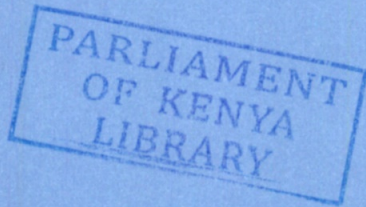


REPUBLIC OF KENYA



Enhancing Accountability

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OF

THE AUDITOR-GENERAL

ON

NAWASSCOAL COMPANY LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2023**



NAWASSCOAL COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

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1. Acronyms and Glossary of Terms

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
GM	General Manager
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
FSTP	Faecal Sludge Treatment Plant
NAWASSCO	Nakuru Water and Sanitation Services Co Ltd

2. Key Entity Information

Background information

NAWASSCOAL Company Limited (NAWASSCOAL) is a fully-owned limited liability enterprise by Nakuru Water and Sanitation Company Ltd (NAWASSCO), established on September 8, 2018. Its primary mission is to conduct research and manufacture products derived from faecal matter. NAWASSCOAL is dedicated to environmental preservation and advancing green energy solutions. The company specializes in the production and distribution of biomass briquettes, known as MakaaDotcom, catering to local institutions, hotels, eateries, and households for heat energy generation. Their overarching objective is to commercialize fecal-based products, addressing sanitation issues while stimulating economic activities within 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.

Nawasscoal Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2023

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

Directors

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

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

Registered Office

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

Corporate Headquarters

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

Corporate Contacts

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

Corporate Bankers

Cooperative Bank of Kenya

Nawasscoal Company Ltd

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P.O Box 2982-20100

Nakuru Branch

Independent Auditor

Auditor General

The Office of the Auditor General

Anniversary Towers, Monrovia Street

P.O. Box 30084 GPO 00100

Nairobi, Kenya

Principal Legal Advisers

County Attorney

County Government of Nakuru

P.O Box 2870-20100


NAKURU

3. The Board of Directors

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

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


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

Ref	Directors	Details
1.	 Eng. Festus K. Ngeno	<p>Eng. Ng'eno, 43, 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 (14years) in-depth hands-on experience and expertise in Water, Sanitation, Environmental and GIS sectors. In addition he has good experience in the Public and Private Sector at Senior Management Level Managing Operations in Kenya, Uganda, Zambia, S. Sudan, Rwanda, Tanzania and Ethiopia. Non-Executive Director.</p>
2.	 <p>Dr. Peter Ketyenya</p>	<p>Dr Peter K. Ketyenya, 45, 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). Chairman.</p>
3.	 <p>James N. Gachathi</p>	<p>Mr Gachathi, 53, 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>

Nawasscoal Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2023

		<p>He has a rich experience in the Water Sector spanning for over 23 years. Non-Executive Director.</p>
4.	 <p>John I. Ndibui</p>	<p>Mr. Irungu, 40, became General Manager at NAWASSCOAL on September 1, 2018. He is also the Board Secretary. Before that, he worked on the Nakuru County Sanitation Programme (NCSP), which helped set up NAWASSCOAL. He has a Bachelor's degree in Mechanical Engineering and is currently studying for an MSc in Occupational Health and Safety at Jomo Kenyatta University. He has diplomas and a higher diploma in Mechanical Engineering, focusing on Production and Plant options.</p> <p>Mr. Irungu is a mechanical engineer with expertise in process and energy engineering, particularly in Biomass energy, Improved Cook-Stoves, Combined Heat and Power, Solid Waste Management, and reducing CO2 emissions. In his 12-year career, he's managed projects, led teams, done technical advisory work, feasibility studies, and worked on waste-to-energy projects.</p>

4. Key Management Team

Ref	Management	Details
1.	 <p data-bbox="373 1122 603 1155">John I. Ndibui</p>	<p data-bbox="826 376 1485 860">Mr. Irungu, 40, became General Manager at NAWASSCOAL on September 1, 2018. He is also the Board Secretary. Before that, he worked on the Nakuru County Sanitation Programme (NCSP), which helped set up NAWASSCOAL. He has a Bachelor's degree in Mechanical Engineering and is currently studying for an MSc in Occupational Health and Safety at Jomo Kenyatta University. He has diplomas and a higher diploma in Mechanical Engineering, focusing on Production and Plant options.</p> <p data-bbox="826 864 1485 1267">Mr. Irungu is a mechanical engineer with expertise in process and energy engineering, particularly in Biomass energy, Improved Cook-Stoves, Combined Heat and Power, Solid Waste Management, and reducing CO2 emissions. In his 12-year career, he's managed projects, led teams, done technical advisory work, feasibility studies, and worked on waste-to-energy projects.</p>
2.	 <p data-bbox="316 1753 719 1787">Mary Nyakinyua Wambui</p>	<p data-bbox="826 1276 1485 1868">Miss Mary Nyakinyua, 25, is the administrative officer at Nawasscoal Co Ltd since October 1, 2020. She has a strong background in preparing presentations, managing facility reports, and prioritizing confidentiality, she has been able to serve as an admin as well as finance representative of the company for 2 and half years. She possesses a Bachelor of Science Degree in Applied Mathematics with a focus on statistics and excels in data analysis and financial management using Microsoft Excel and QuickBooks. Previous roles include Sales Executive at Air Communications where she worked as a Data Entry Clerk.</p>

<p>3.</p>	 <p>Justine Khamala</p>	<p>Miss Justine Khamala, 41, became a marketing officer at Nawasscoal Company Limited in October 2018. She is an experienced professional with a strong track record in sales and marketing, adept at devising effective strategies for positive business outcomes. Skilled in negotiation, communication, and adaptability, with a keen eye for detail and excellent organizational abilities. She has worked as a Sales Executive at Kenya Post Office and Savings Bank, and a Professional Digital Photographer at Our Heritage Studios. Academic qualifications include a Master's in Business Administration in Strategic Management, a Bachelor's degree in Commerce with a focus on Marketing, and diplomas in Business Management and Journalism and Media Studies. Proficient in various computer applications.</p>
<p>4.</p>	 <p>Francis Njoroge</p>	<p>Mr. Francis Njoroge, 25, became a production supervisor at Nawasscoal on February 1, 2023. He is an experienced professional with strong communication skills in English and Swahili, emphasizing ethics and commitment to quality, complemented by effective time management. Educational background includes primary and secondary education at Anestar institutions, followed by studies in Supply Chain Management at Chuka Technical and Vocational College. Currently pursuing Business Management at Jomo Kenyatta University of Agriculture and Technology. Proficient in procurement, negotiation, and document management. Valuable personal qualities include teamwork, listening skills, effective communication, and meeting deadlines. Previous roles include team leader at Budgetware Company Limited, contributing to a 7% sales increase, and a current position as a production supervisor at Nawasscoal Company Limited, utilizing procurement knowledge.</p>



Susan Wanjiru

Miss Susan Wanjiru, 27, became a research and development lead on February 1, 2023. She is a highly motivated professional with a Bachelor's degree in Records Management and Information Technology. Proficient in records management, information systems, and database management. She is a skilled Administrative Assistant with a track record of resource mobilization, compelling proposal writing, and efficient organizational systems. Expertise in project and financial management, along with effective stakeholder engagement. Proficient in clerical tasks, diary management, and travel arrangements. She has demonstrated achievements such as securing grants, enhancing project outcomes, and fostering partnerships. Accomplished at streamlining operations, optimizing productivity, and ensuring project success.

5.

5. Chairman's Statement

The fiscal year 2022/23 marked a pivotal moment in our company's journey. Our performance reflects the challenging economic landscape and the significant strides we've taken to invest in our future growth. Despite shifts in our strategic approach and the valuable lessons learned during the past year, our unwavering commitment to serving as Nakuru County's premier renewable energy solution and beyond remains steadfast.

Over the past year, The Board observed that the company has not been able to break even. To address this concern, the Board, in partnership with Aqua for All, devised turnaround strategies which are focused on overall growth and currently being implemented. We are optimistic that this strategy will greatly contribute to the company's profitability. The Board remains fully dedicated to backing the company throughout the strategy's execution.

Furthermore, the Board acknowledges that NAWASSCOAL initially operated as a subsidiary company during its initial years. We are now evaluating this organizational structure to enable the exploration of alternative partnerships and business models, such as joint ventures and special purpose vehicles.

This review aims to create a synergistic connection between NAWASSCOAL, the NAWASSCO Onsite Sanitation Unit, and the proposed Sanitation Levy. This restructuring will empower the company to continue providing essential socio-economic services to Nakuru County residents while positioning itself to attract investments and financial support. Additionally, this transition will enable NAWASSCOAL to expand its offerings in the realm of waste management products and services.

The expected outcomes of this review include:

- a. Expanding the scope of Nawasscoal's operations.
- b. Strengthening engagement with third-party entities.
- c. Enhancing the socio-economic benefits delivered to the residents of Nakuru County and beyond.

The Board is exploring various partnerships to build the restructuring.

Key Activities

1. Implementing turn around strategies: The company received support from Aqua for All to implement 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 manufacturing of seed balls and bio-char that will increase profit margins for the company.

5. Exploring partnerships: The Board is exploring various partnerships with development partners to build the restructuring.

Achievements

In spite of the formidable economic challenges posed by inflation, our company has achieved notable successes over the past year. An outstanding accomplishment is our resilience in the face of inflation's adverse effects, enabling us to not only survive but thrive. We effectively executed turnaround strategies aimed at holistic company growth, resulting in remarkable surges in production and sales. The implementation of these strategies, facilitated by our development partners and expert consultants, was a resounding success. Moreover, our commitment to collaboration has soared, exemplified by NAWASSCOAL's increased involvement in exploring partnerships and joint ventures with Water and Sanitation for Urban Poor (WSUP), Kenya Climate Innovation Center (KCIC) and E4Impact. These achievements underscore our unwavering dedication to customers and stakeholders, reaffirming our position as Nakuru County and beyond top-tier renewable energy solution.

Challenges

High production costs driven by inflation posed a profitability challenge, hindering our ability to offer competitive prices to customers. Moreover, illegal charcoal burning remains an affordable alternative to our renewable energy solutions like MakaaDotcom. Nonetheless, we've initiated strategic changes focused on overall company growth, providing a path to overcome production cost hurdles and enhance our competitiveness in the market.

Appreciation

On behalf of the Board, I extend our gratitude to our esteemed development partners, namely Aqua for All, Water and Sanitation for Urban Poor (WSUP), Kenya Climate Innovation Center (KCIC), E4Impact, the County Government of Nakuru, and our parent company, NAWASSCO, for their steadfast support. We also commend the dedicated efforts of NAWASSCOAL staff and our parent company, NAWASSCO, in sustaining our commitment to being a green energy solution. Your contributions are greatly appreciated.

Chairman



Eng. Festus K. Ng'eno

Dated

30/09/

2023

for

6. Report of the General Manager

I am pleased to present the Annual Report and Financial Statements of NAWASSCOAL for the year ended 30th June 2023. This is the 5th Annual report and financial statements for the Company.

Nawasscoal has undergone a successful implementation of phase one of turnaround strategies developed with the support of Private Equity Support (PES), through the funding from A4A. The company accomplished several key milestones during this phase, including an increase in production from 5 to 11 tons per month, a corresponding increase in sales from 5 to 11 tons per month by January 2023, and an increase in revenues from KES 250,000 to KES 380,000 per month as well as reducing the cost of production from KES 34 per kg to KES 23 per kg. Additionally, the company has established an in-house maintenance capacity, renewed staff contracts for one year, and initiated a company restructuring process.

The company is now in phase two of implementing the turnaround strategies, which began from February 1st to 30th September, 2023. The objective of this phase is to achieve a break-even point, which will require a production and sales volume of 16 tons or more per month at a production cost of KES 21.9 per kg. With the progress made during phase one, Nawasscoal is well-positioned to achieve this goal and continue on a path of sustainable growth and profitability.

Repurposing NAWASSCOAL Operations

In order to create a sustainable business model for NAWASSCOAL, consultants, Private Equity Support (PES), recommended that the NAWASSCOAL Company re-evaluate their current model and consider alternative approaches. This would involve increasing third-party engagement to make the company more attractive to investors and achieve self-sustainability. The company through the support of Water and Sanitation for Urban Poor (WSUP) has made progress in implementing these strategies during phase one, which included the following accomplishments:

1. Board decision authorizing NAWASSCO CMT to comprehensively examine current operations of NAWASSCOAL to develop a new business model and make recommendations for new operation arrangements for consideration by the Board of Directors in the subsequent board meeting.
2. A strategy workshop with management to assess and develop a road map for Non- Sewered Sanitation (NSS) in Nakuru including a turnaround strategy for NAWASSCOAL.
3. Engagement of consultants to support in development of a sanitation policy.
4. Capacity assessment on NSS to recommend on structuring of the NSS function within the utility.
5. Establishment of a technical working group to support the establishment of the NSS function and assess the viability of delegated management model as an option to enhance sustainability of NAWASSCOAL.
6. Commence application for the sanitation development fee as a financing option for NSS as a service.

The progress made so far indicates that a delegation approach may be a viable model for NAWASSCOAL, where a social enterprise could be engaged to handle some of the onsite sanitation operations, such as collection and reuse. This would be linked to the value chain of non-sewered sanitation of NAWASSCO.

Next Steps on restructuring Process

NAWASSCO is fully committed to the repurposing of NAWASSCOAL Co Limited operations to achieve a sustainable model. To this end, the company has formed a technical working group to coordinate and explore the best model. The following activities will be carried out in phase two to achieve this goal:

- Working sessions with the technical working group to explore delegated management of NAWASSCOAL.
- Discussions with various social enterprises to explore options of collaboration in waste to value.
- Learning visits to understand the operations and approaches of similar social enterprises.
- Engagement of experts for technical and legal review of recommended proposals.
- Workshops sessions with management to review various delegated management option proposals.
- Develop an implementation road map for the proposed approach.
- Develop and initiate a bidding process to interested firms for collaboration.

Objective of Phase 2.

The main objective of phase two is to achieve a break-even point by producing and selling 16 tons or more per month at a production cost of KES 21.9 per month by July 2023. This will enable NAWASSCOAL to establish sustainable growth and profitability, building upon the progress made during phase one.

Specific deliverables

NAWASSCOAL seeks to achieve the following specific deliverables in phase two;

Table 1: Phase two Deliverables

No	Topic	Goal	Comments
1	Production capacity	Increase production from 11,000kg to 16,000kg per month by July 2023	The increase will be realized on a month to month basis and will be majorly guided by growth in sales
2	Sales output in kg	Increased sales output from the current 75% to 85% of total output.	It is anticipated that sales will experience a gradual rise as the company concentrates on the institutional market. To expand their sales, the institutions already acquired during phase one will be fortified with marketing assistance. Furthermore, NAWASSCOAL will seek to bring aboard additional institutions, as the effectiveness of this approach has been validated during phase one.
3	Unit cost	Reduction of unit cost from Kes. 23 to Kes. 21.9	NAWASSCOAL will persist in executing the expense reduction strategies that led to a reduction in production cost from KES 34 to KES 23 in phase one. The enterprise will optimize the initiatives that contributed to cost reduction during

Nawasscoal Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2023

			the initial stage to attain the forecasted production cost of KES 21.9 per month by July 2023.
3	Revenue	Increase revenue from Kes 380,000 to 600,000 pm by July 2023	A gradual increase in revenue is anticipated through the growth of production and sales, and the acquisition of new markets. Additionally, revenue growth is expected to come from the recruitment of additional institutions while strengthening the capacity of new markets established during phase one..
4	Governance	Restructuring of NAWASSCOAL (Framework collaboration)	Discussions and initiatives to restructure NAWASSCOAL are currently underway, following the milestones achieved during phase one. Two working sessions were convened to commence the restructuring process, and a dedicated committee was established to explore various restructuring alternatives. The company endeavours to proceed with this process and conclude it by June 2023, culminating in the creation of a sustainable business model for NAWASSCOAL
5	Workforce	Performance evaluation for the core staff and recommendation for contract extension	In line with the developed Balanced Scorecards (BSC), the performance of the staff will be assessed, and based on the results, recommendations will be made regarding contract extension or absorption within the new business model.
6	Manuals & Business plan Review and update	Review and update the Manuals	The production, sales and marketing manual, HR manual, and business plan will be subjected to a review and updated in accordance with the ultimate outcome of the strategies and the new business framework that will be instituted.

The Nawasscoal Management team is dedicated to fully implementing the strategies and achieving the goals necessary to ensure the long-term sustainability of the business.



Name : John Irungu

General Manager

Date: 30/09/2023

7. Statement of Performance Against Predetermined Objectives for FY 2022/2023

NAWASSCOAL's five-year business plan, spanning from 2018/2019 to 2022/2023, outlines its strategic approach and roadmap for improving performance and service delivery. This comprehensive plan delineates the company's trajectory over this period, highlighting its key focus areas, objectives, and resource allocation strategies to address critical strategic challenges.

The strategic plan is structured around three pillars and five key objectives:

Pillar 1: Mobilizing resources to expand MakaaDotcom production and sales.

Pillar 2: Enhancing the safe treatment of faecal sludge through diversification of products.

Pillar 3: Achieving socio-economic and environmental benefits.

NAWASSCOAL's annual work plans are aligned with these strategic pillars. The company's performance is rigorously evaluated on a quarterly basis in relation to its annual work plan. To ensure goal attainment, balanced scorecards are developed in collaboration with the management team and reviewed quarterly by the Board. In cases of any deviations, corrective measures are swiftly implemented. The company's progress in achieving its objectives across the three strategic pillars is visually represented in the accompanying diagram.

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
Resource mobilization to scale up production and sales of MakaaDotcom	Increased resources for the company	Increase the resource mobilization effort from the previous year by 25%	-Increasing third party engagements through proposal writing -Seeking partnership through JVS	A total of Ksh. 12,049,024.30 was raised compared to the previous year Ksh. 5,030,938 equivalent to 140% increase.
	Business improvement through increased production and sales	Turnaround implemented and sales increased	Developing the strategies together with consultants Implementing the strategies	Turnaround strategies developed by June 2022. Phase 1 of implementation of the strategies completed and phase two commenced
Increased Safe treatment of	Develop Product	-Develop and test 3	-Identify the products to develop	During the period the company successfully developed and tested 2

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
faecal sludge through product diversification	diversification strategy	different products	-Produce the products -Test the products -Give recommendations	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 30% -Enhance drying capacity of sludge	-Modify the carbonizer furnace to utilize dry sludge as source of heat energy -Increase the amount of faecal sludge in briquettes production	-The use of sludge was increased by more than 30% following the modification of the carbonize kiln which now combines sludge and other biomass as source of heat. -Use of sludge in briquettes production also increased by 100% from previous 20% to 40%
Socio-economic and environmental benefits	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	-Three new distributors on boarded - 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. 113tons of briquettes sold -Equivalent of 9,944 trees saved through the use of MakaaDotcom.

8. Corporate Governance Statement

The NAWASSCOAL Board of Directors is responsible for managing the company and is committed to being honest, professional, and following the law. They follow guidelines and recommendations to make sure they do things the right way. They also follow rules from the Regulator, WASREB.

NAWASSCOAL's way of doing business is based on rules that help the Board, staff, customers, and the public assess how well the company provides services and facilities. This helps make sure they are responsible, ethical, and effective in how they run the company. Some important parts of this framework include:

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's approved policies and procedures

To ensure coherence and legitimacy, the Company's conduct is best regulated by the most suitable governance instruments available.

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 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.

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.

9. Management Discussion and Analysis

Key Financial Indicators

In our management discussion and analysis, we closely examine key financial indicators for Nawasscoal, with a keen focus on metrics such as revenue growth, operating margins, and cash flow generation. These indicators provide essential insights into our financial performance, demonstrating our commitment to sustainable growth and profitability, even in a dynamic market environment. We believe that understanding and effectively managing these key financial drivers is pivotal to achieving our long-term business objectives.

Business Viability

Our commitment to business viability is further strengthened by our strategic product diversification, including ventures like seed balls. By expanding our product portfolio, we not only enhance our resilience to market fluctuations but also contribute to environmental sustainability. Seed balls align with our mission and values, serving as a prime example of how Nawasscoal is not only securing its future but also making a positive impact on the planet. This diversification strategy positions us well to ensure long-term business viability while addressing critical ecological concerns.

Our current team members, who bring substantial experience from overseeing the company's pilot phase, possess the essential skills, knowledge, experience, and dedication required for managing production and briquette sales. We are committed to further enhancing their capacity to ensure the successful realization of our growth plans. Additionally, we anticipate valuable guidance from our board of directors as we navigate our journey toward business excellence.

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

To ensure NAWASSCOAL's sustainable social impact, it's crucial to strike a balance between an effective business model and the delivery of social benefits through its core activities. In pursuit of business growth, optimizing sludge utilization, and enhancing sustainability, NAWASSCOAL is actively seeking partnerships with like-minded organizations. This collaboration aims to diversify revenue streams by introducing additional products such as industrial briquettes, biogas, bio fertilizer, seed balls, and biochar into our portfolio.

Financial Performance

In the fiscal year 2022/2023, the company made a net profit of Kshs 2,232,419, compared to a loss of Kshs 1,891,556 in 2021/2022. During this period, Nawasscoal's primary focus was on reviewing its business model and implementing turnaround strategies. Some of the strategies identified during the review were initiated through pilot experiments conducted by both external consultants and Nawasscoal's internal team. The outcomes of these initiatives included:

1. A reduction in production costs from Kshs. 34 to Kshs. 21 per unit, achieved by revising the procurement manual.
2. Enhanced production efficiency through plant improvements.
3. An upward revision of the selling price, from the existing Kshs 30 to Kshs. 40, aimed at increasing revenue.

However, these strategies, among others, have not been fully demonstrated in practice due to time constraints. In collaboration with stakeholders and consultants, Nawasscoal has drafted a one-year work plan/forecast designed to facilitate comprehensive implementation and practical testing of these strategies, along with providing technical coaching support. The one-year plan is divided into two phases, each spanning six months, allowing the implementation team to pause midway for reflection and progress assessment.

10. Environmental And Sustainability Reporting

Nawasscoal is dedicated to environmental sustainability by producing eco-friendly briquettes that reduce emissions and deforestation while simultaneously promoting reforestation through our seed balls initiative, creating a balanced approach to protect and regenerate our environment.

i) Sustainability strategy and profile -

Nawasscoal's sustainability strategy combines eco-friendly briquette production to combat emissions with a seed ball initiative for reforestation. Our profile showcases a dedication to conservation and renewable energy, aligning with our mission for sustainable solutions and environmental preservation. This holistic approach aims to drive positive change, benefiting both our business and the planet's well-being.

ii) Environmental performance

In the past five years, Nawasscoal has made significant environmental strides, providing dignified sanitation to 570,000 households, saving 3,000 trees, and mitigating 1Kt of greenhouse gas emissions. We've created over 30 direct jobs and supported 100 more in our value chain. Our collaborations with government bodies have aided in achieving crucial climate targets, solidifying our commitment to environmental stewardship and sustainable growth.

iii) Employee welfare

The company prioritizes responsible employment, contributing to national and Nakuru County job opportunities. We foster an inclusive, celebratory, and excellence-driven workplace. Our comprehensive support includes fair pay, work-life balance, NSSF retirement benefits, and accident coverage, ensuring staff's financial security and safety.

iv) Market place practices-

The company employs a comprehensive approach to ensure customer satisfaction, actively soliciting feedback on briquette quality and addressing any customer concerns with the utmost seriousness. Our dedication to service delivery not only fosters a customer-friendly environment but also underscores our commitment to responsible business practices across various facets.

a) Responsible competition practice.

NAWASSCOAL upholds ethical standards in competition by strictly adhering to anti-corruption measures, maintaining responsible political involvement, promoting fair competition, and demonstrating respect for competitors. We believe in a level playing field and actively work to prevent any unethical practices that may undermine fair competition.

b) Responsible Supply chain and supplier relations

Our organization maintains exemplary business practices by treating suppliers with integrity, honoring contracts, and respecting payment terms. We prioritize building sustainable and mutually beneficial relationships with our suppliers, understanding that their success is intertwined with ours.

c) *Responsible marketing and advertisement*

We are committed to ethical marketing practices, ensuring that all our advertising efforts are transparent, truthful, and respectful. Our marketing strategies are designed to provide accurate information to consumers while avoiding misleading or deceptive tactics. We believe in promoting our products responsibly, without resorting to unethical or manipulative techniques.

d) *Product stewardship*

NAWASSCOAL takes proactive measures to safeguard consumer rights and interests through rigorous product stewardship. We prioritize product quality, safety, and reliability, ensuring that our offerings meet or exceed industry standards. Additionally, we provide clear information to consumers about product usage and safety considerations, empowering them to make informed choices. We are dedicated to upholding the trust placed in our brand by our customers, and product stewardship is central to this commitment.

v) *Corporate Social Responsibility / Community Engagements*

Nawasscoal values Corporate Social Responsibility and community engagement, actively supporting community development, education, and environmental conservation to create lasting partnerships and foster a sustainable future.

11. Report of the Directors

The Board of Directors submit Report together with the Financial Statements for the year ended 30th June, 2023 which shows the state of the Company's trading affairs and financial position.

i) Principal activities

The principal activities of the company are production of faecal matter based products which are eco-Friendly. NAWASSCOAL seeks to expand its scope through turnaround strategies that are currently being developed with the support of consultants.

ii) Results

The results of the Company for the Year ended 30th June, 2023 are set out on page 1 to 24. The net profit for the period was Kshs 2,232,419; which will kick start the activities of the next fiscal year 2023/2024 therefore; do not recommend the payment of dividend.

iii) Directors

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

iv) Auditors

The Company Auditor is the Auditor General of P.O BOX 30084-00100 Nairobi as provided for by the Public Audit Act, 2015.



.....
Name : John Irungu
Secretary to the Board

Date: 30/09/2023

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012, and the Kenyan Companies Act, 2015 mandate the Directors to compile accurate financial statements for the company. These statements should provide a truthful representation of the company's financial status at the close of the fiscal year and its operational results for that period. Moreover, the Directors must ensure the company maintains comprehensive accounting records that reasonably depict its financial position. Safeguarding the company's assets is also part of their responsibilities.

The Directors are accountable for formulating and presenting the Company's financial statements, which offer an authentic and unbiased portrayal of the company's status as of June 30, 2023. Their responsibilities encompass various aspects, including:

- i. **Maintaining Effective Financial Management:** Ensuring that the company has robust financial management arrangements in place that remain effective during the reporting period.
- ii. **Preserving Accurate Accounting Records:** Ensuring that the accounting records are thorough and accurately represent the company's financial position at any given time.
- iii. **Implementing Internal Controls:** Designing, executing, and sustaining internal controls relevant to the preparation and unbiased presentation of financial statements, with an emphasis on preventing material misstatements due to error or fraud.
- iv. **Asset Protection:** Safeguarding the company's assets to prevent loss or misappropriation.
- v. **Selecting Accounting Policies:** Choosing and applying appropriate accounting policies.
- vi. **Making Reasonable Accounting Estimates:** Formulating accounting estimates that are sound under the circumstances.

The Directors acknowledge their responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates. These statements comply with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act, 2015. The Directors are confident that the financial statements accurately reflect the company's transactions during the fiscal year ending on June 30, 2023, and its financial position on that date. They also confirm the completeness and adequacy of the accounting records and internal financial control systems relied upon during the statement's preparation.


Furthermore, the Directors are not aware of any factors that suggest the company will not remain a viable entity for a minimum of the next twelve months from the date of this statement.

Nawasscoal Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2023

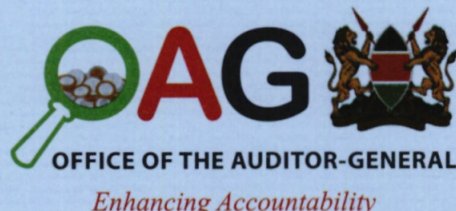
Approval of the financial statements

The company financial statements were approved by the Board on 30/09/2023 2023 and signed on its behalf by:


.....
Name: Festus K Ngeno
Chairperson of the Board


.....
Name: John Irungu
General Manager

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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, 2023

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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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 55, which comprise the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income,

Report of the Auditor-General on NAWASSCOAL Company Limited for the year ended 30 June, 2023

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, 2023, 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 the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Accuracy of Cost of Sales

The statement of profit or loss and other comprehensive income reflects cost of sales amounting to Kshs.4,806,570 as disclosed in Note 8 to the financial statements. However, store records such as stores ledgers, bin cards and stock taking sheets in support of opening and closing stock balances of Kshs.268,988 and Kshs.260,155 respectively were not provided for audit verification.

In the circumstances, the accuracy and validity of cost of sales amount of Kshs.4,806,570 could not be confirmed.

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

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.

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. Price Variations from the Approved Rates

The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.3,814,850 as disclosed in Note 6 to the financial statements. Review of records revealed 114,218 kilograms of briquettes were sold at a price of Kshs.30 per kilogram. However, the price was lower than the approved price of Kshs.40 resulting to loss amounting to Kshs.1,142,180 which has not been explained.

In the circumstances, lack of a pricing policy casts doubt on the effectiveness of selling prices in meeting the operational costs.

2. Irregular Procurement of Insurance Services

The statement of profit or loss and other comprehensive income reflects operating and maintenance expenses amounting to Kshs.725,781. The expenditure includes facility insurance of Kshs.264,570 as disclosed in Note 11 to the financial statements which was procured using request for quotation method. Review of records revealed that quotations were sought from four firms for which only two firms responded. The evaluation committee composed of two members which is less than the prescribed number of three contrary to Regulation 29(3) of the Public Procurement and Asset Disposal Regulations, 2020. Further, the evaluation report was not signed.

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

3. Failure to File Annual Company Returns with the Registrar of Companies

Review of records revealed that the Company has never filed returns with the Registrar of Companies. This is contrary to Section 705 (1) of the Companies Act, 2015 which requires every company to submit to the Registrar of Companies successive annual returns each of which is made up to a date not later than the date that is from time to time the company's return date.

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

4. Irregular Procurement of Low Value Goods

The statement of profit or loss and other comprehensive income reflects operating and maintenance expenses amounting to Kshs.725,781 as further disclosed in Note 11 to the

financial statements. The amount includes an expenditure totaling to Kshs.461,211 incurred on the purchase of office stationery and consumables, sales and marketing and safety equipment using low value procurement method. However, the expenditure was not incurred by the Head of Procurement and was not supported by the original Kenya Revenue Authority Electronic Tax Receipt (KRA ETR Receipt) duly signed by the person undertaking the low value procurement of goods.

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

5. Non-Preparation of Bank Reconciliation Statements

The statement of financial position reflects bank and cash equivalent amounting to Kshs.2,303,515. The amount includes MPESA amount of Kshs.31,110 and cash at bank amounting to Kshs.2,257,095 as further disclosed in Note 19 to the financial statements. However, monthly bank reconciliation statements were not prepared for the two bank accounts contrary to Regulation 90(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires Accounting officers to ensure that bank accounts reconciliations are completed for each bank account every month.

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

6. Failure to Repay Loans

The statement of financial position reflects non-current accounts payable amounting to Kshs.17,477,375 in respect of loans received from Nakuru Water and Sanitation Services Company Limited as further disclosed in Note 22 to the financial statements. Review of records revealed that the Company received loans at an interest rate of 5% chargeable per year in three tranches of Kshs.4,621,945, Kshs.8,885,430 and Kshs.4,000,000 on 3 November, 2018, 30 November, 2019 and 13 September, 2021 respectively from the Mother Company. The loan repayments were scheduled to commence on 31 October, 2020. However, no repayments had been made to date and interest continued to accrue. No explanation has been provided for the failure.

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

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matter described in the Basis for Conclusion on

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

Basis for Conclusion

Lack of an Approved Staff Establishment and Human Resource Policy

Review of human resource records indicated that the Company did not have an approved staff establishment and human resource policy. Management therefore lacked objective means to recruit and deploy staff for optimal results. It was also not possible to confirm whether staffing in the Company was regular and optimal.

In the circumstances, Management was in breach of the County Public Service Human Resource Manual, 2013.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 March, 2024

14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023.

	NOTE	2022/2023 (Kshs)	2021/2022 (KSHS)
Revenue			
Operating Revenue	6	3,814,850	2,042,633
Total Revenue		3,814,850	2,042,633
Cost of Sales	8	4,806,570	3,860,867
Gross Profit/Loss		(991,720)	(1,818,234)
Grants Income	7	12,049,024	5,030,938
Other Income		-	-
Total Revenue		11,057,304	3,212,704
Less Expenses			
Staff Costs	9	2,903,319	2,456,434
Administration expenses	10	5,195,785	1,946,608
Operating & Maintenance Expenses	11	725,781	701,218
Depreciation and Amortization expenses	12		-
Total Expenses		8,824,885	5,104,260
Profit/(Loss) Before Taxation		2,232,419	(1,891,556)
Income Tax Expense/(Credit)	13		-
Profit/(Loss) After Taxation		2,232,419	(1,891,556)

15. Statement of Financial Position As at 30 June 2023

	NOTE	2022/2023 (Kshs)	2021/2022 (KSHS)
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	18,276,986	21,057,704
Total Non-Current Assets		18,276,986	21,057,704
Current Assets			
Inventories	17	260,155	268,988
Trade and other receivables	18	1,082,881	224,400
Bank and cash equivalent	19	2,303,515	692,271
Total Current Assets		3,646,550	1,185,659
TOTAL ASSETS		21,923,536	22,243,364
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Ordinary share capital	20	100,000	100,000
General Reserve	24	13,535,890	16,765,704
Retained Earnings		(11,360,190)	(13,592,609)
Total Share Capital and Reserves		2,275,700	3,273,095
Non-Current Liabilities			
Non-Current accounts payable	22	17,477,375	17,477,375
Total Non-Current Liabilities		17,477,375	17,477,375
Current Liabilities			
Trade and other payables	21	2,170,461	1,492,894
Total Current Liabilities		2,170,461	1,492,894
TOTAL EQUITY AND LIABILITIES		21,923,536	22,243,364

The financial statements were approved by the Board on _____ 2023 and signed on its behalf by:

.....
Name : John Irungu

General Manager

.....
Name: Isaac Makori

Head of Finance
M/No. 6774

.....
Name: Eng. Festus
Ngeno

Chairman of the Board

16. Statement Of Changes in Equity for the Year Ended 30 June 2023

	NOTE	ORDINAR Y CAPITAL	Investment Reserve Fund (KSHS)	Revenue Reserve Fund (KSHS)	TOTAL (KSHS)
At July 1, 2021		100,000	19,091,480	(11,748,806)	7,490,427
Grants from Vitens	13	-	(3,184,776)	-	(3,184,776)
Additional for the year			859,000		
Total comprehensive loss for the year			-	(1,891,556)	(1,891,556)
At June 30, 2022		100,000	16,765,704	(13,592,609)	3,273,095
At July 1, 2022		100,000	16,765,704	(13,592,609)	3,273,095
Grants from Vitens	13	-	(3,229,814)	-	(3,229,814)
Additional for the year					
Total comprehensive profit/loss for the year		-	-	2,232,419	2,232,419
At June 30, 2023		100,000	13,535,890	(11,360,190)	2,275,700

17. Statement of Cash Flows for The Year Ended 30 June 2023

	NOTE	2022/2023 KSHS	2021/2022 KSHS
CASH GENERATED FROM OPERATING ACTIVITIES			
Profit/loss before income tax		2,232,419	(1,891,556)
Adjustments for:			
Depreciation on plant property and equipment	12		-
Operating Profits before working capital changes		2,232,419	(1,891,556)
Changes in working capital			
Decrease in Inventories		8,832	340,615
Decrease in Trade & other Receivables		(858,481)	(18,099)
Decrease in Trade & other Payables		677,569	(1,933,299)
Net cash generated from/ (used in) operating activities		2,060,340	(3,502,339)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(449,096)	-
Finance Asset			-
Net cash generated from/(used) in investing activities		(449,096)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants			-
Loans			4,000,000
Net cash generated from/ (used in) financing activities		0	4,000,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,611,244	497,661
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		692,271	194,610
Increase/decrease in cash and cash equivalents		1,611,244	
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		2,303,515	692,271

18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	Percentage Variance	Explanation of Variances
	2022/2023		2022/2023	2022/2023			
	Kshs			Kshs	Kshs	%	
Revenue							
Sales of briquettes	6,057,456	-	6,057,456	3,814,850	2,242,606	(37.0%)	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	12,264,453	-	12,264,453	12,049,024	215,429	(1.7%)	Discrepancy due to fluctuating exchange rates
Total income	18,321,909	-	18,321,909	15,863,874	2,458,035	(13.4%)	The revenue target wasn't met due to sales falling short and delays in Aqua for All's funds disbursement.
Expenses		-					
Cost of sales	4,199,487	-	4,199,487	4,806,570	607,083	(14%)	There was reduced production activities due to the Research & Development of seed balls

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Staff Costs	3,967,344	3,967,344.	2,903,319	1,064,025	26.8%	Underspending resulted due to reduced sales against projected sales for the financial year 2022-2023.
Operating expenses	1,850,724.	1,850,724	725,781	1,124,943.	61%	The reduction in operations costs stemmed from reallocating budget funds to support staff cost and consultancy services for the successful seed ball research and pilot program.
Consultancy	3,106,541	3,106,541	3,106,541	0	0	
CAPEX	2,290,000	2,290,000	1,949,096	340,904	14.8%	NAWASSCO supported drying beds rehabilitation in kind which had a capex of 1,500,000- We allocated some funds from our capital expenditure (Capex) budget to enhance the carbonizer.
TOTAL EXPENSES	7,247,265	7,247,265	5,941,522	1,635,742	22.5%	

Note: PFM Act section 164(2) ii and iv requires a County Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.

However, for public sector entities, the PSASB (PUBLIC SECTOR ACCOUNTING STANDARDS BOARD) has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

Budget notes: Provide explanation of differences between actual and budgeted amounts (10% difference over/under) Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

19. 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 by the Nakuru Water and Sanitation Services Company.

2. Statement of Compliance and Basis of Preparation

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.

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).

Notes to the financial statements (continued)**3. Application of New and Revised International Financial Reporting Standards (IFRS)****i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.**

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 or loss	The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.	The company is not affected by this IFRS.
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, 2023. 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	The amendments are effective for annual periods beginning on or after	The company is not affected by this IFRS.

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Title	Description	Effective Date	Status
	parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	January 1, 2023. Early application is permitted.	
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, 2023. Early application is permitted	The company is not affected by this IFRS.

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.

Notes to the Financial Statements (Continued)

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

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

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 material accounting policy information rather than their significant 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	The amendments are effective for annual reporting periods beginning

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	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.	on or after January 1, 2023. Early adoption is permitted.	
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 30th June 2023.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is 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

- ii. Represents amounts actually received from customers purchase of the briquettes.
- iii. **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.
- iv. **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.
- v. **Other income** is recognized as it accrues.

b) In-kind contributions

Nawasscoal, through its parent company NAWASSCO (Nakuru Water and Sewerage Company), receives vital in-kind support in the form of a free water supply. This water is instrumental in Nawasscoal's operations, facilitating our initiatives and lowering the cost of production.

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 recognized in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing 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 12.5(%)
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.

e) Intangible assets

Nawasscoal regards QuickBooks software as an intangible asset, which is subject to amortization. This means that the cost of the software is

spread out over its useful life, reflecting its value and contribution to Nawasscoal's operations over time.

f) Amortization and impairment of intangible assets

Nawasscoal treats QuickBooks software as an intangible asset, amortizing its cost evenly over its estimated useful life. Annually, all intangible assets undergo a review for impairment. If an intangible asset's carrying amount exceeds its estimated recoverable amount, an impairment loss is recognized, and the asset's value is reduced to its recoverable amount. This approach ensures that Nawasscoal accurately reflects the value of its assets and their contributions to its operations.

g) Investment property

Nawasscoal does not currently possess investment property, as defined as property held for earning rentals and/or capital appreciation. Therefore, the accounting treatment outlined for investment property, including initial measurement at cost, subsequent measurement at fair value, recognition of gains or losses arising from changes in fair value, and derecognition upon disposal or when no future economic benefits are expected, does not apply to Nawasscoal's financial reporting.

h) Right of Use Asset

Nawasscoal does not currently engage in any leasing activities, the accounting standards related to right-of-use assets and lease obligations do not apply to its financial reporting. Therefore, Nawasscoal does not recognize right-of-use assets or lease liabilities in its statement of financial position, and the associated accounting treatments outlined for lease-related costs and depreciation are not relevant to Nawasscoal's operations.

i) Fixed interest investments (bonds)

Nawasscoal does not currently hold any fixed interest investments, such as long-term infrastructure bonds or corporate bonds traded at the Nairobi Securities Exchange, the accounting standards related to the measurement and classification of these investments do not apply to its financial reporting. Therefore, Nawasscoal does not need to account for these investments using methods such as amortized cost, fair value through profit or loss, or fair value through other comprehensive income.

j) Quoted investments

Nawasscoal currently does not possess any quoted investments, which typically consist of marketable securities traded on various exchanges including the Nairobi Securities Exchange. Therefore, it does not report any such assets on its financial statements.

k) Unquoted investments

Nawasscoal currently does not possess any unquoted investments, which typically consist of marketable securities traded on various exchanges including the Nairobi Securities Exchange. Therefore, it does not report any such assets on its financial statements.

l) 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.

m) 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.

n) Taxation

i) Current income tax

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

o) Deferred tax

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

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) 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

q) 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.

r) 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.

s) Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1080 per employee per month.

t) Provision for staff leave pay

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

u) Exchange rate differences

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

v) Budget information

The budget for financial year 2022/23 was approved by the Board of Directors in July 2023. 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.

w) Service concession arrangements

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

x) Comparative figures

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

y) 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, 2023.

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.

a) Estimates and assumptions

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

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Company.

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.

c) Provisions

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

No provisions were provided for as at 30th June 2023

6. Operating Revenue

	2022/2023 (KSHS)	2021/2022 (KSHS)
Cash sales	3,814,850	2,042,633
Total	3,814,850	2,042,633

7. Grants Income

	2022/2023 (KSHS)	2021/2022 (KSHS)
Grants from A4A	12,049,024	5,030,938
Grants from SNV	-	-
Grants from Vitens	-	-
Total	12,049,024	5,030,938

8. COST OF SALES

	2022/2023	2021/2022
	Kshs	Kshs
Opening Stock	268,988	609,804
Saw dust	-	-
Molasses	106,560	44,395
Charcoal dust	828,820	329,092
Firewood	247,000	-
Electricity	293,180	188,462
Maintenance costs	1,304,056	1,181,491
Packaging material	110,860	53,420
Water	406,158	102,932
Total salaries production	1,473,188.73	1,186,850
Penalties	27,915	14,120
Loss of stock	-	419,489
Less: Closing stock	(260,155)	(268,988)
Total	4,806,570	3,860,867

9. Staff Costs

	2022/2023	2021/2022
	(KSHS)	(KSHS)
Gross Salary and Allowances	2,903,319	2,456,434
Wages of Temporary Employees	-	62,800
Total	2,903,319	2,876,201
The average number of employees during the year	9	9

10. Administration Expenses

	2022/2023	2021/2022
	(KSHS)	(KSHS)
Casual labour		62800
Office Expenses	71,087	220,566
Accounting & Bookkeeping	35,000	-
Staff Gratuity	330,525	356,967
Staff Welfare	64,451	-
Auditor's fee	100,000	-
Transport	147,727	-
Consultancies	3,106,541	866,634
General Repair & Maintenance	299,440	-
Bank & M-Pesa Charges	92,108	67,722
Telephone & Internet	116,420	43,000
Fares & Travels	366,086	77,130
Medical cover	-	0
Training & Conference	466,400	251,787
Total	5,195,785	1,946,608

11. Operating & Maintenance Expenses

	2022/2023	2021/2022
	(KSHS)	(KSHS)
Research & Development	-	-
Office Stationery & Consumables	51,688	62,913
Sales & Marketing	287,344	251,362
Facility Insurance	264,570	286,319
Safety Equipment	122,179	100,624
Total Maintenance Expenses	725,781	701,218

12. Depreciation and Amortization Expenses

	2022/2023 (KSHS)	2021/2022 (KSHS)
Property, plant, and equipment	12,353,290	9,569,207
Building	2,071,010	1,656,808
Computer and accessories	31,529	295,000
Total Depreciation and Amortization	14,750,829	11,521,015

13. Income Tax Expense/(Credit)**Current taxation**

Current Taxation	2022/2023 (KSHS)	2021/2022 (KSHS)
Current taxation based on the adjusted profit for the year at 25%	-	-
Current taxation based on the adjusted profit for the year at 30%	-	-
Prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total		-

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

	2022/2023 (KSHS)	2021/2022 (KSHS)
Profit before taxation		-
Add: Expense not deductible for tax purposes		-
Less: Expenses deductible for tax purposes		-
Adjusted profit for tax purposes		
Tax loses B/F		-
Total profit C/F		-

Notes to the financial statements (continued)

14. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. 2,189,271 (2021/2022: KShs. (1,891,556)) by the average number of ordinary shares in issue during the year of 100 (2021/2022: 100). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

15. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). NO dividends we proposed for the year 2022/2023 year on income

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

2023	Building	Computer & Related Equipment	Plant & Equipment	Total
Cost/Valuation				
At July 1, 2022	10,355,056	295,000	21,928,663	32,578,719
Additions	-	105,096	344,000	449,096
At June 30, 2023	10,355,056	400,096	22,272,663	33,027,815
Depreciation				
At July 1, 2022	1,656,808	295,000	9,569,207	11,521,015
Charge for grants	414,202	31,529	2,784,083	3,229,814
At June 30, 2023	2,071,010	326,529	12,353,290	14,750,829
Net Book Value	8,284,046	73,567	9,919,373	18,276,986
At June 30, 2023				
2022	Building	Computer & Related Equipment	Plant & Equipment	Total
Cost/Valuation				
At July 1, 2021	10,355,056	295,000	21,069,663	31,719,719
Additions grants			859,000	859,000
At June, 30, 2022	10,355,056	295,000	21,928,663	32,578,719
Depreciation				
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
Net Book Value				
At June 30, 2022	8,698,248	0	12,359,456	21,057,704

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Valuation

Buildings, Computers and related Equipment's and Plant and Equipment's were not revalued during the year.

(b) Property, Plant and Equipment at Cost

The freehold land, buildings and other assets were stated on the historical cost basis as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Buildings	10,355,056	2,071,010	8,284,046
Plant and machinery	22,272,663	12,353,290	9,919,373
Computers and related equipment	400,096	326,529	73567
Total	33,027,815	14,750,829	18,276,986

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Computers and related equipment	295,000	295,000
Total	295,000	295,000

17. Inventories

	2022/2023	2021/2022
	Kshs	Kshs
Raw materials	26,030	3,116
Finished goods	92,690	58,500
Packaging materials	141,435	207,372
Total	260,155	268,988

18. Trade and Other Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Trade receivables	980,381	121,900
Share capital	100,000	100,000
Electricity deposit	2,500	2,500
Total	1,082,881	224,400

19. Bank and Cash Balances

	2022/2023	2021/2022
	Kshs	Kshs
M-PESA	31,110	0
Cash at bank	2,257,095	672,302.44
Cash in Hand	15,310	19,969
Total	2,303,515	692,271

Detailed analysis of the cash and cash equivalents

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

Financial Institution	Account Number	2022/2023	2021/2022
		Kshs	Kshs
Co-operative Bank - Revenue Account	01136882036500	418,411.79	426,140.19
Co-operative Bank - Expenditure Account	01136882036501	-	22,820.92
Co-operative Bank - Donations Account	01136882036502	1,838,683.68	223,341.33
Total		2,257,095.47	692,271.44

20. Ordinary Share Capital

	2022/2023	2021/2022
	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

Nawasscoal contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1080 per employee per month.

21. Trade and Other Payables

	2022/2023	2021/2022
	Kshs	Kshs
Salary arrears	-	341
Maintenance –Albert Mwaura	-	-
NSSF	-	25,200
NHIF	-	19,300
PAYE	-	45,982
Electricity	31,707.30	-
Water	670,189	264,031
Justine Khamala - Marketing Expenses	-	-
Technical drawings – Joseph Ndung'u	-	-
Imprests to Tanzania	-	-
Baltex Company Ltd	-	-
Centap Ltd	-	-
Gratuity	1,468,565	1,138,040
Total	2,170,461.30	1,492,894

22. LONG TERM LIABILITY

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

23. 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.

24. GENERAL RESERVE A/C

	2021/2022	2021/2022
	Kshs	Kshs
Balance b/f	16,765,704	19,091,480
Plant and Equipment		
Additional Equipment(s)		859,000
Amortization of the grant	(3,229,814)	(3,184,776)
Total	13,535,890	16,765,704

25. 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 NAWASCOAL ltd through common Shareholdings or common Directorships.

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

26. CONTINGENT LIABILITIES

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

27. FINANCIAL RISK MANAGEMENT

The 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:

28. INCORPORATION

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

29. EVENTS AFTER THE REPORTING PERIOD

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

30. CURRENCY

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

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)
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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

Undisclosed Material Uncertainty Related to Going Concern	Review of the company financial statement 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 obligation as and when	<i>It is clear from the information provided that Nawasscoal is currently facing significant financial challenges, including an operating loss, accumulated losses, negative working capital, and negative margins on its products. These challenges are further compounded by the fact that the company is unable to meet its financial obligations as they fall due. However, it is encouraging to note that the company has taken steps to address these challenges and</i>	John Irungu - General Manager	Resolved	30 th June 2022
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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>they fall due. In addition, the General managers' report indicated 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 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 circumstance, 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 statement.</p>	<p>through the support of the development partners, Nawasscoal engaged a consultancy firm to conduct an in-depth review of the company in 2021 (PES 2021). The firms subsequently developed turnaround strategies based on the outcome of their assessment in July 2022. These strategies, aimed at increasing production, sales, revenue, and diversifying product offerings, are currently being implemented with the goal of reaching break-even by June 2023 and becoming profitable thereafter.</p> <p>While the current state of affairs may raise doubts about the company's ability to operate as a going concern, it is important to acknowledge the efforts being made to</p>			

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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>address these challenges and the support being provided by creditors and donors. As such, it is possible that with continued implementation of the turnaround strategies and support from stakeholders, Nawasscoal may be able to overcome its current financial difficulties and emerge as a profitable and sustainable enterprise</p>			
Variance Between Financial Statements and Supporting Schedules	<p>The financial statements reflect amounts that differed with supporting schedules resulting to variances as detailed out below:</p> <p>i. Revenue in the financial statement amounted to Kshs. 2,042,633, with supporting schedules showing Kshs. 1,916,893,</p>	<p>The submitted sales schedules amounted to 1,916,892.5. The remaining balance of Kshs. 125,741 pertains to sales that have been invoiced but remained unpaid as of June 30th, 2022. See the list of debtors Annex 1. We have conducted a comprehensive review of both the Financial Statements and the</p>	<p>John Irungu General Manager</p>	Not resolved	2 nd March 2023.

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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>ii. resulting in a variance of Kshs. 125,741. The Cost of Sales or Direct Cost on the financial statement was Kshs. 3,860,867, whereas the supporting schedules displayed Kshs. 3,004,099, resulting in a variance of Kshs. 856,768.</p> <p>iii. The Sales & Marketing expenses amounted to Kshs. 251,362 on the financial statement and Kshs. 247,522 on the supporting schedules, reflecting a variance of Kshs. 3,840.</p> <p>iv. The Inventories on the financial statement showed a value</p>	<p>supporting schedules and have verified that the cost of sales presented in the Financial Statements amounting to 3,860,867 is accurate and aligns with the information contained in the supporting schedules. The company disbursed Kshs. 62,800 as payment for casual labor to support its administrative staff, and an additional Kshs. 263,000 toward casual labour supporting in production. The latter amount was part of the Kshs. 1,186,850 total production salaries paid. The supporting schedules for production salaries indicate an amount of Kshs. 923,850, and upon adding the Kshs. 263,000 paid for casual labor, the total production salaries amount to Kshs.</p>			

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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>of Kshs. 268,988, while there were no inventories reported on the supporting schedules, resulting in a variance of Kshs. 268,988.</p> <p>In the circumstances, the accuracy and completeness of balances reflected in the financial statement could not be confirmed.</p>	<p>1,186,850. We have noted we misreported the sales and marketing figures by 3,840 which was reported wrongly on the FS as 251,362 instead of 247,522. We have corrected the same in FS.</p> <p>We have ascertained the accuracy of the inventory figure amounting to Ksh. 268,988 as stated in the Financial Statements. However, we failed to update the supporting schedule, which reflects the opening stock at Ksh. 609,604. This error led to the erroneous inclusion of the opening stock figure as the inventory for the year.</p>			
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	An error was made in preparation of the asset register. Some of the maintenance were capitalized rather than expending them.	John Irungu General Manager	Resolved	2 nd March 2023

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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>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.</p>	<p><i>We have amended the asset register to reflect the actual position as per the Asset register attached (Annex 2). The position on property, plant and equipment balance of Kshs. 21,057,704 is the correct position. We have noted and acknowledge that the value of the land on which the equipment and building are situated has not been determined. As a result, we have taken the initiative to request the valuation of the land from the parent company who are the rightful owners of the land</i></p>			
Trade and Other Receivables Balance	<p>The statement of financial position reflects trade and other receivables balance of Kshs. 224,400. However, the movement schedule for the period</p>	<p><i>Nawasscoal has been utilizing a manual system for capturing account data through the use of Excel spreadsheets.</i></p>	<p>John Irungu General Manager</p>	<p>Resolved</p>	<p>28th March 2023</p>

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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>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 intend to sell or consume it, in its normal operating cycle. In the circumstance, the completeness, accuracy and presentation of the trade and other receivables balance of Kshs. 224,400 could not be confirmed.</p>	<p>However, with the assistance of its partners, the company has successfully implemented the QuickBooks system. Going forward, the system will generate trade and other receivables through an aged analysis, thereby improving the efficiency of the accounting process. Furthermore, Nawasscoal's management has reached out to the shareholders, following up on the payment of share capital of Kshs. 100,000</p>			
<p>Unsupported Bank and Cash Equivalent Balance</p>	<p>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</p>	<p>Regrettably, we encountered a delay in acquiring certain documents from our service providers, specifically the Certificate of Bank Balances from Co-</p>	<p>John Irungu General Manager</p>	<p>Resolved</p>	<p>28th March 2023</p>

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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)
	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.	<i>operative Bank and the M-Pesa statement from Safaricom. Nonetheless, we have successfully obtained the necessary certified documents from the respective institutions and have included them as Annex 3 and 4, respectively. In addition, we have attached Annex 5, which contains the board of survey of the cash at hand, with a value of Kshs. 19,969.</i>			
Unsupported General Reserve Balance	The statement of financial position reflects general reserve balance of Kshs.16,765,704. included in the balance brought forward amount of Kshs.19,091,480 which was in respect of operational assets transferred in 2018 from the mother company, Nakuru Water and Sanitation Services Company Limited. However detailed ledger and deed of transfer in	<i>We have noted that we misreported the general reserve figure in the schedules by Kshs. 859,000 which is the amount for the additional equipment in the year under review. We have corrected this to reflect the correct position as per the financial statement of Ksh. 16,765,704. We have also attached the transition</i>	<i>John Irungu General Manager</i>	<i>Resolved</i>	<i>28th March 2023</i>

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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)
	support of the balance were not provided for audit. In the circumstance, the validity of general reserve balance of Kshs 16,765,704 could not be confirmed.	<i>document which details the equipment transferred to Nawasscoal from NAWASSCO. Annex 6</i>			
Loans Due to Nakuru Water and Sanitation Services Company	The statement of financial position reflects non-current accounts payable 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 been made and interest continued to accrue. Management has not taken any steps to settle to the outstanding loan	<i>NAWASSCOAL Co Ltd received a loan totaling 17,477,375 Kenyan shillings from its parent company, NAWASSCO, with the intention of improving the production process and increasing the sales to generate profits and repay the loan within three years. However, several challenges such as technological issues, low product demand, high production costs,</i>	<i>John Irungu General Manager</i>	<i>Resolved</i>	<i>28th March 2023</i>

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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>amount. In the circumstances, failure to honor debts exposes the company to the risk of litigation and increased cost of the debt.</p>	<p><i>and the Covid-19 pandemic have hindered the company's ability to meet its repayment obligations. NAWASSCOAL has acknowledged this and is dedicated to making the necessary repayments. To tackle these challenges, NAWASSCOAL through the support of its development partners enlisted the services of a consultancy firm, Private Equity Support (PES) to develop turnaround strategies aimed at enhancing production and sales, decreasing production costs, and restructuring the company. The company has initiated discussions on restructuring, partnership building, and resource mobilization to revitalize the</i></p>			

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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><i>business, increase financial stability, and pave the way for long-term success. The developed turnaround strategies are expected to have a positive financial impact, with profits projected to be realized by June 2023. Therefore, NAWASSCOAL wrote to NAWASSCO requesting for a consideration to resume loan repayment, including the accumulated interests, in the financial year 2023/2024 starting from July 2023. NAWASSCOAL remains committed to resolving this matter and repaying the loan as agreed. The omitted loan agreement is attached with this document</i></p> <p>Annex 6</p>			

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OTHER MATTER

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)
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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

Budgetary Control and Performance	<p>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 underperformance 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.</p>	<p><i>The underperformance was greatly affected by underfunding which affected the planned activities. However, it is encouraging to note that the company has taken steps to address these challenges and through the support of the development partners, Nawasscoal engaged a consultancy firm to conduct an in-depth review of the company in 2021 (PES 2021). The firm subsequently developed turnaround strategies based on the outcome of their assessment in July 2022. These strategies, aimed at increasing production, sales, revenue, and diversifying product offerings, are currently being implemented with the goal of reaching break-even by June 2023 and becoming profitable thereafter.</i></p> <p><i>While the current state of affairs may raise doubts about the company's ability to operate as a going</i></p>	John Irungu - General Manager	Resolved	28 th March 2023
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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)
	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.	<i>concern, it is important to acknowledge the efforts being made to address these challenges and the support being provided by creditors and donors. As such, it is possible that with continued implementation of the turnaround strategies and support from stakeholders, Nawasscoal may be able to overcome its current financial difficulties and emerge as a profitable and sustainable enterprise</i>			
Unresolved Prior Year Matters	In the audit report of the previous year, a number of paragraphs were raised under the report on financial statement. However,	<i>Unfortunately, addressing the issues raised comprehensively has taken Nawasscoal more time than initially anticipated. Nonetheless, the management of Nawasscoal remains committed to resolving the matter and is pleased to share the various steps taken to address the</i>	<i>John Irungu - General Manager</i>	<i>Resolved</i>	<i>28th March 2023</i>

Nawasscoal Company Ltd
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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>Management has not resolved the issues as provided by the Public Sector Accounting Standard Board templates.</p>	<p><i>auditors' recommendations. Firstly, the management has intensified their resource mobilization efforts, which has led to the raising of funds to address the company's working capital shortfalls. Secondly, they have engaged the services of experienced consultants to support in developing effective turnaround strategies. Moreover, the management has collaborated with development partners to restructure the company and create a five-year strategic plan aimed at achieving long-term sustainability. Additionally, they have conducted a thorough review of the company's policy manuals with the support of their partners.</i></p>			

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 matter described in the basis for conclusion on Lawfulness and Effectiveness in use of public resources section of my report, I confirm that

Nawasscoal Company Ltd
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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.

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)
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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

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 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 circumstance, lack of a pricing policy casts doubt on the authenticity of the selling prices used by the management.	<i>We have taken note and duly recognized that there were discrepancies in prices during the financial year under review. It is important to clarify that we maintained a standard selling price of Ksh 30 per kg. However, we did offer discounts to bulk customers under specific conditions. For instance, customers who purchased 5 tons or more, which were packaged in 50kg bags, received a discounted rate of Ksh 25 per kg. Similarly, those who purchased between 2 to 5 tons, packaged in 25kg size, received a discounted rate of Ksh</i>	<i>John Irungu - General Manager</i>	<i>Resolved</i>	<i>28th March 2023</i>
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Nawasscoal Company Ltd
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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>27.5. It is worth mentioning that these pricing details were revised in July 22. We have included a copy of the board resolution for your perusal and consultation. This document outlines the previously authorized vending rates as well as the updated rates, which are specified under Min2/4/28/7/2022. The Annexe 7, Board resolution on pricing, contains all the relevant information regarding these changes.</p>			
<p>Unpaid Gratuity to Staff</p>	<p>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</p>	<p>Nawasscoal has encountered financial predicaments in recent years, compounded by the impact of the Covid-19 pandemic. Consequently, the company has been unable to fulfill certain obligations within the</p>	<p>John Irungu - General Manager</p>	<p>Resolved</p>	<p>28th March 2023</p>

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	<p>2018. No explanation has been provided or evidence of steps taken by the Company to settle the dues.</p> <p>In the circumstance, delay in settling employees' dues could adversely affect the welfare of the Company employees.</p>	<p><i>stipulated timeframe, including the payment of the General Manager's gratuity, which has accrued to a substantial sum of 1,138,040. After consultations with the Board of Directors, the General Manager has agreed to defer the payment of the gratuity until the company's financial position improves indicatively by June 2023. Nevertheless, the company has exhibited goodwill by committing to resolving this matter at the earliest feasible opportunity.</i></p>			
<p>Lack of Approved Staff Establishment and Organizational Structure</p>	<p>Audit review of human resource records revealed that the Company did not have an approved staff establishment and an organizational structure in place. As a result, Management</p>	<p><i>The company acknowledges the need for an approved staff establishment and organizational structure to ensure effective recruitment and deployment of staff, as required by</i></p>	<p>John Irungu - General Manager</p>	<p>Resolved</p>	<p>28th March 2023</p>

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	<p>lacked objective means to recruit and deploy staff for optimal results as required under the Human Resource Policy Guidelines of May, 2016. In the circumstance, Management is in breach of the law.</p>	<p><i>their Human Resource Policy Guidelines. To address this issue, the managements through the developed turnaround strategies proposes restructuring the company by implementing four options, including establishing an approved staff establishment and organizational structure, conducting a comprehensive staffing review, instituting regular audit reviews of human resource records, and providing training for management and staff. The company believes these proposed changes will ensure regular and optimal staffing and appreciates the feedback.</i></p>			

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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)
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 circumstance, Management was in breach of the law.	<i>We have noted that we mistakenly used the wrong template for our annual report and financial statement.. We have however amended the annual report and financial statement in conformity with the template prescribed by the public sector Standard Board.</i>	John Irungu - General Manager	Resolved	28 th March 2023
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	<i>During the process of registering the company, it was imperative to provide personal identification details of the office holders, hence their names were used. However, subsequent measures have been taken to rectify this by replacing the individual names with the corresponding office titles and also ensuring that the share capital was</i>	John Irungu - General Manager	Resolved	28 th March 2023

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)
	provided to confirm whether the shares are fully paid up. In the circumstance, the ownership of the Company could not be confirmed.	<i>transferred accordingly.</i>			

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 matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

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REPORT ON THE FINANCIAL STATEMENTS					
Basis for Qualified Opinion					
Lack of a Risk Management Policy	<p>The Company did not provide for audit review, 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.</p> <p>In the circumstance, it has not been possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.</p>	<p><i>We appreciate the concern raised and acknowledge the importance of having a risk management policy and strategy in place. As a lean team of eight employees, we understand the need for an approved process and guidelines on how to mitigate operational, legal and financial risks. We will prioritize developing a risk management policy and strategy that aligns with Section 158 of the Public Finance Management (County Government Regulations) 2015 to mitigate potential risks effectively</i></p>	John Irungu - General Manager	Resolved	30 th June 2023

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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)
Ineffective Governance Structure	<p>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</p> <p>In the circumstances, the company's governance structure was not effective during the year under review.</p>	<p>We acknowledge the need to engage the internal auditor of the parent company to conduct regular audits and put in place proper accounting systems. Nawasscoal continues to engage the internal auditor from the parent company but failed to document and report as required. Going forward, we will ensure that the internal auditor's engagement is properly documented and reported as per the regulatory requirements. Additionally, we will work with the Internal Audit Manager to ensure that proper accounting systems are put in place. The consultants and NAWASSCOAL management have</p>	John Irungu - General Manager	Resolved	30 th June 2023

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		<p><i>proposed that the corporate governance of the company be restructured to increase board membership and, if feasible, implement a rotating chairmanship to prevent the possibility of meetings being conducted without a chairman going forward.</i></p>			

APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate reporting required as per the agreement (Yes/No)	donor as per donor	Consolidated in these financial statements (Yes/No)
Turn around consultancies	1	A4A	1 st Jan 2022- Sept 2023		Yes		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