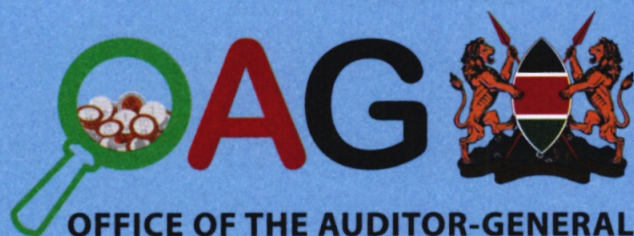


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PAPERS LAID

DATE 18/09/2024

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PARLIAMENT
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THE AUDITOR-GENERAL

ON

GULF WATER SERVICES COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2023



GULF WATER SERVICES COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30TH, 2023

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

Gulf Water Services Company Limited

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

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Gulf Water Services Company Limited

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

1. Acronyms and Abbreviations

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*

Gulf Water Services Company Limited

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

2. Key Entity Information

Background information

Gulf Water services Company Limited was formed by Lake Victoria South Water Services Board as a Limited Company and registered under CAP 486 of the laws of Kenya in February 2007 and given the mandate of providing water and Sanitation Services within three sub counties of Kisumu East, Kisumu West and Kisumu North. The County government of Kisumu are its main shareholders and is represented by County Executive Member responsible for Water and Sanitation services who together with Kisumu Water and Sanitation Company Ltd are responsible for management of the company through collaboration. The Company is domiciled in Kenya and has no branches outside of Kisumu County.

Principal Activities

The principle activity of the Company is to abstract, treat and supply water and to provide sanitation services.

Directors

The Company did not have substantive directors Directors who served the entity during the period under review but uses Kiwasco as the management of the Company.

Corporate Secretary

The Company did not have Corporate Secretary who served the entity during the period under review.

Registered Office

Gulf Water Services Company Limited
Kisumu-Busia Road
Deputy County Commissioner, Kisumu West
P.O. Box 4571-40100
KISUMU

Corporate Contacts

Telephone: (+254) 077517021
gulfwaterinfo@gmail.com

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

2. Key Entity Information

Corporate Bankers

Co-operative Bank of Kenya Limited

P.O. Box 1511, 40100

KISUMU.

Kisumu Main Branch

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 GPO 00100

Nairobi, Kenya

Gulf Water Services Company Limited

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

9. Management Discussion and Analysis

Budget Absorption for FY 2022/2023

DESCRIPTION	Budgets 2022/2023	Actual 2022/2023	% ABSORPTION
Total Revenue	25,170,784	45,677,807	181%
Total costs	56,120,215	46,068,653	82%

The absorption rate of the estimated revenue budget compared to the actuals for the year was 181% against the expenditure absorption of 82%.

Description	2023 (Kshs)	2022 (Kshs)	Variance (Kshs)	Percentage
Sales	19,977,017	19,518,158	458,859	2%
Cost of Sales	19,564,831	16,822,563	2,742,269	16%
Gross Profit	412,186	2,695,595	(2,283,410)	
Other Operating Income	57,549,168	23,543,351	34,005,817	144%
Total Expense	26,503,821	21,643,829	4,859,992	22%
PBT	31,457,532	4,595,117	26,862,415	
Net Profit/(loss)	31,457,532	4,595,117	26,862,415	585%
Fixed assets	20,136,378	19,286,691	849,687	4%
Long-Term Liabilities	2,570,350	36,166,779	(33,596,429)	-93%
Current Assets	15,031,462	12,072,064	2,959,398	25%
Current liabilities	7,785,065	1,837,084	5,947,981	324%
Total Assets	35,167,840	31,358,756	3,809,085	12%
Total Liabilities	10,355,415	38,003,863	(27,648,448)	-73%

Notes;

- There was growth in sales revenues by 2% and a decline in other income by 16% attributed to declines in grants funding.
- Other operating income includes accounts w/off of opening balances of 31,8483,77.54/= that should not be analysed as other operating income.
- The increase in cost is due to the maintainance of the old network infrastructure.
- The Company's total assets grew by 12%.
- Total Liabilities decreased by 73%.

Gulf Water Services Company Limited

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

11. Report of the Management

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the company's affairs.

i) Principal activities

The principal activities of the Company is to abstract, treat and supply water to the residents of Kisumu East, Kisumu West and Kisumu North sub-countys.

ii) Results

The results of the company for the year ended June 30, 2023 are set out on page 1. Below is summary of the profit or loss made during the year.

	2023	2022
RESULTS	Kshs	Kshs
Profit before tax		
Tax		
Profit / (loss) for the year	31,457,532	4,595,117

iii) Dividends

The company has not declared dividends for the year ended 2023

iv) Directors

The Company did not have substantive directors Directors who served the entity during the period under review.

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.

By Order of the Management

Name: Thomas Odongo



Signature.....

Date: 29/09/2023

Gulf Water Services Company Limited

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

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 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 ended on June 30, 2023. 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

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, 2023, 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.

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

Approval of the financial statements

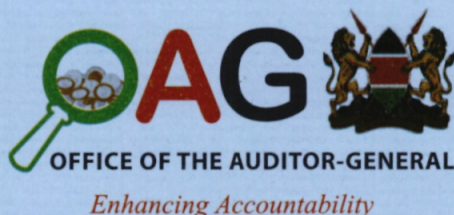
The company financial statements were approved by the Management on 29/09/2023 and signed on its behalf by:

Signature:



Name: Thomas Odongo
Project Manager

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON GULF WATER SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Gulf Water Services Company Limited set out on pages 1 to 38, which comprise of the statement of financial position as

at 30 June, 2023 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Non-Submission of Financial Statements

According to the information provided in the audited financial statements for the year ended 30 June, 2010 the Company was incorporated in the year 2007. However, the Company did not prepare and submit financial statements for twelve (12) financial years ended 30 June, 2011 to 30 June, 2022. This was contrary to Section 149 (2) of the Public Finance Management Act, 2012 which provides that an Accounting Officer shall, in respect of the entity concerned not later than three (3) months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury. Further, it was not possible to confirm the opening balances given that the comparative figures brought forward from the financial year 2011 to financial year were not audited.

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

2. Presentation of the Financial Statements

Review of the financial statements presented for audit revealed that disclosures in the non-financial information section of the financial statements were not included in the financial statements. In addition, the financial statements were not signed by the Chief Executive Officer, Head of Finance and the Chairman of the Board. Further, mandatory disclosures including intangible assets, inventories, related party disclosures, analysis of County Government contribution, analysis of customer deposits and projects implemented by the Company were not included in the financial statements.

In the circumstances, the financial statements were not in compliance with the format prescribed by the Public Sector Accounting Standards Board.

3. Inaccuracies in Cash and Bank Balances

The statement of financial position and as disclosed in Note 30 to the financial statements reflects bank and cash balances of Kshs.793,614, comprising of cash at bank of

Kshs.673,932 and cash in hand of Kshs.119,682. However, the board of survey reports to support the balances were not provided for audit.

In the circumstances, the accuracy of the cash and bank balance of Kshs.793,614 could not be confirmed.

4. Unsupported Revenue

The statement of profit or loss and other comprehensive income reflects total revenue amount of Kshs.77,526,185 which includes operating revenue amount of Kshs.19,977,017. However, supporting schedules and primary revenue records including daily/weekly revenue summaries indicating actual transactions details such as revenue source, dates and amount for the operating income amount of Kshs.32,883,428 were not provided for audit. Further, electricity expenses amounting to Kshs.12,022,106 paid by the County Government of Kisumu on behalf of the Company were not disclosed in the financial statements as income-in kind.

In the circumstances, the accuracy and completeness of the total revenue of Kshs.77,526,185 could not be confirmed.

5. Unsupported Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.14,237,848 as disclosed in Note 28 of the financial statements. However, the Company did not maintain an updated debtors' ledger to support the balance. In addition, the Company did not have a Debt Management Policy and policy on provision for bad and doubtful debts. The debtors were not circularized for independent confirmation.

In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.14,237,848 could not be confirmed.

6. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.7,785,065 as disclosed in Note 40 to the financial statements. Included in the balance is an amount of Kshs.5,523,186 which was outstanding for more than one year. Management did not provide measures put in place to settle the outstanding amounts.

Failure to settle debts in time may lead the Company into litigations resulting in fines and penalties.

7. Failure to Maintain Fixed Asset Register

The statement of financial position reflects property, plant and equipment net book value of Kshs.20,136,378 as reflected in Note 20 to the financial statements. However, the Management did not provide a fixed asset register to support the assets constituting the balance.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.20,136,378 could not be confirmed.

8. Unsupported Water Network Maintenance Expenses

The statement of profit or loss and other comprehensive income reflects maintenance expenses of Kshs.11,070,412 as disclosed in Note 13 to the financial statements. However, payment vouchers, procurement files, requisition letters from the user department, Local Purchase Orders and Local Service Orders to support the goods procured and services rendered were not provided for audit.

In the circumstances, the accuracy and completeness of the maintenance expenses amount of Kshs.11,070,412 could not be confirmed.

9. Unaccounted for Customer Deposits

The statement of financial position reflects customer water deposits balance of Kshs.2,570,350 and as disclosed in Note 39 to the financial statements. However, the Company maintained one bank account for its operations where customer water deposits were also deposited.

In the circumstances, the accuracy, completeness and existence of customer water deposits balance of Kshs.2,570,350 could not be confirmed.

10. Non-Revenue Water

During the year under review, the Company produced a total of 1,048,226 cubic meters (M³) of water. However, 338,230 M³ were billed to customers, resulting to Non-Revenue Water (NRW) of 709,996 M³ or 63% which was over and above the NRW level of 25% recommended by the Water Service Regulatory Board (WASREB). This may have resulted to loss of water sales revenue estimated at Kshs.92,299,480 at a rate of Kshs.130 per cubic meter. Further, the Company operated without Non-Revenue Water function as required by the Water Services Regulatory Board. It was therefore not possible to confirm whether Management was committed to reducing the high levels of Non-Revenue Water.

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

11. Non-Establishment of Non-Revenue Water Function

During the year under review, the Company operated without Non-Revenue Water function as required by the Water Services Regulatory Board. It was therefore not possible to confirm whether Management was committed to reducing the high levels of Non-Revenue Water.

Without the Non-Revenue Water function, the Company may not be able to reduce Non-Revenue Water to recommended levels.

12. Operation Without a Board of Directors

During the year under review, the Company did not have a Board of Directors in place. This was contrary to Section 79(1) of the Water Act, 2016 which provides that water

services provider shall have a Board of Directors and in the case of a Company the members of its Board of Directors shall be constituted in accordance with the Companies Act, 2015 and the directors shall be nominated to serve on the Board in accordance with the company's Memorandum and Articles of Association.

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

13. Lack of Substantive Accounting Officer

Information provided during the audit and records examined revealed that the operations and management of the Company were undertaken by a team from the Kisumu Water and Sewerage Company Ltd. As a result, the Company operated without a substantive Managing Director and a management team.

In the absence a substantive accounting officer and management team, it was not possible to confirm the effectiveness of governance processes in the Company.

14. Lack of Company's Incorporation Documents

Management did not provide Memorandum of Association, Articles of Association and CR12 indicating names of Company Directors for audit review.

In the circumstances, the registration and shareholding status of the Company could not be confirmed.

15. Lack of a License from the Water Services Regulatory Board

The Company operated without a license from the Water Services Regulatory Board. This was contrary to Section 85(1) of the Water Act, 2016 which provides that a person shall not provide water services except under a license issued by the Regulatory Board, upon submission of an application and such supporting documents as the Board may require.

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

16. Non-Remittance of Regulatory Fees

The statement of financial position reflects trade and other payables under current liabilities balance of Kshs.7,592,936 as disclosed in Note 40 to the financial statements. Included in this amount is a long outstanding payables to the Water Services Regulatory Board of Kshs.374,634. No explanation was provided for the failure to settle the outstanding amount.

Failure to settle long outstanding debts may result in losses in case of fines and penalties.

17. Lack of an Approved Procurement Plan

The Company did not have an approved procurement plan as required by Section 53(2) and (5) of the Public Procurement and Asset Disposal Act, 2015 which requires entities to have in place procurement and asset disposal plans that are based on indicative or approved budgets which shall be integrated with the applicable budget process.

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

18. Lack of Risk Management Policy and Disaster Recovery Plan

The Company did not put in place risk management policies, strategies, disaster recovery plan and risk register to mitigate risk. This was in contravention of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer shall ensure that; (a) the County Government entity develops risk management strategies, which include fraud prevention mechanisms; and (b) The County Government entity develops a system of risk management and internal control that build robust business operations.

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

19. Non-Compliance with Law on Ethnic Composition

The Company had a total of twenty-four (24) employees out of whom 87% of the employees were from the same ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

20. Lack of a Strategic Plan

The Company operated without a strategic plan. It was therefore not possible to confirm whether the Company's budget was aligned to the strategic objectives of the Company. This was contrary to Section 149(2)(g) of the Public Finance Management Act, 2012 which provides that an accounting officer shall, in respect of the entity concerned prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and financial objectives of the county government.

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

21. Lack of Policy Documents

The Company did not have an approved Information Technology Security Policy, IT Strategic Plan and IT Continuity Plan. In addition, the Company did not have IT strategic or steering committees. Further, there were no fire suppression systems to mitigate loss in case of a fire outbreak.

In the circumstances, the existence of effective risk management in the Company could not be confirmed.

22. Weaknesses in the Billing System

Review of the billing system in place revealed that the billing module which was used for generating bills, viewing bills and updating balances was not able to extract the balances

for customers. Further, the customer data module which was used to capture all the customer's data could not track active and dormant customers.

In the circumstances, the credibility, integrity and reliability of the input, storage, processing and output of the Company's data and information could not be confirmed.

23. Weaknesses in Human Resource Management

Review of the Company's payroll revealed that the Company had twenty-four (24) employees out of which two (2) employees were seconded from Kisumu Water and Sewerage Company Limited. However, review of payroll and personal files for twenty-two (22) employees directly engaged by the Company revealed that the payrolls were not verified on a monthly basis and authorized by a senior official.

In addition, key information such as job groups were missing in the payrolls. Further, the Company operated without a human resource policy manual, staff establishment and scheme of service.

In the circumstances, it was not possible to confirm the existence of effective internal controls on staff recruitment, promotions and management in the Company.

24. Failure to Establish an Internal Audit Function and Audit Committee

The Company did not have an internal audit function and Audit Committee as required by Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that subject to paragraph (2) of this regulation, each county government entity shall establish an audit committee.

In the circumstances, the existence of effective risk management and governance processes in the Company could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have

not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, Because of the significance of the matters under the Basis for Disclaimer of Opinion section of my report, I report based on my audit, that:

- i. I have not obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have not been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are not in agreement with the accounting records and returns.

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

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how 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 Company's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal controls, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Gulf Water Services Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 March, 2024

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	19,977,017	19,518,158
Grants Income	7	24,665,740	22,870,751
Other Operating Income	8	32,883,428	672,600
Total Revenue		77,526,185	43,061,509
Expenses			
Staff Costs	9	9,506,770	13,649,793
Production expenses	10	19,564,831	16,822,563
General and Operations expenses	11	2,627,466	1,642,382
Board Expenses	12	-	-
Maintenance Expenses	13	11,070,412	3,189,218
Establishment Expenses	14	403,360	288,960
Depreciation and Amortization expenses	15	2,895,813	2,873,476
Finance Costs	16	-	-
Total Expenses		46,068,653	38,466,392
Profit/(Loss) Before Taxation		31,457,532	4,595,117
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		31,457,532	4,595,117
Earnings Per Share - Basic And Diluted			
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		31,457,532	4,595,117
Surplus Or Deficit On Revaluation Of PPE		-	-
Re-measurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity		-	-
Instruments Designated As At FVTOCI		-	-
Total Comprehensive Income For The Year		31,457,532	4,595,117

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position As at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	20,136,378	19,286,691
Intangible assets	21	-	-
Deferred tax	26	-	-
Total Non-Current Assets		20,136,378	19,286,691
Current Assets			
Inventories	27	-	-
Trade and receivable	28a	14,237,848	11,101,597
Staff Recoverable	28c	-	-
Prepayments and deposits	28d	-	-
Tax Recoverable	29	-	-
Bank and cash balances	30	793,614	970,468
Total Current Assets		15,031,462	12,072,064
TOTAL ASSETS		35,167,841	31,358,756
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	31	-	-
Revaluation reserve	32	-	-
Retained earnings	34	24,812,426	(6,645,107)
Capital and Reserves		24,812,426	(6,645,107)
Non-Current Liabilities			
Borrowings	36	-	-
Trade and other payables	39	2,570,350	36,166,779
Total Non-Current Liabilities		2,570,350	36,166,779

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position As at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Current Liabilities			
Borrowings	36	-	-
Trade and other payables	39	7,785,065	1,837,084
Current tax	43	-	-
Total Current Liabilities		7,785,065	1,837,084
TOTAL EQUITY AND LIABILITIES		35,167,841	31,358,756

The financial statements were approved by the Management on 29/09/2023 and signed on its behalf by:



.....
Name: Thomas Odongo
Project Manager



.....
Name: Francis Asuna
County Government of Kisumu

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

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

	Note	Ordinary share	Revaluation Reserve	Retained Earnings
		capital	Reserve	
As at July 1, 2021	34	-	-	(11,240,224)
Profit for the year		-	-	4,595,117
Dividends payable		-	-	-
As at June 30, 2022		-	-	(6,645,107)
As at July 1, 2022		-	-	(6,645,107)
Profit for the year		-	-	31,457,532
Dividends payable		-	-	-
At June 30, 2023		-	-	24,812,426



Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

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

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash Flows From Operating Activities			
Cash Generated from operations	44	37,165,075	(1,795,919)
Tax paid		-	-
Net Cash From Operating Activities		37,165,075	(1,795,919)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	20	(3,745,500)	-
Purchase Of Intangible Assets	21	-	-
Proceeds From Disposal/ Impaired		-	-
Net Cash From/(Used In) Investing Activities		(3,745,500)	-
Cash Flows from Financing Activities			
Interests Paid	16	-	-
Proceeds From Borrowings	36	-	-
Repayment Of Borrowings	36	-	-
Increase in water deposits	39	322,200	2,248,150
Grant received	42	-	-
Grants reversed from prior year to P&L account		-	-
Donations received		(33,918,629)	33,918,629
Net Cash From/(Used In) Financing Activities		(33,596,429)	36,166,779
Increase/(Decrease) In Cash And Cash Equivalents		(176,854)	34,370,860
Cash And Cash Equivalents At Beginning Of Year		970,468	(33,400,392)
Cash And Cash Equivalents At End Of The Year	30	793,614	970,468

Gulf Water Services Company Limited
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18. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2023

	Original budget	Adjustment s	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2022 - 2023	2022 - 2023	2022 - 2023	2022 - 2023		
Revenue						
Operating Revenue	23,810,784	-	23,810,784	19,977,017	(3,833,767)	-16%
Grants Income	-	-	-	24,665,740	24,665,740	-100%
Other operating income	1,360,000	-	1,360,000	32,883,428	31,523,428	2318%
Total Revenue	25,170,784	-	25,170,784	77,526,185	52,355,401	208%
Expenses						
Cost of sales	-	-	-	19,564,831	19,564,831	-100%
Employment expenses	15,709,382	-	15,709,382	9,506,770	(6,202,612)	-39%
Administrative expenses	4,333,816	-	4,333,816	2,627,466	(1,706,350)	-39%
Board expenses	-	-	-	-	-	-
Maintenance expenses	11,434,830	-	11,434,830	11,070,412	(364,418)	-3%
Establishment expenses	-	-	-	403,360	403,360	-100%
Depreciation and amortization	2,873,476	-	2,873,476	2,895,813	22,337	1%
Finance costs	1,181,391	-	1,181,391	-	(1,181,391)	100%
Total Recurrent Expenditure	35,532,895	-	35,532,895	46,068,653	10,535,758	100%
Profit or Loss	(10,362,111)	-	(10,362,111)	31,457,532	41,819,643	-404%
Capital Expenditure				-	-	
Total Expenditure	(10,362,111)	-	(10,362,111)	31,457,532	41,819,643	-404%

Note:

- The Company achieved a -16% of the budgeted revenue in the year under review.
- Other incomes increased in the year due to the Government grant and Kiwasco donations to support the company in its operations to continue supplying the rural population with adequate water supply
- Employment expenses was fairly within approved budget with a 39% utilisation
- The overall administrative expenses was an improvement with our aim in reduction of overhead costs the budget was done and approved in the supplementary budget to cater for under and overspendings within the budget line.
- Maintenance expense was within budget as predicted for the existing networks.
- The company did not have any loan obligation in the year under review hence no finance charges incurred
- Improved profitability caused by the Donation received from CGK and Kiwasco with their mandate of supporting the company in its activities.

Gulf Water Services Company Limited

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

19. Notes to the Financial Statements

1. General Information

Kisumu Water and Sanitation Company Ltd is established by and derives its authority and accountability from the Companies Act. The Company is wholly owned by the County Government of Kisumu and is domiciled in Kenya. The Company's principal activity is to abstract, treat and supply portable water and to provide sanitation services. The balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5a. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contract with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

Gulf Water Services Company Limited

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

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 effective in the year ended 30 June 2023

Title	Description	Effective Date
The amendments are effective for annual reporting periods beginning on or after January 1, 2023	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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 2023.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued 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 do not plan to apply any of the above until they become effective. Based on their assessment of application of the above, they do not expect that there will be a significant impact on the company's financial statements. the potential impact of

iii. Early adoption of standards

KIWASCO did not early - adopt any new or amended standards in year 2022/2023

Gulf Water Services Company Limited

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

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

Revenue is 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 recognised 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 from Government Entities are recognised 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 recognised in profit or loss on a time proportion basis using the effective interest rate method.

iv) Dividend income is recognised in the income statement in the year in which the right to receive the payment is established.

v) Rental income is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.

vi) Other income is recognised as it accrues.

b) In-kind contributions

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

Gulf Water Services Company Limited

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

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

c) Property, plant and equipment

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

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

Item	Rates
Plant, meters and machinery	12.5%
Motor vehicles, including motor cycles	25%
Office equipment, furniture and fittings	12.5%

A full year's depreciation charge is only recognized in the year of asset purchase. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

Gulf Water Services Company Limited

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

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

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 over a period of 5 years. 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 acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

g) 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. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

h) Trade and other receivables

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

i) Taxation

i) Current income tax

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

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

Gulf Water Services Company Limited

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

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

j) 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 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.

k) 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

Gulf Water Services Company Limited

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

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

k) Borrowing costs

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.

l) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) 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 amortised cost using the effective interest rate method. Amortised 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 capitalised as part of the cost of the project.

n) 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.

o) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme administered by both County Pension Fund (CPF) and LAPFUND teams and are 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. 200 per employee per month.

Gulf Water Services Company Limited

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

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

p) Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue. Annual leave pay is utilized in the course of the year hence no provision is made at the reporting date.

q) 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 recognised in profit or loss.

r) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 29th June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of Kshs.79,820,000 on the 2022-2023 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section XVII. of these financial statements.

s) 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.

Gulf Water Services Company Limited

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

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from 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. Additional disclosure of these estimates of provisions is included in Note 39.

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.

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Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sales	19,977,017	19,518,158
Sewerage Services	-	-
Billing for other services	-	-
Total	19,977,017	19,518,158

7. Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Government entities	-	-
Recurrent/operational grants from other agencies	-	-
Capital grants amortized	-	-
Donations from the County Government of Kisumu	10,563,805.48	13,719,774.43
Donations from Kisumu Water & Sewerage Company Ltd	14,101,934.88	9,150,977.00
In Kind contribution/donations from other agencies	-	-
Total	24,665,740.36	22,870,751.43

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund. Kshs	Total grant income during the year Kshs	2022-2023 Kshs
Water Sector Trust Fund	-	-	-	-	-
Ministry	-	-	-	-	-
Other partners	-	-	-	-	-
Total	-	-	-	-	-

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

8. Other Income

Description	2022-2023	2021-2022
	Kshs	Kshs
Illegal connections	-	-
New water connections	642,300	633,000
Reconnection fees	-	-
Sewer connection	-	-
Surcharge on meter loss	-	-
Miscellaneous income	392,750	39,600
Other Income - W/offs of opening balances	31,848,378	-
Exhauster Services	-	-
Total	32,883,428	672,600

9. Staff Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross Salary and Allowances	7,278,195	11,711,673
Casual workers' Wages	1,804,060	1,918,120
Medical insurance schemes	-	-
Employer's contributions to social security schemes	171,340	-
Employer's contributions to pension scheme	172,676	-
Provisions for Leave pay (Payment in lieu of leave)	-	-
Staff Gratuity	-	-
Staff welfare	20,000	20,000
Staff training	60,500	-
Total	9,506,770	13,649,793
The Average number of employees during the year	18	18

- i. Gross Salary and allowances include Basic pay and house allowances for permanent and pensionable staff
- ii. Casual wages relates to contracted staff on either one year or three year contracts payable monthly
- iii. Contributions to social security schemes are made to the National Social Security Fund (NSSF) at the prescribed rates. All staff are eligible to contribute.
- iv. The Company has contracted the services of National Water Conservation & Pipeline Corporation (NWCP) to manage staffs pension schemes. The employee contribute 12% while the Employer contributes 15% towards the pension schemes.

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

v. The Company equally handles staff welfare issues as and when they arise hence the welfare expense

10. Production Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Opening stock of Chemicals	-	-
Chemicals	5,945,846	2,988,164
Electricity	13,618,985	13,834,399
Less Closing stock of Chemicals	-	-
Total	19,564,831	16,822,563

11. General and Operations Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Opening Stocks (Uniforms and Stationery)	-	-
Uniform and protective clothing	-	-
Publicity and advertising	42,840	
Tenders	-	-
Bank Charges and commissions	44,060	58,864
Staff training and development	-	-
Telephone and Postage	174,953	204,015
Vehicle running expenses (Fuel, oil, lubricants & repairs)	1,652,073	993,058
Traveling and subsistence	-	32,708
Printing and stationery	25,125	38,612
Sports and recreation	-	-
Audit fees	-	-
Telecommunication- ICT expenses	81,190	24,146
Debt collection	-	-
Bad debts provision	-	-
Legal and Professional fees	-	-
Consultancy fees	-	-
Office expenses	607,226	290,979
Donations/CSR	-	-
Closing Stocks (Uniforms and Stationery)	-	-
Total	2,627,466	1,642,382

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

12. Board Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Chairman Honoraria	-	-
Sitting allowances	-	-
Induction and Training (Board retreat)	-	-
Annual General Meeting (AGM) & stakeholders meeting	-	-
Refreshments	-	-
Total Board Expenses	-	-

13. Maintenance Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Opening inventories of consumables	-	-
Network maintenance	11,070,412	3,189,218
Sewerage maintenance	-	-
Sanitation	-	-
Laboratory reagent	-	-
Water pump maintenance	-	-
Electrical items	-	-
Closing inventories of consumables	-	-
Total	11,070,412	3,189,218

14. Establishment Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Conservancy fees	-	-
LTAP - operating Lease	-	-
WASREB levy	-	-
WRA levy	228,960	228,960
NEMA	-	-
KEBS levy	-	-
WASPA	-	-
Rent and Rates	70,000	60,000
Office repairs and maintenance	-	-
Electricity	-	-
General insurance	-	-
Security services	104,400	-
Impairment loss on meters	-	-
Bulk water Costs	-	-
Total	403,360	288,960

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

15. Depreciation and Amortization Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, plant, and equipment	2,895,813	2,873,476
Intangible assets	-	-
Investment property carried at cost	-	-
Total Depreciation and Amortization	2,895,813	2,873,476

16. Finance costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest expense on loans	-	-
Interest expense Insurance Premium Financing (IPF)	-	-
Interest on lease liabilities	-	-
Total	-	-

17. Income Tax Expense/(Credit)

Current taxation

	2022-2023	2021-2022
	Kshs	Kshs
Adjusted profit for the year	-	-
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

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

	2022-2023	2021-2022
	Kshs	Kshs
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
Total	-	-

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

19. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). The Company has not proposed any dividend payment in the financial year under review.

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

20. Property, Plant and Equipment

2022-2023	Plant, meters and machinery	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Total
Cost Or Valuation				
At July 1, 2022	25,842,928	185,000	849,263	26,877,191
Additions	3,486,000	-	259,500	3,745,500
Transfers	-	-	-	-
Disposals	-	-	-	-
At June 30, 2023	29,328,928	185,000	1,108,763	30,622,691
Depreciation				
At July 1, 2022	7,278,718	50,686	261,096	7,590,500
Charge For The Year	2,756,276	33,579	105,958	2,895,813
Impairment Loss	-	-	-	-
Eliminated On Disposal	-	-	-	-
At June 30, 2023	10,034,994	84,265	367,054	10,486,313
Net Book Value At June 30, 2023	19,293,934	100,736	741,709	20,136,378

2021-2022	Plant, meters and machinery	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Total
Cost Or Valuation				
At July 1, 2021	25,842,928	185,000	849,263	26,877,191
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
At June 30, 2022	25,842,928	185,000	849,263	26,877,191
Depreciation				
At July 1, 2021	4,523,271	31,498	162,255	4,717,024
Charge For The Year	2,764,488	19,904	89,083	2,873,476
Impairment Loss	-	-	-	-
Eliminated On Disposal	-	-	-	-
At June 30, 2022	7,287,759	51,403	251,338	7,590,500
Net Book Value At June 30, 2022	18,555,169	133,597	597,925	19,286,691

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

21. Intangible Assets

	2022-2023	2021-2022
	Kshs	Kshs
COST		
At July 1 2022	-	-
Additions	-	-
Disposals	-	-
At June 30 2023	-	-
AMORTISATION		
At July 1 2022		
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30 2023	-	-
NET BOOK VALUE	-	-

Intangible assets include the Enterprise Resource Planning (ERP) system that the company uses to facilitate the operations e.g. Billing, Customer service, Collections, administration and software licenses required to operate the above systems

22. Investment Property

The Company does not have or maintain any Investment Properties.

23. Right-of-use assets

The Company does not have or maintain any Right-of-use assets.

24. Fixed Interest Investments (Bonds)

The Company does not have or maintain any Fixed interest Investments (Bonds)

25. Quoted Investments

The Company does not have or maintain any Quoted or Unquoted Investments

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

26. Deferred Tax Asset

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The movement on the deferred tax account is as follows:

	2022-2023	2021-2022
	Kshs	Kshs
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

27. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
General stores	-	-
Water Chemicals	-	-
Water fittings and Accessories	-	-
Water meters	-	-
Electrical items	-	-
Pipes	-	-
Hardware materials	-	-
Uniform and protective clothing	-	-
Stationery and general supplies	-	-
Finished goods	-	-
Total	-	-

- a. The company does not maintain stocks and consumes stock items on need basis.

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

28.) Trade and Other Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Trade receivables (note (28a))	14,237,848	11,101,597
Prepayments and Deposits	-	-
VAT recoverable	-	-
Staff receivables (note 28 (c))	-	-
Gross trade and other receivables	14,237,848	11,101,597
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	14,237,848	11,101,597

28 (a) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	14,237,848	11,101,597
Provision for doubtful receivables	-	-
Net trade receivables	14,237,848	11,101,597

at June 30, the ageing analysis of the gross trade receivables was as follows:

Less than 30 days	3,559,462	2,775,399
Between 30 and 60 days	10,678,386	8,326,197
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	-	-
Total	14,237,848	11,101,597

28 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

28 (c) Staff Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross staff loans and advances	-	-
Provision for impairment loss	-	-
Net staff loans	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

Reconciliation of Impairment Allowance for Staff Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

28 (d) Prepayments and Deposits

Description	2022-2023	2021-2022
	Kshs	Kshs
Telephone deposits (Telkom & Safaricom)	-	-
Electricity deposits (KPLC)	-	-
Internet services deposit	-	-
Staff medical & General insurance prepaid	-	-
Total	-	-

29. VAT Recoverable

	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	-	-
Movement during the year	-	-
At end of the year	-	-

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

30. Bank and Cash Balances

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	673,932	923,331
Cash in hand	88,683	47,137
Mobile money account	30,999	-
Total	793,614	970,468

Detailed analysis of the cash and cash equivalents

		2022-2023	2021-2022
Financial institution	Account number	Kshs	Kshs
a) Current account			
Co-operative Bank	01120613589300	673,932	923,331
Sub- total		673,932	923,331
b) On - call deposits			
Co-operative Bank		-	-
others		-	-
Sub- total		-	-
c) Fixed deposits account			
Commercial banks & Others		-	-
Sub- total		-	-
d) Others(specify)			
Cash in hand -Petty Cash		88,683	47,137
Mobile money account		30,999	-
Sub- total		119,682	47,137
Grand total		793,614	970,468

31. Ordinary Share Capital

	2022-2023	2021-2022
	Kshs	Kshs
Authorized:		
	-	-
Issued and fully paid:		
	-	-

The company is owned by County Government of Kisumu who hold 100% of the total shares. The shares are held in Trust for the public

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

32. Revaluation Reserve

The company did not have Revaluation Reserve for the period under review.

33. Fair Value Adjustment Reserve

The company did not have Fair Value Adjustment Reserve for the period under review.

34. Retained Earnings

The retained earnings represent amounts available for distribution to the Company's shareholders.

Undistributed retained earnings are utilised to finance the Company's business activities including network expansions to meet the coverage level as required by the Regulator (WASREB). The retained earnings for the year are as indicated in the statement of Changes in Equity in page 4.

35. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. There were no deferred tax liability at year end.

36. Borrowings

The Company did not borrowed funds in current period under review.

Description	2022-2023	2021-2022
	Kshs	Kshs
a) External Borrowings	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	-	-
Balance at end of the year	-	-
C) Total Balance at end of the period c = a+b	-	-
The analyses of the domestic borrowing is as follows:		
Domestic Borrowings		
Kenya Shilling loan from	-	-
Total balance at end of the year	-	-
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

37. Lease Liability

The Company did not have Lease Liability in current period under review.

38. Retirement Benefit Obligations

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 the scheme is limited to specific contributions legislated from time to time and is currently at Kshs 200 entity's obligation under per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund and Local Authorities Pension Fund. Employees contribute 6.5% while the employer contribute 13% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

39. Trade and Other Payables - Non-current Liabilities

	2022-2023	2021-2022
	Kshs	Kshs
Customer water Deposits (note 41)	2,570,350	2,248,150
County Government Contribution (note 42)	0	-
Kisumu Water & Sanitation Company Ltd	0	33,918,629
Total	2,570,350	36,166,779

40. Trade and Other Payables -Current Liabilities

	2022-2023	2021-2022
	Kshs	Kshs
Trade payables	5,148,552	1,634,170
Conservancy fee - County Government of Kisumu	-	-
Accrued expenses	-	-
Lease fees - County Government of Kisumu	-	-
Other payables	2,261,879	-
Lake Victoria South Water Works Development	-	-
WRA Levy	374,634	202,914
Total	7,785,065	1,837,084
Ageing analysis:		
Under one year	2,261,879	-
1-2 years	5,148,552	1,634,170
2-3 years	374,634	202,914
Over 3 years		
Total	7,785,065	1,837,084

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

41. Analysis of Customer Deposits

	2022-2023	2021-2022
	<i>Kshs</i>	<i>Kshs</i>
Opening Balance		
Add: deposits received during the year		
Less: Refunded deposits during the year		
Closing balance	-	-
Ageing analysis:		
Under one year		
1-2 years		
2-3 years		
Over 3 years		
Total		

42. Analysis of County Government Contribution

The balance of the County Government Contribution relates to the balance of liability arising from the net assets transferred to the Company at inception but which has crystalized over time.

	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year		
Additional declared during the year		
Amortized during the year		
Balance at end of the year	-	-

43. Taxation

	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
Less -Income tax paid during the year	-	-
At end of the year	-	-

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

44. Notes to The Statement of Cash Flows

	2022-2023	2021-2022
	Kshs	Kshs
(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations		
Profit or loss before tax	31,457,532	4,595,117
Depreciation	2,895,813	2,873,476
Amortisation	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Interest Expense	-	-
Grants Write-back	-	-
Operating profit/(loss) before working capital changes	34,353,345	7,468,593
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(3,136,251)	(11,101,597)
Increase/(decrease) in trade and other payables	5,947,981	1,837,084
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	37,165,075	(1,795,919)
(b) Analysis of changes in loans		
Balance at beginning of the year		
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Accrued interest	-	-
Balance at end of the year	-	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	673,932	923,331
Cash in hand	119,682	47,137
Balance at end of the year	793,614	970,468
(d) Analysis of interest paid		
Interest on loans	-	-

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Notes to the Financial Statements (Continued)

	2022-2023	2021-2022
	Kshs	Kshs
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalized	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	-	-
Interest paid	-	-
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2023 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

Other Disclosures

45. Related Party Disclosures

County Government of Kisumu

The County Government of Kisumu is the principal shareholder of the Company, holding 100% of the Company's equity interest.

Other related parties include:

- Lake Victoria South Water Works Development Agencies
- Water Services Regulatory Board (WASREB)
- Water Resources Authority (WRA)
- Water Sector Trust Fund (WSTF)
- Key management

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies - County Government of Kisumu	-	-
Others (Specify)	-	-
Total	-	-
b) Purchases from related parties		
Rent expenses paid to Government agencies	-	-
Training and conference fees paid to Government agencies	-	-
Others (specify)	-	-
Total	-	-
c) Grants from the Government		
Grants from National Government agencies (WSTF)	-	-
Grants from County Government	-	-
Donations in kind	-	-
Total	-	-
d) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services for conservancy services (CGK)	-	-
Total	-	-
e) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total		

46. Capital Commitments

There were no Capital commitments at the year- end for which any provision has been made in these financial statements.

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

49. Contingent Assets and Liabilities

Contingent Assets

	2022-2023	2021-2022
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Total	-	-

Contingent Liabilities

	2022-2023	2021-2022
	Kshs	Kshs
Contingent liabilities		
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Total	-	-

In the opinion of the management, no provision is required in these financial statements as there were no liabilities expected to crystallize.

50. 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.

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Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

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

i. Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	14,237,848	-	-	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	793,614	-	-	-
Total	15,031,462	-	-	-

At 30 June 2022 (previous Year)				
Trade Receivables	11,101,597	-	-	-
Other Receivables		-	-	-
Investments		-	-	-
Bank balances	970,468	-	-	-
Total	12,072,064	-	-	-

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.

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

Credit Risk (Continued)

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.

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2023 current year				
Trade payables	-	5,148,552	-	5,148,552
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	5,148,552	-	5,148,552
At 30 June 2022 previous year				
Trade payables	-	1,634,170	-	1,634,170
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	1,634,170	-	1,634,170

Gulf Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

iii) Market risk

The company has no internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

iv) Foreign currency risk

The Company has no transactional currency exposures since the purchases of goods and services are done in the local currency

v) Interest rate risk

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

The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

a) Management of interest rate risk

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

b) Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis could not however be performed in the year as the company had no borrowing liability hence no interest accrued.

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vi) 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.

vii) Capital Risk Management

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

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	24,812,426	(6,645,107)
Capital reserve	-	-
Total funds	24,812,426	(6,645,107)
Total borrowings	-	-
Less: cash and bank balances	793,614	970,468
Net debt/(excess cash and cash equivalents)	(793,614)	(5,674,639)
Gearing	-3.20%	85.40%

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Notes to the Financial Statements (Continued)

51. Incorporation

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

52. Events After the Reporting Period

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

53. Currency

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