May 2018
 Date

The Companies Act, No. 12 of 2002 requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group as at the end of the financial year and of its profit or loss for the year. It also requires the directors to ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

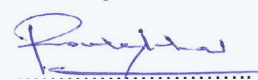
The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No. 12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of its profit in accordance with International Financial Reporting Standards (IFRS). The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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

Signed on behalf of the Board of Directors by:


.....
Mr. J. Njau

29th May 2018
.....
Date


.....
Mr. U. Sulay

29th May 2018
.....
Date

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Statement of Directors Responsibilities on an earlier page.

I Ibrahim Mshindo being the Chief Financial Officer of Dar es Salaam Stock Exchange PLC hereby acknowledge my responsibility of ensuring that financial statements of the eighteen month period ended 31 December 2017 have been prepared in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No 12 of 2002.

I thus confirm that the financial statements give a true and fair view of the financial performance of Dar es Salaam Stock Exchange PLC for the period ended 31 December 2017 and its financial position as on that date and that they have been prepared based on properly maintained financial records.

Signed by: 

Position: Chief Financial Officer

NBAA Membership No.: GA 2207

Date: 29th May 2018

Report on the audit of the group and company financial statements

Our opinion

In our opinion, the group and company financial statements give a true and fair view of the group and company financial position of Dar es Salaam Stock Exchange PLC (the Company) and its subsidiary (together the Group) as at 31 December 2017, and of its group and company financial performance and its group and company cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002.

What we have audited

Dar es Salaam Stock Exchange PLC's group and company financial statements are set out on pages 24 to 57 comprise:

- the group and company statements of financial position as at 31 December 2017;
- the group and company statements of profit or loss and other comprehensive income for the period then ended;
- the group and company statements of changes in equity for the period then ended;
- the group and company statements of cash flows for the period then ended; and
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the group and company financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and company financial statements of the current period. These matters were addressed in the context of our audit of the group and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report on the audit of the group and company financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Company relies on complex information technology systems and applications for recording its multiple streams of revenue as disclosed in note 3 and note 7. The billing system and financial reporting system have automated interface but manual intervention is also enabled. Our audit focused on responding to the risk that automated application controls and the related IT dependent controls are not designed and operating effectively.	We tested the design and operating effectiveness of the controls over the continued integrity of the information systems that are relevant to financial accounting and reporting. We tested the revenue billing system and its interface with the financial reporting system through testing the relevant information technology general controls, application controls and manual controls.

Other information

The directors are responsible for the other information. The other information comprises Chairman's statement, CEO's statement, Directors' report, Statement of directors' responsibilities, and Declaration of the head of finance, which we obtained prior to the date of this auditor's report, and the additional other information in the Annual report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read additional other information in the Annual report which is expected to be made available to us after the date of the auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the group and company financial statements

The directors are responsible for the preparation and fair presentation of the group and company financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of group and company financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's financial reporting process.

Report on the audit of the group and company financial statements (continued)

Auditor's responsibilities for the audit of the group and company financial statements

Our objectives are to obtain reasonable assurance about whether the group and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group and company financial statements.

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

- Identify and assess the risks of material misstatement of the group and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the group and company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the group and company financial statements, including the disclosures, and whether the group and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

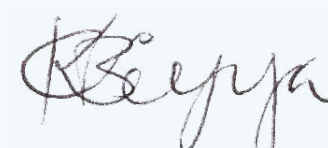
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the group and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes.

As required by the Companies Act, No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.



Cletus Kiyuga, ACPA-PP

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

Date: 1st June 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Eighteen month period ended 31 December 2017		Year ended 30 June 2016
		Group	Company	Company
		TZS	TZS	TZS
Revenue	7	7,354,451,738	6,949,003,944	4,366,660,051
Other income	8	530,142,336	530,142,336	325,935,831
Information technology costs	10(a)	(631,075,234)	(592,514,918)	(432,396,015)
Staff costs	9	(2,519,543,740)	(2,450,311,499)	(1,340,571,957)
Office rent	10(b)	(470,651,955)	(461,908,005)	(308,141,083)
Depreciation and amortisation		(307,768,817)	(307,768,817)	(160,535,164)
Other expenses	10(c)	(1,438,129,198)	(1,388,974,940)	(822,300,077)
Operating profit		2,517,425,130	2,277,668,101	1,628,651,586
Finance income	11	2,820,090,043	2,820,090,043	381,606,511
Operating profit before tax		5,337,515,173	5,097,758,144	2,010,258,097
Income tax expense	12	(71,052,309)	-	-
Net profit for the period/year		5,266,462,864	5,097,758,144	2,010,258,097
Other comprehensive income		-	-	-
Total comprehensive income		5,266,462,864	5,097,758,144	2,010,258,097
Basic earnings per share (TZS)	27	221.06	213.98	-
Diluted earnings per share (TZS)	27	221.06	213.98	-

The notes on pages 29 to 57 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2017		As at 30 June 2016
		Group	Company	Company
		TZS	TZS	TZS
ASSETS				
Non-current assets				
Property and equipment	13	518,014,849	517,164,849	22,466,419
Non-current prepayment	14	2,776,767,383	2,776,767,383	1,359,634,580
Intangible asset	15	109,247,349	109,247,349	180,116,809
Leasehold land and building	16	473,954,962	473,954,962	493,961,339
Investment in subsidiary	17	-	100,000,000	-
		3,877,984,543	3,977,134,543	2,056,179,147
Current assets				
Trade receivables	18a	1,231,205,477	997,419,137	567,065,146
Other receivables	18b	1,310,420,584	1,310,420,584	611,655,059
Government securities	19	3,723,608,300	3,723,608,300	-
Short term deposits	20	11,134,240,129	11,134,240,129	3,459,575,819
Cash and cash equivalents	21	699,644,322	429,729,438	361,301,598
Restricted bank balance	21	16,225,700	16,225,700	7,416,100
		18,115,344,512	17,611,643,288	5,007,013,722
TOTAL ASSETS		21,993,329,055	21,588,777,831	7,063,192,869
EQUITY AND LIABILITIES				
Equity				
Share capital	24	9,529,608,000	9,529,608,000	8,000
Share premium	24	1,850,374,351	1,850,374,351	-
Retained earnings		7,400,049,543	7,231,344,823	4,904,811,825
Revaluation surplus	16	336,147,882	336,147,882	352,530,736
Car loan fund	22	35,000,000	35,000,000	35,000,000
		19,151,179,776	18,982,475,056	5,292,350,561
Non-current liabilities				
Grants	23	1,304,412,989	1,304,412,989	1,163,003,099
		1,304,412,989	1,304,412,989	1,163,003,099
Current liabilities				
Grants	23	408,154,617	408,154,617	349,694,471
Trade and other payables	25	1,058,529,364	893,735,169	258,144,738
Current income tax	12	71,052,309	-	-
		1,537,736,290	1,301,889,786	607,839,209
TOTAL EQUITY AND LIABILITIES		21,993,329,055	21,588,777,831	7,063,192,869

The financial statements on page 24 to 57 were approved by the board of directors and signed on its behalf by;

Mr. J. Njau

Signature

Date

29th May 2018

Mr. U. Sulay

Signature

Date

29th May 2018

STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital (Note 24) TZS	Share premium (Note 24) TZS	Car loan fund (Note 22) TZS	Retained earnings TZS	Revaluation surplus TZS	Total TZS
Period ended 31 December 2017						
At 01 JULY 2016	8,000	-	35,000,000	4,904,811,825	352,530,736	5,292,350,561
Transaction with owners						
Issue of shares	8,100,000,000	1,492,974,351	-	-	-	9,592,974,351
Issue of shares to the government ¹	1,429,600,000	357,400,000	-	(1,787,000,000)	-	-
Dividend paid	-	-	-	(1,000,608,000)	-	(1,000,608,000)
	9,529,600,000	1,850,374,351	-	(2,787,608,000)	-	8,592,366,351
Other comprehensive income						
Profit for the period	-	-	-	5,266,462,864	-	5,266,462,864
Release of depreciation	-	-	-	14,571,093	(14,571,093)	-
Total comprehensive income	-	-	-	5,281,033,957	(14,571,093)	5,266,462,864
At 31 DECEMBER 2017	9,529,608,000	1,850,374,351	35,000,000	7,398,237,782	337,959,643	19,151,179,776
COMPANY						
At 01 JULY 2016	8,000	-	35,000,000	4,904,811,825	352,530,736	5,292,350,563
Transaction with owners						
Issue of shares	8,100,000,000	1,492,974,351	-	-	-	9,592,974,351
Issue of shares to the government ¹	1,429,600,000	357,400,000	-	(1,787,000,000)	-	-
Dividend paid	-	-	-	(1,000,608,000)	-	(1,000,608,000)
	9,529,600,000	1,850,374,351	-	(2,787,608,000)	-	8,592,366,351
Other comprehensive income						
Profit for the period	-	-	-	5,097,758,144	-	5,097,758,144
Release of depreciation	-	-	-	14,571,093	(14,571,093)	-
Total comprehensive income	-	-	-	5,112,329,237	(14,571,093)	5,097,758,144
At 31 DECEMBER 2017	9,529,608,000	1,850,374,351	35,000,000	7,229,533,062	337,959,643	18,982,475,056

¹ Represent shares allocated to the Government of the United Republic of Tanzania at a non-cash consideration as entitlement for the financial and other support provided to DSE since its establishment.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

COMPANY	Share capital (Note 24) TZS	Share premium (Note 24) TZS	Car loan fund (Note 22) TZS	Retained earnings TZS	Revaluation surplus TZS	Total TZS
Year ended 30 June 2016						
At 01 JULY 2015	-	-	35,000,000	2,880,553,728	366,530,736	3,282,084,464
Transaction with owners						
Issue of shares	8,000	-	-	-	-	8,000
	8,000	-	-	-	-	8,000
Other comprehensive income						
Profit for the year	-	-	-	2,010,258,097	-	2,010,258,097
Release of depreciation	-	-	-	14,000,000	(14,000,000)	-
Total comprehensive income	-	-	-	2,024,258,097	(14,000,000)	2,010,258,097
At 30 JUNE 2016	8,000	-	35,000,000	4,904,811,825	352,530,736	5,292,350,561

The notes on pages 29 to 57 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	Eighteen month period ended 31 December 2017		Year ended 30 June 2016
		Group	Company	Company
		TZS	TZS	TZS
OPERATING ACTIVITIES				
Profit before taxation		5,337,515,173	5,097,758,144	2,010,258,097
Adjustment to reconcile profit before tax to net cash flows:				
Depreciation and amortisation		307,768,817	307,768,817	160,535,164
Amortisation of capital grant	8	(349,694,471)	(349,694,471)	(69,010,983)
Loss on assets disposal/write off		1,596,822	1,596,822	-
Interest income	11	(2,820,090,043)	(2,820,090,043)	(381,606,511)
Cash flows before changes in working capital items		2,477,096,298	2,237,339,269	1,720,175,767
Changes in working capital items:				
(Increase)/decrease in trade receivables		(664,140,331)	(430,353,991)	15,334,376
Increase in other receivables		(698,765,525)	(698,765,525)	(447,267,808)
Increase in cash held in restricted deposits	21	(8,809,600)	(8,809,600)	19,387,000
Increase in trade and other payables		800,384,626	635,590,431	(231,236,504)
Net cash flows generated from operating activities		1,905,765,468	1,735,000,584	1,076,392,831
INVESTING ACTIVITIES				
Investment in short term deposits	20	(7,674,664,310)	(7,674,664,310)	(694,792,361)
Investment in government securities	19	(3,723,608,300)	(3,723,608,300)	-
Investment in the subsidiary		-	(100,000,000)	-
Interest received - short term deposits	11	2,820,090,043	2,820,090,043	381,606,511
Purchase of intangibles	15	(63,595,526)	(63,595,526)	-
Prepayment for acquisition of office space	14	(1,417,132,803)	(1,417,132,803)	(1,359,634,580)
Purchase of property and equipment	13	(650,442,706)	(649,592,706)	(9,218,231)
Net cash flows used in investing activities		(10,709,353,602)	(10,808,503,602)	(1,682,038,661)
FINANCING ACTIVITIES				
Share capital		9,592,974,351	9,592,974,351	-
Dividend paid	27	(1,000,608,000)	(1,000,608,000)	-
Receipt of grant	23	549,564,507	549,564,507	465,411,809
Net cash flows generate from financing activities		9,141,930,858	9,141,930,858	465,411,809
Net increase/(decrease) in cash and cash equivalents		338,342,724	68,427,840	(140,234,021)
Cash and cash equivalents at start of the period		361,301,598	361,301,598	501,535,619
Cash and cash equivalent at period end	21	699,644,322	429,729,438	361,301,598

The notes on pages 29 to 57 are an integral part of these financial statements.

1 General information

The Dar es Salaam Stock Exchange PLC (DSE) was incorporated in 1996 under the Tanzanian Companies Act, as a body corporate (limited by guarantee). DSE changed its legal status from a company limited by guarantee to a company limited by shares and its name to Dar es Salaam Stock Exchange PLC and issued twenty shares of a nominal value of TZS 400 each on 29th July 2015. In June 2016 DSE issued shares to the public and thereafter self-listed its shares on its own Exchange on 12th July 2016. 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. The Company is domiciled in Tanzania and the address of its registered office is:

14th floor, Golden Jubilee Towers,
 Ohio street,
 PO Box 70081,
 Dar es Salaam.

Company means Dar es Salaam Stock Exchange PLC as an entity and Group means the Consolidated results of the Company and its subsidiary CSD & Registry Company Limited.

2 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated. The Group and Company apply the same accounting policies.

Statement of compliance

The financial statements for the period ended 31 December 2017 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 Board of Directors.

Basis of measurement

The financial statements are prepared on the historical cost basis except for leasehold land and buildings which are carried at revalued amount.

Functional and presentation currency

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

3 Significant accounting policies

Cash and cash equivalents

These comprise cash on hand, deposits held on call and term deposits with an initial maturity of less than three months when entered into. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above but excludes restricted cash balances.

3 Significant accounting policies (continued)

Foreign currency transactions

Transactions in foreign currencies are initially recorded by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency using the exchange rates at the date when the fair value was measured. 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

Recognition and initial measurement

All financial instruments are initially recognised at fair value, plus, in the case of financial assets and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue. Financial instruments are recognised when the Group becomes a party to the contractual arrangements. All regular way transactions are accounted for on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. The Group and Company classifies financial instruments as 'loans and receivables' or 'held to maturity'; and financial liabilities at amortised cost.

Financial assets

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 are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables are carried at amortised cost using the effective interest method. The exchange has classified trade and other receivables, government securities (treasury bills), short term deposits, cash and cash equivalents and restricted bank deposits in this category.

Held to maturity

Held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity of which the Group/Company has an intent and ability to hold to maturity, and which are not designated at fair value through profit or loss, loans and receivables or available for sale. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Held to maturity assets are carried at amortised cost using the effective interest rate method. The Exchange has classified government securities (treasury bonds) in this category.

Financial liabilities

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

3 Significant accounting policies (continued)

Financial instruments (continued)

Derecognition

Financial assets

A financial asset is de-recognised where:

The rights to receive cash flows from the asset have expired; or

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when 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 liability simultaneously. Income and expenses are not offset in profit or loss unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Exchange as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Exchange is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Exchange will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term. Amounts paid by the Exchange for improvements to assets which are held in terms of operating lease agreements are depreciated on a straight-line basis over the shorter of the remaining useful life of the applicable asset or the remainder of the lease period.

3 Significant accounting policies (continued)

Leasehold land

The company's leasehold land has been classified as a finance lease and is carried in the financial statements at fair value less accumulated amortisation. Prepaid lease rentals on the land are amortised on a straight-line basis over the period of the lease and the amortisation expense recognised in profit or loss.

Property and equipment

At initial recognition, acquired property and equipment is recognised at the purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. The recognised cost includes any directly attributable costs for preparing the asset for its intended use. The cost of an item of property and equipment is recognised as an asset if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

Property and equipment, except for leasehold land and buildings, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Leasehold land and buildings are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency (after every three years) to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

Items of property and equipment are 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 lives.

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

- Office furniture 4 years
- Office equipment 4-5 years
- Power generator 4 years
- Motor vehicles 4 years
- Office partitions 4 years

3 Significant accounting policies (continued)
Depreciation (continued)

- Buildings Lower of 40 years and lease term for land
- 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. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss in disposal of property and equipment is included in profit or loss in the year the asset is derecognised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The Exchange's intangible assets comprise computer software, which is amortised over an estimated useful life of five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in 'depreciation and amortisation' in profit or loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment

i) Financial assets

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

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

The Group assesses at reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss.

3 Significant accounting policies (continued)
Impairment (continued)
ii) Non-financial assets

The carrying amounts of the Exchange'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. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU's) value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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 except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

An impairment loss in 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 since the last impairment loss was recognised. 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 amortization, had no impairment loss had been recognized for the asset in prior years. Such reversal is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee benefits

(i) Defined contribution plans

DSE has statutory obligations to contribute to various pension schemes in favour of all the employees employed under permanent and pensionable terms. The pension schemes in force, which the Exchange contributes to, are the Parastatals Pensions Fund (PPF) and Public Service Pension Fund (PSPF). Contributions to the funds are recognized as an expense in profit or loss when they are due.

(ii) Workers Compensation Fund (WCF)

Workers Compensation Fund (WCF) is a social security scheme established by the government responsible for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment.

Private entities are statutorily required to contribute 1% of monthly employees' earnings (wage bill) to the Fund. Monthly employees' earnings (wage bill) include basic salaries plus all fixed allowances which are regularly paid along with basic salaries. The contributions are part of Exchange's costs and are not deducted from salaries of the employees.

(iii) Short term employee benefits

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

3 Significant accounting policies (continued)
Employee benefits (continued)
(iv) 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.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognised 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. The expense relating to any provision is presented in profit or loss.

Revenue

DSE revenue comprises listing fees, transaction fees, CSD fees and membership fees. Revenue is recognised on 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 recognised when actual trading of shares is done.

(i) Listing fees

Initial listing fee is recognized in the year in which the Exchange makes the flotation. 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 bonus/rights issues.

(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) Central Securities Depository (CSD) fees

CSD fee is an annual fee paid by all brokers that trade at Dar es Salaam Stock Exchange. This fee is categorized into two types i.e. for Associate members and custodian members who pay TZS 1 million and TZS 2 million respectively. Other fees collected by the DSE/CSDR are Dividend processing fees, Transaction fees, IPO processing fees, registry services fees, data vending fees and ISIN fees.

(iv) Other operating income

Other operating income is made up of membership fees from DSE, LDM and realized listing fees from the brokers. Previously, annual membership fees were collected from members as DSE was only limited by guarantee, after self-listing this fee is no longer collected. Membership fees are recognized at fair value in the year to which they relate.

3 Significant accounting policies (continued)

Revenue (continued)

(v) Other income

Other income comprises subvention from government, grant income, training income, forex gain and sundry income.

Grants

Grants are recognised at their fair value where there is reasonable assurance that the grants will be received and the exchange will comply with all conditions attached to them. Grants received for capital expenditure are classified as capital grants in the Statement of Financial Position while grants received for operating expenses are recognised as income on a systematic basis over the periods that the costs, which they are intended to compensate, are expensed. Capital grants are amortised at the rate which property and equipment acquired through the grants are depreciated.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Exchange. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Exchange uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1— Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Exchange determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Finance income

Finance income comprises interest income over funds invested. Interest income is recognised as it accrues, using the effective interest method.

3 Significant accounting policies (continued)

Earnings per share

Basic earnings per share represent the profit on ordinary activities after taxation attributable to the equity shareholders of the Exchange, divided by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share represent the profit on ordinary activities after taxation attributable to the equity shareholders, divided by the weighted average number of ordinary shares outstanding during the year, including the weighted average number of dilutive shares resulting from share options and other potential ordinary shares outstanding during the period (if any).

Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted within equity.

Goodwill is measured, at the acquisition date, as the amount by which the figure at 1 exceeds the figure at 2 below:

1. The aggregate of:

- The fair value of consideration transferred
- The amount of any non-controlling interest recognised
- In a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree

3. Significant accounting policies (continued)

Consolidation (continued)

2. The assets and liabilities recognised in accordance with IFRS 3

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Profit or losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss.

(iii) Disposal of subsidiaries

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker has been identified as operating board that makes strategic decisions.

4 Significant accounting judgements, estimates and assumptions

Use of Estimates, Assumptions and Judgments

The preparation of the Exchange'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 Exchange'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. Fair value of land and buildings

Fair value of the Exchange's leasehold land and building were determined using the market comparable method. The valuation was performed based on proprietary databases of prices of transactions for properties of similar nature, location and condition. The revaluation was performed on 30 June 2015 by accredited Independent valuers with experience for valuation of similar properties in Tanzania.

4 Significant accounting judgements, estimates and assumptions (continued)

b. Government subvention

Government subvention received over the years has been accounted for as grant instead of capital contribution. Consequently, the government has been allocated shares at a non-consideration.

5 BUSINESS SEGMENTS INFORMATION

The Group consists of the CSDR, a subsidiary that started its operations in the fourth quarter of 2017 and is wholly owned by the Dar es Salaam Stock Exchange PLC. The operating board has determined the operating segments based on reports reviewed by the board of directors that are used to make strategic decisions.

The group operates within the one geographical area, being the United Republic of Tanzania, therefore no separate geographical segments exist. There are no comparatives for the segment information disclosed as the Exchange acquired the subsidiary during the year and previously strategic decisions were made on the exchange information as one segment.

The operating board of directors considers the business from market and product perspectives. Market wise, management considers the main lines through which it derives its revenue. Costs relating to group management are shared between Company and its subsidiary based on the agreed rates. Revenue for the entities is all derived from external customers. Revenue for DSE is majorly generated from the listing and trading of securities. The principal activity of the CSDR through which revenue is generated is, among others, to provide automated clearing, delivery and settlement facilities in respect of transactions carried out at the DSE as well as to provide Registry Services to listed and non-listed companies.

Management has not aggregated any operating segments and considered the information relating to CSDR to be relevant and useful to users of the financial statements of the group even though the same does not meet quantitative threshold as reportable segment. This has been included in the business segment information.

The segment information provided by management for the reportable segments for the year ended 31 December 2017 is as follows:

Segmental statement of profit or loss

	DSE	CSDR	Group
	TZS	TZS	TZS
Revenue	6,949,003,944	405,447,794	7,354,451,738
Other income	530,142,336	-	530,142,336
	7,479,146,280	405,447,794	7,884,594,074
Staff costs	(2,450,311,499)	(69,232,241)	(2,519,543,740)
Depreciation and amortisation	(307,768,817)	-	(307,768,817)
Operating and other expenses	(2,443,397,863)	(96,458,524)	(2,539,856,387)
Profit before finance income	2,277,668,101	239,757,029	2,517,425,130
Finance income	2,820,090,043	-	2,820,090,043
Profit before tax	5,097,758,144	239,757,029	5,337,515,173
Taxation	-	(71,052,309)	(71,052,309)
Profit for the year	5,097,758,144	168,704,720	5,266,462,864

5 BUSINESS SEGMENTS INFORMATION (continued)

Segmental assets, liabilities:

	DSE	CSDR	Eliminations/ Consolidation	Group
	TZS	TZS	TZS	TZS
Non-current assets ¹	3,977,134,543	805,000	-	3,977,939,543
Investment	100,000,000	-	(100,000,000)	(100,000,000)
Current assets	17,611,643,288	503,701,224	-	18,115,344,512
	21,688,777,831	504,551,224	(100,000,000)	21,993,329,055
Owners' equity	18,982,475,056	268,704,720	(100,000,000)	19,151,179,776
Non-current liabilities	1,712,567,606	-	-	1,712,567,606
Current liabilities	893,735,169	235,846,504	-	1,129,581,673
	21,588,777,831	504,551,224	100,000,000	21,993,329,055

Statement of cash flows

	DSE	CSDR	Group
	TZS	TZS	TZS
Operating activities	1,735,000,584	170,764,884	1,905,765,468
Investing activities	(10,808,503,602)	99,150,000	(10,709,353,602)
Financing activities	9,141,930,858	-	9,141,930,858
Net Increase in cash and cash equivalents	68,427,840	269,914,884	338,342,724
Cash and cash equivalents at the beginning of the period	361,301,598	-	361,301,598
Cash and cash equivalents at the end of the year	429,729,438	269,914,884	699,644,322

6. Changes in accounting policies and disclosures

New and amended standards and interpretations

i) New and amended standards adopted by the Company

The following new amendments to standards effective for accounting period beginning on 1 January 2017 have been adopted by the Exchange but did not have any material impact to the financial statements:

Amendment to IAS 7 - The amendment to IAS 7 Cash flow statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosure can be improved. The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. This did not have any impact to the financial statements of the group.

Amendment to IAS 12 - Income Taxes. The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets. This did not have any impact to the financial statements of the group.

6. Changes in accounting policies and disclosures (continued)

ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017

The Group does not plan to adopt these standards early. These are summarised below:

Standard Effective dates

Standard	Effective dates
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• IFRS 9 Financial Instruments (2014)	1 January 2018
• IFRS 16 Leases	1 January 2019

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Management is yet to finalise the assessment of the potential impact of the adoption of this standard on the Group's financial statements. However, preliminary assessment shows that the Standard will have no material impact on current business operation model of the DSE PLC group.

ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017 (continued)

IFRS 9: Financial Instruments (2014)

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments:

Recognition and Measurement.

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model. The standard is effective for annual period beginning on or after 1 January 2018 with retrospective application, early adoption permitted.

Management is yet to finalise the assessment of the potential impact of the adoption of this standard on the Group's financial statements. However, preliminary assessment shows that the Standard will have no material impact to DSE PLC group.

ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017 (Continued)

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration.

A Company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases.

Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a Company also recognises a financial liability representing its obligation to make future lease payments.
- depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a Company to recognise assets and liabilities for:

- short-term leases (i.e. leases of 12 months or less) and;
- leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied. Management is assessing the impact the adoption of this standard to the financial statements of the Group.

7 REVENUE

Listing fees

Equity
Government bonds
Corporate bonds

Transaction fees

Equity
Bonds

Central Securities Depository (CSD) fees

Annual membership fees
Transaction fees
Membership application fees
Shares immobilization fees
CSD bond trading fees
Dividend processing income
Initial Public Offer (IPO) processing fees
Registry services
International Securities Identification Number (ISIN)

Other operating income

Data vending historical
Data vending end of day
Data vending real time
Custodian banks membership fees
Licenced Dealing Member (LDM) membership fees
Nominated Advisors (NOMAD) membership fees
Listing income realized

	Eighteen month period ended 31 December 2017		Year ended 30 June 2016
	Group	Company	Company
	TZS	TZS	TZS
	659,225,946	659,225,946	485,175,554
	3,054,200,718	3,054,200,718	1,129,705,930
	53,602,387	53,602,387	37,950,000
	3,767,029,051	3,767,029,051	1,652,831,484
	1,994,149,120	1,994,149,120	2,053,664,939
	207,615,324	207,615,324	44,895,719
	2,201,764,444	2,201,764,444	2,098,560,658
	40,000,000	40,000,000	22,000,000
	839,706,745	600,563,567	168,371,093
	-	-	4,000,000
	31,725,800	-	-
	23,761,996	-	-
	180,983,420	80,166,600	17,816,424
	82,218,296	82,218,296	304,288,920
	42,000,000	32,000,000	28,000,000
	12,300,000	12,300,000	7,800,000
	1,252,696,257	847,248,463	552,276,437
	16,230,000	16,230,000	-
	17,644,426	17,644,426	60,000
	33,087,560	33,087,560	30,609,027
	6,000,000	6,000,000	-
	35,000,000	35,000,000	-
	12,500,000	12,500,000	10,000,000
	12,500,000	12,500,000	22,322,445
	132,961,986	132,961,986	62,991,472
	7,354,451,738	6,949,003,944	4,366,660,051

8 OTHER INCOME

Government subvention
Grant from donors
Training income
Gain on exchange of foreign currency
Amortisation of capital grant (Note 23)
Miscellaneous income

Eighteen month period ended 31 December 2017		Year ended 30 June 2016
Group	Company	Company
TZS	TZS	TZS
-	-	59,298,859
63,500,000	63,500,000	155,925,982
60,400,000	60,400,000	18,900,000
-	-	8,643,207
349,694,471	349,694,471	69,010,983
56,547,865	56,547,865	14,156,800
530,142,336	530,142,336	325,935,831

9 STAFF COSTS

Salary and wages
Skills and development levy
Employer contribution to pension funds (defined contribution plan)
Leave cost
Medical expenses
Training and workshops
Other staff cost; special, acting and furniture allowances
Workers' Compensation Fund

1,848,926,775	1,794,245,928	972,261,575
82,701,705	80,241,067	45,901,857
229,848,080	223,438,928	111,494,426
108,794,867	106,934,466	61,367,578
134,858,892	131,911,094	79,270,713
38,722,600	38,722,600	30,000,400
66,485,500	65,885,500	35,414,100
9,205,321	8,931,916	4,861,308
2,519,543,740	2,450,311,499	1,340,571,957

10 EXPENSES

a) Information technology costs

DSE Automated Trading System (DATS) running costs
Automatic Trading System (ATS) license fee
Enhance system infrastructure
DATS training

Eighteen month period ended 31 December 2017		Year ended 30 June 2016
Group	Company	Company
TZS	TZS	TZS
92,428,113	90,269,370	51,542,712
407,846,585	406,604,242	335,226,836
105,337,736	70,178,506	39,455,004
25,462,800	25,462,800	6,171,463
631,075,234	592,514,918	432,396,015

b) Office rent

470,651,955	461,908,005	308,141,083
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c) Other expenses

Dividend processing expenses
Public education and business development costs
Regional integration costs
CSD certificates and business license
Directors' fee
Board expenses
Telephone, internet and courier cost

50,881,760	50,881,760	5,998,600
415,834,325	415,834,325	354,784,203
76,308,884	76,308,884	40,086,099
30,033,500	30,033,500	40,964,480
97,517,900	97,517,900	23,200,000
113,647,096	110,847,096	71,256,200
76,657,043	75,320,156	59,091,831

Stationery and office computer consumables
Repair and maintenance
Donations and hospitality cost
Fuel expenses
Legal charges
Internal audit fees
Audit fee
Subscriptions, tenders and newspapers
Electricity and security cost
Bank charges and insurance cost
Office cleaning, parking and recreations
Share register audit
Tax incentives assignment
Demutualisation
Preoperational costs
Other administrative costs

26,907,215	26,277,803	16,511,920
11,130,476	10,760,092	14,539,376
2,750,000	2,750,000	2,200,000
16,000,000	15,640,000	7,203,510
186,534,544	186,534,544	-
14,690,996	14,690,996	11,286,700
56,000,000	50,000,000	31,550,000
86,440,350	86,360,166	24,894,164
17,334,436	17,052,625	14,678,383
20,652,842	19,743,846	7,965,462
61,581,233	61,035,113	29,934,124
-	-	48,232,000
-	-	6,000,000
3,706,800	3,706,800	11,923,025
35,685,251	-	-
37,834,547	37,679,334	-
1,438,129,198	1,388,974,940	822,300,077
2,539,856,387	2,443,397,863	1,562,837,175

11 FINANCE INCOME

Interest income - short term deposits

Eighteen month period ended 31 December 2017		Year ended 30 June 2016
Group	Company	Company
TZS	TZS	TZS
2,820,090,043	2,820,090,043	381,606,511

12 INCOME TAX EXPENSE

Current income tax

71,052,309	-	-
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DSE PLC income is a tax exempt as per section 32(a) of the Financial Act of 2012. Following incorporation and operationalization of CSDR company, a wholly own subsidiary of the DSE PLC, On 1st October 2017, its tax status is yet to be determined by the Tanzania Revenue Authority (TRA). Therefore, DSE PLC group made a corporate tax provision for the subsidiary. DSE PLC Board, through Management is following up with TRA on the tax status for the subsidiary. Management has estimated the tax liability based on the profit of the subsidiary (CSDR) as the guidance is yet to be obtained.

The tax on the group's profit or loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

INCOME TAX EXPENSE

Profit before income tax
Tax calculated at a tax rate of 30 %

Tax effect of:
- Income not subject to tax

Income tax expense

Eighteen month period ended 31 December 2017		Year ended 30 June 2016
Group	Company	Company
TZS	TZS	TZS
5,266,462,864	5,097,758,144	2,010,258,097
1,579,938,859	1,529,327,443	603,077,429
(1,508,886,550)	(1,529,327,443)	603,077,429
71,052,309	-	-

[illegible]

As at 31 December 2017		As at 30 June 2016
Group	Company	Company
TZS	TZS	TZS
1,359,634,580	1,359,634,580	-
1,417,132,803	1,417,132,803	1,359,634,580
2,776,767,383	2,776,767,383	1,359,634,580

14 NON-CURRENT PREPAYMENT

Opening balance of the prepayment

Add: Payment of the second instalment

The non-current prepayment is related to the purchase of office space measuring approximately nine hundred and six decimal one four square metres (906.14 sqm) being part of a building constructed by the National Housing Corporation (NHC) on Plot Numbers 1-3, Mwai Kibaki Road (famously referred to as NHC's Morroco Square project) and Plot Number 44 Ursino Street, Real Estate - Kinondoni Municipality, Dar es salaam.

During the period, DSE paid USD 540,000 excluding VAT, which is 30% of the agreed purchase price in addition to the 30% paid in previous periods. Once construction work is completed and all payment instalments made by the DSE to NHC, the amount will be recognised as property, plant and equipment.

15 INTANGIBLE ASSET

Intangible asset 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:

As at 31 December 2017		As at 30 June 2016
Group	Company	Company
TZS	TZS	TZS
1,191,832,033	1,191,832,033	1,191,832,033
63,595,526	63,595,526	-
1,255,427,559	1,255,427,559	1,191,832,033
1,011,715,224	1,011,715,224	929,843,947
134,464,986	134,464,986	81,871,277
1,146,180,210	1,146,180,210	1,011,715,224
109,247,349	109,247,349	180,116,809

Cost

At start of the period/year

Additions

At end of the period/year

Accumulated amortisation

At start of the period/year

Charge during the period/year

At end of the period/year

Net carrying amount

At end of the period/year

16 LEASEHOLD LAND AND BUILDING

Cost

At 01 July 2015

Additions

At 30 June 2016

At 01 July 2016

Additions

At 31 December 2017

Accumulated depreciation

At 01 July 2015

Charge during the year

At 30 June 2016

At 01 July 2016

Charge during the period

At 31 December 2017

Carrying amount

At 30 December 2017 (Group/Company)

At 30 June 2016

	Leasehold Land	Building	Total
At 01 July 2015	350,000,000	160,000,000	510,000,000
Additions	-	540,000	540,000
At 30 June 2016	350,000,000	160,540,000	510,540,000
At 01 July 2016	350,000,000	160,540,000	510,540,000
Additions	-	-	-
At 31 December 2017	350,000,000	160,540,000	510,540,000
At 01 July 2015	-	2,578,661	2,578,661
Charge during the year	10,000,000	4,000,000	14,000,000
At 30 June 2016	10,000,000	6,578,661	16,578,661
At 01 July 2016	10,000,000	6,578,661	16,578,661
Charge during the period	13,996,252	6,010,125	20,006,377
At 31 December 2017	23,996,252	12,588,786	36,585,038
At 30 December 2017 (Group/Company)	326,003,748	147,951,214	473,954,962
At 30 June 2016	340,000,000	153,961,339	493,961,339

If leasehold land was measured using the cost model, the carrying amounts would be, as follows:

	As at 31 December 2017	As at 30 June 2016
	TZS	TZS
Cost	41,603,395	41,603,395
Accumulated depreciation	(7,799,537)	(6,239,358)
Net carrying amount	33,803,858	35,364,037

Leasehold land was acquired from National Insurance Company Ltd. The Exchange's leasehold land and buildings comprise residential properties located at Plot No. 109 Kingalu road in Morogoro. Land and buildings are measured at fair value based on valuations by external independent valuers, Majengo Estates developer (registered valuers and estate agents of Dar es Salaam Tanzania) carried out in June 2015 less subsequent amortisation and depreciation for land and buildings respectively.

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

16 LEASEHOLD LAND AND BUILDING (Continued)

If buildings was measured using the cost model, the carrying amount would be, as follows:

	As at 31 December 2017	As at 30 June 2016
	TZS	TZS
Cost	103,331,411	103,331,411
Accumulated depreciation	(9,037,171)	(5,162,065)
Net carrying amount	94,294,240	98,169,346

Key inputs to valuation of land and buildings

Significant inputs

Range (weighted average)

Buildings Estimated rental value per square meter per month
(Average of TZS 13,000)

TZS 12,000 to TZS 14,000

Rent growth per annum

0% - 5% (Average of 2.5%)

Leasehold Land Selling price per square meter

TZS 75,000

Valuation techniques for the Exchange's properties:

Buildings Buildings, structures and services were valued using comparative method, also referred to as the Direct Capital Comparison Approach.

Leasehold Land Leasehold land was valued used market approach

The valuations for the leasehold land and buildings are classified into level 2 hierarchy since the significant inputs into the valuations are the open market prices for buildings in the same location and these are observable, either directly or indirectly from the market. There have been no transfers into or out of this fair value hierarchy.

Fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. As at the date of revaluation on 30 June 2015, the properties' fair values are based on valuations performed by an accredited independent valuer who has valuation experience for similar office properties in Tanzania since 2006. The directors believe that the valuations performed are still relevant for the current period as there have not been significant changes in prices since then.

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis.

Leasehold land was acquired from National Insurance Company Ltd with the remaining period of 34 years.

17 INVESTMENT IN SUBSIDIARY

During the year, the Company invested TZS 100 million in a wholly owned subsidiary, CSDR Company. The CSDR Company assumed the function of settlement and custody of security services which initially was part of the DSE operations.

As at 31 December 2017		As at 30 June 2016
Group	Company	Company
TZS	TZS	TZS
Listing fee receivables	721,395,853	721,395,853
Transaction fee receivables	540,333,684	306,547,344
Provision for bad and doubtful debts	(30,524,060)	(30,524,060)
	1,231,205,477	997,419,137
		567,065,146

18a TRADE RECEIVABLES

Listing fee receivables
Transaction fee receivables
Provision for bad and doubtful debts

Staff car loans receivables	34,557,001	34,557,001
Staff advances	28,477,831	28,477,831
Interest receivable	997,043,092	997,043,092
Prepaid expenses	250,342,660	250,342,660
	1,310,420,584	1,310,420,584
		611,655,059

18b OTHER RECEIVABLES

Staff car loans receivables
Staff advances
Interest receivable
Prepaid expenses

Treasury bond	723,099,300	723,099,300
		-
Treasury bill	3,000,509,000	3,000,509,000
	3,000,509,000	3,000,509,000
		-

19 GOVERNMENT SECURITIES

Classified as held to maturity

Treasury bond

Classified as loans and receivables

Treasury bill

20 SHORT TERM DEPOSITS

These are fixed deposits with various financial institutions.

Short term deposits	11,134,240,129	11,134,240,129	3,459,575,819
The short-term deposits are held at the following institutions:			
Equity Bank Tanzania Limited	3,862,252,750	3,862,252,750	-
Stanbic Bank Tanzania Limited	3,000,000,000	3,000,000,000	-
NMB Bank Plc	2,000,000,000	2,000,000,000	-
CRDB Bank Plc	1,000,000,000	1,000,000,000	-
Twiga Bancorp	1,271,987,379	1,271,987,379	1,071,620,150
Bank M Limited	-	-	1,987,955,669
Azania Bank Limited	-	-	400,000,000
	11,134,240,129	11,134,240,129	3,459,575,819

The short-term deposits have original maturities of more than 3 months but less than one year:

The effective interest rate and maturity date on short term deposits as at 30 December 2017 and 30 June 2016 are shown below:

FDR Summary

Equity Bank
Stanbic Bank
NMB Bank Plc
CRDR Bank Plc
Bank M Limited
Azania Bank Limited
Twiga Bancorp

As at 31 December 2017		As at 30 June 2016	
Effective interest rate per annum	Maturity date	Effective interest rate per annum	Maturity date
12.25%	29-Jun-18	-	-
13.80%	20-Apr-18	-	-
13.50%	20-Apr-18	-	-
10.00%	29-Jun-18	-	-
-	-	15.00%	25-Jul-16
-	-	15.00%	17-Nov-16
9.94%	20-Feb-18	15.00%	25-Aug-16

21

CASH AND CASH EQUIVALENTS

Cash at bank
Cash at hand
Unrestricted cash and bank balances

Restricted cash and bank balances

Cash at bank - ACB Car Loan Fund

Total cash and cash equivalents

As at 31 December 2017		As at 30 June 2016
Group	Company	Company
TZS	TZS	TZS
698,666,822	428,751,938	361,262,598
977,500	977,500	39,000
699,644,322	429,729,438	361,301,598
16,225,700	16,225,700	7,416,100
715,870,022	445,955,138	368,717,698

*This is the balance which relates to cash set aside for the purpose of extending loans to staff for purchase of motor vehicles.

For the purpose of the statement of cash flows, cash and cash equivalents comprises unrestricted cash at hand and in bank as indicated above.

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CAR LOAN FUND

Car loan fund at end of the period/year

As at 31 December 2017		As at 30 June 2016
Group	Company	Company
TZS	TZS	TZS
35,000,000	35,000,000	35,000,000

This is a 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.

23 GRANT**Capital Grant**

At start of the period

Grant received

Grant amortization

At end of the period**Current****Non - current**

The capital grants comprise 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.

Grants are issued on condition of being spent on the intended activity and DSE to maintain appropriate financial records in relation to the grant project funds.

24 SHARE CAPITAL

The Exchange has authorised capital of TZS 20 billion divided into 50 million ordinary shares of TZS 400 each

Issued and fully paid: 23,824,020 ordinary shares of TZS 400 each (2016: 20 ordinary shares)

Share premium

25 TRADE AND OTHER PAYABLES

Deferred revenue

Trade payables

Accruals

Terms and conditions of the above 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 RELATED PARTY TRANSACTIONS**Key Management Personnel**

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

i. Executive Key Personnel

Short-term employee benefits (salaries and allowances)

Post-employment benefits (defined contribution plans)

The exchange 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.

ii. Director fee

Directors' fees

27 EARNINGS PER SHARE

Basic Earnings per Share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Exchange by the weighted average number of ordinary shares outstanding during the period. DSE does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the ordinary shareholders of the exchange.

Net profit attributable to shareholders (TZS)

Weighted average number of ordinary shares in issue (note 24)

Basic/diluted earnings per share (TZS)

Dividends paid

Dividend per share

In June 2016 DSE issued shares to the public and thereafter self-listed its shares on its own Exchange on 12th July 2016. As such earnings per share has been calculated for the current period only.

At 31 December 2017		At 30 June 2016
Group	Company	Company
TZS	TZS	TZS
1,512,697,570	1,512,697,570	1,116,296,744
549,564,507	549,564,507	465,411,809
(349,694,471)	(349,694,471)	(69,010,983)
1,712,567,606	1,712,567,606	1,512,697,570
408,154,617	408,154,617	349,694,471
1,304,412,989	1,304,412,989	1,163,003,099

At 31 December 2017		At 30 June 2016
Group	Company	Company
TZS	TZS	TZS
20,000,000,000	20,000,000,000	20,000,000,000
9,529,608,000	9,529,608,000	8,000
1,850,374,351	1,850,374,351	-
654,294,288	654,294,288	42,800,000
166,724,509	10,730,314	4,266,602
237,510,567	228,710,567	211,078,136
1,058,529,364	893,735,169	258,144,738

Eighteen month period ended 31 December 2017		Year ended 30 June 2016
Group	Company	Company
TZS	TZS	TZS
1,093,049,883	1,063,791,653	571,346,891
145,100,877	141,646,151	65,519,399
1,238,150,760	1,205,437,804	636,866,290

Eighteen month period ended 31 December 2017		Year ended 30 June 2016
Group	Company	Company
TZS	TZS	TZS
97,517,900	97,517,900	23,200,000
97,517,900	97,517,900	23,200,000

As at 31 December 2017	
Group	Company
2017	2017
5,266,462,864	5,097,758,144
23,824,020	23,824,020
221.06	213.98
1,000,608,000	1,000,608,000
42	42

28 COMMITMENTS

Capital commitment

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 and the second instalments to the acquisition amounting to TZS 2,776,767,380/= which is 60% of the total cost and therefore there is a commitment of USD 849,600.

Operating lease commitment - Group as lessee

The exchange 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 Group does not pay rent in advance. In 2014, the lease was renewed for another 5 years term with similar terms.

The analysis of future minimum lease payments for operating leases at the balance sheet date is as follows:

	TZS
Within one year	264,492,348
Between two and five years	1,057,969,392
	1,322,461,740

29 EVENTS AFTER THE REPORTING PERIOD

As at the reporting date, there were no subsequent events identified that requires adjustment in these financial statements

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities.

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a. Credit risk

Credit risk is the risk of financial loss to the DSE arising from failure of customers to meet their contractual obligations when fall due and arises principally from the Group'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:

	As at 31 December 2017	As at 30 June 2016
	TZS	TZS
Trade receivables (Note 18)	1,261,729,537	567,065,146
Staff receivables (Note 18)	63,034,832	230,827,600
Short term deposits (Note 20)	11,134,240,176	-
Cash and cash equivalents (Note 21)	699,644,322	3,871,539,160
Interest receivable	997,043,092	-
Government securities	3,723,608,300	-
	17,879,300,259	4,669,431,906

Further analysis is as follows:

	As at 31 December 2017	As at 30 June 2016
	TZS	TZS
<i>Neither past due nor impaired*</i>		
Trade receivables (Note 18)	994,011,971	487,721,718
Staff receivables (Note 18)	63,034,832	-
Short term deposits (Note 20)	11,134,240,176	-
Cash and cash equivalents (Note 21)	699,644,322	-
Interest receivable	997,043,092	-
Government securities	3,723,608,300	-
<i>Past due but not Impaired/Impaired</i>		
Not impaired and overdue 31-60 days	73,463,029	26,234,324
Not impaired and overdue 61-90 days	80,240,491	11,147,084
Not impaired and overdue>90 days	83,489,986	41,962,020
<i>Impaired</i>		
Over 365 days	30,524,060	-
Gross amount	30,524,060	567,065,146
Impairment	(30,524,060)	-
Net amount	17,848,776,199	567,065,146

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

*In terms of credit quality, the financial assets classified as neither past due nor current are all classified as current with aging of less than one year. Cash and cash equivalents are with reputable banks regulated by the Bank of Tanzania. The government securities do not have any history of default and other receivables are from licenced agents and listed companies which are regulated by the Capital Markets and Securities Authority.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b. 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 Group'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. All financial liabilities mature within one year.

c. 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 Group'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.

i. 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 Group 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 Group did not have significant assets and/or liabilities denominated in foreign currency, therefore the impact of sensitivity analysis is not material.

The Group 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.

ii. 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 Group 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 period end.

Profile

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

Carrying amount		
	As at 31 December 2017	As at 30 June 2016
Fixed rate instruments	TZS	TZS
Short term deposits	11,134,240,129	3,459,575,819
Government securities	3,723,608,300	-
	14,857,848,429	3,459,575,819

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value though profit or loss.

A change of 1000 basis points interest rates at the reporting date have the impact of increased (decreased) equity and profit or loss by TZS 282,009,004 (2016: - TZS 38,160,651).

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

FINANCIAL INSTRUMENTS BY CATEGORY

The table below analyses the Group's financial instruments by category:

Financial instrument Category	Loans and receivables	Held to maturity	Financial liabilities at amortised cost
Financial instruments included in that category	Trade receivables Other receivables (excluding prepaid expenses) Government securities (treasury bills) Short term deposits Cash and cash equivalents Restricted bank balance	Government securities (treasury bonds)	Trade and other payables (excluding statutory obligations)

FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial assets and liabilities are short term instruments carried at amortised cost and as a result of short term nature, the carrying values approximates their fair values. .

CAPITAL RISK MANAGEMENT

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

The Group's objectives when managing capital are to safeguard the Group'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 Group's approach to capital management during the period. There were no borrowings and therefore gearing is zero.

31 COMPARATIVES

The group changed its accounting period during the period from being July - June circle to January - December circle; this has resulted into these financial statements being for the period of 18 months from 1st July 2016 to 31st December 2017. The comparative numbers are for twelve months period and therefore not comparable.



REPORT OF THE DSE FIDELITY FUND FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTH PERIOD
ENDED 31 DECEMBER 2017





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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 eighteen month period ended 31 December 2017.

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 fund management committee 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 suffers 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 fees based on a certain percentage of the underlying transactions on the Exchange and interest income from the cash balance of the fund invested in the money market.

5. FUND POSITION

The position of the Fund as at 31st December 2017 is reflected in the accumulated fund balance of TZS 1,559 million (June 2016: TZS 1,081 million) as shown in the statement of financial position on page 9 and on note 10 to the financial statements. The minimum amount of the Fund, however, shall be either TZS 100 million or such other sum as the Minister for Finance may direct to be paid into the Fund. The Minister has, through a government notice, gazette the amount to be credited to the Fund to be at the rate of 0.04% from equity securities. No claim has been made against the Fund since its establishment.

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 8 of these financial statements.

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. S. Mponji	Chairman	Tanzanian
Mr. C. Rwechungura	Member	Tanzanian
Mr. U. Sulay	Member	Tanzanian

8. AUDITORS

PricewaterhouseCoopers have expressed their willingness to continue in office. Appointment of auditors for the year ending 31 December 2018 will be done at the Annual General Meeting.

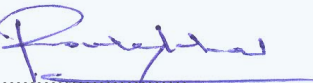
BY THE ORDER OF FIDELITY FUND MANAGEMENT COMMITTEE

Approved by the Fidelity Fund Committee on 18 May 2018 and signed on its behalf by:

Mr. S. Mpoji


.....
Signature

Mr. U. Sulay


.....
Signature

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 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of cash flows for the period 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 and complies with requirements of Capital Markets and Securities Act, 1994.


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 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.

Mr. S. Mpoji


.....
Signature

Mr. U. Sulay


.....
Signature

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Fund management committee to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Fund management committee as under Statement of Fund management committee Responsibilities on an earlier page.

I Ibrahim Mshindo being the Chief Financial Officer of Dar es Salaam Stock Exchange PLC hereby acknowledge my responsibility of ensuring that financial statements of Fidelity fund for the eighteen month period ended 31 December 2017 have been prepared in compliance with International Financial Reporting Standards (IFRS) and complies with requirements of Capital Markets and Securities Act, 1994.

I thus confirm that the financial statements give a true and fair view of the financial performance of Dar es Salaam Stock Exchange Fidelity Fund for the period ended 31 December 2017 and its financial position as on that date and that they have been prepared based on properly maintained financial records.

Signed by: Ibrahim Mshindo 

Position: Chief Financial Officer

NBAA Membership No.: GA 2207

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Dar es Salaam Stock Exchange Fidelity Fund (the Fund) as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial reporting Standards and have been properly prepared and complied with the Capital Markets and Securities Act, 1994.

What we have audited

The financial statements of Dar es Salaam Stock Exchange Fidelity Fund are set out on pages 70 to 83 comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

Other information

The fund management committee are responsible for the other information. The other information comprises the Report of the fund management committee, Statement of the fund management committee's responsibilities and Declaration of the head of finance but does not include the financial statements and our auditor's report thereon.

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

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

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

Report on the audit of the financial statements (continued)

Responsibilities of the fund management committee for the financial statements

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

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

The fund management committee members are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the fund management committee.
- Conclude on the appropriateness of the fund management committee' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

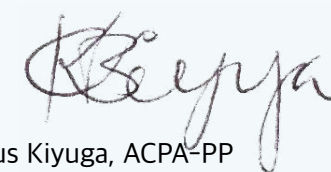
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the funds's members as a body in accordance with the Capital Markets and Securities Act, 1994 and for no other purposes.

As required by the Capital Markets and Securities Act, 1994 we performed audit the accounts of the fidelity fund at the statement of financial position date for it to be laid before the Council. In respect of the foregoing requirements, we have no matter to report.



Cletus Kiyuga, ACPA-PP

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

Date 1st June 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		<u>Eighteen month period ended</u>	<u>Year ended</u>
	<u>Notes</u>	<u>31 December 2017</u>	<u>30 June 2016</u>
		<u>TZS</u>	<u>TZS</u>
Income			
Fee income	6	285,247,049	293,386,434
Other income	7	202,098,954	77,359,527
		487,346,003	370,745,961
Expenses			
Committee expenses	8	(9,108,000)	(3,835,500)
Bank charges	8	(164,200)	(119,609)
		(9,272,200)	(3,955,109)
Profit before taxation		478,073,803	366,790,852
Taxation		-	-
Profit after tax		478,073,803	366,790,852
Other comprehensive income		-	-
Total comprehensive income		478,073,803	366,790,852

STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	<u>As at</u>	<u>As at</u>
		<u>31 December 2017</u>	<u>30 June 2016</u>
		<u>TZS</u>	<u>TZS</u>
ASSETS			
Current assets			
Receivables	9	105,669,421	72,265,762
Government securities	12	349,600,900	-
Fixed deposits	11	945,324,472	1,000,117,829
Cash and cash equivalents	13	163,221,123	15,564,984
Total assets		1,563,815,916	1,087,948,575
RESERVES AND LIABILITIES			
Reserves			
Accumulated fund	10	1,559,349,280	1,081,275,477
Current liabilities			
Accruals and payables	14	4,466,636	6,673,098
Total reserves and liabilities		1,563,815,916	1,087,948,575

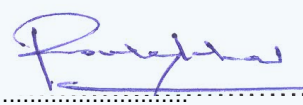
The financial statements of Fidelity Fund were approved for issue by the Fund Management Committee on

18 May 2018 and are signed on its behalf by:

Mr. S. Mpoji

Mr. U. Sulay


Signature


Signature

STATEMENT OF CHANGES IN RESERVES

	Accumulated Fund	Total
	TZS	TZS
Period ended 31 December 2017		
At 01 July 2016	1,081,275,477	1,081,275,477
Surplus for the year	478,073,803	478,073,803
As at 31 December 2017	1,559,349,280	1,559,349,280
Year ended 30 June 2016		
As at 01 July 2015	714,484,625	714,484,625
Surplus for the year	366,790,852	366,790,852
At 30 June 2016	1,081,275,477	1,081,275,477

STATEMENT OF CASH FLOWS

	Eighteen month period ended	Year ended
	31 December 2017	30 June 2016
	TZS	TZS
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	478,073,803	366,790,852
Adjustment for:		
-Interest income	(224,185,650)	(77,359,527)
Operating profit before working capital changes	253,888,153	289,431,325
Increase in receivables	(33,403,659)	(20,609,318)
Increase in accruals	(2,206,462)	-
Cash generated from operating activities	218,278,032	268,822,007
Tax paid	-	-
Net cash flow from operating activities	218,278,032	268,822,007
INVESTING ACTIVITIES		
Interest received	224,185,650	77,359,527
Investment in Government Securities	(349,600,900)	-
Investment in fixed deposit	54,793,357	(765,823,224)
Net cash flow used in investing activities	(70,621,893)	(688,463,697)
Net increase/(decrease) in cash and cash equivalents	147,656,139	(419,641,690)
Cash and cash equivalents at the beginning of the year	15,564,984	435,206,674
Cash and cash equivalents at the end of the year.	163,221,123	15,564,984

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 fund management committee 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 eighteen month period ended 31 December, 2017 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").

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Recognition and initial measurement

All financial instruments are initially recognised at fair value, plus, in the case of financial assets and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue. Financial instruments are recognised when the fund becomes a party to the contractual arrangements. All regular way transactions are accounted for on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. The Fund classifies financial instruments as 'loans and receivables' or 'held to maturity'; and financial liabilities amortised cost.

Financial assets

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 are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables are carried at amortised cost using the effective interest method. The exchange has classified trade and other receivables, fixed deposits and cash and cash equivalents in this category.

b) Financial instruments (continued)

Held to maturity

Held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity of which the Group/Company has an intent and ability to hold to maturity, and which are not designated at fair value through profit or loss, loans and receivables or available for sale. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Held to maturity assets are carried at amortised cost using the effective interest rate method. The Exchange has classified government securities (treasury bonds) in this category.

Financial liabilities

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Derecognition

Financial assets

A financial asset is de-recognised where:

The rights to receive cash flows from the asset have expired; or

The fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Either (a) the fund has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

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. The comparative numbers are not comparable due to differences in coverage of accounting periods of which comparatives are for a period of one year from 1 July 2015 to 30 June 2016 and the current period numbers are for the period from 1 July 2016 to 31 December 2017.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

i) New and amended standards adopted by the Fund

The following new amendments to standards effective for accounting period beginning on 1 January 2017 have been adopted by the Exchange but did not have any material impact to the financial statements:

Amendment to IAS 7 - The amendment to IAS 7 Cash flow statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosure can be improved. The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. This did not have any impact to the financial statements of the fund.

Amendment to IAS 12 - Income Taxes. The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets. This did not have any impact to the financial statements of the fund.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

New and amended standards and interpretations

ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017

The fund does not plan to adopt these standards early. These are summarised below;

Standard	Effective dates
— IFRS 15 Revenue from Contracts with Customers	1 January 2018
— IFRS 9 Financial Instruments (2014)	1 January 2018
— IFRS 16 Leases	1 January 2019

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Management is assessing the potential impact of the adoption of this standard on the fund's financial statements. However, preliminary assessment shows that the Standard will have no significant impact on current business operation model of the fund.

IFRS 9: Financial Instruments

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments:

Recognition and Measurement.

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual period beginning on or after 1 January 2018 with retrospective application, early adoption permitted. Management is assessing the impact adoption of this standard shall have in the financial statements of the Fund. However, preliminary assessments indicate that there will be no significant impact to the current financial assets of the fund.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

New and amended standards and interpretations

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration.

A Company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases.

Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a Company also recognises a financial liability representing its obligation to make future lease payments.
- depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a Company to recognise assets and liabilities for:

- short-term leases (i.e. leases of 12 months or less) and;
- leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied. Management is assessing the impact the adoption of this standard to the financial statements of the fund.

Management is assessing the potential impact of the adoption of this standard on the Fund's financial statements. However, preliminary assessment shows that the Standard will have no significant impact on current business operation model of the Fund.

5. FINANCIAL RISK MANAGEMENT

5.1 Credit risk

Credit risk is the risk of financial loss to the Fund arising from failure of customers to meet their contractual obligations when fall due. In addition it also 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:

	As at	As at
	31 December2017	31 December2016
	TZS	TZS
Fixed deposits	945,324,472	1,000,117,829
Receivables	46,924,404	53,673,739
Interest receivables	58,745,017	18,592,023
	1,050,993,893	1,072,383,591

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

	As at	As at
	31 December2017	31 December2016
	TZS	TZS
Past due but not impaired:		
- by up to 30 days	46,374,459	25,480,380
- by 31 to 60 days	-	10,213,184
- by 61 to 90 days	-	9,575,334
- Over 91 days	549,945	8,404,841
Total past due but not impaired	46,924,404	53,673,739
Impaired	-	-
Gross debtors	46,924,404	53,673,739

The fixed deposits and interest receivable balances are neither past due nor impaired

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk

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

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

	Within One Year	Above One Year
	TZS	TZS
As at 31 December 2017		
Other payables	6,673,098	-

	Within One Year	Above One Year
	TZS	TZS
As at 30 June 2016		
Other payables	4,466,636	-

5.3 Market risks

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

• Interest rate risk

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

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

Profile

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

	As at 31 December 2017	As at 30 June 2016
	TZS	TZS
Government securities	349,600,900	-
Fixed deposits	945,324,472	1,000,117,829
	1,294,925,372	1,000,117,829

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 1000 basis points interest rates at the reporting date would have increased (decreased) equity by TZS 20,209,895 (2016 - TZS 7,735,953)

• 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.

6. FEE INCOME

Transaction fees

Eighteen month period ended 31 December 2017	Year ended 30 June 2016
TZS	TZS
285,247,049	293,386,434

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

7. OTHER INCOME

Interest income

Withholding tax on Interest Income

As at 31 December 2017	As at 30 June 2016
TZS	TZS
224,185,650	77,359,527
(22,086,696)	--
202,098,954	77,359,527

8. EXPENSES

Committee Expenses

Bank Charges

TZS	TZS
9,108,000	3,835,500
164,200	119,609

9. RECEIVABLES

Amount owing by brokers
 Interest receivable from fixed deposits

	46,924,404	53,673,739
	58,745,017	18,592,023
	105,669,421	72,265,762

10. ACCUMULATED FUND

At beginning of year
 Surplus for the year

	1,081,275,477	714,484,625
	478,073,803	366,790,852
	1,559,349,280	1,081,275,477

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.

11. FIXED DEPOSITS

The effective interest rate and maturity date on short term deposits of TZS 945,324,472 and (2016: TZS 1,000,117,829) invested by the Fund at various banks were as follows:

	Eighteen month period ended 31 December 2017		Year ended 30 June 2016	
	Effective interest rate per annum	Maturity date	Effective interest rate per annum	Maturity date
Azania Bank Limited	-	-	15%	17 th Nov 2016
Bank M Limited	-	-	13.50%	22 nd July 2016
Tanzania Postal Bank Limited	-	-	14%	29 th July 2016
Twiga Bancorp	9.94	29 th Jan 2018		

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

Azania Bank Limited
 Bank M Limited
 Tanzania Postal Bank
 Twiga Bancorp

As at 31 December 2017	As at 30 June 2016
TZS	TZS
-	200,000,000
-	266,331,954
-	533,785,875
945,324,472	-
945,324,472	1,000,117,829

12. GOVERNMENT SECURITIES

Classified as held to maturity
 Treasury Bond

	349,600,900	-
	349,600,900	-

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalent

	163,221,123	15,564,984
	163,221,123	15,564,984

14. ACCRUALS AND PAYABLES

As at 31 December 2017, accruals made in relation to the fund expenditures amounted to TZS 4,466,636 (2016: TZS 6,673,098).

Committee expenses
 Audit fees
 Akiba Bank payable

As at 2017	As at 30 June 2016
TZS	TZS
4,068,608	3,835,500
-	2,600,000
398,028	237,598
4,466,636	6,673,098

15. RELATED PARTY TRANSACTIONS AND BALANCES

There were no related party transactions and balances during the period.

16. EVENTS AFTER BALANCE SHEET DATE

There were no subsequent events identified after balance sheet date requiring disclosure in these financial statements

Notes

