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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

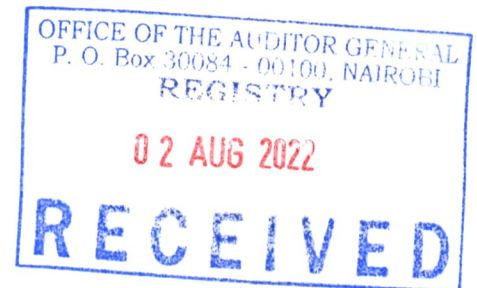
**ON**

**NATIONAL MINING CORPORATION**

**FOR THE YEAR ENDED  
30 JUNE, 2021**

2415





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**NATIONAL MINING CORPORATION**  
**REPORTS AND FINANCIAL STATEMENTS**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2021**

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

**NATIONAL MINING CORPORATION**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**I. KEY ENTITY INFORMATION**

**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

**Principal Activities**

National Mining Corporation has developed Human Resource Instruments, which include Human Resource Policy and Procedures Manual, Organizational Structure, Career Guidelines, and Staff establishment. These instruments, have been approved by the State Corporations Advisory Committee (SCAC)

**Vision**

- A leading agency in sustainable resource development and investment in Africa and beyond

**Mission**

- To sustainably invest in mineral resource development and mining in collaboration with stakeholders for Kenya's socio-economic prosperity

**Objectives**

- To actively participate in mining through exploration, increased mineral reserves discoveries, mining, 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

**Directors**

There has been communication on the appointment of the Board of Directors and follow up by the Cabinet Secretary for Petroleum and Mining to the Head of Public Service.

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**Corporate Secretary**

National Mining Corporation is still in its initial formative stages and a Corporation Secretary has not been employed. The Cabinet Secretary has communicated to the Head of Public Service requesting for approvals of recruitment of permanent staff to the National Mining Corporation. Although our budget as at FY 2020/2021 is 29 Million Kenya shillings which also again will be a challenge , unless it is enhanced.

**Registered Office**

National Mining Corporation is still in its initial stages and there is no registered office though efforts are in place to have one. However, National Mining Corporation is housed in Works Building, second floor, off Ngong Road, Ministry of Petroleum and Mining, Nairobi.

**Corporate Headquarters**

National Mining Corporation  
P.O Box 30009 -00100  
Works Building  
Ngong Road  
**NAIROBI, KENYA**

**Corporate Contacts**

**Telephone: (254) 020-2723010**  
**Email: [nmc@mining.go.ke](mailto:nmc@mining.go.ke)**

**Corporate Bankers**

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

**Independent Auditors**

Auditor General  
The Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
**NAIROBI, KENYA**

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**Principal Legal Advisers**

1. The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112 City Square 00200  
**NAIROBI, KENYA**

**II. THE BOARD OF DIRECTORS**

The full Board of Directors is yet to be formalised through appointments, but efforts are in place to have them appointed. The Corporation does not have a chairperson 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

**III. 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 three (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)

**IV. CHAIRMAN'S STATEMENT**

The Chairman is yet to be appointed. However, Efforts have been made to have the appointment done.

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**V. REPORT OF THE CHIEF EXECUTIVE OFFICER/ MD/ DG**

**Introduction**

The National Mining Corporation (NMC), was 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

**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**

The enactment of the New Mining Act 2016 and accompanying NMC regulations  
Secretariat staff deployed into the Corporation which begun initial assignments in January 2019. Opening bank account, (in consultation with the Treasury) with National Bank of Kenya, upper hill branch, in March 2019 :

1. Preparation of Draft Manuals for the corporation namely:
  - Human Resource Policies and Guidelines Manual
  - Organizational Structure and Staffing
  - Career Progression Guidelines
2. Budgetary allocation (by the National Treasury) for the financial year 2019/2020
3. Acquisition of some start-up furniture and equipment
4. 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
5. Institutional Board Directors in place:
  - Principal Secretary-Mining

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- Principal Secretary -Trade
  - Principal Secretary –Treasury
6. Categorization of National Mining Corporation by the head of public service and the State Corporations Advisory Committee (SCAC) into Manufacturing/ Commercial category, Cluster 7B
  7. Approval of the Human Resource Instruments by SCAC
  8. Begun preparation of Strategic plan for the Corporation, held the first workshop in Mombasa.
  9. Communication send to Head of Public Service, requesting approvals for recruitment of staff to the Corporation.

**Action Plan**

In the short run, and in order to begin profit generating activities by 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**

- Acquisition of an office for the Corporation, and signing of the office lease documents, Partitioning and Procurement of furniture & necessary equipment will follow.

**Recruitment after Categorization of the National Mining Corporation**

- Categorization of the Corporation was finalised and we are following on recruitment approvals to the Corporation by the Head of Public Service

**Budgetary allocation by the National Treasury**

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

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**VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

National Mining Corporation has engaged the services of a consultant to guide in the preparation of the strategic plan. We have held one stakeholder meeting with the consultant.

**VII. CORPORATE GOVERNANCE STATEMENT**

National Mining Corporation is in its initial stages of formation and awaiting appointment of some of the Board Members.

**VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

The Corporation is still in its formative stages and still waiting for the Board of Directors appointments.

**IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

National Mining Corporation exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. However, we are still in initial stages.

**REPORT OF THE DIRECTORS**

National Mining Corporation is yet to get the Directors.

**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 to carry out the audit of the Corporation for the year/period ended June 30, 2021, 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.

By Order of the Board

Name

Signature

Date

Corporate Secretary/Secretary to the Board

**NB: The Corporation did not have a Corporation Secretary in FY 2020/2021.**

## **X. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated)*) require the Directors to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* 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 *entity*. The Directors are also responsible for safeguarding the assets of the *entity*.

The Directors are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2021. 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 the *entity*; **(v)**. Selecting and applying appropriate accounting policies; and **(vi)**. Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the NMC 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 Mining Act 2016.

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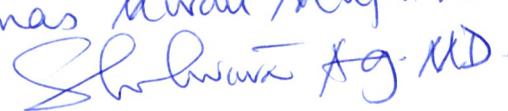
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**STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)**

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, 2021, and of the *entity's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the National Mining Corporation 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.

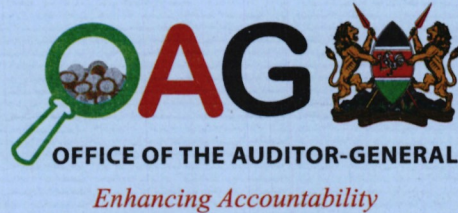
**Approval of the Financial Statements**

Signature   
Name Thomas Mwan Mufwina  
Accounting officer 

**NB: The Board of Directors had not yet been appointed by closure of FY 2020/2021.**

# 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 THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of National Mining Corporation set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2021, 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 year 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Mining Corporation as at 30 June, 2021, and of its financial performance and its cash flows for the year 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 Qualified Opinion**

#### **Unconfirmed Communication Expenses**

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2021 and Note 9 to the financial statements reflect administration costs amount of Kshs.8,367,200 which includes communication expenditure of Kshs.264,000. However, the expenditure relates to the twenty- four (24) months period January, 2019 to December, 2020 and was indicated to have been paid to a merchant for supply of calling cards even though the payment voucher indicated the amounts were paid as reimbursement to the acting Managing Director. Further, the expenditure for January, 2019 to June, 2020 did not relate to the period under review and was not reported as a liability in the previous year while there is no accrual for period between January to June, 2021.

In the circumstances, the accuracy and propriety of the communication expense amount of Kshs.264,000 for the year ended 30 June, 2021 could not be confirmed.

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 qualified 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.

#### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.24,000,000 and Kshs.14,500,000 respectively

resulting to an under-funding of Kshs.9,500,000 or 40% of the budget. Similarly, the Corporation spent Kshs.8,367,200 against an approved budget of Kshs.24,000,000 resulting to an under-expenditure of Kshs.15,632,800 or 65% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

## 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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

#### **1. Composition of the Board of Directors**

Review of records on the Board of Directors of the Corporation revealed that the Board has three (3) Directors instead of the prescribed seven (7) Directors and is therefore not properly constituted since the Chairman who exercises overall leadership of the Board and three other non-institutional Directors were yet to be appointed. This is contrary to Section 25 (1) of the Mining Act, 2016 which states that the Corporation shall be managed by a Board comprising of - a chairman, appointed by the President; the Principal Secretary responsible for mining or a representative; the Principal Secretary responsible for The National Treasury or a representative; the Principal Secretary responsible for trade or a representative; and three other persons, not being employees of the Corporation.

In the absence of a fully constituted Board of Directors, the Corporation was not 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.

In the circumstances, the Corporation operated in breach of the law.

#### **2. Delays in Operationalization of the Corporation**

As previously reported, the Corporation is yet to be fully operationalized more than five (5) years after its establishment. The delayed operationalization of the Corporation has been attributed to lack of a fully constituted Board of Directors.

Failure of the Corporation to implement its mandate implies that the Kenyan citizens have not benefited from minerals exploitation given that the minerals are finite and might get depleted by the time structures are fully established in the National Mining Corporation.

## **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 matter 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**

#### **Lack of Information Technology (IT) Controls and Risk Management Policy**

During the year under review, the Corporation did not have an IT security policy, Disaster Recovery Plan and a policy which regulates physical access to IT environments. There were, therefore, no approved and defined processes and guidelines on how to mitigate IT risks that may occur at the Corporation.

Further, Management had not established a Risk Management Policy to identify, mitigate and control operational and other risks that the Corporation may face from time to time.

In the circumstances, the existence of effective IT controls and risk management strategies could not be confirmed.

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 the Board of Directors**

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 its 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 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. The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how Management 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

06 September, 2022

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021.**

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>REVENUE</b>			
Grants from the National Government	6	14,500,000	24,209,111
Other Income	7	-	4,100,000
Miscellaneous income	8	-	2,000
<b>TOTAL REVENUES</b>		<b>14,500,000</b>	<b>28,311,111</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	9	8,367,200	325,710
Other expenses		-	4,100,000
<b>TOTAL OPERATING EXPENSES</b>		<b>8,367,200</b>	<b>4,425,710</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>6,132,800</b>	<b>23,885,401</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>6,132,800</b>	<b>23,885,401</b>

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**XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>		-	-
<b>Total Non-Current Assets</b>		-	-
<b>Current Assets</b>			
Trade and other receivables	10	11,722,984	11,722,984
Bank and cash balances	11	18,295,217	12,162,417
<b>Total Non-Current Assets</b>		<b>30,018,201</b>	<b>23,885,401</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Retained earnings			
<b>Capital and Reserves</b>		<b>30,018,201</b>	<b>23,885,401</b>
<b>Non-Current Liabilities</b>			
<b>Total Non-Current Liabilities</b>		-	-
<b>Current Liabilities</b>			
<b>Total Current Liabilities</b>		-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>30,018,201</b>	<b>23,885,401</b>

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

Name:

*Thomas Mwanu Mufwina*

Name:

*Sh. O. O. O.*

Head of Finance/Accountant

Name:

*Boniface M. Wayjishi*

ICPAK M/NO:

*8668*

**XIII. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021**

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
<b>As at July 1, 2020</b>				<b>23,885,401</b>			<b>23,885,401</b>
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	<b>6,132,800</b>	-	-	<b>6,132,800</b>
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2020	-	-	-	-	-	-	-
Interim dividends paid – 2021	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
<b>As at June 30, 2021</b>				<b>30,018,201</b>			<b>30,018,201</b>

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**XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH GENERATED FROM/(USED IN) OPERATIONS</b>	6	14,500,000	24,211,111
Administrative cost	9	(8,367,200)	(325,710)
Account receivables	10	-	(11,722,984)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>6,132,800</b>	<b>12,162,417</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net cash generated from/(used in) investing activities		-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net cash generated from/(used in) financing activities		-	-
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>6,132,800</b>	<b>12,162,417</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>12,162,417</b>	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	11	<b>18,295,217</b>	<b>12,162,417</b>

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**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue	29,000,000	(5,000,000)	24,000,000	14,500,000	9,500,000	60%
Transfers from the Government	29,000,000	(5,000,000)	24,000,000	14,500,000	9,500,000	60%
<b>Total income</b>	<b>29,000,000</b>	<b>(5,000,000)</b>	<b>24,000,000</b>	<b>14,500,000</b>	<b>9,500,000</b>	<b>60%</b>
Expenses						
Compensation of employees	3,000,000	(1,000,000)	2,000,000	0		0%
Operating Expenses- Administration Costs	9,000,000	0	9,000,000	8,367,200		93%
Use of goods and services	17,000,000	(4,000,000)	13,000,000	0		0%
<b>Total expenditure</b>	<b>29,000,000</b>		<b>24,000,000</b>	<b>8,367,200</b>		<b>36%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>		<b>6,132,800</b>		

*Note:*

1. *There was 40% unrealised revenue due to failure by the mother Department to transfer Kshs. 9,500,000.*
2. *Compensation of employees' utilization is at 0% since no employees were recruited or salary top up incurred during the year under review.*
3. *Utilization of goods and services at 0% was as a result of onset of covid 19 during the period we did not therefore carry out the intended activities.*

## **XVI. 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 financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. Application of New and Revised International Financial Reporting Standards (IFRS)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Application of New and Revised International Financial Reporting Standards (IFRS)**

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions,	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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Title	Description	Effective Date
IAS 16 — Property, Plant and Equipment	<p>as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.</p> <p>IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.</p>	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	<p>IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).</p>	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	<p>IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.</p>	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 — First-time Adoption of International Financial Reporting Standards	<p>IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from</p>	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Title	Description	Effective Date
IFRS 3 — Business Combinations	<p>the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.</p> <p>IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.</p>
IFRS 17 — Insurance Contracts	<p>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.</p>	<p>The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]</p>

*The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.*

ii. *Early adoption of standards*

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The entity did not early – adopt any new or amended standards in year 2020/2021

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**4. 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 measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized 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 recognized 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 recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**Summary of Significant Accounting Policies**

**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 recognized in profit or loss in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

**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 recognized 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:

Freehold Land	Nil
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 recognized 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**Summary of Significant Accounting Policies**

**e) Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

**h) Right of Use Asset**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

**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.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**Summary of Significant Accounting Policies**

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

**l) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**m) Trade and other receivables**

Trade and other receivables are recognized 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

**n) Taxation**

**i) 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.

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.

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.

**o) 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.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**Summary of Significant Accounting Policies**

**Deferred Tax**

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

**p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**q) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**r) 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 amortized cost using the effective interest rate method. Amortized 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

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period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

**s) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortized 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.

**t) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 20XX. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.XXX per employee per month.

**u) 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.

**v) 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 recognized in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**Summary of Significant Accounting Policies**

**w) Budget information**

The original budget for FY 2020-2021 was approved by the National Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of xxxxxx on the 2019-2020 budget following the governing body's approval.

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.

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 xxx of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

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**a) 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.

**b) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**c) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

**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

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**a) 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.

**b) 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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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.

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**6. Revenue**

	2020/2021	2019/2020
	Kshs	Kshs
Recurrent Grant received from National Government	14,500,000	28,311,111
<b>Total</b>	<b>14,500,000</b>	<b>28,311,111</b>

*[In F/Y 2020/2021 the budget cut led to reduction in Recurrent grant received twice each of kshs. 7,250,000 unlike comparative period of 7,500,000 received thrice plus a fourth one of 4,100,000]*

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Total grant income during the year KShs	2020-2021 KShs
State Department of Mining	14,500,000	-	14,500,000	14,500,000
<b>Total</b>	<b>14,500,000</b>	<b>-</b>	<b>14,500,000</b>	<b>14,500,000</b>

**7. Other Income**

	2020/2021	2019/2020
Other Income	-	4,100,000
	<b>-</b>	<b>4,100,000</b>

**8. Other Income**

	2020/2021	2019/2020
Other Income	-	2,000
	<b>-</b>	<b>2,000</b>

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**9. Administration Costs**

	2020/2021	2019/2020
Description	Kshs	Kshs
Communication services and supplies	264,000	-
Transportation, travelling and subsistence	7,141,940	314,000
Bank charges and commissions	31,260	11,710
Office and general supplies and services	310,000	-
Hospitality services	620,000	-
<b>Total</b>	<b>8,367,200</b>	<b>325,710</b>

**10. Trade and Other Receivables**

	2020/2021	2019/2020
Description	Kshs	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>0</b>	<b>11,722,984</b>

**11. Bank and Cash Balances**

	2020/2021	2019/2020
	Kshs	Kshs
Cash at bank	18,295,217	12,162,417
Cash in hand	-	-
	<b>18,295,217</b>	<b>12,162,417</b>

**Detailed analysis of the cash and cash equivalents**

		2020/2021	2019/2020
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
National Bank - Hill Plaza	01020214073600	18,295,217	12,162,417
Sub- total		18,295,217	12,162,417
<b>Grand total</b>		<b>18,295,217</b>	<b>12,162,417</b>

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**12. Incorporation**

The entity is statutory entity under the mining Act 2016, and is domiciled in Kenya.

**13. Events After The Reporting Period**

There were no material adjusting and non- adjusting events after the reporting period.

**14. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

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**APPENDICES**

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
001.	Internal control weakness	A deployed qualified Accountant is in place at present.	Resolved	The Accountant is in office
002.	Lack of Board of Directors	The Board is now fully appointed and functional	Resolved.	Board of Directors are in office

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Accounting Officer

Name *Thomas M. Mutwira*

(enter title of head of entity)

Signature *Thomas M. Mutwira*

Date.....

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**APPENDIX II: INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>			
<b>Break down of Transfers from the State Department for Mining</b>			
<b>For period of seventeen months Period</b>			
<b>a.</b>	<b>Recurrent Grants</b>		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		05-Mar-2021	7,250,000
		06-Apr-2021	7,250,000
		<b>Total</b>	<b>14,500,000</b>

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

**Head of Accounting Unit**

**Ministry of Petroleum & Mining**

Name:..... *Charles Kirya* .....

Sign..... *[Signature]* .....