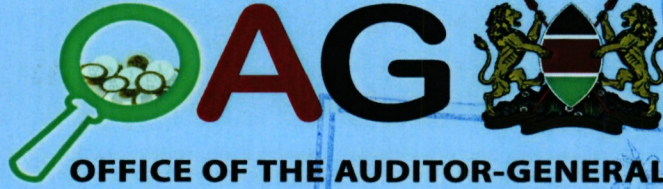


REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

NATIONAL ASSEMBLY

DATE: 01 MAR 2022

TUE

TABLED BY: LOM

CLERK-AT-THE-TABLE: G. Chebet.

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**NATIONAL MINING CORPORATION**

**FOR SEVENTEEN MONTHS' PERIOD  
ENDING 30 JUNE, 2020**



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**NATIONAL MINING CORPORATION**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR SEVENTEEN MONTHS PERIOD ENDING**  
**JUNE 30<sup>TH</sup>, 2020**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)**

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## 1. KEY ENTITY INFORMATION

### a) Background information

The National Mining Corporation (NMC) was legally established following the enactment of the Mining Act No. 12 of 2016. Subsequent Regulations were completed in 2017 among them the Regulations to operationalize NMC. Other instruments establishing NMC were the Kenya Gazette Supplement No.71 (Act. No. 12), and the Presidential Executive Order No.1 of 2018

### b) Principal Activities

(NMC) is still in its initial stages of developing operational manuals and plans including the strategic plan)

#### Vision (Draft)

- To be world class investor in the mining industry and to contribute significantly to sustainable national development.

#### Mission (Draft)

- To promote government investment that uses modern methods of mining, mineral exploration, making profit through value addition and safe environmental practises

#### Objectives (Draft)

- To actively participate in mining through exploration, increased mineral reserves discoveries, mergers and acquisition of mining enterprises
- To progressively expand mining capacity through mobilization of capital, technology and innovation while ensuring adherence to environment, health and safety standards of mining.
- To move towards making Kenya a mining hub through tapping into investment opportunities in the region.
- To coordinate the provision of common services in mining for efficient services delivery
- To strengthen evidenced –based decision making process

### c) Directors

Communication about the appointment of the board of directors and follow ups has been made by the Cabinet Secretary for Petroleum and Mining.

### d) Corporate Secretary

NMC is still in its initial formative stages and a corporate secretary is yet to be recruited.

### e) Registered Officer

NMC is still in its initial stages and there is no registered officer though efforts are made to have one.

**National Mining Corporation  
Reports and Financial Statements  
For seventeen months period ending June 30, 2020**

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**f) Corporate Headquarters**

National Mining Cooperation  
P.O. Box 30009-00100  
Works Building, Ngong Road  
Nairobi, Kenya

**a) Corporate Contacts**

Telephone: (254) 020-2723010  
Website: [www.mining.go.ke](http://www.mining.go.ke)

**b) Corporate Bankers**

National Bank of Kenya  
Account No: 01020214073600  
Account Title: National Mining Corporation  
Branch: Hill Plaza, Nairobi  
Bank Code: 120040

**c) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**d) Principal Legal Advisers**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

## 1. THE BOARD OF DIRECTORS

The full Board of Directors is yet to be formalised through appointments but efforts are in place to have them on board. The Corporation does not have a chairman yet. The institutional Directors are in place namely:-

The Principal Secretary responsible for Mining

Principal Secretary responsible for Trade

Principal Secretary of responsible for National Treasury

## 2. MANAGEMENT TEAM

The Corporation is in its initial stages of operationalization. The Acting Managing Director is Thomas M. Mutwiwa. Below is a short profile of Mr. Thomas Mutwiwa.



Mr. Thomas M. Mutwiwa  
Ag. MD-N.M.C

Thomas M. Mutwiwa: The Ag. Chief Executive Officer (CEO), National Mining Corporation. He has an experience in the Mining Sector spanning over twenty two (23) years. He holds a Bsc Engineering (Civil), and Msc. Project Management. He is a member of Kenya Institute of Management (MKIM), and also a Registered Associate Environmental Lead Expert with Environment Institute of Kenya (EIK)

## 3. CHAIRMAN'S STATEMENT

The Chairman is yet to be appointed.

## 4. REPORT OF THE ACTING MANAGING DIRECTOR

### CURRENT STATUS REPORT OF NATIONAL MINING CORPORATION AND AN ACTION PLAN

#### Introduction

The National Mining Corporation (NMC) was legally established following the enactment of the Mining Act No. 12 of 2016. Subsequent Regulations were completed in 2017 among them the Regulations to operationalize NMC. Other instruments establishing NMC were the Kenya Gazette Supplement No. 71(Act. No. 12) and the Presidential Executive Order No.1 of 2018

**National Mining Corporation  
Reports and Financial Statements  
For seventeen months period ending June 30, 2020**

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**Mandate**

The functions of NMC are provided under Section 24 of Mining Act. They include:-

1. Engage in Mineral Prospecting and Mining; and any other related activities;
2. Invest on behalf of the National Government in respect of minerals;
3. Acquire by agreement or hold interests in undertaking, enterprise or project associated with exploration, prospecting and mining;
4. Acquire shares or interest in any firm, company or body of persons, whether corporate or unincorporated which is engaged in the mining, prospecting, refining, cutting, processing, buying, selling or marketing of minerals; and
5. Carry on its business, operations and activities whether as a principal agent, contractor or otherwise, and either alone or in conjunction with any other persons, firms or bodies Corporate.

**Milestones achieved so far**

1. The enactment of the New Mining Act 2016 and accompanying NMC regulations.
2. Secretariat staff deployed into the Corporation which begun initial assignments in January 2019.
3. Opening bank account, (in consultation with the Treasury) with National Bank of Kenya, upper hill branch, in March 2019.
4. Preparation of Draft Manuals for the corporation namely:
  - Human Resource Policies and Guidelines Manual
  - Organizational Structure and Staffing
  - Career Progression Guidelines
5. Budgetary allocation (by the National Treasury) for the financial year 2019/2020
6. Acquisition of some start-up furniture and equipment.
7. Identification of an office at 27<sup>th</sup> floor UAP Building in consultation with the State Department for Housing, however the execution of the lease contract documents was not finalized.
8. Institutional Board Directors in place:
  - Principal Secretary-Mining
  - Principal Secretary -Trade
  - Principal Secretary -Treasury

**Action Plan**

In the short run, and in order to operationalize the National Mining Corporation (NMC) the following actions need fast tracking.

**Board of Directors leadership and governance**

- Appointment (by the president) of the Chairman to the Board of Directors
- Appointment by the Cabinet Secretary of the three other Directors who are not institutional (according to the New Mining Act 2016).
- According to Mwongozo (SCAC) guidelines, the Attorney General must be represented in State Corporations and therefore we should also fast track to have him on board.

**Finalisation of acquisition of office space for the Corporation**

- Finalization of acquisition of an office for the corporation and signing of the office lease documents. Partitioning and Procurement of furniture & necessary equipment will follow.

**Categorization of the National Mining Corporation**

- Follow up with the Head of the Public Service and the State Corporation Advisory Committee (SCAC) on the categorization of the corporation. A draft letter on categorization of NMC has been attached for consideration.

**Budgetary allocation by the National Treasury**

- The current financial allocation to NMC is just too little; the corporation needs at least 300million Kenya shillings to begin operations and therefore more funding should be pursued.

**Deployment of an Accountant and a Procurement officer to NMC**

- The accountant and procurement officer who had been deployed from the State Department for Mining to the Corporation have retired and therefore we request for their replacement. More technical staff could be deployed/seconded to the Corporation as the Corporation grows.

**National Mining Corporation  
Reports and Financial Statements  
For seventeen months period ending June 30, 2020**

**5. REVIEW OF NATIONAL MINING CORPORATION 'S PERFORMANCE FOR FY 2019/2020.**

The National Mining Corporation is in its first year of Financial Reporting. It does not yet have a Strategic Plan and other operational plans. It draws its performance Targets from the Ministry's Performance Contract. In the Financial Year 2019/2020, the Corporation targeted to acquire an office and full finalization of institutionalization of the full Board of Directors.

An office was identified in UAP Upper hill, Floor 27, a letter of offer was given but due to COVID-19 the lease documents and finalization of the Contract was not signed. We intend to do that in the Current Financial Year.

Finalization of appointment of the Board of Directors was not done. However, we have the institutional directors that are the Principal Secretary responsible for Mining and Trade. We are following on having the rest of the Directors on board.

The National Mining Corporation achieved some performance targets set for the FY 2019/2020 period for its strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1: Operationalization of National Mining Corporation	acquisition of office space	Official letters and communication to relevant stakeholders.	Meetings with relevant stake holders	Letter of offer and awaiting signing of Contract documents
	Appointment of Board of Directors	Fully constituted Board of Directors	Communicating with the relevant stakeholders	The institutional board members are in place.
	Deployment of the secretariat	Number of personnel deployed	Deployment of personnel to National Mining Corporation	Secretariat in place
	Other operational activities	Reports about meetings and other operational issues	Attending meetings	Budget reports And other reports
Pillar 2. Foundational organizational structures	Coming up with the basic structures to begin the organization	Reports	Meetings to draft the reports	Draft Organizational Structure and Staffing Draft Career Progression guideline

				Draft Human Resource Manual
Pillar 3 Initialization planning and Stakeholder Engagements	Acquiring the necessary initialization fundamental Documents from Government and the board.	Categorization and grading Structure approvals	Drawing up the necessary letters and grading structures Engaging the various stakeholders and government agencies for approvals	Categorization letter drafted for discussion and approval Grading structure drafted for approval.

## 6. CORPORATE GOVERNANCE STATEMENT

The corporation is still in the initial stages and moving towards appointment of Board of Directors and other actions shown below to operationalize it.

In the short run, and in order to operationalize the National Mining Corporation (NMC) the following actions need fast tracking.

### Board of Directors leadership and governance

- Appointment (by the president) of the Chairman to the Board of Directors
- Appointment by the Cabinet Secretary of the three other Directors who are not institutional (according to the New Mining Act 2016).
- According to Mwongozo (SCAC) guidelines, the Attorney General must be represented in State Corporations and therefore we should also fast track to have him on board.

### Finalisation of acquisition of office space for the Corporation

- Finalization of acquisition of an office for the corporation and signing of the office lease documents. Partitioning and Procurement of furniture & necessary equipment will follow.

### Categorization of the National Mining Corporation

- Follow up with the Head of the Public Service and the State Corporation Advisory Committee (SCAC) on the categorization of the corporation. A draft letter on categorization of NMC has been attached for consideration.

### Budgetary allocation by the National Treasury

- The current financial allocation to NMC is just too little; the corporation needs at least 300million Kenya shillings to begin operations and therefore more funding should be pursued.

**Deployment of an Accountant and a Procurement officer to NMC**

- The accountant and procurement officer who had been deployed from the State Department for Mining to the Corporation have retired and therefore we request for their replacement. More technical staff could be deployed/seconded to the Corporation as the Corporation grows.

**1<sup>st</sup> Quarter allocation to NMC for F.Y 2020/21**

- The National Mining corporation has been allocated twenty nine million (Ksh. 29 million) this financial year, we therefore request for the approval and grant of 1<sup>st</sup> quarter allocation of seven million two hundred and fifty thousand (Kshs 7,250,000) to the corporation. A request letter is forwarded to the principal secretary for consideration.

**7. MANAGEMENT DISCUSSION AND ANALYSIS**

National Mining Corporation is in its initialization stages.

**8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

National Mining Corporation does not have Corporate Social Responsibility yet

**9. REPORT OF THE DIRECTORS**

The Board of Directors is not in place.

**Principal activities**

The principal activities of the entity are as contained in the Mining Act 2016

**Results**

The results of the entity for the year ended June 30, 2020 are set out on the financial statement.

**Dividends**

There were no dividends during the year under review since no shares were issued.

**National Mining Corporation  
Reports and Financial Statements  
For seventeen months period ending June 30, 2020**

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**Auditors**

The Auditor General is responsible for the statutory audit of the National Mining Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 Certified Public Accountants were nominated by the Auditor General to carry out the audit of National Mining Corporation for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

**Thomas Mutwiwa  
Ag. Managing Director  
NAIROBI**



Signature.....



Date:.....

**10. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and Mining Act no 12 of 2016. require the Directors to prepare financial statements in respect of that National Mining Corporation which give a true and fair view of the state of affairs of the National Mining Corporation at the end of the financial year/period and the operating results of the National Mining Corporation for that year/period. The Directors are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the National Mining Corporation. The Directors are also responsible for safeguarding the assets of the National Mining Corporation.

The Directors are responsible for the preparation and presentation of the National Mining Corporation's financial statements, which give a true and fair view of the state of affairs of National Mining Corporation for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of National Mining Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the National Mining Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – Mining Act No 12 of 2016e. The Directors are of the opinion that the National Mining Corporation financial statements give a true and fair view of the state of National Mining Corporation transactions during the financial year ended June 30, 2020, and of the *entity's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the National Mining Corporation which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the National Mining Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

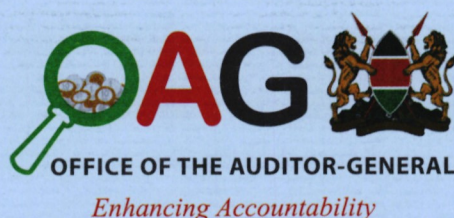
The National Mining Corporation financial statements were approved on 30/09/ 2020 and signed on its behalf by:



Signature:.....

Accounting officer/MD/CEO

# REPUBLIC OF KENYA



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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke

HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL MINING CORPORATION FOR SEVENTEEN MONTHS' PERIOD ENDING 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of National Mining Corporation set out on pages 1 to 23, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the seventeen months' period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Mining Corporation as at 30 June, 2020, and of its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Mining Act, 2016 and the Public Finance Management Act, 2012.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Mining Corporation Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. 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, are of most significance in the audit of the financial statements. There were no key audit matters to report in the period under review.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **1. Internal Control Weaknesses**

Review of the internal control system revealed that the Corporation did not have a Risk Management Policy, and also no risk assessment had been carried out to identify and address key areas of concern and document specific controls in response to identified risks. Further, there was no documented and tested Disaster Recovery Plan in place and therefore, in the event of an emergency, the responsible personnel might not be aware of what is expected of them.

In addition, the Corporation had only one employee, the acting Chief Executive Officer who is responsible for day to day running of the Corporation. As a result, the Chief Executive Officer was responsible for the preparation and presentation of financial statements despite not being an accountant by profession.

#### **2. Lack of Board of Directors**

The Corporation was established through the Mining Act No.12 of 2016, a gazette supplement No.71 (Act No.12) and a Presidential Executive Order No.1 of 2018. However, the Corporation is yet to be fully operationalized three (3) years after its establishment. The delayed operationalization of the Corporation has been attributed to lack of a fully constituted Board of Directors. Although three (3) institutional Directors have been appointed, the Chairman who exercises overall leadership of the Board and three other non-institutional Directors were yet to be appointed.

In absence of a fully constituted Board of Directors, the Corporation has not been able to put in place an approved Strategic and an Operational Plan, an approved organizational structure, an approved budget and procurement plan and approved human resource instruments. In addition, oversight Board sub-committees including an Audit Committee and a Budget Committee could not be established.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and for assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Corporation or cease the operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for preparing and presenting the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements comply with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 Corporation's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's 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 Corporation to cease to continue to sustain its services.
- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

28 January, 2022

National Mining Corporation  
 Reports and Financial Statements  
 For seventeen months period ending June 30, 2020

12. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR SEVENTEEN MONTHS PERIOD ENDING 30 JUNE 2020

	Note	2019-2020 Kshs
<b>REVENUES</b>		
Grants from the National Government	6	24,209,111
Other income	7	4,100,000
Miscellaneous income	8	2000
<b>TOTAL REVENUES</b>		<b>28,311,111</b>
<b>OPERATING EXPENSES</b>		
Administration Costs	9	325,710
Other expenses	10	4,100,000
<b>TOTAL OPERATING EXPENSES</b>		<b>4,425,710</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>23,885,401</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>23,885,401</b>

The financial statements were approved on 30/09/ 2020 and signed on its behalf by:  
 Director General/C.E.O/M.D. Head of Finance

Name: Thomas Mutwina  
 Signature: [Handwritten Signature]

Name: CHARLES KIDAGI  
 Signature: [Handwritten Signature]

National Mining Corporation  
 Reports and Financial Statements  
 For seventeen months period ending June 30, 2020

13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 Kshs
<b>ASSETS</b>		
Non-Current Assets		-
Total Non-Current Assets		-
<b>Current Assets</b>		
Trade and other receivables	11	11,722,984
Bank and cash balances	12	12,162,417
<b>Total Assets</b>		<b>23,885,401</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Retained earnings		23,885,401
<b>Capital and Reserves</b>		<b>23,885,401</b>
<b>Non-Current Liabilities</b>		
Total Non-Current Liabilities		-
<b>Current Liabilities</b>		
Total Current Liabilities		-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>23,885,401</b>

The financial statements were approved on 30/09/2020 and signed on its behalf by:  
 Director General/C.E.O/M.D                      Head of Finance

Name: Thomas Mutwiri

Name: CHARLES KEDJO

Signature: [Signature]

Signature: [Signature]

National Mining Corporation  
 Reports and Financial Statements  
 For seventeen months period ending June 30, 2020

14. STATEMENT OF CHANGES IN EQUITY FOR SEVENTEEN MONTHS PERIOD ENDING 30 JUNE 2020

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
<b>At feb , 2019</b>	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	23,885,401	-	-	23,885,401
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2019	-	-	-	-	-	-	-
Interim dividends paid – 2020	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
<b>At June 30, 2020</b>	-	-	-	23,885,401	-	-	23,885,401

The financial statements were approved on 30/09/2020 and signed on its behalf by:

Director General/C.E.O/M.D

Name: Thomas Mutirwa Name: CHARLES KINAFI

Signature: [Signature] Signature: [Signature]



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16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDING 30 JUNE 2020

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs
Revenue										
Transfers from the Government	30,000,000		-		30,000,000		24,211,111		19.3%	
<b>Total income</b>	<b>30,000,000</b>		<b>-</b>		<b>30,000,000</b>		<b>24,211,111</b>		<b>19.3%</b>	
Expenses										
Compensation of employees	3,730,000		-		3,730,000		-		0%	
Rent paid	17,000,000		-		17,000,000		-		0%	
Board expenses	1,500,000		-		1,500,000		-		0%	
Operating expenses	5,770,000		-		5,770,000		325,710		94.32%	
Medical insurance	2,000,000		-		2,000,000		-		0%	
<b>Total expenditure</b>	<b>(30,000,000)</b>		<b>-</b>		<b>(30,000,000)</b>		<b>325,710</b>			

- The transfer from Government had a 19.30 % performance difference since there was a grant of 7.5 million which was not received at the end of the period.
- Compensation of employees had a zero performance since there were no recruitment of permanent or contract employees or top ups to the seconded employees.
- Rent was not fully utilized by 100% there was some progress in procuring office space but due to covid 19 lease agreements was not signed.
- There was no board during the period under review thus expenses were null.
- Operating expenses had a 94.32% difference since there was no major expenditure during the year under review.
- Medical insurance had a 0% performance difference during the period under review

## 17. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

National Mining Corporation is established by and derives its authority and accountability from Mining Act No. 12 of 2016 the entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to promote Government investment that uses modern methods of Mining, Mineral Exploration, and Making Profit through value addition and safe environment practises

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the National Mining Corporation.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

The financial statement have been prepared for seventeen months period after seeking approval from the National Treasury and in accordance to (IAS 1) of which the National Mining Corporation being a new entity is in its formative stages and it received the first grant towards the end of financial year 208/2019 and it did not have activities during that period.

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

- i) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

#### ***IFRS 16: Leases***

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

***IFRIC 23: Uncertainty Over income tax treatments***

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

***Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)***

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

***Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)***

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

***Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.***

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

i) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)**

*Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

*Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

*Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

*Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)*

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

***Amendments to IAS 1 and IAS 8 Definition of material***

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

***(The organisation should assess the impact of the above standards and amendments and state the impact of their application on their financial statements based on their specific facts and circumstances and make appropriate disclosures.***

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

***IFRS 17 Insurance Contracts (Issued 18 May 2017)***

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

***Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)***

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

**iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.

iii) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) **Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the *entity* and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognised as it accrues.

b) **In-kind contributions**

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**c) Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

**d) Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**e) Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

**f) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

**h) Leases**

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

**i) Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

**j) Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

**l) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

**m) Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**n) Taxation**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

**n) Taxation (Continued)**

***Current income tax (Continued)***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

**n) Taxation**

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**o) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**p) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

**q) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**r) Retirement benefit obligations**

The entity being a new entity is in its formative stage so there are no retirement benefit obligations.

**s) Provision for staff leave pay**

Employees' entitlements to annual leave are recognized as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

**t) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any 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 recognised in profit or loss.

**u) Budget information**

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**u) Budget information (Continued)**

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section of these financial statements.

**v) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w) Comparative figures**

There were no comparative figures since the National Mining Corporation is in its formative stages

**x) Subsequent events**

There have been no events subsequent to the financial period of seventeen months with a significant impact on the financial statements for the year ended June 30, 2020.

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g

### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

### **Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

### **Provisions**

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**6 GRANTS FROM NATIONAL GOVERNMENT**

Reccurent grants received	24,209,111
<b>Total</b>	<b>24,209,111</b>

*This is the sum of grant received from National Treasury during the seventeen months period analysis of grants received from the Government in the table below:*

National Treasury	24,209,111	-	24,209,111	24,209,111	24,209,111
<b>Total</b>	<b>24,209,111</b>	<b>-</b>	<b>24,209,111</b>	<b>24,209,111</b>	<b>24,209,111</b>

**7. OTHER INCOME**

Other income	4,100,000
<b>Total</b>	<b>4,100,000</b>

*The other income of kshs 4,100,000 (four million one hundred thousand shillings) was government transfer grant from state department for Mining.*

**8. MISCELLANEOUS INCOME**

Other income	2,000.00
<b>Total</b>	<b>2,000.00</b>

*This was money deposited by the Ag managing Director as an opening balance when opening a bank account at National Bank of Kenya upper hill branch.*

**9. ADMINISTRATION COSTS**

	17 Months Period
Description	Kshs
Transportation, travelling and subsistence	314,000
Bank charges and commissions	11,710
<b>Total</b>	<b>325,710</b>

*The cost incurred in administration cost was majorly for general expenditure in local running as provided in the payment vouchers.*

**10. OTHER EXPENSES**

	17 Months Period
	Kshs
Other Expense	4,100,000
<b>Total</b>	<b>4,100,000</b>

*This was an expense incurred by the National Mining Corporation on behalf of state department to pay salary to staff of fluorspar day and primary school*

**11. TRADE AND OTHER RECEIVABLES**

	17 Months Period
	Kshs
Other receivables	11,722,984
Gross trade and other receivables	11,722,984
Provision for bad and doubtful receivable	-
<b>Net trade and other receivables</b>	<b>11,722,984</b>

*This is was payment made to fluorspar day and boarding on behalf of the state department.*

**12. BANK AND CASH BALANCES**

	17 Months Period
	Kshs
Cash at bank	12,162,417
Cash in hand	-
	12,162,417

*The bulk of cash was held at National Bank Hill Plaza at the period ending 30<sup>th</sup> June 2020*

**13. CASH GENERATED FROM OPERATING ACTIVITIES.**

	17 Months Period Kshs
Grants from national Government	24,209,111
Miscellaneous income	2,000
<b>Total</b>	<b>24,211,111</b>

*This is addition of grant from national government and miscellaneous income*

**14. FINANCIAL RISK MANAGEMENT**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

This being the first time to prepare financial statements National Mining Corporation dint have recommendations from previous Audit Quarries and Recommendations.

Name: Thomas Mutwina Designation: AG MD-NMC.  
Signature: [Handwritten Signature] Date: 30/09/2020.

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APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department for Mining			
For period of seventeen months Period			
<b>a. Recurrent Grants</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	2-Apr-2019	1,709,111	F/Y-2018-2019
	01-Jul-2019	4,100,000	F/Y-2019-2020
	23-Sep-2019	7,5000.00	F/Y-2019-2020
	4-Nov-2020	7,500,000	F/Y-2019-2020
	13-Feb-2020	7,500,000	F/Y-2019-2020
	<b>Total</b>	<b>28,309,111</b>	

The above amounts have been communicated to and reconciled with the parent Ministry

Head of Accounting Unit

State Department for Mining

Name .....

Signature .....

