



A RECORD PERFORMANCE

ANNUAL REPORT
FINANCIAL STATEMENT **2014**



MISSION, VISION & VALUES

VISION

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

MISSION

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

CORE VALUES

We believe in:

- Excellence
- Innovation
- Ethics



ABBREVIATIONS USED IN THESE FINANCIAL STATEMENTS

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



PRINCIPAL PLACE OF BUSINESS

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

BANKERS

Akiba Commercial Bank Ltd

P. O. Box 669
Dar es Salaam

Twiga Bancorp Limited

Dar es Salaam Branch
P. O. Box 10119
Dar es Salaam

CRDB Bank (T) Limited

PPF Tower
P. O. Box 268
Dar es Salaam

COMPANY SECRETARY

Mrs. M. S. Mniwasa
P. O. Box 70081
Dar es Salaam

COMPANY AUDITORS

The Controller and Auditor General

National Audit Office, Tanzania
Samora Avenue/Ohio Street
P. O. Box 9080
Dar es Salaam

Ernst & Young

Certified Public Accountants
Utalii House
36 Laibon Road, Oysterbay
P. O. Box 2475
Dar es Salaam



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“THIS IS A RECORD PERFORMANCE IN HISTORY OF THE EXCHANGE”

Mr. Pius A. Maneno
Chairman

On behalf of the Governing Council of the Dar es Salaam Stock Exchange (DSE), I am pleased to present to you a report on the performance of the DSE in the financial year 2013/14. I wish to underscore the accomplishments of the Exchange in year 2013/14 which were shown by significant progress of the market performance.

OPERATING ENVIRONMENT

Tanzania recorded a GDP growth of about 7 percent in year 2013/14 slightly higher than the 6.9 percent experienced in 2012/13 and headline inflation continued to ease reaching 6.4 percent in June 2014 from 7.5 percent in July 2013. The Government Five Year Development Plan (2011/12 – 2015/16) projects a real GDP of 8.0 percent in 2014/15 and 8.5 percent in 2015/16. The continued political stability in the country has significantly enhanced investors' confidence, paving way for increased investment flows. Prospects are bright for stronger investment-lead growth over the next few years. The discovery of gas in Tanzania is expected to boost economic activity and to leverage the country's position as the favored base for investors in the region.

MARKET PERFORMANCE

During the year both Domestic Market Capitalization and Domestic Share Index (TSI) increased by 94 percent. Domestic Market capitalization increased from TZS 3,866 billion to TZS 7,490 billion and TSI from 1,840.11 points to 3,561.62 points. The positive performance is a result of different strategic initiatives undertaken which includes improvement on operation efficiency, public awareness campaigns and general country economy trend. On the other

hand total market capitalization and DSEI increased by 40 percent during the financial year 2013/14.

On trading activities, during the period under review equity trading increased from TZS 74 billion to TZS 273 billion a 271 percent increase. Bonds trading increased by 16 percent from TZS 410 billion in the financial year 2012/13 to TZS 477 billion in year 2013/14.

FINANCIAL PERFORMANCE

The recorded market performance positively impacted the financial performance during the year 2013/14. In the financial year 2013/14, the Exchange made a net surplus of TZS 501.01 million. This is an increase of 169 percent compared to TZS 186.35 million recorded in 2012/13. ***This is a record performance in history of the Exchange.***

ADMISSION OF NEW MEMBER

During the financial year 2013/14, one new member, Exim Bank Tanzania Ltd, was admitted as an associate member. The admission of new member has increased number of members of the Exchange to 39. This shows the commitment of the DSE Governing Council to opening up membership of the Exchange and reflects our intention of being a corner stone of the country economic developments.



ACCOMPLISHMENTS FOR THE FINANCIAL YEAR 2013/14

Year 2013/14 was the second year of the DSE 5 Year Strategic Plan (2012/13 -2016/17). During the year DSE accomplished a number of planned strategic activities including launching of the Enterprise Growth Markets (EGM), changing the core trading and settlement system, joining the National Payment System (NPS), operationalization of the Disaster Recovery Site (DRS), public awareness campaigns (including introducing student's challenge- DSE Scholar Investors Challenge) and launching of the new DSE Rule Book.

EXCHANGE INITIATIVES FOR 2014/15

The financial year 2014/15 will be the third year in implementation of the DSE Five Year Strategic Plan (2012/13- 2016/17). In year 2014/15 the Exchange will strengthening on the achievement made in 2013/14 and initiates some other strategic initiatives as identified in the DSE five year plan. Major focus will be on: Increasing number of products and market liquidity; enhancing operational efficiency through better use of resources and undertake business development activities and increase the level of DSE's self-sustenance.

APPRECIATION

I would like to sincerely thank all who have supported the Exchange on its journey in implementing its five year strategic plan. First and foremost the Government of Tanzania who have provided fiscal and other policy incentives for the development of our stock markets, our regulator – the Capital Markets and Securities Authority (CMSA) who have been at the lead of promoting efficiency and enforcing orderliness in our industry and our development partners (Financial Sector Deepening Trust – FSDT, DFID and the World Bank) who have provided us with vital financial and other capacity building support to implement our planned vision.

Last but not least my colleagues in the DSE Governing Council, Key stakeholders, DSE Management and staff for their efforts dedications in seeing the Exchange vision come into reality. Together we made some milestones in the history of the Exchange.

Pius A. Maneno
Chairman
DSE Governing Council

MEMBERS OF GOVERNING COUNCIL



Mr. Pius Maneno
Chairman



Mr. Nyanduga Mukirya
Vice Chairman



Mr. Kisali Solomon
Member



Mr. Mark Wiessing
Member



Ms. Juliana Sweke
Member



Mrs. Gilder Kibola
Member



Mr. Arphaxad Masambu
Member



Mr. Alfonso Rodriguez
Member



Mr. Raphael Masumbuko
Member



Mr. Moremi Marwa
DSE - CEO Ex Officio Member



Mrs. Mary Mniwasa
Secretary to the Council



CHIEF EXECUTIVE OFFICERS' REPORT



**“THIS IS THE HIGHEST REPORTED SURPLUS
IN THE HISTORY OF THE EXCHANGE”**

Mr. Moremi Marwa
Chief Executive Officer

On behalf of management and Staff of the Dar es Salaam Stock Exchange (DSE), I am delighted to share with you highlights on the operational and financial performance of the Exchange for the financial year 2013/14.

TRADING PERFORMANCE

In the financial year 2013/14, equity turnover raised significant 273 percent to TZS 272.45 billion in the same period, secondary market transaction in the fixed income market segment also increased to TZS 477 billion from TZS 452 billion recorded in the financial year 2012/13. Market capitalization raised by an impressive 34 percent to TZS 18.9 trillion, a new record for our market.

FINANCIAL PERFORMANCE

I am pleased to report that in financial year 2013/14 the Exchange made a net surplus of TZS 501 million, a 169 percent increase from 2012/13 surplus of TZS 186 million. ***This is the highest reported surplus in the history of the Exchange.*** The Exchange's internally generated revenue was TZS 2.18 billion, a 55 percent increase from the previous TZS 1.41 billion.

In 2013/14, revenue from equity transactions fee increased by 273 percent to TZS 763 million from TZS 204 million in 2012/13. Annual listing fees for equity increased 65 percent to TZS 360 million from TZS 218 million in 2012/13. However, annual listing fees in bonds slid 8 percent to TZS 833 million from TZS 905 million. This was somehow compensated by revenues from new services and sources like bonds transaction fees TZS 11 million, data vending and

registry services TZS 30 million and ISIN fees TZS 38 million.

Our strong financial performance in 2013/14 was a result of the market's vibrant performance and efforts of management to improve operational efficiency, diversified revenue sources and more emphasis on financial controls.

In year 2013/14 transaction fees constituted 35 percent of total own revenue compared to 15 percent in 2012/13. Government bond listing fees decline to 41 percent from 66 percent in 2012/13. Revenue from new services, data vending, registry and ISIN, increased from TZS 10 million to TZS 66 million in 2013/14.

ACCOMPLISHMENTS FOR THE FINANCIAL YEAR 2013/14

Year 2013/14 was the second year of the DSE 5 Year Strategic Plan (2012/13 -2016/17). The implemented activities for the year 2013/14 were devised strategically to give more impetus towards achieving goals identified in the DSE 5 Year Strategic Plan. The thrust was on the identified strategic initiatives with high leverage toward achieving the strategic plan goals. The following are the major achievements during year 2013/14:

STRENGTHENING OPERATIONS EFFICIENCY AND MARKET INFRASTRUCTURE

DSE completed installation of the new trading and settlement system in June 2014. DSE went live with new trading platform on 26th June 2014 from Securities Trading Technology (STT) Ltd.

DSE also joined the National Payment System (NPS) during the year under review. The NPS enables DSE to achieve a true Delivery Versus Payment (DvP) to facilitate securities and cash settlement seamlessly.

LAUNCHING OF THE EGM MARKET SEGMENT AND PUBLIC AWARENESS CAMPAIGNS

DSE launched its second tier market segment, Enterprise Growth Market (EGM) in November 2013. The new market segment is for small and medium companies with growth potential. Two companies were listed on the EGM by June 2014.

DSE conducted public education and market awareness programs to potential issuers, investors and the general public. This activity involved country-wide seminars to potential issuers on the Enterprise Growth Market (EGM), radio and TV programmes. Teams of capital market experts held seminars to entrepreneurs in 24 regions of Tanzania Mainland.

LAUNCHING OF THE DSE SCHOLAR INVESTMENT CHALLENGE (SIC)

As part of the public education campaigns and with the objective of training higher learning students to learn about savings and investment, DSE launched student's competition known as "DSE Scholar Investment Challenge". The program in which students (individually or in-groups) compete in building portfolio from a provided fixed virtual capital, involved more than 5,000 students who accessed the DSE platform through their mobile phones. Prior to launching of the Challenge, DSE officials visited 15 Universities and colleges in the country. SIC will be an yearly event as part of DSE's Corporate Social Responsibility. The best performer's students in the competition are awarded cash prize and chance for internship.

INITIATIVES TO INCREASE NUMBER OF PRODUCTS AND SERVICES

DSE undertook several activities aimed at increasing listed securities on the Main Investment Markets segment (MIMs) and the Enterprise Growth Markets (EGM). The activities include visits to more than 40 companies to sensitize them to list on the Exchange, engaging with the Government to privatize some of the state owned entities by offload its shares through the DSE, we also participated on policy issues like drafting a Local Content Policy for Oil & Gas and drafting of regulations for the Mining Act 2010 and EPOCA (2010). DSE also participated in encouraging the uplifting of the Regulation on foreign investor limits, which happened in September, 2014.

During the year DSE started engaging Local Government Authorities (City & Municipal Councils) sharing with them knowledge on how they can use capital markets to finance identified revenue generating projects. DSE also started initial discussions with various key stakeholders on possibilities of issuing REITS and ETF on the DSE.

STRENGTHENING THE DSE'S RISK MANAGEMENT SYSTEMS AND INFRASTRUCTURE

In order to maintain and reinforce the integrity of the Exchange core business operations, during year 2013/14 DSE developed a Business Continuity Policy (BCP) and operationalized the Disaster Recovery Site (DRS) by carrying out live tests where DSE operated from its successfully.

FUTURE OUTLOOK AND INITIATIVES FOR 2014/15

DSE will be leverage on lessons from challenges encountered during the first two years of implementation of its Five Year Strategic Plan. Major objectives for year 2014/15 will be on increasing market depth and liquidity, capacity building, business development, increasing operational efficiency and increasing level of DSE self-sustenance.

APPRECIATION

On behalf of the Management and staff, I would like to extend my appreciation and gratitude to our



Governing Council for their guidance, to our staff for their royalty and dedication, to our regulator for supporting our market development initiatives. Most of what we have been able to achieve is a result of joint efforts by all stakeholders.

In a very special way, I would like to thank the Government for fiscal and other policy incentives supportive to market development and our developments partners: Financial Sector Deepening

Trusts (FSDT), Department for International Development (DFID) and the World Bank for their financial and technical supports that made DSE implement its strategic planned activities successfully.

A handwritten signature in black ink, appearing to read 'Moremi Marwa', with a long horizontal stroke extending to the right.

Moremi Marwa
Chief Executive Officer



Mr. Moremi Marwa
Chief Executive Officer



Mr. Emmanuel Nyalali
Manager - Operations



Mrs. Mary Mniwasa
**Manager - Corporate
Affairs & Legal Counsel**



Mr. Ibrahim Mshindo
**Manager - Finance &
Research**



Mr. Magabe Maasa
**Manager - Projects &
Programs**



1. INTRODUCTION

The Governing Council Members of Dar es Salaam Stock Exchange Limited (DSE) have the pleasure to present their report together with the DSE audited financial statements for the year ended 30 June 2014 which disclose the state of affairs of the DSE as at that date.

2. INCORPORATION

The Dar es Salaam Stock Exchange Limited (DSE) was incorporated on 19th September 1996 under the Companies Act, 2002 (Cap. 212) as a private company limited by guarantee. DSE started its operations in April, 1998.

3. VISION

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

4. MISSION

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

5. PRINCIPAL ACTIVITIES

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

The DSE has the following main lines of business: Listing, trading, clearing and settlement of equities, bonds and other securities Exchange markets related products & services.

6. FINANCIAL PERFORMANCE

During the year ended 30 June 2014, the DSE recorded a surplus of TZS 501.01 million compared to a surplus of TZS 186.35 million recorded in the previous year. The surplus was a result of increase in revenue that emanates from a number factor: improvement in operational efficiency, efforts on public awareness campaigns, good performance of some listed companies and the country's economy in general. Efforts on managing costs also explain the increase in surplus.

7. CORPORATE GOVERNANCE

The business of the Exchange is managed by a Governing Council, which is elected by the members of the Exchange and the industry Regulator (CMSA). The Council is composed of representatives from Licensed Dealing Members, Listed Companies, Institutional Investors, Professional Bodies, General Public and the Chief Executive Officer (CEO) who is an Ex-Officio member of the Council. During the year under review, the Council met five times and its Council Committees held six meetings to deliberate on several matters.

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

7. CORPORATE GOVERNANCE *(Continued)*

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

8. COUNCIL MEMBERS OF THE COMPANY

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

Name	Position	Qualifications	Nationality	Age	Date appointed
Mr. P. A. Maneno	Chairman	MAcc, PGDM, CPA(T)	Tanzanian	48	2007
Mr. N. D. Mukirya	Vice Chairman	LLM	Tanzanian	57	2005
Mr. M. H. Wiessing**	Member	MBA	Dutch	56	2014
Mrs. G. F. Kibola	Member	LLB, LLM & MBA	Tanzanian	58	2008
Mr. R. Masumbuko**	Member	MSC Acc.&Fin	Tanzanian	45	2014
Mr. A. Rodriguez**	Member	MBA	Spanish	45	2014
Mr. K. G. Solomon	Member	MSC Finance	Tanzanian	39	2011
Ms. J. Sweke**	Member	MBA, CPA (T)	Tanzanian	48	2014
Mr. A. G. Masambu**	Member	M. Economics	Tanzanian	56	2014
Mr. M. Marwa	CEO Ex-Officio	MBA, CPA (T)	Tanzanian	38	2013
Mr. A. J. Mwakalyelye*	Member	M.A. Economics	Tanzanian	54	2011
Mrs. F. S. Chakindo*	Member	MBA	Tanzanian	56	2008
Mr. S. F. Kilindo*	Member	LLB	Tanzanian	57	2008
Mr. J. J. Uiso*	Member	B.Com, MSc Fin, CPA(T)	Tanzanian	36	2013
Mr. R. L. Malauri*	Member	M.A. Economics	Tanzanian	67	2008

* Council Members whom their term of office ended on 29th April 2014.

**New Council Members elected from 29th April 2014.

9. COUNCIL MEMBERS' REMUNERATION

The Company paid a total of TZS 18,000,000 (2013: TZS 18,000,000) for services rendered by Council Members of the Exchange.

10. MEETINGS AND ACTIVITIES OF THE COUNCIL

There were 5 meetings of the Council held during the financial year 2013/2014. Below are details of attendance.

Name	15 Aug 2013	6 Nov 2013	11 Dec 2013	20 Feb 2014	23 May 2014
Mr. P. A. Maneno	√	√	√	√	√
Mr. A. J. Mwakalyelye**	√	√	√	√	-
Mrs. F. S. Chakindo**	√	√	√	√	-
Mrs. G.F. Kibola	√	√	√	√	√
Mr. S.F. Kilindo**	√	√	√	-	-
Mr. K. Solomon	-	√	-	√	√
Mr. N. Mukirya	√	√	√	-	√
Mr. R. L. Malaure**	√	√	√	√	-
Mr. J. J. Uiso**	√	√	√	√	-
Mr. M. Marwa	√	√	√	√	√
Mr. A. Masambu*	-	-	-	-	√
Mr. M.H. Wiessing*	-	-	-	-	√
Mr. R. Masumbuko*	-	-	-	-	√
Mrs. J. Sweke*	-	-	-	-	√
Mr. A. Rodriguez*	-	-	-	-	√

*New Council Members elected from 29th April 2014.

** Council Members retired on 29th April 2014.

The Council is supported by the following committees as at 30 June 2014.

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

Name	Position	Qualifications	Nationality
Mrs. G. F. Kibola	Chairperson	LLB,LLM & MBA	Tanzanian
Mr. A. G. Masambu	Member	M. Economics	Tanzanian
Mr. K. G. Solomon	Member	MSc Finance	Tanzanian

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

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

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

10 MEETINGS AND ACTIVITIES OF THE COUNCIL *(Continued)*

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

(c) Audit Committee

Name	Position	Qualifications	Nationality
Mrs. J. Sweke	Chairperson	MBA, CPA (T)	Tanzanian
Mr. R. Masumbuko	Member	MSC Acc.& Fin	Tanzanian
Mr. M. H. Wiessing	Member	MBA	Dutch

Audit Committee reports to the Council. Audit Committee met once during the year to receive and deliberate on the DSE audit and financial statements for the year ended 30 June 2013.

11. MANAGEMENT

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

- Finance and research department;
- Corporate affairs and legal counsel department;
- Operations department;
- Market development, projects and programmes department;

12. SOLVENCY

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

13. KEY HIGHLIGHTS OF THE YEAR

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

Particular	2014	2013	Change
Market capitalization (TZS billions)	18,902.16	14,057.92	34%
Value of shares traded (TZS billions)	272.45	73.00	273%
All shares index (DSEI) Points	2,172.71	1,582.51	37%
Tanzania share index (TSI) Points	3,561.62	1,840.11	94%
Value of outstanding listed bonds (TZS billions)	3,696.15	3,073.59	20%



14. SCOPE OF BUSINESS

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

15. SCOPE OF THE REPORT

The annual report for the year ended 30 June 2014 presents a set of annual reports and financial statements for the period starting 01 July 2013 to 30 June 2014. 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 and the Capital Markets and Securities Act, 1994.

16. CAPITAL STRUCTURE

DSE is a private company limited by guarantee without a share capital.

17. RISK MANAGEMENT AND INTERNAL CONTROL

The Council accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- 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 Company system is designed to provide the Council with reasonable assurance that the procedures in place are operating effectively.

The Council assessed the internal control systems throughout the financial year ended 30 June 2014 and is of the opinion that they met accepted criteria.

The Governing Council carries risk and internal control assessment through its two Committees; the Audit Committee and Administration, Risk Management and Compliance Committee (ARC).

18. MEMBERSHIP

During the year under review Unit Trust of Tanzania- Asset Management Services (UTT-AMIS) was admitted as a new CDS Operator member to the Exchange making a total of 39 members comprising of 7 dealing members and 32 associate members.

19. CORPORATE SOCIAL RESPONSIBILITY

The DSE played its role in the society during the year. A total of TZS 9.1 million was spent. DSE contributed to National Board of Accountants and Auditors (NBAA) TZS 0.3 million for the best CPA candidate in International Finance subject.

DSE also spent TZS 8.8 billion to enable students from higher learning institutions to access its actual data and virtual trading platform for the purpose of learning practically on how to save and invest through the stock exchanges settings.

20. EMPLOYEES WELFARE

Healthy and medical care

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

Staff strength and gender parity

The Company had 17 employees, out of which 6 were female and 11 were male. In 2013 a total 17 staff; 6 staff were female and 11 were male.

Training

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

21. AUDITORS

The Controller and Auditor General is the statutory auditor of Dar es Salaam Stock Exchange Limited by virtue of article 143 of the Constitution of the United Republic of Tanzania, and as amplified in Sect 32(4) of the Act, M/s Ernst & Young were authorised to carry out the audit of Dar es Salaam Stock Exchange Limited on behalf of the Controller and Auditor General (CAG).


22. RELATED PARTY TRANSACTIONS

The Company is limited by guarantee and not having a share capital. Details of guarantors and related party transactions are shown in note 26 of the financial statements.

BY ORDER OF THE COUNCIL



Chairman: Pius A. Maneno



Member: Juliana M. Sweke

30th December, 2014

Date

30th December, 2014

Date



The Companies Act, 2002 requires the Company to prepare financial statements for each financial year, which presents fairly, in all material respects of the state of affairs of the Company as at the end of the financial year and of its operating results for the financial year that ended. It also requires the Council members to ensure that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company. The Council Members are also responsible for safeguarding the assets of the Company.

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

The Council members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2002. The Council members are of the opinion that, the financial statements presents fairly, in all material respects of the state of the financial position of the Company and of its financial performance and its cash flows in accordance with International Financial Reporting Standards. The Council members further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate system of internal financial control.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the International Financial Reporting Standards.

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

BY ORDER OF THE COUNCIL

Chairman: Pius A. Maneno

30th December, 2014

Date

Member: Juliana M. Sweke

30th December, 2014

Date

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR
GENERAL ON THE FINANCIAL STATEMENTS OF
DAR ES SALAAM STOCK EXCHANGE

FOR THE YEAR ENDED 30 JUNE 2014

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

Website: www.nao.go.tz



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

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

VISION

To be a centre of excellence in public sector auditing.

MISSION

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

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

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

We do this by:-

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

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AUDIT REPORT ON FINANCIAL STATEMENTS



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

REF: REPORT OF THE CONTROLLER AND AUDITOR GENERAL TO THE COUNCIL OF THE DAR ES SALAAM STOCK EXCHANGE LIMITED FOR THE YEAR ENDED 30 JUNE 2014

INTRODUCTION

I have audited the accompanying financial statements of Dar es Salaam Stock Exchange Limited set out from pages 19 to 49, which comprise the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

COUNCIL MEMBERS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Governing Council of Dar es Salaam Stock Exchange Limited is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Tanzanian Companies Act, 2002 and for such internal control as the Council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

My responsibility as auditor is to express an independent opinion on the financial statements based on the audit. According to Sect. 9 of the Public Audit Act (PAA) No. 11 of 2008, my specific responsibilities are to examine, enquire into, audit and report on the financial statements of Dar es Salaam Stock Exchange Limited for the year ended 30 June 2014.

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

Furthermore, Sect. 48(3) of the Public Procurement Act No.7 of 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the law and its regulations. The audit was conducted in accordance with International Standards on Auditing (ISA) and such other audit procedures I considered necessary in the circumstances. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis of evidence supporting the amounts and disclosures in the financial statements of the audited entity. It also, includes assessing the significant estimates and judgments made in the preparation of the financial statements, assessing whether the internal control system and the



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

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

UNQUALIFIED AUDIT OPINION

In my opinion, the financial statements presents fairly, in all material aspects, the financial position of Dar es Salaam Stock Exchange Limited as at 30 June 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared and have complied with the Companies Act, 2002 (Cap. 212).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. Compliance with Companies Act, 2002 (Cap. 212)

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

2. Compliance with Public Procurement Act, 2011

In view of my responsibility on procurement legislation, and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that Dar es Salaam Stock Exchange Limited has generally complied with the requirements of the PPA No.7 of 2011.

Prof: Alhaji Mussa J. Assad

CONTROLLER AND AUDITOR GENERAL

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

9th January, 2015

Date



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014



	Notes	2014 TZS	2013 TZS
Revenue	8	2,186,217,245	1,705,355,081
Other income	9	1,163,620,601	382,119,061
Staff costs	10	(1,036,035,964)	(950,952,330)
Project cost (Public Education Campaigns-EGM) - FSDT Grant		(939,038,191)	(15,943,369)
Administrative costs	11	(848,382,765)	(831,882,320)
Depreciation and amortisation	7,15&16	(166,974,382)	(238,516,701)
Operating profit before financing		359,406,544	50,179,422
Finance income	12	143,309,464	144,412,543
Finance costs	13	(1,699,788)	(8,237,421)
Operating profit before tax		501,016,220	186,354,544
Income tax expense	14	-	-
Net profit for the year		501,016,220	186,354,544
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		501,016,220	186,354,544




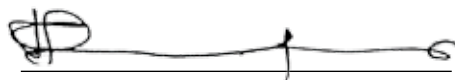
STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	2014 TZS	2013 TZS
ASSETS			
Non-current assets			
Property and equipment	7	308,351,252	421,418,885
Intangible asset	15	82,959,912	2,769,225
Leasehold land	16	37,559,192	40,000,000
		428,870,356	464,188,110
Current assets			
Trade receivables	17	290,969,120	277,837,446
Other receivables	18	80,741,429	122,834,210
Short term deposits	19	178,389,713	674,146,839
Cash and cash equivalents	20	1,630,708,740	740,338,915
		2,180,809,002	1,815,157,410
TOTAL ASSETS		2,609,679,358	2,279,345,520
EQUITY AND LIABILITIES			
Equity			
Retained earnings		933,971,853	432,955,633
Car loan fund	21	35,000,000	35,000,000
		968,971,853	467,955,633
Non-current liabilities			
Capital grant	22	1,177,250,109	1,285,938,428
		1,177,250,109	1,285,938,428
Current liabilities			
Capital grant	22	254,985,631	254,985,631
Provisions	24	17,762,544	47,762,544
Trade and other payables	23	190,709,221	114,465,863
Short term borrowings	25	-	108,237,421
		463,457,396	525,451,459
TOTAL EQUITY AND LIABILITIES		2,609,679,358	2,279,345,520

These financial statements were approved for issue by the Governing Council on 30 December 2014 and signed on its behalf by:


Chairman: Pius A. Maneno


Member: Juliana M. Sweke

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014



	Car Loan Fund (Note 21) TZS	Retained Earnings TZS	Total TZS
At 01 July 2013	35,000,000	432,955,633	467,955,633
Profit for the year	-	501,016,220	501,016,220
At 30 JUNE 2014	35,000,000	933,971,853	968,971,853

	Car Loan Fund (Note 21) TZS	Retained Earnings TZS	Total TZS
At 01 July 2012	35,000,000	246,601,089	281,601,089
Profit for the year	-	186,354,544	186,354,544
At 30 June 2013	35,000,000	432,955,633	467,955,633



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 TZS	2013 TZS
OPERATING ACTIVITIES			
Profit before taxation		501,016,220	186,354,544
<i>Adjustment to reconcile profit before tax to net cash flows:</i>			
Depreciation and amortisation	7,15&16	166,974,382	238,516,701
Interest expenses	13	1,699,788	8,237,421
Revenue grant - FSDT		(939,038,191)	(15,943,369)
Amortisation of capital grant	9	(69,110,983)	(155,770,857)
Foreign exchange difference		(13,526,346)	(2,500,000)
Increase in provision for legal cases	24	-	47,762,544
Increase in provision for impairment of trade receivables	17	10,835,996	-
Interest income	12	(143,309,464)	(144,412,543)
Gain on disposal of assets	9	(8,150,000)	(2,191,738)
Cash flows before changes in working capital items		(492,608,598)	160,052,703
<i>Working capital adjustments:</i>			
Increase in trade receivables		(23,967,670)	(161,924,272)
(Decrease)/increase in other short-term operating receivables		42,092,781	(13,329,269)
Decrease in legal cases liabilities		(30,000,000)	-
Increase/(decrease) in trade and other payables		76,243,358	(166,030,307)
Cash flows after changes in working capital items		(428,240,129)	(181,231,145)
Corporation tax paid	14	-	-
Interest paid		(1,699,788)	(8,237,421)
Net cash inflows from operating activities		(429,939,917)	(189,468,566)
INVESTING ACTIVITIES			
Capital works-in-progress	7	(27,861,399)	(3,286,512)
Short term deposits	19	495,757,126	350,571,000
Interest received - short term deposits	12	143,309,464	144,412,543
Purchase of intangibles	15	(81,941,184)	-
Proceed from disposal of fixed assets		8,150,000	14,500,000
Purchase of leasehold land	16	(1,603,395)	-
Purchase of property and equipment	7	(20,250,650)	-
Net cash flows used in investing activities		515,559,962	506,197,031
FINANCING ACTIVITIES			
Receipt of capital grant	22	899,460,855	270,929,000
Net cash flows used in financing activities		899,460,855	270,929,000
Net increase in cash and cash equivalents		985,080,900	587,657,465
Net foreign exchange difference		13,526,346	2,500,000
Cash and cash equivalents at start of the year		632,101,494	41,944,029
Cash and cash equivalent at year end	20	1,630,708,740	632,101,494 1.
CORPORATE INFORMATION			



1. CORPORATE INFORMATION

The Dar es Salaam Stock Exchange Limited (DSE) is a private company limited by guarantee incorporated on 19th September 1996 under the Companies Act, 2002 (Cap. 212). The principal objective of the Exchange is to provide a securities market to investors who intend to invest in the listed companies. The Exchange assists companies to raise capital through the issuance of equities and debt securities.

The Exchange is also an instrument for use by Government privatized companies and private companies for raising capital. Under the provisions of the Capital Markets and Securities (CMS) Act, 1994 (Cap. 79), the Capital Markets and Securities Authority regulates the Exchange.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements for the year ended 30 June 2014 and the comparative figures for the previous financial year have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved for issue by the Governing Council.

Basis of measurement

The financial statements are prepared on the historical cost basis except for the financial instruments at fair value through profit or loss which are measured at fair value. The methods used to measure fair value are discussed further in note 5.

Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency (TZS) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency transactions *(continued)*

Financial instruments

(a) Financial assets

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

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

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

The Company has the following non-derivative financial assets:

(i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise staff loans and advances and trade and other receivables.

(ii) Cash and cash equivalents

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

(b) Financial liabilities

Initial recognition

Financial liabilities are recognised initially at fair value.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(continued)*

Subsequent measurement

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

Trade and other payables

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

Short term borrowings

Short term borrows consist of bank overdraft. Bank overdraft is subsequently measured at amortised costs using the effective interest rate method. Amortised costs are calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognized on the income statement when the liabilities are derecognised as well as through the amortization process.

Derecognition

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

Offsetting of financial instruments

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

Leasehold land

Operating lease

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

Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

Subsequent costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Depreciation

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

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

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

• Office furniture	4 years
• Office equipment	4&5 years
• Power generator	4 years
• Motor vehicles	4 years
• Office partition	4 years
• Building	40 years

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.

Intangible assets

Computer Software

Computer software is measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific assets to which it relates. Amortization method, useful lives and residual value are reviewed at each reporting date.

The estimated useful life for the current and comparative years of computer software is five years.

Impairment

i) Financial assets

A financial asset classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment *(continued)*

i) Financial assets *(continued)*

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

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

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

ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment *(continued)*

ii) Non-financial assets *(continued)*

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

Employees benefits

(i) Defined contribution plan

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

(ii) Short term benefits

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

(iii) Leave pay

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

(iv) Terminal benefits

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

Provisions

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

Revenue

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employees benefits *(Continued)*

(i) Listing fees

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

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

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

(ii) Transaction fees

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

(iii) Other income

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

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

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

Grants

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

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

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

Finance income

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

Income tax

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

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, these include; IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 19 Employee Benefits, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2013:

IFRS 13 – Fair Value measurement

IFRS 13 provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS.) Effective 1 January 2013. Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Use of Estimates, Assumptions and Judgments

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

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

a. Going concern

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

b. Impairment losses on trade and other receivable

The Company reviews its trade receivables to assess impairment at least on annual basis. In determining whether an impairment loss should be recorded in the profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows in trade receivables. This evidence may include observable data



5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(Continued)*

b. Impairment losses on trade and other receivable *(continued)*

indicating that there has been an adverse change in the payment status of clients, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in Company's trade receivable when scheduling its future cash flows.

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

c. Useful lives of property and equipment's

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

d. Determination of fair values

Trade and other receivables

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

Non-derivative financial liabilities

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

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

S/N	Standard issued but not effective	Effective date on or before
1	Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets	1 January 2014
2	IFRS 9 Financial Instruments	1 January 2018
3	IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32	1 January 2014
4	IFRIC Interpretation 21 Levies (IFRIC 21)	1 January 2014
5	Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets	1 January 2014
6	Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets	1 January 2014
7	IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39	1 January 2014
8.	IFRS 14 Regulatory Deferral Accounts	January 2016
9.	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014



7 PROPERTY AND EQUIPMENT

<u>Cost</u>	Office Equipment	Office Furniture	Power Generator	Motor Vehicles	Work In Progress	Office Partition	Total
At 01 July 2012	823,836,721	33,641,303	81,949,276	165,709,183	60,000,000	163,100,955	1,328,237,438
Additions	-	-	-	-	3,286,512	-	3,286,512
Disposals	-	-	(42,834,117)	-	-	-	(42,834,117)
At 30 June 2013	823,836,721	33,641,303	39,115,159	165,709,183	63,286,512	163,100,955	1,288,689,833
At 01 July 2013	823,836,721	33,641,303	39,115,159	165,709,183	63,286,512	163,100,955	1,288,689,833
Additions	13,658,650	6,592,000	-	-	27,861,399	-	48,112,049
Disposals	-	-	-	(38,199,703)	-	-	(38,199,703)
At 30 June 2014	837,495,371	40,233,303	39,115,159	127,509,480	91,147,911	163,100,955	1,298,602,179
<u>Accumulated depreciation</u>							
At 01 July 2012	574,416,277	15,966,049	31,195,848	70,077,073	-	40,775,238	732,430,485
Charge during the year	67,614,801	6,211,320	17,810,189	31,877,370	-	40,775,238	164,288,918
Disposals	-	-	(29,448,455)	-	-	-	(29,448,455)
At 30 June 2013	642,031,078	22,177,369	19,557,582	101,954,443	-	81,550,476	867,270,948
At 01 July 2013	642,031,078	22,177,369	19,557,582	101,954,443	-	81,550,476	867,270,948
Charge during the year	70,888,964	7,859,320	9,778,790	31,877,370	-	40,775,238	161,179,682
Disposals	-	-	-	(38,199,703)	-	-	(38,199,703)
At 30 June 2014	712,920,042	30,036,689	29,336,372	95,632,110	-	122,325,714	990,250,927
<u>Carrying amount</u>							
At 30 June 2014	124,575,329	10,196,614	9,778,787	31,877,370	91,147,911	40,775,241	308,351,252
At 30 June 2013	181,805,643	11,463,934	19,557,577	63,754,740	63,286,512	81,550,479	421,418,885

The Building was acquired for the purpose of converting it into a Disaster Recovery (DRS). It is still under re-innovation to cater for the purpose intended. As at 30 June 2014, items of property and equipment are free from encumbrances and have not been held as collateral.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

8 REVENUE

Listing fees

Equity	359,867,470	217,825,318
Government bonds	833,128,141	904,983,921
Corporate bonds	12,637,500	12,637,500

1,205,633,111

1,135,446,739

Transaction fees

Equity	762,621,901	204,454,668
Bonds	10,570,000	-
CDS	42,306,000	25,143,274

815,497,901

229,597,942

Total internal revenue

2,021,131,012

1,365,044,681

Government subvention

165,086,233

340,310,400

2,186,217,245

1,705,355,081

9 OTHER OPERATING INCOME

Amortisation of capital grant	69,110,983	155,770,857
Revenue grant - FSDT	939,038,191	15,943,369
Gain on disposal of assets	8,150,000	2,191,738
Annual and membership application fees	57,000,000	18,700,000
ISIN fees	38,100,000	3,150,000
ATS fees- Support from Treasury	-	170,100,000
Data vending and registry fee	27,920,081	6,828,240
Foreign currency exchange gain	13,526,346	1,530,264
Miscellaneous	925,000	250,000
Project income: DSE Scholar investment challenge-NMB	9,850,000	-
Penalty and fine	-	7,654,593

1,163,620,601

382,119,061

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014



10 STAFF COSTS

	2014 TZS	2013 TZS
Salary and wages	750,515,303	657,552,933
Gratuity and other terminal benefits (Note 26)	-	65,763,348
Skills and development levy	27,710,337	36,057,845
Employer contribution to pension funds	83,620,598	83,915,215
Leave cost	47,317,549	34,803,422
Medical expenses	63,369,394	43,918,554
Training and workshops	44,368,919	9,846,018
Other staff cost; special, acting and furniture allowances	19,133,864	19,094,995
	1,036,035,964	950,952,330

11 ADMINISTRATIVE EXPENSES

Public education and business development costs	31,023,152	31,680,800
Office rent (Note 27)	228,088,783	220,451,006
Council members fee	18,000,000	18,000,000
Council expenses	56,506,000	76,213,780
Telephone and internet cost	52,944,845	40,059,089
Stationery and postage	12,068,205	11,837,136
Repair and maintenance	24,073,295	14,590,648
Donations and hospitality cost	3,297,900	752,400
License cost	171,494,621	167,353,708
Travelling cost	67,484,189	78,150,554
Legal charges	5,640,000	3,500,000
Provision for probable claims on labour disputes cases (Note 24)	-	47,762,544
Audit fee	21,844,617	21,757,353
Bad and doubtful debts	13,035,996	-
Subscriptions, tenders and newspapers	19,139,774	21,300,396
Electricity and security cost	22,738,976	25,133,313
DRS running cost	35,742,768	7,936,391
Bank charges and insurance cost	11,427,338	7,429,048
Withholding tax	14,330,946	14,275,624
Office cleaning, parking and recreations	24,165,560	19,863,530
Other operating cost	15,335,800	3,835,000
	848,382,765	831,882,320



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 TZS	2013 TZS
12 FINANCE INCOME		
Interest income - short term deposits	<u>143,309,464</u>	<u>144,412,543</u>
13 FINANCE COSTS		
Interest charged on bank overdraft	<u>1,699,788</u>	<u>8,237,421</u>
14 TAXATION		
Dar es Salaam Stock Exchange Limited income is tax exempt with effect from 1 July 2012.		
15 INTANGIBLE ASSET		
"Intangible cost relates to software used by DSE on day to day operations. This consists of Automated Trading System (ATS), Central Depository System (CDS), Management, Risk solution, Surveillance and Settlement System (MRSSS), Security Registry Services (SRS) and Pastel Accounting software, whose movement is as follows:		
<u>Cost</u>		
At start of the year	864,346,924	864,346,924
Additions	81,941,184	-
At end of the year	<u>946,288,108</u>	<u>864,346,924</u>
<u>Accumulated amortisation</u>		
At start of the year	861,577,699	787,349,916
Charge during the year	1,750,497	74,227,783
At end of the year	<u>863,328,196</u>	<u>861,577,699</u>
<u>Net carrying amount</u>		
At end of the year	<u>82,959,912</u>	<u>2,769,225</u>

The remaining useful lives of existing software are 9 months and 5 years on added software.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014



16 LEASEHOLD LAND

	2014 TZS	2013 TZS
At start of the year	40,000,000	40,000,000
Additions	1,603,395	-
	41,603,395	40,000,000
Less: Amortisation for the year	(4,044,203)	-
At end of the year	37,559,192	40,000,000
Within one year	1,155,035	4,044,203
After one year but less than five years	4,620,140	4,620,140
After five years	31,784,017	31,335,657
	37,559,192	40,000,000

Leasehold land was acquired from National Insurance Company Ltd with the remaining period of 36 years.

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

17 TRADE RECEIVABLES

Listing fee receivables	201,422,261	200,310,090
Transaction fee receivables	77,436,807	63,624,333
Others trade receivables; WAN and Internet bridge	22,946,048	13,903,023
	301,805,116	277,837,446
<u>Provision for impairment on receivables</u>		
At start of the year	-	-
Additional provision	(13,035,996)	-
Utilised	2,200,000	-
	(10,835,996)	-
At end of the year	290,969,120	277,837,446

17 TRADE RECEIVABLES *(Continued)*

	2014 TZS	2013 TZS
As at 31 June, the ageing analysis of trade receivables is as follows:		
==>Neither past due nor impaired	211,209,696	81,272,839
==>Past due but not impaired		
<i>Not impaired & overdue 31 - 60 days</i>	30,221,318	35,070,599
<i>Not impaired & overdue 61 -90 days</i>	33,077,007	156,194,000
<i>Not impaired & overdue 91 -120 days</i>	4,021,977	5,300,008
<i>Not impaired & overdue > 120 days</i>	23,275,118	-
	301,805,116	277,837,446

Terms and conditions of the above trade receivables:

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

As at 30 June 2014, trade receivables on listing, membership and transactions fees at initial value of TZS 13,035,996 (2013: Nil) were fully provided for out of which TZS 2,200,000 membership receivables were impaired (2013; Nil). The movements in the provision for impairment of receivables is as shown above.

18 OTHER RECEIVABLES

Staff car loans receivables (Note 21)	15,500,000	22,750,000
Staff advances	9,119,565	-
Prepaid expenses	56,121,864	100,084,210
	80,741,429	122,834,210
As at 31 June, the ageing analysis of other receivables is as follows:		
==>Neither past due nor impaired	80,467,842	122,834,210
==>Past due but not impaired		
<i>Not impaired & overdue 31 - 60 days</i>	273,587	-
	80,741,429	122,834,210

Terms and conditions of the above other receivables:

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

As at 30 June 2014 and 2013, no provision for impairment has been made with respect to these periods.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014



19 SHORT TERM DEPOSITS

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

Short term deposits

Reclassified to cash and cash equivalent
(maturity within 3 months) (Note 20)

	2014 TZS	2013 TZS
Short term deposits	1,054,870,713	1,024,717,839
Reclassified to cash and cash equivalent (maturity within 3 months) (Note 20)	(876,481,000)	(350,571,000)
	178,389,713	674,146,839
The term deposits are held at the following institutions;		
Kenya Commercial Bank Limited(KCB)	350,571,000	350,571,000
Exim Bank (T) Ltd	525,910,000	525,910,000
Azania Bank Limited	100,000,000	100,000,000
	976,481,000	976,481,000

DSE fixed deposit of TZS 350,000,000 was secured on overdraft facility with Kenya Commercial Bank (KCB).The overdraft facility expired on 20 August, 2013 and was fully settled by 31 August 2013 (Note 25).

The effective interest rate and maturity date on short term deposits as at 30 June 2014 and 30 June 2013 are shown below:

	2014		2013	
	Effective interest rate per annum	Maturity date	Effective interest rate per annum	Maturity date
Kenya Commercial Bank Limited(KCB)	14.50%	1-Aug-14	14.50%	2-Aug-13
Exim Bank (T) Ltd	15.60%	6-Jul-14	15.60%	27-Dec-13
Azania Bank Limited	<u>13.50%</u>	<u>17-Oct-14</u>	<u>15.50%</u>	<u>12-Apr-14</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

20 CASH AND CASH EQUIVALENTS

	2014 TZS	2013 TZS
Cash at bank	754,216,434	389,068,909
Short term deposits (maturity within 3 months) (Note 19)	876,481,000	350,571,000
Cash at hand	11,306	699,006
	1,630,708,740	740,338,915

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

Cash and cash equivalents as above	1,630,708,740	740,338,915
Bank overdraft - KBC bank (Note 24)	-	(108,237,421)
Net cash and cash equivalent	1,630,708,740	632,101,494

Figures for cash and cash equivalent in 2013 differs in statement of financial position (note 20) and statement of cash flow. This is in accordance to IAS 7 which provide guidance on presentation bank overdrafts in the cash flow.

Cash at bank above consist of Car loan fund of TZS (Note 21)	19,616,600	12,426,600
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21 CAR LOAN FUND

Car loan fund at June (Note 18 and 20)	35,000,000	35,000,000
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This is a revolving fund established on 3rd August, 2001 from the accumulated fund account with a seed capital of TZS 35 million for the purpose of extending loans to staff for purchase of motor vehicles.

22 CAPITAL GRANT

At start of the year	1,540,924,059	1,441,709,285
Received during the year	899,460,855	270,929,000
Release to the statement of profit or loss and other comprehensive income	(1,008,149,174)	(171,714,226)
At end of the year	1,432,235,740	1,540,924,059
At 30 June	1,432,235,740	1,540,924,059
Less current portion - deferred capital grant	(254,985,631)	(254,985,631)
	1,177,250,109	1,285,938,428

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014



	2014 TZS	2013 TZS
Non current portion of capital grant is made up off:		
unapplied capital grant (financing short term deposits)	976,481,000	976,481,000
applied capital grant	200,769,109	309,457,428
	1,177,250,109	1,285,938,428

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

as amortisation of capital grant	69,110,983	155,770,857
as revenue grant- FSDT	939,038,191	15,943,369
	1,008,149,174	171,714,226

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

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

23 TRADE AND OTHER PAYABLES

Deferred revenue	90,247,445	34,525,000
Trade payables	3,616,448	7,810,557
Accruals	96,845,328	72,130,306
	190,709,221	114,465,863

Terms and conditions of the above financial liabilities:

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

24 PROVISIONS

	2014 TZS	2013 TZS
At start of the year	47,762,544	-
Arising during the year	-	47,762,544
Utilised	(30,000,000)	-
At end of the year	17,762,544	47,762,544

As at 30 June 2014 no provision has been recognised (2013: TZS 47,762,544). Provision recognised above relates to probable claims on labour disputes cases.

25 SHORT TERM BORROWINGS

Bank overdraft	-	108,237,421
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The Company had an overdraft facility with Kenya Commercial Bank up to a limited of TZS 100,000,000. DSE required this facility to finance short term maturing obligations. The facility carried an interest charge of 13% per annum. The facility was secured by DSE fixed deposit of TZS 350,000,000 (Note 19). The overdraft facility expired on 20 August, 2013 and was fully settled by 31 August 2013.

26 EMPLOYMENT BENEFIT LIABILITIES

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

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

Parastatal Pension Fund (PPF)	67,095,518	73,116,435
Public Sector Pension Fund (PSPF)	16,525,080	1,287,000
	83,620,598	74,403,435

27 OTHER STATUTORY PAYROLL REMITTANCES

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

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

Skills and Development Levy (SDL)	48,642,916	39,453,178
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The amount deducted from the employees' salaries and wages in the year in respect of PAYE is:

Pay As You Earn (PAYE)	136,315,353	114,858,105
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27 OTHER STATUTORY PAYROLL REMITTANCES (Continued)

At 30 June 2014 and 2013 no outstanding liabilities to relevant authorities with respect to PAYE and SDL. PAYE and SDL were remitted before the year to relevant authorities.

28 RELATED PARTY TRANSACTIONS

a) Share Capital

The Company is limited by guarantee and not having a share capital. The following legal persons were guarantors:

- | | |
|---|--------------------------------------|
| i. The National Insurance Corporation (T) Limited | vii. EXIM Securities & Investment |
| ii. The National Social Security Fund (NSSF) | viii. Tanzania Securities Limited |
| iii. PPF Fund | ix. ORBIT Securities Company Limited |
| iv. 1st Adili Bancorp Limited | TOL Gases Ltd |
| v. CRDB Bank Plc | xi. Futurent (T) Limited |
| vi. Solomon Stockbrokers Limited | |

Every guarantor of the Company undertakes to contribute to the assets of the Company, in the event of its wound up while still a member, or within one year from ceasing to be a member, for payment of the debts and liabilities of the company contracted before such member ceases to be a member, and the costs charges and expenses of such winding and for the adjustment of the rights of the contributories among themselves, such sum as may be required not exceeding the sum of TZS 100,000.

b) Key Management Personnel

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

i. Executive Key Personnel

Short-term employee benefits (salaries and allowances)	477,803,470	418,820,260
Post employment benefits (gratuity and other terminal benefits) (Note 10)	-	65,763,348
Post employment benefits (defined contribution plans)	54,621,322	48,164,330

532,424,792	532,747,938
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Staff loans and advances

7,250,0000	11,500,000
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"The Company has abolished the policy of giving gratuity and other terminal benefit to Ex-Officio and therefore the same has not been recognised on the current period (2013: TZS 65,763,348 was paid to outgoing EX-Officio)."

ii. Non-Executive Key Personnel

Council members allowances	50,200,000	63,800,000
Council members fee	18,000,000	18,000,000

68,200,000	81,800,000
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

29 CAPITAL MANAGEMENT

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

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

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

30 COMMITMENTS

Investment in short term securities

The Company has invested on short term deposits with three bankers: Kenya Commercial Bank Limited; Exim Bank (T) Ltd and Azania Bank Limited (Note 20) for three tranches; TZS 350.5 mill: TZS 525.9 mill and TZS 100 mill of interest rate of 14.50% ; 15.60% and 13.50% respectively. The deposits will mature on 01 August 2014, 06 July 2014 and 17 October 2014 respectively.

Operating lease commitment - Company as lessee

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

Rental expenses recognised during year	228,088,783	220,451,006
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Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Within one year	228,088,783	228,088,783
After one year but not more than five years	684,266,349	547,413,079
	912,355,132.00	775,501,862

31 CONTINGENCIES

Contingent assets- Other investment

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



31 CONTINGENCIES *(Continued)*

Contingent assets- Other investment *(continued)*

Contingent liabilities

There were no contingent liabilities against the Company as at 30 June 2014 (2013: Nil).

32 COMPERATIVE BALANCES

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

33 POST BALANCE SHEET EVENTS

Short term deposits of TZS 976,481,000 in total (Note 20) were subsequently re-invested to CBA Bank after maturity on 1 August 2014, 6 July 2014 and 17 October 2014 with three tranches; TZS 350.5 mill , TZS 525.9 mill and TZS 100 mill, with interest rate of 14.0% ,14.5% and 13.5% respectively. The deposits matured on 9 January 2015, 11 January 2015 and 21 January 2015 respectively.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risk management framework

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a. Currency risk

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

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

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

b. Credit risk management

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

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

Exposure to credit risk

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

	2014 TZS	2013 TZS
Trade receivables (Note 17)	301,805,116	277,837,446
Other short-term operating receivables (Note 18)	80,741,429	122,834,210
Short term deposits (Note 19)	24,619,565	22,750,000
Cash and bank balances (Note 20)	1,630,708,740	740,338,915
	2,037,874,850	1,163,760,571

Ageing analysis of trade receivables is shown on Note 17.

Cash and cash equivalents

As at 30 June (Note 20)	1,630,708,740	632,101,494
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The Company held cash and cash equivalents at 30 June as indicated above, which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, of good reputation.



35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c. Liquidity risk

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

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

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

On demand TZS	Less than 3 months TZS	3 to 12 months TZS	1 to 5 years TZS	Total TZS
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As at 30 June 2014

Capital grant -non current portion	-	-	-	1,177,250,109	1,177,250,109
Capital grant-current portion	-	-	254,985,631	-	254,985,631
Trade and other payables	-	3,616,448.00	187,092,773	-	190,709,221
	<u>-</u>	<u>3,616,448</u>	<u>442,078,404</u>	<u>1,177,250,109</u>	<u>1,622,944,961</u>

As at 30 June 2013

Capital grant -non current portion	-	-	-	1,285,938,428	1,285,938,428
Capital grant-current portion	-	-	254,985,631	-	254,985,631
Trade and other payables	-	7,810,557	-	-	7,810,557
Short term borrowings	108,237,421	72,130,306	34,525,000	-	214,892,727
	<u>108,237,421</u>	<u>79,940,863</u>	<u>289,510,631</u>	<u>1,285,938,428</u>	<u>1,763,627,343</u>

d. Interest rate risk

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

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d. Interest rate risk (continued)

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

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

Profile

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

	Carrying amount	
	2014 TZS	2013 TZS
Fixed rate instruments		
Short term deposits (Note 19)	976,481,000	976,481,000
Bank overdraft (Note 25)	-	108,237,421

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value though profit and loss. Therefore a change in interest rate as indicated below at end of the reporting period have not been recognised to profit and loss.

A change of 100 basis points interest rates at the reporting date have the impact of increased (decreased) equity and profit or loss by TZS 976,481(2013: – TZS 976,481).

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss and equity	
	100 bp increase TZS	100 bp decrease TZS
30-Jun-14		
Variable rate instruments	(100,000)	100,000

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



35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk

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



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FINANCIAL STATEMENTS

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1. INTRODUCTION

The Fund Management Committee present this report together with the audited financial statements of the Dar es Salaam Stock Exchange – Fidelity Fund (the Fund) for the year ended 30 June 2014.

2. ESTABLISHMENT AND PURPOSE

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

3. MINIMUM BALANCE

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

4. ACTIVITIES

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

5. FUND POSITION

The position of the Fund as at the end of the year is reflected in the accumulated fund balance of TZS 342,688,299 (2013: TZS 213,935,673) as shown in the statement of financial position on page 59 and on note 11 to the financial statements. The minimum amount of the Fund, however, shall be either TZS 100 million or such other sum as the Minister for Finance may direct to be paid into the Fund. The Minister has, through a Government Notice, gazetted 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 58. No annual receipt based on the net income of the Exchange has been recognized in the accounts as the Exchange did not realize a net income after the exclusion of government subventions.



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 four members. These are:

Name	Position	Qualifications	Age	Nationality
Mr. S. Mponji	Member	FCCA, FCPA	70	Tanzanian
Mr. R. Malauri	Member	M. A. Economics	67	Tanzanian
Mr. Y. Kidula	Member	MBA	53	Tanzanian
Mr. A. Mregi	Member	MBA	48	Tanzanian
Ms. L. Mandara	Member	LLM, LLB	51	Tanzanian

8. AUDITORS

The Controller and Auditor General is the statutory auditor of Dar es Salaam Stock Exchange- Fidelity Fund by virtue of article 143 of the Constitution of the United Republic of Tanzania, and as amplified in Sect 32(4) of the Act, M/s Ernst & Young were authorised to carry out the audit of Dar es Salaam Stock Exchange- Fidelity Fund on behalf of the Controller and Auditor General (CAG).

BY THE ORDER OF FIDELITY FUND MANAGEMENT COMMITTEE

Mr. Pius A. Maneno

Mrs. Juliana M. Sweke

**STATEMENT OF THE FIDELITY FUND MANAGEMENT
COMMITTEE'S RESPONSIBILITIES**
FOR THE YEAR ENDED 30 JUNE 2014



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

The Committee is responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

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

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the International Financial Reporting Standards.

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

Approval of the financial statements

The financial statements of Fidelity Fund, as indicated above, were approved for issue by the Fund management Committee on 30th December 2014 and are signed on its behalf by:

A handwritten signature in black ink, appearing to be 'P. Maneno'.

Mr. Pius A. Maneno

A handwritten signature in black ink, appearing to be 'Juliana M. Sweke'.

Mrs. Juliana M. Sweke

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



**REPORT OF THE CONTROLLER AND AUDITOR
GENERAL ON THE FINANCIAL STATEMENTS OF DAR
ES SALAAM STOCK EXCHANGE- FIDELITY FUND**

FOR THE YEAR ENDED 30 JUNE 2014

The Controller and Auditor General,
National Audit Office, Tanzania
Samora Avenue/Ohio Street,
P.O. Box 9080,
Dar Es Salaam
Tel: 255 (022) 2115157/8
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E-mail: ocag@nao.go.tz

Website: www.nao.go.tz

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

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

VISION

To be a centre of excellence in public sector auditing.

MISSION

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

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

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

We do this by:-

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

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AUDITORS' REPORT

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

REPORT OF THE CONTROLLER AND AUDITOR GENERAL TO THE FUND MANAGEMENT COMMITTEE OF THE DAR ES SALAAM STOCK EXCHANGE –FIDELITY FUND FOR THE YEAR ENDED 30 JUNE 2014

Introduction

I have audited the accompanying financial statements of Dar es Salaam Stock Exchange- Fidelity Fund as set out from pages 58 to 68, which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Council members' Responsibility for the Financial Statements

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

Auditor's responsibility

My responsibility as auditor is to express an independent opinion on the financial statements based on the audit. According to Sect. 9 of the Public Audit Act No. 11 of 2008, my specific responsibilities are to examine, enquire into, audit and report on the financial statements of Dar es Salaam Stock Exchange – Fidelity Fund for the year ended 30 June 2014.

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

Furthermore, Sect. 48(3) of the Public Procurement Act No.7 of 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the law and its regulations.

The audit was conducted in accordance with International Standards on Auditing (ISA) and such other audit procedures I considered necessary in the circumstances. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis of evidence supporting the amounts and disclosures in the financial statements of the audited entity. It also, includes assessing the significant estimates and judgments made in the preparation of the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of Dar es Salaam Stock Exchange –Fidelity Fund and that they have been consistently applied and adequately disclosed. It also involves evaluating the overall financial statements presentation, and assessing the extent of compliance with the statutory requirements.

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

Unqualified audit opinion

In my opinion, the financial statements presents fairly, in all material aspects, the financial position of Dar es Salaam Stock Exchange – Fidelity Fund as at 30th June 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared and have complied with the Capital Markets and Securities Act, 1994.

Report on other Legal and Regulatory Requirements

In view of my responsibility on procurement legislation, and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that Dar es Salaam Stock Exchange- Fidelity Fund has generally complied with the requirements of the PPA No. 7 of 2011.



Prof: Alhaji Mussa J. Assad

CONTROLLER AND AUDITOR GENERAL

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

9th January, 2015

Date





STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 TZS	2013 TZS
Income			
Fee income	7	108,922,754	29,193,605
Other income	8	22,472,037	18,016,738
		131,394,791	47,210,343
Expenditure			
Audit fees	9	2,565,317	2,565,317
Administrative expenses		-	2,791,200
Bank charges		76,848	58,000
		2,642,165	5,414,517
Profit before taxation		128,752,626	41,795,826
Taxation		-	-
Profit after tax		128,752,626	41,795,826

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2014



	Notes	2014 TZS	2013 TZS
ASSETS			
Current assets			
Receivables	10	28,628,606	28,440,128
Fixed deposits	12	196,988,000	176,000,000
Cash and cash equivalents	13	119,909,291	12,095,545
Total assets		345,525,897	216,535,673
RESERVES AND LIABILITIES			
Reserves			
Accumulated fund	11	342,688,299	213,935,673
Current liabilities			
Accruals		2,837,597	2,600,000
Total reserves and liabilities		345,525,897	216,535,673

The financial statements of Fidelity Fund were approved for issue by the Governing Council on 30th December 2014 and are signed on its behalf by:

Mr. Pius A. Maneno

Mrs. Juliana M. Sweke

Date: 30th December 2014



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 TZS	2013 TZS
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	128,752,626	41,795,826
Adjustment for:		
-Interest income	(22,472,037)	(18,016,738)
Operating surplus before working capital changes	106,280,589	23,779,088
Increase in receivables	(188,478)	(3,040,160)
Increase in accruals	237,597	-
Cash generated from operating activities	106,329,708	20,738,928
Taxation paid	-	-
Net cash flow from operating activities	106,329,708	20,738,928
INVESTING ACTIVITIES		
Interest received	22,472,037	11,799,104
Investment in fixed deposit with financial institutions	(20,988,000)	(39,694,000)
Net cash flow generated/(used) in investing activities	1,484,037	(27,894,896)
Net increase/(decrease) in cash and cash equivalents	107,813,745	(7,155,968)
Cash and cash equivalents at the beginning of the year	12,095,545	19,251,513
Cash and cash equivalents at the end of the year	119,909,290	12,095,545



1. REPORTING ENTITY

a) Establishment and Legal Status

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

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

b) Purpose

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

2. BASIS OF PREPARATION

a) Statement of Compliance

The Financial Statements for the year ended 30th June, 2014 and the comparative figures for the previous financial year have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved for issue by the Fidelity Fund Committee on 30th December 2014.

b) Basis of Measurement

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

- available for sale financial assets
- cash and cash equivalents

c) Use of Estimates and Judgments

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



2. BASIS OF PREPARATION *(Continued)*

c) Use of Estimates and Judgments *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Foreign currency transactions

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

b) Financial instruments

Non derivative Financial Instruments:

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

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

Cash and cash equivalents:

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

Loans and receivables:

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



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, these include; IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 19 Employee Benefits, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2013:

IFRS 13 – Fair Value measurement.

IFRS 13 provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS.) Effective 1 January 2013. Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are not effective for the year ended 30 June 2014, and have not been applied in preparing these financial statements.

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

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

4. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE *(Continued)*

S/N	Standard issued but not effective	Effective date on or before
1	Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets	1 January 2014
2	IFRS 9 Financial Instruments	1 January 2018
3	IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32	1 January 2014
4	IFRIC Interpretation 21 Levies (IFRIC 21)	1 January 2014
5	Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets	1 January 2014
6	Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets	1 January 2014
7	IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39	1 January 2014
8.	IFRS 14 Regulatory Deferral Accounts	January 2016
9.	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014.

5. DETERMINATION OF FAIR VALUES

Trade and other receivables

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

Non-derivative financial liabilities

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

6. FINANCIAL RISK MANAGEMENT

Credit risk

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

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



6. FINANCIAL RISK MANAGEMENT *(Continued)*

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:

	2014 TZS	2013 TZS
Fixed deposits	198,988,000	176,000,00
Trade receivables	12,021,708	13,317,268
Interest receivables	16,606,898	15,122,860
	227,616,606	204,440,128

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

	2014 TZS	2013 TZS
Past due but not impaired:		
- by up to 30 days	8,242,410	9,248,852
- by 31 to 60 days	1,081,129	2,782,147
- by 61 to 90 days	95,282	35,601
- Over 91 days	2,602,887	1,250,668
Total past due but not impaired	12,021,708	13,317,268
Impaired	-	-
Gross debtors (Note 15)	12,021,708	13,317,268

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

6. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

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

	Carrying Amount TZS	Contractual Amount TZS	Within One Year TZS	Above One Year TZS
As at 30 June 2014				
Other payables	<u>2,837,597</u>	<u>2,837,597</u>	<u>2,837,597</u>	<u>-</u>
	Carrying Amount TZS	Contractual Amount TZS	Within One Year TZS	Above One Year TZS
As at 30 June 2013				
Other payables	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,600,000</u>	<u>-</u>

Market risks

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

- Interest rate risk**

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

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

Profile

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

	Carrying amount	
	2014 TZS	2013 TZS
Fixed rate instruments		
Financial assets	<u>196,988,000</u>	<u>176,000,000</u>
	<u>196,988,000</u>	<u>176,000,000</u>



6. FINANCIAL RISK MANAGEMENT (Continued)

Market risks (Continue)

Interest risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

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

A change of 100 basis points interest rates at the reporting date would have increased (decreased) equity and profit or loss by TZS 198,988 (2013 - TZS 176,000)

- Currency risk**

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

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

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

7. FEE INCOME

	2014 TZS	2013 TZS
Transaction fees	108,922,754	29,193,605

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

8. OTHER INCOME

Interest income	22,472,037	18,016,738
	22,472,037	17,399,856



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

9. AUDIT FEE

	2014 TZS	2013 TZS
Audit fees	2,565,317	2,565,317

10. RECEIVABLES

Amount owing by brokers & DSE	12,021,708	13,317,268
Interest receivable from fixed deposits	16,606,898	15,122,860
	28,628,606	28,440,128

11. ACCUMULATED FUND

At beginning of year	213,935,673	172,139,847
Surplus for the year	128,752,626	41,795,826
	342,688,299	213,935,673

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

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

12. FIXED DEPOSITS

Capital commitment

The Company has invested on short term deposits with CBA Bank of TZS 196,988,000 for interest rate of 13% per annum. The deposits will mature on 10 October, 2014.

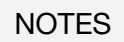
13. CASH AND CASH EQUIVALENTS

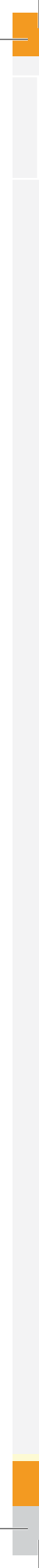
As at 30 June, 2014 the Fund has a Bank balance of TZS 119,909,291.

NOTES



Area for notes with horizontal lines.

This image shows a single page of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.





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