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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**FORT BEVERAGE INDUSTRIES COMPANY  
LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2021**





**ANNUAL REPORTS &  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2021**



**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<sup>TH</sup> JUNE 2021**

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**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**i. CORPORATE INFORMATION**

**Incorporation**

The company was incorporated on 28<sup>th</sup> 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**

<b><u>NAME</u></b>	<b><u>DESIGNATION</u></b>	<b><u>DATE OF APPOINTMENT</u></b>
Dr. P. K. Munga	Chairman	Appointed on 18 <sup>th</sup> October 2019
Eng. D. Ng'ang'a	Managing Director	Appointed on 1 <sup>st</sup> November 2019
H. M. Mwithiga	Member	Appointed on 18 <sup>th</sup> October 2019
S. Karina	Member	Appointed on 18 <sup>th</sup> October 2019
M. Gichomo	Member	Appointed on 18 <sup>th</sup> October 2019
P. Kiguta	Member	Appointed on 18 <sup>th</sup> October 2019
E. Gathima	Member	Appointed on 18 <sup>th</sup> October 2019
B. Wanjeri	Member	Appointed on 18 <sup>th</sup> October 2019
J. Kamwaga	Member	Appointed on 18 <sup>th</sup> October 2019
A. Mutiria	Member	Left on October 2020
S. Njogu	Member	Appointed in 2020
D. Waweru	Member	Appointed in 2018
A. Maina	Member	Appointed in 2020

**COMPANY SECRETARY**

Gichuke Ribathi & Company Advocates  
P.O BOX 5556-00200  
NAIROBI

**REGISTERED OFFICE**

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

**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<sup>TH</sup> JUNE 2021**

**CORPORATE BANKERS**

Equity Bank Ltd.  
P. O. BOX 1060 - 10200,  
MURANG'A.

**AUDITORS**

Office of Auditor General  
P.O. Box 30084 - 00100  
NAIROBI.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**ii. THE BOARD OF DIRECTORS**

 <p>DR. P.K. MUNGA</p>	<p>He was born in the year 1943. He was appointed on 18<sup>th</sup> 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>He was born in 1978. He is the current Managing Director of Murang'a Water &amp; Sanitation Company since the company's inception in 2007. He has huge experience in the water sector and also has worked in the private sector. He is a registered engineer, has a BSC civil engineering degree, Executive Masters degree in Business Administration and a diploma in Community Development. He has attended numerous managerial and administration courses both locally and abroad. He is an executive member and the secretary to the board.</p>
 <p>H.M. MWITHIGA</p>	<p>He was born in 1944. He was appointed on 18<sup>th</sup> 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 18<sup>th</sup> 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>

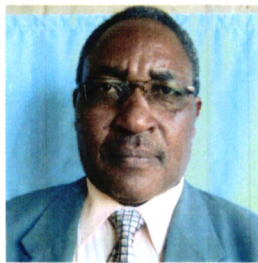
**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**



**M. GICHOMO**

She was born in 1985. She was appointed on 18<sup>th</sup> 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.

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. KIGUTA**

He was born in 1951. He was appointed on 18<sup>th</sup> 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.

He has various post high school certificates. He is an independent member and the chairman of the finance and administration committee of the board



**E. GATHIMA**

He was born in 1972. He was appointed on 18<sup>th</sup> October 2019. 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 an independent member and a member of finance and administration committee of the board.



**B. WANJERI**

She was born in 1954. She was appointed on 18<sup>th</sup> 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. She is an independent member and a member of Audit and risk management committee of the board.



**J. KAMWAGA**

She was born in 1961. She was appointed on 18<sup>th</sup> 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





**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

	<p>He was born in 1971. He was appointed on 18<sup>th</sup> October 2019. He is a holder of B.Ed (Arts) from Kenyatta university and currently pursuing his Masters in Linguistics in the same institution. He also hold senior management certificate from Kenya School of Government with vast experience in management of both private and public institutions. He has served in Thika Technical Training Institute (TTTI) as chief Technical and Vocational Trainer and also in Gitugi Girls High School as dean of studies. He commands business acumen and has experience with Royal Media Services Limited as a regional sales representative. He is a member of Public Relations Society of Kenya .He is an independent member and a member of Audit and risk management committee of MUWASCO board.</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. 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>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>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>

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**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	COMMERICAL 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 MONITORING AND EVALUATION
7.	 LILIAN MAINA	B.Sc. (HRM) ,Diploma Business Management(HRM)	HEAD OF HUMAN RESOURCES & ADMINISTRATION

# **FORT BEVERAGE INDUSTRIES COMPANY LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

### **iv. CHAIRMAN'S STATEMENT**

It is my pleasure to release our annual report and financial statements for the year ended 30<sup>th</sup> June 2021. During the year, the company continued to make improvement in the bottled water business.

The company was formed by MUWASCO as its subsidiary to diversify the revenue base in the aim of reducing the ever reliance on water and sewerage tariffs.

#### **Operations**

The financial year began on the wrong foot due to the negative effect of the Covid-19 pandemic on our business since most of our clients had closed their businesses. However due to our determination to remain afloat and see our business grow, we were more aggressive when some normalcy returned in the course of the year. The growth initiatives we implemented in all of our markets delivered well, resulting in strong volume performance. The demand for our water has grown steadily which reaffirms our confidence that we will continue to capture growth opportunities in our territory. We have managed to reduce our loss incurred the previous year significantly and we are hopeful that we will break even during the coming financial year.

Good corporate governance and transparency in reporting are our commitment to embrace best practices and plays a key role in managing our risks and opportunities thereby maintaining the trust of our stakeholders.

Constructing trust through the responsible and sustainable management of our business is a crucial part of our culture. This is more vital in challenging times and with the kind of business we are engaging in. Over the past year, we have constantly worked to integrate corporate responsibility and sustainability across every aspect of our business. We continue to invest significantly in order to create shared worth with our employees, communities, customers and shareholders. Our sustainability initiatives focus on three key areas; promoting health, minimizing negative environmental impact and benefitting the local community in our area of operation.

#### **Future Plans**

We are attentive to embrace emerging technology and the efficiency that goes with it. We will therefore as a company automate our processes as a step to reduce operating costs as well as improve our output. In addition this will improve our compliance with relevant authorities as well as improve quality of our product.

To improve on our sales, we have planned and will actualize a fighter brand that will offer customers variety and also meet the needs of the higher end market.

#### **Tribute**

On behalf of the Board, I would like to convey my gratitude to my colleagues in the board, all our business partners and stakeholders for the support they have offered during the year. I also thank all employees of Fort beverage industries for their tremendous efforts, enthusiasm and commitment in delivering results in what continues to be a very unpredictable environment.



**DR.P. K. MUNGA**

**CHAIRMAN**

# **FORT BEVERAGE INDUSTRIES COMPANY LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

### **v. MANAGING DIRECTOR'S STATEMENT**

I am proud to present to you the annual report and financial statements for Fort Beverage Industries Company Ltd for the year ended 30<sup>th</sup> June 2021. The company is a subsidiary company of Murang'a Water and Sanitation Company limited.

For the past seven years that we have been in operation, Fort Beverage Industries limited has continued to record tremendous improvements and expansion in production, human resource and sales. For the financial year 2020/2021 the company recorded total sales of Ksh 14,241 269.00 against the set target of Ksh 15,829,125.00. This was recommendable improvement from Ksh 8,200,093.00 made in the financial year 2019/2020. The Ksh 6,041,176.00 improvement is attributed to stable economic environment, recovery from the covid-19 pandemic and streamlining of our daily operations.

### **COVID-19 PANDEMIC**

Throughout the coronavirus crisis, our main focus has been coping and keeping up with the ever shifting and unprecedented situations that have been felt across the globe. As a stakeholder in the food industry, one of the worst hit sectors of the economy, we have set up systems and guidelines that have prioritized the health of our workers while also focusing on revenue generation. This included observing the basic covid-19 protocols, encouraging our staff to receive the covid-19 jabs and supporting our staffs with protective masks and hand sanitizers. Am happy to report that more than 97% of our staffs are already vaccinated and we are projecting a 100% by November, 2021.

### **FUTURE PROJECTIONS AND OUTLOOK**

We have always purposed to automate our bottling plant with the main goal of enabling large scale production, consistency and efficiency to achieve certain production goals. The automaton will enable the company to diversify on new products and bottled water brands. The company is at advanced stages of procuring a fully automated machine and a modern batching machine. The company has also embarked on massive recruitment of distributors and big consumers to achieve our set revenue goals. With a total turnover of Ksh 14,241,269, in the 2020/2021 financial year, we have set a sales target of Ksh 22,749,828.00 for the 2020/2021 financial year.

### **CONCLUSION.**

I take this opportunity to thank our board of directors, my team of management and our staff for the continued support, goodwill and energy that has revealed this company has a huge potential of rising and becoming a major player in socio-economic sector of our county. I believe with such energy and thirst to implement our strategies, we have a chance of setting the pace in bottling of high quality and safe drinking water.

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

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

vi. **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:

<b>TYPE OF MEETING</b>	<b>NO</b>
Full Board Meeting	3
Finance and Admin Committee Meeting	3
Audit Committee Meeting	3
<b>Total</b>	<b>9</b>

**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.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**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**

DATE	MEETING	P.K MUNGA	H.M MWITHIGA	P.KIGUTA	ESTON GATIMA	SUSAN PERIS KARINA	MONICA W GICHOMO	BEATRICE WANJERI	JANE KAMWAGA	ANTHONY MUTIRIA	CEC WATER	CEC FINANCE	TOWN MANAGER
09/18/20	FINANCE & ADMIN COMMITTEE			✓	✓	✓			✓				
09/18/20	AUDIT COMMITTEE		✓				✓	✓		✓			
09/29/20	FULL BOARD		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
03/03/21	AUDIT COMMITTEE		✓				✓	✓					
03/03/21	FINANCE & ADMIN COMMITTEE			✓	✓	✓			✓				
04/13/21	FULL BOARD		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
06/21/21	FINANCE & ADMIN COMMITTEE			✓	✓	✓			✓				
06/21/21	AUDIT COMMITTEE	□	✓				✓	✓					
06/29/21	FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓

**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.

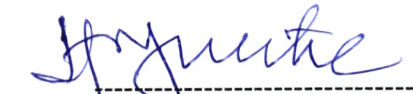
**Ethics and conduct of directors**

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:

  
-----  
for **CHAIRMAN**

  
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**MANAGING DIRECTOR**

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**vii. BOARD OF DIRECTORS REPORT**

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The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30<sup>th</sup> June 2021

**PRINCIPAL ACTIVITY**

The company produces and sells bottled water.

**INCOME**

The results of activities for the year show a loss of **(Kshs 1,926,546)** as set out on page seventeen of the accounts.

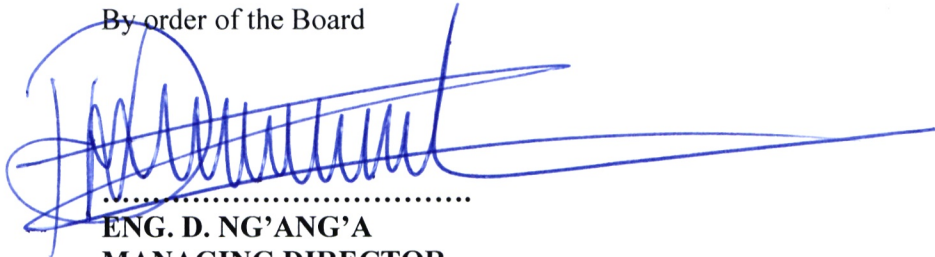
**THE BOARD OF DIRECTORS**

The board members who held office during the year were as indicated on pages four, five and six 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**  
**MANAGING DIRECTOR**

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**viii. STATEMENT OF BOARD 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 30<sup>th</sup>, 2021. 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.

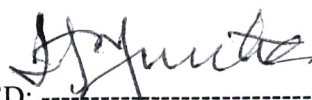
The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by 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, 2021, 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**

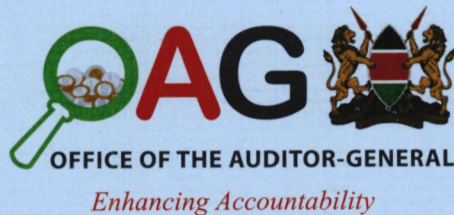
The company's financial statements were approved by the Board on 29<sup>th</sup> September 2021 and signed on its behalf by:

SIGNED: \_\_\_\_\_

  
**DR. P.K MUNGA**  
**CHAIRMAN**

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

# REPUBLIC OF KENYA



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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, 2021**

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### 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 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 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

### **Opinion**

I have audited the accompanying financial statements of Fort Beverage industries Company Limited set out on pages 16 to 32, which comprise the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow 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, the financial statements present fairly, in all material respects, the financial position of Fort Beverage Industries Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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 opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of Comparison of budget and actual amounts reflects final receipts budget and actual on a comparative basis of Kshs. 15,829,195 and Kshs. 13,581,550 respectively resulting to an under expenditure of Kshs. 2,241,645 (14%). Similarly, the Company spent Ksh. 15,389,839 against an approved budget of Kshs. 18,794,399 resulting to an under-expenditure of Kshs. 3,404,560 (18%) of the budget.

The underfunding and underperforming affected the planned activities and may have impacted negatively on service delivery to the public.

## **Other Information**

The Directors are responsible for the other information. The other information comprises Chairman's Statement, Managing Director's Statement, Corporate Governance Statement, and the statement of the Directors responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

## **Unresolved Prior Year Matters**

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 disclosed the issues under progress on follow up of prior year auditor's recommendations, 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 reference No. AG.4/16/3 Vol. (9) dated 24 June, 2020.

## **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. Un-Balanced Budget**

The statement of comparison of budget and actual amounts reflects an income budget of Kshs.15,829,195 against total expenditure budget of Kshs.18,794,399 resulting to an unbalanced budget of Kshs.2,965,204. This is contrary to Section 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budget revenue and expenditure appropriation shall be balanced.

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

#### **2. Overdrawn Cashbook and Bank Account**

Note 13B to the financial statement reflects Kshs.56,286 in respect of an overdraft in one bank account. This is contrary to the Public Finance Management (County Governments)

Regulations, 2015 Section 82(7) which states that no official county government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit authorized by the County Treasury in line with Section 119(4) of the Act.

Consequently, Management was in breach of the law.

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 governance were not effective.

##### **Basis of 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 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 Companies Act, 2015, I report based on the 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 my audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those books;
- (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 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 applicable 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 applicable 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

19 July, 2022

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**x. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

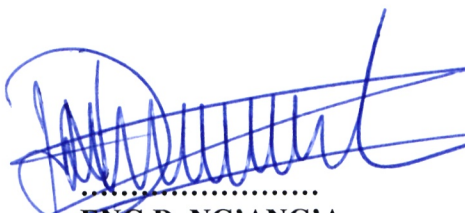
<b>REVENUES</b>	<b>NOTES</b>	<b>2020/2021 ( Kshs)</b>	<b>2019/2020 ( Kshs)</b>
Bottled water sales	4	13,581,550	7,489,484
<b>OTHER INCOME</b>			
Amortisation of capital grants	5	659,719	710,609
<b>TOTAL REVENUES</b>		<b>14,241,269</b>	<b>8,200,093</b>
<b>OPERATING EXPENSES</b>			
Personal emoluments	6	1,223,331	4,376,712
Administration expenses	7	6,118,085	6,433,921
Production and maintenance expenses	8	7,448,062	4,331,353
General office expenses	9	650,192	483,114
Depreciation and amortization	10 & 11	728,144	735,499
<b>Total Operating Expenses</b>		<b>16,167,813</b>	<b>16,360,599</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(1,926,546)</b>	<b>(8,160,506)</b>
INCOME TAX EXPENSES/(CREDIT)		-	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(1,926,546)</b>	<b>(8,160,506)</b>


**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**


**xi. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2021**

<b>NON CURRENT ASSETS</b>	<b>NOTES</b>	<b>2020/2021 Kshs</b>	<b>2019/2020 Kshs</b>
Property, plant and Equipment	10	17,614,267	18,195,416
Intangible assets	11	96,752	57,344
<b>Total noncurrent asset</b>		<b>17,711,019</b>	<b>18,252,760</b>
<b>CURRENT ASSETS</b>			
Receivables	12	2,364,855	1,914,763
Cash and cash equivalent	13A	494,881	365,664
Inventory	14	1,029,135	1,260,307
<b>Total current assets</b>		<b>3,888,871</b>	<b>3,540,734</b>
<b>TOTAL ASSETS</b>		<b>21,599,890</b>	<b>21,793,494</b>
<b>EQUITY AND LIABILITIES</b>			
Revenue Reserves	15	(17,272,933)	(15,346,387)
<b>Total Capital and reserves</b>		<b>(17,272,933)</b>	<b>(15,346,387)</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred income	16	16,895,806	17,511,039
<b>Total non current liabilities</b>		<b>16,895,806</b>	<b>17,511,039</b>
<b>Current liabilities</b>			
Deferred income	16	615,233	659,719
Trade and other payables	17	21,305,498	18,969,123
Overdraft	13B	56,286	-
<b>Total Current Liabilities</b>		<b>21,977,017</b>	<b>19,628,842</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>21,599,890</b>	<b>21,793,494</b>

The financial statements on pages 17-30 were approved by the board of directors on 29/09/2021 and were signed on its behalf by:

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

  
 .....  
**C.P.A JOSEPH MAINA**  
**COOMMERCIAL MANAGER**  
**ICPAK M/NO.8581**

  
 .....  
**DR P.K MUNGA**  
**CHAIRMAN**

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**xii. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

	NOTES	REVENUE RESERVES ( Kshs)	TOTALS ( Kshs)
<b>Balance at 1<sup>st</sup> July 2019</b>		(7,185,881)	(7,185,881)
Loss for the year	15	(8,160,506)	(8,160,506)
<b>Balance at 30<sup>th</sup> June 2020</b>	15	(15,346,387)	(15,346,387)
<b>Balance at 1<sup>st</sup> July 2020</b>		(15,346,387)	(15,346,387)
Loss for the year	15	(1,926,546)	(1,926,546)
<b>Balance at 30<sup>th</sup> June 2021</b>	15	(17,272,933)	(17,272,933)

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**xiii. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

		<b>2020/2021</b>	<b>2019/2020</b>
<b>Cash Flows from operating activities</b>	<b>Notes</b>	<b>(Kshs)</b>	<b>(Kshs)</b>
Surplus generated from operating activities	15	(1,926,546)	(8,160,506)
<b>Adjustment for: Non cash items</b>			
Depreciation and amortization	10 & 11	728,144	735,499
Amortisation of capital grants	5&16	(659,719)	(710,609)
<b>Adjusted Surplus From operating Activities</b>			
<b>Before Working Capital changes</b>		<b>(1,858,121)</b>	<b>(8,135,616)</b>
<b>Changes in working capital</b>			
(Increase)/(Decrease) in inventory	14	231,172	(52,940)
Increase/(Decrease) in receivables	12	(450,092)	366,677
Increase/Decrease) in short term liabilities	17	2,392,661	8,342,788
<b>Net cash flows From Operating Activities</b>		<b>315,620</b>	<b>520,910</b>
<b>Cash flows from Investing Activities</b>			
Purchase of P.P.E and Intangible asset	10 and 11	(186,403)	-
<b>Net Cash flows from investing activities</b>			<b>-</b>
<b>Net Cash flows from Financing Activities</b>			<b>-</b>
Net Decrease/increase in cash & cash equivalents		129,217	520,910
Cash and Cash equivalent at start of year		365,664	(155,246)
<b>Cash and Cash equivalents at end of year</b>	13A	<b>494,881</b>	<b>365,664</b>

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**xiv. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 2021**

	ACTUAL	BUDGET	VARIANCE	VARIANCE %	EXPLANATION OF MATERIAL VARIANCE
<b>INCOME</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>		
SALES	13,581,550	15,829,195	(2,247,645)	(14)	Stiff competition in the market
<b>EXPENDITURE</b>					
SALARIES	1,104,159	1,680,000	(575,841)	(34)	Reduced number of employees as sales demand was low
NSSF COMPANY CONTRIBUTIONS	11,000	16,800	(5,800)	(34)	Reduced number of employees as sales demand was low
CASUAL WAGES	108,172	180,000	(71,828)	(40)	Reduced number of casuals as sales demand was low
TRAINING	2,500	3,600	(1,100)	(32)	Reduced number of employees as sales demand was low
MOTOR VEHICLE EXPENSES	1,246,128	1,164,000	82,128	7	
CONSULTANCY/PROFESSIONAL FEES	375,000	124,000	251,000	202	Compliance of NEMA requirement
COURIER & POSTAL SERVICES	2,280	4,800	(2,520)	(52)	Use of emails
COMMUNICATION AND INTERNET EXPENSES	172,203	234,000	(61,797)	(26)	Use of calling bundles
LICENCES & PERMITS	128,369	47,000	81,369	173	Renewal of KEBS license for two years and registration of new brand
CATERING SERVICES	9,175	108,000	(98,825)	(91)	Suspension of 10.00 am tea
CONTRACTED GUARDS SERVICES	336,841	288,000	48,841	17	Increase in salary of contracted guards
BANK/M-PESA CHARGES	87,772	107,000	(19,228)	(18)	Decrease in m-pesa and bank transaction
INSURANCE	152,979	150,000	2,979	2	
SUNDRY /DONATIONS	-	40,000	(40,000)	(100)	No donation made due to financial constraint
ADVERTISING	-	3,130,000	(3,130,000)	(100)	No advertisement made during the the year
TRAVEL COST	210,400	360,000	(149,600)	(41)	Change of marketing strategy
SUBSISTENCE ALLOWANCES	143,700	288,000	(144,300)	(50)	Decrease in marketing needs.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

FIRST AID EXPENSES	32,500	31,500	1000	3	
TAXES	3,104,119	1,880,000	1,224,119	65	Increased Excise duty tax
PRODUCTION MATERIALS	6,302,363	7,571,675	(1,269,312)	(17)	less materials procured due to decrease in demand
ELECTRICITY AND WATER BILLS	705,026	263,760	441,266	167	Less demand than budgeted.
CHEMICALS	-	71,900	(71,900)	(100)	No procurement need during the year
OPERATING AND MAINTENANCE COST	440,673	378,400	62,273	16	More repair needs of bottling equipments
STAFF UNIFORMS	178,712	97,500	81,212	83	Increased marketing needs
GENERAL OFFICE SUPPLIES	471,480	231,600	239,800	103	Increased cost of printing materials
B.O.D EXPENSES	64,287	342,864	(278,577)	(81)	FBIL Board committee formed in the year
<b>TOTAL EXPENDITURE</b>	<b>15,389,839</b>	<b>18,794,399</b>	<b>(3,404,560)</b>		
<b>DEFICIT</b>	<b>(1,808,289)</b>	<b>(2,965,204)</b>	<b>1,156,915</b>		
<b><u>RECONCILIATION ITEMS NOT IN THE BUDGET</u></b>					
DEPRECIATION	(728,144)				
AMORTISATION	659,719				
BAD DEBTS	(49,832)				
<b>PROFIT BEFORE TAXATION</b>	<b>(1,926,546)</b>				
<b>CAPITAL EXPENDITURE</b>					
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<sup>TH</sup> JUNE 2021**

### **xv. NOTES TO FINANCIAL STATEMENTS**

#### **1. GENERAL INFORMATION**

The company is a subsidiary of Muranga water and Sanitation Company. It was incorporated on 28<sup>th</sup> 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).

#### **3. 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:

<b>Per Annum</b>	<b>RATE</b>
	<b>%</b>
-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%.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

**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.

**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.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

**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).

**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 30<sup>th</sup> June 2021.

**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 18,088,146, 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 measures have been undertaken to reverse the negative working capital

- 1) Increased marketing.
- 2) Increased production to cater for increased demand.
- 3) Cutting operation costs.
- 4) Recruitment of independent water distributors.
- 5) Collaborating with KRA to remove unfair competition
- 6) Proposal to the Board on conversion of Parent company loan of Ksh 18.4 Million to Equity capital.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**EXPLANATORY NOTES TO THE ACCOUNTS**

**4) BOTTLED WATER SALES**

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. 13,581,550 exclusive of VAT

**5) AMORTISATION**

Amortisation is on capital grants from the parent company(Muwasco).These assets include buildings,furniture,computers and computer accessories and bottling equipments.The amortization amount is as per note 16.

<b>6) <u>PERSONEL EMOLUMENTS</u></b>	<b>2020/2021</b> <b><u>Ksh</u></b>	<b>2019/2020</b> <b><u>Ksh</u></b>
SALARIES	1,104,159	4,036,768
N.S.S.F CONTRIBUTION	11,000	23,200
PENSION CONTRIBUTION	-	44,190
CASUAL WAGES	108,172	176,210
LEAVE ALLOWANCE	-	96,344
<b>TOTAL PERSONNEL EMOLUMENT</b>	<b>1,223,331</b>	<b>4,376,712</b>

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Ksh</b>	<b>ksh</b>
<b>7) <u>ADMINISTRATION EXPENSES</u></b>		
TRAINING	2,500	6,250
MOTOR VEHICLE EXPENSES	1,246,128	984,357
CONSULTANCY/PROFESSIONAL FEES	375,000	342,684
COURIER & POSTAL SERVICES	2,280	1,863
COMMUNICATION AND INTERNET EXPENSES	172,203	163,807
LICENCES & PERMITS	128,369	86,534
CATERING SERVICES	9,175	69,505
CONTRACTED GUARDS SERVICES	336,841	269,359
BANK/M-PESA CHARGES	87,772	74,927
TRAVEL COST	210,400	166,120
SUBSISTENCE ALLOWANCES	143,700	220,218
FIRST AID EXPENSES	32,500	12,000
PROVISION FOR BAD DEBTS	49,832	212,930
B.O.D EXPENSIS	64,287	85,716
INSURANCE	152,979	-
TAXES	3,104,119	3,737,651
<b>TOTAL</b>	<b>6,118,085</b>	<b>6,433,921</b>
<b>8) <u>PRODUCTION &amp; MAINTENANCE EXPENSES</u></b>		
PRODUCTION MATERIALS	6,302,363	3,400,544
ELECTRICITY AND WATER BILLS	705,026	168,442
OPERATING AND MAINTENANCE COST	440,673	762,367
<b>TOTAL</b>	<b>7,448,062</b>	<b>4,331,353</b>

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2020/2021	2019/2020
	Ksh.	Ksh.
<b><u>9) GENERAL OFFICE EXPENSES</u></b>		
STAFF UNIFORMS	178,712	361,631
GENERAL OFFICE SUPPLIES	471,480	121,483
<b>TOTAL</b>	<b>650,192</b>	<b>483114</b>

**10) PROPERTY PLANT & EQUIPMENTS (KSHs)**

COSTS	1)Buildings ( Kshs)	2)Furniture ( Kshs)	3)Computer & accessories ( Kshs)	4)Equipments ( Kshs)	TOTALS ( Kshs)
Cost as at 1 <sup>st</sup> July 2019	17,478,737	167,046	211,932	2,702,516	20,560,231
Additions during the year	-	-	-	-	-
<b>Total Cost As At 30<sup>th</sup> JUNE 2020</b>	<b>17,478,737</b>	<b>167,046</b>	<b>211,932</b>	<b>2,702,516</b>	<b>20,560,231</b>
Cost as at 1 <sup>st</sup> July 2020	17,478,737	167,046	211,932	2,702,516	20,560,231
Additions during the year	-	-	122,807	-	122,807
<b>Total Cost As At 30<sup>th</sup> JUNE 2021</b>	<b>17,478,737</b>	<b>167,046</b>	<b>334,739</b>	<b>2,702,516</b>	<b>20,683,038</b>
<b>DEPRECIATION</b>					
As at 1 <sup>st</sup> July 2019	863,013	39,151	108,085	633,393	1,643,642
charge for the year	415,393	15,987	31,154	258,639	721,173
<b>Accumulated depreciation As at 1<sup>st</sup> July 2020</b>	<b>1,278,406</b>	<b>55,138</b>	<b>139,239</b>	<b>892,032</b>	<b>2,364,815</b>
Charge for the year	405,006	13,990	58,650	226,310	703,956
<b>Total Accumulated Depreciation As At 30<sup>th</sup> June 2021</b>	<b>1,683,412</b>	<b>69,128</b>	<b>198,889</b>	<b>1,118,342</b>	<b>3,068,771</b>
<b>NET BOOK VALUE</b>					
As at 30 <sup>th</sup> JUNE 2021	15,795,325	97,918	136,850	1,584,174	17,614,267
As at 30 <sup>th</sup> JUNE 2020	16,200,331	111,908	72,639	1,810,475	18,195,416

-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.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11) INTANGIBLE ASSETS (PAYROLL SOFTWARE)**

<b>COST:</b>	<b>Ksh.</b>
Cost as at 1 <sup>st</sup> July 2020	112,000
Additions during the year	63,596
<b>Total cost as at 30<sup>th</sup> June 2020</b>	<b>175,596</b>
<b>AMORTISATION:</b>	
As at 1 <sup>st</sup> July 2020	54,656
Charge for the year	24,188
<b>Total accumulated amortization as at 30<sup>th</sup> June 2021</b>	<b>78,844</b>
<b>NET BOOK VALUE:</b>	
<b>As at 30<sup>th</sup> June 2021</b>	<b>96,752</b>
<b>As at 30<sup>th</sup> June 2020</b>	<b>57,344</b>

	<b>2020/2021</b>	<b>2019/2020</b>
<b>12) <u>RECEIVABLES</u></b>	<b>Ksh.</b>	<b>Ksh.</b>
Trade debtors	2,627,617	2,127,693
Less allowance for credit risk	(262,762)	(212,930)
<b>Net trade debtors</b>	<b>2,364,855</b>	<b>1,914,763</b>

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13A) CASH & CASH EQUIVALENT**

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

<b>Financial institution</b>	<b>Account /Till number</b>	<b>2020/2021</b>	<b>2019/2020</b>
<b>a) Current accounts</b>		Ksh	Ksh
Equity bank	0220272638432	-	34,167
Fixed deposit		300,000	300,000
<b>Sub- total</b>		<b>300,000</b>	<b>334,167</b>
<b>b) Others</b>			
M-PESA	795410	116,247	6,866
Cash at hand		78,634	24,631
<b>Sub- total</b>		<b>194,881</b>	<b>31,497</b>
<b>GRAND TOTAL</b>		<b>494,881</b>	<b>365,664</b>

**13B) CASH & CASH EQUIVALENT(OVERDRAFT)**

**Current account**

<b>Equity bank</b>	0220272638432	<b>56,286</b>	-
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**14) INVENTORY**

Finished goods	307,353	154,282
Empty bottles	465,807	986,390
Labels	133,300	11,617
Seals	31,900	16,747
Shrink wraps	90,775	28,247
Heat gun		63,024
<b>TOTAL</b>	<b>1,029,135</b>	<b>1,260,307</b>

**15) REVENUE RESERVES**

Brought forward	(15,346,387)	(7,185,881)
Current year	(1,926,546)	(8,160,506)
<b>Balance carried forward</b>	<b>(17,272,933)</b>	<b>(15,346,387)</b>

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>16) <u>DEFERRED INCOME</u></b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Ksh</b>	<b>Ksh</b>
Brought Forward	18,170,758	18,881,367
Amortisation	(659,719)	(710,609)
<b>TOTALS</b>	<b>17,511,039</b>	<b>18,170,758</b>
Deferred Income amortizable within one yr	615,233	659,719
Deferred income amortizable after 1 yr	16,895,806	17,511,039
<b>Total Deferred Income c/f</b>	<b>17,511,039</b>	<b>18,170,758</b>

**17) TRADE AND OTHER PAYABLES**

Suppliers creditors	1,004,351	624,863
Other creditors	1,948,078	2,542,104
Muwasco payables	18,353,069	15,802,156
<b>TOTALS</b>	<b>21,305,498</b>	<b>18,969,123</b>

**18) 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 2,200,000 from its bank account to the fort beverage bank account.

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**xvi. APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
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
4	Unauthorized expenditure	-Administration expenses- Excise duty not budgeted since it was introduced through the	Not resolved	June 2022

**FORT BEVERAGE INDUSTRIES COMPANY LIMITED**  
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	<p>finance bill 2018 which was subsequently challenged in court but later in the year ruled for implementation in arrears.</p> <ul style="list-style-type: none"> <li>-Operating and maintenance cost- Renovation of factory to meet requirements as required by the Kebs standards.</li> <li>-Staff uniforms- Requirement from health department on PPE</li> <li>-Motor vehicle expenses- Increase in fuel cost, motor vehicle had one major break down.</li> <li>-Consultancy- Need for statutory Environmental</li> <li>-License &amp; permits- Excise duty licence</li> <li>-Catering- Increase in no. of casuals when demand increased</li> <li>-Subsistence allowances- Increased marketing needs</li> </ul>		
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**ENG. D. NG'ANG'A**  
**MANAGING DIRECTOR**  
**29/09/2021**