

REPUBLIC OF KENYA



REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

PAPERS LAID	
DATE	23.03.2023
TABLED BY	Majority Leader
COMMITTEE	
CLERK AT THE TABLE	Abdirahman Nalin

**FORT BEVERAGES INDUSTRIES
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**





FORT BEVERAGE INDUSTRIES COMPANY LIMITED

ANNUAL REPORTS & FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022



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, 2022

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

Table of Contents

I. Key Entity Information	iv
II. The Board of Directors	vi
III. Management Team	x
IV. Chairman's Statement.....	xi
V. Report Of the Managing Director	xii
VI. Statement of Performance Against Predetermined Objectives For Financial Year 2021/2022	xiv
VII. Environmental and Sustainability Reporting	xv
VIII. Corporate Governance Statement	xvii
IX. Report Of the Directors	xx
X. Statement of Directors' Responsibilities	xxi
XI. Report of the Auditor General	xxii
XII. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 JUNE, 2022.....	1
XIII. Statement Of Financial Position As at 30 JUNE, 2022	2
XIV. Statement Of Changes In Equity For The Year Ended 30 JUNE 2022	3
XV. Statement Of Cash Flows for The Year Ended 30 JUNE, 2022.....	4
XVI. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June, 2022	5
XVII. Notes To the Financial Statements	7
XVIII. Appendices.....	18

FORT BEVERAGE INDUSTRIES COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

I. 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
P. Kiguta	Member	Left March 2022
E. Gathima	Member	Appointed on 18 th October 2019
B. Wanjeri	Member	Left March 2022
J. Kamwaga	Member	Appointed on 18 th October 2019
G. Kamau	Member	Appointed on 2022
S. Njogu	Member	Appointed in 2020
D. Waweru	Member	Appointed in 2018
A. Maina	Member	Left February 2022
R. Kamina	Member	Appointed March 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

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

Corporate Bankers

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

Independent Auditors

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

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

II. The Board of Directors

 <p>DR. P.K. Munga</p>	<p>He was born in the year 1943. He was appointed on 18th October 2019. He is an industrialist and a business man with interests in banking, manufacturing, 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 a 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. He is a qualified Certified Public Secretary (CPSK) and holds many other certificates in management and corporate governance. He is an independent member and the chairman to the board.</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. 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>
 <p>H.M. Mwithiga</p>	<p>He was born in 1944. He was appointed on 18th October 2019. 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. He holds various post high school certificates in sales, management and corporate governance. He is an independent member. He is the chairman audit and risk management committee of the board.</p>
 <p>S. Karina</p>	<p>She was born in 1981. She was appointed on 18th October 2019. 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. She holds a bachelors degree in social work and administration and has numerous certificates in community development related courses from various institutions. She is an independent member and a member of finance and administration committee of the board.</p>

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022**

 <p>M. Gichomo</p>	<p>She was born in 1985. She was appointed on 18th October 2019. 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 diverse certificates from various institutions. She is an independent member and a member of Audit and risk management committee of the board.</p>
 <p>P. Kiguta</p>	<p>He was born in 1951. He was appointed on 18th October 2019. A career accountant, he has enormous experience in the private sector as well as participated in many social and community development activities. He is currently a partner with Ruhiu & Associates CPAs. He has been the chairman of the Murang'a chapter of the Chamber of Commerce and Industry, organizing secretary of Kikuyu council of elders (Murang'a). He has also served in various capacities in religious organizations.</p> <p>He has various post high school certificates. He left the board in March 2022</p>
 <p>E. Gathima</p>	<p>He was born in 1972. He was appointed on 18th October 2019. He has many years of experience in representing the physically challenged persons and also pro-poor in various capacities. He has served in the capacities of treasurer, secretary and chairman in various groups of the physically challenged.</p> <p>He has attained certificates in food production, evangelism & discipleship and computer packages. He is an independent member and a member of finance and administration committee of the board.</p>
 <p>B. Wanjeri</p>	<p>She was born in 1954. She was appointed on 18th October 2019. She represents Maendeleo ya wanawake. She is a diploma holder in human resource and guidance and counseling from university of Nairobi. She has also undergone short courses in local government supervisory management and effective supervision course. She has worked as a human resource officer, administrative officer and senior secretary.</p> <p>She left the board in March 2022</p>
 <p>J. Kamwaga</p>	<p>She was born in 1961. She was appointed on 18th October 2019. 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 experience in civic education and has participated in constitution review process as a district delegate in Bomas of Kenya. 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). She is an independent member and a member of Finance and administration committee of MUWASCO Board.</p>

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

 <p>A. Maina</p>	<p>He was born in 1985. He was appointed in the year 2020. Currently the Chief Officer in charge of Water and Irrigation docket, Murang'a County Government. He holds a Bachelor's degree in Finance from the Kenyatta University. He also holds several other certificates in Post Graduate trainings. He has varied experience in Management both in the Public and Private Sectors in Kenya and has been an astute businessman.</p> <p>He left the board in February 2022</p>
 <p>S. Njogu</p>	<p>He was born in 1965. He was appointed in the year 2020. He is the current Acting Murang'a Municipal Manager, Murang'a County Government. He is a holder of Bachelor's degree in Administration from the University of Nairobi. He also holds numerous local and international Post Graduate certificates from Finland, Singapore and Morocco among others. Currently he is a student studying law as well as Masters Degree in Public Administration.</p> <p>Mr. Njogu has diverse experience in Management in the Public Sector in Kenya. He has over ten years of experience as a town clerk and over seven years as the Deputy Clerk to Murang'a County Assembly.</p>
 <p>D. Waweru</p>	<p>He was born in 1961. Hon. He was appointed in the year 2018. Wakaba is the CEC Finance, IT and Economic Planning Murang'a County Government. He holds a degree in Bachelor of Commerce from the University of Nairobi. He also holds Advanced Management Program from Strathmore University and the University of Navarra and Post Graduate training with the Marketing Society of Kenya. He has diverse experience in Management gained from numerous years working in senior positions for the Private Sector and Government in Kenya and in the East African Region. Prior to his appointment as the CEC Finance, he held the portfolio of CEC Trade, Commerce and Industrialization</p>
 <p>G. Kamau</p>	<p>He was born in 1962. He joined the board in February 2022. Hon. Kamau is the CECM in charge of Water, Roads and Infrastructure and represents the County Government of Murang'a. He holds a Master's degree in Business Administration from JKUAT and a Bachelor of Commerce degree from the University of Nairobi. He is also a Certified Public Accountant (CPAK). He has extensive experience in the manufacturing, finance, investment and insurance sectors spanning over 25 years gained locally and regionally in both the public and private sectors. Previously he was the CECM in charge of Finance, IT and Planning in the County Government of Muranga.</p> <p>He has also been a member of various boards of diverse other Murang'a County entities.</p>

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022



R. Kamina

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.

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

III. 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. Mbutia	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, 2022

IV. Chairman's Statement

It is my honour to release our annual report and financial statements for the year ending 30th June 2022. 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 to reduce the over-reliance on water and sewerage tariffs.

Operations

The 2021-2022 financial year has been a success with the company making huge strides and notable improvements from the previous financial years. Unlike the financial year 2020-2021 when due to the Covid-19 pandemic the company was partially operational, am happy to report that this year we have resumed full operations. With more improved production facilities and more staff, we have been able to constantly improve on production of bottled water.

With more intense marketing activities, the demand for our bottled water has also steadily increased resulting in more sales. We have also managed to reduce our operational and production costs resulting in more profit margins. Indeed, sales improved to Ksh 21,596,056 in the financial year 2021 – 2022 from Ksh 13,581,550 in the financial year 2020 – 2021.

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 focus on three key areas; promoting health, minimizing negative environmental impact and benefitting the local community in our area of jurisdiction.

Future Plans

In our bid to reduce operational costs and improve efficiency, we have established a long-term goal of automating our production unit. Automation will also 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.

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



Dr. P. K. Munga
Chairman, Board of Directors

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

V. Report Of the Managing Director

Introduction

I am delighted to release the annual report and financial statements of our subsidiary company Fort Beverage Industries Limited for the year ended 30th June 2022. Despite the fierce competition in the market, we had a very satisfactory year and the future prospects of the company are brighter.

Our customers continue striving to succeed in their increasingly competitive respective markets, so we must continuously upgrade our support to them. It is a challenge that we are meeting effectively, and that we will continue to meet by maintaining the closest and most proactive working relationships with them. We also expect the government to create a balanced level playing ground for all water manufacturers to weed out unhealthy competition.

We intend to automate the production at the factory in the near future to significantly boost our production capacity and range, while utilizing world-class technology to achieve the highest quality standards. In this way, we will be able to keep a competitive edge in the market.

We guarantee refreshing the world and making difference in people's lives and we are optimistic that our products will penetrate other markets. It's our hope that the business environment will return to normalcy after effects of covid-19 pandemic and enable as make returns to be ploughed back to the parent company for infrastructure development.

Challenges

The effects of Covid-19 are still felt as many of our customers who were operating hotels and other businesses have not fully recovered and the prevailing economic condition in our country as well as global one has witnessed inflationary pressures hence general increase in cost of materials.

The government has also consistently levied high taxes on bottled water and environmental degradation threatening our future sources of water and plastic packaging waste which also pollutes our environment.

The presence of rogue bottled water dealers is also a menace as this poses a market risk where the consumers prefer the products which are pocket friendly. Despite this challenge our prospects remain high as we call upon other Government agencies to play their role in dealing with rogue bottled water dealers in the market which will ensure genuine producers are protected and in turn invest in people's lives from our employees to all those associated with our bottled water business system.

We have not managed to get reliable distributors of our products and we are still exploring on ways to distribute our products to a wider market but at minimal costs.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022**

Report Of the Managing Director (Continued)

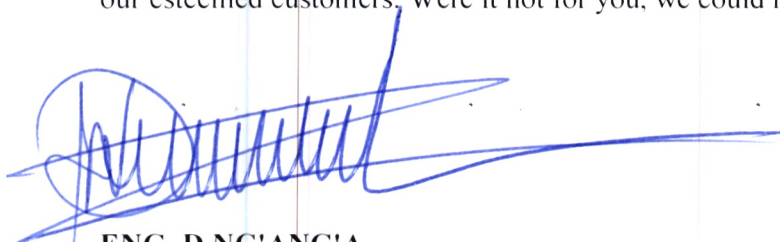
Our Future

Automating our bottling system is still in our strategies as this will improve Speed, Consistency, Reliability and versatility of the machines in order to hit specific production goals. As the results testify, we have met and overcome the competitive challenges to build firm foundations on which our business is set to grow and prosper in the months ahead. This has been due to the success of all our people in developing, manufacturing and marketing products that meet our customers' most stringent quality standards.

Conclusion

We believe in a continuous improvement and this is evident from the company performance as we recover from the negative impacts of Covid-19 and increased cost of production we expect the demand of our product will normalize as most of the closed institutions are now reopening and this will give us business opportunities. The company has potential to grow and expand to other products and this will play a major role in the socio – economic development of our county, creating employment both directly and indirectly. It is in the backdrop of this belief that we endeavor to actively pursue strategies aimed at strengthening our brand, positioning and reputation in production of quality bottled water.

I take this opportunity to thank all our stakeholders, Board of directors, employees, partners and our esteemed customers. Were it not for you, we could not have achieved much.

A handwritten signature in blue ink, appearing to be 'D. Ng'ang'a', with a long horizontal flourish extending to the right.

**ENG. D.NG'ANG'A
MANAGING DIRECTOR**

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

**VI. Statement of Performance Against Predetermined Objectives For
 Financial Year 2021/2022**

Fort Beverage Industries Company has strategic pillars and objectives within its strategic plan for the financial year 2020/2021 to 2024/2025. These annual reports and financial statements for the financial year 2021/2022 are prepared in the second year of the strategic plan.

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 2021/2022 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-50% attained
Strategy 3:	Prepare and adhere to procurement plans	Plans in Place	Marketing 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, 2022

VII. 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 recognize 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 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 earlier directed by President Uhuru Kenyatta. 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 which 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 set 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 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.

d) Product stewardship

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

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

Environmental and Sustainability Reporting (Continued)

- 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, 2022

VIII. 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. 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 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:

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 policies and internal control procedures are in place and also helps to ensure that the set policies and procedures are adhered to and advises on improvements and introduction of new control procedures.

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.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022**

Corporate Governance Statement (Continued)

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

DATE	MEETING	P.K MUNGA	ELM MWITHIGA	P.KIGUTA	ESTON GATIMA	SUSAN PERIS KARINA	MONICA W GICHONIO	BEATRICE WANJERI	JANE KAMWAGA	ROSALINE KAMINA	C.E.O TWDDA	CEC WATER	CEC FINANCE	TOWN MANAGER
09/21/21	FINANCE & ADMIN COMMITTEE			✓	✓	✓			✓					
09/21/21	AUDIT COMMITTEE		✓				✓	✓						
09/29/21	FULL BOARD		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
01/18/22	FINANCE & ADMIN COMMITTEE			✓	✓				✓		✓			
01/18/22	AUDIT COMMITTEE		✓				✓	✓			✓			
01/21/22	FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
03/04/22	A G M	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
05/23/22	FINANCE & ADMIN COMMITTEE				✓	✓			✓					
05/23/22	AUDIT COMMITTEE		✓				✓							
05/25/22	FULL BOARD	✓	✓		✓	✓	✓		✓	✓	✓	✓		✓
06/07/22	ADHOC COMMITTEE				✓				✓				✓	✓

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022**

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. A 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, 2022

IX. 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 2022

Principal Activity

The company produces and sells bottled water.

Results

The results of activities for the year show a loss of **(Kshs 1,543,013)** as set out on page one of the accounts.

Directors


The board members who held office during the year were as indicated on pages vi to 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.....28/9/2022

Secretary to the Board

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

X. 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 2022. 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, 2022, 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.

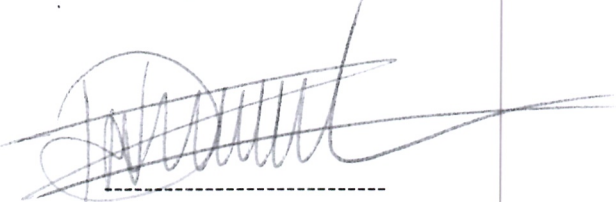
Though the company has accumulated losses, we expect the company to remain a going concern. The company's sales have improved due to opening of hotels and schools which had previously closed due to covid 19 pandemic. With the inception of regulation of bottled water and beverages through the Kenya's 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 28th September 2022 and signed on its behalf by:

SIGNED: -----

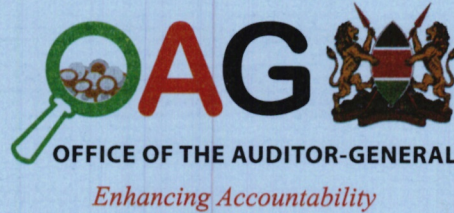

DR. P.K MUNGA
Chairperson of the Board



ENG. D.NG'ANG'A
Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON FORT BEVERAGES INDUSTRIES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, 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 Beverages Industries Company Limited set out on pages 1 to 19, which comprise of the statement of financial

position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter 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 Beverages Industries Company Limited as at 30 June, 2022, 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

Long Outstanding Payables

The statement of financial position reflects trade and other payables balance of Kshs.23,086,627 which, as disclosed in Note 18 to financial statements, includes Murang'a Water and Sanitation Company (Muwasco) payables balance of Kshs.19,936,183, out of which payables amounting to Kshs.18,353,069 relate to financial year 2020/2021 and earlier years. However, the Company has continued to classify them under current liabilities. Further, the Company may incur additional costs in terms of litigations, fine, penalties and interest which could have been avoided if the Company's obligations were met as they fall due.

In the circumstances, the validity and accuracy of the reported trade and other payables balance of Kshs.23,086,627 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Fort Beverages 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

The Company recorded a deficit of Kshs.1,543,013 for the year ended 30 June, 2022 compared to deficit of Kshs.1,926,546 in the previous period, which increased its accumulated deficit from Kshs.17,272,933 as at 30 June, 2021 to Kshs.18,815,946 as at 30 June, 2022. Further, the total current liabilities balance of Kshs.23,701,859 exceeded the current assets balance of Kshs.4,121,017 resulting in a negative working capital of

Kshs.19,580,842 as at 30 June, 2022. Although, the Company has disclosed material uncertainty in relation to sustainability of services by way of notes to the financial statements, this condition has persisted and the Management needs to put in place new mitigating measures to reverse the undesirable precarious financial position and performance.

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

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects nil capital expenditure against a budget of Kshs.7,400,000. The under expenditure affected planned activities and negatively impacted on service delivery to the public.

In the circumstances, the public did not benefit from the services they deserved through un-implemented projects.

2.0 Unresolved Prior Year Audit Issues.

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular .

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, and the Statement of the 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

1.0 Non-Compliance with the Law in Staff Ethnic Composition.

During the year under review, the Company had five (5) staff who were all from one dominant ethnic community. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 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.

2.0 Registration of the Company

Review of information provided for audit revealed that the Company was incorporated in December, 2016 under the Companies Act as a private company wholly owned by the Muranga Water and Sanitation Company. However, a search at the Business Registration Service in the Month of January, 2023 indicated that the Company did not appear in the Registrar of Companies data base of registered businesses and companies.

In the circumstances, the incorporation of the Company 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 , so far as appears from the examination of those records; and,
- iii. The 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 the requirement of the Companies Act, 2015 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 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 financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 February, 2023

**XII. Statement Of Profit or Loss & Other Comprehensive Income For The
Year Ended 30 JUNE. 2022**

	Note	2021/2022 (Kshs)	2020/2021 (Kshs)
Revenue			
Operating Revenue	6	21,596,056	13,581,550
Grant Income	7	615,232	659,719
Total Revenue		22,211,288	14,241,269
Expenses			
Staff Costs	8	1,841,312	1,223,331
Administration expenses	9	9,692,485	6,053,798
Production and maintenance expenses	10	11,210,130	7,448,062
General And Operating Expenses	11	301,967	650,192
Depreciation and amortization	12 & 13	665,549	728,144
Board expenses	14	42,858	64,287
Total Expenses		23,754,301	16,167,813
Profit/(Loss) Before Taxation (1,543,013)			(1,926,546)
Income Tax Expenses/(Credit)		-	-
Profit/(Loss) After Taxation		(1,543,013)	(1,926,546)

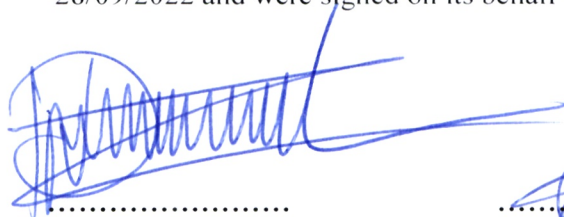
*Prior year administration costs has been restated to report board expenses separately

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

XIII. Statement Of Financial Position As at 30 JUNE, 2022

	NOTES	2021/2022 Kshs	2020/2021 Kshs
ASSETS			
Non-Current Assets			
Property, plant and Equipment	12	16,968,066	17,614,267
Intangible assets	13	77,405	96,752
Total Non-Current Asset		17,045,471	17,711,019
Current Assets			
Receivables	15	2,498,131	2,364,855
Bank And Cash Balances	16A	372,123	494,881
Inventory	17	1,250,764	1,029,135
Total Current Assets		4,121,017	3,888,871
TOTAL ASSETS		21,166,488	21,599,890
EQUITY AND LIABILITIES			
Revenue Reserves	18	(18,815,946)	(17,272,933)
Total Capital and reserves		(18,815,946)	(17,272,933)
NON CURRENT LIABILITIES			
Defered income	19	16,280,575	16,895,806
Total Non-Current Liabilities		16,280,575	16,895,806
Current Liabilities			
Defered income	19	615,232	615,233
Trade and other payables	20	23,086,627	21,305,498
Overdraft	16B		56,286
Total Current Liabilities		23,701,859	21,977,017
TOTAL EQUITY AND LIABILITIES		21,166,488	21,599,890

The financial statements on pages 1-17 were approved by the board of directors on 28/09/2022 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, 2022

XIV. Statement Of Changes In Equity For The Year Ended 30 JUNE 2022

	NOTES	REVENUE RESERVES (Kshs)	TOTALS (Kshs)
As at July 1, 2020		(15,346,387)	(15,346,387)
Loss for the year	18	(1,926,546)	(1,926,546)
As at June 30, 2020	18	(17,272,933)	(17,272,933)
As at July1, 2021		(17,272,933)	(17,272,933)
Loss for the year	18	(1,543,013)	(1,543,013)
As at June30, 2022	18	(18,815,946)	(18,815,946)

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

XV. Statement Of Cash Flows for The Year Ended 30 JUNE, 2022

		2021/2022	2020/2021
Cash Flows from operating activities	Notes	(Kshs)	(Kshs)
Surplus generated from operating activities	18	(1,543,013)	(1,926,546)
Adjustment for: Non cash items			
Depreciation and amortization	12 & 13	665,549	728,144
Amortisation of capital grants	7&19	(615,232)	(659,719)
Adjusted Surplus From operating Activities			
Before Working Capital changes		(1,492,696)	(1,858,121)
Changes in working capital			
(Increase)/(Decrease) in inventory	17	(221,629)	231,172
Increase/(Decrease) in receivables	15	(133,276)	(450,092)
Increase/Decrease) in short term liabilities	20	1,781,129	2,392,661
Overdraft (prior year)		(56,286)	
Net cash flows From Operating Activities		(122,758)	315,620
Cash flows from Investing Activities			
Purchase of P.P.E and Intangible asset	12 and 13		(186,403)
Net Cash flows from investing activities			
Net Cash flows from Financing Activities			
Net Decrease/increase in cash & cash equivalents		(122,758)	129,217
Cash and Cash equivalent at Beginning Of Year		494,881	365,664
Cash and Cash equivalents At End Of Year	16A	372,123	494,881

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

XVI. Statement Of Comparison of Budget & Actual Amounts for The Period
Ended 30 June, 2022

	ACTUAL	BUDGET	VARIANCE	VARIANCE %	EXPLANATION OF MATERIAL VARIANCE
Revenue	Ksh	Ksh	Ksh		
Sales	21,596,056	22,749,828	(1,153,772)	(5)	
EXPENSES					
Salaries	1,491,112	1,200,000	291,112	24	Salary was increased in January 2022
Nssf Company Contributions	12,400	12,000	400	3	
Casual wages	337,800	380,000	(42,200)	(11)	Reduced number of casuals as sales demand was low
Training	3,100	3,000	100	3	
Motor vehicle expenses	1,580,691	1,466,000	114,691	7	
Consultancy/Professional fees	1,176,896	954,000	222,896	23	Compliance of NEMA requirement
Courier & postal services	3,960	4,800	(840)	(18)	Use of emails
Communication and internet expenses	183,195	234,000	(50,805)	(22)	Use of calling bundles
Licences & permits	77,200	115,000	(37,800)	(33)	KEBS license was renewed for two financial years in 2020-2021 Financial Year
Catering services	68,678	50,000	18,678	37	Re-Introduction of 10.00 am tea
Contracted guards services	336,842	337,200	(358)	0	
Bank/M-Pesa charges	118,311	119,000	(689)	(1)	
Insurance	114,529	200,000	(85,471)	(43)	No additional of asset in the year
Advertising	227,226	280,000	(52,774)	(19)	Advertisement were not done on billboards
Travel cost	226,700	338,000	(111,300)	(33)	Change of marketing strategy
Subsistence allowances	339,380	242,000	97,380	40	Increase in marketing needs.
First aid expenses	13,100	45,000	(31,900)	(71)	medical certificates were not charged

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

Taxes	5,207,869	5,320,000	(463,389)	(9)	
Production materials	10,214,853	13,952,149	(3,737,296)	(27)	less materials procured
Electricity and water bills	949,867	602,000	347,867	58	Increased production due to increased demand.
Chemicals	--	71,900	(71,900)	(100)	No procurement need during the year
Operating and maintenance cost	45,410	528,400	(482,990)	(91)	Few repair needs of bottling equipment's
Staff uniforms	80,603	227,500	(146,897)	(65)	Decreased marketing needs
General office supplies	221,364	279,600	(58,236)	(21)	Decreased cost of printing materials
B.O.D expenses	42,858	257,148	(214,290)	(83)	FBIL Board committee had one meeting in the year
Total expenditure	23,073,944	27,218,697			
Deficit	(1,477,888)	(4,468,869)			
<u>Reconciliation items not in the budget</u>					
Depreciation	(665,549)				
Amortisation	615,232				
Bad debts	(14,808)				
Profit before taxation	(1,543,013)				
Capital expenditure					
Automated batching unit	-	800,000	(800,000)	(100)	Insufficient funds
Automated bottling system	-	4,000,000	(4,000,000)	(100)	Insufficient funds
Aqua-sense quality monitor	-	200,000	(200,000)	(100)	Insufficient funds
Water refill station	-	1,700,000	(170,000)	(100)	Insufficient funds
Bottle moulding equipment	-	700,000	(700,000)	(100)	Insufficient funds
	-	7,400,000	(7,400,000)	(100)	

Explanation of variances is on +/- 10%

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

XVII. 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, 2022

Notes to the Financial Statements (continued)

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

New and Amendments to standards	Effective for annual period
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 1 — Presentation of Financial Statements	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2022.

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, 2022

Notes to the Financial Statements (continued)

(c) Early adoption

The company did not early adopt any new or amended standards in financial year 2021-2022

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 18

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, 2022

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 17 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, 2022

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 2022.

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 of Ksh 19,580,842, 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, 2022

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 receivables after adjusting for specific bad debt. Provisions 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, 2ltr, 3ltr, 5 ltr, 10 ltr, 18.9 disposable and 18.9 hard. The total sales for the year was Ksh. 21,596,056 exclusive of VAT.

7) Grant Income

This is amortization on capital grants from the parent company (Muwasco). These assets include buildings, furniture, computers and computer accessories and bottling equipments. The amortization amount is Ksh 615,232.

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

Notes To the Financial Statements (continued)

	2021/2022	2020/2021
	Ksh	Ksh
8) Staff Costs		
Salaries	1,491,112	1,104,159
N.S.S.F contribution	12,400	11,000
Casual wages	337,800	108,172
Total	1,841,312	1,223,331
9) Administration Expenses		
Training	3,100	2,500
Motor vehicle expenses	1,580,691	1,246,128
Consultancy/professional fees	1,176,896	375,000
Courier & postal services	3,960	2,280
Communication and internet expenses	183,195	172,203
Licences & permits	77,200	128,369
Catering services	68,678	9,175
Contracted guards services	336,842	336,841
Bank/m-pesa charges	118,311	87,772
Marketing and promotion	227,226	-
Travel cost	226,700	210,400
Subsistence allowances	339,380	143,700
First aid expenses	13,100	32,500
Provision for bad debts	14,809	49,832
insurance	114,529	152,979
taxes	5,207,869	3,104,119
Total	9,692,485	6,053,798

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

Notes To the Financial Statements (continued)

10) Production & maintenance expenses

Production materials	10,214,853	6,302,363
Electricity and water bills	949,867	705,026
Operating and maintenance cost	45,410	440,673
Total	11,210,130	7,448,062

11) General And Operating Expenses

	Ksh.	Ksh.
Staff uniforms	80,603	178,712
General office supplies	221,364	471,480
Total	301,967	650,192

12) Property, Plant & Equipments (KSHs)

COSTS	1)Buildings (Kshs)	2)Furniture (Kshs)	3)Computer & accessories (Kshs)	4)Equipments (Kshs)	TOTALS (Kshs)
As at 1 July 2020	17,478,737	167,046	211,932	2,702,516	20,560,231
Additions during the year	-	-	122,807	-	122,807
As at 30 JUNE 2021	17,478,737	167,046	334,739	2,702,516	20,683,038
DEPRECIATION					
At July 1, 2021	1,683,412	69,128	198,889	1,118,342	3,068,771
Charge for the year	394,883	12,240	41,055	198,022	646,200
As at 30th June 2022	2,078,297	81,367	238,944	1,316,372	3,714,981
NET BOOK VALUE					
At June 30, 2022	15,400,442	85,678	95,795	1,386,152	16,968,067
At June 30, 2021	15,975,325	97,918	136,850	1,584,174	17,614,267

-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 operations of the company also belongs to Tana Water Works Development Agency and is not yet transferred to the Muranga'a Water And Sanitation Company.

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

Notes to the Financial Statements (Continued)

13) Intangible Assets (Payroll Software)

COST:	Ksh.
As at 1 July 2020	175,596
Additions during the year	-
As at 30th June, 2021	175,596
AMORTISATION:	
At July 1, 2021	78,844
Charge for the year	19,350
As at 30th June 2022	98,194
NET BOOK VALUE:	
At June 30, 2022	77,405
At June 30, 2021	96,752

14) Board Expenses	2021/2022	2020/2021
	Ksh.	Ksh.
Board sitting allowances	42,858	64,287
Total	42,858	64,287

15) Receivables

Trade debtors	2,775,701	2,627,617
Less allowance for credit risk	(277,570)	(262,762)
Net trade debtors	2,498,131	2,364,855

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

Notes To the Financial Statements (Continued)

16A) Bank And Cash Balances

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

Financial institution	Account /Till number	2021/2022	2020/2021
a) Current accounts		Ksh	Ksh
Equity bank	0220272638432	69,809	-
Fixed deposit		300,000	300,000
Sub- total		369,809	300,000
b) Others			
Mobile money account	795410	-	116,247
Cash in hand		2,314	78,634
Sub- total		2,314	194,881
Grand Total		372,123	494,881

16B) Cash & Cash Equivalent(Overdraft)

Current account			
Equity bank	0220272638432	-	56,286

17) Inventory

Finished goods	341,039	307,353
Empty bottles	614,279	465,807
Labels	163,180	133,300
Seals	9,048	31,900
Shrink wraps	106,518	90,775
Heat gun	16,701	
TOTAL	1,250,764	1,029,135

18) Revenue Reserves

Brought forward	(17,272,933)	(15,346,387)
Current year	(1,543,013)	(1,926,546)
Balance carried forward	(18,815,946)	(17,272,933)

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

Notes to the Financial Statements (Continued)

	2021/2022	2020/2021
	Ksh	Ksh
19) Deferred Income		
Brought Forward	17,511,039	18,170,758
Amortisation	(615,232)	(659,719)
TOTALS	16,895,807	17,511,039
Deferred Income amortizable within one yr	615,232	615,233
Deferred income amortizable after 1 yr	16,280,575	16,895,806
Total Deferred Income c/f	16,895,807	17,511,039

20) Trade And Other Payables

Suppliers creditors	1,975,275	1,004,351
Other creditors	1,175,169	1,948,078
Muwasco payables	19,936,183	18,353,069
TOTALS	23,086,627	21,305,498

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 1,160,000 from its bank account to the Fort Beverage bank account.

FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

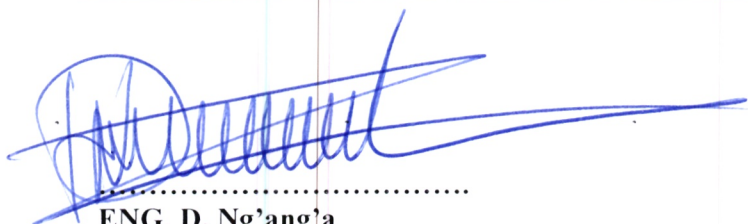
XVIII. Appendices

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)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Failure to disclose material uncertainty in relation to going concern	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. This has been disclosed in the statement of board of directors responsibility.	Resolved	Resolved
2	Failure to disclose share capital	The company has a nominal share capital of 1000 shares of Ksh.100 each which is not fully paid up and the same has been disclosed in note 1(t) of the financial statement.	Resolved	Resolved
3	Under collection of revenue	The company operations were halted by the outbreak of Covid 19 pandemic. This saw the company close her operations for four months of the reporting period. When the economy and client institutions opened in the year in the country, the operations have improved and we have currently improved on sales.	Not resolved	June 2023

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022**

4	Unauthorized expenditure	<p>-Administration expenses- Excise duty not budgeted since it was introduced through the finance bill 2018 which was subsequently challenged in court but later in the year ruled for implementation in arrears.</p> <p>-Operating and maintenance cost- Renovation of factory to meet requirements as required by the Kebs standards.</p> <p>-Staff uniforms- Requirement from heath department on PPE</p> <p>-Motor vehicle expenses- Increase in fuel cost, motor vehicle had one major break down.</p> <p>-Consultancy- Need for statutory Environmental</p> <p>-License & permits- Excise duty lisencc</p> <p>-Catering- Increase in no. of casuals when demand increased</p> <p>-Subsistence allowances- Increased marketing needs</p>	Resolved	Resolved
---	--------------------------	---	----------	----------



.....
ENG. D. Ng'ang'a
Managing Director
29/09/2022

