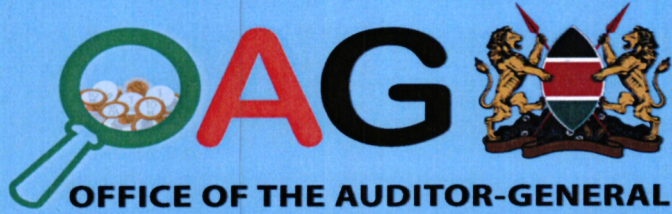


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**REPORT**

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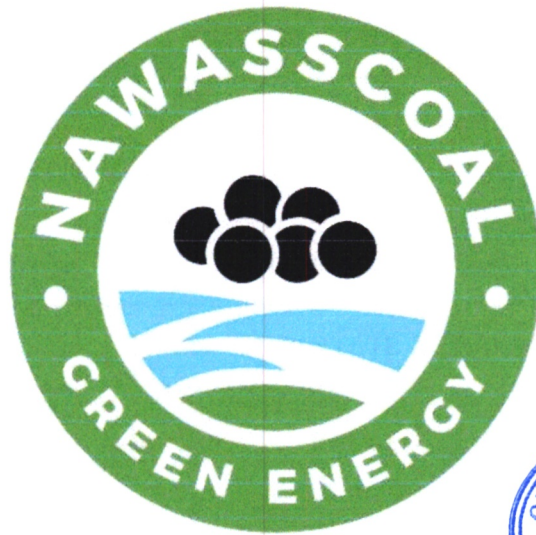
**THE AUDITOR-GENERAL**

**ON**

**NAWASSCOAL COMPANY LIMITED**

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





**NAWASSCOAL COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2022**

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

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## **I. KEY COMPANY INFORMATION**

### **Background information**

NAWASSCOAL Company Limited (NAWASSCOAL) is a limited liability company wholly owned by Nakuru water and Sanitation Company Ltd (NAWASSCO). It was established on 8th September, 2018, with the mandate to carry out research and produce faecal matter-based products. The briquette production venture was a successful pilot project under the Nakuru County Sanitation Programme (NCSP) which ended on 31st August 2018. NAWASSCOAL is committed to environmental conservation and promoting green energy solutions.

The company produces and markets biomass briquettes (MakaaDotcom) to local institutions, hotels, eateries, and households for heat energy generation. Their ultimate goal is to commercialize faecal based products to address sanitation challenges and promote economic activities around the sanitation value chain.

### **MakaaDotcom**

NAWASSCOAL briquettes known as MakaaDotcom are made out of 30% treated faecal matter and 70% sawdust combined with molasses as the binding agent. The production and use of MakaaDotcom helps to conserve the environment by saving 88 trees per tonne of briquettes used.

### **Our briquettes (Makaa Dotcom) have the following features:**

- Burns for at least 3 hours
- Have no smoke
- Easy to light (Using a variety of locally available lighting materials)
- Less carbon emissions
- Value for money
- Compatible with any ordinary charcoal cook stove
- Wide range of uses (cooking, heating, brooding, etc.)
- Eco – friendly (reuse of waste, consists of biomass)

### **Principal Activities**

The main mandate of the company is to produce and provide faecal matter products that are within globally acceptable standards for domestic and industrial use.

- i. To ensure that it possesses and retains all the necessary expertise necessary to the Technical, Commercial, Financial and Administrative functions.
- ii. To meet all the required renewably energy standards and guidelines
- iii. To obtain all necessary licenses, permits and warranties necessary to carry out its obligations in accordance with statutes in force.
- iv. To maintain the assets in good working condition and not to dispose of any assets without the following disposal guidelines.

- v. To prepare proposals for improvement of the assets so as to enhance business.

### **Vision**

To provide quality Bio-fuels and faecal sludge management solutions (FSM) with Global 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

### **Shareholding**

The Company is fully owned by Nakuru Water and Sanitation Services Company Ltd and it is registered with 100 shares of Kshs. 1000 each. According to the Company Memorandum and Articles of Association the shares are held in trust are as follows:

| <b>Shareholding</b>   | <b>Number of Shares Held</b> |
|---|------------------------------|
| Nakuru Water and Sanitation Services Company Limited  | 97                           |
| Joseph Wainaina Kiuna, CECM, Finance and Economic Planning, County Government of Nakuru                     | 1                            |
| Festus Kipkoech Ng'eno, CECM, Water, Environment, Energy and Natural Resources, County Government of Nakuru | 1                            |
| James Nganga Gachathi, Managing Director, NAWASSCO  | 1                            |
| <b>TOTAL</b>  | <b>100</b>                   |

The above shareholders represent the mother company, NAWASSCO and the County Government of Nakuru. Plans are underway to change the shareholding from individuals to their respective offices and institutions.

Each person has one voting right and NAWASSCO is represented by a proxy during meetings.

### **Directors**

The Directors who served the company during the year were as follows: -

1. Dr Peter Kiplangat Ketyenya                      Non-Executive                      Director  
Appointed on 10<sup>th</sup> April 2019

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**For the year ended 30<sup>th</sup> June, 2022**

|  |                |          |
|--|----------------|----------|
| 2. Eng. Festus K. Ng'eno<br>Appointed on 17 <sup>th</sup> September 2018   | Non-Executive  | Director |
| 3. James Ng'ang'a Gachathi<br>Appointed on 17 <sup>th</sup> September 2018 | Non- Executive | Director |
| 4. John Irungu Ndibui<br>Appointed on 1 <sup>st</sup> September 2018       | General        | Manager  |

**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](mailto:info@nawasscoal.co.ke)  
Website: [www.nawasscoal.co.ke](http://www.nawasscoal.co.ke)

**Corporate Bankers**

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

**Independent Auditors**

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**

## II. 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:

| Ref | Directors  | Details   |
|-----|--|---|
| 1.  | <br><br>Eng. Festus K. Ngeno | <p>Eng. Ng'eno, 42, was appointed on 17<sup>th</sup> September, 2018 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Water, Environment, and Energy &amp; Natural Resources. Other positions he has held before include: Group Manager, Water Treatment Division at Davis &amp; Shirliff Ltd, and Managing Director at Kericho Water &amp; Sanitation Company Ltd.</p> <p>Eng. Ng'eno sits in other Boards including: Council of Governors on Water, Forestry &amp; Mining -CECMs Caucus, World Vision Kenya (WVK), Nakuru Rural Water &amp; Sanitation Services Co. Ltd, Naivasha Water &amp; Sanitation Company Ltd and Imarisha Lake Naivasha Management Board.</p> <p>Eng. Ng'eno is a Water, Sanitation &amp; Environmental Engineer. He has degree in BSc Water &amp; Environmental Engineering from University of Nairobi, a Master's degree in MSc, Water &amp; Environmental Engineering from University of Nairobi and Currently pursuing a Doctorate Degree (PhD) in Water &amp; Environmental Engineering at the</p> |

|    |  |  |
|----|--|--|
|    |  | <p>University of Nairobi. He also has a Post Graduate Diploma Course in Leadership &amp; Corporate Governance from Kenya College of Accountancy (KCA) University.</p> <p>He has thirteen (13years) 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>  |
| 2. |  <p>Dr. Peter Ketyenya</p> | <p>Dr Peter K. Ketyenya, 44, was appointed on 10<sup>th</sup> April, 2019 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>3.</p> |  <p>James N. Gachathi</p> | <p>Mr Gachathi, 52, was appointed on 17<sup>th</sup> 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>4.</p> |  <p>John I. Ndibui</p>  | <p>Mr Irungu, 39, was appointed on 1<sup>st</sup> September 2018 as the General Manager NAWASSCOAL and the Secretary of the Board for NAWASSCOAL. Before his appointment he worked as a consultant with the Nakuru County Sanitation programme (NCSP), the programme that led to establishment of NAWASSCOAL.</p> <p>He has a Degree in Bachelor of Philosophy in Mechanical Engineering from Technical University of Kenya and on –going student of MSc. OSH (Occupational Health and Safety) at Jomo Kenyatta University of Science and Technology. He also holds a Diploma and a Higher Diploma in Mechanical Engineering (Production and Plant options respectively).</p> <p>Mr. Irungu is a mechanical engineer with extensive background experience in process and energy engineering, involving principally Biomass energy technologies, Improved Cook- Stoves (ICS), Combined Heat and Power (CHP), Solid Waste Management,</p> |

|  |  |  |
|--|--|--|
|  |  | <p>energy recovery facilities along with low energy design and CO2 emission reduction</p> <p>He has extensive experience (9 years) with project managing multidisciplinary teams on projects, covering technical advisory work, bankable feasibility studies, due diligence and renders independent engineer work for waste to energy projects. Proven track record in delivering professional services on time and within budget. Additional significant expertise has also been gained working within the sustainable design of energy strategy and master planning for a very wide range of projects. Board Secretary</p> |
|--|--|--|

### III. CORPORATE MANAGEMENT TEAM

The day-to-day operations of the Company is run by the General manager assisted by the Sales officer and administrative officer. the production and sales assistants

The following are the Management Team for Nawasscoal Company Limited

| Ref | Management  | Details  |
|-----|---|--|
| 1.  |  <p data-bbox="339 891 560 920">John I. Ndibui</p> | <p data-bbox="834 589 1402 936">Mr Irungu, 39, was appointed on 1<sup>st</sup> September 2018 as the General Manager NAWASSCOAL and the Secretary of the Board for NAWASSCOAL. Before his appointment he was working as a consultant with the Nakuru County Sanitation programme (NCSP), the programme that led to establishment of NAWASSCOAL.</p> <p data-bbox="834 943 1402 1328">He has a Degree in Bachelor of Philosophy in Mechanical Engineering from Technical University of Kenya and on –going student of MSc. OSH (Occupational Health and Safety) at Jomo Kenyatta University of Science and Technology. He also holds a Diploma and a Higher Diploma in Mechanical Engineering (Production and Plant options respectively).</p> <p data-bbox="834 1335 1402 1720">Mr. Irungu is a versatile mechanical engineer with extensive background experience in process and energy engineering, involving principally Biomass energy technologies, Improved Cook- Stoves (ICS), Combined Heat and Power (CHP), Solid Waste Management, energy recovery facilities along with low energy design and CO2 emission reduction</p> <p data-bbox="834 1727 1402 1960">He has extensive experience (9 years) with project managing multidisciplinary teams on projects, covering technical advisory work, bankable feasibility studies, due diligence and renders independent engineer work for waste to energy</p> |

**NAWASSCOAL Company Limited**  
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**For the year ended 30<sup>th</sup> June, 2022**

|  |  |  |  |
|--|--|--|--|
|  |  |  | projects. Proven track record in delivering professional services on time and within budget. Additional significant expertise has also been gained working within the sustainable design of energy strategy and master planning for a very wide range of projects. General Manager |
|--|--|--|--|

For the purposes of the professional skills, the parent company NAWASSCO provides skills where necessary i.e., Finance, Human Resource Management, Communication & Knowledge Management, ICT, Internal Audit and Technical on pro-bono basis.

#### **IV. CHAIRMAN'S STATEMENT**

The year 2021/22 was a benchmark for our company. Our results reflect the challenging economic climate and the significant steps we have taken to invest in our future growth. Even with changes in strategy and lessons learned over the past year, we continue to maintain our commitment to being the renewable energy solution to Nakuru County and beyond.

During the past year, the Board has experienced a growing concern about dwindling profit. The Board through a partner – Aqua for All supported the company in developing turn around strategies that are geared towards overall company growth. We are optimistic that the strategy will go a long way in helping the company to grow especially in terms of profit. The Board remains committed to supporting the company in the implementation of the strategies.

The Board also notes that NAWASSCOAL was set-up as a subsidiary company for the first years of operation. This structure will be reviewed to enable the company to explore other partnerships and business models e.g., Joint ventures, special purpose vehicles.

The review will be aimed at linking NAWASSCOAL and the NAWASSCO Onsite Sanitation Unit and the proposed Sanitation Levy. This restructuring will support the company to continue providing socio-economic services to the residents of Nakuru County and to position itself to attract investments and funds. This will also enable NAWASSCOAL to venture into broader waste management products and services.

The review is expected to:

- a. Increase Nawasscoal's scope
- b. Enhance 3<sup>rd</sup> Party engagement
- c. Improve social economic benefits to the residents of Nakuru County and beyond

The Board is exploring various partnerships to build the restructuring.

#### **Key Activities**

1. Developing turn around strategies: The company received support from Aqua for All to develop strategies that are geared towards overall company growth to address the dwindling profit concern.
2. Reviewing the subsidiary company structure: NAWASSCOAL was set up as a subsidiary company, and the Board notes that this structure will be reviewed to enable the company to explore other partnerships and business models such as joint ventures and special purpose vehicles.
3. Linking NAWASSCOAL with other units: The review will be aimed at linking NAWASSCOAL with the NAWASSCO Onsite Sanitation Unit and the proposed Sanitation Levy. This restructuring will support the company to continue providing socio-economic services to the residents of Nakuru County and to position itself to attract investments and funds.

4. Venture into broader waste management products and services: The restructuring will enable NAWASSCOAL to venture into broader waste management products and services.
5. Exploring partnerships: The Board is exploring various partnerships to build the restructuring.

### **Achievements**


Despite the challenging economic climate brought about by the COVID-19 pandemic, our company has achieved significant successes in the past year. One notable achievement is our ability to remain afloat despite the negative impacts of the pandemic. We also successfully developed turn around strategies that are geared towards overall company growth. Production and sales took place successfully, and we were able to engage consultants to develop the strategies successfully through our development partners. Additionally, we have increased our engagement with third parties, as demonstrated by the increased involvement of NAWASSCOAL in exploring partnerships and business models such as joint ventures and special purpose vehicles. These achievements demonstrate our commitment to our customers and stakeholders, and our determination to continue being the renewable energy solution to Nakuru County and beyond.

### **Challenges**

Our company faced the challenge of high production costs due to the effect of covid-19, which impeded profitability and prevented us from offering competitive prices to our customers. Additionally, illegal charcoal burning continues to provide a cheaper alternative to our renewable energy solutions, such as MakaaDotcom. Nevertheless, we have developed turnaround strategies aimed at achieving overall company growth, which we believe will help us overcome the high production costs and increase our competitiveness.

### **Appreciation**

I take this opportunity on behalf of the Board to thank our development partners' i.e., Aqua for all, County Government of Nakuru and our mother company - NAWASSCO for your unwavering support. The wonderful outlook from NAWASSCOAL staff, and our mother company - NAWASSCO, for ensuring that we continue being the green energy solution.

  
Chairman  
Eng. Festus K. Ng'eno

Dated 30 / 09 2022

## **V. REPORT OF THE GENERAL MANAGER**

I am pleased to present the Annual Report and Financial Statements of NAWASSCOAL for the year ended 30<sup>th</sup> June 2022. This is the 4<sup>th</sup> Annual report and financial statements for the Company.

Nawasscoal's year-on-year sales experienced a 25% decline, prompting the requirement for a turnaround strategy.

The average selling price per kilogram of briquettes is set at Kshs. 30 which is not enough to cover the current costs of production (COGs) at Kshs. 34 and further administrative expenses at Kshs. 51.

Currently NAWASSCOAL has the capacity to produce 30,000 Kgs of briquettes per month but the current level of production is suboptimal at 7,500 kgs per month. This 'operating below full or optimal capacity' drives high the cost of production because at these costs, the company should be able to produce 30,000 Kgs per month.

This led to the engagement of a consultant in financial year 2021/2022 to kick off of a 'Turnaround strategy review' whose objectives are:

1. To facilitate a viable turnaround business strategy/plan for NAWASSCOAL and,
2. Provide coaching services and oversee its execution in line with the stakeholder's vision.

The consultant's primary objective is to enhance NAWASSCOAL's output and cash flow via a fresh business plan/strategy. After a production review, the NAWASSCOAL team and Private Equity Support (PES) engineer conducted experiments to determine the ideal production capacity, costs, and pricing approach, resulting in a 37.7% reduction in production costs from Kshs. 34.29 to Kshs. 21.37.

### **Experiment 1: Carbonizer Improvements**

Result: Increased output can be achieved if the machine is operated for 24-hour continuous cycles. Use of faecal sludge as a material in the furnace was confirmed to support the uniform burning and required temperatures.

### **Experiment 2: Sourcing of Raw Materials**

Result: It was established that direct sourcing of materials e.g., charcoal dust, molasses and firewood from the local communities and suppliers in Nakuru can support reduction of the production cost of the briquettes.

### **Experiment 3: In-house Maintenance Capacity**

Result: The cost of maintenance can be reduced by using the in-house capacity of the production supervisor and selected assistant. If provided with a maintenance kit, the staff can perform preventive and corrective maintenance.

If the above is implemented the production cost of 1 kg of briquettes can be reduced from 34.29 to 21.37. Please note this excludes the administrative cost.

| Raw Materials /Inputs       | Current Costs (KSHS)           | New Determined Costs (KSHS) | Cost Savings (KSHS) |
|-----------------------------|--------------------------------|-----------------------------|---------------------|
| Molasses [Litre]            | 1.45                           | 0.40                        | 1.05                |
| Water [Litre]               | 0.41                           | 0.45                        | -0.04               |
| Firewood                    |                                | 1.50                        | -1.50               |
| Sludge [kg]                 | 0                              | 0.00                        | 0.00                |
| Charcoal Dust               | 7.04                           | 4.50                        | 2.54                |
| Electricity                 | 2.5                            | 1.60                        | 0.90                |
| PPE Maintenance             | 5.48                           | 1.50                        | 3.98                |
| Safety Gear                 | 0.5                            | 0.50                        | 0.00                |
| Packaging                   | 0.91                           | 2.40                        | -1.49               |
| Consumables [Threads, fuel] | 0.5                            | 0.50                        | 0.00                |
| Loss of Stock               | 0.5                            | 0.50                        | 0.00                |
| Production salaries per Kg  | 15                             | 7.52                        | 7.48                |
| <b>Total Cost/Unit</b>      | <b>Production</b> <u>34.29</u> | <u>21.37</u>                | <u>12.92</u>        |

**Proposal 1: Sourcing of raw materials directly from the Nakuru community**

Raw materials like charcoal dust, molasses and firewood to be obtained directly from local communities and suppliers as provided under the Public Procurement and Disposal Regulations 2020 (under M. Community participation, clause 108).

**Proposal 2: Utilise obtained in-house capacity for factory maintenance**

The current production supervisor and selected production assistant have the skill to do preventive and corrective maintenance on the machinery and site if they have access to a maintenance kit

**SALES & REVENUE INCREASE**

A review of the sales & marketing strategy was conducted in a bid to move from current sales of 6,000 kg per month with a revenue of KSHS180,000 to 23,600 kg and a revenue of 896,800 per month after one year, the following was recommended:

**Proposal 3: Review the price of briquettes upward to KSHS 40 per kg**

To cover the increased production and administrative cost and based upon the current market rate of competitor products, it is recommended to increase the price to KSHS 40 per kg for 5kg; KSHS38 per kg for 25kg kg bag and KSHS36 for per kg for 50kg and above from 1<sup>st</sup> of August 2022. To encourage larger purchases, the 'per kilo' cost is lower.

**Proposal 4: Intensify focus on the institutional segment of the market base**


NAWASSCOAL with the support of the consultants made the following recommendations in order to grow NAWASSCOAL's customer base: **1.** To increase the number of institutional customers e.g. hotels, restaurants, industries and schools; **2.** To increase the number distributors and wholesalers; **3.** To retain, re-activate and grow the domestic market segment; **4.** To explore modern market with e.g. Tier 3 mini-markets.

**INCREASING THE SCOPE OF 3<sup>RD</sup> PARTY ENGAGEMENT BY NAWASSCOAL**

NAWASSCOAL was set-up as a subsidiary company for the first years of operation. This structure will be reviewed to enable the company to explore other partnerships and business models e.g. Joint ventures, special purpose vehicles.

The review will be aimed at linking NAWASSCOAL and the NAWASSCO Onsite Sanitation Unit and the proposed Sanitation Levy. This restructuring will support the company to continue providing socio-economic services to the residents of Nakuru County and to position itself to attract investments and funds. This will also enable NAWASSCOAL to venture into broader waste management products and services. The Board is exploring various partnerships to build the restructuring.

The consultant is expected to finalize the development of the turnaround strategies by 30<sup>th</sup> September 2022 and implementation will be rolled out beginning July 2022. The full implementation of the turnaround strategies will be rolled out in financial year 2022/2023 where significant impact is expected to be realized.

  
\_\_\_\_\_  
**General Manager**  
**John Irungu Ndibui**

**Dated** 3.10.2022 **2022**

## VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR 2021/2022

NAWASSCOAL's 5-year business plan for 2018/2019-2022/2023 details its intended approach and direction for enhancing performance and service delivery. The plan communicates the Company's trajectory over the five-year period and showcases its focus areas, objectives, and resource allocation to tackle key strategic challenges. NAWASSCOAL's strategic plan encompasses 3 pillars and 5 objectives.

**Pillar 1:** Resource mobilization to scale up production and sales of MakaaDotcom

**Pillar 2:** Increased Safe treatment of faecal sludge through product diversification

**Pillar 3:** Socio-economic and environmental benefits

The annual work plans of the company are formulated according to the strategic pillars listed above. The performance of the company is evaluated on a quarterly basis in relation to its annual work plan. To achieve its objectives, the company establishes balance score cards with the management team, which are reviewed by the Board quarterly. In case of any deviation, corrective measures are implemented. The performance of the company against the set targets in its 3 strategic pillars is illustrated in the diagram below.

| Strategic Pillar   | Objective   | Key Performance Indicators  | Activities   | Achievement  |
|--|---|---|--|--|
| <b>Resource mobilization to scale up production and sales of MakaaDotcom</b> | Increased resources for the company                         | Increase the resource mobilization effort from the previous year by 25% | -Increasing third party engagements through proposal writing<br>-Seeking partnership through JVS | A total of Ksh. 5,030,938 was raised compared to the previous year Ksh. 4,202,952 equivalent to 20% increase.  |
|  | Business improvement through increased production and sales | Turnaround strategies developed   | Engaging the consultants<br><br>Developing the strategies together with consultants              | Turnaround strategies developed by June 2022.<br>-One year implementation plan developed<br>-Board resolutions on the implementation of strategies obtained. |

| Strategic Pillar   | Objective   | Key Performance Indicators  | Activities  | Achievement  |
|--|---|---|---|--|
| <b>Increased Safe treatment of faecal sludge through product diversification</b> | Develop Product diversification strategy                            | -Develop and test 3 different products                                  | -Identify the products to develop<br>-Produce the products<br>-Test the products<br>-Give recommendations                                       | During the period the company successfully developed and tested 2 different products i.e. Seedballs and Bio-char which were tested and found to be viable products lines for Nawasscoal  |
|  | Enhance Faecal sludge treatment                                     | -Increase the sludge usage by 20%<br>-Enhance drying capacity of sludge | -Modify the carbonizer furnace to utilize dry sludge as source of heat energy<br>-Increase the amount of faecal sludge in briquettes production | -The use of sludge was increased by more than 20% following the modification of the carbonize kiln which now combines sludge and other biomass as source of heat.<br>-Use of sludge in briquettes production also increased by 5% from previous 20% to 25% |
| <b>Socio-economic and environmental benefits</b>                                 | To enhance socio-economic and environmental benefits of the company | -Increase employment through value chain                                | Change the marketing model to focus on institutional marketing strategies to create employment in the process                                   | -Two new distributors on boarded<br>- Employment opportunities created with the value chain i.e. waste collection, production process, transportation and distribution   |
|  |   | Increase the environmental benefits                                     | -Promote the use of MakaaDotcom through marketing and awareness campaigns   | 20 market demonstration activities conducted.<br>66tons of briquettes<br>-Equivalent of 5,808 trees saved through the use of MakaaDotcom.  |

## **VII. CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of NAWASSCOAL is responsible for the overall management of the Company and is committed to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

In the recent years' various recommendations have been made in several legal and professional publications in an attempt to determine the most appropriate way for companies to be structured to achieve the highest standards of corporate governance. The Board is committed to full compliance of all the relevant laws including the Guidelines on Corporate Governance issued by the Regulator, WASREB

The Corporate Governance of NAWASSCOAL takes place within a framework which exists to regulate and/or guide the conduct of Board members, staff, customers and members of public in assessing the Company's facilities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the Company. The key instruments within the governance framework are:

- 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
- Employment Act 2007
- NAWASSCOAL approved policies and procedures

For the sake of coherence and legitimacy, it is in the best interest of the Company that its conduct be regulated by the most appropriate type of governance instrument.

### **The Board of Directors**

The Company Board of Directors are appointed in accordance with the Company's Articles of Association

The Board of Directors are responsible for the following: -

- Implementation of Memorandum and Articles of Association
- Provision of guidelines and control function of the Company
- Approval of the organisation structure and maintenance of staff terms and conditions of service
- Approval of business plans and budgets
- Provision of management guidelines
- Approval of major contracts/projects
- Prudent investment of funds to ensure continuity of service
- Appointment of Corporate Management Team

The Board is responsible for drawing and implementing strategies for the long-term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management. The Board meets regularly and has a formal schedule of meetings to discuss matters reserved for its decision with a view of determining and reviewing the strategies of the Company and overseeing the Companies compliance with statutory and regulatory obligations.

Notices and agenda for all Board meetings are circulated to all Directors on a timely basis together with the respective documents for discussion.

### **Composition of the Board**

The Board is composed of 4 non-executive Directors including an independent Chairman and one Secretary to the board who is also the General Manager. The Directors represent various stake holding. They have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions.

On appointment, each Director is provided with a comprehensive and tailored induction process covering the Company's business and operations and also provided with information relating to their legal and regulatory obligations.

### **Board Meetings**

The Board met 5 times in this financial year.

### **Board Committees**

Because of the small size of the company and the number of directors the board has no committees.

### **Restructuring of the company**

The current structure of NAWASSCOAL is under review with the support of the consultants with the aim of improving the cooperate governance of the company.

## VIII. MANAGEMENT DISCUSSION AND ANALYSIS

### Key Financial Indicators

The base scenario assumptions provide a modest increase in estimated production for the first five years from 5 to 150 tonnes of products per month to achieve a breakeven point in year three. At this level the business is able to achieve a gross profit margin of at least 60% from year 4. The business plan also provides a sensitivity analysis to evaluate the resulting financial indicators in the event of altering assumptions on the level of output and price. The various scenarios show that the level of output has a significant effect on the company's profitability and ability to cover its expenses thus need to realize higher levels of output and growth in sales as early as possible.

### Business Viability

NAWASSCOAL seeks to be the leading firm in the commercializing of cost effective fecal sludge management solutions and production of bio-fuel products through innovation and advanced technology

The focus on moving towards 'cleaner fuel sources' has seen focus shift from carbon-based fuels to non-carbon-based fuels. This, amongst other challenges, has resulted in NAWASSCOAL looking to restructure its business model, leverage on available resources while providing a sustainable and scalable business model.

The financial indicators show that the business is profitable once output levels of about 40 tonnes per month are achieved at selling prices of KSh 200 for 5k bag, KSh 950 for 25kg bag and KSh 1800 for 50kg. If financing is available for the required infrastructure and the market responds well, it is possible to upscale production to 100 tonnes per month within the next five years.

The current staff members who have been running the company and were involved in the pilot phase are well equipped with the relevant skills, knowledge, experience and commitment to run the production facility and sell the briquettes. This capacity will be further developed to ensure the envisaged growth plans are realized and additional oversight by board of directors, is expected to provide the business direction needed to successfully run the business.

### Analysis

- NAWASSCOAL's new value proposition is based on the 'Nakuru County Solid Waste Management Bill, 2020'
- NAWASSCOAL seeks to be the vehicle through which Nakuru and other counties provides an effective, responsive and sustainable waste management system through provision of affordable services in waste management that address the needs of local residents and firms
- NAWASSCOAL is pivoting its business from a briquette manufacturer to a waste management solutions firm.

### **Conclusion on the Sensitivity Analysis**

For NAWASSCOAL to deliver sustainable social impact, a balance must be achieved between creating a workable business model and providing the social impact through key its activities. In an effort to expand the business, maximize on the sludge usage and make the business more sustainable, NAWASSCOAL is seeking partnership from likeminded partners to diversify its current revenue lines by incorporating additional products like industrial briquettes, Biogas, bio fertilizer etc.

### **Financial Performance**

The Company made a loss of Kshs 1,891,556 in 2021/2022 compared to Ksh. 1,850,766 in 2020/2021. Nawasscoal main focus in the last financial year was on review of the business model and development of turnaround strategies. During the period, some of the strategies recommended during review were rolled out through pilot experiments that were conducted by the consultants and NAWASSCOAL team. The following was deduced;

1. Reduction in cost of Production from Kshs. 34 to 21 at a production of 26,300 kg per month which was achieved through review of the procurement manual and
2. Improved production efficiency through plant improvements
3. Selling price upward review from the current Kshs 30 to Kshs. 40 to increase the revenue.

However, the above strategies and others have not been fully demonstrated practically as the consultancy and NAWASSCOAL team have not had sufficient time to roll them out. NAWASSCOAL in consultation with the stakeholders and the Consultants have drafted a one-year work plan/forecast that will facilitate full scale rollout and practical testing of the strategies and coaching technical support. The one-year plan is set up in two phases of 6 months each to allow the implementing team to pause midway and reflect on the progress.

## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Company exists to transform lives through the provision of water and sanitation services. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on 5 pillars: putting the customer/citizens first, delivering relevant goods and services, improving the welfare of its employees, conserving the environment and improving operational excellence.

Below are the company achievements for each pillar during the period under review: -

### **1. Sustainability Strategy and Profile**

NAWASSCOAL production process is intertwined to environmental conservation most especially on reduction of GHG and afforestation that mitigate the adverse effects of climate change currently being experienced globally. Theoretical literature analysis estimated 1 ton of charcoal briquettes saves up to 9 mature trees that would have been logged for wood charcoal or fire wood (Njenga et. al, 2014)<sup>18</sup>. In the financial year 2021/2022, NAWASSCOAL sold 72 tonnes of briquettes hence saving an equivalent of 648 mature trees. It is projected that Nawasscoal will produce and sell between 462 tons to 907 tons by the end of the tenth year. This will translate to a saving of 70,000 trees equivalent to 56 hectares of forest cover.

Additionally, Kenya emission Reduction potential estimated by NDC targets to reduce its GHG by not less than 42.9 Mt relative to BAU by 2030 (NCCAP 2018-2022). NAWASSCOAL activities are feeding into this by a significant proportion of 29.2 Kt of CO<sub>2</sub> reductions from the 56 hectares of forest cover.

Inferring from socioeconomic, value chain, Health and Environmental benefits and cost analysis it is clear that the private and societal cost are less than the private and societal benefits created by NAWASSCOAL charcoal briquette production and sale.

### **2. Environmental Performance**

The Company recognizes environmental sustainability as the greatest challenge of the 21st century and commits to ensuring that all of its major strategies and operations consider their environmental and ecological aspects and impacts.

Through the manufacture of briquettes, the company estimates it had a great impact on the environment. Its estimated, 1 ton of charcoal briquettes saves up to 9 mature trees that would have been logged for wood charcoal or fire wood (Njenga et. al, 2014)<sup>18</sup>. In the financial year 2021/2022, NAWASSCOAL sold 72 tonnes of briquettes hence saving an equivalent of 648 mature trees.

### **3. Employee Welfare**

The Company is committed to being a good employer, and contributes positively to the creation of employment in the Country and Nakuru County. Our mission is to foster an environment where employees feel recognized for their contributions, appreciated for their individuality, and challenged to do their best. As an employer the Company is committed to ensuring that all the employees are fully supported in their work, have a decent working environment, are fairly rewarded, and maintain a good work-life balance. The Company has in place one retirement benefits scheme i.e. NSSF for its staff which provides earnings during the retirement period. In addition, the Company has an accident cover for its staff.

#### **4. Market Place Practices**

The company puts in place a lot of measures to ensure customer satisfaction, by calling to find out on the quality of the briquettes. Customer complaints are dealt with utmost seriousness

The Company is committed to service delivery to its customers by creating a customer friendly environment.

#### **5. Corporate Social Responsibility /Community Engagement**

Nawasscoal is committed to the welfare, health and safety of all of our employees and suppliers and to delivering socially and environmentally responsible product(s) to our customers. We use our skills and processes from our briquette production background and expertise to ensure that all our production plant maintains the quality and quantity of our briquettes

We will always conduct our business with integrity and respect to human rights and we will continue to build and grow an inclusive culture that encourages, supports and celebrates diversity. Through our commitment to ethical sourcing, we ensure safe and fair working conditions for everyone throughout our production and marketing chain.

We will always comply with relevant current legislation and industry benchmarks to ensure that labour standards and human rights in the workplace are met. Nawasscoal has long term relationships with suppliers who share our values and ethics.

Minimising our impact on the environment is at the heart of everything we do and through our value chain we promote and educate our customers on the sustainable and environmentally friendly benefits of MakaaDotcom. It is Nawasscoal's aim to continuously review and improve the company's environmental performance to prevent and minimize, wherever practicable our environmental impact.

## **X. REPORT OF THE DIRECTORS**

The Board of Directors submit Report together with the Financial Statements for the year ended 30<sup>th</sup> June, 2022 which shows the state of the Company's trading affairs and financial position.

### **Principal Activities**

The principal activities of the company are production of faecal matter based briquettes which are an alternative to ordinary charcoal. NAWASSCOAL seeks to expand its scope through turnaround strategies that are currently being developed with the support of consultants.

### **Results**

The results of the Company for the Year ended 30<sup>th</sup> June, 2022 are set out on page 1 to 24. The net loss for the period was Kshs 1,891,556; therefore, do not recommend the payment of dividend.


### **Directors**

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

### **Auditors**

The Company Auditor is the Auditor General of P.O BOX 30084 Nairobi as provided for by the Public Audit Act, 2015.

By order of the Board

  
\_\_\_\_\_  
**Board Secretary**  
**John Irungu Ndibui**

**Dated**

30/09 2022

## XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and the Kenyan Companies Act, 2015 requires the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company as at the end of the financial year and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the Company's financial statements which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2021. This responsibilities includes; (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintain proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act, 2015. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2021, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.


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

**Chairman**

  
**Eng. Festus K. Ngeno**

Dated 30/09 2022

**General Manager**

  
**John Irungu Ndibui**

Dated 30/09 2022

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON NAWASSCOAL COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of NAWASSCOAL Company Limited set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant

accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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, 2022, 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, Cap. 267 and Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Undisclosed Material Uncertainty Related to Going Concern**

Review of the Company financial statements revealed that the statement of profit or loss and other comprehensive income reflects operating loss balance of Kshs.1,891,556, an increase of Kshs.40,796 from the previous year operating loss balance of Kshs.1,850,760. Further, the statement of financial position reflects current liabilities balance of Kshs.1,492,894 against current assets balance of Kshs.1,185,659 resulting to a negative working capital of Kshs.307,235 demonstrating that the Company is unable to meet its financial obligations as and when they fall due.

In addition, the General Manager's report indicates that the current cost of production and administrative expenses per kilogram of briquettes is set at Kshs.34 and Kshs.51 respectively thereby resulting to total production cost of Kshs.85 which exceeds the current average selling price of Kshs.30 resulting to a negative profit margin of Kshs.55 per kilogram an indication that the Company is unable to break even.

In the circumstances, the Company is technically insolvent and faces an acute financial challenge that raises significant doubts on its ability to operate as a going concern. This fact has not been disclosed in the financial statements.

#### **2. Variance Between Financial Statements and Supporting Schedules**

Review of financial statements revealed that the balances differed with the supporting schedules as detailed below:

| <b>Particulars</b>        | <b>Note</b> | <b>Financial Statement<br/>(Kshs.)</b> | <b>Supporting Schedules<br/>(Kshs.)</b> | <b>Variance<br/>(Kshs.)</b> |
|---------------------------|-------------|--|---|-----------------------------|
| Revenue                   | 6(a)        | 2,042,633                              | 1,916,893                               | 125,741                     |
| Cost of sales/Direct Cost | 7           | 3,860,867                              | 3,004,099                               | 856,768                     |
| Sales & Marketing         | 8(c)        | 251,362                                | 247,522                                 | 3,840                       |
| Inventories               | 13          | 268,988                                | 0                                       | 268,988                     |

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

### **3. Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.21,057,704 which differs with the assets register balance of Kshs.45,382,023 resulting to an unreconciled variance of Kshs.24,324,319. Further, included in the property, plant and equipment balance are assets with historical cost of Kshs.8,871,221 which were grounded and had been decommissioned. In addition, and as previously reported, land of unknown value on which the plants and buildings are constructed was not included in the balance of property, plant and equipment.

In the circumstances, the completeness, accuracy and presentation of the property, plant and equipment balance could not be confirmed.

### **4. Trade and Other Receivables Balance**

The statement of financial position reflects trade and other receivables balance of Kshs.224,400. However, the movement schedule for the period under review was not provided for audit. Further, the amount includes Kshs.100,000 in respect of unpaid share capital contrary to paragraph 66 of International Accounting Standards No. 1 that requires an entity to classify an asset as current when it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.

In the circumstances, the completeness, accuracy and presentation of the trade and other receivables balance of Kshs.224,400 could not be confirmed.

### **5. Unsupported Bank and Cash Equivalent Balance**

The statement of financial position reflects bank and cash equivalent balance of Kshs.692,271 which comprise of cash at bank and cash in hand of Kshs.672,302 and Kshs.19,969 respectively. However, the certificate of bank balance and bank reconciliation statements were not provided for audit. Further, the board of survey report on the cash in hand as at 30 June, 2022 was not provided for audit.

In the circumstances, the validity of the reported bank and cash equivalent balance of Kshs.692,271 could not be confirmed.

### **6. Unsupported General Reserve Balance**

The statement of financial position reflects general reserve of Kshs.16,765,704. Included in the balance is brought forward amount of Kshs.19,091,480 which was in respect of operational assets transferred in 2018 from the mother company, the Nakuru Water and Sanitation Services Company Limited. However, detailed ledger and deed of transfer in support of the balance were not provided for audit.

In the circumstances, the validity of general reserve balance of Kshs.16,765,704 could not be confirmed.

### **7. Loans Due to Nakuru Water and Sanitation Services Company**

The statement of financial position reflects non-current accounts payable balance of Kshs.17,477,375 in respect of loans received from Nakuru Water and Sanitation Services Company Limited, the parent company whose loan agreements were not provided for

audit. Further, at the time of audit, repayments had not been made and interest continued to accrue. Management has not taken any steps to settle the outstanding loan amount.

In the circumstances, failure to honor debts exposes the Company to the risk of litigation and increased cost of the debt.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.16,582,430 and Kshs.11,073,571 respectively resulting to underfunding of Kshs.5,508,859 or 33% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.13,251,562 and Kshs.9,157,228 respectively resulting to under expenditure of Kshs.4,094,334 or 31% of the budget.

Based on the approved estimates, the underfunding and under expenditure affected the planned activities which may have impacted negatively on Company operations.

#### **2. Unresolved Prior Year Matters**

In the audit report of the previous year, a number of paragraphs were raised under the Report on Financial Statements. However, Management has not resolved the issues as provided by the Public Sector Accounting Standards Board templates.

### **Other Information**

The Directors are responsible for the other information, which comprises the chairman's report, directors' report, the statement of corporate governance, management discussions and analysis, statement of environmental and sustainability reporting statement and the report of the directors'.

The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Unsupported Variations in Sales Price**

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.2,042,633 in respect of proceeds from sale of 66,893 kilograms of briquettes. However, the briquettes were sold at varying prices of between Kshs.25 and Kshs.40 per kilogram without evidence on how the prices were determined despite the production cost remaining the same.

In the circumstances, lack of a pricing policy casts doubt on the authenticity of selling prices used by the Management.

### **2. Unpaid Gratuity to Staff**

The statement of financial position reflects trade and other payables of Kshs.1,492,894. Included in the amount is Kshs.1,138,040 in respect of unpaid gratuity that has accrued since the year 2018. No explanation has been provided by Management for failure to settle the dues.

In the circumstances, delay in settling employees' dues could adversely affect the welfare of the Company employees.

### **3. Lack of Approved Staff Establishment and Organizational Structure**

Audit review of human resource records revealed that the Company did not have an approved staff establishment and organizational structure in place. As a result, Management lacked objective means to recruit and deploy staff for optimal results as required under the Human Resource Policy Guidelines of May, 2016.

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

### **4. Non-Compliance with the Reporting Template**

The Company financial statements for the year ended 30 June, 2022 as prepared and presented for audit were not in conformity with the template prescribed by the Public Sector Standards Board.

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

## **5. Ownership of the Company**

Records provided for audit indicate that the Company is a limited liability company fully owned by Nakuru Water and Sanitation Company Limited. However, review of the Company's CR12 certificate, memorandum and articles of association revealed that three different people are listed in their private capacities as shareholders. Further, no evidence was provided to confirm 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 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Lack of Risk Management Policy**

The Company did not have a risk management policy in place for the year under review. This is contrary to section 158(1)(a) and (b) of the Public Finance Management Act (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstances, it is not possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

##### **2. Ineffective Governance Structure**

During the year under audit, the company did not conduct any internal audits contrary to Regulation 166(1) of the Public Finance Management (County Governments) Regulations, 2015. In addition, there was no segregation of duties between requisition, authorization and approval and recording of transactions. Further, the Board Chairman did not attend four out of the five Board meetings conducted during the year contrary to the Mwongozo Code of Governance parameter 1.3.1 which states that every Board member shall devote sufficient time to carry out their responsibilities.

In the circumstances, the company's governance structure was not effective during the year under review.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on the 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 my audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records.
- (iii) The Company's financial statements are in agreement with those records and returns.

### **Responsibilities of Management and Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

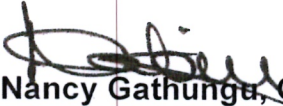
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathunga, CBS  
AUDITOR-GENERAL

Nairobi

24 April, 2023

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

|  | NOTE | 2021/2022<br>(KSHS) | 2020/2021<br>(KSHS) |
|--|------|---------------------|---------------------|
| <b>Revenue</b>                         |      |                     |                     |
| Operating Revenue                      | 3    | 2,042,633           | 2,730,161           |
| Grants Income                          | 4    | 5,030,938           | 4,202,952           |
| Other Income                           |      | 0                   | 0                   |
| Finance income                         |      | 0                   | 0                   |
| <b>Total Revenue</b>                   |      | <b>7,073,571</b>    | <b>6,933,113</b>    |
| Cost of Sales                          | 5    | 3,860,867           | 4,176,832           |
| <b>Expenses</b>                        |      |                     |                     |
| Staff Costs                            | 6    | 2,456,434           | 2,474,213           |
| Administration expenses                | 7    | 1,946,608           | 1,589,615           |
| Operating & Maintenance Expenses       | 8    | 701,218             | 543,219             |
| Depreciation and Amortization expenses | 9    | -                   | -                   |
| <b>Total Expenses</b>                  |      | <b>8,965,127</b>    | <b>8,782,879</b>    |
| <b>Profit/(Loss) Before Taxation</b>   |      | <b>(1,891,556)</b>  | <b>(1,850,766)</b>  |
| Income Tax Expense/(Credit)            | 10   | -                   | -                   |
| <b>Profit/(Loss) After Taxation</b>    |      | <b>(1,891,556)</b>  | <b>(1,850,766)</b>  |
|  |      |                     |                     |
|  |      |                     |                     |

**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2022**

|   | NOTE | 2021/2022<br>(KSHS) | 2020/2021<br>(KSHS) |
|---|------|---------------------|---------------------|
| <b>ASSETS</b>                           |      |                     |                     |
| <b>Non-Current Assets</b>               |      |                     |                     |
| Property, plant and equipment           | 13   | 21,057,704          | 23,383,480          |
| <b>Total Non-Current Assets</b>         |      | <b>21,057,704</b>   | <b>23,383,480</b>   |
| <b>Current Assets</b>                   |      |                     |                     |
| Inventories                             | 14   | 268,988             | 609,604             |
| Trade and other receivables             | 15   | 224,400             | 206,301             |
| Bank and cash equivalent                | 16   | 692,271             | 194,610             |
| <b>Total Current Assets</b>             |      | <b>1,185,659</b>    | <b>1,010,515</b>    |
| <b>TOTAL ASSETS</b>                     |      | <b>22,243,364</b>   | <b>24,393,995</b>   |
| <b>EQUITY AND LIABILITIES</b>           |      |                     |                     |
| <b>Share Capital and Reserves</b>       |      |                     |                     |
| Ordinary share capital                  | 17   | 100,000             | 100,000             |
| General Reserve                         | 21   | 16,765,704          | 19,091,480          |
| Retained Earnings                       |      | (13,592,609)        | (11,701,053)        |
| <b>Total Share Capital and Reserves</b> |      | <b>3,273,095</b>    | <b>7,490,427</b>    |
| <b>Non-Current Liabilities</b>          |      |                     |                     |
| Non-Current accounts payable            | 19   | 17,477,375          | 13,477,375          |
| <b>Total Non-Current Liabilities</b>    |      | <b>17,477,375</b>   | <b>13,477,375</b>   |
| <b>Current Liabilities</b>              |      |                     |                     |
| Trade and other payables                | 18   | 1,492,894           | 3,426,193           |
| <b>Total Current Liabilities</b>        |      | <b>1,492,894</b>    | <b>3,426,193</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b>     |      | <b>22,243,364</b>   | <b>24,393,995</b>   |

The Financial Statements on pages 1 to 30 were approved by the Board of Directors during a meeting held on 8<sup>th</sup> September 2022 and signed on its behalf by: -

  
Chairman

Eng. Festus Ng'eno

Dated 30/092022

  
General Manager

John I. Ndibui

Dated 30/092022

  
Finance Manager, NAWASSCO

Isaac Makori M/No. 6774

Dated 30/092022

**XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup>  
JUNE 2022**

|  | NOTE | ORDINARY<br>CAPITAL | Investment<br>Reserve<br>Fund<br>(KSHS) | Revenue<br>Reserve<br>Fund<br>(KSHS) | TOTAL<br>(KSHS)   |
|--|------|---------------------|---|--------------------------------------|-------------------|
| <b>At July 1, 2020</b>                   |      | <b>100,000</b>      | <b>22,227,899</b>                       | <b>(9,898,040)</b>                   | <b>12,429,859</b> |
| Grants from Vitens                       |      | -                   | (3,136,419)                             | -                                    | (3,136,419)       |
| Total comprehensive<br>loss for the year |      |                     | -                                       | (1,850,766)                          | (1,850,766)       |
| <b>At June 30, 2021</b>                  |      | <b>100,000</b>      | <b>19,091,480</b>                       | <b>(11,748,806)</b>                  | <b>7,490,427</b>  |
| <b>At July 1, 2021</b>                   |      | <b>100,000</b>      | <b>19,091,480</b>                       | <b>(11,748,806)</b>                  | <b>7,490,427</b>  |
| Grants from Vitens                       |      | -                   | (3,184,776)                             | -                                    | (3,184,776)       |
| Additional Investment                    |      |                     | 859,000                                 |                                      |                   |
| Total comprehensive<br>loss for the year |      |                     | -                                       | (1,891,556)                          | (1,891,556)       |
| <b>At June 30, 2022</b>                  |      | <b>100,000</b>      | <b>16,765,704</b>                       | <b>(13,592,609)</b>                  | <b>2,414,095</b>  |

**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

|  | NOTE | 2021/2022<br>KSHS  | 2020/2021<br>KSHS  |
|--|------|--------------------|--------------------|
| <b>CASH GENERATED FROM OPERATING ACTIVITIES</b>                |      |                    |                    |
| Profit/loss before income tax                                  |      | (1,891,556)        | (1,850,766)        |
| <b>Adjustments for:</b>  |      |                    |                    |
| Depreciation on plant property and equipment                   |      | -                  | -                  |
| <b>Operating Profits before working capital changes</b>        |      | <b>(1,891,556)</b> | <b>(1,850,766)</b> |
| <b>Changes in working capital</b>                              |      |                    |                    |
| Decrease in Inventories  |      | 340,615            | 737,292            |
| Decrease in Trade & other Receivables                          | 15   | (18,099)           | (103,081)          |
| Decrease in Trade & other Payables                             |      | (1,933,299)        | 1,897,466          |
| <b>Net cash generated from/ (used in) operating activities</b> |      | <b>(3,502,339)</b> | <b>727,943</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |      |                    |                    |
| Purchase of property, plant and equipment                      |      | -                  | -                  |
| Finance Asset  |      | -                  | (4,292,000)        |
| <b>Net cash generated from/(used) in investing activities</b>  |      | <b>-</b>           | <b>(4,292,000)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |      |                    |                    |
| Grants   |      | -                  | -                  |
| Loans  | 19   | 4,000,000          |                    |
| <b>Net cash generated from/ (used in) financing activities</b> |      | <b>4,000,000</b>   | <b>-</b>           |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>        |      | <b>497,661</b>     | <b>(3,564,057)</b> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>          |      | <b>194,610</b>     | <b>3,758,667</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>            | 16   | <b>692,271</b>     | <b>194,610</b>     |

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2022**

|                         | Original Budget | Adjustments | Final Budget | Actual on comparable basis | Performance difference | Percentage Variance | Explanation of Variances   |
|-------------------------|-----------------|-------------|--------------|----------------------------|------------------------|---------------------|--|
|                         | 2021/2022       |             | 2021/2022    | 2021/2022                  |                        |                     |  |
|                         | Kshs            |             |              | Kshs                       | Kshs                   | %                   |  |
| <b>Revenue</b>          |                 |             |              |                            |                        |                     |  |
| Sales of briquettes     | 4,500,000       | -           | 4,500,000    | 2,042,633                  | (2,457,367)            | (54.6%)             | The non-achievement of revenue target was due to reduction in production and sale due to experiments that were being conducted as part of turnaround strategies. Focus has been on implementing the experiments to reduce the production cost                            |
| Funding from A4A        | 6,999,253       | 1,083,177   | 8,082,430    | 5,030,938                  | (3,051,492)            | (37.75%)            | There was a delay in disbursement of the final trenches from Aqua for all. The balance of Ksh 3,051,492 will be disbursed in October 2022  |
| Soft loan from NAWASSCO | 4,000,000       | -           | 4,000,000    | 4,000,000                  | 0                      | 0%                  | The loan was transferred successfully  |
| <b>Total income</b>     | 15,499,253      | 1,083,177   | 16,582,430   | 11,073,571                 | (5,508,859)            | (33.22%)            | The non-achievement of revenue target was due to the turnaround strategies that were being developed and delay in funds disbursement by Aqua for All. The sales are expected to increase gradually with implementation of the revised selling price and intensifying the |

NAWASSCOAL Company Limited  
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|   |           |           |           |           |           |           |   |
|---|-----------|-----------|-----------|-----------|-----------|-----------|---|
|   |           |           |           |           |           |           | institutional marketing as indicated above.   |
| <b>Expenses</b>   |           | -         |           |           |           |           |   |
| Cost of Sales (Production Salaries and materials)                           | 2,380,000 | (40,000)  | 2,340,000 | 1,613,757 | 726,243   | 31.04%    | There was reduced production activities due to the effects of covid 19  |
| ADMIN COST (Admin Salaries, Marketing expenses and administrative expenses) | 3,368,386 | (250,000) | 3,118,386 | 3,342,552 | (224,166) | (7.19%)   | The company rescheduled most of their normal operations to allow experiments and discussions with consultants resulting to budget changes   |
| Capacity building of staff-training   | 200,000   | (100,000) | 100,000   | 101,967   | (1,967)   | (1.97%)   |   |
| B/S Dev Services Firm-Consulting  | 840,000   | 3,043,176 | 3,883,176 | 866,635   | 3,016,541 | 77.68%    | The consultants had not completed the consultancy by 30 <sup>th</sup> June 2022 due to late disbursement of funds by A4A. the project has been extend by two months and balance will be paid upon completion. |
| Staff Gratuity  | 570,000   | -         | 570,000   | 356,967   | 213,033   | 37.37%    | The company did not pay Gratuity due to limited resources.  |
| Repair & Maintenance  | 240,000   | -         | 240,000   | 547,572   | 307,572   | (128.16%) | Following the experiments that were done, some improvements to carbonizer were recommended. The   |

NAWASSCOAL Company Limited  
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For the year ended 30<sup>th</sup> June, 2022

|                       |                   |                  |                   |                  |                  |              |  |
|-----------------------|-------------------|------------------|-------------------|------------------|------------------|--------------|--|
|                       |                   |                  |                   |                  |                  |              | budget set for fence was repurposed support plant improvements   |
| Medical cover         | 300,000           | -                | 300,000           | -                | (300,000)        | (100%)       | Due to cash flow limitations, the company opted medical allowance as part of the salary for the staffs.  |
| Facility Insurance    | 200,000           | -                | 200,000           | 286,319          | (86,319)         | (43.16%)     | The cost of insurance increased due to the theft incident that took place which necessitated the insurance firms to review the tariffs   |
| Electricity & Water   | 420,000           | (220,000)        | 200,000           | 291,394          | (91,394)         | (45.7%)      | The company overspent on water & Electricity due to constructions works and plant modifications that were taking place   |
| Travel, Accommodation | 650,000           | (200,000)        | 450,000           | 251,787          | 198,213          | 44.05%       | The company cut down on travelling and money saved was used for further plant improvement  |
| CAPEX                 | 3,000,000         | (1,150,000)      | 1,850,000         | 1,498,278        | 351,722          | 19.01%       | Part of the money set for Capex was used to support the maintenance following the outcome of the experiments conducted resulting to plant improvements   |
| <b>TOTAL EXPENSES</b> | <b>12,168,386</b> | <b>1,083,176</b> | <b>13,251,562</b> | <b>9,157,228</b> | <b>4,094,334</b> | <b>30.9%</b> | There was a delay in funds disbursement which resulted to turnaround consultancy extension by two months until 30 <sup>th</sup> September 2022. This resulted to budget under spending by Ksh. 4,094,334 which was rolled over to FY 2022/2023 |

## XVIII. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

NAWASSCOAL is a Private Company Limited by Shares under the Companies Act 2015. The Company was registered on 8<sup>th</sup> September 2018 and it is fully owned the Nakuru Water and Sanitation Services Company.

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

#### (a) Statement of compliance

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

#### (ii) Basis of preparation

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

The financial statements have been prepared in accordance with the Public Finance Management Act 2012, Companies Act 2015, Water Act 2016 and International Financial Reporting Standards (IFRS).

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

#### i) Relevant new standards and amendments to published standards effective for the year ended 30<sup>th</sup> June 2022

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

| Title  | Description   | Effective Date   | Status                                    |
|--|---|--|---|
| Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020) | The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. | The company is not affected by this IFRS. |

| Title  | Description   | Effective Date   | Status                                    |
|--|---|--|---|
|  | or loss   |  |   |
| Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)   | The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted  | The company is not affected by this IFRS. |
| Amendment to IFRS 1 titled Subsidiary as a First-time Adopter  | The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.  | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. | The company is not affected by this IFRS. |
| Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities   | The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.  | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted  | The company is not affected by this IFRS. |
| Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020) | The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS  | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |   |

***The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, and has addressed them under the status column.***

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

| Title   | Description  | Effective Date  |
|---|--|---|
| IAS 1 — Presentation of Financial Statements  | IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.   | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.      |
| Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020) | The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.   | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.      |
| Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)                      | The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies   | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.      |
| IAS 12 — Income Taxes   | IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. | The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. |

| Title  | Description   | Effective Date  |
|--|---|---|
| IAS 8- Accounting Policies, Errors and Estimates | The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. | The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption 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 30 June 2022.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **a) Revenue recognition**

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

##### **i. Revenue from sale of briquettes**

Represents amounts actually received from customers purchase of the briquettes.

- ii. **Grants from donors** 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 realized 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. **Other income** is recognized as it accrues.

#### **b) Property, plant and equipment**

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

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

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

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

#### **c) Depreciation and impairment of property, plant and equipment**

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to write down the cost of assets to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Equipment(s) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of motor vehicles and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

#### **d) Inventories**

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

#### **e) Trade and other receivables**

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

#### **f) Taxation**

##### ***Current income tax***

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

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

### **Deferred tax**

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

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

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

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

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

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.

### **g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also

include short term cash imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year

#### **h) Borrowings**

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

#### **i) 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.

#### **j) Provision for staff leave pay**

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

#### **k) Budget information**

The budget for financial year 2021/22 was approved by the Board of Director and on 7<sup>th</sup> July 2021

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

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

## **1) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

## **2) 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. In the current financial year, no adjustments were done.

### **(a) Estimates and assumptions**

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

### **(b) Comparative figures**

The company is reporting for the fourth time after incorporation hence the comparative figures are for the previous year 2020/2021.

### **(c) Useful lives and residual values**

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

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

### 3) SALES / TURNOVER

|              | 2021/2022<br>(KSHS) | 2020/2021<br>(KSHS) |
|--------------|---------------------|---------------------|
| Cash sales   | 2,042,633           | 2,730,161           |
| <b>Total</b> | <b>2,042,633</b>    | <b>2,730,161</b>    |

### 4) GRANTS INCOME

|                    | 2021/2022<br>(KSHS) | 2019/2020<br>(KSHS) |
|--------------------|---------------------|---------------------|
| Grants from A4A    | 5,030,938           | 2,869,398           |
| Grants from SNV    | 0                   | 1,333,552           |
| Grants from Vitens | 0                   | 0                   |
| <b>Total</b>       | <b>5,030,938</b>    | <b>4,202,952</b>    |

### 5) COST OF SALES

|                           | 2021/2022<br>Kshs | 2020/2021<br>Kshs |
|---------------------------|-------------------|-------------------|
| Opening Stock             | 609,804           | 1,346,896         |
| Saw dust                  | -                 | -                 |
| Molasses                  | 44,395            | 114,624           |
| Charcoal dust             | 329,092           | 911,042           |
| Electricity               | 188,462           | 191,385           |
| Maintenance costs         | 1,181,491         | 380,723           |
| Packaging material        | 53,420            | 36,100            |
| Water                     | 102,932           | 108,849           |
| Total production salaries | 1,186,850         | 1,539,375         |
| Penalties                 | 14,120            | -                 |
| Loss of stock             | 419,489           | 157,442           |
| Less: Closing stock       | (268,988)         | (609,604)         |
| <b>Total</b>              | <b>3,860,867</b>  | <b>4,176,832</b>  |

### 6) STAFF COSTS

|  | 2021/2022<br>(KSHS) | 2020/2021<br>(KSHS) |
|--|---------------------|---------------------|
| Gross Salary and Allowances                            | 2,456,434           | 2,474,213           |
| Wages of Temporary Employees                           | 62,800              | 11,900              |
| Gratuity provisions                                    | 356,967             | 349,473             |
| <b>Total</b>   | <b>2,876,201</b>    | <b>2,835,586</b>    |
| <b>The average number of employees during the year</b> | <b>9</b>            | <b>9</b>            |

#### 7) ADMINISTRATION EXPENSES

|                       | 2021/2022        | 2020/2021        |
|-----------------------|------------------|------------------|
|                       | (KSHS)           | (KSHS)           |
| Staff Costs           | 2,456,434        | 2,474,213        |
| Casual labour         | 62800            | 11,900           |
| Office Expenses       | 220,566          | 232,058          |
| KEBS Certification    | 0                | 94,050           |
| Staff Gratuity        | 356,967          | 349,473          |
| Consultancies         | 866,634          | 0                |
| Loan Interest         | 0                | 0                |
| Bank Charges          | 67,722           | 68,652           |
| Telephone & Internet  | 43,000           | 72,760           |
| Fares & Travels       | 77,130           | 61,700           |
| Medical cover         | 0                | 0                |
| Substances & Per-diem | 251,787          | 699,023          |
| <b>Total</b>          | <b>4,403,042</b> | <b>4,063,828</b> |

#### 8) OPERATING & MAINTENANCE EXPENSES

|                                   | 2021/2022      | 2020/2021      |
|-----------------------------------|----------------|----------------|
|                                   | (KSHS)         | (KSHS)         |
| Research & Development            | 0              | 0              |
| Office Stationery & Consumables   | 62,913         | 79,412         |
| Sales & Marketing                 | 251,362        | 180,347        |
| Facility Insurance                | 286,319        | 209,261        |
| Safety Equipment                  | 100,624        | 74,199         |
| <b>Total Maintenance Expenses</b> | <b>701,218</b> | <b>543,219</b> |

#### 9) DEPRECIATION AND AMORTIZATION

|  | 2021/2022         | 2020/2021        |
|--|-------------------|------------------|
|  | (KSHS)            | (KSHS)           |
| Property, plant, and equipment             | 9,569,207         | 6,828,124        |
| Building                                   | 1,656,808         | 1,242,606        |
| Computer and accessories                   | 295,000           | 265,509          |
| <b>Total Depreciation and Amortization</b> | <b>11,521,015</b> | <b>8,336,239</b> |

#### 10) INCOME TAX EXPENSE/(CREDIT)

| Current Taxation  | 2021/2022 | 2020/2021 |
|---|-----------|-----------|
|   | (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 | -                 | -                 |
| <b>Total</b>                                | <b>13,250,422</b> | <b>10,819,857</b> |

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

|  | <b>2021/2022</b>    | <b>2020/2021</b>    |
|--|---------------------|---------------------|
|  | <b>(KSHS)</b>       | <b>(KSHS)</b>       |
| Profit before taxation                       | (1,818,234)         | (1,850,766)         |
| Add: Expense not deductible for tax purposes | -                   | -                   |
| Less: Expenses deductible for tax purposes   | -                   | -                   |
| <b>Adjusted profit for tax purposes</b>      |                     |                     |
| Tax loses B/F                                | (10,226,894)        | ( 8,376,128)        |
| <b>Total profit C/F</b>                      | <b>(12,045,128)</b> | <b>(10,226,894)</b> |

**12) INCOME TAX PAYABLE**

| <b>Current Taxation</b>        | <b>2021/2022</b> | <b>2020/2021</b> |
|--------------------------------|------------------|------------------|
|                                | <b>(KSHS)</b>    | <b>(KSHS)</b>    |
| Income tax payable bf          | -                | -                |
| Income tax charge for the year |                  |                  |
| Tax Paid                       |                  |                  |
| <b>Tax payable</b>             | <b>-</b>         | <b>-</b>         |

**13) PROPERTY, PLANT AND EQUIPMENT**

| <b>2022</b>           | <b>Building</b>  | <b>Compute<br/>r Related<br/>Equipme<br/>nt</b> | <b>Plant<br/>&amp;<br/>Equipment</b> | <b>Total</b>      |
|-----------------------|------------------|---|--------------------------------------|-------------------|
| <b>Cost/Valuation</b> |                  |   |                                      |                   |
| At July 1, 2021       | 10,355,056       | 295,000   | 21,069,663                           | 31,719,719        |
| Additions             | -                | -   | 859,000                              | 859,000           |
| At June 30, 2022      | 10,355,056       | 295,000   | 21,928,663                           | 32,578,719        |
| <b>Depreciation</b>   |                  |   |                                      |                   |
| At July 1, 2021       | 1,242,606        | 265,509   | 6,828,124                            | 8,336,239         |
| Charge for grants     | 414,202          | 29,491  | 2,741,083                            | 3,184,776         |
| At June 30, 2022      | 1,656,808        | 295,000   | 9,569,207                            | 11,521,015        |
| <b>Net Book Value</b> | <b>8,698,248</b> | <b>0</b>  | <b>12,359,456</b>                    | <b>21,057,704</b> |
| At June 30, 2022      |                  |   |                                      |                   |

| 2021                     |  | Building         | Computer Related Equipment | Plant & Equipment | Total             |
|--------------------------|--|------------------|----------------------------|-------------------|-------------------|
| <b>Cost/Valuation</b>    |  |                  |                            |                   |                   |
| At July 1, 2020          |  |                  |                            |                   |                   |
|                          |  | 10,355,056       | 295,000                    | 16,777,663        | 27,427,719        |
| Additions grants         |  |                  |                            |                   |                   |
|                          |  |                  |                            | 4,292,000         | 4,292,000         |
| <b>At June, 30, 2021</b> |  | 10,355,056       | 295,000                    | 21,069,663        | 31,719,719        |
| <b>Depreciation</b>      |  |                  |                            |                   |                   |
| At July 1, 2020          |  |                  |                            |                   |                   |
|                          |  | <b>828,404</b>   | <b>177,000</b>             | <b>4,194,416</b>  | <b>5,199,820</b>  |
| Charge for grants        |  |                  |                            |                   |                   |
|                          |  | 414,202          | 88,509                     | 2,633,708         | 3,136,419         |
| <b>At June 30, 2021</b>  |  | <b>1,242,606</b> | 265,509                    | 6,828,124         | 8,336,239         |
| <b>Net Book Value</b>    |  |                  |                            |                   |                   |
| <b>At June 30, 2021</b>  |  | <b>9,112,450</b> | <b>29,491</b>              | <b>14,241,539</b> | <b>23,383,480</b> |

#### 14) INVENTORIES

|                     | 2021/2022      | 2020/2021      |
|---------------------|----------------|----------------|
|                     | Kshs           | Kshs           |
| Raw materials       | 3,116          | 100,800        |
| Finished goods      | 58,500         | 300,000        |
| Packaging materials | 207,372        | 208,804        |
| <b>Total</b>        | <b>268,988</b> | <b>609,604</b> |

#### 15) TRADE AND OTHER RECEIVABLES

|                     | 2021/2022      | 2020/2021      |
|---------------------|----------------|----------------|
|                     | Kshs           | Kshs           |
| Trade receivables   | 121,900        | 103,801        |
| Share capital       | 100,000        | 100,000        |
| Electricity deposit | 2,500          | 2,500          |
| <b>Total</b>        | <b>224,400</b> | <b>206,301</b> |

## 16) BANK AND CASH AND CASH EQUIVALENTS

|              | 2021/2022      | 2020/2021      |
|--------------|----------------|----------------|
|              | Kshs           | Kshs           |
| M-PESA       | 0              | 10,448         |
| Cash at bank | 672,302.44     | 184,162        |
| Cash in Hand | 19,969         | -              |
| <b>Total</b> | <b>692,271</b> | <b>194,610</b> |

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 | 2021/2022         | 2020/2021         |
|---|----------------|-------------------|-------------------|
|   |                | Kshs              | Kshs              |
| Co-operative Bank - Revenue Account     | 01136882036500 | 426,140.19        | 7,882.19          |
| Co-operative Bank - Expenditure Account | 01136882036501 | 22,820.92         | 174,892.42        |
| Co-operative Bank - Donations Account   | 01136882036502 | 223,341.33        | 1,387.28          |
| Mpesa                                   |                | 0                 | 10,448            |
| <b>Total</b>                            |                | <b>672,302.44</b> | <b>194,609.89</b> |

## 17) ORDINARY SHARE CAPITAL

|   | 2021/2022 | 2020/2021 |
|---|-----------|-----------|
|   | Kshs      | Kshs      |
| <b>Authorized:</b>                                |           |           |
| 1,000 ordinary shares of Kshs. 100 par value each | 100,000   | 100,000   |
| <b>Issued and not paid:</b>                       |           |           |
| 1,000 ordinary shares of Kshs. 100 par value each | 100,000   | 100,000   |

## 18) TRADE AND OTHER PAYABLES

|                                      | 2021/2022 | 2020/2021 |
|--------------------------------------|-----------|-----------|
|                                      | Kshs      | Kshs      |
| Salary arrears                       | 341       | 337,512   |
| Maintenance –Albert Mwaura           | -         | 34,000    |
| NSSF                                 | 25,200    | 19,200    |
| NHIF                                 | 19,300    | 6,450     |
| PAYE                                 | 45,982    | 50,633    |
| Electricity                          | -         | 12,993    |
| Water                                | 264,031   | 161,099   |
| Justine Khamala - Marketing Expenses | -         | 20,000    |

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Technical drawings – Joseph Ndung’u | -                | 20,000           |
| Imprests to Tanzania                | -                | 120,332          |
| Baltex Company Ltd                  | -                | 146,102          |
| Centap Ltd                          | -                | 1,716,800        |
| Gratuity                            | 1,138,040        | 781,073          |
| <b>Total</b>                        | <b>1,492,894</b> | <b>3,426,193</b> |

## 19) LONG TERM LIABILITY

|                    | 2021/2022         | 2020/2021         |
|--------------------|-------------------|-------------------|
|                    | Kshs              | Kshs              |
| Bal b/f            | 13,477,375        | 4,621,945         |
| Loan from NAWASSCO | 4,000,000         | 8,855,430         |
| Less: Payment made |                   | -                 |
| <b>Total</b>       | <b>17,477,375</b> | <b>13,477,375</b> |

## 20) LAND AND BUILDING

The enterprise is situated at the Old Town treatment facility of NAWASSCO in Kaloleni. Although the land has not yet been appraised, a request to assess its value has been submitted to the parent corporation.

## 21) GENERAL RESERVE A/C

|                           | 2021/2022         | 2020/2021         |
|---------------------------|-------------------|-------------------|
|                           | Kshs              | Kshs              |
| Balance b/f               | 19,091,480        | 22,227,910        |
| Plant and Equipment       |                   | -                 |
| Additional Investment     | 859,000           |                   |
| Amortization of the grant | (3,184,776)       | (3,136,430)       |
| <b>Total</b>              | <b>16,765,704</b> | <b>19,091,480</b> |

## 22) RELATED PARTY DISCLOSURES

### (a) 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

There are no other companies that are related to NAWASSCOAL ltd through common Shareholdings or common Directorships.

|   | 2021/2022      | 2020/2021      |
|---|----------------|----------------|
|   | Kshs           | Kshs           |
| <b>i) Sales to related parties</b>                                    |                |                |
| Sales of goods/services by Nakuru Water & Sanitation Services Co. Ltd | 102,932        | 108,849        |
| <b>Total</b>  | <b>264,031</b> | <b>108,849</b> |
| <b>ii) Key management compensation</b>                                |                |                |
| Salaries and other short term employment benefits                     |                |                |
| <b>Total</b>  |                |                |
| <b>iii) Directors' remuneration</b>                                   |                |                |
| Directors sitting allowance   | -              | -              |
| Chairman honorarium   | -              | -              |
| <b>Total</b>  | <b>-</b>       | <b>-</b>       |

### 23) CONTINGENT LIABILITIES

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

### 24) FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize

the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

#### i) Credit risk

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

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

by the company's management based on prior experience and their assessment of the current economic environment.

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

The entity has significant concentration of credit risk on amounts due from the County Government of Nakuru

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

## **ii) Liquidity risk management**

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

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

## **iii) Market risk**

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

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

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

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

### **(a) Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

*Management of interest rate risk*

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

**(b) Capital Risk Management**

The objective of the company's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

**25) INCOPORATION**

The entity is incorporated in Kenya under the Kenyan Companies Act 2015 and is domiciled in Kenya.

**26) EVENTS AFTER THE REPORTING PERIOD**

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

**27) CURRENCY**

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

**APPENDICES**

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

We wish to acknowledge receipt of the report of the Auditor General and thank the Audit team for providing us with areas of improvement. As required, we went through all the findings, observations, risk and recommendations and below are our management comments on each of the observation.

| Reference No. on the external audit Report   | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Time frame: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---------------------|--|-----------------------------------|---|
| <b>1. REPORT ON THE FINANCIAL STATEMENTS</b> |                                   |                     |  |                                   |   |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Time frame: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---------------------|--|-----------------------------------|---|
|--|-----------------------------------|---------------------|--|-----------------------------------|---|

**Basis for Qualified Opinion**

|  |   |   |                                      |                 |                                   |
|--|---|---|--------------------------------------|-----------------|-----------------------------------|
| <b>1. Inaccuracies of the Financial Statements</b> | <p>The statement of financial position reflects negative retained earnings balance of Ksh. 11,701,053 as at 30<sup>th</sup> June 2021 which differs with the statement of change in equity negative balance of Ksh 11,748,806 resulting to an unreconciled variance of Ksh 47,753. In the circumstance, the accuracy of the negative retained earnings balance of Ksh.11,701,053 could not be confirmed</p> | <p>We noted that we misreported the Cost of sales -production Salaries by Kshs. 47,753. The amount of Kshs. 1,539,375 as per the schedule provided to the team is correct. We have amended the financial statements with the correct figures accordingly.</p> | <p>John Irungu - General Manager</p> | <p>resolved</p> | <p>30<sup>th</sup> June, 2023</p> |
|--|---|---|--------------------------------------|-----------------|-----------------------------------|

| Reference No. on the external audit Report | Issue / Observations from Auditor  | Management comments  | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Time frame: (Put a date when you expect the issue to be resolved) |
|--|--|--|--|-----------------------------------|---|
| <b>2. Property, Plant &amp; Equipment</b>  | <p>The statement of financial position as at 30 June, 2021 reflects property, plant and equipment balance of Kshs. 23,383,480 and as disclosed in Note 12 to the financial statements. However, included in the balance is Kshs. 4,292,000 incurred on acquisition of Roller Type Briquetting Machine which was purchased in October, 2020 and broke down in March, 2021 and has not been repaired to date. Further, the balance of Kshs. 23,383,480 excludes unvalued</p> | <p>We noted and agree with the reported figures for the property, plant and equipment of Ksh, 23,383,480. We have updated the assets register.</p> <p>The total cost of properties, plant and equipment of Kshs 31,719,719 reflects the total amount paid for the same as at 30th June 2021. This includes the amount paid for the roller type briquetting machine Ksh 2,544,785 by 30th June 2021 leaving a balance of Kshs 1,747,215 which was paid in August 2021 but indicated the total value for the machine in the assets register. We have corrected the same.</p> <p>Regarding the roller type briquetting machine, we wish to clarify that the equipment comprises of three independent components. One of the components (roller machine) was damaged and shipped to Nairobi for repair. In addition to this, the briquettes formed by the machine did not meet and match the end user's expectations hence</p> | John Irungu<br>General Manager                                 | Resolved                          | 30 <sup>th</sup> June 2021  |

| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments   | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Time frame: (Put a date when you expect the issue to be resolved) |
|--|---|---|--|-----------------------------------|---|
|  | amount for land on which the plant buildings are constructed. Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs 23,383,480 as at 30 June, 2021 could not be confirmed. | <p>could not be used for our briquettes production. The other two equipment(s) which form part of this plant are in good working condition and are used as follows;</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Batch mixer- Used for mixing sludge and charcoal dust/ Carbonized sawdust</li> <li><input type="checkbox"/> Crusher - Used for reducing the sizes of non-carbonized sludge to facilitate carbonization</li> </ul> <p>We are currently in discussion with the supplier to see if we can trade off the component that was found not compatible with our operations.</p> <p>We noted the gap in valuation of the land occupied by Nawasscoal. We are currently in discussion with the parent company NAWASSCO on the best approach for the same. This will be finalized by June 2022 and included in the next financial report</p> |  |                                   |   |
| <b>3. Inventories</b>                      | The statement of financial position and as disclosed  | We noted and accepted that we do not have inventory ledger and we only capture the inventory using an excel   | John Irungu<br>General<br>Manager                              | Resolved                          | 31 <sup>st</sup> June<br>2022                                     |

| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments   | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Time frame: (Put a date when you expect the issue to be resolved) |
|--|---|---|--|-----------------------------------|---|
|  | <p>in Note 23(c) reflects a balance of Kshs. 262,893,991 in respect of reserve assets transferred. However, the balance is not supported by way of detailed analysis of customer accounts.</p> <p>Consequently, the accuracy and fair statement of reserve assets transferred balance of Kshs.262,893,991 as at 30 June, 2021 could not be established.</p> | <p>sheet. The company with the support of a turnaround consultancy is currently ongoing with plans to have a system in place for capturing and recording the inventory. The company has noted the gaps in stock taking process and is committed to implement the best practice.</p> |  |                                   |   |
| <b>Emphasis of Matter</b>                  |   |   |  |                                   |   |

**APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY**

| 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) |
|---------------------------|----------------|-------|---------------------------------------|------------------|---|---|
| Turn around consultancies | 1              | A4A   | 5 <sup>th</sup> December 20- May 2021 |                  | Yes   |   |

**APPENDIX III: INTER-ENTITY TRANSFERS**

The company was loaned by its parent Company NAWASSCO a start-up capital of Kshs 4,621,945 at an interest rate of 5 % p.a in 2018/2019. In addition to this, a further loan of Ksh. 8,855,430 was granted to the company in 2019/2020 and a top up loan of Ksh. 4,000,000 in 2021/2022 bringing the total loan payable to Ksh. **17,477,375** and the company is expected to start paying when it starts making profit.

**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

There were no transfers from other government entities