

REPUBLIC OF KENYA



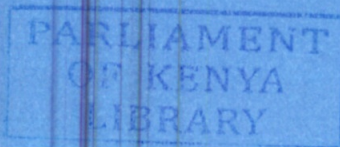
Enhancing Accountability

PAPERS LAIN	
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REPORT

OF

THE AUDITOR-GENERAL



ON

**FORT BEVERAGE INDUSTRIES COMPANY
LIMITED**

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



FORT BEVERAGE INDUSTRIES COMPANY LIMITED

ANNUAL REPORTS & FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023



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

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

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FORT BEVERAGE INDUSTRIES COMPANY LIMITED
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1. Acronyms and Glossary of Terms.

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
FBIL	Fort Beverage Industries Limited
MUWASCO	Murang'a Water and Sanitation Company
CPS	Certified Public Secretary
KNUT	Kenya National Union of Teachers
CECM	Count Executive Committee Member
NGO	Non-governmental Organization
NCWK	National Council of Women of Kenya
CPA(K)	Certified Public Accountant Kenya
BSC	Bachelor of Science
M&E	Monitoring and Evaluation
CEO	Chief Executive Officer
EBK	Engineers Board of Kenya
AGM	Annual General Meeting
IEK	Institution of Engineers of Kenya
OSHA	Occupational Safety Health Act
ENG	Engineer
DR	Doctor
FOTAPI	Friends For The Abused People International
NACADA	National Authority for the Campaign Against Alcohol and Drug Abuse
KSG	Kenya School of Government
KIM	Kenya Institute of Management
WASREB	Water Services Regulatory Board

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
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2. Key Entity Information

Background Information

The company was incorporated on 28th December 2016 under the Companies' Act 2015. It is a private company wholly owned by Murang'a Water and Sanitation Company and it is limited by shares. These shares are allotted to the natural person and held in trust for the holding company. The nominal capital of Fort Beverage Industries Ltd is Ksh. 100,000 divided into 1000 shares of Ksh 100 each. The company started its independent operations in July 2017.

Principal Activity

The company produces and sells bottled water.

The Board of Directors

Name	Designation	Date of Appointment
Dr. P. K. Munga	Chairman	Appointed on 18 th October 2019
Eng. D. Ng'ang'a	Managing Director	Appointed on 1 st November 2019
H. M. Mwithiga	Member	Appointed on 18 th October 2019
S. Karina	Member	Appointed on 18 th October 2019
M. Gichomo	Member	Appointed on 18 th October 2019
E. Gathima	Member	Appointed on 18 th October 2019
J. Kamwaga	Member	Appointed on 18 th October 2019
R. Kamina	Member	Appointed on March 2022
B. Gicheha	Member	Appointed on October 2022
M. Magochi	Member	Appointed on October 2022
Prof. J. Kiarie	Member	Appointed on October 2022

Company Secretary

Gichuke Ribathi & Company Advocates
P.O BOX 5556-00200
Nairobi, KENYA

Registered Office

Muwasco Building, Murang'a
Kangema Road
P. O. Box 1050 - 10200
Murang'a, KENYA

Company Contacts

Telephone-0712292544
E-Mail-managingdirector@muwasco.co.ke
Website-www.muwasco.co.ke

Corporate Bankers

Equity Bank Ltd.
P. O. BOX 1060 - 10200,
Murang'a Branch

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Independent Auditors

Auditor General

The Office of the Auditor General.

Anniversary Towers, University Way

P.O. Box 30084 GPO 00100






Nairobi, Kenya.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED
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3. The Board of Directors

 <p>DR. P.K MUNG'A</p>	<p>He is an industrialist and a business man with interests in banking, manufacturing, and insurance among others. He has vast experience in both public and private sector and has been contributing immensely to the community in scholarships and other social wellbeing. He is the former chairman of Equity bank and a member of boards of various blue-chip companies. He is the proprietor of Equatorial Industrial Park and Pioneer group of schools among others.</p> <p>He is a qualified Certified Public Secretary (CPS) and holds many other certificates in management and corporate governance.</p>
 <p>R. KAMINA</p>	<p>She was born in 1962. She was appointed to the board on 4th March 2022 and represents women organizations. She holds a Master's degree in Education from Kenyatta University, Diploma in Special Education and Diploma in Strengthening Policy Dialogue among other numerous certificates in various fields. She has vast experience in teaching in Special needs Education and community and women empowerment programs. She is currently a Senior Executive Officer at KNUT Headquarters and has previously held various positions in the Kenya National Union of Teachers (KNUT). She is an independent member and a member of Audit and Risk Management committee of MUWASCO Board.</p>
 <p>H.M MWITHIGA</p>	<p>He has vast experience in both the public and private sector having worked for many years with BAT rising to the post of Area Marketing Manager. He founded and is the current proprietor of Murang'a Tobacco Distributors. He has served in many schools management boards as well as ACK church council committees in various capacities.</p> <p>He holds various post high school certificates in sales, management and corporate governance.</p>
 <p>S.KARINA</p>	<p>She has vast experience in community development and the founder and current director of an NGO called Friends For The Abused People International (FOTAPI). She has also worked in various capacities with: NACADA, ECK, Uwezo Kenya, Joyful Women, Probation office and been a member of school boards.</p> <p>She holds a bachelors degree in social work and administration and has numerous certificates in community development related courses from various institutions.</p>
 <p>M. GICHOMO</p>	<p>She is a career journalist with experience in journalism and social work. She has also worked as an assistant director at Radio Maria station. She has been involved in various youth development programs and represented the youth in various capacities. She is also a founder member of Murang'a Active Youth Group.</p> <p>She is a diploma holder in Journalism and has diverse certificates from various institutions.</p>

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 <p>E. GATHIMA</p>	<p>He has many years of experience in representing the physically challenged persons in various capacities. He has served in the capacities of treasurer secretary and chairman in various groups of the physically challenged. He has attained certificates in food production, evangelism & discipleship and computer packages. He is a member of Finance and administration committee. He also represents the interests of pro poor in the board.</p>
 <p>M. MAGOCHI</p>	<p>She is the CECM in charge of Water, irrigation and environment and natural resources, Muranga County Government. She holds a Bachelor of Science degree in Biosystems Engineering from the University of Nairobi and registered by both EBK and IEK. She has extensive experience in consulting and business development.</p>
 <p>J. KAMWAGA</p>	<p>She represents women organizations. She holds certificates in Community rehabilitation, Population management and integrated family life. She has vast experience in Project profile preparation, entrepreneurship and strategic planning. She has also worked with various Government agencies, NGOs and private institutions as a consultant and trainer on community empowerment programs. She has also served as a chairperson in various positions including National Council of women of Kenya Kiharu branch, National Council of women of Kenya Murang'a County Chapter, Murang'a county peace Committee and Family Health Options Kenya. She is a member of National Council of Women of Kenya (NCWK) and a member of Finance and administration committee of MUWASCO Board.</p>
 <p>B. GICHEHA</p>	<p>She is the current Murang'a Municipal Manager. She holds bachelor of Education-Arts from Egerton University. She have undertaken quite a number of short term trainings locally in KSG, KIM and internationally in Malaysia and Ethiopia. Currently pursuing Masters of Arts in public policy and administration from Kenyatta University. She has over 13 years of work experience, 5 as a banker with Co-operative bank and 8 as a Subcounty Administrator with Muranga County government.</p>
 <p>ENG. D. NG'ANG'A</p>	<p>Eng. Daniel Ng'ang'a is the emeritus Chairman of The Water Service Providers Association of Kenya (WASPA), Chairman Molo Technical and Vocational College and the Managing Director of Murang'a Water and Sanitation Company Limited. He has more than Fifteen (15) years experience in the Design, Development and Management of water and sanitation utilities in major towns in Kenya.</p> <p>He holds a Bachelor of Science degree in Civil Engineering from JKUAT, Registered by EBK and an active corporate member of IEK, A Masters of Business Administration (MBA) and a Post Graduate Diploma in Community Development from ABMA (UK).</p>

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
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Prof. J. Kiarie

He is the CEC Finance, IT and Economic Planning Murang'a County Government. Fellow of the Institute Certified Secretaries (ICS), and the immediate former dean of the University of Nairobi's School of Law, where he is a professor of corporate law. He is a certified governance auditor, who has published widely in the area of corporate governance and corporate law and has served on the boards of the Transport Licensing Appeals Board and National Council for Law Reporting. Previously, he has worked as the Vice Chancellor of Riara University. He has served as a consultant on corporate governance for a variety of local and international organizations. He has served as the Chairman of the Murang'a County Initiative (MCI) Steering Committee Towards the realization of goals and development objectives.

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

4. Key Management Team

The Company's senior management team is as follows:

1.	 ENG. D. NGA'NG'A	BSC Civil Engineering, Emba, Dip. Community Development	Managing Director
2.	 CPA. J. MAINA	CPA(K), B.COM, MASTER OF PUBLIC POLICY AND ADMINISTRATION	Commercial Manager
3.	 ENG. P. KARENJU	BSC Civil Engineering	Technical Manager
4.	 CPA. P. NJERU	B.Com CPA(K)	Head Of Internal Audit
5.	 J. MBUTHIA	BMC, Diploma In Journalism & Media Studies	Acting Managing Director/Head Of Corporate Affairs
6.	 P. MWANGI	Diploma In Environmental Technology, Certificate In M&E	Head Of Human Resources & Administration
7.	 L. MAINA	B.Sc. (Hrm) ,Diploma Business Management(Hrm)	Head Of Monitoring And Evaluation

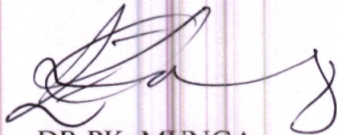
FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

5. Chairman's Statement

It's my pleasure to present to you our annual reports and financial statements for Fort Beverage Industries Company Ltd for the year ended June 2023. While FBIL remains a subsidiary company of MUWASCO, its operations have always remained distinct with clearly set goal and operations. FBIL was born with the main purpose of revenue generation to support its mother company in expanding its operations and supporting its corporate social responsibility activities.

In this financial year there was decline in sales of Ksh 1,069,552, A decline from Ksh 21,596,056 to 20,526,504 made in the 2021/2022 financial year.

In this financial year we intend to automate our bottling operations and ultimately improve our revenues. Our process of automating the plant is still on course and at advanced stages and we hope to achieve this in the next financial year. The automation is expected to fine tune our product and enable the plant to do mass production that will allow us compete with other companies. We endeavor to build a steadfast corporate image that will in the long run be self-sustaining with capacity to consistently generate revenue and create employment.



DR.PK. MUNGA

CHAIRMAN

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

6. Report Of the Managing Director

It is my honour to release our annual report and financial statements for the year ending 30th June 2023. During the year, the company continued to make improvements in the bottled water business.

The company was formed by Murang'a Water & Sanitation Company Limited as its subsidiary to diversify the revenue base and reduce the over-reliance on water and sewerage tariffs.

Operations

The 2022-2023 financial year has been a success with the company making huge strides and notable improvements from the previous financial years. Unlike the financial year 2021-2022 where the company was affected by the aftermath of Covid 19 pandemic and the general elections, am happy to report that this year we have been operating optimally. With more improved production facilities and more staff, we have been able to constantly improve on production of bottled water.

With better established corporate and social governance, I believe this company will get better in handling challenges that emanate from the kind of business we are engaging in. Over the past one year, we have constantly worked to integrate corporate responsibility and sustainability across every aspect of our business. We have also continued to engage in sustainable business management practices that recognize that we have to fully maximize the limited resources that are at our disposal to remain in business. Our sustainability initiatives focuses on three key areas; promoting health, minimizing negative environmental impact and benefitting the local community in our area of jurisdiction.

Future Plans

In a bid to reduce operational costs and improve efficiency, we have established a long-term goal of automating our production unit. Automation will mean increased productivity, low wastage of raw materials and improved quality resulting in better profit margins.

Am also happy to report that we are at the advanced stages of establishing a fighter brand that will offer our customers more options to cater for their needs.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023**

Report Of the Managing Director (Continued)

Tribute

On behalf of the Board, I would like to appreciate and recognize my fellow directors, all our business partners, and all stakeholders for the support they have offered during this year.

I also thank the management and all employees of Fort beverage industries for their tremendous efforts, enthusiasm and commitment to delivering results in what continues to be a very unpredictable environment.

We are gratified

A handwritten signature in blue ink, appearing to be 'D. Ng'ang'a', written over a horizontal line.

ENG. D.NG'ANG'A

MANAGING DIRECTOR

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023**

**7. Statement of Performance Against Predetermined Objectives For
Financial Year 2022/2023**

Fort Beverage Industries Company has strategic pillars and objectives within its strategic plan for the financial year 2020/2021 to 2024/2025.

Fort Beverage Industries Company develops its annual work plans based on the strategic plan.

Assessment of the Boards performance against its annual work plan is done on a quarterly basis.

The company has achieved its performance targets set for the financial year 2023/2024 period for its strategic pillars, as indicated in the diagram below.

PILLAR	Strategy	Strategic plan target	Extent of implementation
Strategy 1:	Bottle Wrapping and Capping Machine	Wrapping machine in place	In progress
Strategy 2:	OSHA Requirements	Training	In progress-80% attained
Strategy 3:	Prepare and adhere to procurement plans	Plans in Place	Procurement plans adhered to
Strategy 4:	Formulate and implement debt collecting policy	Policy in place	In progress-80% attained
Strategy 5:	Monitor customer issues	Customer management	Customer management improved
Strategy 6:	Marketing vans and trucks	Vans TUK TUK and trucks	In progress
Strategy 7:	Mould Blower machine	Machine in place	In progress
Strategy 8:	Commercial Printer	Printer in place	Not yet in place
Strategy 9:	Automatic Water Filling Machines/ Develop and implement automation policy	Automation process in place	Not yet in place

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

8. Corporate Governance Statement

Corporate governance is the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing stakeholders' long term value.

Board of Directors

The composition of the Board is compliant with good corporate governance practices and WASREB guidelines. The roles of the Chairman and the Managing Director are segregated. The Managing Director is in charge of the day to day running of the business of the company. A non-executive director acts as the chairman of the Board. The current Board is composed of Managing Director and ten other directors drawn from various stakeholders. The Board is therefore composed of committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience at Board level.

Board meetings

Board Meetings are held every quarter and in exceptional circumstances as dictated by demand and exigencies of company operations. The following are the number of Board meetings held and costs catered by the parent company:

Types of Meeting	NO
Full Board Meeting	3
Finance and Admin Committee Meeting	3
Audit Committee Meeting	3
Annual General Meeting	1
Adhoc	1
Total	11

Board committees

The Board has approved the delegation of certain authorities to the Board sub committees where applicable, and to the management.

The Board has three committees which are guided by clear terms of reference. The committees are instrumental in monitoring the company operations, systems and internal controls. The committees are as follows:

Audit and risk management committee

The members of this committee are all non-executive directors. All the members meet minimum financial literacy standards. The committee meets at least four times in a year and the internal auditor serves as the secretary of the committee.

The committee is responsible for ensuring that the Company's internal controls are adequate and that the assets at the disposal of the company are safe-guarded. It ensures that proper polices and internal control procedures are in place and also helps to ensures that the set policies and procedures are adhered to and advices on improvements and introduction of new control procedures.

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

Corporate Governance Statement (Continued)

Finance and administration committee

The committee comprises of three non-executive directors and C.E.O Tana water works development agency as an ex-official. The committee is chaired by a non-executive director and meets four times a year.

The role of the committee is to monitor and review the operational and financial performance of the company against key performance indicators, identifying shortcomings and ensuring corrective measures and action are taken. The committee also reviews the company's investment plans in capital expenditure and recommends to the board for approval. The committee has also the responsibility of ensuring that the systems of financial controls are effectively administered.

This committee as well has the responsibility of ensuring the company has the right staff, at the right place and doing the right thing. More so, the committee will ensure that staff welfare is guaranteed.

Their terms of reference includes but not confined to human resource planning, employee welfare, recruitment, training, performance appraisal, discipline, health and safety and HIV/AIDS.

Technical committee

The committee comprises of three non-executive directors and C.E.O Tana water works development authority as an ex-official. The committee is chaired by a non-executive director and meets four times a year.

This committee oversees planning, coordination and execution of development and rehabilitation projects to ensure expansion of reticulation system and to improve efficiency in water production and distribution including sewerage network.

Directors' Remuneration

The remuneration of non-executive directors consists of sitting allowances in connection with Board and committee meetings.

Attendance of Board meetings

MEETING	P.K MUNGA	H.M MWITHIGA	ESTON GATIMA	SUSAN PERIS KARINA	MONICA W GICHOMO	JANE KAMWAGA	ROSALINE KAMINA	C.E.O TWWDA	CEC WATER	TOWN MANAGER	CEC FINANCE
STUDY TOUR		✓	✓	✓	✓	✓	✓		✓	✓	
FINANCE AND ADMIN COMMITTEE			✓	✓		✓		✓			
AUDIT COMMITTEE		✓			✓		✓	✓			
FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓		✓	
FINANCE AND ADMIN COMMITTEE			✓	✓		✓					
AUDIT COMMITTEE		✓			✓		✓				
FULL BOARD	✓	✓	✓	✓	✓	✓	✓		✓	✓	
FULL BOARD		✓	✓	✓	✓	✓	✓		✓	✓	
FINANCE AND ADMIN COMMITTEE			✓	✓		✓		✓			
AUDIT COMMITTEE		✓					✓	✓			
FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
A.G.M	✓	✓	✓	✓	✓	✓	✓	✓		✓	

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023**

Corporate Governance Statement (Continued)

Process of appointment and removal of directors

A third of directors retire on rotation every year. Election of directors starts with advertisement in the media, their applications are considered by stakeholder's selection committee and this committee does a recommendation to the stakeholders. The recommendations are taken to the Annual General Meeting. The stakeholders at the AGM are at liberty to agree with the recommendation, amend or to disagree with the recommendations.

Induction and training

After every Annual General Meeting, the directors undergo an induction and training.

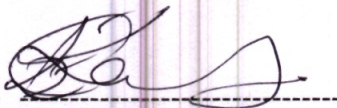
Ethics and conduct of directors

To show commitment of proper utilization and management of public resources and proper running of corporation's affairs, Murang'a Water and Sanitation Company has developed a code of ethics to be signed by all board members. The code of ethics provides guidance and direction in the manner in which members of the board of directors are expected to conduct themselves when handling matters relating to the company. This code is guided by the company's strategic plan.

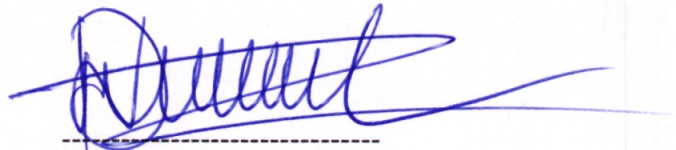
Going concern

The directors confirm that the company has adequate resources to continue in business for the foreseeable future and therefore the continued use of the going concern as a basis when preparing financial statements.

SIGNED:



CHAIRMAN



MANAGING DIRECTOR

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

9. Management Discussion and Analysis

SECTION A

The entity's operational and financial performance				
No.	ITEM	2021/2022	2022/2023	
1	Total Billings (Kshs in Millions)	21.5	20.5	
2	Operating Exp (Kshs in Millions)	23.7	20.6	

SECTION B

Entity's compliance with statutory requirements
Fort Beverage Industries company complies with various statutory requirements and the 1 st AGM was held on Friday the 9 th June 2023.

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

10. Environmental and Sustainability Reporting

Fort Beverage Industries Ltd (FBIL) continues committing to upholding ethical standards while executing its mandate and contributing toward the improved economic and social development of the life of society at large. FBIL is inherently mandated to be socially responsible, to act and operate as a good corporate citizen. The Governing Board recognizes and perform the obligations FBIL has towards the National Government, the County Government of Murang'a- its major stakeholder, as well as other stakeholders, and the community in which we operate. Upholding our corporate reputation has been our subtle guide towards delivering our strategy while improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile.

FBIL has continued to operate within the set regulatory framework while executing her mandate. Through strategic planning and time-to-time reviews, we have continued identifying and addressing risks and opportunities; an exercise that has gradually improved our performance nationally.

ii) Environmental performance

Over years, our environmental conservation programs have remained core towards achieving 10% forest cover as directed by the President. We shall partner with public and private institutions to mark planting events and enhance the plant cover. We endeavour to campaign for reduced waste generation and facilitate repair, reuse and recycling over the disposal of wastes in a cost-effective manner in order to minimise harm to human health and the environment.

iii) Employee welfare

The company has a human resource policy and manual that guides hiring processes. So as to improve skills, the company sets a budget for training in every year and pays the training fees for the training that arises. The departmental heads and section heads appraise the staff quarterly and the appraisals are used to reward the staff.

iv) Marketplace practices-

a)Responsible competition practice.

The organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors.

b) Responsible for Supply chain and supplier relations

The development of a strong relationship with suppliers helps in ensuring that suppliers of essential supplies and contracts are fair and that business conducted together is mutually beneficial. We have supplier strategy, supply chain policy and code of conduct that sets out the standards we expect from suppliers' business ethics, human rights and environmental management. The company at all times obtains value for money spent on procurement by ensuring that only those items needed are bought and that these items are of good quality and that they are stored appropriately to preserve their quality.

c) Responsible marketing and advertisement

Our commitment to regulations, directives and laws on marketing and advertisement practices has been harnessed to the latter. Indeed we continue placing advertisements and marketing information on the government-accredited newspaper "MY GOV" as directed in a memo from the Department of Civil Service in 2017. All information forwarded for such purposes is usually thoroughly screened in order to meet the required standard.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023**

Environmental and Sustainability Reporting (Continued)

d) Product stewardship

Product Stewardship is Everybody's Responsibility. To fulfil management and employee commitments to our customers and suppliers, we will:

- a) Meet all of our regulatory requirements;
- b) adhere to data protection and privacy guidelines.
- c) Work to minimize the environmental, health and safety risks associated with our products.
- d) Train employees in the company's Product Stewardship process.
- e) Respond to customer questions concerning the safe use and handling of our products
- f) Use responsible distributors, suppliers, warehouses and carriers; and
- g) Respond back to customers on water quality measures and effects.

We expect our customers and suppliers to be good product stewards, to operate in a safe and responsible manner and to:

- a) Meet all of their regulatory requirements;
- b) Provide their employees, suppliers and customers with appropriate health and safety information;
- c) Use our water services as intended;
- d) Have appropriate equipment and qualified, trained personnel to safely receive, store, process and dispose of products;
- e) Request additional information when needed.
- f) Use responsible distributors, suppliers, warehouses and carriers.

Corporate Social Responsibility / Community Engagements

Over years, our environmental conservation programs have remained core towards achieving 10% forest cover. Indeed, we partnered with the Tana Water Works Development Agency and the Water Companies Sports and Cultural Organization in planting over 50,000 indigenous trees at Nyeri and Njuki-ini forests in Embu respectively.



ENG. D.NG'ANG'A

MANAGING DIRECTOR

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

11. Report Of the Directors

The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30th June 2023

Principal Activity

The company produces and sells bottled water.

Results

The results of activities for the year show a loss of **Kshs 45,525** as set out on page one of the accounts.

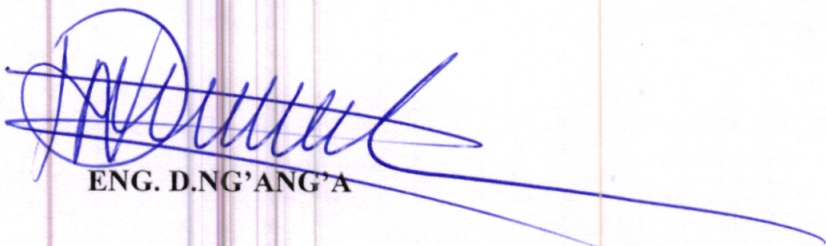
Directors

The board members who held office during the year were as indicated on pages vii, viii and ix of the accounts.

Auditors

The auditor general is responsible for the statutory audit of the company's financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By order of the Board



ENG. D.NG'ANG'A

Signature.....

Date.....12/03/2024

Secretary to the Board

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

12. Statement of Directors' Responsibilities

The Board of Directors are responsible for preparation of financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of the activities for that year. The Board should ensure that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Board is also responsible for safeguarding the assets of the Company.

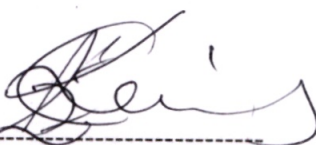
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30th 2023. This responsibility includes: (i) maintaining adequate financial 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 accept responsibility for the company's 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 Companies Act . 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's financial statements as well as the adequacy of the systems of internal financial control.

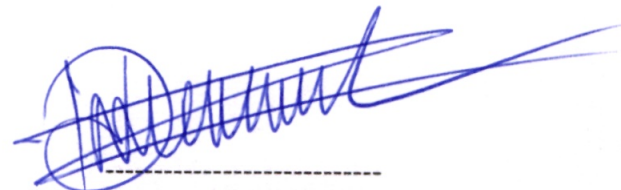
Though the company has accumulated losses, we expect the company to remain a going concern. The company's sales have improved due to opening of hotels and schools which had previously closed due to covid 19 pandemic. With the inception of regulation of bottled water and beverages through the Kenya's Finance Act 2020, unfair competition in the sector will cease and therefore we will be able to penetrate more in the market and therefore increase sales.

Approval of the financial statements

The company's financial statements were approved by the Board on 12th March 2024 and signed on its behalf by:

SIGNED: 

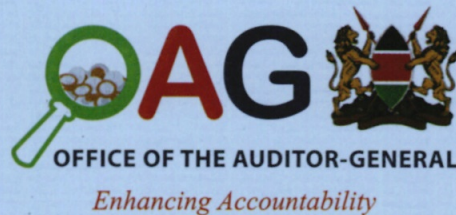
DR. P.K MUNGA
Chairperson of the Board



ENG. D.NG'ANG'A
Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON FORT BEVERAGE INDUSTRIES 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

Qualified Opinion

I have audited the accompanying financial statements of Fort Beverage Industries Company Limited set out on pages 1 to 17, which comprise 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

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

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Fort Beverage Industries Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Share Capital Balance

The statement of financial position reflects share capital balance of Kshs.40,748,029. However, as per the Memorandum of Association of the Company, the nominal value of shares stands at Kshs.100,000 divided into 1,000 shares of Kshs.100 each, with the holding company Murang'a Water and Sanitation Company Limited holding nine hundred and ninety-eight (998) shares and the Managing Director holding two (2) shares in trust for the holding company. The resultant variance of Kshs.40,648,029 has not been explained or reconciled.

In the circumstances, the accuracy and completeness of share capital balance of Kshs.40,748,029 could not be confirmed.

2. Inaccuracies in the Financial Statements

The statement of changes in equity reflects revenue reserve balance of Kshs.22,408,507 as at 01 July, 2022, while the prior year's audited financial statements reflect a balance of Kshs.18,815,946, resulting to an unexplained variance of Kshs.3,592,561. Further, the statement of financial position reflects receivables and trade and other payables balances of Kshs.3,132,550 and Kshs.3,117,500 while Note 14 and 20 to the financial statements reflect Kshs.3,237,054 and Kshs.3,222,004 respectively, resulting to unexplained variances of Kshs.104,504 and Kshs.104,504 respectively.

In addition, the statement of cash flows reflects net cash flow from operating activities amount of Kshs.395,023, while Note 15 to the financial statements reflects bank and cash balances amounting to Kshs.731,146, which does not relate to net cash flow from operating activities.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Fort Beverage Industries Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted revenue of Kshs.26,570,043 and actual revenue of Kshs.20,526,504, resulting in an under-performance of Kshs.6,043,539 representing 23% of the budget. Further, the statement reflects final expenditure budget and actual expenditure on a comparable basis of Kshs.26,521,091 and Kshs.19,958,822 respectively, resulting in an under-expenditure of Kshs.6,562,269 or 25% of the budget.

In addition, the statement reflects capital expenditure budget of Kshs.12,650,000 and Kshs.Nil actual capital expenditure, representing 100% under-expenditure.

The under-performance and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

The progress on follow up on auditor's recommendations section of the financial statements reflects that some of the issues raised in previous year's audit report remain unresolved as at 30 June, 2023. No satisfactory explanations were provided for not resolving the issues.

Other Information

The Directors are responsible for the other information. The other information comprises Chairman's Statement, Report of the Managing Director, Statement of Performance against Predetermined Objectives, Environmental and Sustainability Reporting, Corporate Governance Statement, Management Discussion and Analysis and the Statement of Directors Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Law on Staff Ethnic Composition

During the year under review, the Company had eleven (11) staff who were all from one dominant ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states 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.

2. Unexplained Supply of Goods

The statement of profit or loss and other comprehensive income reflects production and maintenance expenses of Kshs.9,892,352 as disclosed in Note 9 to the financial statements. Included in the balance is Kshs.9,361,087 spent on purchase of production materials. However, review of documents provided for audit revealed that Management received goods worth Kshs.3,207,226 whose specification varied with the specification in the local purchase orders issued to the vendors.

In the circumstances, value for money of Kshs.3,207,226 spent on production materials could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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


FCPA Nancy Gathunga, CBS
AUDITOR-GENERAL

Nairobi

05 April, 2024

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

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

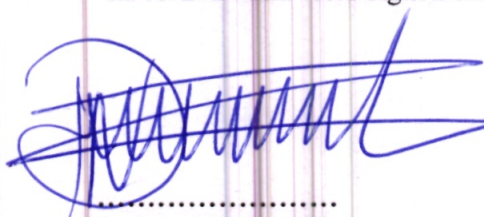
	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	20,526,504	21,596,056
Grant Income	19	-	615,232
Total Revenue		20,526,504	22,211,288
Expenses			
Staff Costs	7	2,513,949	1,841,312
Administration expenses	8	7,287,762	9,692,485
Production and maintenance expenses	9	9,892,352	11,210,130
General And Operating Expenses	10	264,758	301,967
Depreciation and amortization	11 & 12	613,208	665,549
Board expenses	13	-	42,858
Total Expenses		20,572,029	23,754,301
Profit/(Loss) Before Taxation		(45,525)	(1,543,013)

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 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	11	16,370,340	16,968,066
Intangible assets	12	61,923	77,405
Total Non-Current Asset		16,432,263	17,045,471
Current Asset			
Receivables	14	3,132,550	2,498,131
Bank And Cash Balances	15	731,146	372,123
Inventory	16	1,115,538	1,250,764
Total Current Assets		4,979,234	4,121,017
TOTAL ASSETS		21,411,497	21,166,488
EQUITY AND LIABILITIES			
Revenue Reserves	17	(22,454,032)	(18,815,946)
Share Capital	18	40,748,029	-
Total Capital and reserves		18,293,997	(18,815,946)
NON CURRENT LIABILITIES			
Deferred income	19	-	16,280,575
Total Non-Current liability		-	16,280,575
Current Liabilities			
Deferred Income	19	-	615,232
Trade and other payables	20	3,117,500	23,086,627
Total Current Liabilities		3,117,500	23,701,859
TOTAL EQUITY AND LIABILITIES		21,411,497	21,166,488

The financial statements on pages 1-17 were approved by the board of directors on 12/03/2024 and were signed on its behalf by:



.....
ENG.D. NG'ANG'A
 Managing Director



.....
C.P.A JOSEPH MAINA
 Head of Finance
 ICPAK M/NO.8581



.....
DR P.K MUNGA
 Chairman of the Board

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

16. Statement Of Changes In Equity For The Year Ended 30 JUNE 2023

	NOTES	REVENUE RESERVE S (Kshs)	SHARE CAPITAL	TOTALS (Kshs)
As at July 1, 2021		(20,250,262)		(20,250,262)
Loss for the year	17	(2,158,245)		(2,158,245)
Share capital		-	-	-
As at June 30, 2022		(22,408,507)		(22,408,507)
As at July1, 2022		(22,408,507)		(22,408,507)
Loss for the year	17	(45,525)		(45,525)
Share capital	18		40,748,029	40,748,029
As at June 30, 2023	17	(22,454,032)	40,748,029	18,293,997

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 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			
Receipts			
Operating Receipts		23,421,244	25,924,564
Total Receipts		23,421,244	25,924,564
Payments			
Staff cost		2,477,353	1,826,057
Administration expenses		10,008,665	11,311,724
Production and maintenance expenses		10,437,903	12,295,706
General and operating expenses		138,300	512,548
Board expenses			45,000
Total Payments		23,062,221	25,991,035
Net Cash From/ (Used In) Operating Activities	15	395,023	(66,471)
Cash Flows From Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		-	-
Net Cash From/ (Used In) Investing Activities		-	-
Cash And Cash Equivalent At Beginning Of Year	15	372,123	438,594
Cash And Cash Equivalent At End of the Year	15	731,146	372,123

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization	Explanation of Material Variances
Revenue	Ksh	Ksh	Ksh				
Operating revenue	26,570,043	-	26,570,043	20,526,504	(6,043,539)	(23)	Stiff competition
Total Revenue	26,570,043	-	26,570,043	20,526,504	(6,043,539)	(23)	
EXPENSES							
Staff Cost	2,409,780	132,000	2,541,780	2,513,949	(27,831)	(1)	
Board Expenses	257,148	(152,000)	105,148	-	(105,148)	(100)	Board meetings were combined with MUWASCO
General ad Operating Expenses	357,100	50,000	407,100	264,758	(142,342)	(35)	Large opening volume from previous period
Production and Maintenance Expense	14,676,050	(300,000)	14,376,050	9,892,352	(4,483,698)	(31)	Prices of materials were lowered
Administration cost	8,821,013	270,000	9,091,013	7,287,763	(1,803,250)	(20)	Reduced sales leading to less taxes paid
Total Recurrent Expenditure	26,521,091	0	26,521,091	19,958,822			
Loss	48,952		48,952	567,682			
Capital expenditure	12,650,000				12,650,000	(100)	Insufficient funds
Reconciliation items not in the budget							
Depreciation				(613,208)			
Profit before taxation				(45,526)			

Explanation of variances is on +/- 10%

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

19. Notes to the Financial Statements

1. General Information

The company is a subsidiary of Muranga Water and Sanitation Company. It was incorporated on 28th December 2016 under the Companies Act 2015. It is a private company limited by shares. These shares are allotted to the natural person and held in trust for the holding company.

The nominal capital of Fort Beverage Industries Ltd is Ksh. 100,000 divided into 1000 shares of Ksh 100 each. The company started its independent operations in July 2017.

The company produces and sells bottled water.

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 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 and 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 contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	1 st 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.	January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	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.	January 1, 2023.

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

Notes to the Financial Statements (continued)

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30th 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	January 1, 2024.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	January 1, 2024.
Amendments to IAS 1 titled on-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.	January 1, 2024.

The directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

Notes to the Financial Statements (continued)

(c) Early adoption

The company did not early adopt any new or amended standards in financial year 2022-2023

4. Summary of Significant Accounting Policies

a. Revenue Recognition

The company adopts the accrual basis of accounting for revenue. Revenue is recognized when it is earned.

b. Property, Plant and Equipment

Property plant and equipment are stated at historical cost less accumulated depreciation.

c. Depreciation, impairment and amortization of Property, plant and Equipment

Depreciation and amortization is calculated on the reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Per Annum	RATE
	%
-Computers	30
-Computer software	20
-Buildings	2.5
-Furniture	12.5
-Equipments	12.5

Depreciation and amortization is provided for the full year of purchase irrespective of the month of purchase but no depreciation charged to works in progress and in the year of disposal.

Amortization is provided for the intangible assets like computer software.

d. Reserves

Reserves of the company comprise revenue reserves which represents the excess of the income over recurrent expenditure.

e. Taxation

The company pays income tax at the rate of 30%.

f. Related party transactions

Fort beverage industries co. ltd is a subsidiary of Muranga Water and Sanitation Company. Other related parties are as stipulated in note 19

g. Inventory

The company recognizes inventory at the lower of cost and net realizable value using first in first out method of inventory valuation.

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

Notes to the Financial Statements (continued)

h. Cash and Cash Equivalent

Cash and cash equivalents include cash on hand and cash at bank. Bank account balances include amount held at Equity bank and Mpesa at the end of financial year.

i. Trade and other Payables

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

j. Financial risk management

The board of directors is the primary risk supervisor, exercising its role through various board approved committees. The company's internal audit section plays a vital role within governance processes by keeping the Board and senior management aware of risk and control issues and assessing the effectiveness of risk management. Reporting to the Audit and risk management committee of the Board, the section objectively and independently evaluates the existing risk and control framework and analyses department's processes and associated controls.

k. Liquidity risk management

The company has various obligations and liabilities as outlined in note 18 of the accounts. The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

l. Market risk

The company had no interest bearing financial obligation as at the end of financial year.

m. Significant judgments and sources of estimation

The directors are responsible for selecting and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

n. Taxation

Judgment is required in determining the tax liability due to the complexity of legislation. There are many transactions and calculations for which tax determination is uncertain during ordinary course of business. The company recognizes tax liability for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from amounts that were initially anticipated, such difference will impact the income tax in the period in which such determination is made.

o. Useful lives and residual values of property plant and equipment

The company tests annually whether the useful life and residue value were appropriate and in accordance with its accounting policy. Useful lives and residual values of PPE have been determined based on previous experience and anticipated disposal values when assets are disposed.

p. Reporting currency

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

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

Notes to the Financial Statements (continued)

q. 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 30th June 2023.

r. Incorporation

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

s. Ultimate and holding entity

The entity is a subsidiary of Muranga Water and Sanitation Company.

t. Share capital

Fort Beverage Industries Limited is a private company wholly owned by Murang'a Water and Sanitation Company and it is limited by shares. These shares are allotted to the natural person and held in trust for the holding company. The nominal capital of Fort Beverage Industries Ltd is Ksh. 100,000 divided into 1000 shares of Ksh 100 each. This share capital is not paid up.

u Going concern

Though the company has accumulated losses and a negative working capital, we expect the company to remain a going concern. The company's sales have improved due to opening of hotels and schools which had previously closed due to Covid 19 pandemic. With the inception of regulation of bottled water and beverages through the Kenya's Finance Act 2020, unfair competition in the sector will cease and therefore we will be able to penetrate more in the market and therefore increase sales.

The following measure have been undertaken to reverse the negative working capital

- 1) Changing marketing strategies.
- 2) Recruitment of independent water distributors.
- 3) Proposal to the Board on conversion of Parent company loan of Ksh 18.4 Million to Equity capital.
- 4) Employing production staffs on piece work.

5. Significant judgments and sources of estimation

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. This include;

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.

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

Notes to the Financial Statements (continued)

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 8 & 11

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.

The provision for bad debt is at 10% of total receivables. For depreciation of assets is estimated using useful life of asset.

6) Operating Revenue

These are sales for 300 ml, 500ml, 1 ltr, 1.5 ltr, 5 ltr, 10 ltr and 18.9 ltr.

	2022/2023	2021/2022
	Kshs	Kshs
300 mls	898,139	756,225
500 mls	11,410,200	12,603,061
1 lts	5,377,401	5,694,840
1.5 lts	160,573	157,911
5.lts	190,569	215,783
10 lts	237,490	241,688
18.9 lts	2,252,132	1,926,548
Total	20,526,504	21,596,056

7. Staff Cost

	2022/2023	2021/2022
	Kshs	Kshs
Salaries	2,292,061	1,491,112
N.S.S.F Contribution	38,040	12,400
Pension	15,848	-
Casual Wages	168,000	337,800
Total	2,513,949	1,841,312

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

Notes To the Financial Statements (continued)

8. Administration Expenses

	2022/2023	2021/2022
	Kshs	Kshs
Training	3,350	3,100
Motor vehicle expenses	1,056,810	1,580,691
Consultancy/professional fees	211,948	1,176,896
Courier & postal services	5,860	3,960
Communication and internet expenses	176,990	183,195
Licenses & permits	57,634	77,200
Catering services	151,114	68,678
Contracted guards services	338,563	336,842
Bank/m-pesa charges	124,329	118,310
Marketing and promotion	-	227,226
Travel cost	36,600	226,700
Subsistence allowances	364,000	339,380
First aid expenses	16,266	13,100
Provision for bad debts	70,492	14,809
KEBS Levy	84,249	-
Insurance	137,959	114,529
Taxes	4,451,599	5,207,869
Total	7,287,763	9,692,485

9. Production & maintenance expenses

	2022/2023	2021/2022
	Kshs	Kshs
Production materials	9,361,087	10,214,853
Electricity and water bills	322,128	949,867
Operating and maintenance cost	209,138	45,410
Total	9,892,353	11,210,130

10. General And Operating Expenses

	2022/2023	2021/2022
	Kshs	Kshs
Staff uniforms	53,880	80,603
General Office Supplies	210,878	221,364
Total	264,758	301,967

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

Notes To the Financial Statements (continued)

11. Property, Plant & Equipments (KSHs)

COSTS	1)Buildings (Kshs)	2)Furniture (Kshs)	3)Computer & accessories (Kshs)	4)Equipments (Kshs)	TOTALS (Kshs)
As at 1 July 2021	17,478,737	167,046	334,739	2,702,516	20,683,038
Additions during the year	-	-	-	-	-
As at 30 JUNE 2022	17,478,737	167,046	334,739	2,702,516	20,683,038
DEPRECIATION					
At July 1, 2022	2,078,297	81,367	238,944	1,316,372	3,714,980
Charge for the year	385,011	10,710	28,738	173,268	597,728
As at 30 th June 2023	2,463,308	92,077	267,682	1,489,640	4,312,708
NET BOOK VALUE					
At June 30, 2023	15,015,429	74,969	67,056	1,212,877	16,370,330
At June 30, 2022	15,400,442	85,678	95,795	1,386,152	16,968,058

-The company's buildings lies on government land but its yet to be transferred by Tana Water Works Development Agency to Muranga'a Water And Sanitation Company.

-The motor vehicle used in the operatons of the company also belongs to Tana Water Works Development Agency and is not yet transferred to the Muranga'a Water And Sanitation Company.

12. Intangible Assets (Payroll Software)

	2022/2023
	Kshs
As at 1 July 2021	175,596
Additions during the year	-
As at 30 th June, 2023	175,596
AMORTISATION	
At July 1, 2022	98,194
Charge for the year	15,480
As at 30 th June 2023	113,674
NET BOOK VALUE	
At June 30, 2023	61,922
At June 30, 2022	77,402

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

Notes to the Financial Statements (Continued)

13. Board Expenses

	2022/2023	2021/2022
	Kshs	Kshs
Board sitting allowances	-	42,858
Total	-	42,858

14. Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Trade debtors	3,585,115	2,775,701
Less allowance for credit risk	(348,061)	(277,570)
Net trade debtors	3,237,054	2,498,131

15. Bank And Cash Balances

The make-up of bank balances and short term deposits is as follows:

Financial institution	Account /Till number	2022/2023	2021/2022
		Kshs	Kshs
a) Current accounts			
Equity bank	0220272638432	388,110	69,809
Fixed deposit		300,000	300,000
Sub- total		688,110	369,809
b) Others			
Mobile money account	795410	12,776	-
Cash in hand		30,260	2,314
Sub- total		43,036	2,314
Grand Total		731,146	372,123

16. Inventory

	2022/2023	2021/2022
	Kshs	Kshs
Finished goods	329,283	341,039
Empty bottles	475,084	614,279
Labels	131,261	163,180
Seals	34,800	9,047
Shrink wraps	44,900	106,518
Heat gun	100,210	16,701
TOTAL	1,115,538	1,250,764

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

Notes to the Financial Statements (Continued)

17. Revenue Reserves

	2022/2023	2021/2022
	Kshs	Kshs
Brought forward	(22,408,507)	(17,272,933)
Current year	(45,525)	(1,543,013)
Balance carried forward	(22,454,032)	(18,815,946)

18. Share Capital

	2022/2023	2021/2022
	Kshs	Kshs
MUWASCO loans converted to share Capital	20,259,661	-
Assets developed by parent company converted to share capital	20,488,368	-
TOTALS	40,748,029	

19. Deferred Income

	2022/2023	2021/2022
	Kshs	Kshs
Brought forward	-	17,511,039
Amortisation	-	(615,232)
TOTALS	-	16,895,807

20. Trade And Other Payables

	2022/2023	2021/2022
	Kshs	Kshs
Suppliers creditors	2,050,634	1,975,275
Other creditors	1,066,866	1,175,169
Customer Prepayment	104,504	-
Muwasco payables	-	19,936,183
TOTALS	3,222,004	23,086,627

21) Related Party Disclosures

The following are the related parties of Fort Beverage Industries Ltd

- (a) Murang'a Water and Sanitation Company
- (b) County Government of Murang'a
- (c) Key Management
- (d) Board of Directors

Transactions With Related Parties

-During the year, Muranga Water and Sanitation Company transferred funds amounting to ksh 300,000 from its bank account to the Fort Beverage bank account.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023**

20. Appendices

Appendix Progress On Follow Up Of Auditor Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)
1	Long outstanding payables	The Kshs 23,086,627 included in the payables is owed to Muranga Water and Sanitation (MUWASCO) who are the principal of our company and therefore owned the assets.	Resolved
2	Budgetary control and performance	The nil capital expenditure was because of insufficient funds.	Not resolved
3	Non-compliance with the law in staff ethnic composition	Fort beverage is a subsidiary of Murang'a water and sanitation company and most of the staff were seconded from the parent company which was company was started when the National Cohesion and Integration Act was not in operation and the composition of employee was 100% from the dominant community in Murang'a however as management we will ensure progressive compliance with the Act in our future recruitments.	Not resolved
4	Registration of the company	The company is duly registered with the registrar of companies incorporation number PVT-AAAAGD5 and is active in the business registration service portal of registrar of company.	Resolved

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ENG.D. NG'ANG'A
Managing Director