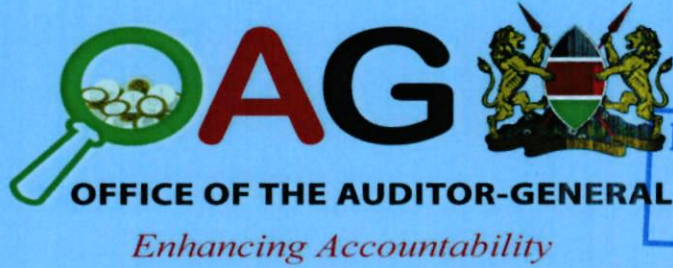
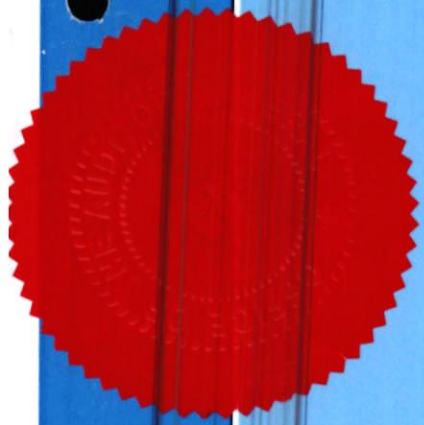


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**REPORT**

**OF**

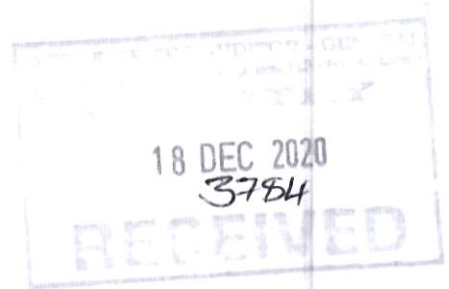
**THE AUDITOR-GENERAL**

**ON**

**MERU COUNTY MICROFINANCE  
CORPORATION**

**FOR THE YEAR  
ENDED 30 JUNE, 2020**

PAPERS LAID	
DATE	02/03/2022
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COMMITTEE	-
CLERK AT THE TABLE	DANIEL



Tel No. 0773-221-015  
Email: [info@countymicrofinance.go.ke](mailto:info@countymicrofinance.go.ke)

P.O. Box 2564 (60200)  
MERU

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**MERU COUNTY MICROFINANCE CORPORATION  
REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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

COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION

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For the year ended June 30, 2020

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**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements  
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**KEY ENTITY INFORMATION**

**Background information**

The Corporation is constituted as per the constitution of Kenya through an act of the County Assembly of Meru (Meru County Microfinance Act of 2014) and is headed by the Managing Director, who is responsible for the general policy and strategic direction of the corporation.

**Principal Activities**

The principal activities of the entity are to provide microfinance and related services to small and medium businesses in Kenya.

**Vision**

To be the model microfinance institution offering quality and affordable financial products to its customers.

**Mission**

To provide enhanced financial services that improve the living standards of low-income households.

**Values**

- Efficiency
- Teamwork
- Professionalism
- Transparency
- Accountability

**Directors**

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

1.	Gitonga Mutungi	- Chairman	- Appointed on 23/08/2017
2.	Catherine Kendi Kiecha	- Vice-Chairperson	- Appointed on 21/05/2018
3.	Benjamin Muketha	- Member	- Appointed on 21/05/2018
4.	Denson Mwirigi Mbuui	- Member	- Appointed on 22/02/2018
5.	Joseph Kabii Chabari	-Member	- Appointed on 22/02/2018

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

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**Registered Office**

Meru County Maisonette Building, 1<sup>st</sup> & 2<sup>nd</sup> Floor  
P.O. Box 2564 - 60200  
Meru, KENYA

**Corporate Headquarters**

Meru County Maisonette Building, 1<sup>st</sup> & 2<sup>nd</sup> Floor  
P.O. Box 2564 - 60200  
Meru, KENYA

**Corporate Contacts**

Telephone: 0773 221 015  
E-mail: [info@countymicrofinance.go.ke](mailto:info@countymicrofinance.go.ke)  
Website: [www.countymicrofinance.go.ke](http://www.countymicrofinance.go.ke)

**Corporate Bankers**

Kenya Commercial Bank  
P.O. BOX 178 -60200  
Meru, Kenya

**Independent Auditors**

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




**Principal Legal Advisers**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION



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BOARD OF DIRECTORS

Photo	Board Name and Qualifications	Year of birth and experience
	<p><b>Samuel Gitonga Mutungi – Chairperson</b> Fellow – Kenya Institute of Bankers Fellow – Kenya Computer Society Paul Harris – Fellow MSC Business Systems Analysis &amp; Design (City University London) B.E.D (Maths &amp; Business)</p>	<p>Year of Birth - 1954 Samuel Mutungi has over 30 years' experience in ICT and corporate business leadership. He has served in various key executive management positions at Co-Operative Bank of Kenya including Director Operations, Director Retail Banking, Director Corporate Banking and Chief Manager ICT.</p>
	<p><b>Catherine Kendi Kiecha – Vice-Chair</b> MBA – Finance option Bachelor of Commerce – Accounting option CPA K</p>	<p>Year of birth – 1988 Ms. Catherine Kendi Kiecha has over 7 years' experience in Finance Management and Accounting. She serves as the Chairperson of both Audit and Risk Committee and Resource Mobilisation Committee and is a member of Finance Committee and Human Resource Committee of the Board.</p>
	<p><b>Benjamin Muketha – Member</b> Master of Business Administration (MBA) Bachelor of Arts (Hons)</p>	<p>Year of birth - 1964 Business Executive with over 20 years' experience in senior management of large corporations. Extensive knowledge and experience in technology, operations and business development. Board level experience in initiation, coordination and execution of business strategy. He is the Chairman of both Finance Committee and Human Resource Committee and is a member of Audit and Risk Committee and Resource Mobilisation Committee of the Board.</p>

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**





**Annual Reports and Financial Statements  
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	<p><b>Denson Mwirigi Mbuui – Member</b> PHD (Entrepreneurship) Candidate UON MSC (Entrepreneurship) JKUAT MBA (Marketing) BBA (Accounting) CPA (K) Member ICPAK in good standing Member of International Process and Performance Institute (IPAPI)</p>	<p>Year of birth – 1964 Denson Mwirigi - 1.7 years Chief Officer Trade – Meru County Government 14 years Compassion International – Finance &amp; Admin Manager, Senior Regional Operations Specialist 10 years National Council of Churches of Kenya – Senior Accountant in charge of Management Audit with the small and Micro Enterprises Programme He serves as a member of Human Resource Committee, Human Resource Committee and Resource Mobilization Committee in the Board</p>
	<p><b>Joseph Kabii Chabari – Member</b> MBA – Finance BBA – Accounts CPA(K) Member – ICPAK</p>	<p>Year of birth – 1981 Joseph Kabii Chabari - Chief Officer Finance, Economic planning and ICT County Government of Meru. Mr. Chabari has a vast experience in Finance and accounting in Public Sector having worked at the National Treasury for 9 years. He serves as a member of Finance Committee and Resource Mobilization Committee in the Board</p>
	<p><b>Kenneth K Mbae – Managing Director</b> Bachelor of Arts –Double Mathematics &amp; Economics Corporate Governance – Centre for Corporate Governance Professional Sales Development – Robert Sales Training Hampshire Sales training – Dales Carnegie</p>	<p>Year of birth – 1977 Over 15 years’ experience in Corporate Banking, Business development and business relationships</p>

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**



**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

**MANAGEMENT TEAM**

Photo	Manager's Name and Qualifications	Year of Birth and Experience
	<p><b>Kenneth K Mbae – Managing Director</b>            Bachelor of Arts – Double Mathematics &amp; Economics            Corporate Governance – Centre for Corporate Governance            Professional Sales Development – Robert Sales Training Hampshire            Sales training – Dales Carnegie</p>	<p>Year of Birth – 1977            Over 15 years' experience in Corporate Banking, Business development and business relationship</p>
	<p>Daniel Kimathi – Finance and Administration Manager            BBA Accounts;            CPA(K) and Member of ICPAK            Master's degree – Finalizing</p>	<p>Year of Birth 1978 - Over 13 years' experience in Finance and accounts</p>
	<p>Salesio Miriti – Branch Manager – Maua            Msc Agricultural Resource Management,            BSC Agribusiness Management</p>	<p>Year of Birth 1981 – 10 years' experience in banking and project management</p>
	<p>Martin Ntuara – Branch Manager – Meru            Bachelor of Commerce – Marketing</p>	<p>Year of Birth 1982 – 9 years banking experience</p>

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

	<p>Edith Kaaria – Head of Human Resource Bachelor of Arts, Economics and Sociology Post Graduate Diploma in HRM</p>	<p>Year of Birth 1983 – 10 years’ experience in Human Resource practice</p>
	<p>Eric Kinyua – ICT Manager Bachelors of Science in Mathematics and Computer Science,2011 Masters of Science in Computer Systems Cont. CCNA - 2016 ITIL - 2017 PMP -2020</p>	<p>Year of birth 1989  10 years of experience implementing technology projects, developing product requirements, analysing support strategies and processes to facilitate improved operations and efficiency</p>

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

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**CHAIRMAN'S STATEMENT**

The Meru County Microfinance Corporation Act 2014 requires the corporation to prepare financial statements at the end of each financial year. I am pleased to present the financial statements for the corporation, for the period ended 30th June 2020.

Meru County Microfinance Corporation was created in 2014, through an Act of the County Assembly of Meru, to provide microfinance and related services to SMEs in Kenya. This corporation was opened to the public on 15th January 2016. The performance reflected in these statements covers one year of operation.

During this period, the corporation has operated six branches covering the larger Meru County. The corporation has reached over 6,500 customers, with products covering both training and loan facilities. The corporation is on a commendable growth trajectory.

Among the main challenges experienced during the period include inadequate financing, lack of adequate personnel and Corona Virus pandemic. The Corporation intends to open Githongo and Mikinduri branches in the financial year 2020/2021 to serve customers better.

On behalf of the Board, staff and other stakeholders, I thank the Meru County Government for their continued provision of the seed capital to support the Microfinance.



**CHAIRPERSON-Board of Directors**

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

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**REPORT OF THE MANAGING DIRECTOR**

In the year under review, Meru County Microfinance Corporation achieved a strong performance. This performance has been driven by a disciplined growth strategy and a clear set of strategic priorities. Our talents, capabilities, energy and capital have been geared towards the ultimate goal of making our customers achieve their dreams.

Advances in computer technology, networked communication and digitization of almost everything has created both extraordinary opportunities as well as presented challenges to businesses including our own. It's because of this reason that the corporation has invested in a robust operational system to enable us take advantage of the opportunities as well as overcome some of these challenges. The investment in technology will enable us make use of mobile based disbursement of funds for convenience and ease of access of our products.

The corporation also intends to diversify its products in order to take care of other neglected sectors of the community. The corporation intends to venture more into asset financing but targeting the small and medium businesses like salons, kinyozi and bodaboda in order to benefit the young entrepreneurs.

We intend to pursue in the future the necessary approvals from the Central bank in order to be a deposit taking Microfinance. This will ensure that we not only cater for borrowers' end of the market but also the savers. Being a deposit taking Microfinance will ensure that the corporation will be fully under the Central bank regulations hence more supervision and accountability.

  
\_\_\_\_\_  
Managing Director

COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION

Annual Reports and Financial Statements  
For the year ended June 30, 2020

REVIEW OF MERU COUNTY MICROFINANCE CORPORATION PERFORMANCE FOR  
FY 2019/2020

*Meru County Microfinance Corporation* has 3 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

Pillar 1: Market Penetration

Pillar 2: Institutional Development

Pillar 3: Resource Mobilization

*Meru County Microfinance Corporation* develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Meru County Microfinance Corporation* achieved its performance targets set for the FY 2019/2020 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Market Penetration	Serving and developing appropriate products and using effective delivery channels.	<ul style="list-style-type: none"> <li>Number of products</li> <li>Number of product evaluation reports</li> <li>Increase branch network</li> </ul>	<ul style="list-style-type: none"> <li>Implement the new products approval procedures manual</li> <li>Evaluate and revise current products as necessary</li> <li>Develop and market sector focused products based on market studies</li> <li>Develop and implement a product monitoring system</li> </ul>	<ul style="list-style-type: none"> <li>Products</li> <li>Increased branch network</li> </ul>
Institutional Development	Developing a highly qualified and motivated staff as well as the support systems	<ul style="list-style-type: none"> <li><i>Fully operational organizational structure</i></li> <li><i>Operating Policies and Procedures</i></li> </ul>	<ul style="list-style-type: none"> <li>Final Organogram chart</li> <li>Board Charter</li> <li>Board oriented on and knowledgeable of roles, responsibilities, reporting and authority</li> <li>Staff oriented on and knowledgeable of roles, responsibilities, reporting and authority</li> </ul>	<ul style="list-style-type: none"> <li>Final Organogram chart</li> <li>Policies and procedures</li> </ul>

COUNTY GOVERNMENT OF MERU  
 MERU COUNTY MICROFINANCE CORPORATION

Annual Reports and Financial Statements  
 For the year ended June 30, 2020

REVIEW OF MERU COUNTY MICROFINANCE CORPORATION PERFORMANCE FOR  
 FY 2019/2020(Cont'd)

Resource Mobilization	Build a wide range of strategic partnerships	<ul style="list-style-type: none"> <li>• Conduct studies on potential networks, linkages and partners</li> <li>• Develop and disseminate concept papers and presentations</li> <li>• Identify and approach networks, linkages and partners</li> <li>• Establish functioning networks, linkages and partners</li> </ul> Establish functioning formal partnerships	<ul style="list-style-type: none"> <li>• Number of potential partners identified</li> <li>• Number of concept papers developed and disseminated</li> <li>• Number of presentations made</li> <li>• Number of established partnerships and linkages</li> </ul> Monetary value of partnerships developed	
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**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

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**CORPORATE GOVERNANCE STATEMENT**

Good corporate governance is key to the integrity of Microfinance institutions and for their stability. Corporate governance plays a leading role in making certain how corporations and their boards and management are directed, controlled and held to account. Corporate governance therefore encompasses the systems, practices and procedures by which the individual corporation regulates itself in order to remain competitive, ethical, sustainable and fair.

The Board of Meru County Microfinance Corporation follows principles of openness, integrity and accountability in its stewardship of the company affairs. It recognizes the evolving nature of corporate governance and assesses the company's compliance with generally accepted corporate governance practices on a regular basis directly and through its board committees and management. The role of the board is to ensure conformance by focusing on and providing the company's overall strategic direction and policy making as well as performance review through accountability and ensuring appropriate monitoring and supervision. The board is also responsible for the overall system of internal control and for the reviewing its effectiveness. The controls are designed to both safeguard the company's assets and ensure the reliability of financial information.

A management team comprising of the managing director, heads of departments and senior staff meet regularly to consider issues of operational and strategic importance to the company. Here below are the key features of the existing corporate governance practices which are reviewed and improved on a regular basis:

1. Board of Directors

The board of directors consist of seven directors who have been appointed in accordance with the Meru County Microfinance Act of 2014. The chairperson of the board is a non-executive director and the board meets formally at least four times a year.

The board is responsible for setting the direction of the corporation through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of strategies and policies through a structured approach to reporting by management and consequent accountability.

The non-executive directors are actively involved in bringing strong independent judgement on board deliberations and discussions. These directors have a wide range of knowledge and experience of local markets that is applied to the formulation of strategic objectives and decision making. The board meets regularly and retains full and effective control over the company in strategic, financial, operational and compliance areas.

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

**CORPORATE GOVERNANCE STATEMENT (Cont'd)**

To assist the board in the discharge of its mandate, board committees have been established. The committees are as follows:

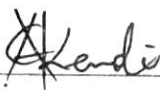
- (a) Finance Committee - Comprises of Benjamin Muketha, Catherine Kendi Kiecha and Joseph Kabii Chabari.  
The committee provides guidance to the board on finance, Credit, legal and ICT requirements for the corporation. It also advises on financial controls and compliance issues of the company.
- (b) Human Resource Committee – The committee comprises of Benjamin Muketha, Catherine Kendi Kiecha and Denson Mwirigi. The purpose of the Human Resources Committee is to assist the Board in fulfilling its obligations relating to human resources issues, including the evaluation and compensation of the employees, succession planning and significant human resources policies.
- (c) Audit and Risk Committee – Comprises of Catherine Kendi Kiecha, Benjamin Muketha and Denson Mwirigi. The Committee is mandated to raise the standards of corporate governance by reviewing the quality and effectiveness of the internal control systems, the internal and external audit functions and the quality of financial reporting.
- (d) Resource Mobilization Committee – Comprises of Catherine Kendi Kiecha, Benjamin Muketha, Denson Mwirigi and Joseph Kabii Chabari.  
Its mandated to review current resource needs and funding gaps and pursue possible funding opportunities for the Corporation.

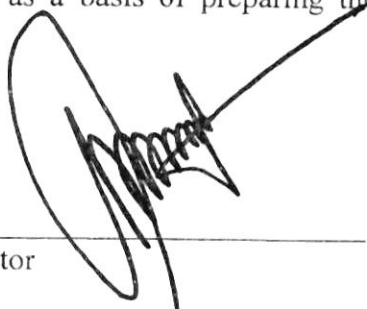
2. Internal Controls

The corporation has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the company's assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through operational meetings and the annual external audit.

3. Going concern

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

  
\_\_\_\_\_  
Chairperson

  
\_\_\_\_\_  
Director

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

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**MANAGEMENT DISCUSSION AND ANALYSIS**

The Meru County Microfinance Corporation (MCMC) was established by the MCMC Act, 2014 of the Meru County Assembly. Meru County Microfinance Corporation (MCMC) can safely be considered a product of Kenya's national long-term development policy, the Kenya Vision 2030. The Meru County Microfinance Corporation is a noble initiative of the Meru County Government, created to provide affordable and convenient credit to the low-income households in the County. The purpose of the institution as provided for in the Act is providing financial services to Micro, Small and Medium enterprises in order to:

- a) Promote local business and investment growth;
- b) Enhance access to capital and credit and financial services to micro, small and medium enterprises;
- c) Reduce poverty and unemployment;
- d) Promote local economic growth.

The banking industry in Kenya experienced a major shift with the amendment of the Banking Act in August 2016 to cap the lending rates to a maximum of 4.0 per cent above the Central Bank Rate (CBR), and deposit interest rate floor of 70% of that base rate. The implementation which began in September 2016, resulted in a substantial decline in the interest rates. Additionally, it also led to a significant reduction in margins against static operating expenditure. Kenya's banking sector will continue to be shaped by stricter prudential and conduct regulations.

In order to be more competitive and also ensure cheap access to credit for the low-income earners, the Corporation through the Board meeting held on 27<sup>th</sup> August 2018 resolved to review the interest rate charged to its customers from 15 percent to 12 percent. This was to ensure greater accessibility of cheap credit and also more visibility for the Corporation. The Corporation had not been lending to its customers since there was no Board of Directors until October 2018 when lending was resumed. Despite this, the Corporation was able to disburse Kshs.70 Million during the financial year.

Digital Transformation has been an on-going process since 2016 with an initial investment of Ksh. 15 Million towards a stable core banking system and branch connectivity. The Corporation invested in this Core banking system so that all the departments can be linked and ensure more efficient capturing of data within the Corporation.

After being in operation for about two years, the board and management of the Meru County Microfinance Corporation considered it time to undertake the development of a strategic plan. Driven by the need to ensure execution of its mandate by growing its client base, the Corporation was in a position to build on the experiences and knowledge gained so far and to tap into the talent of its diverse staff and board to develop a plan to guide planning and operations into the next five years. A participatory approach that included reference to, consultation with and involvement of the relevant stakeholders - MCMC's board members, staff, clients, parent county department senior members, county government and oversight authorities – was adopted for the development of this plan.

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

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**MANAGEMENT DISCUSSION AND ANALYSIS(CONT'D)**

This strategic plan will see that Meru County Microfinance Corporation develops new products, increase the disbursement capacity by great margins, ensure we have an undeniably huge media presence, increase our customer base, and with it, our lending capacity, and finally, see to it that MCMC is converted into a deposit taking facility.

In order to deliver on its mission of providing financial services that improve the living standards of low-income households, a plan is proposed that pursues the following three strategic directions:

/

Market Penetration: By clarifying the core market to be served and developing appropriate products and using effective delivery channels.

Institutional Development: By developing a highly qualified and motivated staff as well as the support systems that will ensure that MCMC is able to carry out its mandate in a professional manner.

Resource Mobilization: Build a wide range of strategic partnerships that will leverage their resources on the capacity of MCMC to offer financial services to the low-income categories.

On Human Capital, the Corporation invested in recruitment of top talent in the industry, for optimal performance of the business units and effective implementation of its strategy. The Corporation has ensured critical departments in the Corporation were fully filled up such as the Risk and ICT departments. Staff have been well trained in their specific areas of specialization. This was aimed at transforming Meru County Microfinance members of staff into bankers of the future - with superior skill-set, enhanced professional knowledge and a culture that supports diversity of thought. The plan has aligned the staff headcount with strategic needs and in tandem with a vigorous performance management program that the Corporation is currently implementing. The Corporation will continue acquiring top talent from the market, even as the growth continues.

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

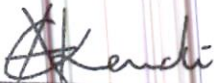
**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Meru County Microfinance Corporation is committed to being a responsible corporation, not only on how we work with our customers but also in terms of how we contribute to the wider community around us. We are committed to ensure that our employees work for a socially responsible corporation and that our approach to what we do reflects our people. Our activities as a corporation are endeavoured to positively impacting on our community.

The corporation upholds its core values which enshrine ethical business practices, compliance with regulatory and other legal requirements and respect for humanity, communities and the environment. The company's corporate social responsibility hinges on three key pillars; the customer, employees and the community.

During the year under audit, the employees have become an important part of this noble objective. The employees are the backbone of our success. The corporation offers equal employment opportunity to all. The corporation has ensured that the employees have a favourable work environment. Training and development of staff has continued to be an important part of the corporation. All staff are encouraged to attend both internal and external training sessions in order to upgrade themselves technically and professionally. The internship programme has continued with several students working as interns in various departments and are drawn from various colleges in Kenya. The corporation has also provided both general and medical insurance to all members of staff and their immediate family.

Besides creating jobs to the community, we recognize the responsibility to act responsibly and constructively as a member of these communities. We always seek to create value and bring joy to the people we serve. As a corporation we have managed to change lives of our customers through providing financial and business advice. Our target customers are small and medium scale traders and farmers, including women and the youth who are not usually served by the mainstream banking sector.



Chairperson



Managing Director

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

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**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Meru County Microfinance Corporation affairs.

**Principal activities**

The principal activities of the entity are to provide microfinance and related services to small and medium businesses in Kenya.

**Results**

The results of the entity for the year ended June 30, 2020 are set out on page 1.

**Directors**

The members of the board of directors who served during the year are shown on page v and vi. The board members serve for a renewable term of three years. The board members were appointed in the year 2018.

**Auditors**

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

By Order of the Board



Director

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

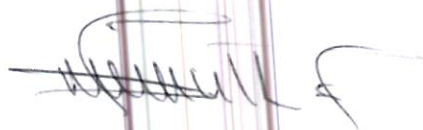
The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Meru County Microfinance Corporation'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 PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

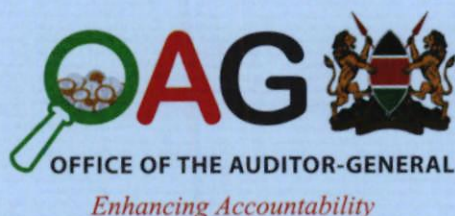
The Meru County Microfinance Corporation financial statements were approved by the Board on 29<sup>th</sup> Sept 2020 and signed on its behalf by:



Director

# REPUBLIC OF KENYA

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HEADQUARTERS  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY MICROFINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Meru County Microfinance Corporation set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2020, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Meru County Microfinance Corporation as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012 and the Meru County Microfinance Corporation Act, 2014.

#### Basis for Qualified Opinion

##### 1.0 Inaccuracies in the Financial Statements

##### 1.1 Inaccurate Statement of Cash Flows

The statement of cash flows reflects balances totalling to Kshs.6,079,121 on five (5) items. However, the statement of profit or loss and other comprehensive income reflects a negative balance of Kshs.5,334,281 on the same items resulting to unreconciled variances as detailed below;

Item	Statement of Cash Flows (Kshs.)	Statement of Profit or Loss and Other Comprehensive Income (Kshs.)	Variance (Kshs.)
Transfers from Other Government Entities	100,325,236	80,252,212	20,073,024
Interest Received	3,002,005	3,177,005	(175,000)
Other Income	500,000	9,248,622	(8,748,622)
Payment for Operating Expenses	(97,748,120)	0	(97,748,120)
Administration Costs	0	(98,012,120)	98,012,120

In addition, the statement of cashflows reflects amounts of Kshs.112,303,244 and Kshs.67,909,887 in respect to loan advances to customers and repayment of loans respectively, both totalling to Kshs.180,213,131 whose supporting schedules were not provided. Further, the same statement reflects an amount of Kshs.106,224,122 in respect to net cash generated from investing activities instead of an amount of Kshs.112,303,244 relating to loan advances to customers and the only investing activities in the Corporation's financial statements resulting to a variance of Kshs.6,079,122.

In the circumstances, the accuracy of the statement of cash flows could not be confirmed.

## 1.2 Inaccurate Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects an amount of Kshs.205,394,608 in respect to actual total income. However, the statement of profit or loss and other comprehensive income reflects Kshs.92,677,839 in respect to the same item resulting to unreconciled variance of Kshs.112,716,769.

In the circumstances, the accuracy of the two sets of records could not be confirmed.

## 2.0 Administration Costs

### 2.1 Unsupported Legal Expenses

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.98,012,120 in respect to administration costs which includes Kshs.391,020 in respect to legal fees which further includes an amount of Kshs.377,300 paid to a firm for representing the Corporation as disclosed in Note 8 to the financial statements. However, supporting documents including how the fees were arrived at and the procurement documents for the legal services were not provided for audit.

In the circumstances, the regularity of the legal fees amounting to Kshs.377,300 could not be confirmed.

## **2.2 Irregular Payment for Strategic Plan**

The statement of profit or loss and other comprehensive income reflects administration costs amounting to Kshs. 98,012,120 as disclosed in Note 8 to the financial statements which includes staff training expenses amounting to Kshs.4,144,836 which further includes an amount of Kshs.367,200 paid to a firm for consultancy services for development of strategic plan. The contract was purported to have been awarded in 2016/2017 financial year, however, the binding contract was not provided for review.

In the circumstances, the regularity of the expenditure amounting to Kshs.367,200 could not be confirmed.

## **3.0 Outstanding and Unsupported Accrued Expenses**

The statement of financial position reflects trade and other payables balance of Kshs.54,493,749 as disclosed in Note 20 to the financial statements which includes accrued expenses balance of Kshs.115,293 whose supporting ledger was not provided for audit. In addition, it was observed that the accrued expenses have been outstanding since 2018/2019. However, evidence of Management's strategy to pay the accrued expenses was not provided for review.

In the circumstances, the accuracy and completeness of accrued expenses balance of Kshs.115,293 could not be confirmed.

## **4.0 Unsupported Loans Due from Customers**

The statement of financial position reflects loans due from customers balance of Kshs.127,571,433 as shown in Note 17 to the financial statements. However, supporting documents showing loans start and end dates, amount paid and amount outstanding for both current and non-current loan were not provided for audit.

In the circumstances, the accuracy and completeness of loans due from customers balance of Kshs.127,571,433 could not be confirmed.

## **5.0 Property, Plant and Equipment - Fully Depreciated Assets**

The statement of financial position reflects property, plant and equipment balance of Kshs 5,104,485 as disclosed in Note 10 to the financial statements which does not include balances for motor vehicles and computer and related equipment for the year under review since the two had been fully depreciated. In addition, a review of the asset register and a physical verification carried out in the month of October, 2020 showed that the assets are in good and serviceable condition. However, no evidence was provided for audit on the strategies the Corporation is putting in place to have the assets revalued and the value included in the assets register.

In the circumstances, the accuracy of property, plant and equipment balance of Kshs.5,104,485 could not be confirmed.

## **6.0 Unreconciled Cash and Bank Balances**

The statement of financial position reflects bank and cash balances of Kshs.18,722,212 as disclosed in Note 14.1 to the financial statements which includes a balance of Kshs.6,570,300 in respect to a bank account. However, the bank reconciliation statements for the same account reflects Kshs.82,350 receipts in bank statement not in cash book and therefore understating the bank and cash balances by the same amount.

Further, the cash and bank balances of Kshs.18,722,212 includes an amount of Kshs.138,399 in respect to another bank account balance whose bank reconciliation statement reflects an amount of Kshs.3,763,260 in respect to unrepresented cheques and whose status as to when they were cleared was not provided for review.

In addition, the cash and bank balances of Kshs.18,722,212 includes an amount of Kshs.9,858,292 in respect to another bank account balance and whose cash book reflects a balance of Kshs.7,013,952 resulting to unreconciled and unexplained variance of Kshs.2,844,340. Further, the bank reconciliation for the same account reflects an amount of Kshs.839,767 in respect to unrepresented cheques and whose status as to when they were cleared was not provided for audit.

In the circumstances, the accuracy and completeness of the cash and bank balances of Kshs.18,722,212 could not be confirmed.

## **7.0 Unexplained Variance for Refundable Member Savings**

The statement of financial position reflects trade and other payables balance of Kshs.54,493,749 as disclosed in Note 20 to the financial statements which includes an amount of Kshs.54,378,456 being refundable member savings which relates to customers' savings used as collateral for loans. However, the supporting ledgers provided for audit reflects a balance of Kshs.54,208,076 resulting to unreconciled variance of Kshs.170,380.

In the circumstances, the accuracy and completeness of refundable member savings balance of Kshs.54,378,456 could not be confirmed.

## **8.0 Presentation of Financial Statements**

The annual report and financial statements prepared and presented for audit had the following presentation and disclosure errors;

- i. The financial statements reflect a statement of profit and loss and other comprehensive income instead of statement of profit or loss and other comprehensive income as prescribed by the Public Sector Accounting Standard Board (PSASB).
- ii. The financial statements contain a table of contents whose pages are not in conformity with the actual pages in the financial statements.
- iii. Note 22 at page 27 to the financial statements relating to provision for leave pay reflects comparative balances indicated for year 2017-2018 instead of 2018-2019.

- iv. The statement of profit and loss and other comprehensive income reflects surplus before taxation and surplus after taxation of a negative balance of Kshs.13,071,947 for each item. However, the Kshs.13,071,947 is a deficit and not a surplus. In addition, the presentation is contrary to PSASB template issued in June, 2020 which requires the same to be referred to as “loss” before taxation and loss after taxation respectively.
- v. The statement of directors’ responsibilities and the statement of financial position are not signed at a particular date.

This is contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, 2012.

Consequently, the annual report and financial statements as prepared and presented are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB).

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Meru County Microfinance Corporation 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.

### **Key Audit Matter**

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 revenue budget and actual on comparable basis totalling to Kshs.213,234,094 and Kshs.205,394,608 respectively, resulting to an underfunding amounting to Kshs. 7,839,486 of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs. 213,234,094 and Kshs. 210,315,364 respectively, resulting to an underperformance amounting to Kshs. 2,918,730 of the budget.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on the delivery of services to the citizens of Meru county.

# 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 Wasteful Expenditure on Staff Training Expenses**

The statement of profit and loss and other comprehensive income reflects administration costs amounting to Kshs.98,012,120 which includes an amount of Kshs.4,144,836 in respect to staff training expenses which further includes an amount of Kshs.740,300 comprising of Kshs.526,800 and Kshs.213,500 paid for a performance management meeting in Nairobi and a procurement evaluation process meeting held in Nanyuki respectively. However, the two meetings were held outside the Meru County Microfinance office without justification contrary to Section 11(vi) of the Treasury Circular number 20/2015 of 4 November, 2015 which requires Accounting Officers to ensure that all workshops and retreats with majority of the participants drawn from one duty station are held within the precincts of the duty station.

In the circumstances, the value for money for the staff training expenses amounting to Kshs.740,300 could not be confirmed. In addition, the Management was in breach of the law.

### **2.0 Ethnic Imbalance**

During the year under review, the Corporation recruited thirteen (13) employees. However, an analysis of the ethnic composition of the thirteen (13) newly employed staff showed that twelve (12) or 92% were from the dominant ethnic community contrary to Section 65(1)(e) of the County Government Act, 2012 which requires that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

In the circumstances, the 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 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 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.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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 Corporations' 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 Corporation 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 Corporation's 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.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how the Corporation 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 with limited assurance as to 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 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 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 noncompliance. 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 Corporation's 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 Corporation'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 Corporation 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 Corporation 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**

**10 February, 2022**

COUNTY GOVERNMENT OF MERU  
 MERU COUNTY MICROFINANCE CORPORATION

Annual Reports and Financial Statements  
 For the year ended June 30, 2020

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR  
 THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>REVENUES</b>			
Transfers from other Government entities	6	80,252,212	80,000,000
Other Income	7	9,248,622	4,308,110
Finance Income	9	3,177,005	3,682,410
<b>TOTAL REVENUES</b>		<b>92,677,839</b>	<b>87,990,520</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	8	98,012,120	88,046,706
Depreciation of property, plant and equipment	10	2,411,866	6,792,130
Amortisation of Intangible Assets	11	5,325,801	5,325,801
<b>TOTAL OPERATING EXPENSES</b>		<b>105,749,787</b>	<b>100,164,637</b>
<b>SURPLUS BEFORE TAXATION</b>		<b>(13,071,947)</b>	<b>(12,174,117)</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>		<b>-</b>	<b>-</b>
<b>SURPLUS AFTER TAXATION</b>		<b><u>(13,071,947)</u></b>	<b>(12,174,117)</b>

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	10	5,104,486	7,516,352
Intangible assets	11	15,993	5,341,794
<b>Total Non-Current Assets</b>		<b>5,120,479</b>	<b>12,858,146</b>
<b>Current Assets</b>			
Receivable from County Government	15	61,170,146	81,243,170
Fixed deposit interest receivable		175,000	-
Prepayments – Rent	16	-	264,000
Short-term deposits	13	55,000,000	70,000,000
Bank and cash balances	14.1	18,722,212	27,038,145
Loans due from customers	17	127,571,433	74,429,454
<b>Total Current Assets</b>		<b>262,638,791</b>	<b>252,974,769</b>
<b>Total Assets</b>		<b>267,759,270</b>	<b>265,832,915</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Capital Contribution	18	155,303,584	155,303,584
Retained earnings	19	57,961,936	71,033,883
<b>Capital and Reserves</b>		<b>213,265,520</b>	<b>226,337,467</b>
<b>Current Liabilities</b>			
Customer Savings	20	54,378,456	39,380,155
Trade and other payables	20	115,293	115,293
<b>Total Current Liabilities</b>		<b>54,493,749</b>	<b>39,495,448</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>267,759,270</b>	<b>265,832,915</b>

The financial statements were approved by the Board on \_\_\_\_\_ 2020 and signed on its behalf by:

Managing Director

Name:

KENNETH K MGAPE

Head of Finance

Name:

DANIEL KIMANI  
ICPAK M/NO: 6019

Chairman of the Board

Name:

*(Signature)*

*(Signature)*

Annual Reports and Financial Statements  
 For the year ended June 30, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Capital/ Development Grants/Fund	Retained Earnings	Total
At July 1, 2018	155,303,584	71,033,883	226,337,467
Capital Contribution	-		
Prior Year Adjustment	-	-	-
At June 30, 2019	155,303,584	71,033,883	226,337,467
At July 1, 2019	155,303,584	71,033,883	226,337,467
Capital Contribution	-	(13,071,947)	(13,071,947)
At June 30, 2020	155,303,584	57,961,936	213,265,520

COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION

Annual Reports and Financial Statements  
For the year ended June 30, 2020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Transfers from other Government Entities		100,325,236	145,000,000
Interest received	9	3,002,005	3,682,410
Other income		500,000	-
Payments for operating expenses		(97,748,120)	(95,193,953)
<b>Net cash generated from/(used in) operating activities</b>		<b>6,079,122</b>	<b>53,488,457</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	10	-	(3,533,812)
Loan advances to customers		(112,303,244)	(69,071,380)
<b>Net cash generated from/(used in) investing activities</b>		<b>(106,224,122)</b>	<b>(72,605,192)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Customer savings		14,998,301	7,212,119
Repayment of loans		67,909,887	37,760,774
<b>Net cash generated from/(used in) financing activities</b>		<b>82,908,188</b>	<b>44,972,893</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(23,315,934)</b>	<b>25,856,158</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>97,038,145</b>	<b>71,181,987</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	14	<b>73,722,212</b>	<b>97,038,145</b>

COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION

Annual Reports and Financial Statements  
For the year ended June 30, 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30 JUNE 2020

	Notes	Final budget 2019-2020	Actual on comparable basis 2019-2020	Performance difference 2019-2020
Revenue		Kshs	Kshs	Kshs
Balance bf FY 2018/2019		44,806,882	44,806,882	-
Transfers from the Government		80,252,212	80,252,212	-
Finance Income		4,000,000	3,177,005	(822,995)
Other Revenue		84,175,000	77,158,509	(7,016,491)
<b>Total income</b>	<b>(a)</b>	<b>213,234,094</b>	<b>205,394,608</b>	<b>(7,839,486)</b>
<b>Expenses</b>				
Compensation of employees		58,200,000	57,965,952	234,048
Use of goods and services		40,034,094	38,527,602	1,506,492
Rent paid	(b)	2,000,000	1,518,566	481,434
Other payments		113,000,000	112,303,244	696,756
<b>Total expenditure</b>		<b>213,234,094</b>	<b>210,315,364</b>	<b>2,918,730</b>
<b>Surplus for the period</b>		<b>-</b>	<b>(4,920,756)</b>	<b>(4,920,756)</b>

\*\*\*Budget notes:

NB: Meru County Microfinance Corporation prepares the financials on accrual basis. However, the budget is cash based.

Reconciliation between statement of profit and loss and other comprehensive income (accruals basis) and statement of comparison of budget and actual amounts (cash basis)

- (a) The Corporation could not achieve the targeted income because the interest rates on fixed deposits were affected by the unfavourable economic situation owing to Covid 19 pandemic leading to a reduction in the fixed deposit rates
- (b) The Corporation anticipated to open another branch in the course of the financial year. However due to the effect of Covid 19, the opening did not happen.

COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION

Annual Reports and Financial Statements  
For the year ended June 30, 2020

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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Meru County Microfinance Corporation entity is established by and derives its authority and accountability from Meru County Microfinance Act, 2014. The entity is wholly owned by the Meru County Government and is domiciled in Kenya. The entity's principal activity is to provide microfinance and related services to SMEs in Kenya.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the Meru County Microfinance Act, 2014, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

*IFRS 16: Leases*

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

COUNTY GOVERNMENT OF MERU  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, no assets have been recognised with a corresponding decrease of the net amount in retained earnings in these financial statements.

*Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)*

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

*Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

*Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.*

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

COUNTY GOVERNMENT OF MERU  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

- i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)

*Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

*Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

*Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

*Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)*

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

*Amendments to IAS 1 and IAS 8 Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

*IFRS 17 Insurance Contracts (Issued 18 May 2017)*

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

*Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)*

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

*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.*

COUNTY GOVERNMENT OF MERU  
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Annual Reports and Financial Statements  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the *entity* and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognised as it accrues.

b) In-kind contributions

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

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

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

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

COUNTY GOVERNMENT OF MERU  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

**f) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

**h) Finance and operating leases**

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

COUNTY GOVERNMENT OF MERU  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) Quoted investments

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

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

m) Trade and other receivables

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

n) Taxation

*Current income tax*

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

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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

*Current income tax (Continued)*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

*Deferred tax (Continued)*

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

q) Trade and other payables

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

**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**r) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2018. The scheme is administered by CPF Pension Services and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.15% of basic salary per employee per month.

**s) Provision for staff leave pay**

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

**t) Exchange rate differences**

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

**u) Budget information**

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**COUNTY GOVERNMENT OF MERU  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**v) Service concession arrangements**

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

**w) Comparative figures**

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

**x) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Entity'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.

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5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY  
(Continued)

**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 Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

**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 Entity
- 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
- Changes in the market in relation to the asset

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NOTES TO THE FINANCIAL STATEMENTS

6. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

	2019-2020	2018-2019
	Kshs	Kshs
Recurrent grants	80,252,212	80,000,000
<b>Total</b>	<b>80,252,212</b>	<b>80,000,000</b>

7. OTHER INCOME

	2019-2020	2018-2019
	Kshs	Kshs
Interest income*	9,248,622	4,308,110
<b>Total</b>	<b>9,248,622</b>	<b>4,308,110</b>

The above income relates to income from customer lending as well as income from Twaweza fund and Abogeta Education fund.

8. ADMINISTRATION COSTS

	2019-2020	2018-2019
	Kshs	Kshs
Staff costs	57,965,952	43,095,652
Directors' emoluments	2,772,696	6,301,225
Electricity and water	221,425	87,118
Communication services and supplies	2,576,777	2,973,203
Transportation, travelling and subsistence	742,282	6,773,754
Advertising, printing, stationery and photocopying	3,865,939	1,580,354
Fuel and Lubricants	587,150	529,328
Rent expenses	2,046,566	1,532,344
Staff training expenses	4,144,836	6,863,820
Board conference and seminars	127,833	1,192,380
Hospitality supplies and services	3,454,527	2,051,214
Insurance costs	11,840,535	7,814,607
Capacity Building	1,923,562	792,863
Consultancy fees	367,200	-
Office and general supplies and services	1,076,197	1,771,842
Legal fees	391,020	18,300
Repairs and maintenance – Motor Vehicles	749,527	431,288
Repairs and maintenance – Other assets	1,298,228	3,749,546
Other operating expenses	1,859,868	487,868
<b>Total</b>	<b>98,012,120</b>	<b>88,046,706</b>

COUNTY GOVERNMENT OF MERU  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 FINANCE INCOME

	2019-2020	2018-2019
	Kshs	Kshs
Interest income on short-term bank deposits	3,177,005	3,682,410
<b>Total</b>	<b>3,177,005</b>	<b>3,682,410</b>

10 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles, including motor cycles	Furniture and fittings	Office equipment	Computers & related equipment	Total
<b>COST/VALUATION</b>					
At July 1, 2019	9,105,886	5,609,119	2,104,480	11,707,420	28,526,905
Additions(Acquisitions)	-	-	-	-	-
Disposals	-	-	-	-	-
<b>At June 30, 2020</b>	<b>9,105,886</b>	<b>5,609,119</b>	<b>2,104,480</b>	<b>11,707,420</b>	<b>28,526,905</b>
<b>DEPRECIATION</b>	25%	8%	8%	33.3%	
At July 1, 2019	9,003,595	1,381,170	610,856	10,014,933	21,010,553
Charge for the year	102,291	448,730	168,358	1,692,487	2,411,866
Impairment loss	-	-	-	-	-
<b>At June 30, 2020</b>	<b>9,105,886</b>	<b>1,829,900</b>	<b>779,214</b>	<b>11,707,420</b>	<b>23,422,420</b>
<b>Net book value at June 30, 2020</b>	<b>-</b>	<b>3,779,219</b>	<b>1,325,266</b>	<b>-</b>	<b>5,104,485</b>

Property, Plant and equipment include the following items that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Computers and related equipment	11,707,420	1,692,487
Motor Vehicles including motor cycles	9,105,886	2,276,472
	<b>20,813,306</b>	<b>3,968,959</b>

**COUNTY GOVERNMENT OF MERU  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Motor vehicles and motor cycles	Furniture and fittings	Office equipment	Computers and related equipment	Total
<b>COST OR VALUATION</b>					
At July 1, 2018	9,105,886	5,293,499	2,104,480	8,489,228	24,993,093
Additions(Acquisitions)	-	315,620	-	3,218,192	3,533,812
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
<b>At June 30, 2019</b>	<b>9,105,886</b>	<b>5,609,119</b>	<b>2,104,480</b>	<b>11,707,420</b>	<b>28,526,905</b>
<b>DEPRECIATION</b>	25%	8%	8%	33.3%	
At July 1, 2018	6,727,123	932,440	442,498	6,116,362	14,218,423
Charge for the year	2,276,472	448,730	168,358	3,898,571	6,792,130
Impairment loss	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-
<b>At June 30, 2019</b>	<b>9,003,595</b>	<b>1,381,170</b>	<b>610,856</b>	<b>10,014,933</b>	<b>21,010,553</b>
<b>Net book value at June 30, 2019</b>	<b>102,291</b>	<b>4,227,949</b>	<b>1,493,624</b>	<b>1,692,487</b>	<b>7,516,352</b>

There was no Property, plant or equipment that were fully depreciated

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 INTANGIBLE ASSETS

	2019-2020	2018-2019
	Kshs	Kshs
<b>COST</b>		
At July 1	15,993,396	15,993,396
Additions	--	--
Disposals	--	--
At June 30	15,993,396	15,993,396
<b>AMORTISATION</b>		
At July 1	10,651,602	5,325,801
Charge for the year	5,325,801	5,325,801
Disposals	----	--
Impairment loss	----	--
At June 30	15,977,403	10,651,602
<b>NET BOOK VALUE</b>		
At June 30	15,993	5,341,794
	=====	=====

The Corporation commissioned an integrated software system T24 to be used in all departments of the Corporation

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 TRADE AND OTHER RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Deposits and prepayments	55,000,000	70,000,000
Other receivables	61,170,146	155,672,624
Fixed deposit interest receivable	175,000	
Net trade and other receivables	116,345,146	225,672,624
	=====	=====

13 SHORT TERM DEPOSITS

	2019-2020	2018-2019
	Kshs	Kshs
Kenya Commercial Bank	55,000,000	70,000,000
Accrued Interest	-	-
	55,000,000	70,000,000
	=====	=====

The average effective interest rate on the short term deposits as at June 30, 2020 was 6.45% (2019: 7.5%).

14 BANK AND CASH BALANCES

	2019-2020	2018-2019
	Kshs	Kshs
Cash at bank	18,722,212	27,038,145
Short term deposits	55,000,000	70,000,000
	<u>73,722,212</u>	<u>97,038,145</u>
	=====	=====

The bulk of the cash at bank was held at Kenya Commercial Bank, the entity's main bankers.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

14.1 BANK AND CASH BALANCES (Continued)

Bank Accounts

Name of Bank, Account No. & currency	2019-2020	2018-2019
	Kshs	Kshs
Kenya Commercial bank, Ac no.1180085434	2,155,221	1,973,064
Kenya Commercial bank, Ac no.1180085329	6,570,300	14,806,882
Kenya Commercial bank, Ac no.1180084896	138,399	9,141,643
Kenya Commercial bank, Ac no.1168502993	9,858,292	1,116,557
<b>Grand Total</b>	<b><u>18,722,212</u></b>	<b><u>27,038,145</u></b>

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

Detailed analysis of the cash and cash equivalents

Financial institution	2019-2020	2018-2019
	KShs	KShs
<b>a) Current account</b>		
Kenya Commercial bank	18,722,212	27,038,145
Other banks		-
<b>Sub- total</b>	<b><u>18,722,212</u></b>	<b><u>27,038,145</u></b>
<b>b) On - call deposits</b>		
Kenya Commercial bank	20,000,000	50,000,000
Other banks		-
<b>Sub- total</b>	<b><u>20,000,000</u></b>	<b><u>50,000,000</u></b>
<b>c) Fixed deposits account</b>		
Kenya Commercial bank	35,000,000	20,000,000
Other banks		-
<b>Sub- total</b>	<b><u>35,000,000</u></b>	<b><u>20,000,000</u></b>
<b>Grand total</b>	<b><u>73,722,212</u></b>	<b><u>97,038,145</u></b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 RECEIVABLE FROM THE COUNTY GOVERNMENT

	2019-2020	2018-2019
	Kshs	Kshs
Balance brought forward	81,243,170	90,543,170
Allocation for the financial year	80,252,212	135,700,000
Less: Receipts to during the year	(100,325,236)	(145,000,000)
Total due from County Treasury	<u>61,170,146</u>	<u>81,243,170</u>

The above amounts refer to funds that had not been received by the Corporation as at 30<sup>th</sup> June.

16 PREPAYMENT – RENT

	2019-2020	2018-2019
	Kshs	Kshs
Balance brought forward	264,000	264,000
Current charge for the year	1,782,566	1,532,344
Less: Payments during the year	(2,046,566)	(1,532,344)
Balance carried down	=	<u>264,000</u>

17 LOAN DUE FROM CUSTOMERS

	2019-2020	2018-2019
	Kshs	Kshs
Balance brought forward	74,429,454	38,810,738
Loan advances to customers	112,303,244	69,071,380
Loan interest charge	8,748,622	4,308,110
Loan repayments	(67,909,887)	(37,760,774)
<b>Balance carried down</b>	<u>127,571,433</u>	<u>74,429,454</u>

18 CAPITAL CONTRIBUTION

	2019-2020	2018-2019
	Kshs	Kshs
Balance brought forward	155,303,584	99,603,584
Contribution for the year	-	55,700,000
Balance carried down	<u>155,303,584</u>	<u>155,303,584</u>

**COUNTY GOVERNMENT OF MERU  
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**19 RETAINED EARNINGS**

The retained earnings represent amounts available for distribution to the shareholders. Undistributed retained earnings are utilised to finance the business activities.

	2019-2020	2018-2019
	Kshs	Kshs
Balance brought forward	71,033,883	83,208,000
Surplus/(Deficit) for the year	(13,071,947)	(12,174,117)
Balance carried down	<u>57,961,936</u>	<u>71,033,883</u>

**20 TRADE AND OTHER PAYABLES**

	2019-2020	2018-2019
	Kshs	Kshs
Refundable member savings**	54,378,456	39,380,155
Accrued expenses	115,293	115,293
	<u>54,493,749</u>	<u>39,495,448</u>

\*\*Meru county microfinance corporation operates under a group lending model which requires members in a group to save a substantial amount of money that acts as cash collateral for loans. The savings mobilized are refundable to the exiting members on request and on condition that the group has no outstanding loans with Meru County Microfinance Corporation.

**21 RETIREMENT BENEFIT OBLIGATIONS**

The entity operates a defined contribution scheme with CPF Financial Services for all full-time employees from September 1, 2016. The Corporation contributes 15% of the basic salary of an employee to the Pension Scheme. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 PROVISION FOR LEAVE PAY

	2019-2020	2017-2018
	Kshs	Kshs
Balance at beginning of the year	-	-
Additional provision at end of year	539,960	262,000
Leave paid out or utilised during the year	(539,960)	(262,000)
Balance at end of the year	-	-

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

23 RELATED PARTY DISCLOSURES

(a) County Government of Meru

The County Government of Meru is the principal shareholder of the Corporation, holding 100% of the Corporation's equity interest

Other related parties include:

- i) The Parent Departments of Trade and Finance in the County Government;
- ii) Key management;
- iii) Board of directors;

There were no transactions within the related parties during the financial year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**24 FINANCIAL RISK MANAGEMENT**

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

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

**(i) Credit risk**

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

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

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

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MERU COUNTY MICROFINANCE CORPORATION

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2020</b>				
Receivables from exchange transactions	127,571,433	127,571,433	-	-
Bank balances	18,722,212	18,722,212	-	-
<b>Total</b>	<b>146,293,645</b>	<b>146,293,645</b>	-	-
<b>At 30 June 2019</b>				
Receivables from exchange transactions	74,429,454	74,429,454	-	-
Bank balances	27,038,145	27,038,145	-	-
<b>Total</b>	<b>101,467,599</b>	<b>101,467,599</b>	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(i) Liquidity risk management

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>				
Trade payables	-	-	54,493,749	54,493,749
<b>Total</b>	-	-	<b>54,493,749</b>	<b>54,493,749</b>
<b>At 30 June 2019</b>				
Trade payables	-	-	39,495,448	39,495,448
<b>Total</b>	-	-	<b>39,495,448</b>	<b>39,495,448</b>

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Corporation's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Interest rate risk

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

*Management of interest rate risk*

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

*Sensitivity analysis*

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs.30,020(2019: KShs 36,824). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs.150,100(2019 – KShs 184,121).

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MERU COUNTY MICROFINANCE CORPORATION

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

COUNTY GOVERNMENT OF MERU  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) *Financial instruments measured at fair value (Continued)*

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
<b>At 30 June 2020</b>				
<b>Non- financial Assets</b>				
Property, plant and equipment	-	5,104,486	-	5,104,486
	-	5,104,486	-	5,104,486
	=====	=====	=====	=====
<b>At 30 June 2019</b>				
<b>Non- financial Assets</b>				
Property, plant and equipment	-	7,516,352	-	7,615,352
	-	7,516,352	-	7,615,352
	=====	=====	=====	=====

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

b) *Financial instruments not measured at fair value*

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Retained earnings	57,961,936	71,033,883
Capital reserve	155,303,584	155,303,584
<b>Total funds</b>	<b>213,265,520</b>	<b>226,337,467</b>
Total borrowings		-
Less: cash and bank balances	73,722,212	97,038,145
Net debt/(excess cash and cash equivalents)	139,543,308	129,299,322

25 CONTINGENT LIABILITIES

There were no contingent liabilities as at the end of the financial period.(2019 – Nil).

26 INCORPORATION

The entity is incorporated in Kenya and is domiciled in Kenya.

27 EVENTS AFTER THE REPORTING PERIOD

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

28 CURRENCY

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

COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION

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

The follow-up on auditor recommendation will be updated once the Corporation receives the final certificate from the office of the Auditor General which has not been received yet.

Managing Director



Date.....

COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Meru County Microfinance Corporation is only mandated to undertake offering credit and financial literacy to residents of Meru County and beyond. They do not undertake any other project.

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

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APPENDIX III: INTER-ENTITY TRANSFERS

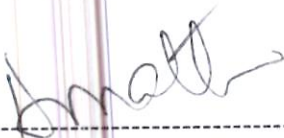
ENTITY NAME:		Meru County Microfinance Corporation	
Break down of Transfers from County Government of Meru			
FY 2019/2020			
a	Direct Payments		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	17/12/2019	28,973,024	2018/2019
	16/10/2019	29,376,106	2019/2020
	07/04/2020	4,100,000	2019/2020
	03/06/2020	27,876,106	2019/2020
	<b>Total</b>	<b>100,325,236</b>	
	<b>Total</b>	<b>100,325,236</b>	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager  
 Meru County Microfinance Corporation

Head of Accounting Unit  
 Meru County

Sign



Sign



**COUNTY GOVERNMENT OF MERU  
MERU COUNTY MICROFINANCE CORPORATION**

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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development	Total Amount - KES	Where Recorded/recognized					Others - must be specific	during the Year Total Transfers
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables			
Meru County Government	17/12/2019	Recurrent	28,973,024	-	-	-	28,973,024	-	28,973,024	
Meru County Government	16/10/2019	Recurrent	29,376,106	29,376,106	-	-	-	-	29,376,106	
Meru County Government	07/04/2020	Recurrent	4,100,000	4,100,000	-	-	-	-	4,100,000	
Meru County Government	03/06/2020	Recurrent	27,876,106	27,876,106	-	-	-	-	27,876,106	
<b>Total</b>			<b>100,325,236</b>						<b>100,325,236</b>	