



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



TANZANIA MERCANTILE EXCHANGE

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL AND COMPLIANCE AUDIT FOR THE FINANCIAL YEAR ENDED
30 JUNE 2023**

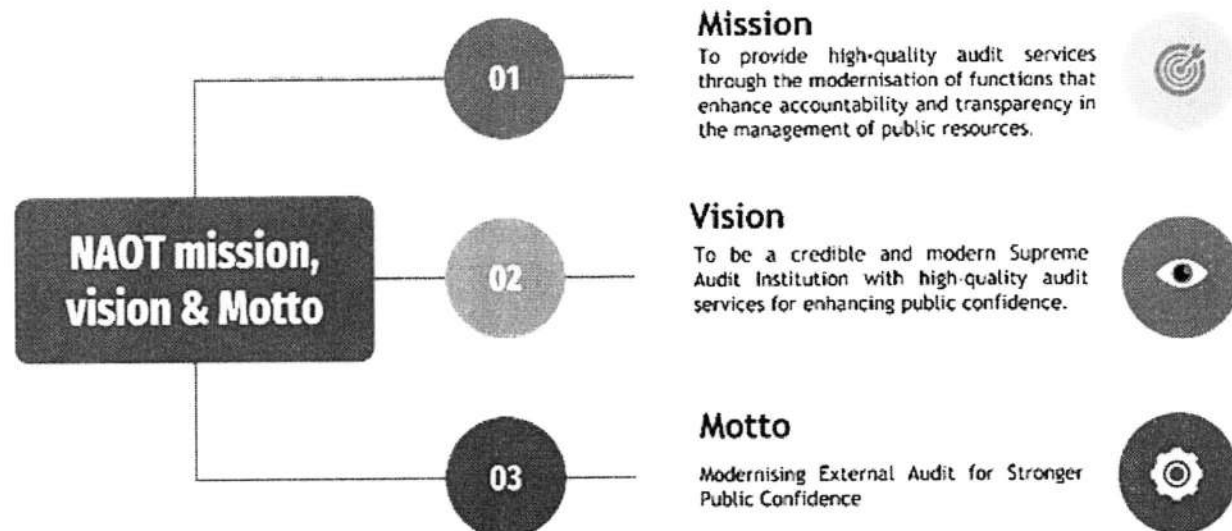
Controller and Auditor General,
National Audit Office,
Audit House,
4 Ukaguzi Road,
P.O. Box 950,
41101 Tambukareli,
Dodoma, Tanzania.
Tel: 255 (026) 2161200,
Fax: 255 (026) 2321245,
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

March, 2024

AR/PA/TMX/2022/23

Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, Cap 418[R.E 2021]



Independence and objectivity

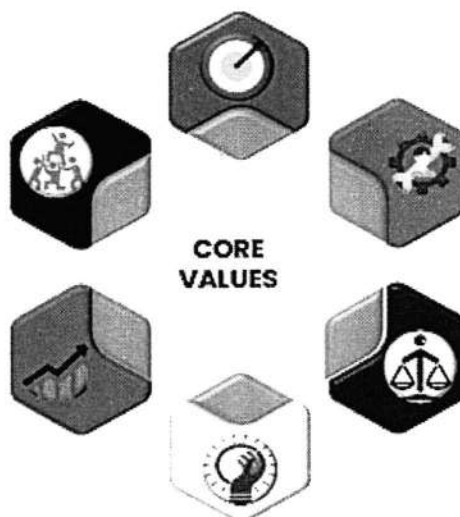
We are an impartial public institution, independently offering high-quality audit services to our clients in an unbiased manner.

Teamwork Spirit

We value and work together with internal and external stakeholders.

Results-Oriented

We focus on achievements of reliable, timely, accurate, useful, and clear performance targets.



Professional competence

We deliver high-quality audit services based on appropriate professional knowledge, skills, and best practices

Integrity

We observe and maintain high ethical standards and rules of law in the delivery of audit services.

Creativity and Innovation

We encourage, create, and innovate value-adding ideas for the improvement of audit services.

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LIST OF ABBREVIATIONS

AMCOS	Agricultural Marketing Cooperative Society
Bcom	Bachelor of Commerce
BOT	Bank of Tanzania
CMSA	Capital Market and Securities Authority
CPA	Certified Public Accountant
IASB	International Accounting Standard Board
IESBA	International Ethics Standards Board for Accountants' Code of Ethics
ICT	Information and Communication Technology
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
Kg	Kilogram
KPIs	Key Performance Indicators
MA	Master of Arts
MOF	Ministry of Finance
MSc	Master of Science
MT	Metric Tonnes
NBAA	National Board of Accountants and Auditors
OTS	Online Trading System
PhD	Doctor of Philosophy
PLC	Public Limited Company
PSSSF	Public Social Service Security Fund
TCB	Tanzania Coffee Board
TCDC	Tanzania Cooperative Development Commission
TIB	TIB Development Bank
TMX	Tanzania Mercantile Exchange PLC
TR	Treasury Registrar
TZS	Tanzanian Shilling
WRRB	Warehouse Receipt Regulatory Board

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1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairman of the Board of Directors,
Tanzania Mercantile Exchange Plc,
P.O. Box 75713,
DAR ES SALAAM, TANZANIA.

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Tanzania Mercantile Exchange Plc, which comprise the statement of financial position as at 30 June 2023, and the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Tanzania Mercantile Exchange PLC as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) Accrual basis of accounting and in the manner required by the Public Finance Act, Cap. 348.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of Tanzania Mercantile Exchange in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Other Information

The directors are responsible for the other information. The other information comprises, Report by Those Charged with Governance, and the Declaration by the Head of Finance but does include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

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

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements

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

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report

because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In addition, Section 10 (2) of the Public Audit Act, Cap 418 [R.E 2021] requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, Cap 410 [R.E 2022] requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with the Public Procurement laws

Subject matter: Compliance audit on procurement of works, goods and services

I performed a compliance audit on procurement of works, goods and services by Tanzania Mercantile Exchange for the financial year 2022/23 as per the Public Procurement laws.

Conclusion

Based on the audit work performed, I state that, except for the matter described below, procurement of goods, works and services by Tanzania Mercantile Exchange is generally in compliance with the requirements of the Public Procurement laws in Tanzania.

Non establishment of Procurement Management Unit

TMX has not established a procurement management unit (PMU) for the purpose of conducting and managing all procurements for the entity; instead, the responsibilities for the Organization's procurements rested solely with an administrative officer.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution by Tanzania Mercantile Exchange for the financial year 2022/23 as per the Budget Act and other Budget Guidelines.



Conclusion

Based on the audit work performed, I state that, Budget formulation and execution by Tanzania Mercantile Exchange is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.



Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania,
March, 2024.



2.0 REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023**2.1 BACKGROUND**

The Board of Directors is pleased to present its report and financial statements for the year ended 30 June 2023 which discloses the affairs of the Tanzania Mercantile Exchange PLC (TMX).

2.2 INCORPORATION

TMX being under the Ministry of Finance (MOF), was incorporated as a Public Limited Company on 25 August 2014 to perform Commodity Exchange business in Tanzania whereby it began its operations in mid of the year 2018. TMX is licensed and regulated by Capital Market and Securities Authority (CMSA) in accordance with the Commodities Exchanges Act of 2015.

The Exchange was established as a public private partnership company. Shareholders of the Exchange are the Treasury Registrar (TR), Public Social Service Security Fund (PSSSF) and TIB Development Bank.

2.2.1 Capital structure

The authorized share capital of Tanzania Mercantile Exchange PLC is 30,000,000 ordinary shares each TZS 1,000 with a par value of TZS 30,000,000,000. Issued and paid-up shares are 4,500,000 each TZS 1,000. There was no change in capital structure paid up shares during the year ended 30 June 2023 as indicated below:

Name of shareholder	Number of shares	Shares paid up TZS mill	Shareholding percentage
Government of the United Republic of Tanzania through Treasury Registrar (TR)	3,000,000	3,000	66.70%
Public Service Social Security Fund (PSSSF)	1,000,000	1,000	22.20%
TIB Development Bank	500,000	500	11.10%
	4,500,000	4,500	100%

No director has interest in the shareholding of the Company.

2.3 Vision

To be the leading and most diverse and dynamic commodity market place in East, Central and Southern Africa.

2.4 Mission

To produce a modern efficient, transparent and reliable market platform for commodity to serve the national development goals through state of the art, technology and integrity.

2.5 Ethics and Values

Commodity trading relies heavily on culture, ethics and values so as to deliver trades and market data dissemination to stakeholders. These will in turn assist the exchange to achieve its goals faster and meet stakeholders' expectations. TMX core values are as follows;

- Transparency
- Accountability
- Integrity
- Innovativeness
- Professionalism

2.6 MEMBERSHIP AND COMMITTEES OF THE BOARD

2.6.1 The Board of Directors

Directors are appointed by TMX shareholders with consideration of relevant skills and experience. Directors of TMX (all of whom are Tanzanians) at the date of this report and who served during the year are:

Table 1: Members of the Board of Directors of TMX

S/N	Name	Position	Qualification	Age	Date of appointment	Expiry of Term
1	Mr. Charles Gambageu Singili	Chairman	CPA(T), BCom Accounting	66	March, 2021	March, 2024
2	Mr. Fortunatus Makore Magambo	Member	Associate Doctorate and MSc Economics	55	March, 2021	March, 2024
3	Dr. Yamungu Mahwago Kayandabila	Member	PhD Economics	51	March, 2021	March, 2024
4	Mr. John Mihayo Cheyo	Member	CPA(T), Post Grad Financial Management	57	March, 2021	March, 2024
5	Mr. Andambike Mwakisole Mololo	Member	M.A Economy and Development Cooperation	55	March, 2021	March, 2024
6	Mr. Aristides Robert Mbwas	Member	MSc. Management, Economics and Consumer Studies	44	March, 2021	March, 2024
7	Mr. Wilson Deonatus Malosha	Member	Master of International Trade, MA Mass Comm	56	March, 2021	March, 2024
8	Mr. Godfrey Daimon Malekano	Member	CPA (T) Master of Business Admin in Finance	51	March, 2021	March, 2024

Source: TMX

2.6.2 Board of director's meetings

During the year under review, there were four regular meetings of the board of directors. The main resolutions discussed are as summarized below:

TANZANIA MERCANTILE EXCHANGE PLC

Table 2: Board of Directors Meetings for the year 2022/23

Board Meeting	Major Issues Discussed	Decisions/Directives	Board Committee
1 st Quarter	Commodity trading	i. Collaborate with WRRB and TCDC to ensure data of commodities traded through TMX platform match with public information and other relevant sources.	Market Development Committee
2 nd Quarter	Upgrading of System	i. TMX to engage with the Ministry of Finance or other independent consultants in upgrading the online trading system.	Market Development Committee
	Commodity trading	ii. Collaboration with Tea Board of Tanzania (TBT) in building capacity to local companies with a view to ensuring that there are local tea brokers in Tanzania.	Market Development Committee
3 rd Quarter	Commodity trading	i. Management to increase value chain analysis in order to increase other commodities like minerals, honey and cocoa from other areas in Tanzania to be traded through TMX.	Administration, Finance and Audit Committee
	Electronic Display Systems	i. Electronic display systems installed within the country should be at potential areas with high access outreach to key stakeholders.	Market Development Committee
4 th Quarter	Office Building Project	i. The Board directed that TMX should follow up with the Ministry of Finance to ensure office building project is on track.	Administration, Finance and Audit Committee
	Trade relations	i. Management should explore the possibility of involving commodities from Zanzibar that can be traded on the TMX platform in the spirit to strengthen matters with regards to union cooperation.	Market Development Committee

Source: TMX Board of Directors meeting minutes for the financial year 2022/23

2.6.3 Committees of the Board

During the year, the Board was assisted by two (2) Board Committees namely, the Administration, Finance and Audit Committee and Market Development Committee.

a) The Administration, Finance and Audit Committee

The Board Administration, Finance and Audit Committee members who served the Committee during the year and as at 30 June 2023, are as detailed below.

Table 3: Members of the Board Administration, Finance and Audit Committee

S/N	Name	Position	Qualification	Date of appointment	Expiry of term
1.	Mr. Fortunatus Magambo	Chairman	Associate Doctorate and MSC Economics	March, 2021	March, 2024
2.	Mr. John Cheyo	Member	CPA(T), Post Grad Financial Management	March, 2021	March, 2024
3.	Mr. Andambike Mololo	Member	M.A Economy and Development Cooperation	March, 2021	March, 2024

Source: TMX

During the year under review, the Board Administration, Finance and Audit Committee met four times. During the meetings the Committee reviewed Corporate Governance papers which included Human resource, Finance and Audit for each quarter of the period under review. Furthermore, the Committee provided guidance on plan and entity strategic short term and long-term goals for sustainability assurance.

The Committee during the financial year 2022/23 was:

- i. an oversight on providing guidance and approval of TMX budget;
- ii. review of TMX financial reports; and
- iii. Administrative matters.

b) The Market Development Committee

The Board Market Development Committee members who served the Committee during the year and as at 30 June 2023, are as detailed below.

Table 4: Members of the Board Market Development Committee

S/N	Name	Position	Qualification	Date of appointment	Expiry of Term
1.	Mr. Wilson Malosha	Chairman	Master of International Trade, MA Mass Comm	March, 2021	March, 2024
2.	Dr. Yamungu Kayandabila	Member	PhD Economics	March, 2021	March, 2024
3.	Mr. Aristides Mbwasii	Member	Msc. Management, Economics and Consumer Studies	March, 2021	March, 2024

Source: TMX

During the year under review, the Board Market Development Committee met four times. During the meetings the Committee reviewed the Market Development papers which covered the operations done and ICT infrastructure for each quarter of the period under review. The

Committee had a purpose of providing proper exchange mechanisms in business operations so as to provide proper entity direction in attaining strategic goals.

During the year under review, the committee has provided;

- i. guidance on the operationalization of the Exchange through various directives towards the successful trade of Cocoa, Sesame and Coffee; and
- ii. advised on initiatives to be taken for the livestock value chain study and OTS development to meet traders' expectations.

Table 5: Board of Directors meetings attendance

S/N	Name	Position	Board	AC	MC
1	Mr. Charles Gambageu Singili	Chairman	4	N/A	N/A
2	Mr. Fortunatus Makore Magambo	Member	4	4	N/A
3	Dr. Yamungu Mahwago Kayandabila	Member	3	N/A	3
4	Mr. John Mihayo Cheyo	Member	3	4	N/A
5	Mr. Andambike Mwakisole Mololo	Member	2	3	N/A
6	Mr. Aristides Robert Mbwas	Member	4	N/A	4
7	Mr. Wilson Deonatus Malosha	Member	2	N/A	3
8	Mr. Godfrey Daimon Malekano	Member	4	4	4

Source: TMX

2.7 PRINCIPAL ACTIVITIES OF THE TMX

2.7.1 Target

TMX aims at improving efficiency of marketing through on-line trading in dematerialization form, improve facilities for structured finance due to availability of a reliable market, developing and implementation of hedging needs and promoting awareness about spot and future trading services of TMX across the length and breadth of the country.

2.7.2 Resources

The Exchange's key strengths which assist in the performance of its functions to achieve its objectives are pegged on a well-composed Board of Directors, effective Management, competent human resources, developed Information, technological infrastructure and

documented internal operating procedures. These strengths continuously create value to the Exchange.

The Exchange's tangibles and intangible resources, which include intellectual resources, human resources, social and relationship resources, and other resources are explained below;

a) Intellectual resources

The Exchange's intellectual resources include technical design expertise, an integrated system which has automated and modernized operations, and a quality management system comprising of elaborately documented internal operating policies and procedures. In general, the implementation of IT systems and system of internal controls improves the Exchange's service delivery process and enhances efficiency.

b) Human resources

The Exchange has skilled, committed, motivated and competent employees dedicated to the provision of quality services. Management adheres to the principles of good governance and promotes good working environment and labour relations. In addition, the Exchange continually invests in human capital development focusing on training, staff wellness, staff recognition and competitive remuneration.

c) Social and Relationship Resources

In executing its functions, the Exchange establishes ethical and transparent relationship with its respective Ministry of Finance (MOF) and other ministries, regulatory authorities, customers, policy makers and the society in general.

TMX aims at improving efficiency of marketing through on-line trading in dematerialization form, improve facilities for structured finance due to availability of a reliable market, developing and implementation of hedging needs and promoting awareness about spot and future trading services of TMX across the length and breadth of the country.

2.8 ENTITY'S OPERATING MODEL

Tanzania Mercantile Exchange PLC (TMX) was established by the Government of Tanzania through public private partnership under the Ministry of Finance so as to improve commodity market industry in Tanzania. TMX enhances the market system by providing a structured online trading platform (system) which aims at providing price discovery and trade transparency. Being regulated by Capital Markets and Securities Authority (CMSA), one of the key objectives of the exchange is to improve efficiency of marketing through on-line trading in dematerialization form, improve facilities for structured finance due to availability of a reliable

market, develop and implement hedging needs and promoting awareness about spot and future trading services across the length and breadth of the country.

The exchange improves and strengthens the Warehouse Receipt System by providing a reliable market platform for buyers and sellers to trade in a structured and regulated market.

Stakeholders benefit from the Exchange, considering agricultural contracts for example, farmers will have greater flexibility and can better plan their operations, agro-processors can reduce the impact of price fluctuations on their processing margins; traders can enhance their procurement and better manage their risks and minimize cost of market interventions; banks will find lending to each of these groups much safer. In all, having access to a viable exchange, promotes national economy through revenue collections and enhanced production.

The TMX platform facilitates exchange of commodities and payments from buyers to sellers through warehouse receipt system.

TMX organization structure consists of seven (7) Units as follows:

- i. Operations Unit;
- ii. Corporate Services Unit;
- iii. ICT and Statistics Unit;
- iv. Procurement Management Unit;
- v. Legal Services Unit;
- vi. Internal Audit Unit and;
- vii. Risk and Surveillance Unit.

All members of the Management report directly to the Chief Executive Officer. The Chief Executive Officer reports to the Board of Directors

2.9 STRATEGIC INITIATIVES AND ACTIVITIES CARRIED OUT DURING THE YEAR

2.9.1 State of art technology of the commodity exchange platform

The marketing system in Tanzania is mostly traditional, especially in agricultural commodities. The trading of commodities using a digitalized platform is still a new concept in Tanzania. TMX was established to address the market challenges and perform the role of an efficient market that adopt modern technology.

As part of the implementation of state of art technology for the financial year 2022/23 all commodities traded through TMX were conducted through the Online Trading System (OTS). All trade sessions conducted were done transparently and information of live trade sessions were disseminated to all stakeholders.

Further to that, trading system upgrade was done to accommodate various commodities and TMX Online Trading System had features to support various models through consideration of

stakeholder's requirements. Further improvements are being done to accommodate tea, livestock and other commodities.

2.9.2 Operationalization of the Exchange

TMX has a role of ensuring all stakeholders are well informed of the functions and benefits of the commodity exchange where sellers and buyers meet to transact in an organized manner, with certain clearly specified and transparent "rules of the game". The operationalization of the exchange begun where some of the commodities were traded, however due the existing arrangement of conducting auctions, this led TMX to face challenges in deploying commodity exchange as observed with other exchanges in the world instead TMX digitized/automated the existing local auction system (single seller and many buyers) to enable market participants to be familiar with the trading platform.

2.9.3 Corporate service delivery

Corporate services and human resources are of great importance in any organization. They play a major role in ensuring that the company's objectives are met. Provision of better working environment plays a very important role in the whole process of attracting and retaining skilled, committed and innovative human capital.

Throughout the year, TMX supported staff to attend training so as to enhance skills and knowledge required to meet business objectives. Trainings were to impart participants with ethics and public service skills so as to enable them to be efficient and customer focused in service delivery. Staffs also attended professional board seminars as part of capacity building initiative.

2.9.4 Resources mobilization and financial sustainability

Resource mobilization refers to securing new and addition resources for any institution. Resource mobilization is critical for the institution to perform its function as well as making TMX operational. This involves a need to improve current financial conditions for implementation of the TMX set operational activities. Some of the operational activities and awareness programs were accomplished with the support of developing partners.

2.9.5 Public education

TMX conducted trainings and awareness campaigns to key stakeholders in order to bring common understanding to market actors such as sellers referred to as farmers through their respective Agricultural Marketing Cooperative Society (AMCOS) and Unions, buyers, Government officials including Regional Commissioners, Regional Administrative Secretaries and District Commissioners, Cooperatives leaders, policy makers, farmers' groups, financial institutions, and many other stakeholders on the benefits, rights, and responsibilities in implementing the system.

2.10 PRINCIPLE RISKS AND UNCERTAINTIES

The Exchange's activities expose it to a variety of financial risks, including trading risk and political risk. The Exchange's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Exchange's Audit, Finance and Administration Committee through its Internal Audit made up of senior management is responsible for developing and monitoring the Exchange's risk management policies which are established to identify and analyse the risks faced by the Exchange, 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 Exchange's activities.

TMX has established board audit committee, which carries out regular and ad hoc reviews of risk management controls and procedures.

a) Trading Risk

Commodity price risk is the financial risk on an entity's financial performance/ profitability upon fluctuations in the prices of commodities that are out of the control of the entity since they are primarily driven by external market forces. The exchange through Price discovery determines the price of a specific commodity through basic supply and demand factors prevalent in the marketplace. The process of price discovery depends on several interrelated factors such as market structure (such as number, size, location, and competitiveness of buyers and sellers), market information (including amount, timeliness, and reliability of information), market behaviour (procurement/ sales and pricing methods), global linkages and prevalence of futures markets or alternate risk management instruments.

b) Political Risk

The Exchange may also from time to time be affected by political risks which are difficult to take control thus may hinder performance/profitability. These risks may lead to trading instability due to change in leadership of legislative bodies and other policymakers.

The exchange collectively performs regular trainings and awareness to stakeholders and new policymakers elected to bring about awareness of the exchange business.

2.11 OPERATIONAL PERFORMANCE DURING THE YEAR

TMX collaborated with various entities including Warehouse Receipt Regulatory Board (WRRB), Tanzania Cooperative Development Commission (TCDC), various crop boards, Ministry of Finance, Ministry of Agriculture, Ministry of Industry and Trade and Ministry of Livestock and Fisheries in engaging with other stakeholders in various commodity value chains. Furthermore, TMX collaborated with regional and District leaders especially in engagements with

Cooperatives and farmers at large. For the year under review TMX planned to trade Coffee, Cocoa, Green Grams, Sesame and Livestock.

- i. During the financial year 2022/23 TMX traded agricultural commodities through Online Trading System where traders participated remotely with no need of physical presence on the production zones. This in turn enabled to cut down transaction costs to both sellers and buyers;
- ii. Volumes traded included 219 MT of Sesame Seeds and, up to 1,066 MT of Cocoa from Morogoro Region was traded;
- iii. Furthermore, TMX collaborated with Tanzania Coffee Board (TCB) to trade Coffee in Kagera Region, where a total of 47,235.3 MT of Coffee which includes 32,696 MT of Robusta, 13,699 MT of Robusta Certified, 76 MT of Robusta Clean, 764 MT of Arabica and 0.3 MT of Arabica Clean was traded by the end of June 2023.
- iv. TMX in collaboration with the Ministry of Livestock and Fisheries conducted livestock trade studies by engaging with stakeholders in order to analyse the modality to be used to pilot livestock trades.

2.11.1 FINANCING

The Exchange's main source of financing comes through Government subvention and own source.

a) Financial performance

During the year under review, the Exchange reported a deficit of TZS 722 million after a deficit of TZS 509 mil in 2021/22. The deficit is mainly due to the Exchange still operating as auction basis and hence not charging transaction fee corresponding with the operational expenditure.

i. Revenue from exchange transactions

Revenue from exchange transactions has increased by 7% from TZS 162 million in the year 2021/22 to TZS 173 million in the year ended 30 June 2023. The increase was mainly due to increase of trading activity by the exchange with the introduction of trade of Cocoa, Sesame and Coffee.

b) Financial position

i. Cash and cash equivalents

Cash and cash equivalents stood at TZS 1.2 billion as at 30 June 2023 compared to a position of TZS 1.9 billion as at 30 June 2022. The Exchange

ii. Receivables from exchange transactions

Receivables from exchange transactions have decreased by 100% from TZS 34 million as at 30 June 2022 to TZS 0 as at 30 June 2023. This was due to the impairment charges for the year 2023.

iii. Property and equipment

Property and equipment has reduced from TZS 203 million in 2021/22 to TZS 149 million in the year under review. During the year the exchange reviewed the useful lives of its property and equipment.

iv. Intangible Assets

The intangible assets amounted to TZS 73 million from TZS 52 million of previous year. The increase in intangible assets is due to the exchange developing the Online Trading System (OTS) in the current year.

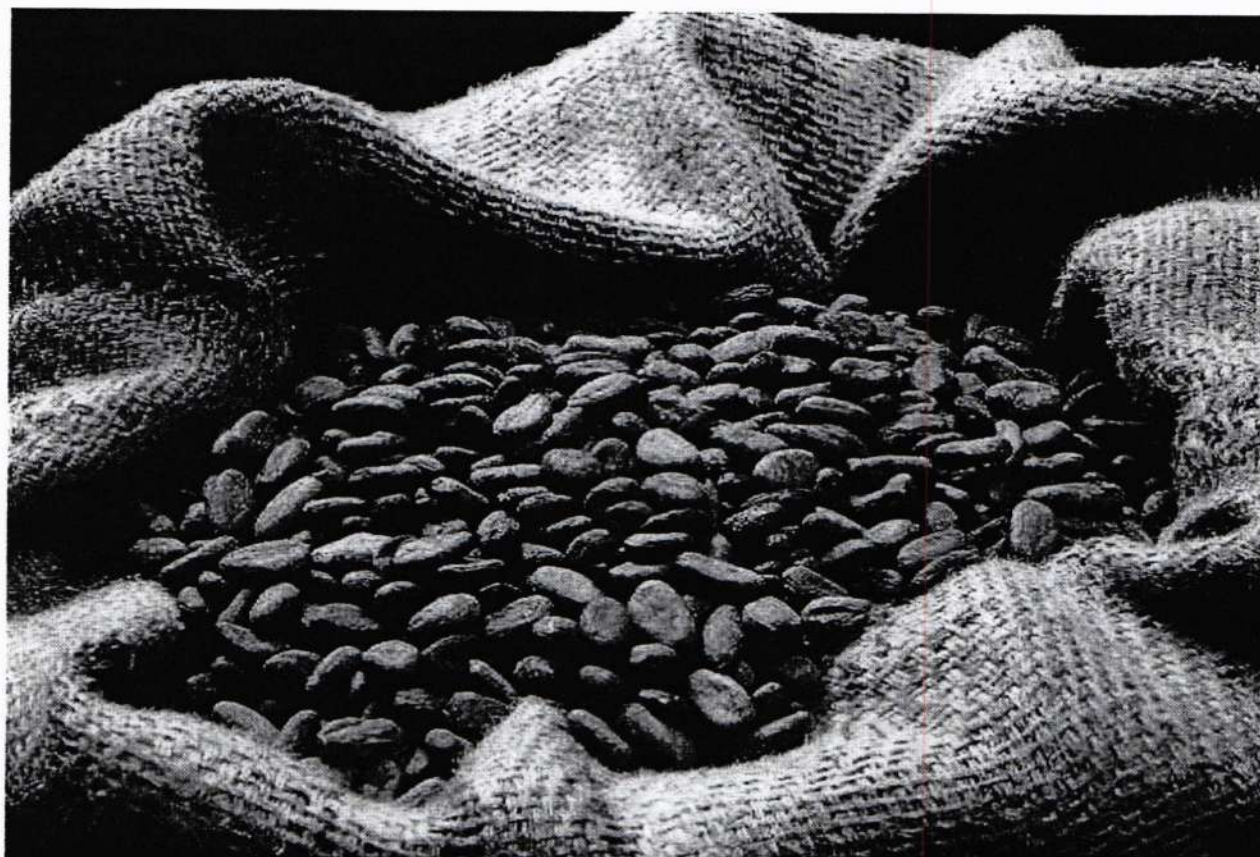
2.11.2 STAKEHOLDERS RELATIONSHIP

TMX has continued engagement with its stakeholders such as Government of the United Republic of Tanzania through its Ministries and Institutions, Regulators, Traders (Buyers and Sellers), Service providers and financial institutions. This has been part of benefits and progress made in its operationalization. Engagement to stakeholders has also been subjected to receive instructions and guidance on the progress of the Exchange in Tanzania.

2.11.3 COMMODITIES TRADED

COCOA

For the financial year 2022/23, TMX traded Cocoa from Mvomero District in Morogoro Region. The district economy depends mostly in agriculture; more than 80% of the population earns their livelihood from agriculture. During the year TMX traded 1,066 MT of Cocoa.



Trend of Cocoa traded through TMX



Source: TMX

Table 6: Cocoa Trade Information

Description	2022/23	2021/22
Volume Traded (MT)	1,066	339
High Price (TZS/kg)	6,815	5,020
Low Price (TZS/kg)	3,725	4,100

TANZANIA MERCANTILE EXCHANGE PLC

Description	2022/23	2021/22
Total Value Transacted (TZS)	6,421,916,060	1,794,488,150

Source: TMX

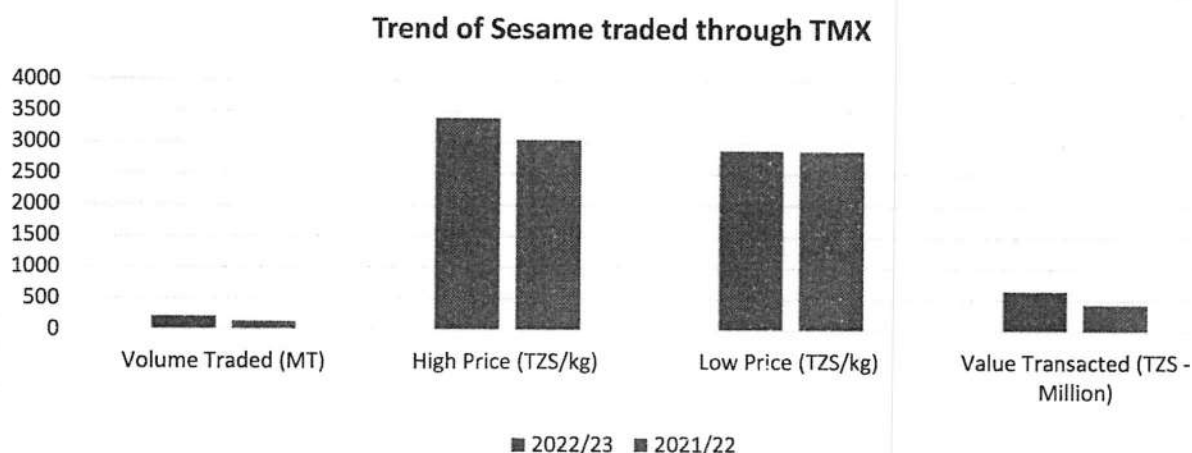
SESAME SEEDS

For the financial year 2022/23, TMX traded Sesame Seeds from Ulanga District in Morogoro region. The following table indicates Sesame Seeds trade information.

Table 7: Sesame Seeds Trade Information

	2022/23	2021/22
Volume Traded (MT)	219	136
High Price (TZS/kg)	3,400	3,050
Low Price (TZS/kg)	2,887	2,877
Total Value Transacted (TZS)	651,377,061	438,124,561

Source: TMX



Source: TMX

COFFEE

In collaboration with Tanzania Coffee Board (TCB) TMX traded a total of 47,235.3 MT of Coffee in Kagera Region through OTS. TMX acknowledges the efforts and cooperation showed by TCB

in line with the Ministry of Agriculture (MOA), Warehouse Receipt Regulatory Board (WRRB) and Tanzania Cooperative Development Commission (TCDC).



Source: TMX

Table 8: Coffee Trade Information

Detail	Robusta	Robusta Certified	Robusta Clean	Arabica	Arabica Clean
Volume (Tonne)	32,696.05	13,699.95	76.53	764.34	0.28
Highest Price(TZS)	2,517	3,460	5,045	3,025	4,005
Lowest Price(TZS/Kg)	1,651	1,750	3,305	2,510	4,005
Value (TZS)	71,931,881,562	30,680,902,672	291,476,917	2,689,000,237	1,201,668

Source: TMX

2.11.4 PLANNED AND ACTUAL PERFORMANCE

The direction of TMX for the coming years is to enhance adaptation of the state of art technology and improve operationalization of the Exchange. TMX strive to safeguard, maintain and sustain the success and dedicate more effort to mitigate challenges encountered during the implementation.

2.11.5 CURRENT AND FUTURE DEVELOPMENT PLAN

Through the online trading system TMX has succeeded to a great extent in trading commodities and is continuously upgraded based on the nature of a particular commodity. Currently commodities traded at TMX includes Cocoa, Sesame and Coffee. TMX plans to trade Tea, Coffee, Cocoa, Livestock, Green grams and is expected to engage with precious stones and minerals stakeholders to conduct value chain analysis for the purpose of trading them through TMX.

2.11.6 STATEMENT ON KPI'S MEASUREMENT

The Exchange uses Key performance indicators to measure the progress of various activities which form basis to identify whether TMX annual objectives are met. They assist in verifying

the effectiveness of strategic planning by tracking critical parameters. KPI's have provided targets for TMX to shoot for, milestones to gauge progress and insights that assist the Exchange to make better decisions.

2.11.7 STATEMENT OF CORPORATE GOVERNANCE

TMX has complied with principles and codes of best practice and were applied throughout the year under review under consideration of the national objective on Good Governance which insist positive effect on various aspects of the Government including compliance and practices, procedures, service quality protocols and office conduct, role clarification and good working relationship.

2.12 DIRECTORS' INTERESTS

No Director of the Exchange has personal interest in the operations of TMX.

2.13 COMPLIANCE WITH LAWS AND REGULATIONS

In performing the activities of the corporation, various laws and regulations having impact on the Exchange operations were observed.

2.14 RELATED PARTY TRANSACTIONS AND BALANCES

The transactions made during the year are in respect of the amount spent on personnel emoluments to key management staff of the Exchange. Details of related party transactions and balances are provided under Note 18.

2.15 POLITICAL AND CHARITABLE DONATION

There were no donations to political parties and or charitable organizations during the year (2022: Nil).

2.16 EMPLOYEES WELFARE

Employee relationship

TMX management and staff enjoy a friendly and effective organizational environment accruing from the leadership direction and support of the Exchange's management. The management and staff relationship for the financial year 2022/23 was generally healthy.

Health Contribution

The Exchange offers a wide range of benefits to ensure present and future fundamental needs are met to its employees. Benefits offered include health/medical where by the Exchange supports medical expenses to employees by providing support on medical insurance (National Health Insurance Fund-NHIF). For the financial year 2022/23 the Exchange incurred an expense of TZS 20,869,494 (2021/22: TZS 20,271,090) towards medical insurance coverage for the staff.

Retirement Fund

Further to that the Exchange supports its employees with pension scheme that will assist in maintaining a healthy living standard upon retirement. TMX submits monthly contributions to PSSSF for employee's future benefit upon retirement or termination. For the financial year 2022/23 the Exchange incurred an expense of TZS 104,347,470 (2021/22: TZS 101,355,450) towards the PSSSF pension scheme.

Persons with Disabilities

The Exchange is an equal opportunity employer. Disability would not prevent a person with the requisite academic qualifications, experience and competence from being employed by the TMX. TMX had no disabled employee to 30 June 2023.

2.17 GENDER PARITY

As at 30 June 2023 TMX had 20 employees, out of which 8 were female and 12 were male compared to 2021/22 where employees 20 of which 12 were male and 8 were female.

2.18 SOLVENCY EVALUATION

The board confirms that financial statements follow applicable accounting standards, and nothing has come to the attention of the Directors to indicate that the Exchange will not remain a going concern for the foreseeable future from the date of this report.

2.19 RISK MANAGEMENT AND INTERNAL CONTROL

The Exchange is vested with the overall responsibility for risk management and internal control system of the company. Further, the management of the company is responsible for ensuring that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding:

- (i) The effectiveness and efficiency of operations;
- (ii) Safeguarding of the Exchange's assets;
- (iii) Compliance with applicable laws and regulations;
- (iv) The reliability of accounting records;
- (v) Responsible behaviours towards all stakeholders.
- (vi) Business sustainability under normal as well as adverse conditions and
- (vii) Business Continuity

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of noncompliance of such measures by staff.

No system of internal control can provide absolute assurance against misstatement or losses, the Exchange's system is designed to provide the Exchange with reasonable assurance that the procedures in place are operating effectively.

Value-for-money efficiency has been obtained throughout the period as a result of implementing an effective internal control system.

2.20 PREJUDICIAL ISSUES

In the opinion of the Directors, there are no prejudicial issues that may affect the Exchange.

2.21 ACCOUNTING POLICIES

TMX has prepared and presented its financial statements in compliance with IPSAS. The Company adhered to the pronouncement on the preparation and presentation of financial statements in accordance with IPSAS Accrual Basis issued by the International Public Sector Accounting Standard Board (IPSASB), National Board of Accountants and Auditors (NBAA) and other legal provisions. The summary of key accounting policies is provided in the Notes to the financial statements. The policies have consistently been applied by the board throughout the reporting period.

2.22 EVENTS AFTER REPORTING PERIOD

At the signing of the financial statements, there is no any other matter or circumstances that need to be disclosed arising since the reporting date, not otherwise dealt with in the financial statements which significantly affect the financial position of the Exchange and the results of operations.

2.23 STATEMENT OF COMPLIANCE

The report by Those Charged with Governance has been prepared in compliance with the new Tanzania Financial Reporting Standards No. 1 (TFRS 1) as issued by the National Board of Accountants and Auditors (NBAA) and became effective from 1 January 2021.

2.24 EFFECT OF COVID-19

The Exchange is certain that the effect of the pandemic (COVID 19) does not have a negative material impact on the financial statements as at 30 June 2023.

2.25 RESPONSIBILITIES OF THE AUDITOR

The Auditor, The Controller and Auditor General (CAG), has a statutory responsibility to report to the shareholders and stakeholders as to whether, in his opinion, the financial statements of the Exchange present fairly the financial position, financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSASs) and the Tanzania Financial Reporting Standard (TFRS 1).

2.26 STATUTORY AUDITORS

The Controller and Auditor General is the Statutory Auditor for Tanzania Mercantile Exchange PLC, by virtue of the provisions of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (Amended 2005) and Sections 30-33 of the Public Audit Act No. Cap 418. However, in accordance with Section 33 of the Act, M/S INNOVEX Auditors was authorized to carry out the audit of the Exchange Financial Statements for the financial year ended 30 June 2023 on behalf of The Controller and Auditor General.

BY ORDER OF THE BOARD

Charles Gambageu Singili
BOARD CHAIRMAN



Godfrey Daimon Malekano
CHIEF EXECUTIVE OFFICER

DATE: 15th March 2024

DATE: 15th March 2024

3.0 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The Commodity Exchanges Act 2015 requires TMX to prepare financial statements for each financial year in accordance with the financial reporting standards prescribed by the National Board of Accountants and Auditors that give a true and fair view of the state of affairs of the Exchange as at the end of the financial year and of its surplus or deficit for the year. It also requires the directors to ensure that the TMX keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the TMX. They are also responsible for safeguarding the assets of the TMX and hence taking reasonable steps for the prevention and detection of fraud, error, and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) Accruals Basis of Accounting and the requirements of the Commodity Exchanges Act 2015.

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

Signed on behalf of the Board of Directors by;



Charles Gambageu Singili
BOARD CHAIRMAN



Godfrey Daimon Malekano
CHIEF EXECUTIVE OFFICER

DATE: 15th March 2024

DATE: 15th March 2024

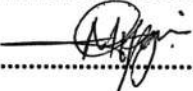
4.0 DECLARATION OF THE HEAD OF FINANCE

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

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Public Sector Accounting Standards (IPSAS) Accruals Basis of Accounting and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under the Directors Responsibility statement on an earlier page.

I, Mlimbila Job, being the Head of Finance of Tanzania Mercantile Exchange (TMX) hereby acknowledge my responsibility of ensuring that financial statements of the year ended 30 June 2023 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Tanzania Mercantile Exchange (TMX) as on that date and that they have been prepared based on properly maintained financial records.

Signature: 

Position: Head of Finance

NBAA Membership No: GA.6725


Date: 15th March 2024

5.0 FINANCIAL STATEMENTS

5.1 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023


		30 June 2023	Restated 30 June 2022
	Notes	TZS	TZS
ASSETS			
Current assets			
Cash and cash equivalents	12	1,236,068,174	1,880,348,134
Receivables from exchange transactions	13	-	34,463,939
Total current assets		<u>1,236,068,174</u>	<u>1,914,812,073</u>
Non-current assets			
Property and equipment	16	148,579,105	203,119,809
Intangible assets	17	73,670,620	51,813,080
Total non-current assets		<u>222,249,725</u>	<u>254,932,889</u>
TOTAL ASSETS		<u>1,458,317,899</u>	<u>2,169,744,962</u>
LIABILITIES			
Current liabilities			
Payables and accruals from exchange transactions	15	146,155,916	107,249,800
Deposits	14	110,497,265	138,260,544
Total current liabilities		<u>256,653,181</u>	<u>245,510,344</u>
NET ASSETS		<u>1,201,664,718</u>	<u>1,924,234,618</u>
NET ASSETS/EQUITY			
Capital contributed by:			
Share capital	21	4,500,000,000	4,500,000,000
Accumulated deficit		<u>(3,298,335,282)</u>	<u>(2,575,765,382)</u>
TOTAL EQUITY		<u>1,201,664,718</u>	<u>1,924,234,618</u>

Notes on pages 30 to 51 form part of the financial statements which were approved by the board of directors and signed on its behalf by:



 Charles Gambageu Singili
 BOARD CHAIRMAN

DATE: 15th March 2024




 Godfrey Daimon Malekano
 CHIEF EXECUTIVE OFFICER

DATE: 15th March 2024


5.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023	Restated 30 June 2022
	Notes	TZS	TZS
REVENUE			
Revenue from exchange transactions	5	172,558,609	161,846,385
Government subvention	6	1,038,333,333	1,294,950,000
TOTAL REVENUE		1,210,891,942	1,456,796,385
EXPENSES AND TRANSFERS			
Wages, salaries and employee benefits	7	1,009,605,597	935,445,055
Use of goods and service	8	604,328,730	519,087,751
Maintenance expenses	9	15,621,808	21,920,322
Impairment of receivables	10	34,463,939	14,770,259
Other expenses	11	200,158,604	226,863,916
Depreciation expense	16	54,540,704	238,197,038
Amortisation expense	17	14,742,460	9,755,420
TOTAL EXPENSES AND TRANSFERS		1,933,461,842	1,966,039,761
Deficit		(722,569,900)	(509,243,376)

Notes on page 30 to 51 form part of the financial statements which were approved by the board of directors and signed on its behalf by:



Charles Gambageu Singili
BOARD CHAIRMAN



Godfrey Daimon Malekano
CHIEF EXECUTIVE OFFICER


DATE: 15th March 2024

DATE: 15th March 2024


5.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Share capital TZS	Accumulated deficit TZS	Total equity TZS
At 1 July 2021	4,500,000,000	(2,512,347,153)	1,987,652,847
Prior year adjustment (Note 27)	-	445,825,147	445,825,147
As restated at 1 July 2021	4,500,000,000	(2,066,522,006)	2,433,477,994
Deficit for the year	-	(509,243,376)	(509,243,376)
At 30 June 2022	4,500,000,000	(2,575,765,382)	1,924,234,618
At 1 July 2022	4,500,000,000	(2,575,765,382)	1,924,234,618
Deficit for the year	-	(722,569,900)	(722,569,900)
At 30 June 2023	4,500,000,000	(3,298,335,282)	1,201,664,718

Notes on page 30 to 51 form part of the financial statements which were approved by the board of directors and signed on its behalf by:



 Charles Gambageu Singili
 BOARD CHAIRMAN



 Godfrey Daimon Malekano
 CHIEF EXECUTIVE OFFICER

DATE: 15th March 2024

DATE: 15th March 2024

5.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

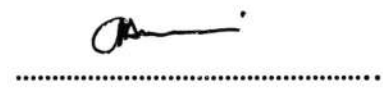
	Notes	30 June 2023 TZS	Restated 30 June 2022 TZS
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts</i>			
Subvention from the government	6	1,038,333,333	1,294,950,000
Revenue from exchange transactions	5	172,558,609	161,846,385
Increase in deposits	14	-	138,260,544
Total receipts		1,210,891,942	1,595,056,929
<i>Payments</i>			
Wages, salaries and employee benefits	24A	1,011,425,597	935,445,055
Use of goods and service	24B	566,842,614	508,027,590
Other expenses	24C	196,918,604	226,863,916
Maintenance expenses	9	15,621,808	21,920,322
Decrease in deposits	14	27,763,279	-
Total payments		1,818,571,902	1,692,256,883
Net cash flows from operating activities		(607,679,960)	(97,199,954)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of intangibles	17	(36,600,000)	(21,885,200)
Net cash flows from investing activities		(36,600,000)	(21,885,200)
Net decrease in cash and cash equivalents		(644,279,960)	(119,085,154)
Cash and cash equivalents at beginning of year		1,880,348,134	1,999,433,288
Cash and cash equivalents at end of year	12	1,236,068,174	1,880,348,134

Notes on page 30 to 51 form part of the financial statements which were approved by the board of directors and signed on its behalf by:



Charles Gambageu Singili
BOARD CHAIRMAN

DATE: 15th March 2024



Godfrey Daimon Malekano
CHIEF EXECUTIVE OFFICER

DATE: 15th March 2024

TANZANIA MERCANTILE EXCHANGE PLC

**5.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR
ENDED 30 JUNE 2023**

	Final budget [A] TZS	Actual on Comparable Basis [B] TZS	Difference [A-B] TZS	Note
Revenue				
Subvention	2,606,878,000	1,038,333,333	1,568,344,667	A
Revenue from exchange transactions	250,000,000	172,558,609	77,441,391	B
Total revenue	2,856,678,000	1,210,891,942	1,645,786,058	
Expenses				
Wages, salaries and employee benefits	1,451,649,430	1,011,425,597	440,223,833	C
Use of goods and service	1,109,128,570	566,842,614	542,285,956	D
Other expenses	221,900,000	196,918,604	24,981,396	E
Maintenance expenses	24,000,000	15,621,808	8,378,192	F
Contribution to Consolidated Fund	50,000,000	-	50,000,000	G
Acquisition of intangibles	-	36,600,000	(36,600,000)	H
Total expenses	2,856,678,000	1,827,408,623	1,029,269,377	
Deficit	-	(616,516,681)	616,516,681	

Notes:

- (a) Budget is prepared on cash basis and falls between 01 July 2022 and 30 June 2023.
(b) Explanations notes are disclosed under Note 22.



Charles Gambageu Singili
BOARD CHAIRMAN



Godfrey Daimon Malekano
CHIEF EXECUTIVE OFFICER

DATE: 15th March 2024

DATE: 15th March 2024

NOTES TO THE FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

Tanzania Mercantile Exchange PLC (TMX) is a commodity exchange platform incorporated on 25 August 2014 to perform the business of a commodity exchange in Tanzania. The Exchange was established as a public private partnership company. Shareholders of the Exchange are the Treasury Registrar (67%), TIB Development Bank (11%) and Public Social Service Security Fund PSSSF (22%). TMX is licensed and regulated by Capital Market and Securities Authority in accordance to the Commodities Exchanges Act of 2015.

The Government of Tanzania through TMX can improve efficiency of marketing through on-line trading in dematerialization form, improve facilities for structured finance due to availability of a reliable market, developing and implementation of hedging needs and promoting awareness about spot and future trading services of TMX across the length and breadth of the country.

Tanzania Mercantile Exchange is located at

4th Floor, PSSSF Millennium Tower II, Bagamoyo Rd,
P.O. Box 31632,
Dar es Salaam, Tanzania.

2. BASIS OF PREPARATION

Financial statements for the year ended 30 June 2023 have been prepared in accordance to with International Public Sector Accounting Standards (IPSAS) Accruals Basis of Accounting and interpretations adopted by the International Accounting Standards Board (IASB).

These financial statements are presented in Tanzanian Shillings (TZS).

3. SIGNIFICANT ACCOUNTING POLICIES APPLIED**(a) Revenue recognition**

The Exchange recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Exchange's activities as described below.

The amount is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Exchange bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(b) Revenue from non-exchange transactions**i. Government subsidies and grants**

Revenues from non-exchange transactions with the government are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Exchange and can be measured reliably as per IPSAS 23 Revenue From Non-Exchange Transactions.

(c) Revenue from exchange transactions

According to IPSAS 9 - Revenue from Exchange Transactions, this includes the gross inflow of economic benefits or services potential during the reporting period when those inflows result in an increase in net asset/equity, other than increases relating to contributions from owners.

(d) Cash and cash equivalents

These comprise cash on hand, deposits held on call and FDR with a maturity not exceeding 90 days. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above but excludes restricted cash balances.

(e) Financial assets**i. Classification**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Exchange determines the classification of its financial assets at initial recognition.

All financial assets of the Exchange are in the category of loans and receivables, based on the purpose for which the financial assets were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Exchange's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

ii. Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Exchange commits to purchase or sell the asset. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

iii. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Exchange or the counter party.

iv. De-recognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Exchange has subsequently transferred all risks and rewards of ownership.

(f) financial liabilities

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities are derecognized when extinguished.

De-recognition

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

(g) Property and equipment

As per IPSAS 17 Property, Plant and Equipment are initially recorded at historical cost which includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Exchange and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial year in which they are incurred.

Depreciation of property and equipment is calculated using the straight-line method to reduce the revalued amount of each asset to its residual value over its expected useful economic life. From the review done, depreciation for the year is charged in consideration of the asset condition. The useful lives, which have been applied in the year under review are as under:

Property and equipment classes	Depreciation Rate Useful life
Office equipment	9.30 years
Furniture and fittings	9.70 years
Motor vehicles	8.58 years

During the year under review, the exchange conducted a review of the property and equipment useful lives, and this results in the assets having their useful lives extended.

Depreciation is charged on assets from the date when they are ready for use and ceases on the date when the asset is derecognized by the Exchange.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gains and losses on disposal are determined by comparing the disposal proceeds with the carrying amount and are charged to statement of financial performance.

(h) Intangible assets

Cost associated with developing or maintaining computer software programmers are recognized as an expense as incurred. Cost that are directly associated with identifiable and unique software product that the exchange controls and that will probably generate economic benefits exceeding cost beyond one year are recognized as intangible assets. Direct cost includes the software development team's staff costs, and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the performance of computer software programmer beyond their original specifications is recognized as a capital improvement and added to the original cost of the software.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful life of amortisation, which has been consistently applied, is 5 years. The amortisation period and the amortisation method for an intangible asset are reviewed from time to time by the management.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the Statement of Financial Performance. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognized.

(i) Comparatives

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

(j) Receivables from exchange transactions

Account receivables are recognized initially at original invoice amount. Account receivables are measured at cost less the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate, or where more appropriate, at the interest rate that the Exchange would have to pay to finance such receivables.

(k) Payables from exchange transactions

Account payables are recognized in the balance sheet at a cost pertaining to the credit amount. These are associated with either the purchase of goods or services on credit or when trade sellers have deposited security deposit not expected to be used as part of settlement funds.

(l) New and revised IPSAS mandatorily effective at the end of the reporting period

The following were the new or revised IPSAS which were mandatorily effective and adopted by the Exchange as at the end of the reporting period.

IPSAS	Improvements/details of the new standards
IPSAS 41, Financial Instruments	<p>IPSAS 41 improves financial reporting for financial instruments, by:</p> <p>Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held.</p> <p>Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</p> <p>Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</p> <p>Effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted.</p>
IPSAS 42, Social Benefits	<p>The standard provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income</p>

IPSAS	Improvements/details of the new standards
	<p>support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment.</p> <p>It seeks to improve the relevance, faithful representativeness, and comparability of the information that a reporting entity provides in its financial statements about social benefits. To accomplish this, IPSAS 42 establishes principles and requirements for:</p> <p style="padding-left: 40px;">Recognizing expenses and liabilities for social benefits;</p> <p style="padding-left: 40px;">Measuring expenses and liabilities for social benefits;</p> <p style="padding-left: 40px;">Presenting information about social benefits in the financial statements; and</p> <p style="padding-left: 40px;">Determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the social benefits provided by the reporting entity</p> <p>Effective for annual periods beginning on or after 1 January 2022.</p>

(m) Standards and interpretations in issue but not yet effective

At the reporting date, the following new and/or revised accounting standards and interpretations were in issue but not yet effective and therefore have not been applied in these financial statements. The Exchange has not yet assessed the impact of these changes on their financial statements when they become effective.

IPSAS	Improvements/details of the new standards
IPSAS 43, Leases	<p>While the IPSASB has retained the IPSAS 13's finance lease/operating lease distinction for lessors, the distinction is no longer relevant for lessees. All lease contracts, including rental contracts, will be recognised on the statement of financial position of the lessees, with some exceptions in limited circumstances.</p> <p>For lessees, IPSAS 43 introduces a right-of-use model that replaces the risks and rewards incidental to ownership model in IPSAS 13, Leases. For lessors, IPSAS 43 substantially carries forward the risks and rewards incidental to ownership model in IPSAS 13.</p> <p>IPSAS 43 will replace IPSAS 13 for reporting periods beginning on or after 1 January 2025 with a retrospective application by default.</p>

IPSAS	Improvements/details of the new standards
IPSAS 44, Non-Current Assets Held for Sale and Discontinued Operations	<p>IPSAS 44 specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria to be classified as held for sale to be:</p> <p>Measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease; and Presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.]</p> <p>IPSAS 44 will be effective for reporting periods beginning on or after 1 January 2025.</p>

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors which requires the use of certain critical accounting estimates and judgments. Such estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Exchange makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next year are addressed below.

(b) Property and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment and their residual values. The rates used are set out in Note 3 (g) above.

(c) Critical judgements

In the process of applying the Exchange's accounting policies, management has made judgments in determining whether assets are impaired. None of the assets was determined to be impaired.

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	30 June 2023 TZS	Restated 30 June 2022 TZS
5. REVENUE FROM EXCHANGE TRANSACTIONS		
Transaction fees	35,410,800	1,834,850
Interest income from call account	136,154,809	158,625,219
Miscellaneous receipts	993,000	1,386,316
	<u>172,558,609</u>	<u>161,846,385</u>
6. SUBVENTION FROM THE GOVERNMENT		
Subvention for other charges	<u>1,038,333,333</u>	<u>1,294,950,000</u>
7. WAGES, SALARIES AND EMPLOYEE BENEFITS		
Civil servants	877,911,654	817,000,555
Electricity	9,780,000	3,540,000
Extra-duty allowance	180,000	580,000
Burial expenses	2,250,783	3,530,000
Housing allowance	31,890,000	32,680,000
Leave travel	57,083,160	55,884,500
Professional allowances	-	10,230,000
Motor vehicles allowance	13,729,500	-
Sitting allowance	16,780,500	12,000,000
	<u>1,009,605,597</u>	<u>935,445,055</u>
8. USE OF GOODS AND SERVICE		
Advertising and publication	4,530,000	3,382,400
Air travel tickets	15,420,000	14,410,000
Conference facilities	21,000,000	20,865,500
Diesel	22,277,332	13,042,632
Electricity	25,191,011	17,320,327
Exhibition, festivals and celebrations	30,723,000	14,489,800
Food and refreshments	4,191,500	2,638,300
Ground travel (Bus, railway, taxi, etc)	20,434,004	14,334,567
Internet and email connections	1,606,000	1,940,000
Mobile charges	40,550,000	37,700,000
Non-cash expenditure - Use of goods and services	-	10,920,160
Office consumables (papers, pencils, pens and stationery)	5,151,600	4,919,302
Per diem domestic	94,025,736	87,190,001
Petrol	29,000,000	20,500,800

TANZANIA MERCANTILE EXCHANGE PLC

	30 June 2023	Restated 30 June 2022
	TZS	TZS
Rent - office accommodation	213,608,587	216,771,192
Subscription fees	16,923,960	17,603,900
Technical service fees	37,287,000	-
Tuition fees	21,205,000	21,058,870
Uniforms	204,000	-
Uniforms and ceremonial dresses	1,000,000	-
	<u>604,328,730</u>	<u>519,087,751</u>
9. MAINTENANCE EXPENSES		
Panel and body shop repair materials and services	<u>15,621,808</u>	<u>21,920,322</u>
10. IMPAIRMENT OF RECEIVABLES		
Impairment of receivables (Note 13)	<u>34,463,939</u>	<u>14,770,259</u>
11. OTHER EXPENSES		
Audit fees	41,000,000	74,706,840
Bank charges and commissions	15,412,451	32,433,508
Consultancy fees	18,693,200	10,910,000
Director's fee (Note 18)	81,050,000	60,000,000
Insurance expenses	-	7,458,532
Sundry expenses	44,002,953	41,355,036
	<u>200,158,604</u>	<u>226,863,916</u>
12. CASH AND CASH EQUIVALENTS		
Consultancy and special funds	150,000	140,000
Deposit general cash account	111,284,132	137,936,515
Own Source collection account - TPB	1,120,132,362	1,643,060,587
Recurrent expenditure cash account	4,501,680	99,211,032
	<u>1,236,068,174</u>	<u>1,880,348,134</u>
Own Source collection account is a call account with Tanzania Commercial Bank and receives monthly interest.		
13. RECEIVABLES FROM TRANSACTIONS		
Trade receivables from market players	70,334,569	70,334,569
Impairment of receivables	<u>(70,334,569)</u>	<u>(35,870,630)</u>
	<u>-</u>	<u>34,463,939</u>

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	30 June 2023 TZS	Restated 30 June 2022 TZS
Movement on impairment of receivables		
Opening balance	35,870,630	21,100,371
Impairment charge (Note 10)	34,463,939	14,770,259
Closing balance	<u>70,334,569</u>	<u>35,870,630</u>
 14. DEPOSITS		
Deposit general (Clearing and Settlement)	<u>110,497,265</u>	<u>138,260,544</u>
<p>These are all transactions/funds received and paid within TMX Settlement bank accounts pertaining to commodity exchange business. This also includes trader's security deposits which is part of the Exchange requirement for one to obtain access to the TMX online trading. Deposit general in the year ended 30 June 2023 has decreased compared to the previous year, this is due to that TMX has made more payments to traders.</p>		
 15. PAYABLES AND ACCRUALS FROM EXCHANGE TRANSACTIONS	 30 June 2023 TZS	 30 June 2022 TZS
Other statutory payables	260,000	140,000
Salaries payable	-	1,820,000
Provision for audit fees	41,000,000	37,760,000
Payables due to other regulatory bodies	67,529,800	67,529,800
Rent payable	37,366,116	-
	<u>146,155,916</u>	<u>107,249,800</u>

16. PROPERTY AND EQUIPMENT

	Office equipment TZS	Motor vehicles TZS	Office furniture & fittings TZS	Total TZS
Cost				
At 1 July 2022	931,521,264	163,715,910	176,455,485	1,271,692,659
At 30 June 2023	931,521,264	163,715,910	176,455,485	1,271,692,659
Depreciation				
At 01 July 2022	864,564,502	114,601,137	89,407,211	1,068,572,850
Charge for the year	19,511,597	12,278,793	22,750,314	54,540,704
At 30 June 2023	884,076,099	126,879,930	112,157,525	1,123,113,554
Carrying amount as at 30 June 2023	47,445,165	36,835,980	64,297,960	148,579,105
Carrying amount as at 30 June 2022	66,956,762	49,114,773	87,048,274	203,119,809

For the year ended 30 June 2023 Management reviewed the estimated useful life and residual value of property and equipment. The carrying value of the motor vehicles above does not include value of the vehicle that came with CEO from CMSA.

PROPERTY AND EQUIPMENT (30 June 2022)

	Office equipment TZS	Motor vehicles TZS	Office furniture & fittings TZS	Total TZS
Cost				
At 1 July 2021	931,521,264	163,715,910	176,455,485	1,271,692,659
At 30 June 2022	<u>931,521,264</u>	<u>163,715,910</u>	<u>176,455,485</u>	<u>1,271,692,659</u>
Depreciation				
At 30 June 2021	681,167,582	81,857,955	67,350,275	830,375,812
Charge	183,396,920	32,743,182	22,056,936	238,197,038
At 30 June 2022	<u>864,564,502</u>	<u>114,601,137</u>	<u>89,407,211</u>	<u>1,068,572,850</u>
Carrying amount as at 30 June 2022	<u>66,956,762</u>	<u>49,114,773</u>	<u>87,048,274</u>	<u>203,119,809</u>
Carrying amount as at 30 June 2021	<u>250,353,682</u>	<u>81,857,955</u>	<u>109,105,212</u>	<u>441,316,849</u>

The carrying value of the motor vehicles above does not include value of the vehicle that came with CEO from CMSA.

17. INTANGIBLE ASSETS

	OTS System TZS
Cost	
As at 1 July 2022	70,662,300
Additions	<u>36,600,000</u>
As at 30 June 2023	<u>107,262,300</u>
Amortisation	
As at 1 July 2022	18,849,220
Amortisation charge	<u>14,742,460</u>
As at 30 July 2023	<u>33,591,680</u>
 Net book value as at 30 June 2023	 <u>73,670,620</u>

During the year under audit, TMX engaged in the upgrade of the Online Trading System (OTS). The system aims to create trust and transparency through aggressive market data dissemination to all market actors, through clearly defined rules of trading, payments and delivery and business conduct. TMX has capitalized an amount of TZS 36,600,000 which were the costs used in the development of the OTS as addition to the cost of the Online Trading System for period ended 30 June 2023.

The entity amortises the intangible assets over a five-year period.

INTANGIBLE ASSETS (30 June 2022)

	OTS System TZS
Cost	
As at 1 July 2021	-
Prior year adjustment (Note 26)	<u>48,777,100</u>
As restated at 1 July 2021	48,777,100
Additions	<u>21,885,200</u>
As at 30 June 2022	<u>70,662,300</u>
Amortisation	
As at 1 July 2021	-
Prior year adjustment (Note 26)	<u>9,093,800</u>
As restated at 1 July 2021	9,093,800
Amortisation charge	<u>9,755,420</u>
As at 30 July 2022	<u>18,849,220</u>
 Net book value as at 30 June 2022	 <u>51,813,080</u>

During the year 2021/22, the Exchange recognised the cost of intangible assets amounting to TZS 70,662,300, whereby the cost amounting to TZS 48,777,100 were in relation to prior periods before the financial year 2021/22 and TZS 21,885,200 were additions to the cost incurred in the development of the Online Trading System (OTS), in the financial year 2021/22.

The entity amortises the intangible assets over a five-year period.

18. RELATED PARTY TRANSACTIONS AND BALANCES

TMX is governed by the Board of Directors whose members are entitled to payment of TZS 3,000,000 for the Chairman and TZS 2,500,000 for other members quarterly. The information of board members during the year under review is shown on page 10 of the report.

Transactions and balances with related parties are as follows:

Key management remuneration

Key management person are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Authority, directly or indirectly, including directors of the Authority. The compensation paid or payable to key management for employees' services is as follows:

	30 June 2023 TZS	30 June 2022 TZS
a) Transactions during the year		
i) Key management compensation		
Salaries and other short-term benefits	412,776,000	319,968,000
Defined contribution plan	61,986,400	47,995,200
	<u>474,762,400</u>	<u>367,963,200</u>
ii) Board of Directors		
Directors' fees	<u>81,050,000</u>	<u>60,000,000</u>

b) Balances paid as at year end with related parties

There were no balances with related parties as at 30 June 2023 (2022: Nil)

19. FINANCIAL RISK MANAGEMENT

The Exchange's activities expose it to a variety of financial risks, including trading risk and political risk. The Exchange's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Exchange's Audit, Finance and Administration Committee through its Internal Audit made up of senior management is responsible for developing and monitoring the Exchange's risk management policies which are established to identify and analyse the risks faced by the Exchange, 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 Exchange's activities.

The Exchange manages the risks it is exposed to as follows:

a) Credit risk

There are no significant concentrations of credit risks within receivables or cash and cash at bank. There are no amounts relating to credit risk that are overdue but not impaired or individually determined to be impaired. No collateral is held for any of the financial assets.

b) Liquidity risk

This is the risk that funds will not be available to honour cash obligations as they arise. A significant portion of the Exchange's activities is funded by through the Government subvention based on the capital and revenue budget of the Exchange. The Exchange will not undertake activities for which no funds are available. The financial liabilities of the Exchange are payable within 12 months of the year end.

20. COMMITMENTS

Commitments relates to the contractual arrangements which supplies to deliver various services.

20.1 Capital commitments

	30 June 2023	30 June 2022
	TZS	TZS
System License	-	54,675,010
Record Management System Acquisition	-	30,000,000

20.2 Operating leases

TMX has entered in commercial lease on premises for its office in Dar es Salaam. This lease has an average life of three years with renewal option included in the contracts. There are no restrictions placed upon the lessee by entering this lease.

21. SHARE CAPITAL

Shareholders of the Exchange are the Treasury Registrar (TR), Public Social Service Security Fund (PSSSF) and TIB Development Bank. The capital contributions were TR TZS 3 billion, PSSSF TZS 1 billion and TIB is TZS 0.5 billion.

	30 June 2023	30 June 2022
	TZS	TZS
Authorised share capital		
30,000,000 ordinary shares of TZS 1,000 each	<u>30,000,000,000</u>	<u>30,000,000,000</u>
Ordinary shares issued and fully paid		
4,500,000 ordinary shares of TZS 1,000 each	<u>4,500,000,000</u>	<u>4,500,000,000</u>

22. EXPLANATION OF COMPARISON OF THE BUDGET VS ACTUAL AMOUNTS**Revenue****A. Government Subvention**

TMX receives Subvention for Other Charges from the Government of Tanzania through the Ministry of Finance (MOF). The Exchange received TZS 1,568,344,667 less of what was budget by the Government.

B. Revenue from exchange transactions

TMX collects transaction fees through online trades administered, further to that TMX also collects interest through funds deposited in call account. The Exchange did collect these funds because some commodities are still traded at promotional price.

Expenditure**C. Wages, salaries and employee benefits**

During financial year 2022/23, the Exchange did budget for new recruits such as head of procurement who were not recruited in the financial year.

D. Use of goods and service

This includes all administrative, market development and ICT expenses which were incurred during the year under review. The Exchange did limit its expenditure in relation to the reduced amount of revenue collected.

E. Other expenses

For the financial year 2022/23 TMX other expenses incurred were mainly from board and committee meetings held during the year under review.

F. Maintenance expenses

This includes all office maintenance and motor vehicle repair expenses incurred during the year under review. The Exchange experienced limited activities due to the less amount of revenue collected.

G. Contribution to consolidated fund

The exchange did not generate profit during the year, and therefore did not contribute to the Consolidated Fund.

H. Acquisition of intangibles

The exchange did incur the cost to update the Online Trading System (OTS) so as to enhance the system with features to accommodate the trading of new commodities.

23. RECONCILIATION OF CASH FROM OPERATING ACTIVITIES

	30 June 2023 TZS	30 June 2022 TZS
Deficit	(722,569,900)	(509,243,376)
<i>Adjust for</i>		
Depreciation	52,146,056	238,197,038
Amortisation	14,742,460	9,755,420
<i>Working capital changes:</i>		
Decrease in receivables	34,463,939	14,770,259
Increase in payables	38,906,116	10,920,161
(Decrease)/increase in deposit	(27,763,279)	138,400,544
Cash flow from operating activities	<u>(607,679,960)</u>	<u>(97,199,954)</u>

24. RECONCILIATION OF CASH FLOWS ON PAYMENTS

	30 June 2023 TZS	30 June 2022 TZS
Wages, salaries and employee benefits	1,009,605,597	935,445,055
A Adjust for		
Decrease in salaries payable	(1,820,000)	-
	<u>1,011,425,597</u>	<u>935,445,055</u>
Use of goods and service	604,328,730	519,087,751
<i>Adjust for</i>		
B Non-cash expenditure	-	10,920,161
Increase in other statutory payables	120,000	140,000
Increase in rent payable	37,366,116	-
	<u>566,842,614</u>	<u>508,027,590</u>
Other expenses	200,158,604	226,863,916
C Adjust for		
Increase in provision for audit fees	3,240,000	-
	<u>196,918,604</u>	<u>226,863,916</u>

25. FINANCIAL INSTRUMENTS

These instruments give rise to both financial asset of one entity and financial liability of another entity. These are classified on future value through surplus, deficit, net equity or amortization cost.

Fair values of financial instruments

Set out below is a comparison of the carrying amounts and fair values of Tanzania Mercantile Exchange financial instruments.

	Carrying amounts TZS	Financial values TZS
As at 30 June 2023		
Financial assets		
Cash and cash equivalents	1,236,068,174	1,236,068,174
Receivables from exchange transactions. (Net of impairment)	-	-
	<u>1,236,068,174</u>	<u>1,236,068,174</u>
Financial liabilities		
Payables and accruals from exchange transactions	256,653,181	256,653,181
	<u>256,653,181</u>	<u>256,653,181</u>
As at 30 June 2022	TZS	TZS
Financial assets		
Cash and cash equivalents	1,880,348,134	1,880,348,134
Receivables from exchange transactions	34,463,939	34,463,939
	<u>1,914,812,073</u>	<u>1,914,812,073</u>
Financial liabilities		
Payables and accruals from exchange transactions	245,370,344	245,370,344
	<u>245,370,344</u>	<u>245,370,344</u>

Financial instruments by category

As at 30 June 2023	Receivables TZS	Available for- sale financial assets TZS	Total TZS
Financial assets			
Receivables from exchange transactions	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

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		Held at amortised cost TZS	Total TZS
Financial liabilities			
Payables and accruals from exchange transactions		256,653,181	256,653,181
		<u>256,653,181</u>	<u>256,653,181</u>
As at 30 June 2022	Loans and receivable TZS	Available sale financial assets TZS	Total TZS
Financial assets			
Receivables from exchange transactions	34,463,939	34,463,939	34,463,939
	<u>34,463,939</u>	<u>34,463,939</u>	<u>34,463,939</u>
Financial liabilities		Held at amortised cost TZS	Total TZS
Payables and accruals from exchange transactions		245,370,344	245,370,344
		<u>245,370,344</u>	<u>245,370,344</u>

26. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2023 (30 June 2022: None).

27. PRIOR PERIOD ADJUSTMENTS

(a) Recognition of the intangible assets

The Exchange does possess an internally generated intangible asset, the Online Trading System (OTS), that has been in development since the year ended 30 June 2019. The internally generated intangible asset does qualify for capitalisation under paragraph 55 of IPSAS - 31 *Intangible Assets*. The Exchange incurred costs for developing the intangible assets amounting to TZS 70,662,300 as of 30 June 2022. TZS 48,777,100 had been expensed in years prior to 2021/22 and TZS 21,885,200 had been expensed in the year 2021/22, resulting into financial statements error that caused overstatement of expenses and understatement of intangible assets. The effect of the adjustments have been accounted for retrospectively and the effects on prior years have been taken up as prior year adjustments in the financial statements.

(b) Recognition of the accumulated amortisation for the intangible assets

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The Exchange in line with the capitalisation of the intangible asset, OTS, is required to recognise the corresponding amortisation amounting to TZS 18,849,220. The Exchange does amortise the intangible asset over its useful life of five years. TZS 9,093,800 is recognised in years prior to 2021/22 and TZS 9,755,420 is recognised in relation to the year 2021/22. The error of not recognising amortisation charge results to an increase in the accumulated surplus for the years prior to 2021/22, a decrease in amortisation expenses for the year 2021/22 and an increase in the expense charged for the use of goods and services expenses for the year 2021/22. The effect of the adjustments have been accounted for retrospectively and the effects on prior years have been taken up as prior year adjustments in the financial statements.

(c) Adjustment to capital grant

The Exchange received a capital grant from the government, which had a carrying amount of TZS 406,141,847 as at 1 July 2021, the Exchange did not recognise the whole of the capital grant as revenue in the year that it received the assets despite the fact that there was no any conditions attached to those assets. The Exchange corrected the error by adjusting the balance of the accumulated surplus as at 1 July 2021 by TZS 406,141,847. The effect of the adjustments have been accounted for retrospectively and the effects on prior years have been taken up as prior year adjustments in the financial statements.

Comparative amounts to 30 June 2022 have be restated to:

	As previously reported TZS	Prior year Adjustments TZS	As restated TZS	
STATEMENT OF FINANCIAL POSITION				
Intangible assets (Note 17)	-	51,813,080	51,813,080	[a]
Capital Grant	(406,141,847)	406,141,847	-	[c]
STATEMENT OF FINANCIAL PERFORMANCE				
Amortisation expense	-	9,755,420	9,755,420	[b]
Use of goods services	540,972,951	(21,885,200)	519,087,751	[b]
STATEMENT OF CHANGES IN NET ASSETS				
Accumulated deficit	(2,512,347,153)	445,825,147	(2,066,522,006)	[a,b,c]

28. EVENTS AFTER THE REPORTING DATE

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There is no known event that has impacted on the results for the year and the statement of financial position of the Exchange after the reporting date.