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REPORT

OF

THE AUDITOR-GENERAL

ON

NAWASSCOAL COMPANY LIMITED

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



NAWASSCOAL



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH JUNE 2021

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

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I. KEY NAWASSCOAL INFORMATION

a) Background information

NAWASSCOAL Company Ltd is a limited liability company registered on 8th September, 2018. The company is wholly owned by Nakuru water and Sanitation Company Ltd (NAWASSCO). The mandate of the company is to carry out research and produce faecal matter based products. NAWASSCOAL is a company that believes in making a difference in the world through sanitation improvement and environmental conservation.

The briquette production venture started as a pilot project under the Nakuru County Sanitation Programme (NCSP) which ended 31st August 2018 after successfully carrying out the research and identified viable products i.e. briquettes currently being produced and marketed by NAWASSCOAL.

At NAWASSCOAL, green energy solution is our mantra; we hope to share this vision to many communities in order to be part of the environment conservation society. The world where sanitation challenges which can be addressed by the commercialization of faecal based products like MakaaDotcom. In this way, access to adequate sanitation will be guaranteed and economic activities around the sanitation value chain will thrive.

NAWASSCOAL has been in the forefront in the provision of Biomass briquettes (MakaaDotcom) to local institutions, hotels, eateries, and householders that use them for heat energy generation.

b) 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.

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

c) 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:

Shareholding	Number of Shares Held
Nakuru Water and Sanitation services Company Limited	97

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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
TOTAL	100

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
Appointed on 10 th April 2019 | Non-Executive Director |
| 2. Eng. Festus K. Ng'eno
Appointed on 17 th September 2018 | Non-Executive Director |
| 3. James Nganga Gachathi
Appointed on 17 th September 2018 | Non- Executive Director |
| 4. John Irungu Ndibui
Appointed on 1 st September 2018 | General Manager |

Registered office

NAWASSCO Plaza
Government Road
P.O Box 16314-20100
NAKURU.

Main bankers

Co-operative Bank of Kenya
Nakuru Branch
P.O. Box 2982-20100
NAKURU.

Corporate Contacts

Telephone: +254798333222
E-mail: info@nawasscoal.co.ke
Website: www.nawasscoal.co.ke

Principal Advocates

Kipkoech Ogolla & Co. Advocates
Tamoh Plaza, 2nd Floor
P.O Box 17580
NAKURU

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Independent Auditors

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


II. BOARD OF DIRECTORS' & MANAGEMENT TEAM

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:

1	 <p>Eng. Festus K. Ngeno Non-Executive Director</p>	<p>Eng. Ng'eno, 41, was appointed on 17th 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 & Natural Resources. Other positions he has held before include: Group Manager, Water Treatment Division at Davis & Shirliff Ltd, and Managing Director at Kericho Water & Sanitation Company Ltd.</p> <p>Eng. Ng'eno sits in other Boards including: Council of Governors on Water, Forestry & Mining -CECMs Caucus, World Vision Kenya (WVK), Nakuru Rural Water & Sanitation Services Co. Ltd, Naivasha Water & Sanitation Company Ltd and Imarisha Lake Naivasha Management Board.</p> <p>Eng. Ng'eno is a Water, Sanitation & Environmental Engineer. He has degree in BSc Water & Environmental Engineering from University of Nairobi, a Master's degree in MSc, Water & Environmental Engineering from University of Nairobi and Currently pursuing a Doctorate Degree (PhD) in Water & Environmental Engineering at the University of Nairobi. He also has a Post Graduate Diploma Course in Leadership & Corporate Governance from Kenya College of Accountancy (KCA) University.</p> <p>He has thirteen (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</p>
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		Operations in Kenya, Uganda, Zambia, S. Sudan, Rwanda, Tanzania and Ethiopia.
2	 Dr Peter Ketyenya Chairman	<p>Dr Peter K. Ketyenya, 43, was appointed on 10th 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).</p>
3	 James N. Gachathi Non-Executive Director	<p>Mr Gachathi, 51, was appointed on 17th September 2018 and he represents Nakuru Water and Sanitation Services Company Limited. He is the Managing Director of Nakuru water and Sanitation Services.</p> <p>Before joining the Company, Mr Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company.</p> <p>He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on -going student of MBA (Strategic Management Option) at Egerton University.</p> <p>He has a rich experience in Water Sector spanning for over 23 years</p>
4	 John I. Ndibui Board Secretary	<p>Mr Irungu, 38, was appointed on 1st 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</p>

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).

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

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.

Key Management Team

1



John I. Ndibui
General Manager

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For the purposes of the professional skills, the parent company NAWASSCO provides skills where necessary i.e. Finance, Human Resource Management,

IV. GENERAL MANAGER'S REPORT

I am pleased to present the Annual Report and Financial Statements of NAWASSCOAL for the year ended 30th June 2021. This is the 3rd Annual report and financial statements for the Company.

NAWASSCOAL Co. Ltd is currently in its third year of operation, whereby under normal circumstances the production and sales performance would have increased gradually from year to year and reach break-even point by September 2021 as was projected in the business plan. The company performed as shown in the following parameters.

PARAMETER	2018/2019	2019/2020	2020/2021
Briquettes sold in kg	46,671	85,114	97,486
Sales in KES	1,337,765	2,278,860	2,730,161
Other revenues through resource mobilisation	2,590,000	2,013,906	4,202,952

From the table above, the company sales increased by 70% in year 2 and 20% in year 3

The sales did not increase as projected in the business plan due to the following;

The Covid-19 pandemic led to rethinking of company operations and realigning priorities.

The business model/restrictive laws and regulations which lead to some of business operations to be costly

Technological challenges

To address the above challenges, the company increased its resource mobilisation efforts which resulted in obtaining Covid-19 response facility of Ksh 2,869,398 from Aqua for All. In addition the company conducted consultancies services to SNV Bangladesh and SNV Tanzania through SNV Kenya and through the consultancies the company raised Ksh 1,333,552.

III. CHAIRMAN'S STATEMENT

We all know 2020/21 has been a year like no other. Although the world had to shut its doors and shift into a lower gear, consumers in Nakuru County and beyond still needed safe and affordable, clean energy solutions. The Board of Directors is truly proud of the way the NAWASSCOAL team, has handled these extraordinary circumstances, recognizing the company's critical role in championing the climate change agenda.

The global pandemic understandably impacted NAWASSCOAL's financial results in 2020/21, resulting in revenue intake being below targets, and we are still navigating its uncertainty and challenges. While we did not achieve our goals, NAWASSCOAL continues to deliver a robust performance, innovating at pace to create new ways to ensure continuity for customers and redefining how we work.

Throughout the global pandemic our first priority was to protect the health, safety and wellbeing of our people. We quickly redesigned how our production site operates, the production team worked in shifts to make them COVID-secure and compliant with social distancing guidelines.

It would also not have been possible without the expert leadership and judgement shown by our General Manager and the cooperation from his staff, who have been able to adapt at speed during this critical time. Their quick and commendable work has impressed me, and I am sure they will emerge from this experience having learned many valuable lessons for the future.

This year, our resilience and the zeal of our partners who constantly ensure that we remain afloat are a testimony that NAWASSCOAL is in it for the long haul. Looking ahead to our priorities for 2021/2022, we will continue our progress towards becoming a national and global leader in sanitation and renewable energy solutions.

As we finish this period with a strong set of results, I want to take this opportunity to thank the development partners' i.e. Aqua for all, County Government of Nakuru and our mother company - NAWASSCO for your unwavering support during the most turbulent of times. The superb response from everyone at NAWASSCOAL, at every level, as well as all of our mother company - NAWASSCO, for ensuring that we have come through this stronger together.

Chairman 
Dr. Peter Ketyenya

Dated 30/09 2021

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Communication & Knowledge Management, ICT, Internal Audit and Technical on pro-bono basis.

The day to day operations of the Company is run by a team of 7 (seven) employees headed by the General Manager.

The business is headed by a General Manager who oversees the business including having oversight of the production facility, the marketing function and oversees the administrative aspects of the business.

The organization structure for the Company is as provided below:-



Figure 1: Nawasscoal Team

The production team ensures efficient and quality production of briquettes, the marketing officer is responsible for all marketing activities and the business officer assists in administrative, bookkeeping, operational and marketing roles.

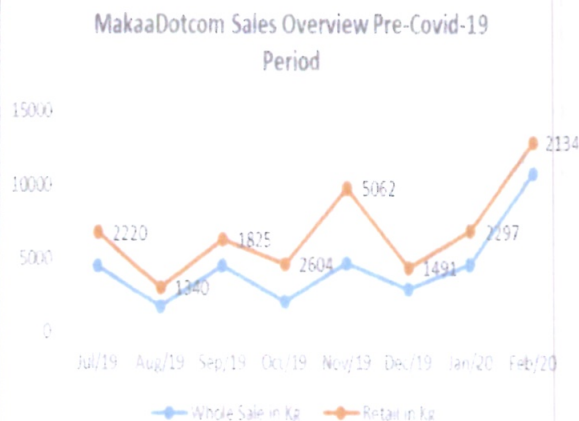
With increased output over the next 5 years, the numbers of the production technicians and assistants are expected to increase and a marketing assistant and an accountant shall be added to the team.

The effects of COVID-19 on NAWASSCOAL's operations

Our main market segment which includes poultry farmers, hotels, eateries, schools and institutions closed down which impacted the sales.

Fig 1: graphical presentation of the company performance Pre-Covid-19 period

Makaadotcom Sales Overview Pre-Covid-19 Period			
Month	Whole Sale in Kg	Retail in Kg	Total Sold in the Month
Jul/19	4560	2220	6780
Aug/19	1696	1340	3036
Sep/19	4477	1825	6302
Oct/19	2031	2604	4635
Nov/19	4699	5062	9761
Dec/19	2881	1491	4372
Jan/20	4571	2297	6868
Feb/20	10760	2134	12894
Total	35675	18973	54648



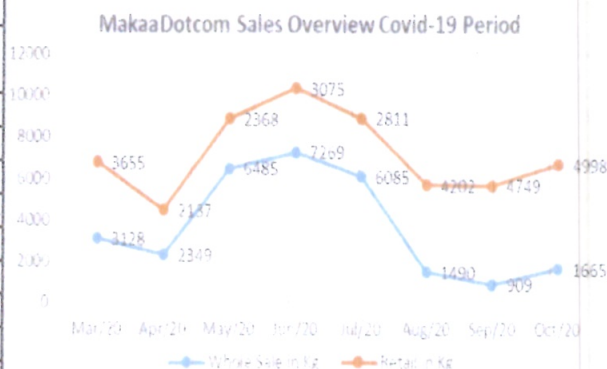
The table and graph above demonstrate the normal sales pattern for both institutional (Whole sale) and domestic sales where the sales curve is characterized by the up and down pattern which rises gradually after a cycle of two months.

The two months cycle is observed because on average, most customers will repeat their order in the third month after a single purchase due to the long burning characteristic of the briquettes (Makaadotcom)

This pattern was disrupted in 2020 following the effects of Covid-19 pandemic. The average sales per month in this period was 6,831 kg

Fig 2: The table and graph below shows the performance of the company during the Covid period

Makaadotcom Sales Overview Covid-19 Period			
Month	Whole Sale in Kg	Retail in Kg	Total Sold in the Month
Mar/20	3128	3655	6783
Apr/20	2349	2137	4486
May/20	6485	2368	8853
Jun/20	7269	3075	10344
Jul/20	6085	2811	8896
Aug/20	1490	4202	5692
Sep/20	909	4749	5658
Oct/20	1665	4998	6663
Total	29380	27995	57375



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In the months of March and April 2020 when the first cases were reported and started to surge in Kenya the buying pattern was normal as previously observed.

In the beginning of April 2020 there was a looming total lockdown which sent people into panic buying hence the abnormal patterns were observed in the month of May and June 2020 where people were buying to stock pile in the event of a total lockdown.

In the month of July 2020, the sales especially institutional drastically dropped following the closure of hotels, eateries and institutions which impacted the business negatively.

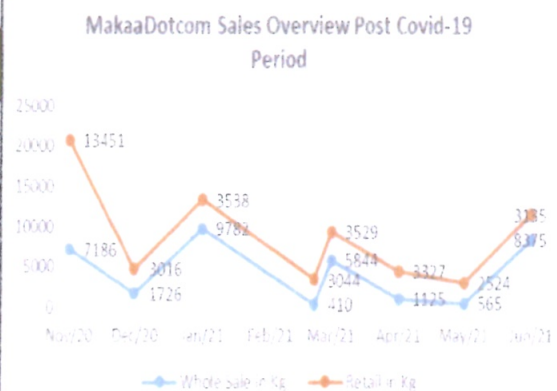
During this period, part of the money set aside for procurement of the high capacity briquetting machine was diverted to fill in the capital short fall due to the drop in sales.

The company through resource mobilization efforts was able to raise Ksh. 2,500,000 to support the operations and the unforeseen costs of health and safety guidelines as set out by ministry of health and WHO.

Average sales per month during this period was 7,172kg a 5% increase from the previous period where under normal circumstance the growth in sales was observed to be above 70%

Fig 3: graphical presentation of the company performance following the lifting of some of the Covid-19 restrictions (Lifting of cessation of movement, opening of closed entities and curfew time adjustment)

Makaadotcom Sales Overview Post Covid-19 Period			
Month	Whole Sale in Kg	Retail in Kg	Total Sold in the Month
Nov/20	7186	13451	20637
Dec/20	1726	3016	4742
Jan/21	9782	3538	13320
Feb/21	410	3044	3454
Mar/21	5844	3529	9373
Apr/21	1125	3327	4452
May/21	565	2524	3089
Jun/21	8375	3135	11510
Total	35013	35564	70577



Lifting of travel restrictions has seen the business operations gradually return to normal.

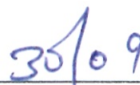
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Ease of international travel measures on 14th May 2021 saw major hotels resume their normal business hence suppliers to those hotels resumed their monthly orders which resulted to an increase in sales volume.

Average sales volume per month during this period was 8,822kg per month, an increase of 23% compared to Covid-19 restrictions period.

NAWASSCOAL is currently producing 10 tonnes per month but with support, the company will be able to reach break-even point at 40 tons per month.

The company projects to increase the production capacity and sales through improvement of the technologies existing at the site and employing the sales techniques that will result in increased revenues.



2021

General Manager
John Irungu Ndibui

Dated

V. 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 executive director 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 4 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.

VI. 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

There is increasing demand for biomass fuels as a preferred source of energy in the country. The briquettes venture continues to help address the issue of sanitation in the target Low Income Areas (LIAs) of Nakuru County by using the faecal sludge collected from these areas as a key raw material for the production of the briquettes. This together with the other raw materials, sawdust and molasses are affordable and adequate to meet the projected levels of output.

The financial indicators show that the business is profitable once output levels of about 60 tonnes per month are achieved at selling prices of KSh 30 and KSh 35 per kilogram (kg) for wholesale and retail sales respectively. 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 four 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 realised and additional oversight by board of directors, is expected to provide the business direction needed to successfully run the business.

Analysis

In the proposed best case scenario, the business achieves profitability in Year 4 at a margin of 11.4%. The projected output in Year 4 is 40 tonnes per month at a selling price of KSh 35 (wholesale) and KSh 40 (retail).

Conclusion on the Sensitivity Analysis

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A comparison of changes in prices and changes in output shows the level of output has a significant effect on the company's profitability and ability to cover its expenses thus need to focus efforts on realizing higher levels of production and growth in sale

Financial Performance

The Company made a loss of Kshs 1,850,766 due to the effects of COVID-19 and delay in installation and commissioning of key equipment hence the production was greatly affected. The sales were also adversely affected as a results of restrictions of movements and closure of hotels and eateries following the directives of WHO and the Government of Kenya in a bid to contain the spread of Covid 19. It is expected that with fully installation of equipment and operations capacity at 40 tonnes per month the company will break even in the 4th year of operation i.e. June 2022.

VII. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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)¹⁸. In the financial year 2020/2021, NAWASSCOAL sold 97 tonnes of briquettes hence saving an equivalent of 873 mature trees. Its 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 is feeding into this by a significant proportion of 29.2 Kt of CO₂ reduction 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.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Our CSR activities reflect our commitment as an organization to go beyond our core business objectives, as a responsible and ethical participant in our community. We recognize that as a company, we have an impact on the community in which we live, and the people we interact with. Our actions impact our employees, our customers and suppliers, the communities in which we live and work, and the environment. Our CSR actions represent our commitment to operate in an economically, socially, and environmentally sustainable manner, while recognizing the interests of our stakeholders.

NAWASSCOAL values our natural environment and the need to protect it. Keeping our environment unpolluted and clean is paramount to the success of our communities and business. We will always follow best practices when disposing of garbage, and other briquette production by-products, and seek out working facilities that strive to minimize the carbon footprint through environmentally sustainable best practices.

We recognize the value of human relationships and put people at the heart of our business. We seek to treat all staff fairly and consistently, to create a

workplace and business environment that is open, transparent, and trusted. We respect all our employees, and strive to make their experience a positive one in all aspects of their relationship with the company. Our success is closely tied to their personal happiness, growth, development, and teamwork, and we work to assess measure and support the personal and professional growth of our employees at all times, recognizing that the success of NAWASSCOAL is led first by the success and happiness of our people.

IX. REPORT OF THE DIRECTORS

The Board of Directors submit their Annual Report together with the Financial Statements for the year ended 30th June, 2021 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.

Results and dividend

The results of the Company for the Year ended 30th June, 2021 are set out on page 1 to 27. The net loss for the period was Kshs 1,850,766; 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.

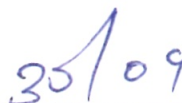
Auditors

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



2021

Dated


X. STATEMENT OF DIRECTORS' RESPONSIBILITIES


Section 81 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.

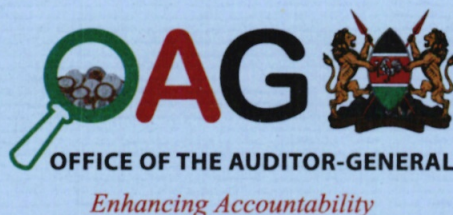
Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Chairman
Dr. Peter Ketyenya 
Dated 30/09 **2021**

General Manager 
John Irungu Ndibui
Dated 30/09 **2021**

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NAWASSCOAL COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of NAWASSCOAL Company Limited set out on pages 1 to 22, which comprise the statement of financial position as at 30 June, 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 the NAWASSCOAL Company Limited as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

The statement of financial position reflects negative retained earnings balance of Kshs.11,701,053 as at 30 June, 2021 which differs with the statement of changes in equity negative balance of Kshs.11,748,806 resulting to an unreconciled variance of Kshs.47,753.

In the circumstances, the accuracy of the negative retained earnings balance of Kshs.11,701,053 could not be confirmed.

2.0 Property, Plant and Equipment

The statement of financial position as at 30 June, 2021 reflects property, plant and equipment balance of Kshs.23,383,480 which, includes an amount of Kshs.4,292,000 as disclosed in Note 12 to the financial statements incurred in the purchase of a roller-type machine in October, 2020. However, audit inspection revealed that, the machine broke down in March, 2021 and has not been repaired to date. Further, 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 accuracy and completeness of the property, plant and equipment balance of Kshs.23,383,480 could not be confirmed.

3.0 Unsupported Inventories Balance

The statement of financial position reflects a balance of Kshs.609,604 in respect of inventories as at 30 June, 2021. However, supporting documents including stock ledger records and stock take report were not provided for audit review.

In the circumstances, the validity, accuracy and completeness of the balance of Kshs.609,604 in respect to inventories could not be confirmed.

4.0 Undisclosed Material Uncertainty Related to Going Concern

The statement of comprehensive income reflects operating loss of Kshs.1,850,766 (2019/2020 loss Kshs.5,733,806). The loss resulted into accumulated losses balance of Kshs.11,748,806 (2019/2020 loss Kshs.9,898,040) as at 30 June, 2021. The current liabilities balance of Kshs.3,426,193 also exceeds the current assets balance of Kshs.1,010,515 resulting to a negative working capital balance of Kshs.2,415,678 demonstrating that the Company is unable to meet its financial obligations as and when they fall due. This state of affairs is indicative of an acute financial challenge facing the Company that raises significant doubts on its ability to operate as a going concern.

The Company is therefore technically insolvent and its continued existence as a going concern is dependent upon the financial support from its creditors and the County Government of Nakuru.

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 Matters

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual comparable basis amounts of Kshs.14,940,052 and Kshs.6,933,111 respectively resulting to an under-funding of Kshs.8,006,941 or 54% of the budget. The budget absorption was limited to the amount realised.

The under-funding and under-performance affected the planned activities and impacted negatively on service delivery to the residents of Nakuru County.

2. Unresolved Prior Year Matters

In the audit of the previous year, several issues were raised. The Management has not resolved the issues or provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board template.

Other Information

The Directors are responsible for the other information. The other information comprises the report of Board of Directors as required by the Companies Act, 2015, and the statement of the Board of Directors responsibilities, which are obtained prior to the date of this report, and the annual report, which is expected to be made available after that date. The other information does not include the financial statements and the auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance 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, I confirm that, nothing 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

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

Basis for Conclusion

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 my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting 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 overall governance.

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the 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 overall 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. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 July, 2022


XII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020/2021	2019/2020
		Kshs	Kshs
Revenue	[6(a)]	2,730,161	2,278,860
Cost of sales/Direct Cost	(7)	4,176,832	4,827,608
Gross Profit		(1,446,671)	(2,548,748)
Other Revenue	[6(b)]	4,202,952	2,013,906
TOTAL REVENUES		2,756,281	(534,842)
OPERATING EXPENSES			
Administration Expenses	[8(a)]	4,063,828	4,656,834
Operating Expenses	[8(c)]	543,219	542,130
TOTAL EXPENSES		4,607,047	5,198,964
OPERATING LOSS BEFORE TAXATION		(1,850,766)	(5,733,806)
TAXATION			
Income Tax expense	[9]	-	-
LOSS AFTER TAX		(1,850,766)	(5,733,806)

XIII. STATEMENT OF FINANCIAL POSITION

	Note	2020/2021 Kshs	2019/2020 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	[12]	23,383,480	22,227,899
Total Non-Current Assets		23,383,480	22,227,899
Current Assets			
Inventories	[13]	609,604	1,346,896
Trade and other receivables	[14]	206,301	102,500
Bank and cash equivalent	[15]	194,610	3,758,667
Total Current Assets		1,010,515	5,208,062
TOTAL ASSETS		24,393,995	27,435,961
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Ordinary share capital	[10]	100,000	100,000
Retained earnings		(11,701,053)	(9,898,040)
General Reserve	[18]	19,091,480	22,227,899
Total Share Capital and Reserves		7,490,427	12,429,859
Non-Current Liabilities			
Non-Current accounts payable	[17]	13,477,375	13,477,375
Total Non-Current Liabilities		13,477,375	13,477,375
Current Liabilities			
Trade and other payables	[16]	3,426,193	1,528,727
Total Current Liabilities		3,426,193	1,528,727
TOTAL EQUITY AND LIABILITIES		24,393,995	27,435,961

The Financial Statements on pages 1 to 16 were approved by the Board of Directors during a meeting held on 8th September 2021 and signed on its behalf by: -



Chairman

Dr. P. Ketyenya

Dated 30/09/2021



General Manager

John I. Ndibui

Dated 30/09 2021



Finance Manager, NAWASSCO

Isaac Makori M/No. 6774

Dated 30/09/2021

XIV. STATEMENT OF CHANGES IN EQUITY

		Ordinary Share Capital	Investment Reserve Fund	Revenue Reserve Fund	Total
	Notes	Shs	Shs	Shs	Shs
Year ended 30 June 2020					
At 1 July 2020		100,000	22,227,899	(9,898,040)	12,429,859
As restated		100,000	22,227,899	(9,898,040)	12,429,859
Total comprehensive loss for the year:					
- Loss for the year		-	-	(1,850,766)	(1,850,766)
Grants from Vitens	12	-	(3,136,419)	-	(3,136,419)
At 30 June 2021		100,000	19,091,480	(11,748,806)	7,490,427

XV. STATEMENT OF CASH FLOWS

		Kshs	Kshs
	Notes	2020/2021	2019/2020
Profit before income tax		(1,850,766)	(5,733,806)
Adjustments for:			
Depreciation on property, plant and equipment	[12]		-
Operating profit before working capital changes		(1,850,766)	(5,733,806)
Increase / (decrease) in Trade and other payables	[16]	1,897,466	607,807
(Increase)/ decrease in Trade and other receivables	[14]	(103,801)	45,698
(Increase)/ decrease in Inventories	[13]	737,292	(1,161,982)
Cash generated from operations		727,943	(6,242,283)
Tax			-
Net cash generated from operating activities		727,943	(6,242,283)
Cash flows from investing activities			
Purchase of property, plant and equipment			-
Net cash flows/(used in) investing activities			
Finance asset		(4,292,000)	
Cash flows from financing activities			
Proceeds from;			
- Grants			-
- Loan			8,855,430
Share capital			-
Net cash (used in) investing activities		(4,292,000)	8,855,430
Cash flows from financing activities	[17]	-	8,855,430
Net cash generated from financing activities			8,855,430
At start of the year		3,758,667	1,145,520
Net (decrease) in cash and cash equivalents		(3,564,057)	2,613,147
Cash and cash equivalents at the end of the year	[15]	194,610	3,758,667

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL 2020/2021

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	Percentage Variance	Explanation of Variances
	2020/2021		2020/2021	2020/2021			
	Kshs			Kshs	Kshs	%	
Revenue							
Sales of briquettes	10,775,500	-	10,775,500	2,730,161	(8,045,339)		The non-achievement of revenue target was due to reduction in sale due to Covid-19 pandemic. The main market (hotels and institutions closed down hence affecting the sales
Grant from A4A		2,831,000	2,831,000	2,869,398	38,398	-1.3%	The company got covid response facility from A4A to cushion the business from the effects of covid 19. The Euro to Ksh exchange rates favored the company.
Revenue from consultancy SNV		1,333,552	1,333,552	1,333,552	-	0%	The company won consultancy services contracts which involved training on briquettes production in Tanzania and Bangladesh through SNV Kenya
Total income	10,775,500	4,164,552	14,940,052	6,933,111	(8,006,941)		The non-achievement of revenue target was due to reduction in sale due to Covid-19 pandemic. The main market (hotels and institutions closed down hence affecting the sales. This resulted to difference in realized revenue verses actual revenue
Expenses		-					

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Cost of Sales (Production Salaries and materials)	5,973,000	-	5,973,000	4,129,079	1,843,921	30.8%	There was reduced production activities due to the effects of covid 19
ADMIN COST (Admin Salaries, Marketing expenses and administrative expenses)	5,665,700	-	5,665,700	4,607,047	1,058,653	18.6%	The company scaled down most of its operations due to the restrictions of covid 19. In addition, the parent company granted 100% waiver on water bill payment as well as extended rescheduled the loan repayments.
CAPEX	4,300,000	-	4,300,000	4,292,000	8000	0.186%	
TOTAL EXPENSES	15,938,700		15,938,700	13,028,126	2,910,574	-18.3%	The company scaled down most of its operations due to the restrictions of covid 19. The affected activities included; marketing demos, reduced production activities and traveling.

XVII. 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 8th September 2018 and it is fully owned the Nakuru Water and Sanitation Services Company.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the NAWASSCOAL Co Ltd

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), State Corporations Act and Public Finance Management Act and the company Act 2015,

LEASES

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee.

3. 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 the *entity* 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 *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

b) Revenue from sale of briquettes

Represents amounts actually received from customers purchase of the briquettes.

i) 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 realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

iii) Other income is recognized as it accrues.

c) Property, plant and equipment

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

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

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

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

a) 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:

Buildings	Over the remaining period of the building of 25 years
Plants and Equipment	8 years
Computers	3 years

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

Equipments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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.

a) 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.

b) 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.

c) 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.

d) 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.

e) 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.

f) 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.

g) 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.

h) 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, 2018.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. 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 third time after incorporation hence the comparative figures are for the previous year 2019/2020.

(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

6. REVENUE

a) REVENUE – SALES

	2020/2021	2019/2020
	Kshs	Kshs
Cash sales	2,730,161	2,278,860
Total	2,730,161	2,278,860

b) Other Revenue – GRANTS

	2020/2021	2019/2020
	Kshs	Kshs
Grants from A4A	2,869,398	-
Grants from SNV	1,333,552	-
Grants from Vitens	-	2,013,906
Total	4,202,952	2,013,906

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7. COST OF SALES

	2020/2021	2019/2020
	Kshs	Kshs
Opening stock	1,346,896	184,914
Sawdust	-	1,193,797
Molasses	114,624	148,816
Charcoal dust	911,042	8,700
Electricity	191,385	243,314
Maintenance costs	380,723	2,277,481
Packaging Materials	36,100	150,895
Water	108,849	88,920
Total Production salaries	1,539,375	1,877,666
Loss of stock	157,442	-
Less: Closing stock	(609,604)	(1,346,896)
Total	4,176,832	4,827,607

8. a) ADMINISTRATION COSTS

	2020/2021	2019/2020
	Kshs	Kshs
Staff costs (8 b)	2,474,213	3,017,600
Casual Labour	11,900	328,662
Office expenses	232,058	116,158
KEBS certification	94,050	-
Staff Gratuity	349,473	558,600
Loan Interest	-	251,000
Bank charges	68,652	43,043
Telephone & Internet	72,760	41,200
Fares & travel	61,700	19,800
Substances & Per-diem	699,023	839,371
Total	4,063,828	4,656,834

b) STAFF COSTS

	2020/2021	2019/2020
	Kshs	Kshs
Salaries & allowances of contract employees	2,474,213	2,416,500
Wages of temporary employees	11,900	42,500
Gratuity for employees on contract	349,473	558,600
Total	2,835,586	3,017,600

The average number of employees at the end of the year was:		
Temporary and contract employees	9	9
Total	9	9

c) OPERATING AND MAINTENANCE EXPENSES

	2020/2021	2019/2020
	Kshs	Kshs
Research & development	-	-
Office stationery & consumables	79,412	23,385
Sales & marketing	180,347	263,575
Facility Insurance	209,261	203,040
Safety equipment	74,199	52,130
Total	543,219	542,130

9. INCOME TAX EXPENSE/ (CREDIT)

a) Current taxation

	2020/2021	2019/2020
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year /(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

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

	2020/2021	2019/2020
	Kshs	Kshs
Profit before taxation	(1,850,766)	(5,733,806)
Add: Expense not deductible for tax purposes	-	768,600
Less: Expenses deductible for tax purposes	-	-
Adjusted loss for tax purpose	-	(4,965,206)
Tax losses B/F	(8,376,128)	(3,410,922)
Total Losses C/F	(10,226,894)	(8,376,128)

10. ORDINARY SHARE CAPITAL

	2020/2021	2019/2020
	Kshs	Kshs
Authorized:		
1,000 ordinary shares of Kshs. 100 par value each	100,000	100,000
Issued and not paid:		
1,000 ordinary shares of Kshs. 100 par value each	100,000	100,000

11. GRANT FROM VITENSEVIDES INTERNATIONAL & EU

	Cost	Amortization	Net
	Kshs	Kshs	Kshs
Building	10,355,056	1,242,606	9,112,450
Plant and Equipment	16,777,663	6,828,124	9,949,539
Computer and Accessories	295,000	265,509	29,491
Closing balance	27,427,719	8,336,239	19,091,480

12. PROPERTIES, PLANT AND EQUIPMENT

	Building	Computers related equipment	& Plant equipment	& Total
	Kshs	Kshs	Kshs	Kshs
Cost/valuation				
As at 1st July 2020	10,355,056	295,000	16,777,663	27,427,719
Additions			4,292,000	4,292,000
At 30th June 2021	10,355,056	295,000	21,069,663	31,719,719
Depreciation				
As at 1st July 2020	828,404	177,000	4,194,416	5,199,820
Charge for grants	414,202	88,509	2,633,708	3,136,419
At 30th June 2021	1,242,606	265,509	6,828,124	8,336,239
Net Book Value				
At 30th June 2021	9,112,450	29,491	14,241,539	23,383,480
At 30th June 2020	9,526,652	118,000	12,583,247	22,227,899

13. INVENTORIES

	2020/2021	2019/2020
	Kshs	Kshs
Raw materials	100,800	300,480
Finished goods	300,000	730,216
Packaging materials	208,804	316,200
Total	609,604	1,346,896

14. TRADE AND OTHER RECEIVABLES

	2020/2021	2019/2020
	Kshs	Kshs
Trade receivables	103,801	-
Share capital	100,000	100,000
Electricity deposit	2,500	2,500
Total	206,301	102,500

BANK AND CASH AND CASH EQUIVALENTS

	2020/2021	2019/2020
	Kshs	Kshs
M-PESA	10,448	4,477
Cash at bank	184,162	3,754,190
Csh in Hand	-	-
Total	194,610	3,758,667

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	2020/2021	2019/2020
		Kshs	Kshs
Co-operative Bank - Revenue Account	01136882036502	7,882.19	1,894,357
Co-operative Bank - Expenditure Account	01136882036501	174,892.42	1,842,779
Co-operative Bank - Donations Account	01136882036500	1,387.28	16,053
Mpesa		10,448	4,777
Total		194,609.89	3,758,667

16. TRADE AND OTHER PAYABLES

	2020/2021	2019/2020
	Kshs	Kshs
Salary arrears	337,512	-
Maintenance –Albert Mwaura	34,000	-
NSSF	19,200	2,400
NHIF	6,450	6,250
PAYE	50,633	38,017
Electricity	12,993	20,710
Water	161,099	52,250
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	781,073	1,409,100
Total	3,426,193	1,595,427

17. LONG TERM LIABILITY

	2020/2021	2019/2020
	Kshs	Kshs
Bal b/d	4,621,945	4,621,945
Loan from NAWASSCO	8,855,430	8,855,430
Less: Payment made	-	-
Total	13,477,375	13,477,375

18. GENERAL RESERVE A/C

	2020/2021	2019/2020
	Kshs	Kshs
Balance b/d	22,227,910	24,827,809
Plant and Equipment	-	-
Amortization of the grant	(3,136,430)	(2,599,910)
Total	19,091,480	22,227,899

19. RELATED PARTY DISCLOSURES

(a) County Government of Nakuru

The County Government of Nakuru is the principal shareholder of the *Nakuru Water and Sanitation Company* which holds 100% of the company's equity interest.

Other related parties include:

Nakuru Water and Sanitation Services Co. Ltd Board of Directors

(b) Transactions with related parties

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

	2020/2021	2019/2020
	Kshs	Kshs
i) Sales to related parties		
Sales of goods/services by Nakuru Water & Sanitation Services Co. Ltd	108,849	88,920
Total	108,849	88,920
ii) Key management compensation		
Salaries and other short term employment benefits		
Total		
iii) Directors' remuneration		
Directors sitting allowance	-	-
Chairman honorarium	-	-
Total	-	-

20. CONTINGENT LIABILITIES

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

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

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

i) Credit risk

The 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:

22. INCORPORATION

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

i) EVENTS AFTER THE REPORTING PERIOD

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

ii) CURRENCY

The financial statements are presented in Kenya Shillings (Kshs)

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

At the time of submission of this report, the company had not received the audit certificate for the previous year.

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

The Company Installed the Machinery that we purchased by the Donor

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 bringing the total loan payable to Ksh. **13,477,375** 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