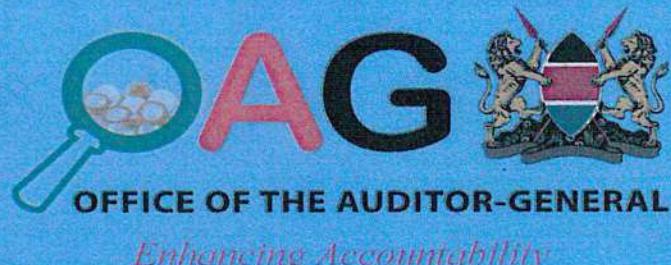


REPUBLIC OF KENYA



REPORT

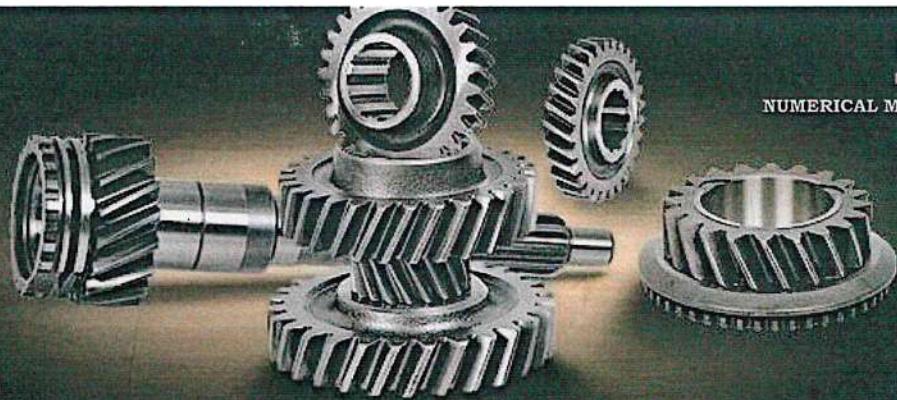
OF

THE AUDITOR-GENERAL

ON

**NUMERICAL MACHINING COMPLEX
LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



2021
2022

NUMERICAL MACHINING COMPLEX LIMITED

Annual Report and Financial Statements

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

14 APR 2023

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NMC is ISO 9001: 2015 Certified

www.nmc.go.ke

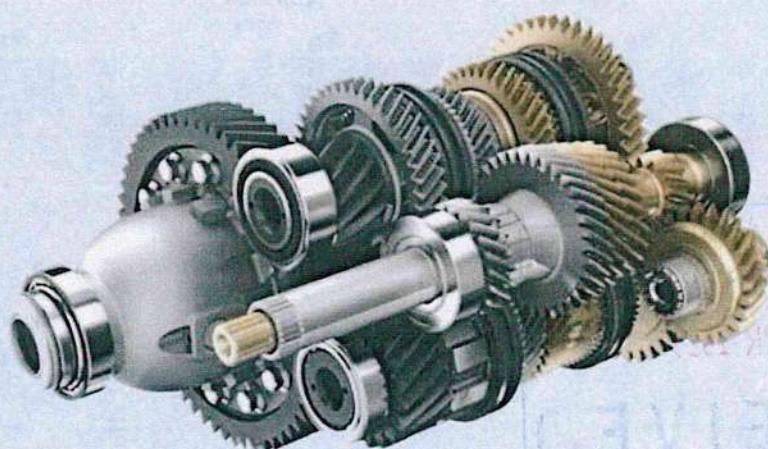


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I. KEY ENTITY INFORMATION

WHO WE ARE

Numerical Machining Complex (NMC) is a public company incorporated on 4th January 1994 under the Ministry of Industry, Trade and Enterprise Development. NMC is owned by Kenya Railways having 51% and Kenya Shipyard Limited 49% shares in trust for the Government.

OUR VISION



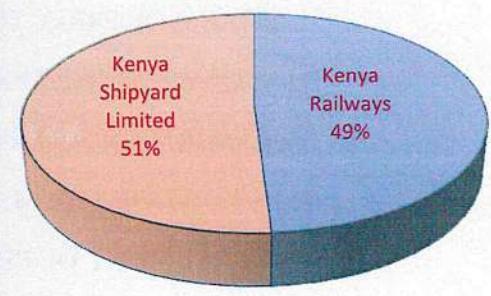
To be a pacesetter in providing innovative solutions in the industrial value chain.

OUR MISSION

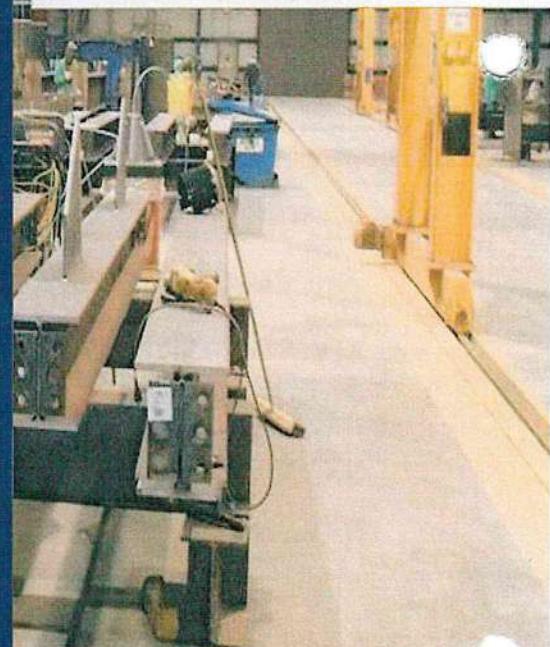


To catalyse industrialization in Kenya by leveraging natural resources and modern manufacturing technologies through stakeholder collaboration for sustainable development.

NMC Ownership



■ Kenya Railways ■ Kenya Shipyard Limited



“NMC is committed to go the extra mile in offering specialized mechanical engineering services.”

⦿ **Our History**

The history of NMC revolves around the “Kenyan Car Project”, in the late eighties and early nineties. The motivation to undertake R&D on the Car Project emanated from a challenge from the then Head of State H. E. Daniel A. Moi to the University of Nairobi to spearhead research and develop a Kenyan car. The project team successfully designed and manufactured five (5) prototypes vehicles.

⦿ **Registered in 1994**

Due to the challenges in the car project, Numerical Machining Complex (NMC) was registered under the Companies Act CAP 486 of the Laws of Kenya on 4th January, 1994 to take over the assets and liabilities of the Nyayo Motor Corporation.

⦿ **Government Support**



Currently, the Ministry of Industrialization, Trade and Enterprise Development (MOITED) is responsible for:

- ⦿ Funding;
- ⦿ Policy direction &
- ⦿ General oversight

**❖ State of The Art Machinery**

NMC is equipped with modern facilities for machining, fabrication, casting and heat treatment. NMC uses Computer Numerically Controlled (CNC) technology and latest engineering design software which enables the organization manufacture products that meet the customer's expectations and functionality.

❖ NMC Products

NMC has a wide range of products which have been designed and manufactured namely; lathe machines, drilling machines, water pumps, brick making machines, hospital beds and hydraulic presses. These products are aimed at assisting the local industries, technical institutions and SME's. NMC also manufactures replacement parts for various sector to include; energy, cement, sugar, tea, automotive among others.

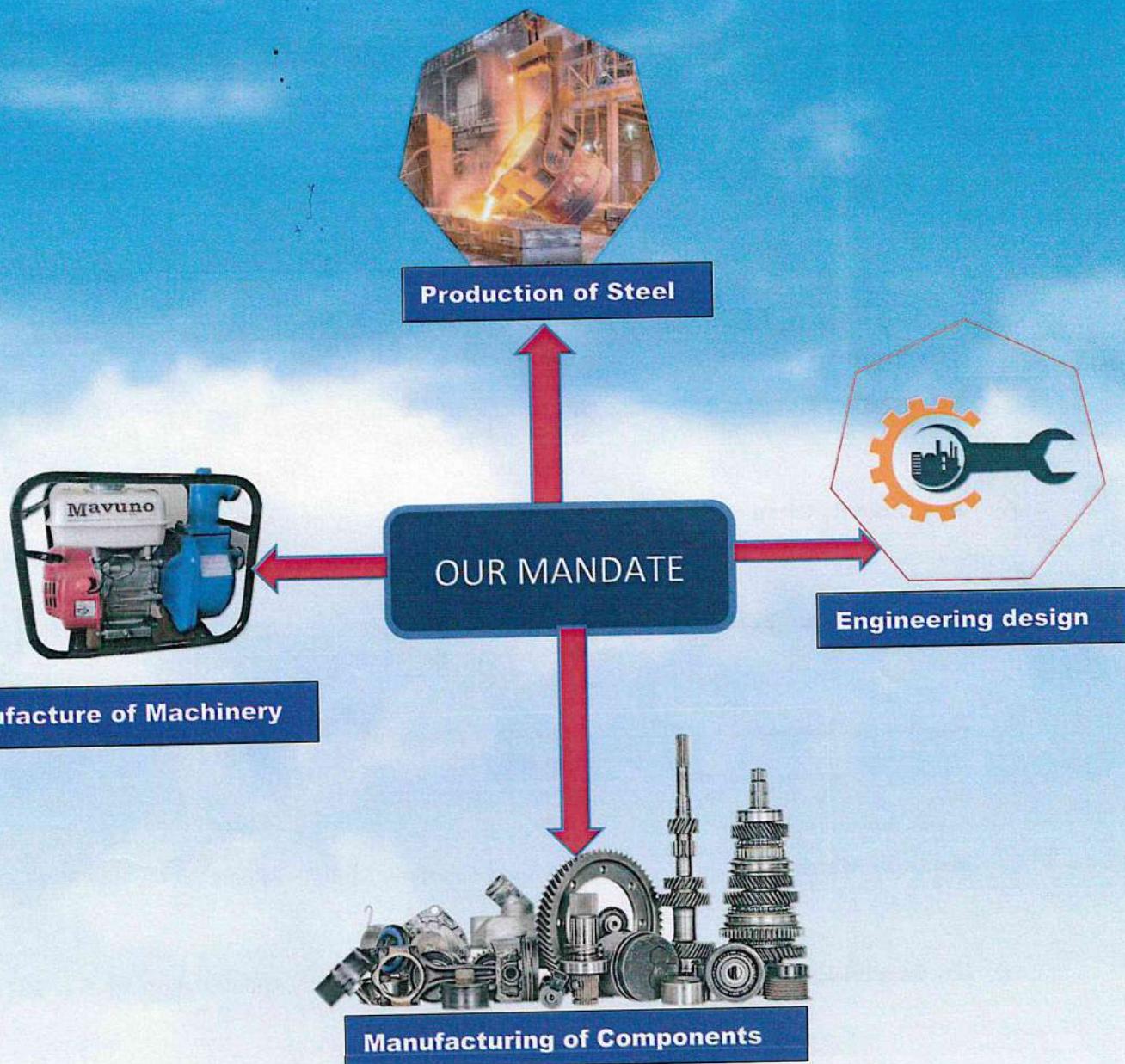
❖ ISO 9001:2015 Certified

NMC is ISO 9001:2015 certified and this confirms its commitment to good practices that ensure consistent delivery of services in line with globally recognized standards.

**ISO 9001
BUREAU VERITAS
Certification**



b) Principal Activities



C) Directors

The Directors who served the entity during the year/period were as follows:

	Name	Position	Appointed Date
1.	Maj. Gen. (Rtd) PASTOR AWITTA, MGH, EBS, ndc(K), Psc' USA	Chairman	Appointed on 17 th October 2019
2.	Eng. David Mwadali	Managing Director	Appointed on 18 th February 2020.
3.	Prof. Elijah Biamah	Member	Appointed on 30 th October 2019
4.	Mr. Phillip Nyingi	Alternate to Chief of Staff and Head of Public Service	Appointed on 3 rd September 2015
5.	Mr. Douglas Manyara	Alternate to Principal Secretary, National Treasury	Appointed on 6 th July 2020
6.	Eng. Francis Gitau	Alternate to PS Ministry of Transport and Infrastructure	Appointed on 3 rd September 2015
7.	Mr. James Nyambune	Alternate to Principal Secretary in the Ministry of Education.	Appointed on 7 th August 2015
8.	Mr. George Makateto	Alternate to Principal Secretary, Ministry of Industry, Investment and Trade	Appointed on 7th August 2018
9.	Ms. Julia Wanjiru	Appointed as an alternate to the PS Ministry of Defence in May 2019	Appointed on May 2019
10.	Mr. Samuel Kamau	Independent Member	Appointed on 3 rd May 2019

NUMERICAL MACHINING COMPLEX LIMITED

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D) Corporate Secretary

CS. Susan Mungai
P.O. Box 70660-00400
Nairobi

E) Registered Office

Railway Central Workshops
Workshops Road
P.O. Box 70660-00400
Nairobi, KENYA

F) Corporate headquarters

Railway Central Workshops
Workshops Road
P.O. Box 70660-00400
Nairobi, KENYA

G) Corporate contacts

Telephone: (254) 020-2327230/58
(254) 020-2110970
+254 710 568 000/3
+245 716 431 114
E-mail: enquiries@nmc.go.ke
Website: www.nmc.go.ke

H) Corporate bankers

KCB Group
Moi Avenue Branch
P.O Box 30081
Nairobi, Kenya

I) Independent Auditors

Auditor General
Office of Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

J) Principal Legal advisers

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

II. BOARD OF DIRECTORS

1.



**Maj. Gen. (Rtd) PASTOR AWITTA,
MGH, EBS, ndc(K), Psc' USA (70
years) - Chairman of the Board**

He joined the Board on 17th October 2019. He is a retired Major General of Kenya Navy. He has vast experience in logistics and procurement.

2.



**Prof. Elijah K. Biamah, PhD,
MBS, MEIK (70 Years)**

He joined the Board on 30th October 2019. He is a professor of Environment and Water Systems Engineering, School of Engineering, University of Nairobi. Safety Health and Environmental Expert for major roads and multipurpose.

3.



**Mr. Phillip Nyingi
(55 years) Board Member**

Appointed as an alternate to Head of Public Service on 3rd September 2015. He comes with a M.A (Development Studies) from the International Institute of Social Studies of Erasmus University, Netherlands and a post graduate Diploma in Corporate Governance from KCA university, Nairobi.

4.



Mr. Douglas Manyara (40 Years)

- Board Member

5.



**Eng. Francis Gitau
(57 Years) – Board Member**

He is Alternate Director to the PS/ National Treasury and Planning. He holds Master of Arts in Economics (MA Economics) and Master of Business Administration (MBA) both degrees from the University of Nairobi and a Bachelors of Arts degree in Economics and Mathematics from the Egerton University. He has over 10 years' experience in Research, Policy formulation and Analysis, Budgeting, Project Planning and Appraisal, Resource Mobilization and Monitoring and Evaluation

Alternate to PS Ministry of Transport and Infrastructure. He comes with 28 years of experience. He is a registered Consultant Engineer with the EBK and holds a Bsc Civil Engineering from the UON, an Executive Masters of Business Administration from JKUAT and is currently undertaking an Msc (Transportation) degree from the University of Nairobi. He is the Chairman of the Mechanical Transport Fund and serves as the Infrastructure Secretary in the State Department of Infrastructure.

6.**Mr. James Nyambune****(57 years) - Board Member**

- ⦿ He was appointed to the Board on 7th August 2015 as alternate to the PS in the Ministry of Education. He holds a Bachelor of Technology in Education, Moi University and Masters of Philosophy in Technology Education from University of Eldoret

7.**Mr. George Makateto****(52 years) Board Member**

- ⦿ He was appointed on 7th August 2018 as an alternate to the Permanent Secretary, Ministry of Industrialization, Trade & Enterprise Development (MOITED). He holds MPhil in Technology Education (Automotive Engineering) and Bachelor of Technology Education (Automotive Option). He also holds a Kaizen certification, ISO Certification EIA Renewable energy & RIO- SIYB.

He has 25 years' experience in accreditation and quality assurance, industrial development, promotion and productivity improvement.

**CPA Julia Ng'ang'a (43 years) -
Board Member**

- ⦿ Appointed as an alternate to the PS Ministry of Defence in May 2019. Ms. Ng'ang'a holds an MBA in Finance and a Bachelor's degree in Economics from the University of Nairobi. She is also a Certified Public Accountant and a member of ICPAK. She has over 14 years' experience in Public Finance having worked as a Finance Officer in various Government Ministries.

8.



Mr. Samuel Kamau (42 years)
Board Member

- He was appointed on 3rd May, 2019 and he is prominent business man.

9.



Eng. David Mwadali
(60 years) Managing Director

- He was appointed Managing Director on 18th February 2020. A registered engineer with EBK and IEK. He holds BSc Mechanical Engineering and MBA in project management both from UON. He has over 30 years' experience Railways maintenance and operations.

10



CS. Susan Mungai,
Ag. Company Secretary

- Susan is the Ag. Company Secretary and a Member of ICS M/No. 2031. She holds an MBA in Strategic Management (USIU), Bsc. IBA in Marketing & Entrepreneurship (USIU), CPS (K) and a Diploma in Human Resource Management (Kenya Poly). Has over 10 years' experience handling Board matters and strategy.

III MANAGEMENT TEAM

1.



Eng. David Mwadali

(60 years) Managing Director

- ⦿ He was appointed Managing Director on 18th February 2020. A registered engineer with EBK and IEK. He holds BSc Mechanical Engineering and MBA in project management both from UON. He has over 30 years' experience Railways maintenance and operations.

2.



Eng. Zachariah Magondu

Research & Design Manager.

- ⦿ He holds Msc Mechanical and Aerospace Engineering (Tottori University) and a Bsc. Manufacturing Engineering (Egerton University)

3.



Dr. Charles Kireru

**Head of Human Resources
and Administration.**

- ⦿ He holds Ph.D. (JKUAT); (MSc) (JKUAT); B. Arts (Egerton) and Higher National Diploma in Human Resource Management (KNEC)

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4.



CPA Patrick Kariuki

Finance Manager

- He holds an MBA (Finance and Accounting) from Mt Kenya University and BBM(Accounting) from Moi University, CPAK and CPS(Finalist).

5.



Ms Zipporah Samoei

In-charge of Sales & Marketing.

- She is a Diploma holder of Marketing by the Chartered Institute of Marketing. She is an Associate Member CIM.

6.



Fredrick Okumu Otieno

Manager, Supply Chain Management.

- He holds MBA (SCM) and a BCOM (Finance). He is registered with CIPS and has CPA Part 2.

NUMERICAL MACHINING COMPLEX LIMITED

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7.



Eng. Pius Gitin

Maintenance Manager.

- He holds Bachelors of Technology in Production Engineering, Diploma in Information Technology and Certificate in Precision Machining Technology.

8.



CPA James Mwangi

Internal Audit Manager.

- He holds MBA (Finance Option) and Bachelors of Business Administration (Finance and Accounting), CPAK and CISA (On-going)

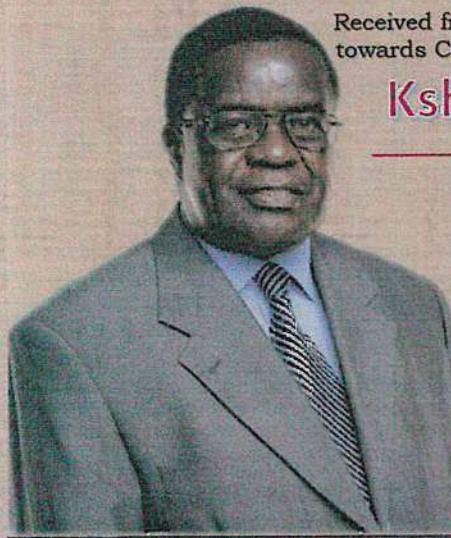
9.



CS. Susan Mungai

Company Secretary

- She holds an MBA in Strategic Management (USIU), Bsc. IBA in Marketing & Entrepreneurship (USIU), CPS (K) and a Diploma in Human Resource Management (Kenya Poly)

IV. CHAIRMAN'S STATEMENT

Received from the exchequer
towards Capital expenditure

Ksh. 35M

Received from the exchequer
towards Recurrent Budget

Ksh. 170.8M

Internally generated Revenue

Ksh. 78.8M

I have great pleasure to present NMC's annual report and unaudited accounts for the FY2021/22. As an organization our Vision is *"To be a pacesetter in providing innovative solutions in the industrial value chain"*. As I look at the institution's growth, I am extremely proud of what we have achieved towards this course and look forward to a promising future.

We have remained focused on delivering our core mandate which is production of steel, engineering design and manufacture of machinery & components.

Maj. Gen. (Rtd) PASTOR AWITTA
Chairman of the Board

The Government of Kenya has been critical in financing the company's operations.

NMC acquired machinery and equipment and refurbished NMC buildings to enhance productivity and efficiency operations in the core business.

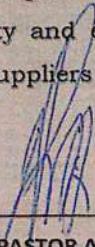
During the FY2021/22, NMC had revenue target of Kshs.233.2 million and achieved Kshs.78.8 million representing 33.7% of the target, a decrease compared to 40% achieved in the FY2020/21.

The company faced both internal and external challenges during the period under review namely; unprecedented impact Covid-19, low targeted sales revenues as a result of stiff competition, unavailability of production inputs locally and machine spares, inadequate working capital, insufficient or no credit terms from suppliers of raw materials, fluctuating cost of material inputs especially steel and foundry inputs, down time due to plant/machinery down time.

In spite of these challenges, the Board remains optimistic to better performance upon addressing the identified challenges.

Moving forward the company is projecting to achieve a revenue target of Kshs.305M in the coming financial year. This will be actualized through manufacture of steel fittings, brake blocks, general spares and grinding media balls. The organization is currently finalizing the logistics to facilitate the rolling out and mass production of grinding media for the cement and mining sector which is expected to increase revenue.

On behalf of the Board of Directors, I sincerely express my gratitude and appreciation to our esteemed customers and suppliers. We endeavor to grow in profitability and ensure self-sustainability in future. Again, I thank our other stakeholders including employees, customers, suppliers and fellow Board members for their dedicated contribution and continued support to NMC Ltd.


Maj. Gen. (Rtd) PASTOR AWITTA MGH, EBS, ndc(K), Psc' USA

CHAIRMAN

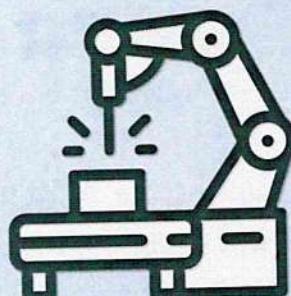
V. REPORT OF THE MANAGING DIRECTOR

Committed to the Big 4 Agenda



NMC acquired machinery and equipment worth

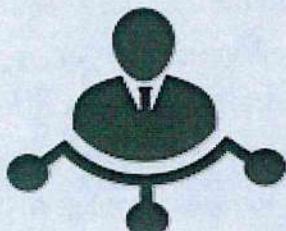
Ksh. 155M



JMAN CAPITAL

• 128 staff

•



“NMC managed to design and manufacture hospital beds which were tested at the Moi Teaching and Referral Hospital”

I am delighted to present to you the company Annual Report for the year ended 30th June 2022. This was a period which was characterized by the global economic slowdown caused by the Covid-19 pandemic. The pandemic has continued to affect most business environment thus affecting NMC, since most of our customers are hesitant in investing.

⦿ Our Purpose

NMC's purpose is production of steel, engineering design and manufacture of machinery & components. To execute our mandate, we rely on customers who come for replacement parts and other products that have been developed internally for the purpose of meeting the market demand.

The implementation of the Big-4 Agenda was one of the key focus areas for the organization. During the period, the research and development function of NMC managed to design and manufacture hospital beds and trolleys and roll out of the products in the FY2022/23.

Reports of Managing Director (Continues)

Modern Machines



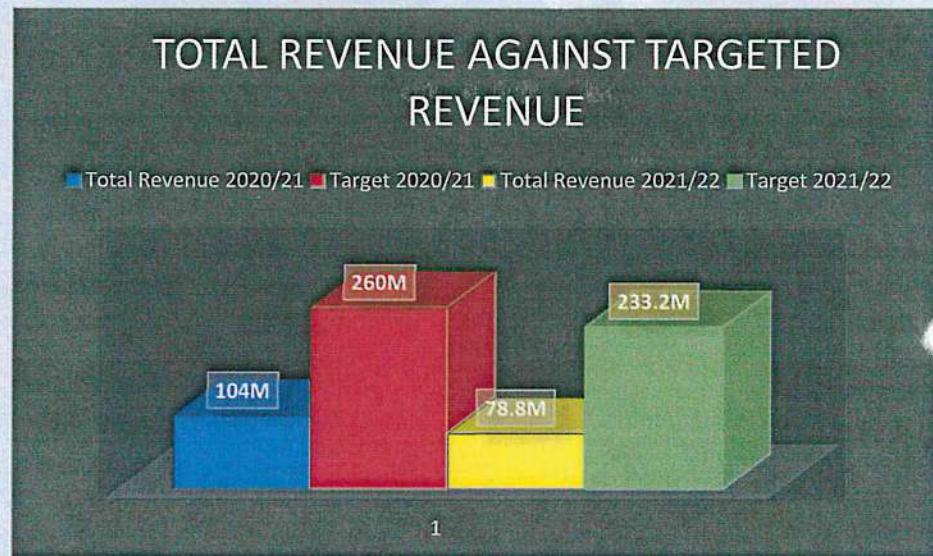
Compliance with Statutory requirements

30%

budget for procurement opportunities for Youth, Women and PWDs as set out in the PPDA Act 2015. Which translated to Ksh. 35M

Business Performance

In the year under review, the organization achieved sales revenue of **Kshs.78.8million** representing **33.7%** of the targeted sales.



In the year under review, the organization achieved sales revenue of **Kshs.78.8million** representing **33.7%** of the target.

The operating loss was **Kshs.59,193,273** during the financial year 2021/2022 compared to loss of **Kshs.40,004,498** in the FY2020/2021. This was mainly attributed to increased cost of production, political environment and reduction on sales.

With a workforce of almost 128 staff, the company invested in training and capacity building of all its staff at all levels of the organization, transferring skills and knowledge to fit an ever-changing business environment. As a Statute Corporation, we also ensured that we comply with all statutory and regulatory requirements in procurement opportunities for Youth, Women and PWDs as set out in the PPDA 2015 which translated to Kshs.24million. Under the Buy Kenya Build Kenya initiative, NMC awarded procurement contracts valued at Kshs.56million for various goods, works and services to local suppliers.

As a customer-oriented organization, we dedicated ourselves to affording our customers and stakeholders with quality service, before, during and after their requirements are met. Our customer interaction is supported by an active online media presence on our official Facebook page, twitter handle and company website. Our complaint handling procedures infrastructure have seen the company consistently receive a certificate of compliance with an average score of 80% from Commission of Administrative Justice and Resolution of Complaints & Access to information.

Safety, Health and Environment

NMC recognizes the criticality of Safety and Health practices in the workplace. The company believes that through a good safety culture, other performance in quality, machine reliability, competitiveness and profitability will be improved. The organization has continued to train staff to ensure that the safety aspect is adhered to in the organization.

The Future

Despite the performance being lower than the previous year, NMC is optimistic that the Financial Year 2022/23 will register better performance for the organization which has a sales revenue target of Kshs. 305million.

In the modernization of NMC Foundry Plant, Machining & Fabrication Workshop which are fully funded from Government development grants,

I'm happy to report that with Government support the fabrication workshop is fully equipped with modern equipment to undertake fabrication works. The company was also able to purchase a number of machines to strengthen production capacity that will improve revenue generation.

The machines include:

- A standby generator to help with continuous production during power outage
- A galvanizing pot used for galvanizing steel products.
- Tool cutter grinder used for making form tool.

- Slotting machine for making slots on metal components.
- Laser cutter to enhance fabrication operations.

The company is targeting the Government agencies for high value orders which will have a positive impact in the sales.

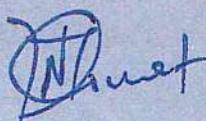
NMC aims at developing asbestos free train brake blocks and automotive brake pads composite using fillers material. The company will procure, install and commission a hot press machine to perform this task. Currently, the product is being imported from South Africa and India and NMC targets local and regional market.

Acknowledgement

I wish to thank the Board of Directors, Management and Staff of NMC for their continued support and dedication without which our objectives could not have been achieved. I would also like to extend our gratitude to the National Government through our Parent Ministry of Industrialization, Trade and Enterprise Development whose support has been immense.

I also wish to thank our stakeholders most specifically the customers and suppliers for their support and confidence in our service delivery.

I look forward to a promising financial year 2022/2023.



Eng. David Mwadali

MANAGING DIRECTOR

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINEDOBJECTIVES FOR FY 2021/2022

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.

Numerical Machining Complex Limited has 4 strategic pillars and objectives within the current Strategic Plan. These strategic pillars are as follows:



NMC developed its annual work plans based on the above four pillar. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2021/2022 period for its four (4) strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Targets	Achievements
Enhance development and production of engineering parts and machinery in support of Kenya's Big Four Agenda	Increase development and production of automotive parts in support of Big Four Agenda	Number of automotive parts manufactured	Manufacture of automotive parts	1000	134
	Enhance the design and production of Machine tools.	Number of machines manufactured	Develop and manufacture machinery	51	15

NUMERICAL MACHINING COMPLEX LIMITED

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Targets	Achievements
To Increase Productivity and Efficiency	Enhance production of railway rolling stock components	Tonnes of casting	Casting of foundry products	150	75.75
	Production of industrial parts in support of sustainability of existing industries.	Number of industrial parts manufactured	Manufacture of steel industrial parts	10000	6401
	Enhance the Research and Development arm of NMC	No. of equipment and training	Acquiring of R&D equipment	1	1
	Modernization of Foundry and CNC Workshop	Completion rate(%)	Rehabilitation of foundry and CNC Workshop	35	33.08
Strengthen NMC's institutional Capacity	Strengthen governance frameworks.	No. of policies	Formulation of policies.	1	0
	Transformation of Human resource to support NMC mandate	Number of staff employed.	Filing/replacement of the vacant position-Training	11	8
To Achieve Excellence in Service Provision	Enhance customer relations and engagement	Customer Satisfaction index (%)	Undertaking Customers satisfaction survey	Increasing 25% from previous index	Increase of 5% from previous index
	Increase NMC brand visibility	No. of advertisement	Undertook advertisement	8	7

Strategic Pillar	Objective	Key Performance Indicators	Activities	Targets	Achievements
		and exhibition attended	and exhibitions		
To achieve Long Term Financial Stability	Enhance financial management practice to optimize costs	Percentage on printing cost	Reduce on printing costs	20	30
	To mobilize resources to finance NMC operations and growth initiatives	Percentage of funds allocated against how much was requested.	Bidding for resources.	100	85

Over the period NMC was able to contribute to Kenya's big four Agenda by designing and manufacturing of parts totaling to 367,177 against the target of 361,000. Modernization of foundry and CNC workshop was another milestone for the Company by acquiring and installing 6 machines which will strengthen fabrication capacity.

Due to increased activities, it necessitated the need to strengthen NMC's institutional capacity by filling of vacant positions and providing training to its staff. Furthermore, through excellence service by undertaking customer satisfaction survey and increasing NMC brand visibility, the company was able to enhance its financial stability.

VII. CORPORATE GOVERNANCE STANDARD

To strengthen accountability and to build confidence among stakeholders, NMC is committed to sound principles of corporate governance and sustainability.

The Board of Directors of NMC is responsible for the long-term growth and the profitability of the company, whilst being accountable to shareholders for compliance with the law and maintaining the highest standards of corporate governance and business ethics.

The Board adheres to good corporate governance by embracing the following principles:

- Observing high standards of ethical and moral behavior.
- Acting in the best interest of the company.
- Recognizing the legitimate interests of stakeholders.
- Ensuring that the company acts as a good corporate citizen.

Board of Directors

The Board of Directors is the highest governing body of the company. The Board is appointed in tandem with the Memorandum and Articles of Association of the Company.

The Board exercises leadership enterprise integrity and judgment in directing the company so as to achieve continuing prosperity for the shareholders.

It at all times acts in the best interest of the company in a manner based on integrity, transparency, accountability and responsibility.

Role of the Board

The Board provides leadership and strategic direction to the company and is tasked with the following responsibilities:

- Determining the business strategies, plans and policies that underpin the corporate strategy.
- Discussing and approving strategic plans, policies and annual budgets.
- Continually monitoring the exercise of delegated power by management.
- Ensuring that a comprehensive system of policies is in place and that appropriate governance structures exist to ensure smooth, efficient and prudent stewardship of the company.
- Identify and reviewing key risks, opportunities and strengths relating to the company.
- Ensuring that the company's organizational structure and capability are appropriate for implementing strategies.

- Setting policies on internal controls and obtaining regular assurance that the system is functioning effectively and is effective in managing risks.

Board Charter

The Board has developed and put in place a Board Charter. The Charter has defined the roles to ensure there is clear separation of responsibilities as required under good corporate governance.

Board Committees

The Mwongozo Code of Conduct permits the Board to set up committees consisting of Board members and departmental heads, who are tasked with assisting the Board in the execution of its duties and authorities and as defined by the Board.

These committees include:

- Audit and Risk committee
- Technical Committee
- Finance Committee
- Human Resource Committee

The composition of the Board Committees as indicated in the table below

Name of Director	Board Position	Board Committees			
		Human Resource	Audit & Risk	Finance & Technical	Land Ad-hoc
Maj. Gen. (Rtd.) Pastor Awitta	Chairman				
Prof. Elijah K. Biamah	Alternate to the Vice Chancellor University of Nairobi	✓			✓
Mr. George Makateto	Alternate to PS, Ministry of Industrialization, Trade and Enterprise Development			✓	✓

Eng. Francis Gitau	Alternate to PS, Ministry of Transport and Infrastructure			✓	
Mr. Philip M Nyingi	Alternate to PS, Chief of Staff & Head of Public Service	✓			
Mr. James Nyambune	Alternate to PS Ministry of Education	✓		Chair (Technical)	✓
Ms. Julia Wanjiru	Alternate to PS Ministry of Defense			Chair (Finance)	
Ms. Yattanne Duba	Member	Chair			
Mr. Geoffrey Mahinda	Member		Chair		
Mr. Remmy Koech	Member		✓		
Mr. Samuel Kamau	Member			✓	Chair
Mr. Douglas Manyara	Member		✓		

Board Meetings

The Board of Directors meets regularly as required in order to effectively and efficiently monitor the implementation of the Company's planned strategies, review it in conjunction with its financial performance and business development and approve issues of strategic nature.

The notice, agenda and detailed board papers are circulated on a timely basis to ensure that the directors receive accurate, timely and clear information for decision making.

The Board held five (5) meetings during the year in review as below:

Total No. of Meetings	Board Meetings	Board Committees					
		Human Resource	Audit & Risk	Finance & Technical	Land Ad- hoc	Board Induction	Finance & Audit
	4	1	1	1	0	1	1
Maj. Gen. P. Awitta	4\4						
Mr. George Makateto	3\4			1/1			
Mr. Philip M, Nyingi	3\4	1\1					
Mr. James Nyambune	4\4	1\1		1\1			
Ms. Yattanne Duba	2\4	1\1				1\1	
Mr. Remmy Koech	1\4		1\1				
Mr. Geoffrey Mahinda	2\4		1\1			1\1	
Eng. Francis Gitau	0\4			0\1			
Ms. Julia Wanjiru	3\4			1\1			1\1
Mr. Samuel Kamau	3\4			1\1			1\1
Mr. Douglas Manyara	4\4						1\1
Prof. Elijah. K. Biamah	2\4						

Induction and Training

The new members were taken through a full and formal training organized by State Corporations Advisory Committee (SCAC) as required by Mwongozo to ensure they are provided with knowledge and information to enable them to add value to the Board. Training of members on various skills and latest developments is continuous.

Directors' Remuneration

Board members were remunerated for their services in accordance with the relevant legislative provisions or as guided by the State Corporations Advisory Committee. Directors were entitled to sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within set limits of the State Corporations.

In addition, the Chairman is paid a monthly honorarium.

Details of Directors' emoluments during the year are shown below

No	Allowance	Chairman	Boardroom
1	Honoraria	Kshs.80,000	N/A
2	Sitting	Kshs.20,000 per sitting	Kshs.20,000 per sitting
3	Airtime (mobile)	5,000 per month	N/A
4	Lunch	Kshs.2,000 per day	Kshs.2,000 per day
5	Transport	Determine by prevailing guideline, National Treasury Circular 2015 paid at prevailing AA of Kenya rates	
6	Personal Accident Cover (not life)	Procured competitively	
7	Medical Expenses	Impatient Kshs.2million per annum Outpatient Kshs.100,000 per annum and last expense (self) Kshs.100,000	

Appointment and Removal of Directors

Appointment and removal of Directors are made in line with legal and statutory requirements i.e the Constitution of Kenya 2010, NMC Memorandum and Articles of Association and the State Corporations Act. The appointment takes into consideration the mix of skills and competencies required for the achievement of the Company's long term goals.

Succession Planning

Under Mwongozo Code of Governance, the appointing authority is required to ensure the tenures of the Board members are staggered to ensure a phased transition.

The Chairperson, members and Managing Directors have different dates of appointment.

Ethics and Conduct

The Board ensures all Board members subscribe to the code of ethics and conduct promoting ethical conduct and sanctions of misconduct.

Board Evaluation

NMC Board of Directors conduct annual evaluation to appraise its performance and that of the Chairman, the Managing Director, individual Directors using appraisal tools developed by the State Corporations Advisory Committee (SCAC)

The Board self-evaluation for the year under review was facilitated by SCAC where strengths, collective skills gaps and individual areas of improvement were identified of which a performance improvement plan was prepared.

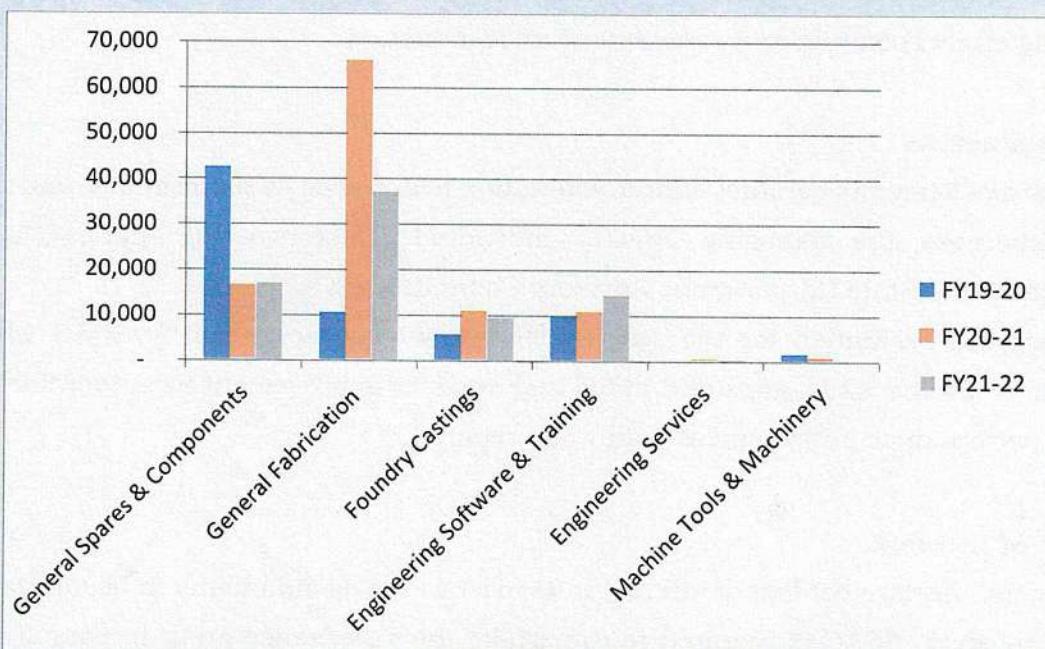
Conflict of Interest

The Directors declare conflict of interest in respect to the agenda items to be discussed in every meeting. SCAC is required to undertake the governance audit in compliance with Mwongozo Code of Governance.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS**Operational Performance.**

One of the strategies that the company employs is Government to Government procurement especially for the energy sector which has several fabrication products namely steel fittings and meter seals. NMC has six (6) business units that contributes to sales revenue.

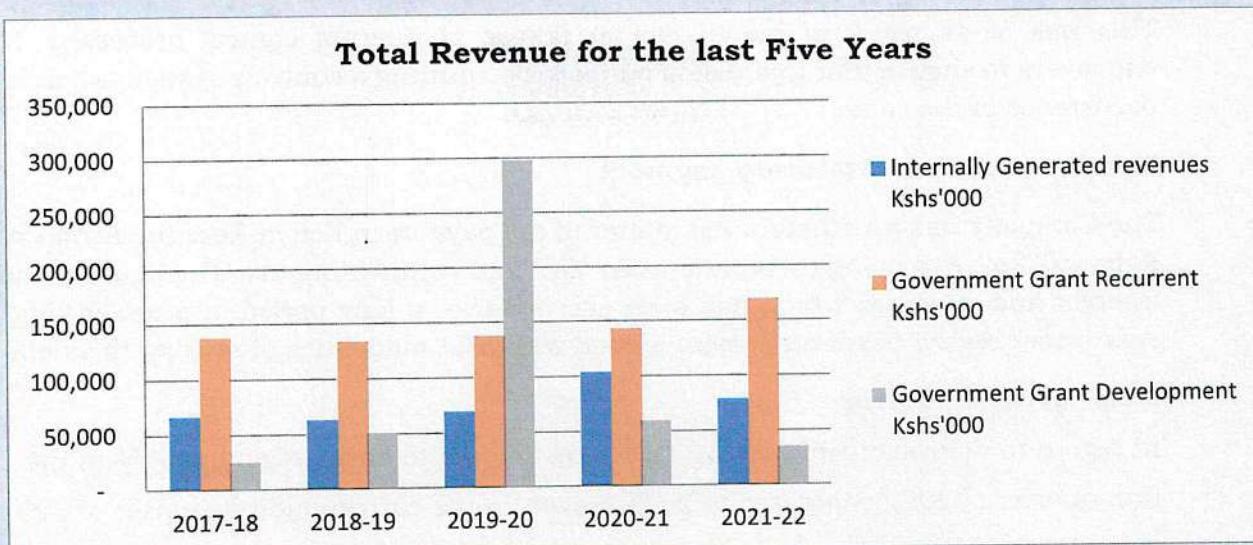
In the year under review, the company managed to manufacture several products and offer services as shown below:

**Financial Performance.**

During the year under review the company's turnover decreased by 24% to stand at Kshs 78.8M from Kshs 104M reported in the FY 2020/2021. The decrease was mainly attributed to stiff competition.

Revenue

The graph below shows the sales revenue for the last five (5) years.



Ongoing Investment

The company has a key project of Modernization of Foundry and CNC workshop whose estimated cost is Kshs 1.788B. Currently we have received Kshs 597m culminating to a project completion of 33.08%. The funding received has facilitated the purchase of machines and equipment during the year in review.

Statutory Requirements

The company managed to settle all the statutory obligations in time hence no penalties or interest. These include PAYE, NHIF, and NSSF.

Major risks affecting the company

The company undertake measures to mitigate unpredictability of business environment that would affect the company operations.

Some of these risks includes:

a. Marketing Risks

This is risk associated with change of market prices which includes foreign currency, commodity prices and interest rate. NMC is currently affected by commodity prices and interest due to heavily relying on exports for machines, equipment and raw materials.

b. Liquidity risks

This risk is associated with the company not being able to meet its short-term maturing obligation. Most on NMC business are from state corporation which delays in payment which has an effect in management of working capital and also cash flows.

c. Operational risks

This risk is as result of inadequate or failure of internal control processes. NMC endeavors to ensure that this risk is mitigated by putting a controls system to minimize occurrence of the same.

Material arrears in Statutory payment

The Company has an outstanding matter of tax payable to Kenya Revenue Authority of Kshs. 57,282,747 being corporation tax, VAT and withholding tax. The figure includes interest and penalties which has been accrued over a long period of time. During the year under review the management agreed with KRA modalities of settling this debt.

Manufacturing Sector

In regard to manufacturing sector, GDP is estimated to have grown by 3.7% in the first quarter of 2022 compared to 2.1% growth in the corresponding quarter of 2021, this growth if it maintains is an opportunity for NMC to supply industrial spare parts, steel fittings, castings to the various industries.

Future developments

Measures put in place by management to mitigate and improve the financial performance in the coming year include: -

- Reduction of cash conversion cycle.
- Frame work contract with suppliers to ease delivery of material inputs and in conformity with PPAD Act 2015.
- Investment in equipment and in house galvanizing plant to enhance production efficiencies.
- Negotiate credit terms with our main suppliers in order to improve on cash flow.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Numerical Machining Complex 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. Below is an outline of the organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile –

Kenya has made significant political and economic reforms that have contributed to sustainable economic growth, social development and political stability over the over decade. However, its key development challenges still include climate change and environmental pollution.

Reducing energy, water and waste consumption in the organization makes greater business sense for it can save money, minimize climate change risk, enhance business image, improve customer and staff satisfaction.

NMC advocates for resource efficiency and cleaner production to perform their mandate in production of steel, engineering design and manufacture of machines and components.

This is achieved continuous application of preventive environmental strategies to processes, products and services in order to increase efficiency and reduce risks to the environment.

NMC addresses three sustainability dimensions individually and synergistically namely:

- a) Production efficiency- Improve the productive use of natural resources.
- b) Environmental protection- minimize pollutant impact on nature.
- c) Social enhancement- support community and reduce risk to the environment by planting trees.

Through legislation, policy development, standard and international best practices NMC's environmental and social management/plans were executed to ensure compliance with all relevant national and international environment and other statutory regulatory provisions that apply to its manufacturing operation to ensure sound environmental management practice.

The key achievement for NMC is shifting from coke and oil furnaces to induction furnace which use electricity as a cleaner energy.

ii) Environmental performance

NMC has put in place initiatives to prevent continued degradation of the environment in its manufacturing processes. Some of the initiatives that NMC has put in place to guide on environmental sustainability include:

- a) NMC procured an induction furnace, which uses cleaner energy as opposed to the traditional use of coke in its processes. This has contributed to the reduced uptake of coke hence reduction in carbon monoxide gas emissions into the environment which has adverse effects to the environment.
- b) NMC participated in tree planting exercise in Meru County. The exercise was aimed at conservation of the environment and a greener nation.
- c) The Company contracted NEMA certified waste disposal management companies to collect used oil from Kenya Pipeline Company. This ensured that the oil collected from KPC was handled properly from the site to its destination and there was no spillage on the ground. In addition, the disposal of used cartridges and toners was done through a NEMA certified waste disposal management company.

Due to financial constraints, the company was unable to dispose used sea sand and cyanide which has to be done by a NEMA certified waste disposal management company.

The Company's key mandate is production of steel, engineering design and manufacture of machinery and components. In view of this the Company undertook to recycle waste material generated out of its products in order to reduce negative effects. This was done by smelting of scrap metal into billets for re-use in manufacturing machinery and components.

iii) Employee welfare

NMC has an approved Human resource manual and Career Progression Guideline that guides in the fair recruitment of staff. The manual further enumerates welfare and benefits initiatives which are geared towards enhanced employee motivation, retention and improvement of employees' health and wellbeing. These include; staff

retirement benefits scheme and medical scheme for employees and their declared dependents.

During the under review, the first registration of a Collective Bargaining Agreement (CBA) with Kenya Engineering Workers Union (KEWU) was done and has given staff a platform to raise their concerns through their representatives thus reducing friction between staff and management and subsequently promoting a harmonious working relationship.

Capacity Building

On capacity building, we systematically enhance our staff skills to address career progression of individual employee's performance based on the pre-negotiated and agreed performance targets drawn from the company's annual work plan

On an annual basis, the departments provide Training Needs Assessment (TNA) which is aimed at identifying gaps and training areas for staff based on the performance appraisal. In order to ensure that professionalism is entrenched, staff members are sponsored for training targeted to earning CPD points for professional good standing.

Performance Management and Reward

The company employs performance measurement and reward system to ensure productivity.

We measure each employee's performance based on pre-negotiated and agreed performance targets drawn from the company's annual work plan. Performance appraisal is done annually and the interventions recommended implemented in the preceding year.

Employee Engagement

Having engaged employees is critical to the achievement of our strategic goals. We have undertaken to take on board all our employees' views. To ensure these materialize, employees are encouraged to give views openly in organized quarterly meetings with the Managing Director. During the period, the MD personally engaged employees directly through staff engagement forums held quarterly.

Gender Equality

The company is committed to provide equal opportunity for all genders and promote diversity at all levels of management. The gender-disaggregated data for the period was 80% male and 20% female. NMC being a technical entity has a bias to male employees hence the discrepancy.

iv) Marketplace Practices**a) Responsible Competition Practiced**

NMC conducts its businesses in an ethical manner and strives to follow general principles namely; respect for customers, suppliers, honesty and objectivity. The organization follows the correct channels when bidding and negotiating for business opportunities from its customers.

NMC being a corruption free zone promotes transparency and integrity in all its operations. The organization has provided various ways of reporting corruption related matters namely;

- Suggestion boxes which are placed strategically within the organization
- A link on the website that allows one to report corruption incidents anonymously

As a way of mitigating the vice, a committee composed of all departmental heads is in place whose responsibility is to review and handle corruption related incidents and feedback received from stakeholders.

b) Responsible supply chain and supplier relations

NMC suppliers continue to play a critical role in success of projects and its growth as part of its commitment to have a responsible supply chain and improve business relation.

NMC undertook the following to achieve stronger buyer-supplier relationship:

- Choosing and registering suppliers of key raw materials and consumables who align to our values.
- Maintaining regular communications through supplier forums where areas of success and improvement were discussed.

- NMC provided timely feedback to its suppliers on their performance. (Suppliers appraisal) in respect to quality, price, timely delivery, quantities and supplier source of goods and services provided.
- Through open tendering NMC invited suppliers for pre-bidding meetings and site visits as a way of early supplier involvement in the procurement process where they are briefed on tender requirements and clarifications.

c) Responsible Marketing and Advertising

NMC is committed to responsible marketing & advertising and in compliance with the existing laws. NMC ensures that its marketing communications are decent, honest and truthful for its targeted market.

d) Product Stewardship

NMC is committed to managing the health, safety and environmental aspects of raw materials, intermediate and consumer products throughout their life cycle and across- the value chain in order to prevent or minimize negative impacts and maximize value.

NMC purchase raw materials which are of required standard and set regulation. In the manufacturing set up, the company invested in machines and equipment which are environmentally friendly during their operation to reduce air emission, wastewater, solid waste, and other release/coproduts.

The company use/reuse/recycle raw materials such sand and scrap metals in the foundry plant operation. In addition, NMC ensure the products manufactured are within the safety and standard required throughout their life cycle.

Corporate Social Responsibility / Community Engagements

At NMC, we are committed to conducting our business in a socially responsible and ethical manner and create a competitive work environment. The organization recognizes its responsibility to contribute positively to the community that supports it.

During the FY2021/22, NMC participated in CSR activities namely tree planting and support to needy students.

NMC contributed Kshs.100,000 towards payment of fees for needy fore Kenya Industrial Training Institute (KITI). NMC also paid Kshs.10,000 for the purchase of tree seedlings, this was in effort to contribute to 10% forest cover.

Below are a few illustrations of how the organization and its staff have shown their commitment to practice responsible corporate behavior.

Customer service

NMC nurtures relationships with all its customers based on quality products, honesty and commitment to service delivery by manufacturing products that are within customer's expectations.

Work Environment

NMC employees are an important asset to the organization endeavors to provide a work environment where employees are appreciated, valued and given regular feedback. All staff work in an open space promoting an open-door culture which encourages communication and collaboration.

Fair Practice

NMC ensures adherence to the tendering processes for goods and services as prescribed in the Public Procurement and Disposal act 2015. In regard to customers and debtors, NMC will treat them in a fair and equal manner.

Compliance

NMC is conscious of its obligation to comply with all relevant legislation affecting its operations. Staff are encouraged to deal with stakeholders with honesty.

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June 2022 which show the state of the *company's* affairs.

i) Principal activities

The principal activities of Numerical Machining Complex Ltd are the commercial production of steel, engineering design and development of machinery and components.

ii) Results

The results of the company for the year ended 30th June 2022 are set out on page one (1) during the year the company made a loss of **Kshs 59,193,273** during the financial year 2021/2022 compared to **Kshs.40,004,498** in the FY2020/2021.

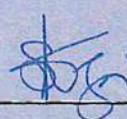
iii) Directors

The members of the Board of Directors who served during the year are shown on page (xi-xiv) In accordance with Regulation of the state corporations Act (Cap 446).

iv) Auditors

The Auditor General is responsible for the statutory audit of Numerical Machining Complex Ltd in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

SUSAN MUNGAI**CS. Susan Mungai****Signature**29/9/22**Date**

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, 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 entity'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)

NUMERICAL MACHINING COMPLEX LIMITED

Annual Report and Financial Statements for the year ended June 30, 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors are of the opinion that the *entity*'s financial statements give a true and fair view of the state of *entity*'s 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 *entity*'s financial statements as well as the adequacy of the systems of internal financial control.

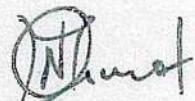
Nothing has come to the attention of the Directors to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

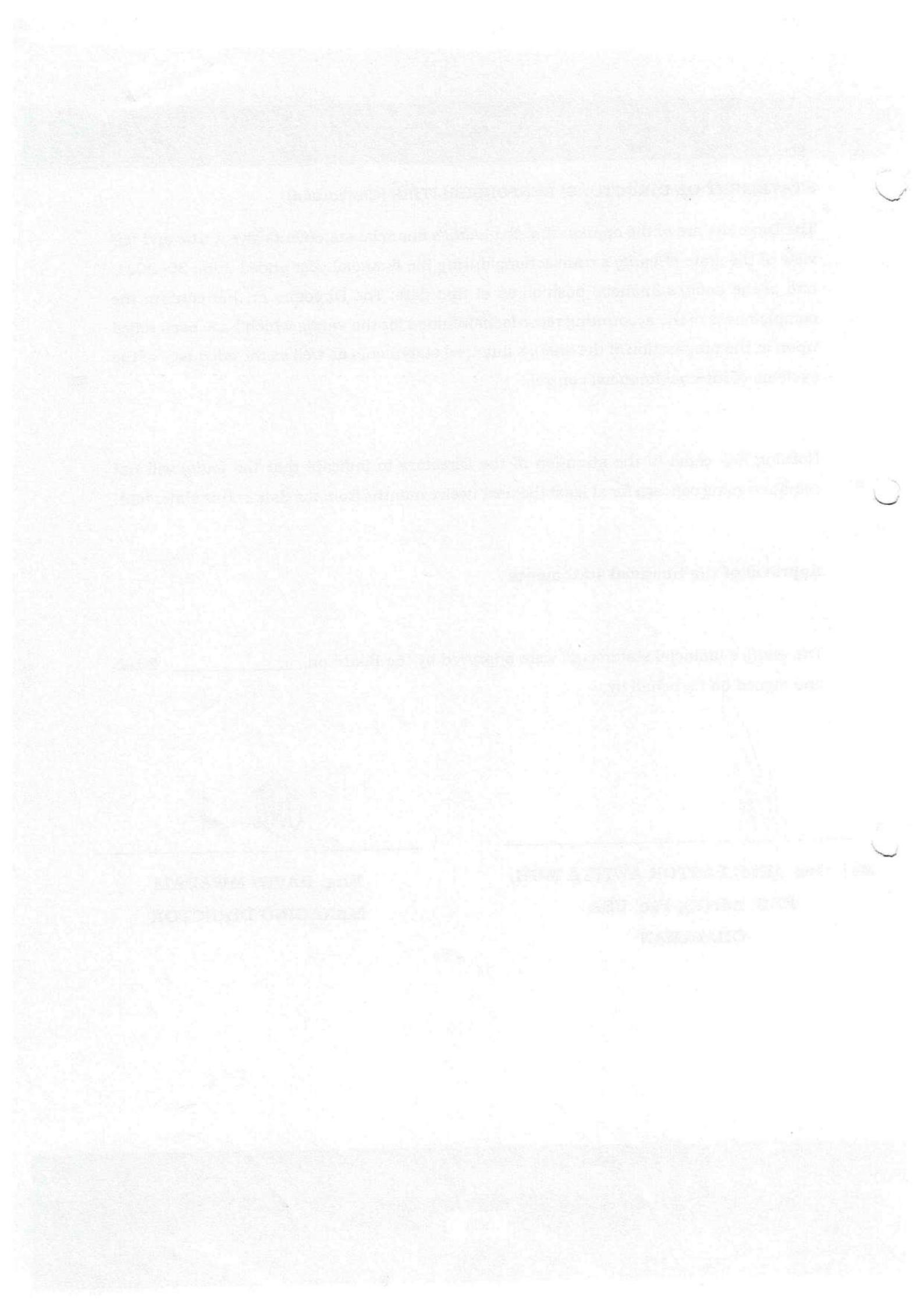
The *entity*'s financial statements were approved by the Board on _____ 2022 and signed on its behalf by:



**Maj. Gen. (Rtd) PASTOR AWITTA MGH,
EBS, ndc(K), Psc' USA
CHAIRMAN**



**Eng. DAVID MWADALI
MANAGING DIRECTOR**



REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NUMERICAL MACHINING COMPLEX LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

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, gazette 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 the 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

Adverse Opinion

I have audited the accompanying financial statements of Numerical Machining Complex Limited set out on pages 1 to 52, which comprise of the statement of financial position as at 30 June, 2022, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Numerical Machining Complex Limited as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and do not comply with the Companies Act, 2015.

Basis for Adverse Opinion

1.0 Investment Property

As previously reported, and as disclosed in Note 14 to the financial statements, the statement of financial position reflects a balance of Kshs.290,000,000 in respect to investment property. However, the following observations were noted;

1.1 Long Outstanding Debtors

As previously reported, the Government of Kenya in 1994 allocated the Company land measuring approximately 703.59 hectares in Mavoko, Athi River. In 2001, the Company with the consent of the Government sold part of land measuring 242.89 hectares to individuals and other entities whose title deeds have not been wholly processed and released. The Company continued to pay rates based on the original title deed up to 2009. Further, a net amount of Kshs.6,640,310 due from individuals has remained unpaid since 2001. The recoverability of the debt therefore remained doubtful.

1.2 Encroachment of Land

The remaining portion of the unsold land measuring 460.70 hectares was not fenced and has been encroached by informal settlers and other parties who have put up permanent structures. Further, the portion of land was revalued at Kshs.290 million in 2009 and revaluation gain of Kshs.158,993,190 arising thereon approved by the Board for inclusion in the financial statements in October 2016. However, the Company has not revalued its assets in the last thirteen (13) years to take cognizance of the drastic change in value of its assets. This was contrary to International Accounting Standard No.16 which requires that property plant and equipment be revalued after every three (3) or five (5) years. The presence of informal settlers has largely impaired the value of the land.

1.3 Title Deed not Updated

On 14 January, 2003 a new title deed was issued to the Company for a parcel of land measuring approximately 202.4 hectares which did not match the actual land of 460.70 hectares. A letter from the Ministry of Lands dated 17 February, 2009 indicated that the title had been subdivided and new Land Reference numbers (LR's) given, however the Management did not provide the new title deed for audit.

In the circumstances, the accuracy, ownership, valuation and security of the investment property balance of Kshs.290,000,000 could not be confirmed.

2.0 Lack of a Fixed Assets Register

The statement of financial position and as disclosed under Note 13 to the financial statements, reflects Kshs.230,590,827 in respect to property, plant and equipment. However, the balance was not supported with a fixed asset register indicating the address, area, dates of acquisition, capital expenditure and other pertinent details as required under Regulation 143(1) of Public Finance Management (National Government) Regulations, 2015.

In the circumstances, it could not be confirmed that the assets of the Company had been properly safeguarded and that the reported property, plant and equipment balance of Kshs.230,590,827 was fairly stated.

3.0 Trade and Other Payables

As previously reported, and as disclosed in Note 22 to the financial statements, the statement of financial position reflects a balance of Kshs.171,063,501 in respect to trade and other payables. However, the following observations were noted;

3.1 Long Outstanding Payables

As previously reported, Note 22 to the financial statements reflects a balance of Kshs.65,960,009 relating to other payables. Included in the balance is an amount of Kshs.57,282,747 relating to a tax liability following an tax assessment by Kenya Revenue Authority that has been outstanding since 1999 and continued to attract penalties and interests.

3.2 Unsupported Trade Balances

The trade and other payables balance of Kshs.171,063,501 and as disclosed in Note 22 to the financial statements includes Kshs.82,183,431 made up of Kshs.3,000,000, Kshs.5,667,261, Kshs.3,490,647, Kshs.57,034,782 and Kshs.12,990,741 in respect of University of Nairobi advances, sundry creditors, withholding tax, accrued gratuity and staff expenses respectively for which supporting documents were not provided.

3.3 Undeclared Trade Payables

As previously reported the Company received orders for manufacture of machines for the Constituency Industrial Development Centres under the Ministry of Industrialization, Trade and Enterprise Development worth Kshs.26,597,000 some years back. However, review of the records showed that as at the time of audit, the Company had produced goods worth Kshs.9,496,329 against paid up orders of Kshs.26,597,000 resulting to a deficit of Kshs.17,100,671 still owed to the State Department for Industrialization. These liabilities have not been reported on in the Company's financial statements as at 30 June, 2022.

In the circumstances, the accuracy and completeness of trade payables balance of Kshs.171,063,501 could not be confirmed.

4.0 Unsupported Trade and Other Receivables

As previously reported, and as disclosed in Note 16 to the financial statements, the statement of financial position reflects a balance of Kshs.89,509,647 for trade and other receivables. The amount was net of provision for bad and doubtful debts of Kshs.30,546,050. However, the following observations were noted;

- (i) The balance includes staff receivables amount of Kshs.1,971,336 for salaries advances from staff who have since left the Company's service and other receivables of Kshs.6,753,215 whose analysis was not provided for audit verification.
- (ii) As previously reported, the deposits and prepayments includes an amount of Kshs.1,544,762 relating to deposits for tenders and performance bonds the Company participated in, however evidence in support of the long outstanding balances was not provided for review.
- (iii) Included in trade receivables is a debt of Kshs.17,019,282 due from a local Company, whose recoverability was doubtful. Further, Management did not provide analysis of the provision for bad and doubtful debts balance of Kshs.30,546,050.
- (iv) The balance of Kshs.89,509,647 as disclosed in Note 16 include credit balances of Kshs.2,865,830. This is contrary to the provisions of Paragraph 32 of the International Accounting Standard (IAS) No.1 which states that an entity should not offset assets and liabilities or income and expenses, unless required or permitted by an IFRS. This negative balance that reduced the trade and other receivables balance by an equivalent amount was not explained.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.89,509,647 could not be confirmed.

5.0 Material Uncertainty in Relation to Going Concern

The statement of profit and loss and other comprehensive income reflects a loss of Kshs.59,193,273 (2020/2021- loss Kshs.40,004,498) during the year under audit. The loss increased the accumulated loss from Kshs.1,666,924,564 to Kshs.1,726,117,837 as at 30 June, 2022. However, Management has not explained and provided evidence to show how the Company intends to turn into profitability.

In the absence of the actions being taken to reverse this loss-making trend, the Company's continued existence is dependent upon the financial support of the Government and its creditors.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Numerical Machining Complex Limited 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 adverse 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 year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.405,060,000 against actual receipts on comparable basis of Kshs.249,787,000 resulting in a short fall of Kshs.155,273,000 or 38% of the budget.

Similarly, the Company expended Kshs.308,980,000 against the approved budget of Kshs.400,453,000 resulting to an under-expenditure of Kshs.91,473,000 or 23% of the budget.

The shortfall of the receipts and the under-expenditure affected the planned activities of the Company and may have impacted negatively on services delivery to the public.

2. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2022. Management did not provide satisfactory reasons for the delay in resolving the prior year audit issues. Further, some of the unresolved prior year issues were not disclosed under the progress on follow up of auditor's recommendations section of the financial statement as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis for conclusion

1.0 Delays in Inspection and Delivery of Plant and Machinery/Tools and Spares

The statement of financial position and as disclosed under Note 13 to the financial statements reflects a balance of Kshs.230,590,827 in respect to property, plant and equipment. Included in this balance is Kshs.175,086,007 relating to plant and

machinery/tools and spares which includes additions for the year valued at Kshs.38,125,808.

Review of documents however revealed that included in the additions are payments of Kshs.1,846,800 made to a supplier for the supply and delivery of 18 Tonnes of Foundry Coke delivered on 3 August, 2019 with an inspection and acceptance certificate dated 10 September, 2021. The Management has not explained why the inspection and acceptance report was made two (2) years after the delivery of goods, contrary to the provisions of Section 48(3) of the Public Procurement and Asset Disposal Act, 2015 which requires inspections and acceptance committee to inspect goods received immediately after delivery.

Further examination of documents revealed that the Company, issued an LPO on 15 September, 2018 to a supplier at a cost of Kshs.1,879,200 but according to the evaluation minutes number two (2) dated 17 April, 2018, the supplier did not supply the goods six months after the order had been placed on 15 September, 2018 resulting to the cancellation of LPO no 5984. As a result of the cancellation, new quotations were issued to three (3) bidders who responded by 15 April, 2019 and a new supplier was awarded a contract for the supply of 18 tons of foundry coke at cost of Kshs.1,670,400. No documents have however been provided for verification showing that an LPO was issued to the new supplier.

In the circumstances, Management was in breach of the law.

2.0 Procurement for the Supply of Office Chairs Outside the Procurement Plan

The statement of financial position and as disclosed in Note 13 to the financial statements reflects property plant and equipment balance of Kshs.230,590,827 which includes office equipment, furniture and fittings additions amount of Kshs.1,687,118 relating to purchase of chairs. Review of the Company's procurement plan for the year showed that the Company planned to procure thirty (30) office chairs during the year at a cost of Kshs.1,622,143. However, verification of documents revealed that ninety-seven (97) office chairs were procured during the year contrary to the provisions of Section 45(3)(a) the Public procurement and Asset Disposal Act, 2015 which states that all procurement processes shall be within the approved budget and annual procurement plan.

In the circumstances, Management was in breach of the law.

3.0 Irregular Procurement of Faulty Universal Tool and Cutter Grinder

The property, plant and equipment schedule balance of Kshs.230,590,827 and as disclosed in Note 13 to the financial statements includes plant and machinery/tools and spares additions of Kshs.38,125,808 during the year. This balance includes Kshs.2,497,103 paid to a supplier for supply and installation of universal tool and cutter grinder. Review of available documents revealed that the Company contracted another supplier on 28 April, 2014 for the supply and installation of universal tool and cutter grinder. However, on 9 February, 2015, the inspection and acceptance committee inspected the goods and rejected the goods on the basis that the condition of the machine

supplied was not as per the requirements of the tender document which resulted in the termination of the contract.

Further examination of records revealed that the supplier did not collect the machine but offered to repair it at their own cost which led to a reconstitution of the inspection and acceptance committee.

On 27 January, 2021 an inspection and acceptance committee was constituted which again rejected the goods repaired on the basis that the coolant tank system was missing and that there was no tank enclosed within the base of the machine with constant supply to supply continuous cooling to the grinding wheel. However, on 6 August, 2021 the inspection and acceptance committee accepted the goods and payment was made under unclear circumstances.

In the circumstances, the propriety of the expenditure of Kshs.2,497,103 could not be confirmed and it is not clear whether the Company got value for money from the procurement.

In the circumstances, Management was in breach of the law.

4.0 Irregularities in Administration Costs

The statement of profit and loss and other comprehensive income and as disclosed in Note 10 the financial statements reflects a balance of Kshs.220,250,572 relating to administration costs. Included in this, is an amount of Kshs.3,757,006 in respect to transportation, travelling and subsistence which included an amount of Kshs.1,284,400 paid to persons who are not employees of the Company. The Management has not explained or provided evidence for verification confirming that the expenditure was in compliance with the provisions of Section 79(2) of the Public Finance Management Act, 2012, which provides that a public officer employed in a national government state organ or public entity shall ensure that the resources within the officer's area of responsibility are used in a way which is lawful, authorized, effective, efficient, economical and transparent.

Similarly, review of documents provided revealed that, staff training expenses balance of Kshs.11,803,499 included an amount of Kshs.735,000 paid to officers from The National Treasury attending GIMIS workshop however no evidence was provided to support the expenditure.

In addition, staff training expenses includes a credit balance of Kshs.665,000, contrary to the provisions of Paragraph 32 of the International Accounting Standard (IAS) No.1 which provides that an entity shall not offset assets and liabilities or income and expenses, unless as required or permitted by an IFRS. The Management did not explain what the balance represents.

In the absence of supporting documents, the propriety of the expenditure of Kshs.2,019,400 could not be confirmed.

5.0 Unsupported Expenditure for Workshop on Approved HR Instruments

Property, plant and equipment schedule balance of Kshs.230,590,827 as disclosed in Note 13 to the financial statements includes plant and machinery/tools and spares additions during the year amount of Kshs.38,125,808. This amount includes payments totalling Kshs.1,455,600 to the Company's officers for human resource department for discussion of the approved human resource instruments in Nakuru. However, the Management did not provide the approved human resource instruments for verification.

In the circumstances, the propriety of the expenditure of Kshs.1,455,600 could not be ascertained.

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 are in compliance, 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 because of significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Lack of Updated Strategic and Operation Plan

Review of records provided for audit revealed that the Company did not have a strategic plan and an operational plan in place. However, the Company continued using the previous strategic plan for the period 2017-2021 which had expired.

The Board did not have tools in place to measure the business operations of the organization due to lack of a valid strategic plan and an operational plan.

In the circumstances, there was no documented system to measure success, and demonstrate results, value and performance of the business operations and organization.

2.0 Lack of Audit Committee Reports

The Management did not provide the Audit Committee minutes for audit, contrary to Regulations 166(2) and 179(1) of the Public Finance Management Regulations, 2015, which requires the Audit Committee to carry out annual review of independence, performance and competency of the internal audit unit and comment on their

effectiveness in the annual report and also ensure that the Audit Committee meets at least once in every three months respectively.

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 overall 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have not been kept by the Company, so far as appears from the examination of those records; and,
- iii. The financial statements are not in agreement with the accounting records and returns.

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 its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to 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 the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance 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 Company'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 are in compliance 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 and submit the audit report in compliance with Article 229(7) 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. 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 Company to cease to continue as a going concern.
- 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 Company 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 to 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 Gathuwa, CBS
AUDITOR-GENERAL

Nairobi

30 March, 2023

NUMERICAL MACHINING COMPLEX LIMITED

Annual Report and Financial Statements for the year ended June 30, 2022

**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30TH JUNE 2022.**

	Note	2021-2022	2020-2021
		Kshs	Kshs
REVENUES			
Revenue	6	78,826,643	104,072,005
Cost of sales	7	(158,605,148)	(160,430,178)
Gross profit		(79,778,505)	(56,358,173)
Grants from the National Government	8	252,808,787	250,338,871
Other Income	9	130,081	57,775
TOTAL REVENUES		173,160,362	193,936,381
OPERATING EXPENSES			
Administration Costs	10	(220,250,572)	(224,813,618)
Selling and Distribution Costs	11	(12,103,063)	(9,229,353)
TOTAL OPERATING EXPENSES	12	(232,353,635)	(234,042,971)
PROFIT/(LOSS) BEFORE TAXATION		(59,193,273)	(40,004,498)
INCOME TAX EXPENSE/(CREDIT)		0	0
PROFIT/(LOSS) AFTER TAXATION		(59,193,273)	(40,004,498)
OTHER COMPREHENSIVE INCOME			
Fair value through comprehensive income		0	0
Surplus or deficit on revaluation of PPE		0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(59,193,273)	(40,004,498)

NUMERICAL MACHINING COMPLEX LIMITED

Annual Report and Financial Statements for the year ended June 30, 2022

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

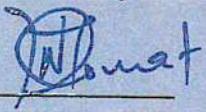
	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	230,590,826	255,260,032
Investment property	14	290,000,000	290,000,000
Total Non-Current Assets		520,590,826	545,260,032
Current Assets			
Inventories	15	75,966,022	66,726,189
Trade and other receivables	16	89,509,647	138,796,9
Bank and cash balances	17	156,779,424	212,598,582
Total Current Assets		322,255,093	418,121,679
TOTAL ASSETS		842,845,919	963,381,711
		=====	=====
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital	18	1,214,024,646	1,214,024,646
Revaluation reserve	19	158,993,190	158,993,190
Retained earnings	21	(1,726,117,837)	(1,666,924,564)
Capital Grants		1,024,882,420	1,071,861,20
Proposed dividends		0	
Capital and Reserves		671,782,419	777,954,479
Non-Current Liabilities			
Total Non-Current Liabilities			

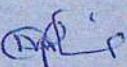
NUMERICAL MACHINING COMPLEX LIMITED

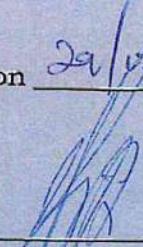
Annual Report and Financial Statements for the year ended June 30, 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Current Liabilities			
Trade and other payables	22	171,063,501	185,427,232
Total Current Liabilities		171,063,501	185,427,232
TOTAL EQUITY AND LIABILITIES		842,845,919	963,381,711
		=====	=====

The financial statements were approved by the Board on 22/07/2022 and signed on its behalf by:


Eng. David Mwadali


CPA Patrick Kariuki


Pastor Awitta

Managing Director

Head of Finance

MGH, EBS.ndc(K), Psc USA

ICPAK M/No.11770

Chairman

NUMERICAL MACHINING COMPLEX LIMITED

Annual Report and Financial Statements for the year ended June 30, 2022

XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital Development Grants/Fund	Total
At July 1, 2020	1,214,024,646	158,993,190		0	(1,626,920,066)	0	1,118,991,162
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(40,004,498)	-	-	(40,004,498)
Capital/Development grants received during the year	-	-	-	-	-	59,148,916	59,148,916
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(106,278,871)	(106,278,871)
Dividends paid - 2020	-	-	-	-	-	-	-
Interim dividends paid - 2020	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-

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	At June 30, 2021	1,214,024,646	158,993,190	0	(1,666,924,564)	0	1,071,861,207	777,954,479
At July 1, 2021	1,214,024,646	158,993,190	0	(1,666,924,564)	0	1,071,861,207	777,954,479	
Issue of new share capital	-	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(59,193,273)	-	-	(59,193,273)	
Capital/Development grants received during the year	-	-	-	-	-	35,000,000	35,000,000	
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(81,978,787)	(81,978,787)	
Dividends paid - 2021	-	-	-	-	-	-	-	-
Interim dividends paid - 2021	-	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-	-
At June 30, 2022	1,214,024,646	158,993,190	0	(1,726,117,837)	0	1,024,882,420	671,782,419	

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	23	38,711,604	(17,105,507)
Net cash generated from/(used in) operating activities		38,711,604	(17,105,507)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(47,551,976)	(79,630,467)
Net cash generated from/(used in) investing activities		(8,840,372)	(79,630,467)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in capital grants		(46,978,786)	(47,129,955)
<i>(See the movement in statement of changes in Equity)</i>			
Net cash generated from/(used in) financing activities		(46,978,786)	(47,129,955)
INCREASE IN CASH AND CASH EQUIVALENTS		(55,819,158)	(143,865,924)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		212,598,582	356,464,511
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	17	156,779,424	212,598,582

NUMERICAL MACHINING COMPLEX LIMITED

Annual Report and Financial Statements for the year ended June 30, 2022

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD
ENDED 30 JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage Variation
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	
Revenue	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	
Sale of goods	260,000	(27,770)	233,230	78,827	(154,403)	(66%)
Transfers from the Government	144,060	27,770	170,830	170,830	0	0
Other income-Deferred & Miscellaneous	103,589	-	1,000	130	(870)	(87%)
Total income	507,649	-	405,060	249,787	(155,273)	
Expenses						
Compensation of employees	174,689		174,689	168,124	6,565	4%
Use of goods and services	141,146	-	141,146	68,410	72,736	52%
Other payments	187,207	10,060	84,618	72,446	12,172	14%
Total expenditure	503,042	-	400,453	308,980	91,473	
Surplus for the period	4,607	-	4,607	(59,193)	(63,800)	

1. Sale of goods

The company did not achieve 66% of the projected revenues. These revenues were to be generated from diversified product lines. This was affected by cash inflow inadequacy and difficulties in getting production inputs as a result of delays caused by the impact of the COVID -19 pandemic.

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Annual Report and Financial Statements for the year ended June 30, 2022

2. Other Incomes

Under this category the company was planning to dispose obsolete items but this didn't happen and sales of tender documents. Currently most suppliers opt to down free copies of bidding document from the website hence not paying for the hand copies

3. Use of goods and service.

Consumption of production materials had a variance of 52%. This is occasioned by low levels of production in the year under review.

4. Other payments

During the year under review, the company projected to use some money generated through its projected revenues. These revenue targets were however not met, as indicated above and as such some of expenses projected to be met out of those funds could not be incurred giving a variance of 14%.

XVIII. NOTES TO THE FINANCIAL STATEMENTS**1. General Information**

Numerical Machining Complex Ltd is established by and derives its authority and accountability from the Companies Act. The company is wholly owned by the Government of Kenya through 49% of equity held by Kenya Ship yard Ltd and 51% held by Kenya Railways Corporation and is domiciled in Kenya. The company's principal activity is the commercial production of steel, engineering design and development of machinery and components.

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 company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

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.

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. <i>The standard is relevant to NMC Ltd for FY 2021/22</i>
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. <i>The standard is not relevant to NMC Ltd for FY 2021/22</i>
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Title	Description	Effective Date
		<i>The standard is not relevant to NMC Ltd for FY 2021/22)</i>
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	<p>The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.</p> <p><i>The standard is not relevant to NMC Ltd for FY 2021/22)</i></p>
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	<p>The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.</p> <p><i>The standard is not relevant to NMC Ltd for FY 2021/22)</i></p>

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

ii. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	<p>The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.</p> <p><i>The standard is not relevant to NMC Ltd for FY 2021/22)</i></p>
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	<p>The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.</p> <p><i>The standard is not relevant to NMC Ltd for FY 2021/22)</i></p>
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.</p> <p><i>The standard is not relevant to NMC Ltd for FY 2021/22)</i></p>
IAS 12 — Income Taxes	<p>IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of</p>	<p>Earlier application is permitted.</p> <p>The</p>

Title	Description	Effective Date
	<p>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, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.</p>	<p>amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.</p> <p><i>The standard is not relevant to NMC Ltd for FY 2021/22)</i></p>

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Summary of Significant Accounting Policies

The principal 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 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 interest implicit in lease agreements.
- vi) **Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**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 recognised 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 useful rates in use are:

Freehold Land	Nil
Buildings and civil works period	50 years or 2% the unexpired lease
Plant and machinery	8 years or 12.5%
Motor vehicles, including motor cycles	5 years or 20%
Computers and related equipment	3 years or 33.33%
Office equipment, furniture and fittings	8 years or 12.5%

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**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.

Summary of Significant Accounting Policies**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 recognised 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**Summary of Significant Accounting Policies**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**Summary of Significant Accounting Policies**

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**Summary of Significant Accounting Policies**

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 authorised 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 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 on 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.

s) 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.

t) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2020. 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. 200 per employee per month.

u) Provision for staff leave pay

Employees' entitlements to annual leave are recognised 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 recognised in profit or loss.

w) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly on 24/08/2021. 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 Kshs. 86,000,000 on the 2021-2022 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 incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**Summary of Significant Accounting Policies**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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, 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**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.

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

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

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

NUMERICAL MACHINING COMPLEX LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 REVENUE

	2021/2022	2020/2021
	Kshs	Kshs
Manufacture of Machine tools	179,529	590,088
Casting of ferrous foundry products	9,549,137	10,688,718
Manufacture of general spares & Components	17,044,523	16,360,289
General Fabrication	37,195,046	65,579,148
Training & Sale of Engineering software	14,483,447	10,533,674
Engineering Services	374,961	320,088
Net sales of goods	78,826,643	104,072,005

7 COST OF SALES

	2021/2022	2020/2021
	Kshs	Kshs
Cost of sales on goods	52,871,726	54,654,707
Cost of sales-Direct labour	90,195,180	91,294,104
Cost of sales on services-Electricity	15,264,248	14,259,381
Cost of sales on services-Water	273,994	221,986
Total	158,605,148	160,430,178

8 GRANTS FROM NATIONAL GOVERNMENT

	2021/2022	2020/2021
	Kshs	Kshs
Recurrent grants received	170,830,000	144,060,000
Capital grants realized (see note below)	81,978,787	106,278,871
In Kind contributions/ donations		
Total	252,808,787	250,338,871

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount amortized under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2021-2022 KShs
Ministry of Industry, Trade & Enterprise Development	170,830,000	81,978,787	35,000,000	287,808,787	309,487,787
Total	170,830,000	81,978,787	35,000,000	287,808,787	309,487,787

NUMERICAL MACHINING COMPLEX LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)**9 OTHER INCOME**

	2021/2022	2020/2021
Description	Kshs	Kshs
Other miscellaneous receipts	130,081	57,775
Total	130,081	57,775

10 (a) ADMINISTRATION COSTS

	2021/2022	2020/2021
Description	Kshs	Kshs
Staff costs (note 10b)	68,886,806	63,756,751
Directors' emoluments	2,290,387	6,121,086
Electricity and water	1,787,359	2,000,000
Communication services and supplies	1,075,256	1,013,269
Transportation, travelling and subsistence	3,757,006	4,805,661
Advertising, printing, stationery and photocopying	657,446	695,739
Staff training expenses	11,803,499	25,485,506
Hospitality supplies and services	2,190,150	1,697,925
Insurance costs	998,795	828,560
Staff medical costs	17,443,609	11,659,643
Bank charges and commissions	677,185	808,201
Office and general supplies and services	2,388,451	1,585,059
Auditors' remuneration	600,000	600,000
Legal fees	3,906,990	2,924,084
Repairs and maintenance	6,450,871	2,588,555
Provision for bad and doubtful debts	1,294,652	3,616,535
Depreciation	72,221,181	76,426,102
Other operating expenses	21,820,929	18,200,942
Total	220,250,572	224,813,618

NUMERICAL MACHINING COMPLEX LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (b) STAFF COSTS

Description	2021/2022	2020/2021
	Kshs	Kshs
Salaries and allowances of permanent employees	143,232,810	137,622,805
Wages of temporary employees	5,304,197	6,692,407
Medical Insurance Schemes	0	
Employer's contributions to national social security schemes	310,000	320,000
Employer's contributions to pension scheme	8,651,979	9,270,533
Leave pay	0	
Gratuity provisions	1,116,000	1,116,000
Fringe benefit tax	0	
Staff welfare	467,000	29,110
Sub-Total	159,081,986	155,050,855
Less: Direct Labour	(90,195,180)	(91,294,104)
TOTAL	68,886,806	63,756,751
The average number of employees at the end of the year was:		
Permanent employees – Management	9	11
Permanent employees – Unionisable	117	110
Temporary and contracted employees	3	17
Total	128	138

11 SELLING AND DISTRIBUTION COSTS

Description	2021/2022	2020/2021
	Kshs	Kshs
Salaries and wages of sales personnel	9,041,793	6,889,803
Marketing and promotional expenses	3,061,270	2,339,550
Total	12,103,063	9,229,353

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 OPERATING PROFIT/(LOSS)

	2021/2022 Kshs	2020/2021 Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 10b)	68,886,806	63,756,751
Selling and distribution Expenses	12,103,063	9,229,353
Other Administration costs	74,957,546	74,293,145
Depreciation of property, plant and equipment	72,221,181	76,426,102
Provision for bad and doubtful debts	1,294,652	3,616,535
Directors' emoluments – fees	1,573,000	5,730,374
- other	717,387	390,712
Auditors' remuneration - current year fees	600,000	600,000
Total	232,353,635	234,042,972

NUMERICAL MACHINING COMPLEX LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

COST OR VALUATION	2022	Buildings & civil works	Plant and machinery/Tools and spares	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
At July 1, 2021	59,294,829	1,275,825,758	27,181,661	72,755,878	9,377,363	11,076,103		1,455,511,592
Additions	4,525,539	38,125,808	0	3,213,511	1,687,118	0	47,551,976	
Transfers								
Disposals								
At June 30, 2022	63,820,368	1,313,951,566	27,181,661	75,969,389	11,064,481	11,076,103		1,503,063,568
DEPRECIATION								
At July 1, 2021	22,630,260	1,070,689,726	27,181,661	70,562,727	9,187,186			1,200,251,560
Charge for the year	1,276,407	68,175,832		2,249,831	519,112			72,221,181
Impairment loss								
Eliminated on disposal								
At June 30, 2022	23,906,667	1,138,865,558	27,181,661	72,812,558	9,706,298	0		1,272,472,741
NET BOOK VALUE At June 30, 2022	39,913,701	175,086,007	0	3,156,832	1,358,184	11,076,103		230,590,827

NUMERICAL MACHINING COMPLEX LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2021	Buildings & civil works	Plant and machinery/Tools and spares	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION							
At July 1, 2020	59,294,829	1,199,238,772	27,181,661	69,712,397	9,377,363	11,076,103	1,375,881,125
Additions		76,586,986		3,043,481			79,630,467
Transfers							
Disposals							
At June 30, 2021	59,294,829	1,275,825,758	27,181,661	72,755,878	9,377,363	11,076,103	1,455,511,592
DEPRECIATION							
At July 1, 2020	21,444,364	997,041,832	27,181,661	69,357,733	8,799,868	-	1,123,825,458
Charge for the year	1,185,896	73,647,894		1,204,994	387,318		76,426,102
Impairment loss							
Eliminated on disposal							
At June 30, 2021	22,630,260	1,070,689,726	27,181,661	70,562,727	9,187,186	0	1,200,251,560
NET BOOK VALUE At June 30, 2021	36,664,569	205,136,032	0	2,193,151	190,177	11,076,103	255,260,032

Working Capital included Kshs. 11,076,103 which was for feasibility study for integrated iron steel mill.

NUMERICAL MACHINING COMPLEX LIMITED

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Valuation

Land and building were valued by S.G Shelter Spear Properties Limited independent valuer on 23rd March 2022 market value basis of valuation. These amounts were adopted on 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 (b) Property, plant and Equipment

If the freehold land, building and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost Kshs	Accumulated Depreciation		NBV Kshs
		Kshs	Kshs	
Land	290,000,000			290,000,000
Buildings	63,820,368	(23,906,667)		39,913,701
Plant And Machinery	1,313,951,566	(1,138,865,558)		175,086,007
Motor Vehicles, Including Motorcycles	27,181,661	(27,181,661)		0
Computers And Related Equipment	75,969,389	(72,812,558)		3,156,831
Office Equipment, Furniture, And Fittings	11,064,481	(9,706,298)		1,358,183
Capital work in progress	11,076,103	0		11,076,103
	1,793,063,568	(1,272,472,741)		520,590,825

NUMERICAL MACHINING COMPLEX LIMITED

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, plant and equipment include the following items that are fully depreciated:

	Cost or Valuation charge	Normal Annual depreciation charge
Plant and machinery	777,418,128	90,362,734
Motor vehicles, including motor cycles	27,181,161	5,436,232
Computers and related equipment	69,219,897	23,073,299
Furniture and Fittings	6,911,588	863,949
	880,730,774	119,736,314
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INVESTMENT PROPERTY/PPE

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	290,000,000	290,000,000
Movements during the year		
Closing valuation	290,000,000	290,000,000
	=====	=====
DEPRECIATION (IF AT COST)		
At June 30	-	-
	=====	=====
NET BOOK VALUE		
At June 30	290,000,000	290,000,000
	=====	=====

The company has an investment of 703.59 Hectares of Land at Athi River. Out of this a total of 242.89 Hectares has been sold leaving a balance of 460.70 Hectares as investment in property worth Kshs 131,006,810. The property was valued in 1995 and this does not reflect the actual fair market value of the property. A revaluation by the Ministry of Lands to Kshs. 290 million done in 2009 has been included in the financial statements after the same had been adopted by Board of Directors.

15 INVENTORIES

	2021-2022	2020-2021
	Kshs	Kshs
CNC Engineering stores	46,184,193	25,597,170
Foundry Engineering stores	28,775,291	40,273,895
Stationery and general stores	1,006,539	855,124
	=====	=====
	75,966,023	66,726,189
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 TRADE AND OTHER RECEIVABLES

	2021-2022	2020-2021
	Kshs	Kshs
Trade receivables (note 15 (a))	88,688,633	113,047,243
Deposits and prepayments	12,074,192	42,914,741
VAT recoverable	8,405,404	1,415,948
Staff receivables (note 15 (d))	4,134,253	3,917,160
Other receivables	6,753,215	6,753,215
Gross trade and other receivables	120,055,697	168,048,307
Provision for bad and doubtful receivable (note 15 (c))	(30,546,050)	(29,251,399)
	=====	=====
Net trade and other receivables	89,509,647	138,796,908
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 (a) TRADE RECEIVABLES

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	88,688,633	113,047,243
Provision for doubtful receivables	(30,546,050)	(29,251,399)
	58,142,583	83,795,844
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	6,711,089	22,721,074
Between 30 and 60 days	(186,615)	8,496,496
Between 61 and 90 days	934,126	6,505,435
Between 91 and 120 days	2,046,476	3,385,141
Over 120 days	79,183,556	71,939,097
	88,688,633	113,047,243
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
At the beginning of the year	88,688,633	113,047,243
Additional provisions during the year	(30,546,050)	(29,251,399)
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	58,142,583	83,795,844

15 (c) PROVISION FOR BAD AND DOUBTFUL DEBTS

PROVISION FOR BAD DEBTS	-	-
	2022	2021
	KSHS	KSHS
Debts balance As At 30.06.2022	88,688,633	113,047,243
Less:		
Specific Provisions	(26,983,528)	(25,167,021)
	61,705,105	87,880,222
Specific Provision Debts over six Years	26,983,528	25,167,021
General Provision-2% of 61,705,105	1,234,102	1,755,958
Total provision for FY 2021/2022	28,217,630	26,922,979
Less: Total provision for FY 2020/2021	26,922,979	(23,306,443)
(Decrease) or increase in provision for bad debts	1,294,652	3,616,535
Provision for bad debts 2020/2021	29,251,399	25,634,863
Less/Add: Decrease in bad debts	1,294,652	3,616,535
Provision for bad debts 2021/2022	30,546,050	29,251,399

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 (d) STAFF RECEIVABLES

	2021-2022	2020-2021
	Kshs	Kshs
Gross staff loans and advances	4,134,253	3,917,160
Provision for impairment loss	(2,423,726)	(1,891,954)
Less: Amounts due within one year	(1,710,527)	(2,025,206)
Amounts due after one year	-----	-----
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 BANK AND CASH BALANCES

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	156,779,424	212,598,582
Cash in hand	0	0
	—	—
	156,779,424	212,598,582
	=====	=====

The cash was held at KCB Bank group the company's main banker

Detailed analysis of cash and cash equivalents

		2021-2022	2020-2021
Financial Institutions	Account Number	Kshs	Kshs
KCB Bank Ltd	1107169453	5,048,160	8,815,260
KCB Bank Ltd	1127662244	151,367,882	202,998,147
KCB Bank Ltd	1271475049	363,382	785,175
Total		156,779,424	212,598,582

18 ORDINARY SHARE CAPITAL

	2021-2022	2020-2021
	Kshs	Kshs
Authorised:		
75,000,000 ordinary shares of Kshs. 10 par value each	750,000,000	750,000,000
	=====	=====
Issued and fully paid:		
75,000,000 ordinary shares of Kshs. par value each	-	-
	=====	=====

The shares are owned by 2 entities i.e., Kenya Railways Corporation and Kenya Shipyard Limited consisting of 38,250,000 and 36,750,000 shares respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

20 FAIR VALUE ADJUSTMENT RESERVE

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

21 RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

22 TRADE AND OTHER PAYABLES

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	30,714,091	43,834,308
Accrued expenses	74,389,400	74,550,438
Retention/ contract monies	0	0
Deposits	0	0
Employee payables	0	0
Other payables	65,960,009	67,042,486
	171,063,501	185,427,232
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 NOTES TO THE STATEMENT OF CASH FLOWS

	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating loss	(59,193,273)	(40,004,498)
Depreciation	72,221,181	76,426,102
Amortisation	0	0
Inventory revaluation	0	0
(Gain)/loss on disposal of property, plant and equipment	0	0
Operating profit/(loss) before working capital changes	13,027,908	36,421,604
Increase in inventories	(9,239,833)	(17,190,593)
Increase in trade and other receivables	49,287,260	(47,149,267)
Increase in trade and other payables	(14,363,731)	10,812,749
Increase/(decrease) in retirement benefit obligations	0	0
Increase/(decrease) in provision for staff leave pay	0	0
Cash generated from/(used in) operations	38,711,604	(17,105,507)
	=====	=====
(c) Analysis of cash and cash equivalents		
Short term deposits		
Cash at bank	156,779,424	212,598,582
Cash in hand		
Balance at end of the year	156,779,424	212,598,582
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 RELATED PARTY DISCLOSURES

Government of Kenya

The Government of Kenya is the principal shareholder of Numerical Machining Complex Ltd holding 100% through 49% by Kenya Shipyard Limited and 51% Kenya Railways Corporation.

Other related parties include:

Other related parties include:

- i) Ministry of Industry Trade and Cooperatives
- ii) Key management;
- iii) Board of directors;

25 CAPITAL COMMITMENTS

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2021-2022	2020-2021
	Kshs	Kshs
Amounts authorised and contracted for	35,000,000	59,148,916
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	35,000,000	59,148,916
	=====	=====

26 CONTINGENT LIABILITIES

	2021-2022	2020-2021
	Kshs	Kshs
Disputed tax penalties	57,282,747	57,782,747
	_____	_____
	57,282,747	57,782,747
	=====	=====

The company has an outstanding matter of tax payable to Kenya Revenue Authority of Kshs 31,517,862 being the difference between the self-assessed amounts of Kshs 25,764,885 which has been outstanding for a long time. In their assessment, KRA tax audit had given a total tax payable of Kshs. 57,282,747. The management has agreed

with KRA on a suitable payment schedule to pay the principal amount after which the two parties will agree on modalities to waive the penalties.

27 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 minimize 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Trade Receivable	88,688,633	9,505,076	79,183,557	(30,546,050)
Bank balances	156,779,424	156,779,424	-	-
Total	245,468,057	166,284,500	79,183,557	(30,546,050)
At 30 June 2021				
Trade Receivable	112,964,931	41,025,833	71,939,098	(29,251,399)
Bank balances	212,598,582	212,598,582	-	-
Total	325,563,513	253,624,415	71,939,098	(29,251,399)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from trade receivables. The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 FINANCIAL RISK MANAGEMENT (Continued)
(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade payables	7,293,743	1,444,208	21,976,140	30,714,091
Total	7,293,743	1,444,208	21,976,140	30,714,091
At 30 June 2021				
Trade payables	32,924,687	(2,877,761)	13,787,382	43,834,308
Total	32,924,687	(2,877,761)	13,787,382	43,834,308

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**27 FINANCIAL RISK MANAGEMENT (Continued)****(iii) Market risk (Continued)****a) Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company did not have any interest borrowing in the current finance period hence no exposure to interest rate risks.

28 INCOPORATION

The entity is incorporated in Kenya under the Kenyan Companies Act (Cap 486) and is domiciled in Kenya.

29 EVENTS AFTER THE REPORTING PERIOD

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

30 CURRENCY

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

**APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR-GENERAL PRIOR YEAR
RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference e No. on the external audit Report	Issue/Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1.	Lack of land Valuation, Issuance of title for sold land	The resurveying and securing of the parcel had been halted by court cases since 2010. However, a ruling made on 29th March 2019 in favor of NMC has granted permission for the said activities. NMC is in the process of doing valuation of the property so that the actual value can be determined Processing of title deeds is currently underway and several titles have been issued to rightful owners of the sold parcels of land. A cabinet memo to install beacons, secure the parcel of land & remove squatters and revalue the investment property is in progress.	Board of Directors/ MD	On-going	June 2022
2.	Long outstanding Tax Payable	The management has been working closely with KRA to ensure the issue is amicably settled. A review of NMC tax position was to be conducted by KRA and	MD/Finance Manager	In-Progress	June 2022

		recommendations sort to address writing off of the long outstanding. The tax was estimates in 2014 and the audit team that did the assessment has since been moved. Our account has also been moved from Times tower to Sameer Park and currently at CBC Centre – Public sector division where our ITax is clean and TCC issued. Our letter to KRA in regards to this tax matter is yet to be addressed			
3.	Trade Receivables	<p>The statement of financial position as at 30 June, 2020 reflects a figure of Kshs 75,085,243 for Trade and other Receivables. The following anomalies were noted;</p> <ol style="list-style-type: none"> 1. Reconciliation of the account is in progress to establish the actual balances of the debtors 2. The management is in the process of compiling a report to table to the Board of Directors in order to have the amounts written off as per section 148 of the PFM Regulations. 3. Measures have been put in place to ensure the credit limits of 60 days for customers are adhered to. 	Finance manager	In-Progress	June 2022
4.	Unconfirmed status of fixed Assets	The management has taken measures to have a fixed asset register with a list of assets together with their location being identified. Further actions that the management intends to take are to	Finance Manager	In-Progress	June 2022

		include valuation of all assets to ascertain their fair market values. Valution of these asset is in progress and will address this matter			
5.	Trade and Others Payables	This includes a figure of Tax payable of Kshs. 57,782,747 which is dispute and being reassessed by KRA. Additionally there is a figure includes accrued tax on gratuity which require reconciliation of Kshs. 54,416,621	Finance Manager	In- Progr ess	June 2022

Guidance Notes:

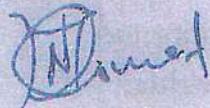
- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting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

Accounting Officer

Name: Eng. David Mwadali

Managing Director

Signature



Date.....

APPENDIX II: PROJECT IMPLEMENTATION BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/ No)	Consolidated in these financial statements (Yes/ No)
1	-	-	-	-	-	-

Status of Projects completion

	Project	Total project Cost Ksh In Million	Total expended to date Ksh In Million	Completion % to date	Budget	Actual	Sources of funds
1	Modernization of Foundry & CNC workshop	1,788	592	33%	-	-	GoK

The company did not implement any project funded by development partners.

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:	Numerical Machining Complex																																																										
Break down of Transfers from the State Department for Industry																																																											
FY 2021/2022																																																											
a. Recurrent Grants																																																											
<table border="1"> <thead> <tr> <th><u>Bank Statement</u></th> <th><u>Date</u></th> <th><u>Amount (KShs)</u></th> <th><u>Indicate the FY to which the amounts relate</u></th> </tr> </thead> <tbody> <tr><td></td><td>26/08/2021</td><td>14,235,833</td><td>2021/2022</td></tr> <tr><td></td><td>03/09/2021</td><td>14,235,833</td><td>2021/2022</td></tr> <tr><td></td><td>30/09/2021</td><td>14,235,834</td><td>2021/2022</td></tr> <tr><td></td><td>01/11/2021</td><td>14,235,834</td><td>2021/2022</td></tr> <tr><td></td><td>01/11/2021</td><td>14,235,833</td><td>2021/2022</td></tr> <tr><td></td><td>02/12/2021</td><td>14,235,833</td><td>2021/2022</td></tr> <tr><td></td><td>17/01/2022</td><td>14,235,833</td><td>2021/2022</td></tr> <tr><td></td><td>03/03/2022</td><td>14,235,833</td><td>2021/2022</td></tr> <tr><td></td><td>01/04/2022</td><td>14,235,834</td><td>2021/2022</td></tr> <tr><td></td><td>05/05/2022</td><td>14,235,834</td><td>2021/2022</td></tr> <tr><td></td><td>06/06/2022</td><td>14,235,833</td><td>2021/2022</td></tr> <tr><td></td><td>27/06/2022</td><td>14,235,833</td><td>2021/2022</td></tr> <tr> <td></td><td>Total</td><td>170,830,000</td><td></td></tr> </tbody> </table>				<u>Bank Statement</u>	<u>Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>		26/08/2021	14,235,833	2021/2022		03/09/2021	14,235,833	2021/2022		30/09/2021	14,235,834	2021/2022		01/11/2021	14,235,834	2021/2022		01/11/2021	14,235,833	2021/2022		02/12/2021	14,235,833	2021/2022		17/01/2022	14,235,833	2021/2022		03/03/2022	14,235,833	2021/2022		01/04/2022	14,235,834	2021/2022		05/05/2022	14,235,834	2021/2022		06/06/2022	14,235,833	2021/2022		27/06/2022	14,235,833	2021/2022		Total	170,830,000	
<u>Bank Statement</u>	<u>Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>																																																								
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	Total	35,000,000																																																									

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

Finance Manager

Numerical Machining Complex Ltd

Development

Head of Accounting Unit

Ministry of Industry, trade and Enterprise

Sign

ap/

Sign

LR

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent /Development/Others	Total Amount - KES	Where Recorded/recognized							
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivable	Others	Total Transfers		
Ministry of Planning and Devolution	0	Recurrent	-	-	-	-	-	-	-	-	-
Ministry of Planning and Devolution	0	Development	-	-	-	-	-	-	-	-	-
USAID	0	Donor Fund	-	-	-	-	-	-	-	-	-
Ministry of Planning and Devolution	0	Direct Payment	-	-	-	-	-	-	-	-	-
Total											

APPENDIX V- INTER-ENTITY CONFIRMATION LETTER

[Insert your Letterhead]

[Insert name of beneficiary entity!]

[Insert Address]

The [insert SC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 th June 2021 (E)	Difference (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary entity:

Name *Patrick Kariuki* Sign *PK* Date *25/06/22*