

REPUBLIC OF KENYA



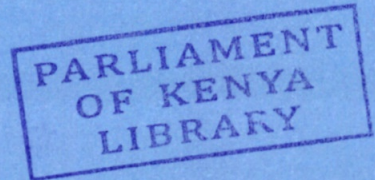
Enhancing Accountability



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REPORT

OF



THE AUDITOR-GENERAL

ON

NAWASSCOAL COMPANY LIMITED

**FOR THE YEAR
ENDED 30 JUNE, 2024**

Revised on 30th June 2024



Nawasscoal Company Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024

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

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Nawasscoal Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Table of Contents

Page		
1.	Acronyms and Glossary of Terms	2
2.	Key Entity Information	3
3.	The Board of Directors	6
4.	Key Management Team	9
5.	Chairman's Statement	11
6.	Report of the General Manager	13
7.	Statement Of Performance Against Predetermined Objectives for FY 2023/24	15
8.	Corporate Governance Statement	17
9.	Management Discussion and Analysis	19
11.	Environmental and Sustainability Reporting	21
12.	Report of the Directors	23
13.	Statement of Directors' Responsibilities	24
14.	Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.	1
15.	Statement of Financial Position As at 30 June 2024	2
16.	Statement of Changes in Equity for the Year Ended 30 June 2024	3
17.	Statement of Cash Flows for The Year Ended 30 June 2024	4
18.	Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024	5
19.	Notes to the Financial Statements	7
14.	Appendices	27

1. Acronyms and Glossary of Terms

Provide Acronyms and glossary of terms that appear in this annual report and financial statements.

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>GM</i>	<i>General Manager</i>
<i>Nawasscoal</i>	<i>Nawasscoal Company Limited</i>
<i>OSH</i>	<i>Occupational Safety and Health</i>
<i>FSM</i>	<i>faecal Sludge Management</i>
<i>KEFRI</i>	<i>Kenya Forestry Research Institute</i>
<i>FSTP</i>	<i>faecal Sludge Treatment Plant</i>
<i>VEI</i>	<i>Vitens Evides International</i>
<i>WSUP</i>	<i>Water and Sanitation for Urban Poor</i>
<i>A4A</i>	<i>Aqua For All</i>
<i>KCIC</i>	<i>Kenya Climate Innovation Centre</i>
<i>PES</i>	<i>Private Equity Support</i>

2. Key Entity Information

Background information

Nawasscoal Company Limited, a subsidiary of Nakuru Water and Sanitation Company Ltd (NAWASSCO), was established on September 8, 2018. We focus in producing and distributing biomass briquettes called **MakaaDotcom**, made from 30% treated faecal matter and 70% carbonized charcoal dust /sawdust, bound with molasses. These eco-friendly briquettes burn for over 3 hours, produce no smoke, emit less carbon, and are compatible with standard charcoal stoves. Each tonne of MakaaDotcom saves 88 trees, offering a sustainable and cost-effective energy solution for households and institutions.

IKO MIZIZI Seed balls

In addition to our MakaaDotcom briquettes we successfully piloted a revolutionary environmental solution with our Iko Mizizi Seed balls. These seed balls are an innovative, cost-effective way to reintroduce KEFRI certified indigenous trees and grass species into degraded lands across the world. Each seed is coated with treated faecal matter and black cotton soil, which protects the seeds from predators and extreme conditions until they are ready to germinate. By using Iko Mizizi Seed balls, we are aiding in the restoration of natural habitats and promoting sustainable reforestation efforts. This approach combines ecological conservation with practical reforestation, creating a unique impact on the environment. We also piloted industrial briquettes, which are eco-friendly, sustainable fuel alternatives made from faecal matter. Designed for large-scale industrial use, they offer a cleaner, cost-effective energy solution while promoting environmental conservation and waste management.

Principal Activities

The company's primary mandate is to produce and provide globally compliant faecal matter products for domestic and industrial use. To achieve this, the company ensures it retains the necessary expertise across technical, commercial, financial, and administrative functions. It adheres to renewable energy standards, obtains all required licences and permits, and maintains its assets in good working condition, following proper disposal guidelines. Additionally, the company prepares proposals to enhance its assets, improving overall business operations.

Vision

To provide quality Bio-fuels and faecal sludge management solutions (FSM) within Standards

Mission

To lead in the suitable production and commercializing cost-effective FSM solutions and bio-fuel products through innovation and advanced technology.

Core Values

- Team Work
- Integrity
- Professionalism
- Customer Focus
- Creativity & Innovation

Nawasscoal Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Directors

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

1. Dr Peter Kiplangat Ketyenya Non-Executive Director - Appointed on 10th April 2019
2. Eng. Festus K. Ng'enov Non-Executive Director - Appointed on 17th September 2018
3. James Ng'ang'a Gachathi Non- Executive Director - Appointed on 17th September 2018
4. Stephen Iribe Njogu Non-Executive Director - Appointed on 26th July 2023
5. Dr. Tanui Nelson Maara Non-Executive Directors - Appointed on 26th July 2023
6. John Irungu Ndibui Board Secretary - Appointed on 1st September 2018

Registered Office

NAWASSCO Plaza
Government Road
P.O. Box 16314-20100
Nakuru, KENYA

Corporate Headquarters

NAWASSCO Plaza
Government Road
P.O. Box 16314-20100
Nakuru, KENYA

Corporate Contacts

Telephone: (254)0798333222
E-mail: info@Nawasscoal.co.ke
Website: www.Nawasscoal.co.ke

Corporate Bankers

Cooperative Bank of Kenya
P.O Box 2982-20100
Nakuru Branch

Independent Auditor

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

Principal Legal Advisers

County Attorney

County Government of Nakuru

P.O Box 2870-20100


NAKURU




3. The Board of Directors



The Company has a Board of Directors which is responsible for:

- a) The efficient management of the human, physical, and financial resources of the Company;
- b) Making policies for the Company;
- c) Approving Strategies and Development plans for the Company;
- d) Any other matters related to the management of the Company;




Members of Board of Directors who held office during the year under review were the following:



Directors	Details
 Eng. Festus K. Ngeno	<p>Eng. Ng'eno, 44, was appointed on 17th September, 2018 until 26th July 2023 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Water, Environment, and Energy & Natural Resources. Other positions he has held before include: Group Manager, Water Treatment Division at Davis & Shirtliff Ltd, and Managing Director at Kericho Water & Sanitation Company Ltd.</p> <p>Eng. Ng'eno sits in other Boards including: Council of Governors on Water, Forestry & Mining -CECMs Caucus, World Vision Kenya (WVK), Nakuru Rural Water & Sanitation Services Co. Ltd, Naivasha Water & Sanitation Company Ltd and Imarisha Lake Naivasha Management Board.</p> <p>Eng. Ng'eno is a Water, Sanitation & Environmental Engineer. He has degree in BSc Water & Environmental Engineering from University of Nairobi, a Master's degree in MSc, Water & Environmental Engineering from University of Nairobi and Currently pursuing a Doctorate Degree (PhD) in Water & Environmental Engineering at the University of Nairobi. He also has a Post Graduate Diploma Course in Leadership & Corporate Governance from Kenya College of Accountancy (KCA) University.</p> <p>He has thirteen (14years) in-depth hands-on experience and expertise in Water, Sanitation, Environmental and GIS sectors. In addition, he has good experience in the Public and Private Sector at Senior Management Level Managing Operations in Kenya, Uganda, Zambia, S. Sudan, Rwanda, Tanzania and Ethiopia.</p> <p>Non-Executive Director.</p>

 <p>Dr. Peter Ketyenya</p>	<p>Dr Peter K. Ketyenya, 46, was appointed on 10th April, 2019 until 26th July 2023 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Finance and Economic Planning.</p> <p>Before joining the County Government, Dr Ketyenya was the General Manager Finance at the Kenya Rural Roads Authority for 5 years and he had also worked as Deputy Director Finance at Kenya Forest Service for 3 years. Previously he worked as a Senior Accountant at NHIF.</p> <p>Dr Ketyenya holds degrees in both Bachelor of Commerce and Bachelor of Science in Applied Accounting. He has a Master's Degree in Business Administration and a PHD in Business (Banking and Finance Option). Chairman.</p>
 <p>James N. Gachathi</p>	<p>Mr Gachathi, 54, was appointed on 17th September 2018 and he represents Nakuru Water and Sanitation Services Company Limited. He is the Managing Director of Nakuru water and Sanitation Services.</p> <p>Before joining the Company, Mr Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company.</p> <p>He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on –going student of MBA (Strategic Management Option) at Egerton University.</p> <p>He has a rich experience in the Water Sector spanning for over 23 years. Non-Executive Director.</p>
 <p>S. Iribe Njogu</p>	<p>Mr.Iribe was appointed on 26th July 2023, and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Finance and Economic Planning.</p> <p>Mr Iribe is a dependable and devoted executive with over 16 years of professional experience. Keen to support and a team player with excellent organizational and analytical skills. Also, ready to redesign to ensure efficiency, accountability and implementing a modernized work environment.</p> <p>Before joining the County Government of Nakuru he was working at Bigfoot Risk Management & Consultancy Ltd in Nairobi Jun 2020 a Consultancy firm & sourcing company with offices in Nairobi, Accra & New Jersey. He had previously worked at Soft Trace Apparels EPZ Ltd, Nairobi from March 2016 to April 2020 in charge of running garment production plant for export to the United States market, and sourcing for new markets for the products. He also worked as a Chief Executive Officer at Soft Ventures East African Ltd, Nakuru, Nairobi & Kampala from December 2010 to January 2016 incharge of running the company in uganda & kenya having started in Kampala Uganda managed to expand to</p>

	<p>Kenya and Rwanda. He had also worked as Managing Director at XPD in Accra, Ghana and Togo</p> <p>Iribe has Bachelors of Science in Business Administration degree from Kwame Nkuruma University of Science & Technology, Kumasi Ghana. He also has Diploma in Applied Biology from Mombasa Polytechnic University College, Mombasa. He is an Associate of Science and Applied Science</p> <p>Committee Membership: Finance & Staff Committee and Audit & Governance Committee</p>
 <p>Dr. Nelson T. Maara</p>	<p>Dr. Maara, was appointed on 26th July, 2023 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) of the Department of Water, Energy, Environment, and Natural resources. Prior to this appointment, he was a Lecturer Egerton University, Faculty of Environmental Studies and Resource Development. Dr Maara had previous served in the County Government of Nakuru as a Chief Officer, Water, Environment, Energy and Natural Resources. He has also served as a member of the National Forestry Society and Mau Forest Conservation Committee.</p> <p>Dr Maara has a PhD in Natural Resource Management from Egerton University, an MSc in Natural Resource Management from Egerton University and a B.Sc in Forestry from Moi University.</p> <p>He is a leader in forest management, policy development, sustainable development and water project management.</p> <p>Committee Membership: Technical & Social Committee and Audit & Governance Committee</p>
 <p>John I. Ndibui</p>	<p>Mr. Irungu, 41, became General Manager at Nawasscoal on September 1, 2018. He is also the Board Secretary. Before that, he worked on the Nakuru County Sanitation Programme (NCSP), which helped set up Nawasscoal. He has a Bachelor's degree in Mechanical Engineering and is currently studying for an MSc in Occupational Health and Safety at Jomo Kenyatta University. He has diplomas and a higher diploma in Mechanical Engineering, focusing on Production and Plant options.</p> <p>Mr. Irungu is a mechanical engineer with expertise in process and energy engineering, particularly in Biomass energy, Improved Cook-Stoves, Combined Heat and Power, Solid Waste Management, and reducing CO2 emissions. In his 12-year career, he's managed projects, led teams, done technical advisory work, feasibility studies, and worked on waste-to-energy projects.</p>

4. Key Management Team

Management	Details
 <p data-bbox="188 703 379 741">John I. Ndibui</p>	<p data-bbox="699 300 1522 674">Mr. Irungu, 41, became General Manager at Nawasscoal on September 1, 2018. He is also the Board Secretary. Before that, he worked on the Nakuru County Sanitation Programme (NCSP), which helped set up Nawasscoal. He has a Bachelor's degree in Mechanical Engineering and is currently studying for an MSc in Occupational Health and Safety at Jomo Kenyatta University. He has diplomas and a higher diploma in Mechanical Engineering, focusing on Production and Plant options.</p> <p data-bbox="699 696 1522 981">Mr. Irungu is a mechanical engineer with expertise in process and energy engineering, particularly in Biomass energy, Improved Cook-Stoves, Combined Heat and Power, Solid Waste Management, and reducing CO2 emissions. In his 12-year career, he's managed projects, led teams, done technical advisory work, feasibility studies, and worked on waste-to-energy projects.</p>
 <p data-bbox="140 1377 480 1415">Mary Nyakinyua Wambui</p>	<p data-bbox="699 987 1522 1444">Miss Mary Nyakinyua, 26, is the administrative officer at Nawasscoal Co Ltd since October 1, 2020. She has a strong background in preparing presentations, managing facility reports, and prioritizing confidentiality, she has been able to serve as an admin as well as finance representative of the company for 2 and half years. She possesses a Bachelor of Science Degree in Applied Mathematics with a focus on statistics and excels in data analysis and financial management using Microsoft Excel and QuickBooks. Previous roles include Sales Executive at Air Communications where she worked as a Data Entry Clerk.</p>
 <p data-bbox="140 1839 347 1877">Justine Khamala</p>	<p data-bbox="699 1451 1522 1964">Miss Justine Khamala, 42, became a marketing officer at Nawasscoal Company Limited in October 2018. She is an experienced professional with a strong track record in sales and marketing, adept at devising effective strategies for positive business outcomes. Skilled in negotiation, communication, and adaptability, with a keen eye for detail and excellent organizational abilities. She has worked as a Sales Executive at Kenya Post Office and Savings Bank, and a Professional Digital Photographer at Our Heritage Studios. Academic qualifications include a Master's in Business Administration in Strategic Management, a Bachelor's degree in Commerce with a focus on Marketing, and diplomas in Business Management</p>

	<p>and Journalism and Media Studies. Proficient in various computer applications.</p>
 <p>Francis Njoroge</p>	<p>Mr. Francis Njoroge, 26, became a production supervisor at Nawasscoal on February 1, 2023. He is an experienced professional with strong communication skills in English and Swahili, emphasizing ethics and commitment to quality, complemented by effective time management. Educational background includes primary and secondary education at Anestar institutions, followed by studies in Supply Chain Management at Chuka Technical and Vocational College. Currently pursuing Business Management at Jomo Kenyatta University of Agriculture and Technology. Proficient in procurement, negotiation, and document management. Valuable personal qualities include teamwork, listening skills, effective communication, and meeting deadlines. Previous roles include team leader at Budgetware Company Limited, contributing to a 7% sales increase, and a current position as a production supervisor at Nawasscoal Company Limited, utilizing procurement knowledge.</p>
 <p>Susan Wanjiru</p>	<p>Miss Susan Wanjiru, 28, became a research and development lead on February 1, 2023. She is a highly motivated professional with a Bachelor's degree in Records Management and Information Technology. Proficient in records management, information systems, and database management. She is a skilled Administrative Assistant with a track record of resource mobilization, compelling proposal writing, and efficient organizational systems. Expertise in project and financial management, along with effective stakeholder engagement. Proficient in clerical tasks, diary management, and travel arrangements. She has demonstrated achievements such as securing grants, enhancing project outcomes, and fostering partnerships. Accomplished at streamlining operations, optimizing productivity, and ensuring project success.</p>

5. Chairman's Statement

Nawasscoal Recognized the need for diversification, we have successfully piloted new products such as industrial briquettes, seedballs, and seedlings. We are now in the final stages of securing funding and are set to begin construction of the industrial briquette plant, which will significantly increase production capacity. Additionally, plans to install a faecal Sludge Treatment Plant (FSTP) to recycle wastewater for seedling production will further enhance our positive environmental impact.

The company is actively implementing turnaround strategies, including a restructuring process expected to be completed in FY 2024/2025. This will address existing challenges, making Nawasscoal more agile and better positioned to attract partnerships and investments. Through this, we will expand our offerings in waste management and continue to deliver socio-economic benefits to Nakuru County residents.

Increased resource mobilization has led to securing the Climate Adaptation Fund by Waterworx, with the FSTP set for implementation in FY 2024/2025. Though economic hardships and inflation affected revenue, the Board remains committed to ensuring long-term sustainability and profitability

Key Activities for the Financial Year 2023/24

1. Product Line Expansion: Successfully piloted new products: industrial briquettes, seedballs, and seedlings, positioning Nawasscoal as a leader in sustainable and diversified energy solutions.
2. Organizational Transformation: initiated the process of restructuring and becoming more investment ready
3. Secured Funds: Obtained crucial funding to support the company's growth initiatives through establishment of FSTP through re-use lines, ensuring the financial sustainability of Nawasscoal for the coming years.
4. Production and sales of briquettes

Achievements for the Financial Year 2023/24

Successfully piloted product lines with industrial briquettes and seedballs, secured funding for infrastructure projects (FSTP), and began the restructuring process. Nawasscoal strengthened its market presence, continuity, and increased client base stability, demonstrating resilience and adaptability in a tough economic climate.

Challenges

Just like any other Start-up Nawasscoal faced a number of challenges: Inflation drove up production costs, making it difficult to maintain competitive pricing. Logging increased the availability and use of traditional charcoal, intensifying competition. Additionally, new cooking technologies emerged e.g induction cookers, potentially reducing demand for our products. Financial constraints further strained our ability to invest in growth and innovation.

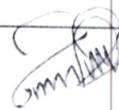
These factors collectively impacted our market performance and profitability hence the need to restructure and re-position itself.

Appreciation

On behalf of the Board, we express our sincere gratitude to our valued partners: the County Government of Nakuru, our parent company, NAWASSCO, A4A (Aqua4All), VEI (Vitens Evides International), Water and Sanitation for Urban Poor (WSUP), Kenya Climate Innovation Center (KCIC), E4Impact for their unwavering support. We also extend our thanks to the dedicated staff of Nawasscoal and NAWASSCO for their relentless efforts in upholding our commitment to green energy solutions. Your support and contributions have been invaluable and are deeply appreciated.

for
Eng. Festus K. Ng'eno

Chairman



Dated 30/09/2022

Annual Report and Financial Statements for the year ended June 30, 2024

5. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

Budget Item	Proposed Budget 2024/2025	Final Budget 2023/2024	Actual Budget 2023/2024	Performance difference	Percentage Variance	Explanation of Variances
Revenue						
Sales of briquettes/Seed balls/tree seedlings/industrial briquettes and tipping fees	49,458,496	6,669,913	2,935,681	-3,734,232	-55.99%	The shortfall in revenue targets can be attributed to a significant reduction in sales, driven by a sharp decline in demand for domestic briquettes. Many of our bulk customers reduced their monthly orders by over 50%, citing economic hardships that impacted their purchasing capacity. In response to this challenge, the company shifted focus toward piloting new product lines—namely industrial briquettes, seed balls, seedlings, and biochar—as part of a strategic effort to diversify revenue streams. This pivot is intended to strengthen our market position and recover lost revenue, with full implementation targeted for the 2024/2025 fiscal year.
Other Funding	74,075,000	6,826,490	2,388,773	-4,437,717	-65.01%	The company intensified resource mobilization, but funders requested a repositioning of Nawasscoal's business model before releasing funds. Despite this, Nawasscoal secured over 62 million KES in conditional grants, set for disbursement in 2024/2025 to implement the FSTP and diversify re-use products.
Total income	123,533,496	13,496,403	5,324,454	-8,171,949	-60.55%	
Expenses						
Cost of sales	33,515,894	4,679,092	3,971,679	707,413	15.12%	The underspending in production costs resulted from reduced production activities due to a decline in sales. However, the team prioritized piloting the proposed new production lines during this period.

Staff expenses	Cost/Admin	9,951,901	5,675,063	5,653,742	21,321	0.38%	The underspending on staff costs was primarily due to the unpaid Accumulated General Manager's Gratuity, caused by a funds shortfall. Additionally, the company reduced third-party consultancy engagements, opting instead for direct in-kind support from development partners such as WStup
Operating expenses		4,624,903	1,965,384	403,912	1,561,472	79.45%	
Loan Repayment		4,543,991	5,243,213	0	5,243,213	100.00%	The company had planned to repay the allocated loan using proceeds from the sale of an idle dewatering machine. However, the sale was postponed as the team decided to explore integrating the machine into the proposed faecal Sludge Treatment Plant (FSTP). This approach aims to maximize its usage and avoid selling it, given that its technology has been surpassed by more advanced options, reducing its market value. With the FSTP's implementation, the company now projects to repay the loan within three years.
CAPEX		74,075,000	2,500,000	0	2,500,000	100.00%	The projected support of 2.5 million Kenya shillings from the Kenya Climate Innovation Center (KCIC) was rescheduled to the 2024/2025 financial year. This followed the transition of Nawasscoal from their GreenBiz program to the Swift program, which specifically supports enterprises in waste management. The support will be implemented in the 2024/2025 financial year.
TOTAL EXPENSES		126,711,688	20,062,752	10,029,333	10,033,419	50.18%	

Nawasscoal Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2024

14. Notes to the Financial Statements

1. General Information

Nawasscoal Company Limited is a private company limited by shares under the Companies Act, 2015. The company was registered on September 8, 2018, and is fully owned by Nakuru Water and Sanitation Services Company. For the financial year 2023/2024, the company's principal activity remains focused on sustainable briquette production from organic waste. In these financial statements, in accordance with the Kenyan Companies Act, the balance sheet is presented as the statement of financial position, and the profit and loss account is reflected as the statement of profit or loss and other comprehensive income. The company is domiciled in Kenya, with its operations contributing to the county's environmental sustainability and energy needs.

2. Statement of Compliance and Basis of Preparation

The financial statements for the year ended June 30, 2024, have been prepared on a historical cost basis, except for certain items, such as re-valued property, plant, and equipment, marketable securities, financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The statements are in conformity with International Financial Reporting Standards (IFRS), allowing the use of estimates and assumptions, and requiring management to exercise judgment in applying the company's accounting policies. The financial statements are presented in Kenya Shillings, the functional and reporting currency.

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

i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, 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	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity	The amendments are effective for annual periods beginning on

6. Report of the General Manager

I am delighted to report that the financial year ending June 30, 2024, has been a year of remarkable progress and key achievements for Nawasscoal. Despite the challenges we faced, our efforts in operational efficiency, market expansion, and strategic growth have positioned us well for a promising future. We made substantial strides in our core activities, such as producing eco-friendly briquettes and seed balls, which play a vital role in addressing environmental concerns in Nakuru County.

One of our notable achievements was issuing 200 kilograms of briquettes and 35 kilograms of seed balls to local institutions, including prisons, supporting their tree-planting efforts. This initiative led to the planting of over 6,300 trees, significantly contributing to our environmental sustainability goals. Despite the slower economic recovery, the demand for our products remains steady, and our ongoing community engagement continues to expand our Corporate Social Responsibility initiatives. We are proud to be recognized as key players in environmental conservation, with growing acknowledgment of the economic and environmental benefits our products offer.

Strategic Turnaround and Expansion

To enhance our market presence and financial sustainability, Nawasscoal embarked on several turnaround strategies with the support of external consultants. These strategies aim to diversify our product portfolio, optimize operational efficiency, and increase revenue streams. We are confident that these measures will drive future growth and expand our production capabilities beyond briquettes and seed balls, exploring other eco-friendly products.

We have also engaged in market research to expand our customer base and explore new market opportunities, especially within the rapidly growing demand for green energy solutions. Our focus on innovation has enabled us to stay ahead of the curve, particularly in the waste-to-energy sector.

Financial Performance

The financial year 2023/2024 presented notable challenges for Nawasscoal, with a considerable decline in total revenue, primarily due to a significant reduction in grant income. This downturn was further impacted by the tighter economic environment and reduced external funding. Despite these challenges, our cost management efforts were effective, with overall expenses being carefully controlled.

Although we experienced a financial loss before taxation this year, our resilience as a company remains strong. The cost of sales remained steady, and our staff costs and administrative expenses were aligned with projections. To counter these financial challenges, we have taken proactive measures to enhance our financial position by focusing on expanding the faecal Sludge Treatment Plant (FSTP), increasing the production and distribution of seed balls, and enhancing the production of industrial briquettes. These initiatives are expected to generate additional revenue streams and strengthen our overall financial health moving forward.

Over the past five years, Nawasscoal has demonstrated consistent performance in operating revenue, particularly from 2019 to 2022. However, the financial year 2023/2024 presented challenges with a decline in both operating revenue and grant income. This shift was largely influenced by external factors, such as reduced funding from primary donors and a challenging macroeconomic environment.

Despite these hurdles, Nawasscoal has remained focused on diversifying its revenue streams and piloting new projects to ensure future growth. The company has taken proactive measures to adapt to these changes, emphasizing cost control and efficiency to minimize the impact of reduced revenue. This approach is geared towards ensuring long-term sustainability and positioning Nawasscoal for an improved financial outlook in the coming years.

Risk Management and Governance

The company has continued to strengthen its risk management frameworks to ensure that we are well-prepared for market volatility and operational disruptions. Our internal audit function has played a pivotal role in identifying and mitigating risks, particularly in areas of financial and operational controls. The Risk Management Policy has been instrumental in ensuring that our risk management strategies are aligned with the company's long-term objectives.

Outlook

Looking ahead, we anticipate a gradual recovery in our financial position as our turnaround strategies take effect. The demand for eco-friendly energy solutions continues to rise, and Nawasscoal is well-positioned to meet this demand through innovative products and services. We will continue to prioritize sustainability in all our operations and remain committed to creating lasting value for our stakeholders.

In conclusion, while the past year has been challenging, it has also presented valuable lessons that will shape our future direction. I would like to extend my gratitude to the Board of Directors, our staff, and our partners for their unwavering support and dedication during this period. Together, we will continue to build on our successes and drive Nawasscoal to greater heights.



John I. Ndibui
General Manager
Nawasscoal Company Limited

7. Statement of Performance Against Predetermined Objectives for FY 2023/24

In accordance with Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012, this report outlines Nawasscoal's performance against the predetermined objectives for the fiscal year 2023/24. Our strategic plan encompasses several key pillars/themes/issues, each with specific objectives and performance indicators.

Strategic Pillars/Themes/Issues:

Pillar Theme Issue 1: Expansion of Product Line

Pillar Theme Issue 2: Operational Efficiency and Cost Management

Nawasscoal develops its annual work plans based on these strategic pillars. Performance is assessed quarterly against these plans. For FY 2023/24, the company has focused on achieving the following objectives:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: Expansion of Product Line	Diversify product offerings to include industrial briquettes and seedballs	Number of new products launched; Sales volume of new products	Piloted industrial briquettes, seedballs, and seedlings; Secured funding for industrial briquette plant and construction of faecal Sludge Treatment Plant (FSTP)	Successfully piloted and prepared for commercial production of industrial briquettes, seedballs, and seedlings; Funding secured; gotten commitment of buying 40,000 tonnes of industrial briquettes.
Pillar/ theme/ issue 2: Operational Efficiency and Cost Management	Improve operational efficiency and reduce production costs	Reduction in production costs from 4,806,570 to 3,971,679; Increase in operational efficiency metrics	Implemented cost management strategies; Streamlined production processes; Enhanced supply chain management	Achieved cost reduction targets; Improved operational efficiencies; Increased production output

Performance Analysis:

Expansion of Product Line:

Objective: To diversify our product offerings to include industrial briquettes and seedballs.

Achievements: We successfully piloted and are preparing for the commercial launch of new products. Securing funding and beginning construction for an industrial briquette plant were major milestones. Additionally, the installation of the FSTP is set to enhance our capabilities in recycling wastewater for seedling production.

Secured funding, preparation face of setting up FSTP with reuse lines aimed at increasing revenues and product lines

Operational Efficiency and Cost Management:

Objective: To improve operational efficiency and manage production costs effectively.

Achievements: We implemented several cost management strategies and streamlined our production processes. This led to a significant reduction in production costs and improved operational efficiency, contributing to enhanced profitability.

Performance Contracts Alignment:

The achievements detailed above align with our performance contracts by meeting the set objectives for each strategic pillar. The successful implementation of new product lines and cost management strategies demonstrates our commitment to the predetermined goals and overall strategic plan.

The management remains dedicated to refining strategies and processes to ensure continued growth and efficiency. Future assessments will build upon these achievements to drive further success.

8. Corporate Governance Statement

The Nawasscoal Board of Directors is committed to upholding high standards of integrity, professionalism, and legal compliance in managing the company. The Board adheres to established guidelines and regulatory requirements from the Water Services Regulatory Board (WASREB) to ensure transparent and effective governance.

Nawasscoal's operations are guided by a robust governance framework that includes:

- The Kenya Constitution
- The Companies Act, 2015
- The Public Financial Management Act, 2012
- The Public Financial Management Regulation, 2014
- The Public Procurement and Asset Disposal Act, 2015
- The Employment Act, 2007
- OSHA Act, 2007
- Kenya Bureau of Standards (KEBS)
- The Company's approved policies and procedures

This framework helps the Board, staff, customers, and the public evaluate the company's performance and ensures ethical, accountable, and effective management.

The Board of Directors

The Board of Directors is appointed according to the Company's Articles of Association and is responsible for:

- Implementing the Memorandum and Articles of Association
- Providing guidelines and oversight for company operations
- Approving the organizational structure and staff terms and conditions
- Approving business plans and budgets
- Offering management guidance
- Approving major contracts and projects
- Prudently investing funds to ensure service continuity
- Appointing the Corporate Management Team

The Board is tasked with shaping and executing long-term strategies and overseeing management activities. It meets regularly, with a formal schedule and distributed agendas and documents to ensure informed decision-making.

Composition of the Board

The Board consists of four non-executive Directors, including an independent Chairman, and a Secretary who also serves as the General Manager. Directors bring diverse skills and expertise, contributing independent judgement to Board discussions. Each Director undergoes a thorough induction process to understand the company's operations and their legal responsibilities.

Board Meetings

The Board convened four times during the financial year.

Nawasscoal Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Board Committees

Given the company's size and number of directors, there are currently no formal Board committees.

Restructuring of the Company

Nawasscoal is reviewing its organizational structure with consultant support from PES to enhance corporate governance. This restructuring aims to improve the company's governance and operational efficiency.

9. Management Discussion and Analysis

Over the past five years, Nawasscoal has undergone significant changes in both its operational and financial performance, influenced by internal initiatives and external economic factors. Below is an analysis of key performance metrics and strategic developments.

Revenue and Profit Trends

The financial year 2023/2024 presented notable challenges for Nawasscoal, with a considerable decline in total revenue, primarily due to a significant reduction in grant income. This downturn was further impacted by the tighter economic environment and reduced external funding. Despite these challenges, our cost management efforts were effective, with overall expenses being carefully controlled.

Although we experienced a financial loss before taxation this year, our resilience as a company remains strong. The cost of sales remained steady, and our staff costs and administrative expenses were aligned with projections. To counter these financial challenges, we have taken proactive measures to enhance our financial position by focusing on expanding the faecal Sludge Treatment Plant (FSTP), increasing the production and distribution of seed balls, and enhancing the production of industrial briquettes. These initiatives are expected to generate additional revenue streams and strengthen our overall financial health moving forward.

Over the past five years, Nawasscoal has demonstrated consistent performance in operating revenue, particularly from 2019 to 2022. However, the financial year 2023/2024 presented challenges with a decline in both operating revenue and grant income. This shift was largely influenced by external factors, such as reduced funding from primary donors and a challenging macroeconomic environment.

Despite these hurdles, Nawasscoal has remained focused on diversifying its revenue streams and piloting new projects to ensure future growth. The company has taken proactive measures to adapt to these changes, emphasizing cost control and efficiency to minimize the impact of reduced revenue. This approach is geared towards ensuring long-term sustainability and positioning Nawasscoal for an improved financial outlook in the coming years.

Key Projects and Investments

Eco-Friendly Briquettes Production:

Nawasscoal has focused on expanding its production of briquettes made from faecal matter, which serve as sustainable fuel alternatives. The company continues to target institutions, increasing its production capacity to meet growing demand.

Seedball Initiative:

Piloted in financial year 2023/2024, the seedball initiative has combined environmental conservation with energy solutions. In 2023/2024, Nawasscoal distributed 35 kilograms of seedballs, resulting in the planting of over 6,300 trees, enhancing both corporate social responsibility and environmental sustainability.

Waste-to-Energy Projects:

Nawasscoal has been conducting feasibility studies on waste-to-energy projects like biogas, biochar and organic fertilizers aimed at converting biomass waste into clean energy. These projects, in collaboration with local and international partners, have shown promising results.

Statutory Compliance and Risk Management

Nawasscoal remains compliant with key regulations, including the Public Finance Management Act, Companies Act, and Water Act. The internal audit function has been strengthened, with the Audit and Risk Management Committee overseeing statutory compliance.

Key risks include revenue dependency on grants, market volatility, and operational risks associated with faecal matter processing. Nawasscoal has addressed these risks by diversifying revenue streams and investing in safety, training, and technology.

Future Developments

Nawasscoal's strategic focus includes:

- Diversifying revenue through waste management consultancy services.
- Expanding briquette and seedball production, supported by new investments in machinery.
- Advancing waste-to-energy projects to create new revenue streams and contribute to renewable energy goals.
- Implementing technological upgrades to improve operational efficiency.

Despite the financial challenges faced in 2023/2024, Nawasscoal remains committed to innovation, community engagement, and environmental conservation, confident that ongoing initiatives will drive future growth.



John I. Ndibui
General Manager
Nawasscoal Company Limited

11. Environmental and Sustainability Reporting

(Nawasscoal is deeply committed to environmental sustainability through its dual focus on renewable energy, improving sanitation and reforestation initiatives. Our approach is designed to minimize emissions, combat deforestation, and promote environmental regeneration, thus aligning with our mission to offer sustainable solutions while protecting the planet.

i) Sustainability Strategy and Profile

Nawasscoal's sustainability strategy integrates the production of environmentally friendly briquettes with a robust reforestation program centered around seed balls. This strategy reflects our dedication to reducing emissions, carbon foot print and supporting reforestation efforts, embodying our commitment to environmental preservation and renewable energy solutions. Our holistic approach not only advances our business objectives but also contributes significantly to the health of the planet.

ii) Environmental Performance

In FY 2023/2024, Nawasscoal achieved significant progress in environmental sustainability. We sold 72,000 kilograms of eco-friendly briquettes, contributing to our efforts in promoting sustainable energy alternatives. This initiative not only provided 11 direct jobs but also supported an additional 80 jobs within our value chain, demonstrating our commitment to creating employment opportunities.

Furthermore, we continued to provide dignified sanitation to over 570,000 households, resulting in the conservation of approximately 3,000 trees and the reduction of 1,000 tonnes of greenhouse gas emissions. Our ongoing partnerships with government bodies have enhanced our ability to meet climate targets, reinforcing our dedication to sustainable development and environmental stewardship.

iii) Employee Welfare

We are dedicated to ensuring responsible employment practices, contributing to job creation directly 9 and indirectly 50 in Nakuru County and beyond. Our workplace fosters inclusivity and excellence, offering fair wages, work-life balance, NSSF retirement benefits, and comprehensive accident coverage. We are committed to ensuring our employees' financial security and overall well-being by providing them with adequate PPE's and training to enhance their capacity.

iv) Market place Practices

Nawasscoal is committed to upholding high standards of customer satisfaction and responsible business practices. We actively seek and value customer feedback on our briquettes and address any concerns with seriousness and promptness. Our approach to service delivery is designed to foster a customer-friendly environment while demonstrating our commitment to ethical business practices.

a) Responsible Competition Practices

We adhere to anti-corruption measures, engage in responsible political activities, and promote fair competition. Nawasscoal is dedicated to maintaining a level playing field and preventing unethical practices that could undermine fair competition.

b) Responsible Supply Chain and Supplier Relations

We maintain high standards in our interactions with suppliers, honouring contracts and respecting payment terms. Our goal is to build sustainable and mutually beneficial relationships, recognizing that our success is linked to the success of our suppliers.

c) Responsible Marketing and Advertisement

Our marketing practices are transparent, truthful, and respectful. We provide accurate information about our products and avoid misleading or deceptive tactics. Our commitment is to promote our products ethically and responsibly.

d) Product Stewardship

Nawasscoal prioritizes product quality, safety, and reliability. We ensure that our products meet and are within industry standards and provide clear information on usage and safety. Our dedication to product stewardship reinforces the trust our customers place in our brand.

e) Corporate Social Responsibility / Community Engagement

Nawasscoal is committed to Corporate Social Responsibility by supporting community development, education, and environmental conservation. As part of these efforts, we provided the local prison with 200 kg of briquettes and 17,500 seed balls during their tree-planting day. The seed balls are expected to grow into approximately 5,040 trees, contributing significantly to reforestation and environmental sustainability. Through such initiatives, we aim to build lasting partnerships and promote a sustainable future.

12. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the company's affairs.

i) Principal activities

The principal activities of Nawasscoal include the production of eco-friendly products, such as briquettes made from faecal matter and seed balls for reforestation. The company is focused on expanding its scope through the development of turnaround strategies, currently being formulated with the support of consultants, to enhance growth and sustainability

ii) Results

For the year ended June 30, 2024, Nawasscoal experienced a noticeable decline in total revenue compared to the previous year, primarily due to a significant reduction in grant income, along with a slight drop in operating revenue. Despite maintaining stable cost of sales and effectively managing expenses, the overall financial results reflected a loss before tax, contrasting with the profit achieved in the prior year.

This year's financial outcome emphasizes the impact of reduced revenue streams, particularly from grants, and highlights the need for implementing new income strategies and further optimizing costs to improve our financial performance in the future.

iii) Directors

The Directors who held office during the year and to the date of this report are shown on page iv to vi. In accordance with Company Memorandum and Articles of Association, Directors serve for a term not exceeding 3 years' renewable for another one term.

iv) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Name: John I. Ndibui

Secretary of the Board

Date: 30/09/2024

13. Statement of Directors' Responsibilities

In compliance with Section 164 of the Public Finance Management Act, 2012, and the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements that provide a true and fair view of the company's financial position as of June 30, 2023, and its operating results for the fiscal year ending on that date. The Directors must also ensure that the company maintains accurate accounting records that reflect the financial position with reasonable accuracy and safeguard the company's assets.

The Directors' responsibilities in preparing and presenting the company's financial statements include: (i) maintaining effective financial management arrangements throughout the reporting period; (ii) ensuring proper accounting records that accurately disclose the company's financial position; (iii) designing, implementing, and maintaining internal controls to prevent material misstatements due to error or fraud; (iv) safeguarding the company's assets; (v) selecting and applying appropriate accounting policies; and (vi) making reasonable accounting estimates under the circumstances.

The Directors confirm that the financial statements have been prepared using appropriate accounting policies, supported by prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the applicable legislation. The Directors believe that the financial statements accurately reflect the company's transactions and financial position as of June 30, 2023. They further confirm the completeness of the accounting records and the adequacy of the internal financial control systems relied upon in the preparation of these financial statements.

The Directors are confident that the company will continue as a going concern for at least the next twelve months from the date of this statement, with no factors identified that would suggest otherwise.

Approval of the financial statements

The company financial statements were approved by the Board on 30/09/2024 and signed on its behalf by:



Name: Festus K Ngeno
Chairperson of the Board



Name: John Irungu
Managing Director

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NAWASSCOAL COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of NAWASSCOAL Company Limited set out on pages 1 to 40, which comprise of the statement of financial position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income,

Report of the Auditor-General on NAWASSCOAL Company Limited for the year ended 30 June, 2024

statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of NAWASSCOAL Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of profit and loss and other comprehensive income reflects a Nil amount in respect of depreciation and amortization expenses. However, Note 14 to the financial statements reflects depreciation charge amount of Kshs.3,233,313 resulting in the understatement the total expenses amount.

The statement of financial position reflects various account balances. However, some of the balances are not matched to the corresponding Notes to the financial statements such as the property, plant and equipment, ordinary share capital, general reserve, and non-current accounts payable.

The statement of changes in equity reflects investment reserve fund - grants from Viten amount of Kshs.(3,233,313). However, Note 7 to the financial statements indicates a Nil grants amount from Vitens. Further, the Note indicated grants from A4A amount of Kshs.2,388,773 which was not disclosed in the statement of changes in equity.

The statement of changes in equity reflects total comprehensive loss for the year amount of Kshs.4,670,066. However, the statement of financial performance reflects loss for the year amount of Kshs.4,715,678 resulting in an unexplained variance of Kshs.45,612.

In addition, the statement reflects investment reserve fund amount of Kshs.10,302,507. However, the statement of financial position reflects a similar balance in respect of retained earnings resulting in inconsistency in naming of components in the financial statements.

The statement of comparison of budget and actual amounts reflects cost of sales amount of Kshs.3,971,679. However, the statement of profit and loss and other comprehensive income reflects a balance of Kshs.3,982,479 resulting in an unexplained variance of Kshs.10,800.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unsupported Cost of Sales Amount

The statement of profit or loss and other comprehensive income reflects cost of sales amounting to Kshs.3,982,479 as disclosed in Note 8 to the financial statements. However, store records such as stores ledgers, bin cards and stock taking sheets in support of opening and closing stock balances of Kshs.260,155 and Kshs.103,385 respectively were not provided for audit verification.

In the circumstances, the accuracy and completeness of the cost of sales amount of Kshs.3,982,479 could not be confirmed.

3. Unsupported Consultancies Expenditure

The statement of Profit or Loss and other comprehensive Income reflects administration expenses of Kshs.2,705,002 and as disclosed in Note 10 to the financial statements. Included in the balance is an amount of Kshs.615,000 relating to consultancies expenditure. However, the payment vouchers and procurement records were not provided for audit verification to support the expenditure.

In the circumstances, the accuracy and completeness of the consultancy's expenditure Kshs.615,000 could not be confirmed.

4. Inaccuracy of Administration Expenses

The statement of profit or loss and other comprehensive income reflects administration expenses amounting to Kshs.2,705,002. However, the corresponding Note 10 to the financial statements reflects an amount of Kshs.5,653,742 resulting in an unexplained variance of Kshs.2,948,740.

In circumstances, the accuracy of the administration expenses of Kshs.2,705,002 could not be confirmed.

5. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects a balance of Kshs.15,043,673 in respect of property, plant and equipment respectively as disclosed in Note 14 to the financial statements. Included in the balance are amounts of Kshs.7,869,844, Kshs.38,539 and Kshs.7,135,290 in relation to buildings, computer related equipment and plant and equipment. However, the assets register detailing the list of assets in different classes and their date of acquisition, disposal or major change in use was not provided for audit verification.

Further, Note 14 to the financial statements reflects an amount of Kshs.17,984,142 in respect of depreciation and amortization expenses. Included in the balance are amounts

of Kshs.15,137,373, Kshs.2,485,212 and Kshs.361,557 in relation to depreciation charge on plant and equipment, buildings and computers and accessories respectively. However, a list of the individual assets being depreciated and the applicable rate were not provided for audit.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.15,043,673 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the NAWASSCOAL Company Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Qualified opinion.

6. Material Uncertainty Related to Going Concern

The statement of financial position reflects current assets amounting to Kshs.496,738 and current liabilities totaling Kshs.3,736,327 resulting in negative working capital of Kshs.3,239,589. Further, the statement of profit or loss and other comprehensive income reflects a loss of Kshs.4,715,678. The Company is, therefore, technically insolvent and its ability to continue as a going concern is dependent upon support from the County Government and its creditors.

In the circumstances, the Company may be unable to meet its short-term obligations as and when they arise.

My opinion is not modified in respect of this matter.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable amounts of Kshs.13,496,403 and Kshs.5,324,454 respectively resulting in an under collection of Kshs.8,171,949 or 61% of the budget. Further, the Company spent an amount of Kshs.10,029,333 against the actual receipts of Kshs.5,324,454 resulting in an overutilization of Kshs.4,704,879 or 88% of the final budget without the necessary approvals.

The shortfall in revenue collection and over utilization may have negatively impacted on the planned activities of the Company which affected service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not explained how the issues were addressed or resolved.

Other Information

The Management is responsible for the other information set out on page 3 to 24 which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the General Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I

confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Repay Loans

The statement of financial position reflects non-current accounts payable amounting to Kshs.17,477,373 which as disclosed in Note 22 to the financial statements relates to loans received from Nakuru Water and Sanitation Services Company Limited (NAWASSCO). Review of records revealed that the Company received the loans at an interest rate of 5% chargeable per year in three tranches of Kshs.4,621,943, Kshs.8,855,430 and Kshs.4,000,000 on 3 November, 2018, 30 November, 2019 and 13 September, 2021 respectively from the NAWASSCO. The loan repayments were scheduled to commence on 31 October, 2020. However, no repayments had been made as at 30 June, 2024 and interest on the unpaid loan amount continued to accrue. No explanation has been provided for the failure to repay the loans.

In the circumstances, Management was in breach of the loan Agreements.

2. Unconfirmed Ownership of the Company

Review of records indicate that the Company is a limited liability company fully owned by a public utility company, Nakuru Water and Sanitation Services Company Limited (NAWASSCO). However, review of the Company's CR12 certificate, Memorandum and Articles of Association revealed that three (3) people are listed in their private capacities as shareholders with one share each. Further, no evidence was provided to confirm whether the shares are fully paid up.

In the circumstances, the ownership of the Company could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance

section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of an Approved Pricing Policy

The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.2,935,681 as disclosed in Note 6 to the financial statements. Review of records revealed that revenue amounting to Kshs.2,735,681 was generated from sale of briquettes. However, the quantity in kilograms (kg) and the approved selling price per kilogram (kg) were not provided for audit since the Company does not have an approved pricing policy.

In the circumstances, lack of a pricing policy casts doubts on the effectiveness of the Company's selling prices in meeting the operational costs.

2. Lack of approved Staff Establishment and Human Resource Policy

Review of human resources records indicated that the Company did not have an approved staff establishment and human resources policy in place. Therefore, Management lacked an objective means to recruit and deploy staff for optimal results as required.

In the circumstances, the effectiveness and regularity of staffing in the Company could not be confirmed.

3. Lack of an Internal Audit Function and Audit Committee

During the year under review, the Company failed to establish an internal audit function contrary to Section 155 (1) of the Public Finance Management Act, 2012. Further, there was no audit committee in place contrary to Section 155 (5) of the Public Finance Management Act, 2012 which states that, the internal audit unit of a County Government entity to assess effectiveness of the Company through an internal performance appraisal commenting on its effectiveness in the annual report to The National Treasury.

In the circumstances, Management could not get assurance on the effectiveness of the Company's internal controls, risk management and governance and the Company did not benefit from the oversight role and advice from the audit committee and the internal audit function.

4. Lack of a Risk Management Policy

The Company did not have a risk management policy in place during the year under review. There were no formal risk assessments performed during the year and therefore it was not possible to determine the key financial risky areas, or estimation of the significance and the likelihood of the occurrence of the potential risks. Further, the

Report of the Auditor-General on NAWASSCOAL Company Limited for the year ended 30 June, 2024

management also failed to provide a disaster recovery plan or business continuity plan. This was contrary to Regulation 158 (1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management may be unable to determine the risky areas that may expose the Company to financial malpractices and possible loss of public funds.

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 controls, 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

Conclusion

As required by the Companies Act, 2015, 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. The information given in the Directors' report on pages xxv to xxvi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report has been properly prepared in accordance with the Companies Act, 2015.

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 controls, risk management and 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those Charged with Governance are responsible for overseeing the 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

Nawasscoal Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

1. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.


	NOTE	2023/2024 (Kshs)	2022/2023 (Kshs)
Revenue			
Operating Revenue	6	2,935,681	3,814,850
Cost of Sales	8	3,982,479	4,806,570
Gross Profit		(1,046,798)	(991,720)
Grants Income	7	2,388,773	12,049,024
Other Income		-	-
Finance income		-	-
Total Income		1,341,975	11,057,304
Expenses			
Staff Costs	9	2,948,740	2,903,319
Administration expenses	10	2,705,002	5,195,785
Operating & Maintenance Expenses	11	403,911	725,781
Depreciation and Amortization expenses			
Total Expenses		6,057,653	8,824,885
Profit/(Loss) Before Taxation		(4,715,678)	2,232,419
Income Tax Expense/(Credit)			
Profit/(Loss) After Taxation		(4,715,678)	2,232,419


Nawasscoal Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024


2. Statement of Financial Position As at 30 June 2024

	NOTE	2023/2024 (Kshs)	2022/2023 (Kshs)
ASSETS			
Non-Current Assets			
Property, plant and equipment		15,043,673	18,276,986
Total Non-Current Assets		15,043,673	18,276,986
Current Assets			
Inventories	15	103,385	260,155
Trade and other receivables	16	359,601	1,082,881
Bank and cash equivalent	17	33,752	2,303,515
Total Current Assets		496,738	3,646,550
TOTAL ASSETS		15,540,411	21,923,536
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Ordinary share capital		100,000	100,000
General Reserve		(16,075,868)	(11,360,190)
Retained Earnings		10,302,577	13,535,890
Total Share Capital and Reserves		(5,673,291)	2,275,700
Non-Current Liabilities			
Non-Current accounts payable		17,477,375	17,477,375
Total Non-Current Liabilities		17,477,375	17,477,375
Current Liabilities			
Trade and other payables	23	3,736,327	2,170,461
Total Current Liabilities		3,736,327	2,170,461
TOTAL EQUITY AND LIABILITIES		15,540,411	21,923,536

The financial statements were approved by the Board on 30/09/2024 2024 and signed on its behalf by:


Name: John Irungu
General Manager


Name: Isaac Makori
Head of Finance
ICPAK M/No: 6774


Name: Eng. Festus Ng'eno
Chairman of the Board

3. Statement of Changes in Equity for the Year Ended 30 June 2024

	NOTE	ORDINARY CAPITAL	Investment Reserve Fund (KSHS)	Revenue Reserve Fund (KSHS)	TOTAL (KSHS)
At July 1, 2022		100,000	16,765,704	(13,592,609)	3,273,095
Grants from Vitens	13	-	(3,229,814)	-	(3,229,814)
Additional for the year					
Total comprehensive profit/loss for the year		-	=	2,232,419	2,232,419
At June 30, 2023		100,000	13,535,890	(11,360,190)	2,275,700
At July 1, 2023		100,000	13,535,890	(11,360,190)	2,275,700
Grants from Vitens	13	-	(3,233,313)	-	
Additional for the year					
Total comprehensive profit/loss for the year		-	=	(4,715,678)	(4,670,066)
At June 30, 2024		100,000	10,302,577	(16,075,868)	

Nawasscoal Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2024

4. Statement of Cash Flows for The Year Ended 30 June 2024

	NOTE	2023/2024	2022/2023
		KSHS	KSHS
CASH GENERATED FROM OPERATING ACTIVITIES			
Profit/loss before income tax		(4,715,678)	2,232,419
Adjustments for:			
Depreciation on plant property and equipment	10		
Operating Profits before working capital changes		(4,715,678)	2,232,419
Changes in working capital			
Increase/ Decrease in Inventories		156,770	8,832
Decrease in Trade & other Receivables		723,280	(858,481)
Decrease in Trade & other Payables		1,565,865	677,569
Net cash generated from/ (used in) operating activities		(2,269,763)	2,060,340
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	-	(449,096)
Finance Asset			
Net cash generated from/(used) in investing activities		-	(449,096)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants			
Loans			
Net cash generated from/ (used in) financing activities			0
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,269,763)	1,611,244
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,303,515	692,271
Increase/decrease in cash and cash equivalents		(2,269,763)	1,611,244
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		33,752	2,303,515

Nawasscoal Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Title	Description	Effective Date
Covenants (issued in October 2022)	provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	or after January 1, 2024. Earlier application is permitted.

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 but not yet effective in the year ended 30 June 2024.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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

iii. Early adoption of standards

The company did not early – adopt any new or amended standards in the financial year ended 30th June 2024.

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.

- ii) **Grants** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Other income** is recognized as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company 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 but disclosed.

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.

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 cost 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/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

No	Leasehold Land and Buildings	Over the remaining period of the lease	Rate (%)
i.	Plant & Equipment	8 years	4
ii.	Furniture, Fittings and Office Equipment	8 years	12.5
iii.	Computers	3 years	33.33

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

e) Intangible assets

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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized and the asset is written down to its estimated recoverable amount.

g) 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 statement of financial position.

h) 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.

i) 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/ FIFO (*Whichever is applicable*). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

j) Trade and other receivables

Trade and other receivables are recognized at amortized cost 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 and when the necessary approval to write off is granted. A report on losses and write offs is disclosed on page xxx of this report.

k) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company 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 profit or loss statement. 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. 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.

l) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are

recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed 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.

m) Borrowing costs

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

n) 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 various Commercial Banks at the end of the reporting period.

o) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by considering any issue

cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

p) Trade and other payables

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

q) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2023. 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. 1,080.00 per employee per month.

r) Provision for staff leave pay

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

s) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

t) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on 11/10/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No additional appropriations were added on the original budget by the entity upon receiving the respective approvals for the final budget. 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 Comprehensive income has been presented in the financial statements.

u) Service concession arrangements

The Company 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 Company 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 Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

v) Comparative figures

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

w) 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, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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

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 Company 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 Company. 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 for disposal:

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

c) Provisions

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

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)

Notes to the financial statements (continues)

6. Operating Revenue

	2023/2024	2022/2023
	(KSHS)	(KSHS)
Sales	2,935,681	3,814,850
Total	2,935,681	3,814,850

7. Grants Income

	2023/2024	2022/2023
	(KSHS)	(KSHS)
Grants from A4A	2,388,773	12,049,024
Grants from SNV	-	-
Grants from Vitens	-	-
Total	2,388,773	12,049,024

8. Cost of Sales

	2023/2024	2022/2023
	Kshs	Kshs
Opening Stock	260,155	268,988
Saw dust	-	-
Molasses	88,470	106,560
Charcoal dust	545,950	828,820
Firewood	562,600	247,000
Electricity	246,203	293,180
Maintenance costs	632,144	1,304,056
Packaging material	55,410	110,860
Water	91,434	406,158
Total production salaries	1,546,709	1,473,188.73
Penalties	56,789	27,915
Loss of stock	-	-
Less: Closing stock	(103,385)	(260,155)
Total	3,982,479	4,806,570

Notes to the financial statements (continued)

9. Staff Costs

	2023/2024	2022/2023
	(KSHS)	(KSHS)
Gross Salary and Allowances	2,948,740	2,903,319
Wages of Temporary Employees	-	-
Gratuity provisions	-	330,525
Total	2,948,740	3,233,849
The average number of employees during the year	9	9

10. Administration Expenses

	2023/2024	2022/2023
	(KSHS)	(KSHS)
Staff Costs	2,948,740	2,903,319
Casual labour	-	
Office Expenses	146,175	71,087
Accounting & Bookkeeping	-	35,000
Staff Gratuity	480,000	330,525
Staff Welfare	280	64,451
Auditor's fee	-	100,000
Transport	176,510	147,727
Consultancies	615,000	3,106,541
General Repair & Maintenance	163,205	299,440
Bank & M-Pesa Charges	68,654	92,108
Telephone & Internet	72,100	116,420
Fares & Travels	711,578	366,086
Medical cover	-	-
Training & Conference	271,500	466,400
Total	5,653,742	8,099,104

11. Maintenance and Operations Expenses

	2023/2024	2022/2023
	(KSHS)	(KSHS)
Research & Development	-	-
Office Stationery & Consumables	115,036	51,688
Sales & Marketing	178,490	287,344
Facility Insurance	-	264,570
Safety Equipment	110,386	122,179
Total Maintenance Expenses	403,912	725,781

12. Depreciation and Amortization Expenses

	2023/2024	2022/2023
	(KSHS)	(KSHS)
Property, plant, and equipment	15,137,373	12,353,290
Building	2,485,212	2,071,010
Computer and accessories	361,557	31,529
Total Depreciation and Amortization	17,984,142	14,750,829

13. Income Tax Expense/(Credit)

Current taxation

	2023/2024	2022/2023
	(KSHS)	(KSHS)
Current taxation based on the adjusted profit for the year at 25%	-	-
Current taxation based on the adjusted profit for the year at 30%	-	-
Prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	=	=
Total	-	-

Nawasscoal Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2024

Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2023/2024	2022/2023
	(KSHS)	(KSHS)
Profit before taxation	-	-
Add: Expense not deductible for tax purposes	-	-
Less: Expenses deductible for tax purposes	-	-
Adjusted profit for tax purposes	-	-
Tax loses B/F	-	-
Total profit C/F	-	-

Notes to the financial statements (continued)
 14. Property, Plant and Equipment

2023	Building	Computer Related Equipment	Plant & Equipment	Total
Cost/Valuation				
At July 1, 2023	10,355,056	400,096	22,272,663	33,027,815
Additions	-	-	-	-
At June 30, 2024	10,355,056	400,096	22,272,663	33,027,815
Depreciation				
At July 1, 2023	2,071,010	326,529	12,353,290	14,750,829
Charge for grants	414,202	35,028	2,784,083	3,233,313
At June 30, 2024	2,485,212	361,557	15,137,373	17,984,142
Net Book Value				
At June 30, 2024	7,869,844	38,539	7,135,290	15,043,673
2022	Building	Computer Related Equipment	Plant & Equipment	Total
Cost/Valuation				
At July 1, 2022	10,355,056	295,000	21,928,663	32,578,719
Additions grants	-	105,096	344,000	449,096
At June, 30, 2023	10,355,056	400,096	22,272,663	33,027,815
Depreciation				
At July 1, 2022	1,656,808	295,000	9,569,207	11,521,015
Charge for grants	414,202	31,529	2,784,083	3,229,814
At June 30, 2023	2,071,010	326,529	12,353,290	14,750,829
Net Book Value				
At June 30, 2023	8,284,046	73,567	9,919,373	18,276,986

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Notes to the financial statements (continued)

15. Inventories

	2023/2024	2022/2023
	Kshs	Kshs
Raw materials	19,046	26,030
Finished goods	14,400	92,690
Packaging materials	69,939	141,435
Total	103,385	260,155

16. Trade and Other Receivables

	2023/2024	2022/2023
	Kshs	Kshs
Trade receivables	257,101	980,381
Share capital	100,000	100,000
Electricity deposit	2,500	2,500
Total	359,601	1,082,881

17. Bank and Cash Balances

	2023/2024	2022/2023
	Kshs	Kshs
M-PESA	2,287.40	31,110
Cash at bank	31,465.32	2,257,095
Cash in Hand	-	15,310
Total	33,752.72	2,303,515

Detailed analysis of the cash and cash equivalents

The bulk of the cash at bank was held at Cooperative Bank of Kenya, the company's main bankers.
Detailed analysis of the cash and cash equivalents

Financial Institution	Account Number	2023/2024	2022/2023
		Kshs	Kshs
Co-operative Bank - Revenue Account	01136882036500	36,194.09	418,411.79
Co-operative Bank - Expenditure Account	01136882036501	(4,450.65)	-
Co-operative Bank - Donations Account	01136882036502	(278.12)	1,838,683.68
Total		31,465.32	2,257,095.47

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

18. Ordinary Share Capital

	2023/2024	2022/2023
	Kshs	Kshs
Authorized:		
1,000 ordinary shares of Kshs. 100 par value each	100,000	100,000
Issued and not paid:		
1,000 ordinary shares of Kshs. 100 par value each	100,000	100,000

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. Long Term Liability

	2022/2023	2021/2022
	Kshs	Kshs
Bal b/f	17,477,375	13,477,375
Loan from NAWASSCO	-	4,000,000
Less: Payment made	-	
Total	17,477,375	17,477,375

Recognition of Retirement Benefit Asset/ Liability

- a) Amounts recognised under other gains/ Losses in the statement of Comprehensive Income
- b) Amounts recognised in the Statement of Financial Position

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Notes to the financial statements (continued)

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1080 per employee per month. Employees contribute 100% while employers contribute 100% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

23. Trade and Other Payables

	2023/2024	2022/2023
	Kshs	Kshs
Salary arrears	515,510	-
NSSF	58,320	-
NHIF	24,150	-
Other Payables	177,226	
PAYE	126,817	-
Electricity	49,188	31,707.30
Water	761,623	670,189
Penalties and Interests	43,554	
Housing Levy	31,374	-
Gratuity	1,948,565	1,468,565
Total	3,736,327	2,170,461.30

24. General Reserve A/C

	2022/2023	2021/2022
	Kshs	Kshs
Balance b/f	13,535,890	16,765,704
Plant and Equipment	-	
Additional Equipment(s)	-	
Amortization of the grant	(3,233,313)	(3,229,814)
Total	10,302,577	13,535,890

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Notes to the financial statements (continued)

Other Disclosures

25. Related Party Disclosures

Nakuru Water and Sanitation Company Limited.

The Nakuru Water and Sanitation Services Company Ltd is the principal shareholder of the Nawasscoal Co ltd and holds 97% of the company's equity interest.

Transactions with related parties

	2022/2023	2021/2022
	Kshs	Kshs
i) Sales to related parties		
Sales of goods/services by Nakuru Water & Sanitation Services Co. Ltd		102,932
Total		264,031
ii) Key management compensation		
Salaries and other short-term employment benefits		
Total		
iii) Directors' remuneration		
Directors sitting allowance	-	-
Chairman honorarium	-	-
Total	-	-

26. Contingent Assets and Liabilities

The company has no contingent liabilities in respect of bank, guarantees and other matters arising in the course of business

27. Financial Risk Management

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

i) Credit risk

The Company 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.

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Management assesses the credit quality of each customer, considering 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.

Credit Risk (Continued)

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

iii) Market risk

The Board has established an internal audit function to continually assess the risks faced by the entity and evaluate the design and effectiveness of its internal controls. Market risk, arising from changes in interest rates, equity prices, and foreign exchange rates, can impact the company's income and financial holdings. The objective of market risk management is to control exposures within acceptable limits while optimizing returns. The Audit and Risk Management Committee oversees this responsibility, with the Finance Department developing and implementing detailed risk management policies. There have been no changes in the company's market risk exposure or management approach.

a) Foreign currency risk

The Company has no transactional currency exposures.

b) Foreign currency sensitivity analysis

The company does not transact with foreign currencies.

c) Interest rate risk

The company has no interest risk.

i) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year.

b) Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the company's capital risk management is to ensure the Board's ability to sustain the entity as a going concern.

28. Incorporation

The Company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

29. Events After the Reporting Period

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

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

15. Appendices

Appendix I : progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Irregular Presentation of Profit or Loss and Other Comprehensive Income	The statement of profit or loss and other comprehensive income reflects total income amounting to Kshs. 15,863,874. However, the operating income and other income have not been disclosed as exemplified in Paragraph 1-84 of International Accounting Standards (IAS) 1 which require disclosure of gross profit and other income separately in accordance with the recommended template. In the circumstance the statement of profits or loss and other comprehensive income has not been presented in accordance with International Financial Reporting Standards.	<i>We have observed that the statement of profit or loss and other comprehensive income reflects a total income amounting to Kshs. 15,863,874 but does not provide a breakdown of the gross profit. We have rectified this by clearly separating the revenues, other income, gross profit, and other expenses in accordance with the template prescribed by the Public Sector Standards Board.</i> <i>Furthermore, we have made corrections to the financial statements for the year ended June 30th, 2023, including the table of contents and addressing other errors identified during the review for template compliance. The amended copies of the financial statements are submitted separately along with this management letter.</i>	Resolved	10 th January 2023
Inaccuracy of Operating Revenue	The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.3,814,850 in respect of sales as disclosed in Note 3 to the financial statements. Review of records revealed 114,218 kilograms of briquettes were sold at a price of Kshs.30 per kilograms. However, the	<i>We have conducted comprehensive reconciliations of the operating revenue, and regrettably, we discovered an erroneous typing and reporting of operating revenue as 3,725,872 instead of the correct amount, 3,814,850, as per the financial statement (See Annex 1- Correct schedule). This error has been rectified, ensuring alignment between the financial statement and the supporting schedule. Necessary amendments have been made to the</i>		

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>price was lower than the approved price of Kshs.40 resulting to loss amounting to Kshs.1,142,180 which has not been explained. Further, the operating revenue amount differs with the supporting schedules amount totalling to Kshs.3,725,872 resulting to unexplained variance of Kshs 88,978.</p> <p>In the circumstance, the accuracy and completeness of operating revenue amounting to Kshs.3,814,850 for the year ended 30 June could not be confirmed.</p>	<p><i>financial statement, and the corresponding notes have been adjusted accordingly.</i></p> <p><i>In the fiscal year 2022/2023, the Board, on July 28, 2022, resolved to adjust the selling prices of briquettes. The new pricing structure, effective from August 2022, established rates of Kshs 40 per kilogram for quantities less than 100kg, Kshs 38 for quantities between 100kg and 1000kg, and Kshs 36 for bulk buyers acquiring above 1000kg. This impacted the months of July, August, and September, during which briquettes were sold at varying prices (Kshs 27 to Kshs 40 per kilogram) to facilitate a smooth transition while communication with existing customers to inform them of the price adjustments which was critical to do.</i></p> <p><i>The revised pricing was fully implemented in October 2022. Resellers maintained an average selling price of Kshs 36 per kilogram, influenced by significant quantity purchases, while retailers adhered to the newly established price of Kshs 40.</i></p>		
Inaccuracy of Cost of Sales	<p>The statement of profit or loss and other comprehensive income reflects cost of sales amounting to Kshs.4,806,570 as further disclosed in Note 5 to the financial statements. However, the amount includes costs totalling to Kshs.2,302,008 which differs with the supporting schedules amount totalling</p>	<p><i>We regrettably noted that we submitted the unreconciled schedules for the charcoal dust and total production salaries. The figures in the financial statement are correct. The correct corresponding schedules are attached as follows; Annex 2- Charcoal dust, and Annex 3- Total production salaries.</i></p> <p><i>The supporting schedules for packaging material and thread, as outlined in</i></p>	Resolved	10 th January 2024

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>to Kshs 2,230,169 resulting to an unexplained variance of Kshs 71,839</p> <p>Further, the cost of sales includes packaging material purchased amounting to Kshs 110,860 which differs with the supporting schedules amount totalling to Kshs 221,720 resulting to unreconciled variance of Kshs 110,860.</p> <p>In addition, the cost of sales includes closing stock amounting to Kshs 268,988 less closing stock amounting to Kshs 260,155. However, store records such as stores ledgers, bin cards and stock taking sheets were not provided.</p>	<p><i>Annex 4, reflect correct and accurate figures both in financial statement and on the supporting schedule, reported as Kshs. 110,860</i></p> <p><i>We want to clarify that Nawasscoal was in the process of transitioning from manual excel schedule to the QuickBooks system. This transition involved simultaneous training and data transfer, contributing to a few errors. The team has now completed the necessary training, ensuring smoother data management going forward.</i></p>		
Inaccuracy of Staff Costs	<p>The statement of profit or loss and other comprehensive income reflects staff costs totalling to Kshs 2,903,319. However, the amount differs with the staff costs amounting to Kshs 3,225,056 as disclosed in Note 6 to the financial statements resulting to unexplained variance of Kshs 330,525. In the circumstance, the accuracy and completeness off staff costs amount of 2,903,319 for the year ending 30 June 2023 could not be confirmed.</p>	<p><i>The staff cost variance of Kshs 330,525 represents the gratuity for the financial year 2022/2023. The gratuity amount of Kshs 330,525 has however been recorded under the administration expenses under note number 10.</i></p>	Resolved	10 th January 2024

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Inaccuracy of Administration Expenses	<p>The statement of profit or loss and other comprehensive income reflects administration expenses amounting to Kshs.5,195,785. However, the amount differs with administration expenses amounting to Kshs.8,099,104 as disclosed in Note 7 to the financial statements resulting to unexplained variance of Kshs.2,903,319. Further, the amount includes an expenditure totaling to Kshs.3,507,045 which differs with the supporting schedules amount totaling to Kshs.638,846 resulting to unexplained variance of Kshs.2,868,199 as detailed below:</p> <p>In addition, the administration expenses include staff costs amounting to Kshs.2,903,319 which has not been disclosed in the recommended format. In the circumstances, the accuracy and fair presentation of administration expenses amounting to Kshs.5,195,785 for the year ending 30 June 2023 could not be confirmed.</p>	<p><i>We have noted the missing schedule for the staff cost of Ksh 2,903,319 which is attached herewith as Annex 5.</i></p> <p><i>The errors on supporting schedules on staff welfare, transport, general repairs and M-pesa charges as stated in the financial statement are correct and the correct schedules are attached as Annex 6, Annex 7, Annex 8, Annex 9, respectively.</i></p> <p><i>The administration expenditure item under note NO 10 of Kshs 8,125,436, represents the total operating expenditures including staff cost, office expenses, repairs and maintenance etc. however in the provided template of statement of profit or loss and other comprehensive items, the staff cost item has been provided as a separate line items, thus the variance is as a result of disclosing the expenditure items under the administration expense as separate line items.</i></p> <p><i>Staff cost: as indicated in the table above the staff cost was well supported by payrolls that was submitted to the audit team for reference.</i></p>	Resolves	10 th January 2024
Irregular Procurement of Insurance Services	<p>The statement of Profit or loss and other Comprehensive Income reflect operating and maintenance Expenses amounting to Kshs.725,781. The expenditure includes facility Insurance of</p>	<p><i>We acknowledge the observation regarding the procurement process for insurance, where only two quotations were obtained instead of the intended four as per the requests for quotations. During the evaluation, the urgency and the nature of the required insurance</i></p>	Resolved	5 th February 2024

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kshs.264,570 as disclosed in Note 8 to the financial statements which was procured using request for quotation method. Review records revealed that quotation was sought from four firms but only two firms responded. The evaluation committee composed of two members. This is contrary to Regulation 29(3) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the quorum for the conduct of business of the evaluation committee to be at least three persons. Further, the evaluation report was not signed.</p> <p>In the circumstance, management was in breach of the Public Procurement and Asset Disposal Act, 2015.</p>	<p><i>(WIBA and facility insurance) played a crucial role. At that time, our management team consisted of only two officers, as one was on leave, and the workforce was limited. To avoid any operational gaps, the two officers proceeded with the evaluation. The selected insurer, Madison Insurance, besides having the lowest bid, understood Nawasscoal's unique business model, leading to the decision to extend their contract due to the urgency and potential consequences of delay. Moving forward, we commit to strictly adhering to procurement procedures and policies to ensure transparency and compliance.</i></p>		
<p>Inaccuracy of Depreciation and Amortization Expenses</p>	<p>The statement of profit or loss and other comprehensive reflects nil depreciation and amortization expenses while note 9 to the financial statement reflect Kshs 14,750,829. Further, note 13 property plant and equipment has an amount of Kshs 3,229,814 resulting to unexplained variance of Kshs 3,229,814.</p> <p>In the circumstance, the total expenditure of Kshs. 13,631,455 in the statement of profit and loss and other</p>	<p><i>As per note 16 Property Plant and Equipment's, the amount for depreciation was computed at Kshs 3,229,814. The depreciation amount was written off against the general reserves under note No 24. The accounting treatment was in line with an early directive through your office as provided for under accounting for grants. The mention figures of Kshs 3,184,776 above as per your observation relates to the depreciation for the year 2021/2022 and not for the period under audit 2022/2023</i></p>	<p>Resolved</p>	

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	comprehensive income for the year ending 30 June, 2023 is understated by Kshs 3,229,814.			
Inaccuracy of Trade and Other Receivables	<p>The statement of financial position reflects trade and other receivables amounting to Kshs.1,082,881 as disclosed in note 15 of the financial statement. The amount includes trade receivables amounting to Kshs. 980,381 which differs with the supporting schedules amount totalling to Kshs.911,700. The resulting to a variance of Kshs.68,681 has not been explained.</p> <p>In the circumstance, the accuracy, completeness and recoverability of trade and other receivables balance of Kshs.980,381 for the year ending 30 June, 2023 could not be confirmed.</p>	<p><i>The error in trade and other receivables has been identified and corrected. A thorough reconciliation has been conducted, and the supporting schedule has been revised to accurately represent the correct value of Kshs. 980,381. It was observed that there were two sales schedules, with one providing the accurate figure of Kshs 980,381, and the other, an unreconciled schedule, indicating a figure of Kshs. 911,700, leading to the confusion. This discrepancy has been addressed, and the accurate schedule is attached as Annex 11.</i></p>		
Lack of approved Staff Establishment and Human Resource Policy	<p>A review of human resource records indicated that the Company did not have an approved staff establishment and human resource policy. The Management therefore lacked objective means to recruit and deploy staff for optimal results. It was also not possible to confirm whether staffing in the Company was regular and optimal.</p> <p>In the circumstances, Management was in breach of the County Public Service</p>	<p><i>We acknowledge the observation and clarify that Nawasscoal has a human resources manual and procedure policy, primarily adapted from the parent company NAWASSCO (Refer to Annex 13). Due to limited staff capacity, staff issues receive substantial support from NAWASSCO. The manual underwent recent review in conjunction with NAWASSCO's manuals. The revisions were presented to both Nawasscoal and NAWASSCO's management and await board approval in Quarter one of 2023/2024. Although provided for review, the manual inadvertently did not</i></p>	Resolved	

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	Human Resource Manual, 2013.	<i>reach the audit team in time for assessment.</i>		
Failure to Make Returns to the Registrar of Companies	Review of records revealed that the Company has never filed returns with the Registrar of Companies. This is contrary to 705 (1) of the Companies Act, 2015 which requires every company shall submit to the Registrar of Companies successive annual returns each of which is made up to a date not later than the date that is from time to time the company's return date. The Management is in breach of the Companies Act, 2015.	<i>Thank you for the observation. The management has taken an immediate response in the matter mentioned and we are in communication with NAWASSCO, company's secretary to facilitate filling of the company's returns to the registrar of companies with immediate effect</i>	Resolved	
Irregular procurement of Low Value Goods	The statement of Profit or loss and other Comprehensive Income reflect operating and maintenance expenses amounting to Ksh.725,781 as further disclosed in Note 8 to the financial statements. The amount includes an expenditure totalling to Kshs.460,233 incurred purchase of office stationery and equipment of using low value procurement method. However, the expenditure was not incurred by the Head of procurement and was supported by the original Kenya Revenue Authority Electronic Tax Receipt (KRA ETR Receipt) duly signed by the person undertaking the low value procurement of goods.	<i>We acknowledge the audit team's observation and clarify that as a lean start-up transitioning to the commercial stage, Nawasscoal has a small team, with procurement overseen by the administrative and accounts officer, approved by the General Manager. Following a turnaround consultancy, the board resolved, through attached minutes (Annex 10: Minutes 1/4/28/7/2022), to source raw materials directly from Nakuru communities to lower production costs, in line with the Public Procurement and Disposal Act 2020. Although receipts were obtained, community suppliers often lack electronic receipts due to the nature of their operations.</i>	Resolved	

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>In the circumstances, the Management was in the breach of the Public Procurement and Asset Disposal Act, 2015. anomaly</p>			
<p>Failure to Prepare Bank Reconciliation Statements</p>	<p>The statement of financial position reflects bank and cash equivalent amounting to Kshs.2,303,515. The amount includes cash at bank amounting to Kshs 2,27,095 as further disclosed in Note 16 to the financial statements. However, monthly bank reconciliations were not prepared for the two bank accounts. This is contrary to Regulation 90(1) of the Public Finance Management (County Governments) Regulations,2015 requires Accounting officers to ensure that bank accounts reconciliations are completed for each bank account every month. Further, included in the amount is cash in hand totalling to Kshs.15,310 which was not supported with a board of survey report.</p> <p>In the circumstances, management was in breach of the Public Finance Management Act, 2012. Further the accuracy and completeness of the cash and bank balance of Kshs. 2,303,515 as at June, 2023 could not be ascertained.</p>	<p><i>During the reconciliation process for the specified period, we inadvertently omitted the crucial step of generating the bank reconciliation statement. Recognizing its significance in ensuring balance accuracy, NAWASCOAL CO.LTD, utilizing QuickBooks desktop system, underwent a transition during the reviewed year. Training and implementation occurred concurrently, contributing to this oversight. We assure you that corrective measures are now in place. Since the start of the 2023/2024 financial period, we consistently print bank reconciliation statements</i></p>	<p>Resolved</p>	

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
Failure to Repay Loans	<p>The statement of financial position reflects non-current accounts payable amounting to Kshs.17,477,375 in respect of loans received from Nakuru Water and Sanitation Services Company Limited as further disclosed in Note 19 to the financial statements. Review of records revealed that the Company received loans at an interest rate of 5% chargeable per year in three tranches of Kshs.4,621,945, Kshs.8,885,430 and Kshs.4,000,000 on 3 November 2018, 30 November, 2019 and 13 September 2021 respectively from the Mother Company. The loan repayments were schedule to commence on 31 October, 2020. However, no repayments had been made to date and interest continued to accrue. No explanation has been provided for the failure. In the circumstance, Management is in breach of the law.</p>	<p><i>During the incubation phase, Nawasscoal encountered challenges, such as the adverse impact of the Covid pandemic and interruptions in improving sales of briquettes due to resumptions of charcoal burning, negatively affecting business and profitability. The Parent company's loan played a crucial role in supporting the company during these difficulties. Now transitioning into a commercial phase with the aim of reaching break-even, the company faced delays in loan repayment. Consequently, Nawasscoal communicated with the Parent company, (See Annex 12 Minutes 5/11/10/2023) requesting a loan rescheduling and proposing to offset part of the loan with funds generated from the sale of idle equipment. Fortunately, the Parent company approved these requests. Currently, Nawasscoal is in the process of selling the equipment through a public disposal procedure, intending to utilize the proceeds to reduce a portion of the outstanding loan. The remaining loan balance will be settled from the profits expected in the financial year 2023/2024, following the implementation of strategic turnaround initiatives</i></p>	Resolved	

Name: John Irungu

General Manager

Signature: 

Date: 30/09/2024

Nawasscoal Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Appendix II: Projects Implemented by the Company

Projects

No Projects implemented by the Company 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						
2						

Status of Projects completion

None

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Source of funds
1							
2							
3							

Appendix III: Inter-Entity Confirmation Letter
No Inter-Entity Confirmation Letter

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June (Current FY)

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

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

Head of Accounts Department - Disbursing Entity:

Name _____ Sign _____ Date _____

Head of Accounts Department - Beneficiary Entity:

Name _____ Sign _____ Date _____

Appendix IV: Reporting of Climate Relevant Expenditures

No climate relevance expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix V: Reporting Disaster Management Expenditure

No disaster management expenditure

Date: _____
 Entity: _____

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water	xxx	Recurrent	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Ministry/County Department of water.	xxx	Development	xxx	xxx	xxx	xxx	xxx	xxx	xxx
USAID name of	xxx	Donor Fund	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Development partner/County department etc.	xxx	Direct Payment	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total			xxx	xxx	xxx	xxx	xxx	xxx	xxx