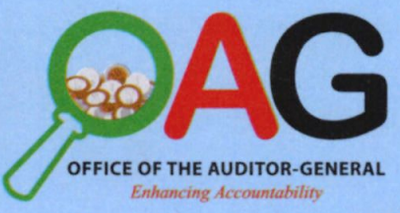
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REPORT

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NAWASSCOAL COMPANY LIMITED

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FOR THE YEAR ENDED 30 JUNE, 2025







Nawasscoal Company Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting Standards

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1. Acronyms and Glossary of Terms

A. Acronyms

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

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

2. Key Entity Information

Background information

Nawasscoal Company Limited, a subsidiary of Nakuru Water and Sanitation Company Ltd (NAWASSCO), was established on September 8, 2018. We focus in producing and distributing biomass briquettes called **MakaaDotcom**, made from 30% treated faecal matter and 70% carbonized charcoal dust /sawdust, bound with molasses. These eco-friendly briquettes burn for over 3 hours, produce no smoke, emit less carbon, and are compatible with standard charcoal stoves. Each tonne of MakaaDotcom saves 88 trees, offering a sustainable and cost-effective energy solution for households and institutions. By safely transforming human waste into clean energy, we not only provide affordable fuel but also contribute directly to improved urban sanitation and public health.

Piloted Products

In 2024/2025, Nawasscoal piloted innovative green solutions including Iko Mizizi seed balls, industrial briquettes, biochar, and tree seedlings grown with treated wastewater. The Iko Mizizi seed balls are an innovative, cost-effective way to reintroduce KEFRI-certified indigenous trees and grass species into degraded lands across the country. Each seed is coated with treated faecal matter and black cotton soil, which protects it from predators and extreme conditions until it is ready to germinate, thereby aiding watershed restoration and promoting sustainable reforestation. In parallel, we piloted industrial briquettes, eco-friendly and sustainable fuel alternatives made from faecal matter, designed for large-scale industrial use to provide cleaner, cost-effective energy while promoting environmental conservation and waste management. Our biochar production initiative further enhances soil health and carbon sequestration, while tree seedlings irrigated with treated wastewater demonstrate the circular use of resources in climate-smart forestry. Together, these pilots showcase our commitment to linking sanitation, renewable energy, and environmental restoration.

Principal Activities

The company's primary mandate is to provide climate resilient faecal sludge management solutions through circular economy approach where we transform faecal sludge into produce and globally compliant products like Domestic and industrial briquettes, seedballs, bio-char and we raise tree seedlings using treated waste water for domestic and industrial use. To achieve this, the company ensures it retains the necessary expertise across technical, commercial, financial, and administrative functions. It adheres to renewable energy standards, obtains all required licenses and permits, and maintains its assets in good working condition, following proper disposal guidelines. Additionally, the company prepares proposals to enhance its assets, improving overall business operations.

Vision

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

Mission

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

Core Values

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

Directors

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

1.	James Ng'ang'a Gachathi	Non- Executive Director	Appointed on 17th September 2018
2.	Stephen Iribe Njogu	Non-Executive Directors	Appointed on 26th July 2023
3.	Dr. Tanui Nelson Maara	Non-Executive Directors	Appointed on 26th July 2023
4.	John Irungu Ndibui	Board Secretary	Appointed on 1st September 2018

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

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

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

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

Independent Auditor

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

Principal Legal Advisers

County Attorney
County Government of Nakuru
P.O Box 2870-20100
NAKURU

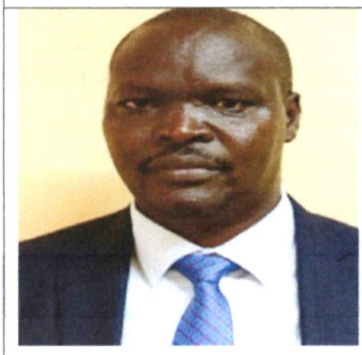
3. The Board of Directors

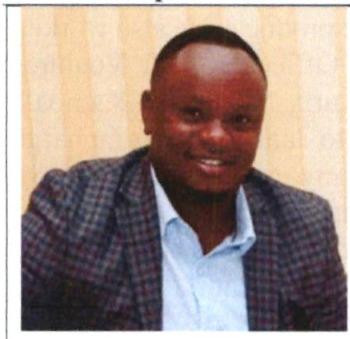
The Company has a Board of Directors which is responsible for:

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

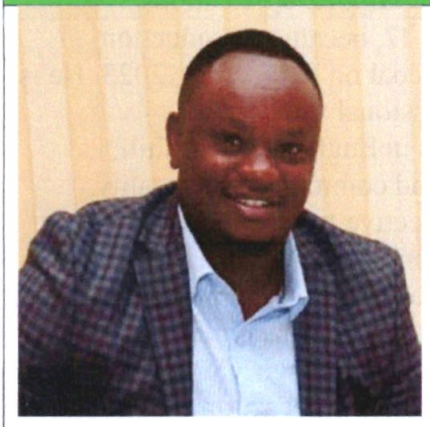
Members of Board of Directors who held office during the year under review were the following:

Directors	Details
 James N. Gachathi	Mr Gachathi, 55, 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 (NAWASSCO). Before joining the Company, Mr Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company. 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. He has a rich experience in the Water Sector spanning for over 23 years. Non-Executive Director.
 *S. Iribe Njogu*	Mr.Iribe, 46, was appointed on 26th July 2023, and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Finance and Economic Planning. Mr Iribe is a dependable and devoted executive with over 16 years of professional experience. Keen to support and a team player with excellent organizational and analytical skills. Also, ready to redesign to ensure efficiency, accountability and implementing a modernized work environment. Before joining the County Government of Nakuru he was working at Bigfoot Risk Management & Consultancy Ltd in Nairobi Jun 2020 a Consultancy firm & sourcing company with offices in Nairobi, Accra & New Jersey. He had previously worked at Soft Trace Apparels EPZ Ltd, Nairobi from March 2016 to April 2020 in charge of running garment production plant for export to the United States market, and sourcing

	for new markets for the products. He also worked as a Chief Executive Officer at Soft Ventures East African Ltd, Nakuru, Nairobi & Kampala from December 2010 to January 2016 incharge of running the company in uganda & kenya having started in Kampala Uganda managed to expand to Kenya and Rwanda. He had also worked as Managing Director at XPD in Accra, Ghana and Togo. Iribe has Bachelors of Science in Business Administration degree from Kwame Nkuruma University of Science & Technology, Kumasi Ghana. He also has Diploma in Applied Biology from Mombasa Polytechnic University College, Mombasa. He is an Associate of Science and Applied Science.
 *Dr. Nelson T. Maara*	Dr.Maara, 56, was appointed on 26th July, 2023 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) of the Department of Water, Energy, Environment, and Natural resources. Prior to this appointment, he was a Lecturer Egerton University, Faculty of Environmental Studies and Resource Development. Dr Maara had previous served in the County Government of Nakuru as a Chief Officer, Water, Environment, Energy and Natural Resources. He has also served as a member of the National Forestry Society and Mau Forest Conservation Committee. Dr Maara has a PhD in Natural Resource Management from Egerton University, an MSc in Natural Resource Management from Egerton University and a B.Sc in Forestry from Moi University. He is a leader in forest management, policy development, sustainable development and water project management.

 *John I. Ndibui*	Mr. Irungu, 41, became General Manager at Nawasscoal on September 1, 2018. He is also the Board Secretary. Before that, he worked on the Nakuru County Sanitation Programme (NCSP), which helped set up Nawasscoal. He has a Bachelor's degree in Mechanical Engineering and is currently studying for an MSc in Occupational Health and Safety at Jomo Kenyatta University. He has diplomas and a higher diploma in Mechanical Engineering, focusing on Production and Plant options. 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.

4. Key Management Team

Managers	Details
 *John I. Ndibui*	Mr. Irungu, 41, became General Manager at Nawasscoal on September 1, 2018. He is also the Board Secretary. Before that, he worked on the Nakuru County Sanitation Programme (NCSP), which helped set up Nawasscoal. He has a Bachelor's degree in Mechanical Engineering and is currently studying for an MSc in Occupational Health and Safety at Jomo Kenyatta University. He has diplomas and a higher diploma in Mechanical Engineering, focusing on Production and Plant options. 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.
 *Mary Nyakinyua Wambui*	Miss Mary Nyakinyua, 27, 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.
 *Justine Khamala*	Miss Justine Khamala, 42, became a marketing officer at Nawasscoal Company Limited in October 2018. She is an experienced professional with a strong track record in sales and marketing, adept at devising effective strategies for positive business outcomes. Skilled in negotiation, communication, and adaptability, with a keen eye for detail and excellent organizational abilities. She has worked as a Sales Executive at Kenya Post Office and Savings Bank, and a Professional Digital Photographer at Our Heritage Studios. Academic qualifications include a

	Master's in Business Administration in Strategic Management, a Bachelor's degree in Commerce with a focus on Marketing, and diplomas in Business Management and Journalism and Media Studies. Proficient in various computer applications.
 *Francis Njoroge*	Mr. Francis Njoroge, 27, 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.

5. Chairman's Statement

The Financial Year 2024/2025 marked a period of focused strategic consolidation and future-oriented planning for Nawasscoal Company Limited. Building on the foundation laid in previous years, we have taken bold steps toward enhancing our impact, resilience and readiness for scale. Nawasscoal has remained committed to addressing environmental challenges and promoting circular economy solutions. We continued to diversify our product lines, with the piloting of industrial briquettes, seed-balls and seedlings showing promising results. These products have not only expanded our market reach but also reinforced our commitment to sustainability and green innovation.

A key highlight of this year was our work towards bridging the financial gap for the Faecal Sludge Treatment Plant (FSTP) project. We successfully mobilized interest and support amounting to €846,000 from various partners, and made significant progress through continued engagement with VEI WWX, Water and Sanitation for the urban Population (WSUP), the Kenya Climate Innovation Center (KCIC), the Ministry of water, Sanitation and Irrigation, and other stakeholders. These efforts culminated in the acquisition formal commitment by our development partners and paved the way for the commencement of the FSTP project in the Financial Year 2025/2026.

Additionally, Nawasscoal deepened its organizational transformation journey. The restructuring process initiated in the previous year progressed steadily, with a focus on strengthening internal systems, enhancing operational agility, and positioning the company to attract strategic investments and partnerships. Despite macroeconomic headwinds, including inflation and emerging market competition, Nawasscoal remained resilient. We improved operational efficiencies and nurtured our client base, ensuring continuity and strengthening stakeholder trust. Our work with the Climate Adaptation Fund through WaterWorX and other donors continued to provide essential support as we work to deliver impactful solutions in sanitation and waste-to-resource innovations.

Key Activities for the Financial Year 2024/2025

1. Resource Mobilization: Successfully worked toward securing €846,000 for the FSTP project, obtaining commitment from key partners.
2. Project Preparation: Finalized Designs for the FSTP, including stakeholder engagement and site readiness for FY 2025/2026 implementation.
3. Operational Streamlining: Advanced organizational restructuring including expansion of co-operate governance to increase efficiency and investment-readiness.

4. Sustainable Product Expansion: Continued production and scaling of briquettes, seedballs, and seedlings.
5. Partnership Engagement: Strengthened collaboration with strategic partners including WSUP, KCIC, the Ministry, and WaterWorX funders.

Achievements

- Mobilized significant financial and institutional support for the upcoming FSTP project.
- Strengthened internal capacity through restructuring and re-alignment of business operations.
- Sustained growth in diversified products and market presence despite economic challenges.
- Enhanced visibility and reputation as a key player in sustainable sanitation and renewable energy.

Challenges

The year was not without difficulties. Inflationary pressures persisted, increasing input costs and reducing margins. The logging industry continued to affect market prices for alternative fuels, while new technologies such as induction cookers introduced shifting dynamics in customer preferences. Limited access to growth capital also impacted the pace at which we could scale innovations. These realities underscored the importance of our restructuring efforts and increased urgency for adaptive strategies.

Appreciation

On behalf of the Board of Directors, I extend my heartfelt appreciation to all our stakeholders and partners for their continued belief in Nawasscoal's vision. We thank the County Government of Nakuru, Nakuru Water and Sanitation Services Company (NAWASSCO), Aqua for All (A4A), Vitens Evides International (VEI), Water and Sanitation for the Urban Population (WSUP), Kenya Climate Innovation Center (KCIC), and E4Impact for their steadfast support. We also salute our hardworking team at Nawasscoal and NAWASSCO for their commitment to excellence and sustainable development. As we look to the Financial Year 2025/2026, Nawasscoal remains steadfast in its mission to transform waste into resource, create green jobs, and contribute to a cleaner, healthier environment for Nakuru County and beyond.

Chairman_____ **Dated** 28/08/ _____**2025**

Dr. Nelson T. Maara

6. Report of the General Manager

The Financial Year ending June 30, 2025, has been one of strategic momentum and foundational groundwork for Nawasscoal Co. Ltd. As we continued navigating a challenging economic landscape, our focus shifted toward securing long-term resilience and enhancing our capacity to scale. With deep gratitude, I reflect on a year where critical groundwork was laid for upcoming infrastructure projects, product strengthening, and institutional transformation. This year, Nawasscoal prioritized systems strengthening, market positioning, and strategic resource mobilization. While operational growth was modest, we concentrated efforts on ensuring that the company is better prepared for expansion and investment in the coming financial year.

Strategic Turnaround and Expansion

In 2024/2025, we enhanced our domestic briquette production processes by introducing a hexagonal briquette producing machine. This upgrade was essential in meeting diverse client needs and elevating product quality. We also expanded our community-based seedballs distribution network. Notably, Nawasscoal conducted a feasibility and environmental assessment for the upcoming Faecal Sludge Treatment Plant (FSTP), engaging local stakeholders and regulatory authorities in preparation for the groundbreaking scheduled for 2025/2026. We also piloted a new marketing model for hexagonal briquettes targeting new market, which has shown early signs of scalability.

In a major strategic breakthrough, Nawasscoal secured commitment letters from key institutional stakeholders including the Kenya Climate Innovation Center (KCIC) and the ministry toward closing the €250,000 gap for the FSTP project. This was the result of months of technical consultation, partnership cultivation, and financial packaging, demonstrating our growing maturity in donor and investor engagement.

Financial Performance

The financial year 2024/2025 presented notable challenges for Nawasscoal, with a considerable decline in total revenue of Kshs 2,203,385 from the previous year of Kshs 2,935,681, primarily due to a significant reduction in purchase power by some of our main customers and also the focus shifted toward the preparation for the expansion of the production plant. This downturn was further impacted by the tighter economic environment and reduced external funding. Despite these challenges, our cost management efforts were effective, with overall expenses being carefully controlled. Although we experienced a financial loss before taxation this year, our resilience as a company remains strong. The cost of sales remained steady, and our staff costs and administrative expenses were aligned with

projections. To counter these financial challenges, we have taken proactive measures to enhance our financial position by focusing on expanding the Faecal Sludge Treatment Plant (FSTP), increasing the production and distribution of seed balls, and enhancing the production of industrial briquettes. These initiatives are expected to generate additional revenue streams and strengthen our overall financial health moving forward.

Over the past five years, Nawasscoal has demonstrated consistent performance in operating revenue, particularly from 2020 to 2021. However, the financial year 2024/2025 presented challenges, mainly due to the prevailing economic situation that affected many enterprises across the country.

In response, Nawasscoal has remained resilient by focusing on innovation and launching the Faecal Sludge Treatment Plant (FSTP) project, which is set to transform the company's financial trajectory. The FSTP creates multiple value chains by converting faecal sludge into marketable products such as industrial briquettes, biochar, Iko Mizizi seed balls, and tree seedlings irrigated with treated wastewater. These products directly respond to growing market demand for affordable clean energy, climate-smart agriculture inputs, and large-scale reforestation solutions. With rising interest from institutions, industries, and environmental programs, Nawasscoal is strategically positioned to capture new markets, improve financial performance, and achieve long-term sustainability while advancing its environmental and sanitation mission.

Risk Management and Governance

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

Outlook

Looking ahead, we anticipate a gradual recovery in our financial position as our turnaround strategies take effect. The demand for eco-friendly energy solutions continues to rise, and Nawasscoal is well-positioned to meet this demand through innovative products and services. We will continue to prioritize sustainability in all our operations and remain committed to creating lasting value for our stakeholders. In conclusion, while the past year has been challenging, it has also presented valuable lessons that will shape our future direction. I would like to extend my gratitude to the Board of Directors, our staff, and

our partners for their unwavering support and dedication during this period. Together, we will continue to build on our successes and drive Nawasscoal to greater heights.

John I. Ndibui

General Manager

Nawasscoal Company Limited

7.Statement of Performance Against Predetermined Objectives for FY 2024/2025

In accordance with Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012, this report outlines Nawasscoal's performance against the predetermined objectives for the fiscal year 2024/25. Our strategic plan encompasses several key pillars/themes/issues, each with specific objectives and performance indicators.

Strategic Pillars/Themes/Issues:

Pillar/Theme/Issue 1: Expansion of Product Line

Pillar/Theme/Issue 2: Operational Efficiency and Cost Management

Nawasscoal develops its annual work plans based on these strategic pillars. Performance is assessed quarterly against these plans. For FY 2024/25, the company has focused on achieving the following objectives:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: Expansion of Product Line	Diversify product offerings to include industrial briquettes seedballs, and seedlings	Number of new products launched; Sales volume of new products	Piloted industrial briquettes, seedballs, and seedlings; Secured funding for industrial briquette plant and construction of Faecal Sludge Treatment Plant (FSTP)	Successfully piloted and prepared for commercial production of industrial briquettes, seedballs, and seedlings; Funding secured; gotten commitment of buying 40,000 tons of industrial briquettes.
Pillar/ theme/ issue 2: Operational Efficiency and Cost Management	Improve operational efficiency and reduce production costs	Reduction in production costs from 3,982,479 to 3,305,156.27; Increase in operational efficiency metrics	Implemented cost management strategies; Streamlined production processes; Enhanced supply chain management	Achieved cost reduction targets; Improved operational efficiencies; Increased production output

Performance Analysis:

Expansion of Product Line:
Objective: To diversify our product offerings to include industrial briquettes and seedballs.
Achievements: We successfully piloted and are preparing for the commercial launch of new products. Securing funding and beginning construction for an industrial briquette plant were major milestones. Additionally, the installation of the FSTP is set to enhance our capabilities in recycling wastewater for seedling production.

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

Operational Efficiency and Cost Management:
Objective: To improve operational efficiency and manage production costs effectively.
Achievements: We implemented several cost management strategies and streamlined our production processes. This led to a significant reduction in production costs and improved operational efficiency, contributing to enhanced profitability.

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

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

8. Corporate Governance Statement

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

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

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

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

The Board of Directors

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

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

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

Composition of the Board

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

Board Meetings

The Board convened four times during the financial year.

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

Restructuring of the Company
Nawasscoal is reviewing its organizational structure to enhance corporate governance. This restructuring aims to improve the company's governance and operational efficiency.

9. Management Discussion and Analysis

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

Revenue and Profit Trends

The financial year 2024/2025 presented notable challenges for Nawasscoal, with a considerable decline in total revenue, primarily due to the prevailing economic situation that affected many enterprises across the country. This downturn was further impacted by the tighter economic environment and reduced external funding. Despite these challenges, our cost management efforts were effective, with overall expenses being carefully controlled.

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

Over the past five years, Nawasscoal has demonstrated consistent performance in operating revenue, particularly from 2021 to 2022. However, the financial year 2024/2025 presented challenges with a decline in operating revenue.

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

Key Projects and Investments

Eco-Friendly Briquettes Production:

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

Seedball Initiative:

Piloted in financial year 2023/2024, the seedball initiative has combined environmental conservation with energy solutions. In 2024/2025, Nawasscoal distributed 20 kilograms of seedballs, resulting in the planting of over 3,600 trees, enhancing both corporate social responsibility and environmental sustainability.

Waste-to-Energy Projects:

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

Statutory Compliance and Risk Management

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

Risk Management Committee overseeing statutory compliance.

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

Future Developments

Nawasscoal's strategic focus includes:

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

Despite the financial challenges faced in 2024/2025, Nawasscoal remains committed to innovation, community engagement, and environmental conservation, confident that ongoing initiatives will drive future growth.

John I. Ndibui
General Manager
Nawasscoal Company Limited

10. Environmental And Sustainability Reporting

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

i) Sustainability Strategy and Profile

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

ii) Environmental Performance

In FY 2024/2025, Nawasscoal achieved significant progress in environmental sustainability. We sold approximately 90,000 kilograms of eco-friendly briquettes, contributing to our efforts in promoting sustainable energy alternatives. This initiative not only provided 11 direct jobs but also supported an additional 80 jobs within our value chain, demonstrating our commitment to creating employment opportunities.

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

iii) Employee Welfare

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

iv) Market place Practices

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

a) Responsible Competition Practices

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

b) Responsible Supply Chain and Supplier Relations

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

c) Responsible Marketing and Advertisement

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

d) Product Stewardship

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

e) Corporate Social Responsibility / Community Engagement

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

11. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the company's affairs.

i) Principal activities

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

ii) Results

For the year ended June 30, 2025, Nawasscoal experienced a noticeable decline in total revenue compared to the previous year, primarily due to a significant reduction in grant income, along with a slight drop in operating revenue. Despite maintaining stable cost of sales and effectively managing expenses, the overall financial results reflected a loss before tax, contrasting with the profit achieved in the prior year.

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

iii) Directors

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

iv) Auditors

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

By Order of the Board

Name: John Irungu
Secretary to the Board
Date:

12. Statement Of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i)Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;(ii)maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)Safeguarding the assets of the Company; (v)selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015) – Company *should quote applicable legislation as indicated under which they are regulated).*

Statement Of Directors' Responsibilities (Continued)

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on 25th August 2025 and signed on its behalf by:

.....	.....
Name: Dr. Nelson T. Maara	**Name: John Irungu**
Chairperson of the Board	**General Manager**

REPUBLIC OF KENYA

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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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, 2025

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure that the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of NAWASSCOAL Company Limited set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of NAWASSCOAL Company Limited as at 30 June, 2025 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, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of profit and loss and other comprehensive income reflects loss after taxation amount of Kshs.4,647,083. However, the statement of changes in equity reflects a loss amounting to Kshs.11,363,274 resulting in an unexplained variance of Kshs.6,716,191.

The statement of cash flows reflects a Nil amount in respect of purchase of property, plant and equipment. However, review of the statement of changes in equity and Note 14 to the financial statements revealed additions of assets during the year totalling Kshs.4,168,809 resulting in an unexplained and unreconciled variance of Kshs.4,168,809.

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

2. Failure to Disclose Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities balance of Kshs.4,406,570 which exceeds the current assets balance of Kshs.586,973 resulting to a negative working capital of Kshs.3,819,597. The negative liquidity position was an indication of the existence of material uncertainty on the Company ability to continue as a going concern.

The financial statements however, were prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government and its creditors. Management did not disclose the material uncertainty related to going concern or measures taken to mitigate this.

In the circumstances, the Company may not meet its short-term financial obligations when they fall due and the going concern of the Company could not be confirmed.

3. Unsupported Depreciation and Amortization Expenses

Notes 12 to the financial statements reflects an amount of Kshs.22,051,217 in respect of accumulated depreciation and amortization expenses. However, Management did not provide the detailed schedule to support the balance.

In the circumstances, the accuracy and completeness of the accumulated depreciation and amortization expenses amounting to Kshs.22,051,217 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nakuru Water and Sanitation Services 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.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable amounts of Kshs.10,496,403 and Kshs.9,019,576 respectively resulting in an under funding of Kshs.1,476,827 or 14% of the budget. Further, the statement reflects that the Company spent an amount of Kshs.9,499,584 against the actual receipts of Kshs.9,019,576 resulting in an over absorption of Kshs.480,008 or 5% of the actual receipts.

The under collection affected the planned activities of the Company and may have negatively impacted on service delivery to the public.

2. Imbalanced Budget

The statement of comparison of budget and actual amounts reflects budgeted total income of Kshs.10,496,403 against budgeted expenditure of Kshs.20,062,752 resulting in an imbalanced budget and an unexplained variance of Kshs.9,566,349. This was contrary to the provisions of Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'budget revenue and expenditure appropriation shall be balanced.

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

3. Inefficient Revenue Generating System

Review of the records and the production process of briquettes revealed that the Company incurred a direct cost of production of Kshs.3,305,156 (cost of sales) to produce briquettes worth Kshs.2,203,385. The high cost of production led to a direct loss amounting to Kshs.1,101,771 from the production process.

In the circumstances, it was not possible to confirm whether the raw materials were utilized in an efficient and economical manner.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, thirteen (13) issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Company for the financial year 2024/2025 revealed that the thirteen (13) issues remained unresolved:

No.	Financial Year	Audit Issue
1.	2023/2024	Inaccuracies in the Financial Statements
2.	2023/2024	Unsupported Cost of Sales Amount
3.	2023/2024	Unsupported Consultancies Expenditure
4.	2023/2024	Inaccuracy of Administration Expenses
5.	2023/2024	Unsupported Property, Plant and Equipment Balance
6.	2023/2024	Material Uncertainty Related to Going Concern
7.	2023/2024	Budgetary Control and Performance
8.	2023/2024	Failure to Repay Loans
9.	2023/2024	Unconfirmed Ownership of the Company
10.	2023/2024	Lack of an Approved Pricing Policy
11.	2023/2024	Lack of approved Staff Establishment and Human Resource Policy
12.	2023/2024	Lack of an Internal Audit Function and Audit Committee
13.	2023/2024	Lack of a Risk Management Policy

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements

i. Review of Other Information in the financial statements revealed that the Board of Directors' report did not indicate if the Directors are independent or executive Directors and the respective Board committees the Directors chairs where applicable.
ii. The Other Information did not indicate whether the secretary to the Board of Directors is a member of ICS as required under Mwongozo Code of Governance.

In the circumstances, Management did not comply with the recommended financial reporting template prescribed by Public Sector Accounting Standards Board (PSASB).

2. Failure to Repay Loans

The statement of financial position reflects non-current accounts payable balance of Kshs.17,477,373 in respect of loans received from Nakuru Water and Sanitation Services Company Limited (NAWASSCOL) and as disclosed in Note 22 to the financial statements. As previously reported, review of records revealed that the Company received the loans at an interest rate of 5% chargeable per year in three (3) tranches of Kshs.4,621,943, Kshs.8,855,430 and Kshs.4,000,000 on 3 November, 2018, 30 November, 2019 and 13 September, 2021 respectively from NAWASSCOL. The loan repayments were scheduled to commence on 31 October, 2020. However, no repayments had been made as at 30 June, 2025 and interest on the unpaid loan amount continued to accrue. No explanation has been provided for the failure to repay the loans.

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

3. Unconfirmed Ownership of the Company

Review of records indicate that NAWASSCOAL Company is a limited liability Company wholly owned by Nakuru Water and Sanitation Services Company Limited (NAWASSCOL), a public utility company. However, review of the Company's CR12

certificate, as well as the memorandum and articles of association, revealed that three (3) people are listed in their private capacities as shareholders with one (1) ordinary share each. This shareholding structure is inconsistent with the assertion that the Company is fully owned by NAWASSCOL. In addition, no documentary evidence was provided to confirm whether the stated shares are fully paid up. This raises concerns regarding transparency, governance, and compliance with the provisions of the Companies Act, 2015.

In the circumstances, the absence of clarification and supporting documentation, it is not possible to confirm the legal and beneficial ownership of the Company.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of approved Staff Establishment and Human Resource Policy

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

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

2. Lack of an Internal Audit Function and Audit Committee

During the year under review, the Company failed to establish an internal audit function contrary to Section 155 (1) of the Public Finance Management Act, 2012. Further, there was no audit committee in place contrary to Section 155 (5) of the Public Finance Management Act, 2012 which states that, a County Government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations.

In the circumstances, Management did not get assurance on the effectiveness of the Company's internal controls, risk management and governance of the Company.

3. Lack of a Risk Management Policy

The Company did not have a Risk Management Policy in place during the year under review. There was no formal risk assessments performed during the year and therefore it was not possible to determine the key financial risky areas, or estimation of the significance and the likelihood of the occurrence of the potential risks. Further, the management also failed to provide a disaster recovery plan or business continuity plan. This was contrary to Regulation 158 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that - the county government entity develops risk management strategies, which include fraud prevention mechanism; and the County Government entity develops a system of risk management and internal control that builds robust business operations.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that:

i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. The information given in the Directors' report on page xxiv is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration report has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

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

Responsibilities of Management and the 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 cease operations.

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

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

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

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities

that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 December, 2025

14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.

	NOTE	2024/2025 (Kshs)	2023/2024 (Kshs)
Revenue			
Operating Revenue	6	2,203,385	2,935,681
Cost of Sales	8	3,305,156	3,982,479
Gross Profit		**(1,101,771)**	**(1,046,798)**
Grants Income	7	6,716,191	2,388,773
Other Income		-	-
Finance income		-	-
Total Income		**5,614,420**	**1,341,975**
Expenses			
Staff Costs	9	3,436,881	3,428,740
Administration expenses	10	1,689,526	2,225,002
Operating & Maintenance Expenses	11	1,068,021	403,911
Depreciation and Amortization expenses		4,067,075	-
Total Expenses		**10,261,503**	**6,057,653**
Profit/(Loss) Before Taxation		**(4,647,083)**	**(4,715,678)**
Income Tax Expense/(Credit)		-	-
Profit/(Loss) After Taxation		**(4,647,083)**	**(4,715,678)**

15. Statement Of Financial Position As at 30 June 2025

	NOTE	2024/2025 (Kshs)	2023/2024 (Kshs)
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	15,145,407	15,043,673
Total Non-Current Assets		**15,145,407**	**15,043,673**
Current Assets			
Inventories	15	84,373	103,385
Trade and other receivables	16	354,401	359,601
Bank and cash equivalent	17	148,199	33,752
Total Current Assets		**586,973**	**496,738**
TOTAL ASSETS		**15,732,380**	**15,540,411**
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Ordinary share capital	18	100,000	100,000
Investment Reserve Fund	25	21,187,577	10,302,577
Retained Earnings		(27,439,142)	(16,075,868)
Total Share Capital and Reserves		**(6,151,565)**	**(5,673,291)**
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	24	4,406,570	3,736,327
Total Current Liabilities		**4,406,570**	**3,736,327**
TOTAL EQUITY AND LIABILITIES		**15,732,380**	**15,540,411**

The financial statements were approved by the Board on 25th August 2025 and signed on its behalf by:

.....	.....	.....
Name: John Irungu	***Name: Isaac Makori***	***Name: Dr. Nelson T. Maara***
General Manager	**Head of Finance**	**Chairman of the Board**
	ICPAK M/No: 6774	

16. Statement Of Changes in Equity for the Year Ended 30 June 2025

	NOTE	ORDINARY CAPITAL	Investment Reserve Fund (KSHS)	Revenue Reserve Fund (KSHS)	TOTAL (KSHS)
At July 1, 2024		**100,000**	**10,302,577**	**(16,075,868)**	**(5,673,291)**
Grants from VEI		-	6,616,191	-	6,616,191
Grants from KCIC			100,000		100,000
Additional for the year-Acquisition of Motor Vehicle			4,168,809		4,168,809
Total comprehensive profit/loss for the year		-	-	**(11,363,274)**	**(11,363,272)**
At June 30, 2025		**100,000**	**21,187,577**	**(27,439,142)**	**(6,151,565)**
At July 1, 2023		**100,000**	**13,535,890**	**(11,360,190)**	**2,275,700**
Grants from Vitens			(3,233,313)		**3,233,313**
Additional for the year					
Total comprehensive profit/loss for the year				(4,715,678)	(4,715,678)
At June 30, 2024		**100,000**	**10,302,577**	**(16,075,868)**	**(5,673,291)**

17. Statement Of Cash Flows for The Year Ended 30 June 2025

	NOTE	2024/2025 KSHS	2023/2024 KSHS
CASH GENERATED FROM OPERATING ACTIVITIES			
Profit/loss before income tax		(4,647,083)	(4,715,678)
Adjustments for:			
Depreciation on plant property and equipment	12	4,067,075	
Operating Profits before working capital changes		**(580,008)**	**(4,715,678)**
Changes in working capital			
Increase/ Decrease in Inventories	15	19,012	156,770
Decrease in Trade & other Receivables	16	5,200	723,280
Increase in Trade & other Payables	24	670,243	1,565,865
Net cash generated from/ (used in) operating activities		**114,447**	**(2,269,763)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	-
Finance Asset			
Net cash generated from/(used) in investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants			
Loans			
Net cash generated from/ (used in) financing activities			
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**114,447**	**(2,269,763)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**33,752**	**2,303,515**
Increase/decrease in cash and cash equivalents		**114,447**	**(2,269,763)**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**148,199**	**33,752**

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025

Budget Item	Proposed Budget 2024/2025	Adjustments	Final Budget 2024/2025	Actual 2024/2025	Performance difference	Percentage Variance	Explanation of Variances
Revenue							
Sales of briquettes/ Seed balls/tree seedlings/in dustrial briquettes and tipping fees	4,458,496	(788,583)	3,669,913	2,303,385	(1,366.528)	(37.24%)	The shortfall in revenue targets can be attributed to a significant reduction in sales, driven by a sharp decline in demand for domestic briquettes. Many of our bulk customers reduced their monthly orders by over 50%, citing economic hardships that impacted their purchasing capacity. In response to this challenge, the company shifted focus toward piloting new product lines—namely industrial briquettes, seed balls, seedlings, and biochar—as part of a strategic effort to diversify revenue streams. This pivot is intended to strengthen our market position and recover lost

							revenue, with full implementation targeted for the 2025/2026 fiscal year.
Other Funding	7,075,000	(250,310)	6,826,490	6,716,191	110,299	(1.62%)	
Total income	**11,533,496**	**(1,037,093)**	**10,496,403**	**9,019,576**	**(1,476,827)**	**(14.07%)**	The revenue shortfall was mainly caused by reduced demand for domestic briquettes, with bulk customers cutting orders by over 50% due to economic hardships. In response, the company began diversifying into new products such as industrial briquettes, seed balls, seedlings, and biochar. This strategy is aimed at strengthening the market position and recovering revenue, with full implementation planned for the 2025/2026 fiscal year.
	-						

Expenses							
Cost of sales	3,515,894	(1,163,198)	4,679,092	3,305,156	1,373,936	29.36%	The underspending in production costs resulted from reduced production activities due to a decline in demand. However, the team prioritized piloting the proposed new production lines during this period.
Staff Cost/Admin expenses	7,951,901	2,276,838	5,675,063	5,126,407	548,656	9.67%	The underspending on staff costs was mainly the result of cost optimization measures. Travel and fare expenses were reduced by limiting attendance at external events, while third-party consultancy engagements were minimized. Instead, the company leveraged direct in-kind support from development partners such as WSUP. These measures allowed the organization to manage resources efficiently while still achieving intended outcomes.

Operating expenses	2,624,903	659,519	1,965,384	1,068,021	897,363	45.66%	This was mainly due to prudent cost management and efficiency gains during the period. Some planned activities, such as research and development, were rescheduled to align with strategic priorities, while office and marketing expenses were optimized without affecting operations. Insurance and safety requirements were fully met within budget, ensuring compliance and business continuity. The overall variance reflects careful resource utilization and prioritization of essential expenditures, positioning the company to channel savings into future growth initiatives.

Loan Repayment	4,543,991	(699,222)	5,243,213	0	5,243,213	100.00%	The company had planned to repay the allocated loan using proceeds from the sale of an idle dewatering machine. However, the sale was postponed as the company decided to explore integrating the machine into the proposed faecal Sludge Treatment Plant (FSTP). This approach aims to maximize its usage and avoid selling it, given that its technology has been surpassed by more advanced options, reducing its market value. With the FSTP's implementation, the company now projects to repay the loan within five years.
CAPEX	4,075,000	1,575,000	2,500,000	0	2,500,000	100.00%	The projected support of 2.5 million Kenya shillings from the Kenya Climate Innovation Center (KCIC) was rescheduled to the 2025/2026 financial year. This followed the transition

							of Nawasscoal from their GreenBiz program to the Swift program, which specifically supports enterprises in waste management. The support will be implemented in the 2025/2026 financial year.
TOTAL EXPENSES	**22,711,689**	**2,648,937**	**20,062,752**	**9,499,584**	**10,563,168**	**50.18%**	The budgeted capital investment was pushed to the financial year 2025/2026

19. Notes To the Financial Statements

1. General Information

Nawasscoal Company Limited is a private company limited by shares under the Companies Act, 2015. The company was registered on September 8, 2018, and is fully owned by Nakuru Water and Sanitation Services Company. For the financial year 2024/2025, the company's principal activity remained focused on sustainable briquette production from organic waste. In these financial statements, in accordance with the Kenyan Companies Act, the balance sheet is presented as the statement of financial position, and the profit and loss account is reflected as the statement of profit or loss and other comprehensive income. The company is domiciled in Kenya, with its operations contributing to the county's environmental sustainability and energy needs.

2. Statement of Compliance and Basis of Preparation

The financial statements for the year ended June 30, 2025, have been prepared on a historical cost basis, except for certain items, such as re-valued property, plant, and equipment, marketable securities, financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The statements are in conformity with International Financial Reporting Standards (IFRS), allowing the use of estimates and assumptions, and requiring management to exercise judgment in applying the company's accounting policies. The financial statements are presented in Kenya Shillings, the functional and reporting currency.

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 2025.***

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

Title	Description	Effective Date
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.***

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

Title	Description	Effective Date
	represents an entity's assets, liabilities, equity, income and expenses.	

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 2025.

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

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

ii) **Grants** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

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

Dividend income is recognized in the income statement in the year in which the right to receive the payment is established.

iv) **Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded but disclosed.

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is written off against the General Reserves on a straight-line balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

No	Leasehold Land and Buildings	Over the remaining period of the lease	Rate (%)
i.	Plant & Equipment	8 years	12.5%
ii.	Furniture, Fittings and Office Equipment	8 years	12.5%
iii.	Computers	3 years	33.33%
iv.	Motor Vehicles	5 years	20%
v.	Buildings	25 years	4%

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

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

h) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

i) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method/ FIFO (*Whichever is applicable*). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

j) Trade and other receivables

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

k) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

l) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in

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

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

m) Borrowing costs

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

n) Cash and cash equivalents

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

o) Borrowings

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

p) Trade and other payables

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

q) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2024. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month.

r) Provision for staff leave pay

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

s) Exchange rate differences

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

t) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 13/09/2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No additional appropriations were added on the original budget by the entity upon receiving the respective approvals for the final budget. The budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the

formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented in the financial statements.

u) Service concession arrangements

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

v) Comparative figures

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

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

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

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

6. Operating Revenue

	2024/2025 (KSHS)	2023/2024 (KSHS)
Briquette Sales	2,203,385	2,935,681
Total	**2,203,385**	**2,935,681**

7. Grants Income

	2024/2025 (KSHS)	2023/2024 (KSHS)
Grants from A4A	-	2,388,773
Grants from VEI	6,616,191	-
Grants from KCIC	100,000	-
Total	**6,716,191**	**2,388,773**

8. Cost of Sales

	2024/2025 Kshs	2023/2024 Kshs
Opening Stock	103,385	260,155
Molasses	20,610	88,470
Charcoal dust	626,000	545,950
Firewood	207,000	562,600
Electricity	201,240	246,203
Maintenance costs	676,979	632,144
Packaging material	38,500	55,410
Water	51,518	91,434
Total production salaries	1,464,297	1,546,709
Penalties	-	56,789
Less: Closing stock	(84,373)	(103,385)
Total	**3,305,156**	**3,982,479**

9. Staff Costs

	2024/2025 (KSHS)	2023/2024 (KSHS)
Gross Salary and Allowances	2,940,881.20	2,948,740
Wages of Temporary Employees	16,000	-
Gratuity provisions	480,000	480,000
Total	**3,436,881**	**3,428,740**
The number of employees during the year	**9**	**9**

10. Administration Expenses

	2024/2025 (KSHS)	2023/2024 (KSHS)
Office Expenses	213,018	146,175
Staff Welfare	-	280
Transport	229,149	176,510
Consultancies	190,000	615,000
General Repair & Maintenance	277,129	163,205
Bank & M-Pesa Charges	91,077	68,654
Telephone & Internet	32,500	72,100
Fares & Travels	501,938	711,578
Penalties	79,715	-
Training & Conference	75,000	271,500
Total	**1,689,526**	**2,225,002**

11. Maintenance and Operation Expenses

	2024/2025 (KSHS)	2023/2024 (KSHS)
Office Stationery & Consumables	109,174	115,036
Sales & Marketing	104,829	178,490
Facility Insurance	689,647	-
Safety Equipment	164,371	110,386
Total Maintenance Expenses	**1,068,021**	**403,912**

12. Accumulated Depreciation and Amortization Expenses

	2024/2025 (KSHS)	2023/2024 (KSHS)
Property, plant, and equipment	17,921,456	15,137,373
Building	2,899,414	2,485,212
Computer and accessories	396,585	361,557
Motor Vehicle	833,762	-
Total Depreciation and Amortization	**22,051,217**	**17,984,142**

13. Income Tax Expense/(Credit)

Current taxation

	2024/2025 (KSHS)	2023/2024 (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

	2024/2025 (KSHS)	2023/2024 (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	-	-

14. Property, Plant and Equipment

2025	Building	Computer Related Equipment	Motor Vehicle	Plant & Equipment	Total
Cost/Valuation					
At July 1, 2024	10,355,056	400,096	-	22,272,663	33,027,815
Additions			4,168,809		4,168,809
At June 30, 2025	**10,355,056**	**400,096**	**4,168,809**	**22,272,663**	**37,196,624**
Depreciation					
At July 1, 2024	2,485,212	361,557	-	15,137,373	17,984,142
Charge for grants	414,202	35,028	833,762	2,784,083	4,067,075
At June 30, 2025	2,899,414	396,585	833,762	17,921,456	22,051,217
Net Book Value					
At June 30, 2025	**7,455,642**	**3,511**	**3,335,047**	**4,351,207**	**15,145,407**
2024	**Building**	**Computer Related Equipment**	**Motor Vehicle**	**Plant & Equipment**	**Total**
Cost/Valuation					
At July 1, 2023	10,355,056	400,096	-	22,272,663	33,027,815
Additions	-	-	-	-	-
At June 30, 2024	**10,355,056**	**400,096**	**-**	**22,272,663**	**33,027,815**
Depreciation					
At July 1, 2023	2,071,010	326,529	-	12,353,290	14,750,829
Charge for grants	414,202	35,028	-	2,784,083	3,233,313
At June 30, 2024	2,485,212	361,557	-	15,137,373	17,984,142
Net Book Value					
At June 30, 2024	**7,869,844**	**38,539**	**-**	**7,135,290**	**15,043,673**

15. Inventories

	2024/2025	2023/2024
	Kshs	**Kshs**
Raw materials	0	19,046
Finished goods	280	14,400
Packaging materials	84,093	69,939
Total	**84,373**	**103,385**

16. Trade and Other Receivables

	2024/2025	2023/2024
	Kshs	**Kshs**
Trade receivables	251,901	257,101
Share capital	100,000	100,000
Electricity deposit	2,500	2,500
Total	**354,401**	**359,601**

17. Bank and Cash Balances

	2024/2025	2023/2024
	Kshs	**Kshs**
M-PESA	1,800	2,287
Cash at bank	146,399	31,465
Cash in Hand	-	-
Total	**148,199**	**33,752**

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

		2024/2025	2023/2024
Financial Institution	Account Number	**Kshs**	**Kshs**
Co-operative Bank - Revenue Account	01136882036500	140,820	36,194
Co-operative Bank - Expenditure Account	01136882036501	3,904	(4,451)
Co-operative Bank - Donations Account	01136882036502	1,675	(278)
Total		**146,399**	**31,465**

18. Ordinary Share Capital

	2024/2025	2023/2024
	Kshs	Kshs
Authorized:		
1,000 ordinary shares of Kshs. 100 per value each	100,000	100,000
Issued and not paid:		
1,000 ordinary shares of Kshs. 100 per value each	100,000	100,000

19. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

20. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognized in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognized in profit or loss.

21. Retained Earnings

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilized to finance the *entity's* business activities.

22. Long Term Liability

	2024/2025	2023/2024
	Kshs	Kshs
Loan from NAWASSCO	17,477,375	17,477,375
Less: Payment made	-	-
Total	**17,477,375**	**17,477,375**

23. Retirement Benefit Obligations

Recognition of Retirement Benefit Asset/ Liability

a) **Amounts recognised under other gains/ Losses in the statement of Comprehensive Income**

b) **Amounts recognised in the Statement of Financial Position**

Notes to the financial statements (continued)

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

24. Trade and Other Payables

	2024/2025	2023/2024
	Kshs	Kshs
Salary arrears	353,553	515,510
NSSF	34,560	58,320
NHIF	18,300	24,150
Other Payables	605,328	177,226
PAYE	98,128	126,817
Electricity	35,088	49,188
Water	813,141	761,623
Penalties and Interests	-	43,554
Housing Levy	19,907	31,374
Gratuity	2,428,565	1,948,565
Total	**4,406,570**	**3,736,327**

25. Investment Reserve Fund A/C

	2024/2025	2023/2024
	Kshs	**Kshs**
Balance b/f	10,302,577	13,535,890
Plant and Equipment	-	-
Additional Motor Vehicle	4,168,809	-
Grants from VEI	6,616,191	-
Grants from KCIC	100,000	-
Amortization of the grants	-	(3,233,313)
Total	**21,187,577**	**10,302,577**

26. Related Party Disclosures

Nakuru Water and Sanitation Company Limited.

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

Transactions with related parties

	2024/2025	2023/2024
	Kshs	Kshs
i) **Sales to related parties**		
Sales of goods/services by Nakuru Water & Sanitation Services Co. Ltd	-	-
Total	-	-
ii) **Key management compensation**		
Salaries and other short term employment benefits	-	-
Total		
iii) **Directors' remuneration**		
Directors sitting allowance	-	-
Chairman honorarium	-	-
Total	-	-

27. Contingent Assets and Liabilities

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

28. Financial Risk Management

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

Notes to the financial statements (continued)

(i) Credit risk

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

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.

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

(iii) Market risk

The Board has established an internal audit function to continually assess the risks faced by the entity and evaluate the design and effectiveness of its internal controls. Market risk, arising from changes in interest rates, equity prices, and foreign exchange rates, can impact the company's income and financial holdings. The objective of market risk management is to control exposures within acceptable limits while optimizing returns. The Audit and Risk Management Committee oversees this responsibility,

with the Finance Department developing and implementing detailed risk management policies. There have been no changes in the company's market risk exposure or management approach.

a) Foreign currency risk

The Company has no transactional currency exposures.

b) Foreign currency sensitivity analysis

The company does not transact with foreign currencies.

c) Interest rate risk

The company has no interest risk.

i) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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

Financial instruments not measured at fair value

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

Notes to the financial statements (continued)

iv) Capital Risk Management

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

29. Incorporation

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

30. Events After the Reporting Period

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

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	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)*
REPORT ON THE FINANCIAL STATEMENTS					
Basis for Qualified Opinion					
Inaccuracies in the Financial Statements	The statement of profit and loss and other comprehensive income reflects a Nil amount regarding depreciation and amortization expenses. However, Note 14 to the financial statements reflects a depreciation charge amount of Kshs.3,233,313 resulting in the understatement of the total expenses amount. The statement of financial position reflects various account balances. However, some of the balances, such as property, plant and equipment, ordinary share capital, general reserve, and non-current accounts payable, are not matched to the corresponding notes to the financial statements. The statement of changes in equity reflects investment reserve fund grants from Viten amount of Kshs. (3,233,313). However, Note 7 to the financial statements indicates a Nil grants amount from Vitens. Further, the Note	*The management has noted the issues raised and appreciates the recommendations by the office of the Auditor General. We wish to clarify that: The depreciation amount of kshs 3,233,313 was written off against investment reserve fund (kindly make reference to statement of change in equity under note 3. this follows guidance from your office to w/o depreciation against investment funds because the assets were acquired majorly from grants.* *The necessary adjustments have been noted and corrected.* *The amount of kshs (3,233,313) under the statement of change in equity*	*John Irungu - General Manager*	*Resolved.* *(The final financial statement submitted to the Auditor-General has been corrected to address identified discrepancies.)*	*January 2025*

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)*
	indicated grants from A4A amount of Kshs 2,388,773 which was not disclosed in the statement of changes in equity. The statement of changes in equity reflects total comprehensive loss for the year amount of Kshs 4,670,066. However, the statement of financial performance reflects loss for the year amount of Kshs. 4,715,678 resulting in an unexplained variance of Kshs. 45,612. In addition, the statement reflects investment reserve fund amount of Kshs. 10,302,507. However, the statement of financial position reflects a similar balance in respect of retained earnings resulting in inconsistency in naming of components in the financial statements. The statement of comparison of budget and actual amounts reflects cost of sales amount of Kshs. 3,971,679. However, the statement of profit and loss and other comprehensive income reflects a balance of Kshs.3,982,479 resulting in an unexplained variance of Kshs 10,800. In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.	*represents the amount of depreciation that was w/o against the investment reserve fund* *Under note 3(statement of change in equity, the total comprehensive loss for the year amounted to kshs (4,715,678) under the revenue reserve funds column, this amount is part of the balance as at 30th june 2024 of kshs 16,075,868. However, the total column of the statement of change in equity was erroneously recorded as kshs 4,670,066. However, this amount of ksh 6,670,066 does not form part of the figure included in the statement of financial position.* *The error has been noted and corrected* *The variance of kshs 10,800 (adverse variance) was due to*			

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)*
		unexpected changes in prices of raw materials,			
Unsupported Cost of Sales Amount	The statement of profit or loss and other comprehensive income reflects cost of sales amounting to Kshs.3,982,479 as disclosed in Note 8 to the financial statements. However, store records such as stores ledgers, bin cards and stock taking sheets in support of opening and closing stock balances of Kshs. 260,155 and Kshs.103,385 respectively were not provided for audit verification. In the circumstances, the accuracy and completeness of the cost of sales amount of Kshs.3,982,479 could not be confirmed.	*Management acknowledges the audit observation regarding the absence of supporting documentation for the cost of sales amounting to Kshs. 3,982,479, particularly the opening and closing balances of Kshs. 260,155 and Kshs. 103,385, which were regrettably erroneously omitted in the initial submission. We recognize the importance of comprehensive documentation for financial transparency and compliance. To address this, we have now provided the necessary schedules, including the previously omitted details, as attached in* ***Annex 1. (Schedules cost of sales), Annex 2(opening balance), Annex 3(Closing balance)***	*John Irungu - General Manager*	*Resolved* *(Correction has been made to the final financial statement submitted to the Auditor-General)*	*January 2025*
Unsupported Consultancies Expenditure	The statement of Profit or Loss and other comprehensive Income reflects administration expenses of Kshs.2,705,002 and as disclosed in Note 10 to the financial statements. Included in the balance is an	*Management acknowledges the audit concern regarding the unsupported consultancy expenditure of Kshs. 615,000. This amount was part of a batch that was regrettably omitted during the submission of vouchers and schedules. We sincerely regret this oversight and have now provided the supporting documents,*	*John Irungu - General Manager*	*Resolved* *(Correction has been made to the final financial statement submitted to the Auditor-General, and the missing documents have also been*	*January 2025*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Time frame: *(Put a date when you expect the issue to be resolved)*
	amount of Kshs.615,000 relating to consultancies expenditure. However, the payment vouchers and procurement records were not provided for audit verification to support the expenditure. In the circumstances, the accuracy and completeness of the consultancies expenditure Kshs.615,000 could not be confirmed.	*attached as **Annex 4** for reference.*		*submitted for reference and verification.)*	
Inaccuracy of Administration Expenses	The statement of profit or loss and other comprehensive income reflects administration expenses amounting to Kshs.2,705,002. However, the corresponding Note 10 to the financial statements reflects an amount of Kshs.5,653,742 resulting in an unexplained variance of Kshs.2,948,740. In circumstances the accuracy of the administration expenses of Kshs.2,705,002 could not be confirmed.	*Management acknowledges the variance of Kshs. 2,948,740 identified between the administration expenses reported in the statement of profit or loss (Kshs.2,705,002) and the corresponding Note 10 (Kshs.5,653,742).* *Upon review, we confirm that the variance arises from the classification of staff costs amounting to Kshs.2,948,740. In the income statement, this amount is presented separately under staff costs, while in Note 10, it is included within the total administration expenses. This classification difference led to the apparent discrepancy. This has since been corrected.*	*John Irungu – GM Nawasscoal*	*Resolved* *(Final Financial statement corrected and submitted to the office of the auditor genral)*	*January 2025*

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)*
Unsupported Property, Plant and Equipment Balance	*The statement of financial position reflects a balance of Kshs. 15,043,673 in respect of property, plant and equipment respectively as disclosed in Note 14 to the financial statements. Included in the balance are amounts of Kshs.7,869,844, Kshs. 38,539 and Kshs.7,135,290 in relation to buildings, computer related equipment and plant and equipment. However, the assets register detailing the list of assets in different classes and their date of acquisition, disposal or major change in use was not provided for audit verification* *Further, Note 14 to the financial statements reflects an amount of Kshs. 17,984,142 in respect of depreciation and amortization expenses. Included in the balance are amounts*	*Management acknowledges the audit observation regarding the unsupported property, plant, and equipment (PPE) balance amounting to Kshs.15,043,673 as at 30 June 2024.* ***Asset Register Update:*** *Management recognizes the importance of maintaining a comprehensive and up-to-date asset register. Steps have been initiated to compile and consolidate the asset register, detailing: Date of acquisition, Serial numbers and identification tags, Location and condition of assets, Depreciation rates and net book values, Disposal records and major changes in use* *Efforts are underway to retrieve and compile supporting documents, including title deeds, procurement records, and invoices, for assets reflected in the financial statements. The asset verification exercise was completed by 31st June 2025, ensuring all records are available for future audits.* *Management is implementing stricter internal controls and asset management procedures, including periodic physical verification and reconciliation of asset records to financial statements. This will mitigate risks of misstatement and enhance the accuracy and completeness of asset balances.*	*John Irungu - General Manager*	*Ongoing* *(The asset register has been updated, while missing details for NCSP project equipment are being sourced from donors and will be included once obtained.*	*June 2026*

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)*
	of Kshs. 15,137,373, Kshs.2,485,212 and Kshs. 361,557 in relation to depreciation charge on plant and equipment, buildings and computers and accessories respectively. However a list of the individual assets being depreciated and the applicable rate were not provided for audit. *In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs. 15,043,673 could not be confirmed.*	***Depreciation Rates and Policies:*** *We wish to clarify that the depreciation rates applied are outlined under the summary of accounting policies, specifically under section (d) – Depreciation and Impairment of Property, Plant, and Equipment. These rates are consistently applied across all asset classes and align with the relevant accounting standards.*			
Material Uncertainty Related to Going Concern	The statement of financial position reflects current assets amounting to Kshs.496,738 and current liabilities totaling Kshs.3,736,327 resulting in negative working capital of Kshs.3,239,589. The Company is, therefore, technically insolvent and its ability to continue as a going concern is dependent upon	*Management acknowledges the financial challenges affecting the company's going concern status. The negative working capital of Kshs. 3,239,589 is primarily due to increased production costs, delayed customer payments, and rising operational expenses. To address this, the company is implementing the Climate Adaptation Fund Project, which aims to scale up production and diversify product lines. This initiative is expected to enhance revenue generation, improve working*	*John Irungu - General Manager*	*Ongoing (The company has secured funding from the VEI-WWX Climate Adaptation Fund and is implementing the Faecal Sludge Treatment Plant (FSTP) project with re-use lines for industrial briquettes, seed balls, and seedlings,*	*December 2026*

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 from the County Government and its creditors. In the circumstances, the Company may be unable to meet its short-term obligations as and when they arise.	*capital, and strengthen long-term sustainability. Additionally, management is actively engaging stakeholders to expedite pending payments, optimizing operational costs, and exploring new revenue streams to stabilize cash flow. Measures are also being taken to enhance production efficiency and maintain competitiveness. The company remains committed to restoring financial stability and ensuring sustainable growth.*		*alongside expanded domestic briquette production. The project aims to scale up operations, increase revenue, and enhance sustainability, with completion expected by December 2026.*	
Budgetary Control and Performance	The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable amounts of Kshs. 13,496,403 and Kshs. 5,324,454 respectively resulting in an under collection of Kshs 8,171,949 or 61% of the budget. Further, the Company spent an amount of Kshs.10,029,333 against the actual receipts of Kshs.5.324,454 resulting in an overutilization of Kshs.4,704,879 or 88% of the final budget without the necessary approvals. The shortfall in revenue collection and over utilization may have negatively impacted on the planned activities of the Company which affected service delivery to the public.	*For the 2023/2024 financial year, the company anticipated receiving funding for the FSTP project. Development partners such as KIFFWA and E4Impact had committed financial support, with an expected income of Kshs 13,496,403 and an estimated expenditure of Kshs 20,062,752. However, the funding did not materialize due to Nawasscoal's corporate governance and shareholding structure, which did not align with the partners' funding policies. To address this, we are restructuring Nawasscoal's corporate governance to enhance its eligibility for donor funding. As a result, we have successfully secured funding for the FSTP implementation through WWX VEI, with the*	*John Irungu - General Manager*	***Ongoing*** *(The Ministry of Water, Sanitation and Irrigation has committed to addressing the funding gap for the Faecal Sludge Treatment Plant (FSTP) project. This commitment has enabled the commencement of implementation, with the project scheduled for completion by December 2026.)*	*January 2025*

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)*
		financial impact expected to be reflected in 2026.			
Unresolved Prior Year Matters	In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not explained how the issues were addressed or resolved.	*Management acknowledges the need to address the outstanding matters and is making steady progress in resolving them. The Risk Management Policy has been developed and is currently pending final board approval. Additionally, to strengthen business continuity, the company is implementing the FSTP project, which is designed to enhance Nawasscoal's long-term sustainability and profitability. The project is expected to be fully operational by december 2026.*	*John Irungu - General Manager*	***Ongoing** (A Risk Management Policy has been developed and reviewed by the directors. Its signing is scheduled for January 2026, alongside the review of other manuals and policies to align with Nawasscoal's expanded operations through the establishment of the FSTP and associated re-use lines.*	*January 2026)*
Failure to Repay Loans	The statement of financial position reflects non-current accounts payable amounting to Kshs.17,477,373 which as disclosed in Note 22 to the financial statements relates to loans received from Nakuru Water and Sanitation Services Company Limited (NAWASSCO). Review of records revealed that the Company received the loans	*Management acknowledges the outstanding loan of Ksh. 17,477,373 plus interest owed to the parent company, NAWASSCO. Due to infrastructure challenges currently affecting Nawasscoal, repayment has not yet been made. However, Nawasscoal has formally requested NAWASSCO for a loan rescheduling to prioritize the implementation of the Climate Adaptation Project (FSTP with diversified re-use lines) funded by WWX VEI, scheduled for completion by december 2026. This project is designed to*	*John Irungu - General Manager*	*Ongoing (Loan repayment is scheduled to begin in June 2026, allowing for the implementation of the Climate Adaptation Fund–supported FSTP project. The project is expected to enhance revenue generation, enabling the company to comfortably meet*	*Decembe r 2027*

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)*
	at an interest rate of 5% chargeable per year in three tranches of Kshs.4,621,943, Kshs.8,855,430 and Kshs.4,000,000 on 3 November, 2018, 30 November, 2019 and 13 September, 2021 respectively from the NAWASSCO. The loan repayments were scheduled to commence on 31 October, 2020. However, no repayments had been made as at 30 June, 2024 and interest on the unpaid loan amount continued to accrue. No explanation has been provided for the failure to repay the loans. In the circumstances, Management was in breach of the loan agreements.	*address both infrastructure and revenue constraints, ensuring long-term financial sustainability. The revised loan repayment schedule has been incorporated into the FSTP business case.*		*its loan obligations.*	
Unconfirmed Ownership of the Company	Available records indicate that NAWASSCOAL Company is a limited liability company fully owned by a public utility company, Nakuru Water and Sanitation	*Management acknowledges the auditor's observation regarding the company's ownership structure. To clarify, Nawasscoal's shareholding is as follows: 97% held by NAWASSCO, with the remaining 3% distributed equally among Festus Ngeno (former CEC for Water,*	*John Irungu - General Manager*	*Ongoing (The company secretary has initiated the process of updating the Articles and Memorandum of Association to*	*June 2026*

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)*
	Services 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 with one share each namely James Wanaina Kiuna, Festus Kipkoech Ngeno, and James Nganga Gathati, MD NAWASSCO. Further, no evidence was provided to confirm whether the shares are fully paid up. In the circumstances, the ownership of the Company could not be confirmed.	*Environment, and Natural Resources), Joseph Kiuna (former CEC for Finance), and James Ng'ang'a (Managing Director, NAWASSCO).* *These individuals were listed as shareholders in their capacity as representatives of their respective offices, as required by the company registrar for document signing. However, the process of updating the records to reflect institutional ownership rather than individual names is currently underway.*		*align the company's structure and ownership.)*	
Lack of an Approved Pricing Policy	The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.2,935,681 as disclosed in Note 6 to the financial statements. Review of records revealed that revenue amounting to Kshs.2,735,681 was generated from sale of	*Management acknowledges the audit observation regarding the absence of an approved pricing policy for briquette sales. We fully recognize the need for a structured and transparent pricing mechanism to enhance sustainable revenue generation and operational efficiency.* *However, during the year under review, we adhered to the pricing structure approved by the Board, which is attached as* ***Annex 5. (Minutes for the***	*John Irungu - General Manager*	***Resolved*** *(The Pricing Policy, developed under the Turnaround Strategy Report, outlines production cost breakdowns and pricing guidelines. It was approved by the directors through a resolution, and the report has been submitted to the*	*30th October 2025*

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)*
	briquettes. However, the quantity in kilograms (kg) and the approved selling price per kilogram (kg) were not provided for audit since the Company does not have an approved pricing policy. In the circumstances, lack of a pricing policy casts doubts on the effectiveness of selling prices in meeting the operational costs.	***board resolutions on pricing)*** *Moving forward, we are committed to strengthening this framework by developing a comprehensive pricing policy to ensure consistency, competitiveness, and long-term sustainability*		*Auditor-General for verification.*	
Lack of approved Staff Establishment and Human Resource Policy	Review of human resources records indicated that the Company did not have an approved staff establishment and human resources policy in place. Therefore, Management lacked an objective means to recruit and deploy staff for optimal results as required. In the circumstances, the effectiveness and regularity of staffing in the Company could not be confirmed.	*Nawasscoal Company Limited recognizes the need for an approved Staff Establishment and Human Resource Policy to enhance efficiency in recruitment, deployment, and overall workforce management. The company is in the advanced stages of developing the necessary HR policies and frameworks, which are currently awaiting board approval. Once finalized, these policies will provide clear guidelines for staff management, ensuring coordination, control, and optimal staffing levels for effective service delivery.*	*John Irungu - General Manager*	*Resolved (The staff establishment under the Climate Adaptation Fund project outlines the number and positions of staff for each production line. This information has been submitted to the Office of the Auditor-General for verification.)*	*30th June 2025*

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)*
Lack of an Internal Audit Function and Audit Committee	During the year under review, the Company failed to establish an internal audit function contrary to Section 155 (1) of the Public Finance Management Act, 2012. Further, there was no audit committee in place contrary to Section 155 (5) of the Public Finance Management Act, 2012 which states that, the internal audit unit of a County Government entity to assess effectiveness of the Company through an internal performance appraisal commenting on its effectiveness in the annual report to The National Treasury In the circumstances, Management could not get assurance on the effectiveness of the Company's internal controls, risk management and governance and the Company did not benefit from the oversight role and advice from the audit committee and the internal audit function	*The management understands and acknowledges the importance of an Internal Audit committee but due to its lean team, Nawasscoal has not yet established its own Audit Committee. However, NAWASSCO's internal audit function extends its oversight to Nawasscoal, ensuring compliance with internal controls, risk management, and governance requirements in line with the Public Finance Management Act, 2012. This support enables Nawasscoal to uphold financial accountability and operational integrity despite its limited internal capacity.*	*John Irungu - General Manager*	***Ongoimg** (A formal request for support on this component has been submitted to NAWASSCO. The NAWASSSCO Internal Audit Department will oversee the process in the 2025/2026 financial year and document the reports as part of the handholding phase before Nawasscoal establishes its own audit unit.)*	*June 2026*
Lack of a Risk Management Policy	The Company did not have a risk management policy in place during the year under review. There were no formal risk assessments performed during the year and therefore it was not possible to determine the key financial risky areas, or estimation of the significance and the likelihood of the occurrence of the potential risks. Further,	*Nawasscoal acknowledges the importance of a robust risk management policy. To address this, the company has developed a Fraud and Risk Management Policy, which is currently pending board approval.*	*John Irungu - General Manager*	*Resolved*	*30th June 2024*

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

Name: John Irungu Ndibui

General Manager

Signature: _____

Date: 28/08/2025

Appendix II: Projects Implemented by the Company

Projects

No projects implemented by the Company funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

None

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

Appendix III- Inter-Entity Confirmation Letter

No Inter-Entity Confirmation Letter.

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

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

Head of Accounts Department - Disbursing Entity:

Name ..... Sign ..... Date .....

Head of Accounts Department - Beneficiary Entity:

Name ..... Sign ..... Date.....

Appendix IV: Reporting of Climate Relevant Expenditures

No climate relevance expenditures.

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

Appendix V: Reporting Disaster Management Expenditure

No disaster management expenditure.

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

(Attach forms from each transferring Government entity.)

Appendix VI: Recording of Transfers from Other Government Entities

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