



**MINISTRY OF NATURAL RESOURCES,
ENERGY AND MINING**

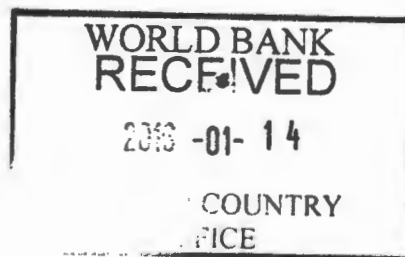
MINING GOVERNANCE AND GROWTH SUPPORT PROJECT

PROJECT NUMBER : P 120825

CREDIT NUMBER : IDA 049010

GRANT NUMBER : TF 12935

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2015**



**NATIONAL AUDIT OFFICE
P O BOX 30045
LILONGWE 3**

**MINING GOVERNANCE AND GROWTH SUPPORT PROJECT
PROJECT IDENTITY NUMBER-P120825
INTERNATIONAL DEVELOPMENT ASSOCIATION-CREDIT NUMBER IDA 049010
EUROPEAN UNION-GRANT NUMBER TF12935
FOR THE YEAR ENDED 30 JUNE 2015**

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**MINING GOVERNANCE AND GROWTH SUPPORT PROJECT
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FOR THE YEAR ENDED 30 JUNE 2015**

CONTROLLING OFFICER'S REPORT

1.0 Project Background and Description

Government of Malawi prioritised the mining sector and included it in its priority within priorities as espoused in the Malawi Growth and Development Strategy (MDGS). According to the MGDS, mining is expected to contribute to economic diversification and development. In the MGDS II, mining is expected to contribute 20% of Gross Domestic Product by 2016. In order to achieve this objective, the government needs to create an enabling environment for mining and improve the mining sector governance.

The Mining Governance and Growth Support Project (MGGSP) was designed by the Malawi Government (GoM) in consistent with the Government's aim to diversify the economy from agro to mineral based. The Project became effective on 23rd August 2012. The overall coordination, and management of the Project is carried by the Ministry of Natural Resources, Energy and Mining while implementation of the Project is being undertaken by key implementing institutions which are Department of Geological Surveys, Department of Mines, Department of Environmental Affairs, Ministry of Finance, Ministry of Education and Malawi Revenue Authority. The Project is being financed by a loan in the amount of US\$25 million from International Development Agency (IDA) and a grant of approximately US\$6 million equivalent in co-financing from the European Union making a total of US\$31 million.

The Project Development Objective (PDO) is to improve the efficiency, transparency and sustainability of mining sector management. Apart from being consistent with the national development agenda, the project objective is also in line with the themes of *Promoting Sustainable, Diversified, and Inclusive Growth* and *Improving Governance* contained in the 2012-2015 draft Country Assistance Strategy of the World Bank. The PDO will be achieved by:

- Creating a conducive legal and regulatory framework
- Updating geological information
- Developing human capacity for the sector, and
- Maximizing revenue collection by Government

The following PDO results indicators are being used to assess project implementation success;

- (i) *Efficiency*: a reduction in the days needed on average to issue mineral rights;
- (ii) *Transparency*: annual public reporting of mineral sector tax revenues; and
- (iii) *Sustainability*: an increase in the percentage of mining operations subjected to environmental certification.

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1.1 Project Components

The project design comprises activities to be implemented under three components plus project implementation, as a fourth component. Highlights of the Projects Components are given below:

1.1.1 Component A: Managing Mineral Rights and Operations

The objective of this project component is to support the Government to build an efficient, transparent and environmentally and socially sustainable framework for managing mineral rights and operations. To achieve this, the project will support the following:

A-1 Public Communications, Outreach and Stakeholder Dialogue by setting up the structure and support arrangements for continuous and formalized dialogue among stakeholders on mining policy issues and oversight of policy implementation, as well as design of Ministry of Mining's communications and outreach functions.

A-2 Reforming Minerals Legislation by finalizing the new mining law and developing a body of regulations to give effect to it, covering mineral licensing, monitoring and inspection functions, health, safety and environmental standards, and a model Mining Development Agreement.

A-3 Modernizing Minerals Licensing by establishing a modern computer-based cadastral system and administrative arrangements for the efficient and transparent allocation and management of mineral exploration and mining rights by Ministry of Mining.

A-4 Strengthening Mineral Operations Supervision by building capacity of Ministry of Mining for regular monitoring and inspections of exploration, mining and mineral processing operations using appropriate equipment.

A-5 Strengthening Environmental and Social Management of Mining by establishing a comprehensive environmental and social management framework and robust monitoring systems at central, district and community levels.

1.1.2 Component B: Generating and Managing Mineral Revenues

The objective of this project component is to support the Government to develop transparent arrangements for optimal generation and use of mineral revenues. To achieve this, the project will support the following:

B-1: Reforming the Mineral Royalty and Tax Regime by completing the establishment of a coherent, standardized and globally competitive fiscal regime

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for mining through design and implementation of suitable royalty and tax regulations.

B-2: Maximizing Mineral Revenue Collection by building capacity in royalty and tax administration.

B-3: Building Mineral Revenue Transparency so that revenue collection arrangements can be subjected to scrutiny and assurances given to the public that revenues are being properly accounted for.

B-4: Developing Mineral Revenue Forecasting as part of the Government's annual budget preparation cycle and medium-term macro-economic planning.

B-5: Developing Mineral Revenue Management Policies to deal with potentially large and volatile mineral revenue flows and determine allocations made from funds collected.

1.1.3 Component C: Promoting the Mining Sector

The objective of this project component is to support the Government to improve the enabling environment for mining sector development by acquiring and disseminating geo-data, fostering more sustainable artisanal and small scale mining, increasing the supply of Malawians trained at tertiary level in mining-related disciplines and improving the policy environment for mining-related infrastructure development. To achieve this, the project will support the following:

C-1 Program of Geo-data Acquisition, Interpretation and Promotion, including a comprehensive country-wide airborne geo-physical survey to acquire new data, interpretation studies and resource assessments to identify promising mineral opportunities and activities to promote investor interest.

C-2 Establishing a Geo-Data Management Center to digitize, store and increase on-line access to geo-data.

C-3 Program of Training and Awareness Raising for Artisanal Mining to gradually improve Artisanal and Small scale Mining (ASM) practices and institutional support to the ASM sub-sector.

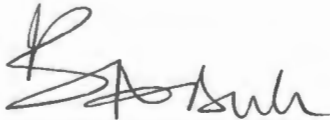
C-4 Building Capacity for Tertiary Education in Mining to increase the supply of Malawians qualified at tertiary level in mining-related disciplines in order to help build the regulatory capacity of government institutions and to alleviate the chronic skills shortage faced by a fast growing mineral sector.

C-5 PPP Framework for Mining-related Infrastructure to assist the Government roll-out the Public Private Partnership (PPP) framework to the mining sector, through support to Ministry of Mining in tailoring the framework to mining-related infrastructure development and building requisite expertise.

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1.1.4 Component D: Project Management

This component provides implementation support to Ministry of Natural Resources, Energy and Mining in undertaking project management, in accordance with the Bank's fiduciary and other guidelines, including incremental operating costs, equipment, training on fiduciary and project management issues, project audits and engagement of technical advisers to provide technical expertise on project performance monitoring and planning.



Ben B. Botolo
SECRETARY FOR NATURAL RESOURCES, ENERGY AND MINING

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STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of Mining Governance and Growth Support Project is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the project as at the end of the financial year/period and of the operating results for that year.

The management is also required to ensure that the project keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the project and enable them to ensure that the financial statements comply with the financial agreements and statutes.

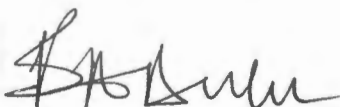
In preparing the financial statements the management accepts responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgment and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards when preparing the consolidated financial statements, subject to any material departures being disclosed and explained in the consolidated financial statements.

The management also accepts responsibility for taking such steps as are reasonably open to them to safeguard the assets of the project and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities

The management is of the opinion that the financial statements give a true and fair view of the financial affairs of the project and of its operating results.

The financial statements have been approved by the Ministry of Natural Resources, Energy and Mining on ..12/01/16....and are signed on its behalf by:



**Ben B. Botolo
SECRETARY FOR NATURAL RESOURCES, ENERGY AND MINING**

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E-Mail: nao@nao.mw

The Auditor General,
P. O. Box 30045,
Capital City,
Lilongwe 3.
MALAWI.



AUDITOR GENERAL

AUDITOR GENERAL'S REPORT TO THE SECRETARY FOR NATURAL REOURCES, ENERGY AND MINING ON THE FINANCIAL STATEMENTS OF THE GOVERNANCE AND GROWTH SUPPORT PROJECT FOR THE YEAR ENDED 30 JUNE, 2015

I have audited the accompanying Statement of Financial Position of Mining Governance and Growth Support Project; credit number IDA 049010 and grant number TF 12935 and Statement of Sources and Use of funds for the year ended June, 2015 and related notes as set out on pages 10 to 21.

Management's responsibility for the financial statements

The Management of Mining Governance and Growth Support Project is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS), Donor terms of agreement, in line with section 5.09 of the General Conditions of the International Bank for Reconstruction and Development. This responsibility includes: designing, implementing and maintaining internal control system relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my judgment,

including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider internal control system relevant to the project's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control system.

An audit also includes evaluating the appropriateness of accounting policies used, as well as evaluating the overall presentation of financial statements.

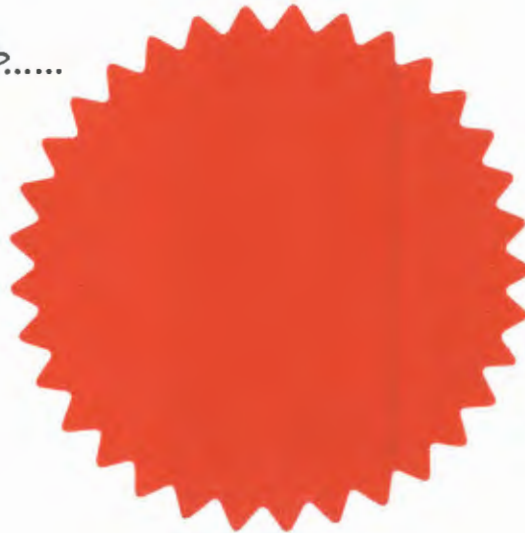
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mining Governance and Growth Support Project funded by the World Bank and European Union as at 30th June 2015, in accordance with the International Public Sector Accounting Standards (IPSAS), Donor terms of agreement, in line with section 5.09 of the General Conditions of the International Bank for Reconstruction and Development.


S.D.L. Kamphasa

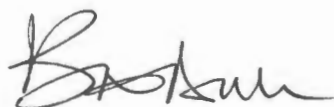
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FOR THE YEAR ENDED 30 JUNE 2015

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

ASSETS	NOTES	As at June 2015		As at June 2014	
		USD	MWk'000	USD	MWk'000
Non-current Assets					
Property, Plant & Equipment	5	1,677,879	652,647	996,445	361,852
Current Assets					
Cash and Bank	6	<u>590,280</u>	<u>270,876</u>	<u>434,285</u>	<u>167,605</u>
TOTAL ASSETS		<u>2,268,159</u>	<u>923,524</u>	<u>1,430,730</u>	<u>529,457</u>
FINANCED BY					
IDA 49010	7	11,851,506	4,750,581	7,454,512	2,868,781
TF 12935	7	2,295,717	910,183	1,287,668	492,324
Goods	8	(58,205)	(14,541)	(63,419)	(22,382)
Works	9	(61,278)	(25,229)	(17,246)	(6,804)
Consultants	9	(2,359,233)	(968,178)	(772,839)	(304,375)
Non-consulting	9	(3,709,242)	(1,467,926)	(3,525,064)	(1,390,860)
Training	9	(2,151,557)	(848,327)	(1,239,253)	(466,587)
Workshops	9	(288,793)	(118,369)	(103,504)	(40,839)
Operating Costs	9	<u>(3,250,756)</u>	<u>(1,294,669)</u>	<u>(1,590,125)</u>	<u>(599,801)</u>
TOTAL FINANCES		<u>2,268,159</u>	<u>923,524</u>	<u>1,430,730</u>	<u>529,457</u>



**SECRETARY FOR NATURAL
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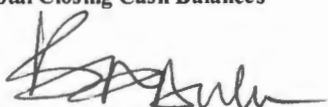


PROJECT COORDINATOR

MINING GOVERNANCE AND GROWTH SUPPORT PROJECT
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FOR THE YEAR ENDED 30 JUNE 2015

STATEMENT OF SOURCES AND USES OF FUNDS FOR THE YEAR ENDED 30TH JUNE 2015

	Notes	As at 30 June 2014		Year Ended 2015		Cumulative	
		US\$	MWk'000	US\$	MWk'000	US\$	MWk'000
Sources of Funds							
IDA Credit	7	7,454,513	2,868,781	4,396,993	1,881,800	11,851,506	4,750,581
EU 10th EDF	7	1,287,668	492,324	1,008,049	417,859	2,295,717	910,183
Total Sources of Funds		8,742,181	3,361,104	5,405,042	2,299,659	14,147,223	5,660,763
Uses of Funds by Component and Type of Costs							
A - Managing Mineral Rights & Operations	9	886,369	335,285	1,457,523	609,879	2,343,891	945,165
B- Generating & Managing Mineral Revenue	9	724,561	272,747	610,139	255,304	1,334,700	528,051
C - Promoting the Mining Sector	9	5,271,707	2,052,460	1,981,152	828,984	7,252,859	2,881,445
D - Project Management	9	1,425,259	533,006	1,200,234	502,220	2,625,493	1,035,227
Total Expenditures		8,307,896	3,193,499	5,249,047	2,196,388	13,556,943	5,389,887
Receipts Less Expenditures		434,285	167,605	155,995	103,271	590,280	270,876
Opening Cash Balances							
PPA Advance Designated a/c (US\$)		-	-	-	-	-	-
PPA Advance a/c Holding (MWk)		-	-	710	117	-	-
IDA Designated a/c (US\$)		-	-	264,816	102,591	-	-
EU Designated a/c (US\$)		-	-	1	0	-	-
IDA Holding A/c (MWK)		-	-	227,013	87,292	-	-
EU Holding A/c (MWK)		-	-	329	132	-	-
IDA Operating A/c (MWK)		-	-	(58,583)	(22,527)	-	-
Total Opening Cash Balances		-	-	434,285	167,605	-	-
Net Cash Available		434,285	167,605	590,280	270,876	590,280	270,876
Closing Cash Balances							
PPA Advance a/c Holding (US\$)	6	710	117	710	117	710	117
IDA Designated a/c (US\$)	6	264,816	102,591	404,972	186,895	404,972	186,895
EU Designated a/c (US\$)	6	1	0	44,300	22,319	44,300	22,319
IDA Holding A/c (MWK)	6	227,013	87,292	223,837	98,212	223,837	98,212
EU Holding A/c (MWK)	6	329	132	329	132	329	132
IDA Operating A/c (MWK)	6	(58,583)	(22,527)	(83,868)	(36,798)	(83,868)	(36,798)
Total Closing Cash Balances		434,285	167,605	590,280	270,876	590,280	270,876


 SECRETARY FOR NATURAL RESOURCES,
 ENERGY AND MINING


 PROJECT COORDINATOR

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FOR THE YEAR ENDED 30 JUNE 2015

DESIGNATED ACCOUNT MOVEMENTS FOR THE YEAR ENDED 30 JUNE 2015
IDA Designated Account-IDA 049010

Date	Reference	Details	Debit / (Credit)	Curr.
01/07/2014		Opening Balance as at 01/07/2014	264,815.60	USD
01/07/2014	49MGGSP016	Bank Charges on Transfer of funds from IDA	(15.00)	USD
09/07/2014	49MGGSP016	Funding from IDA	362,622.24	USD
10/07/2014	MOFB61182	Transfer of USD 50,000 to IDA LHA	(50,000.00)	USD
10/07/2014	TT41910065	PAN AFRICAN TRAINING-Tuition fees for Rodrick Phiri and Stanley Nyama for Short course Training in S	(6,500.00)	USD
15/07/2014	MOFB61184	Transfer of funds USD 150,000 from IDA to LHA	(150,000.00)	USD
15/07/2014	TT41960001	Curtin University-Annual Tuition fees for a long term course in Mining Engineering	(28,931.05)	USD
15/07/2014	TT4196003	Land Use Consultants Limited-Payment of 15% of consultancy fees for the SESA.	(45,431.00)	USD
15/07/2014	TT4196004	James M. Otto-Consultancy fees for the review of Mines and Minerals Act.	(24,300.00)	USD
16/07/2014	TT41960002	IGS International Ltd- Payment of 21.4% of contra. amou. to BGS Intern. for superv. of Countryw.	(67,486.81)	USD
24/07/2014	TT42050002	Wollongong University- tuition fees for Nhlane Stewart Ngalonde.	(14,424.50)	USD
25/07/2014	49MGGSP017	RBM-Bank charges for transfer of funds from IDA	(15.00)	USD
25/07/2014	49MGGSP017	Funding from IDA	372,217.19	USD
06/08/2014	MOFB61187	Transfer of funds to LHA -USD 250,000.00	(250,000.00)	USD
08/08/2014	TT42200007	Geosoft Africa (Pty) Ltd-Purchase of Geosoft Oasis Montaj Software for Geol. Surv. Dept.	(148,196.70)	USD
08/08/2014	TT42200011	University of Archarya-Tuition Fees for Mphatso Ozee for pursuing Bachelors Mining Engin.	(8,510.00)	USD
22/08/2014	TT42340021	James M. Otto-Consultancy fees for the review of mines & minerals act	(97,200.00)	USD
25/08/2014	49MGGSP018	Bank charges on transfer of funds from IDA	(15.00)	USD
25/08/2014	49MGGSP018	Funding from IDA	389,914.62	USD
29/08/2014	TT42410004	Esri Southern Africa-Purchase of Arc GIS software	(43,790.00)	USD
01/09/2014	TT42440001	Transfer of funds from IDA to LHA	(389,899.62)	USD
26/09/2014	49MGGSP019	Bank charges deducted from IDA funds	(15.00)	USD
26/09/2014	49MGGSP019	Funding from IDA	553,681.54	USD
03/10/2014	TT42760012	University of Nairobi-Tuition fees for Ms Tamara Kamaga, Davie Jambo and Samson Mhango who are to un	(26,553.50)	USD
08/10/2014	MOFB61191	Transfer of funds from IDA TO LHA-USD 300,000.00	(300,000.00)	USD
23/10/2014	TT42960003	Cassius Chiwambo-Monthly Stipend allowances for Masters Degree in Minerals Policy and Law	(11,235.00)	USD
23/10/2014	TT42960003	Williams Banda-Stipe. allowan. for Williams Banda who is atten. a long term course in Min.La. & Pol.	(11,235.00)	USD
23/10/2014	TT42960004	Dundee University-Allowances for long term course in Mineral Law for T. Kumwenda.	(11,235.00)	USD
24/10/2014	TT42970006	Pan African Trainig-Tuition fees for D.Kaunda on a short course in Finacial Managemen	(3,850.00)	USD
31/10/2014	TT43040002	Regional Center for Training and Development-Tuition fees for B.Hamella for short course in Mon. & E	(3,850.00)	USD
31/10/2014	TT43040003	Stewart Ngalonde-9 Months stipend allowances for Masters Degree training in Geology at Wollongong Un	(10,062.00)	USD
31/10/2014	TT43040004	University of Wollongong-Tuition fees for Stewart Ngalonde who is pursuing Masters Degree in Geology	(14,424.50)	USD

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FOR THE YEAR ENDED 30 JUNE 2015

DESIGNATED ACCOUNT MOVEMENTS
IDA DESIGNATED ACCOUNT-IDA 049010 'CONTINUED'

Date	Reference	Details	Debit / (Credit)	Curr.
05/11/2014	MOFB61192	Transfer of funds US\$ 120,000 TO IDA LHA	(120,000.00)	USD
06/11/2014	TT43100008	Pan African Training-Tuition fees for B.Msiska and G.Nangwale for attending short course.	(6,500.00)	USD
07/11/2014	TT43110003	Institute For Public Private Partners-Tuiti. fee. for Emma Mabvumbe for sho. cour. in PPP Life Cycle	(5,250.00)	USD
12/11/2014	49MGGSP020	Bank Charges on funds from IDA	(15.00)	USD
12/11/2014	49MGGSP020	Funding from IDA	267,978.02	USD
20/11/2014	TT43230002	BGS International-21.4% Contract sum for the supervision of the country wide airborne Geophy. Survey	(61,695.68)	USD
21/11/2014	TT43250003	Mananga, Center for Regional-Tuit. fees for a short course in Database Management and systemadmin.	(22,350.00)	USD
24/11/2014	49MGGSP019	Bank Charges on funds from IDA	(15.00)	USD
24/11/2014	49MGGSP019	Funding from IDA	23,217.31	USD
24/11/2014	49MGGSP020	Bank Charges on funds from IDA	(15.00)	USD
24/11/2014	49MGGSP020	Funding from IDA	24,361.40	USD
26/11/2014	MOFB61193	Transfer of funds US \$ 120,000 from IDA to LHA	(120,000.00)	USD
01/12/2014	TT43350004	Land Use Consultants-Consultancy fees for strategic Environmental and social Assessment	(121,148.00)	USD
11/12/2014	49MGGSP021	Bank Charges on funds from IDA	(15.00)	USD
11/12/2014	49MGGSP021	Funding from IDA	459,617.52	USD
12/12/2014	MOFB61194	Transfer of funds from IDA to LHA (USD84,644.56)	(84,644.56)	USD
19/12/2014	MOFB61196	Transfer of funds to IDA holding account (USD200,000.00)	(200,000.00)	USD
27/01/2015	49MGGSP022	RBM - bank charges on funding from IDA	(15.00)	USD
27/01/2015	49MGGSP022	Funding from IDA (237,124.21)	237,124.21	USD
29/01/2015	TT50290009	Adam Smith International Limited-Cosultancy fees for the Sectorwide functional review and Developmen	(50,550.00)	USD
29/01/2015	TT50290010	Standard Bank -Payment of tut fees to RCTD for short term train in res based monitor & evaluat.	(3,850.00)	USD
29/01/2015	TT50290018	James M. Otto-Consultancy fees for the review of Mines and Minerals Act by James .M. Otto.	(48,600.00)	USD
29/01/2015	TT50290019	Canara India-Monthly stipend, warm clothing and book allowance for Ozituosauka	(11,478.88)	USD
30/01/2015	49MGGSP023	RBM -Bank Charges on funds from IDA	(15.00)	USD
30/01/2015	49MGGSP023	Funding from IDA	356,081.91	USD
05/02/2015	TT50360015	James Otto-Payment for consultancy fees for Finalisation of Mines and Minerals Act	(72,900.00)	USD
06/02/2015	MOFB61198	Transfer of funds to LHA	(200,000.00)	USD
19/02/2015	TT50500002	Sterling Africa Training-Payment of tuition fees for a short term trai.in Public Relat. and comm.	(2,925.00)	USD
26/02/2015	49MGGSP024	RBM- Bank Charges on funds from IDA	(15.00)	USD
26/02/2015	49MGGSP024	Funding from IDA	330,658.55	USD
26/02/2015	MOFB61199	Transfer of funds to LHA	(300,000.00)	USD
09/03/2015	TT50680050	Regional Centre for Training & Develop-Tuition fees for a short course in HIV/AIDS at workplace	(3,850.00)	USD
31/03/2015	MOFB611200	Transfer of funds from IDA to LHA	(250,000.00)	USD

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DESIGNATED ACCOUNT MOVEMENTS
IDA DESIGNATED ACCOUNT-IDA 049010 'CONTINUED'

Date	Reference	Details	Debit / (Credit)	Curr.
02/04/2015	49MGGSP025	Bank charges on funds from IDA	(15.00)	USD
02/04/2015	49MGGSP025	Funding from IDA	239,414.82	USD
02/04/2015	TT11510000	University of Zambia-Tuition fees for officers attending a course in Drilling and Blasting.	(30,000.00)	USD
07/04/2015	TT11509200	International Institute for Tax-Tuition fees for a short course in transf. pricing for MRA officers.	(1,800.00)	USD
07/04/2015	TT11509700	International Institute for Tax and Fina-Tuition fees for attendi. a short course in transf. prici.	(1,800.00)	USD
13/04/2015	TT11510016	Capita Business Services Ltd-Tuition fees for a short course in monitoring and Evaluation	(5,664.51)	USD
17/04/2015	TT11510603	Capita Business Services Ltd-Tuition fees for officers attending a short course in Procurement.	(11,428.34)	USD
05/05/2015	MOFB72405	Transfer of funds to LHA - (US\$250,000.00)	(250,000.00)	USD
18/05/2015	TT51380001	James M. Otto-Payment of consultancy fees on the review of Mines and Minerals Act as per attached pa	(56,000.00)	USD
18/05/2015	TT51380032	Tanzania Atomic Energy Commission-Study tour facilitation fee for officers from EAD to Tanzania	(500.00)	USD
26/05/2015	49MGGSP026	RBM - Bank Charges on funds from IDA	(15.00)	USD
26/05/2015	49MGGSP026	Funds from IDA to Designated account	197,463.26	USD
04/06/2015	MOFB72406	Transfer of funds from designated to LHA (100,000.00)	(100,000.00)	USD
08/06/2015	49MGGSP027	Bank charges on funds from IDA	(15.00)	USD
08/06/2015	49MGGSP027	Funds from IDA	276,207.37	USD
08/06/2015	TT51590013	Adam Smith International- Consultancy fee for the Review of the Mining Fiscal Regime	(291,151.00)	USD
09/06/2015	TT51600005	Cassius Chiwambo-Being Tuition fees for short course in transfer Pricing.	(1,138.25)	USD
09/06/2015	TT51600006	Williams Banda-Dissertation and Excess baggage allowances for attending long term training in	(1,138.25)	USD
09/06/2015	TT51600007	Temwani Kumwenda-Dissertation and Excess baggage allowances for attending a long term course.	(1,138.25)	USD
09/06/2015	TT51600009	International Institute for Tax and Finance-Being Tuition fees for short course in transfer Pricing.	(1,517.48)	USD
10/06/2015	TT51610033	Fredrick Josiya-Settling, warm clothing, book and dissertation allowances for the above officer who	(1,908.68)	USD
10/06/2015	TT51610044	SS Consulting-Consultancy fees for the intergrated Accounting anaFinancial management system.	(62,000.00)	USD
10/06/2015	TT51610045	James M.Otto-Being Consultancy fees for the Review of Mines and Minerals Act	(29,150.00)	USD
10/06/2015	TT51610047	Linet & Osbert Sikazwe-Consultancy Fees for the development of curriculum for the mining related cou	(7,420.00)	USD
19/06/2015	49MGGSP028	Bank Charges on funds from IDA	(15.00)	USD
19/06/2015	49MGGSP028	Funds from IDA to designated account	306,433.18	USD
		Balance as at 30/06/2015	404,972.18	

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DESIGNATED ACCOUNT MOVEMENTS FOR THE YEAR ENDED 30 JUNE 2015

EU Designated Account

Date	Reference	Details	Debit / (Credit)	Curr.
01/07/2014		Opening Balance as at 01/07/2014	0.73	EUR
15/07/2014	TFMGGSP013	Bank Charges on transfer from EU.	(19.48)	EUR
15/07/2014	TFMGGSP013	Funding from EU-Euro77,908.79	77,908.79	EUR
22/07/2014	MOFB61185	Transfer of funds from EU designated to IDA - LHA Eur 77,890.04	(77,890.04)	EUR
30/07/2014	TFMGGSP014	RBM-Bank charges for funds from EU	(15.59)	EUR
30/07/2014	TFMGGSP014	Funding from EU	62,363.33	EUR
25/08/2014	TT42340024	University of Dundee-Tuition fees for Cassius Chiwambo for long term course in Mineral Law	(20,960.83)	EUR
25/08/2014	TT42340025	Dr Enrique Ortega-Consultancy fees for the Design and supervision of installation of Mining Cadastre	(21,834.73)	EUR
27/08/2014	TFMGGSP015	RBM -Bank Charges on funds from EU	(21.98)	EUR
27/08/2014	TFMGGSP015	Funding from EU - Eur 87,914.43	87,914.43	EUR
29/08/2014	MOFB61188	Transfer of funds to LHA - Eur 40,513.01	(40,513.01)	EUR
17/09/2014	TT42590011	Dundee University-Masters Training in Mineral Studies-Mr. W. Banda and Miss T Kumwenda	(42,256.71)	EUR
26/11/2014	MOFB61193	Transfer of funds fromEU to LHA - EUR 24,674.91	(24,674.91)	EUR
30/12/2014	TFMGGSP016	Bank Charges on funds from EU	(28.21)	EUR
30/12/2014	TFMGGSP016	Funding from EU (EUR112,825.72)	112,825.72	EUR
30/12/2014	TFMGGSP017	Bank charges on funds from EU	(5.38)	EUR
30/12/2014	TFMGGSP017	Funding from EU	21,500.70	EUR
06/01/2015	TFMGGSP	RBM -Bank Charges on funds from EU	(14.91)	EUR
06/01/2015	TFMGGSP	Funding from EU (59,602.13)	59,602.13	EUR
19/01/2015	MOFB61197	Transfer of funds from EU designated to IDA LHA (EUR 193,880.06)	(193,880.06)	EUR
20/01/2015	TFMGGSP019	Bank Charges on EU Funding	(11.99)	EUR
20/01/2015	TFMGGSP019	Funding from EU (47,966.42)	47,966.42	EUR
11/02/2015	TFMGGSP020	RBM -Bank Charges on funds from EU	(15.42)	EUR
11/02/2015	TFMGGSP020	Funding from EU	61,696.52	EUR
09/03/2015	TFMGGSP021	Bank Charges on funds from EU	(8.85)	EUR
09/03/2015	TFMGGSP021	Funding from EU	35,383.54	EUR
09/04/2015	TFMGGSP022	Bank Charges on funds from EU	(8.98)	EUR
09/04/2015	TFMGGSP022	Funding form EU (EUR35,908.12)	35,908.12	EUR
29/05/2015	TFMGGSP023	Bank Charges on funds from EU	(5.67)	EUR
29/05/2015	TFMGGSP023	Funds from EU to EU designated account	22,676.10	EUR
16/06/2015	MOFB72407	Transfer of funds to LHA (EU 203,579.79)	(203,579.79)	EUR
17/06/2015	TFMGGSP024	Bank Charges on funds from EU	(5.58)	EUR
17/06/2015	TFMGGSP024	Funding from EU	22,329.55	EUR
23/06/2015	TFMGGSP025	Bank Charges on funds from EU	(4.25)	EUR
23/06/2015	TFMGGSP025	Funding from EU	17,018.34	EUR
		Balance as at 30/06/2015	39,338.05	

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FOR THE YEAR ENDED 30 JUNE 2015**

ACCOUNTING POLICIES

1.0 Basis of Accounting

These Financial Statements have been prepared on a Historic Cost Convention and on a cash basis in accordance with International Public Sector Accounting Standards (IPSAS). All receipts and expenses incurred in the period have been reflected in these Financial Statements.

1.1 Reporting Currency

The financial statements have been presented in both Malawi Kwacha and US\$ where necessary as per donor requirement.

2.0 Foreign Currency Transactions

Local currency Receipts and Payments Account transactions are translated back to foreign currency using the exchange rate at the date of draw down, while payments in foreign currency are translated to local currency using actual exchange rate on the transaction date.

Closing bank balances are translated using the rate at which the funds were converted.

3.0 Funding Receipts

Receipts are stated at actual amounts withdrawn from the World Bank Loan account IDA 049010 and TF 12935 in the form of advance and replenishment to the designated accounts and direct payments to suppliers of goods and services.

The Project submits Statements of Expenditures (SOEs) for replenishment of the Designated Accounts.

4.0 Fixed Assets

Capital expenditure is capitalized in the year it is incurred and no provision for depreciation is made on all fixed assets.

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NOTES TO THE FINANCIAL STATEMENTS

5.0 Property, Plant and Equipment

	REHABILITATION OF BUILDINGS		MOTOR VEHICLES		EQUIPMENT		TOTAL	
	USD	MWk'000	USD	MWk'000	USD	MWk'000	USD	MWk'000
Balance as at 1st July 2014	-	-	860,101	312,635	136,344	49,217	996,445	361,852
Additions	57,903	24,229	73,093	30,585	622,387	260,429	753,383	315,242
Disposals	-	-	(71,949)	(24,447)	-	-	(71,949)	(24,447)
Balance as at 30 June 2015	57,903	24,229	861,245	318,773	758,731	309,646	1,677,879	652,647

6.0 Cash and Bank

The cash and bank balances have been translated at the rate ruling on draw down for funds held in Operating Accounts. The Cash and Bank balances were as follows as at 30 June 2014.

		Ex. Rate	USD	USD	MWk'000
IDA Balances					
US Dollar Account (Designated)				404,972	186,895
Mwk Account (Holding)	98,212,168.61	438.7673	223,836.58		
Mwk Account (Operating)	(36,798,323.79)	438.7673	(83,867.52)		
Mwk Account (PPA Holding)	116,554.92	164.1136	710.21		
Total Balance	61,530,399.74			140,679	61,530
Sub-total for IDA Balances				545,651	248,425
EU Balances	Euro				
Euro Account (Designated)	39,338.06	1.1261	44,299.74	44,300	22,319
Mwk Account (Holding)	254.32	1.2920	328.60	329	132
(Mwk132,184.61 @ K519.7506 per Euro)					
Sub-total for EU Balance				44,628	22,451
Grand Total for Bank Balances				590,280	270,876

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NOTES TO THE FINANCIAL STATEMENTS 'CONTINUED'

SOURCES OF FUNDS FOR THE YEAR ENDED 30 JUNE 2015

7. Sources of funds

International Development Association (IDA)

Date	Reference	Details	Currency	Amount	Ex. Rate	USD Amount
Balances brought forward			USD	-	-	7,315,204
Funding for the year ended 30 June 2015-Disbursements						
09/07/2014	49MGGSP016	Funding from IDA	USD	-	-	362,622
25/07/2014	49MGGSP017	Funding from IDA	USD	-	-	372,217
25/08/2014	49MGGSP018	Funding from IDA	USD	-	-	389,915
26/09/2014	49MGGSP019	Funding from IDA	USD	-	-	553,682
12/11/2014	49MGGSP020	Funding from IDA	USD	-	-	267,978
24/11/2014	49MGGSP020	Funding from IDA	USD	-	-	24,361
24/11/2014	49MGGSP019	Funding from IDA	USD	-	-	23,217
11/12/2014	49MGGSP021	Funding from IDA	USD	-	-	459,618
27/01/2015	49MGGSP022	Funding from IDA	USD	-	-	237,124
30/01/2015	49MGGSP023	Funding from IDA	USD	-	-	356,082
26/02/2015	49MGGSP024	Funding from IDA	USD	-	-	330,659
02/04/2015	49MGGSP025	Funding from IDA	USD	-	-	239,415
26/05/2015	49MGGSP026	Funding from IDA	USD	-	-	197,463
08/06/2015	49MGGSP027	Funding from IDA	USD	-	-	276,207
19/06/2015	49MGGSP028	Funding from IDA	USD	-	-	306,433
Sub-total-IDA Funding for the year ended 30 June 2015				-	-	4,396,993
Balance of Funds from the Project Preparatory Advance						139,308
Total Funding from the IDA				-	-	11,851,505

European Union

Date	Reference	Details	Currency	Amount	Ex. Rate	USD Amount
Balance brought forward			EUROS	917,756.49	1.5200	1,287,668
Funding for the year ended 30 June 2015-Disbursements						
03/07/2014	TFDP02	Funding from EU-Direct Pmnt	EUROS	143,434.80	1.3689	196,348
15/07/2014	TFMGGSP013	Funding from EU	EUROS	77,908.79	1.3625	106,151
30/07/2014	TFMGGSP014	Funding from EU	EUROS	62,363.33	1.3400	83,567
27/08/2014	TFMGGSP015	Funding from EU	EUROS	87,914.43	1.3182	115,889
30/12/2014	TFMGGSP016	Funding from EU	EUROS	112,825.72	1.2166	137,264
30/12/2014	TFMGGSP017	Funding from EU	EUROS	21,500.70	1.2166	26,158
06/01/2015	TFMGGSP018	Funding from EU	EUROS	59,602.13	1.1891	70,873
20/01/2015	TFMGGSP019	Funding from EU	EUROS	47,966.42	1.1582	55,555
11/02/2015	TFMGGSP020	Funding from EU	EUROS	61,696.52	1.1338	69,952
09/03/2015	TFMGGSP021	Funding from EU	EUROS	35,383.54	1.0844	38,370
09/04/2015	TFMGGSP022	Funding from EU	EUROS	35,908.12	1.0796	38,767
29/05/2015	TFMGGSP023	Funding from EU	EUROS	22,676.10	1.0957	24,846
17/06/2015	TFMGGSP024	Funding from EU	EUROS	22,329.55	1.1292	25,215
23/06/2015	TFMGGSP025	Funding from EU	EUROS	17,018.34	1.1221	19,096
Sub-total-EU Funding for the year ended 30 June 2014				808,528.49		1,008,049
Total Funding from the EU				1,726,284.98		2,295,718
Grand Total (IDA & EU)						14,147,223

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NOTES TO THE FINANCIAL STATEMENTS 'CONTINUED'

8.0 Goods

	As at 30 June 2014		Year Ended June-2015		Cumulative	
	US\$	MWk'000	US\$	MWk'000	US\$	MWk'000
As per Detailed List (Note 9)	1,059,864	384,234	676,219	282,954	1,736,084	667,188
Less: Capitalised Goods-PPA (Note 5)	(996,445)	(361,852)	(681,434)	(290,795)	(1,677,879)	(652,647)
Total	63,419	22,382	- 5,215	- 7,841	58,205	14,541

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NOTES TO THE FINANCIAL STATEMENTS 'CONTINUED'

9.0 Uses of Funds by type of Expenditure

	As at 30 June 2014		Year Ended June-2015		Cumulative	
	US\$	MWk'000	US\$	MWk'000	US\$	MWk'000
A - Managing Mineral Rights & Operations						
Goods	257,293	93,012	71,870	30,073	329,163	123,085
Consultants	11,750	4,146	600,301	251,187	612,051	255,333
Training	312,501	122,641	295,855	123,796	608,356	246,437
Workshops	63,659	25,117	92,385	38,657	156,044	63,775
Operating Costs	241,166	90,369	397,111	166,165	638,277	256,535
Sub-total for Component A	886,369	335,285	1,457,523	609,879	2,343,891	945,165
B- Generating & Managing Mineral Revenue						
Goods	84,589	31,252	-	-	84,589	31,252
Works	9	4	-	-	9	4
Consultants	145,638	57,463	304,944	127,599	450,582	185,063
Training	372,167	137,914	138,031	57,757	510,198	195,671
Workshops	5,690	2,245	26,284	10,998	31,974	13,243
Operating Costs	116,467	43,869	140,881	58,949	257,347	102,819
Sub-total for Component B	724,561	272,747	610,139	255,304	1,334,700	528,051
C - Promoting the Mining Sector						
Goods	422,792	154,823	443,617	185,625	866,409	340,448
Works	1,166	460	44,033	18,425	45,198	18,885
Consultants	524,660	206,943	554,929	232,202	1,079,589	439,145
Non-consulting	3,525,064	1,390,860	184,178	77,067	3,709,242	1,467,926
Training	439,844	164,569	390,794	163,522	830,638	328,091
Workshops	33,293	13,136	59,680	24,972	92,973	38,108
Operating Costs	324,887	121,670	303,921	127,171	628,808	248,841
Sub-total for Component C	5,271,707	2,052,460	1,981,152	828,984	7,252,859	2,881,445
D - Project Management						
Goods	295,190	105,147	160,731	67,256	455,921	172,403
Works	16,071	6,341	-	-	16,071	6,341
Consultants	90,791	35,823	126,219	52,815	217,010	88,637
Training	114,740	41,462	87,624	36,665	202,364	78,127
Workshops	862	340	6,940	2,904	7,802	3,244
Operating Costs	907,604	343,893	818,719	342,581	1,726,323	686,474
Sub-total for Component D	1,425,258	533,006	1,200,234	502,220	2,625,492	1,035,227
Total Expenditures	8,307,895	3,193,499	5,249,047	2,196,388	13,556,942	5,389,887
Project Totals-Expenditure Types						
Goods	1,059,864	384,234	676,219	282,954	1,736,084	667,188
Works	17,246	6,804	44,033	18,425	61,278	25,229
Consultants	772,839	304,375	1,586,393	663,803	2,359,233	968,178
Non-consulting	3,525,064	1,390,860	184,178	77,067	3,709,242	1,467,926
Training	1,239,253	466,587	912,303	381,740	2,151,557	848,327
Workshops	103,504	40,839	185,289	77,531	288,793	118,370
Operating Costs	1,590,124	599,801	1,660,632	694,867	3,250,756	1,294,669
Totals	8,307,895	3,193,499	5,249,047	2,196,388	13,556,942	5,389,887

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NOTES TO THE FINANCIAL STATEMENTS 'CONTINUED'

10.0 Exchange rate for translation of Financial statements

Opening Balance of funds	434,285.10
Total Funding Received (FYE-June 2015)	5,405,042.11
Cash & Bank Balances as at 30 June 2015	<u>590,279.79</u>
Expenditure for the Period in US Dollars	5,249,047.42
Expenditure for the Period in Mw Kwacha	2,196,388,093.06
Exchange rate for translation	418.4356