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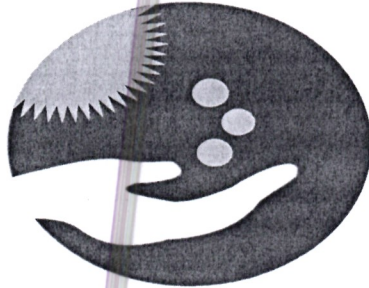
THE AUDITOR-GENERAL

ON

MERU COUNTY MICROFINANCE
CORPORATION

FOR THE YEAR ENDED
30 JUNE, 2023

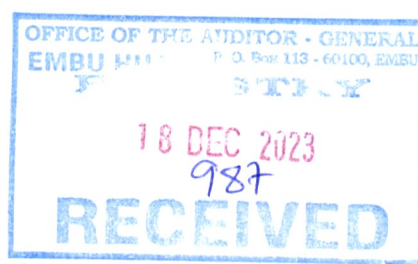




Meru County

Microfinance Corporation

Growing with you



Tel No. 0773-221-015
Email: info@countymicrofinance.go.ke

P.O. Box 2564 (60200)
MERU

MERU COUNTY MICROFINANCE CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

Prepared in accordance with the International Financial Reporting Standards (IFRS)



Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

List of acronyms and glossary of terms used in the annual report and financial statements.

<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>NT</i>	<i>National Treasury</i>
<i>PFM</i>	<i>Public Finance Management.</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
Entity	<i>Meru County Microfinance Corporation</i>

Meru County Microfinance Corporation
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2. Key Entity Information

a) 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. The Corporation is domiciled in Meru County and has branches in Meru, Maua, Nkubu, Laare, Timau, Mikinduri and Muriri.

b) 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

c) Directors

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

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

- | | | | |
|----|------------------------|--------------------|---------------------------|
| 1. | Gitonga Mutungi | - Chairman | - Renewed on Dec 2020 |
| 2. | Catherine Kendi Kiecha | - Vice-Chairperson | - Renewed on Dec 2020 |
| 3. | Benjamin Muketha | - Member | - Renewed on Dec 2020 |
| 4. | Denson Mwirigi Mbuui | - Member | - Appointed on 22/02/2018 |
| 5. | Joseph Kabii Chabari | -Member | - Appointed on 22/02/2018 |

The external members of the Board contracts were renewed for a period of 3 years from December 2020.

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d) Corporate Secretary

Ms. Irah Nkuubi
P.O. Box 120 - 60200
Meru

e) Registered Office

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

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Key Entity Information (continued)

f) Corporate Headquarters

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

g) Corporate Contacts

Telephone: 0773 221 015
E-mail: info@countymicrofinance.go.ke
Website: www.countymicrofinance.go.ke

h) Corporate Bankers

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

Other Bankers

ABSA Bank Kenya PLC
P.O. Box 30120 – 00100
Nairobi

i) Independent Auditors




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

j) Principal Legal Advisers

1. The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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3. The Board of Directors

Photo	Board Name and Qualifications	Year of birth and experience
	<p>Samuel Gitonga Mutungi – Chairperson Fellow – Kenya Institute of Bankers Fellow – Kenya Computer Society Paul Harris – Fellow MSC Business Systems Analysis & Design (City University London) B.E.D (Maths & 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>Catherine Kendi Kiecha – Vice-Chair MBA – Finance option Bachelor of Commerce – Accounting option CPA K</p>	<p>Year of birth – 1988 Ms. Catherine Kendi Kiecha has over 10 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>Benjamin Muketha – Member 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>





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	<p>Denson Mwirigi Mbuui – Member PHD (Entrepreneurship) Candidate UON MSC (Entrepreneurship) JKUAT MBA (Marketing) BBA (Accounting) CPA (K) Member ICPAK Member of International Process and Performance Institute (IPAPI)</p>	<p>Year of birth – 1964 Denson Mwirigi - Chief Officer Trade – Meru County Government 14 years Compassion International – Finance & 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>Joseph Kabii Chabari – Member 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>Kenneth K Mbae – Managing Director Bachelor of Arts –Double Mathematics & 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>
	<p>Irah K. Nkuubi – Legal Officer/Secretary Bachelor of laws, UON Diploma in law, Kenya School of law Development programme/Senior Management Course – KSG</p>	<p>Year of birth – 1988 Over 10 years’ experience in legal practice, management and corporate governance</p>

Meru County Microfinance Corporation
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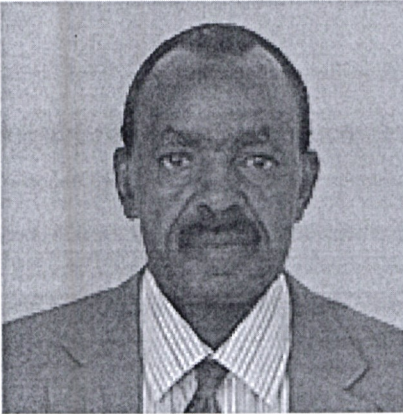
4. Key Management Team

Photo	Manager's Name and Qualifications	Year of Birth and Experience
	<p>Kenneth K Mbae – Managing Director Bachelor of Arts – Double Mathematics & 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 Institute of Certified Public Accountants(ICPAK) Master's degree – Finalizing</p>	<p>Year of Birth 1978 - Over 15 years' experience in Finance and accounts</p>
	<p>Salesio Miriti – Branch Manager – Timau Msc Agricultural Resource Management, BSC Agribusiness Management</p>	<p>Year of Birth 1981 – 13 years' experience in banking and project management</p>
	<p>Martin Ntuara – Branch Manager – Meru Bachelor of Commerce – Marketing</p>	<p>Year of Birth 1982 – 13 years banking experience</p>

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	<p>Edith Kaaria – Head of Human Resource Bachelor of Arts, Economics and Sociology Post Graduate Diploma in HRM</p>	<p>Year of Birth 1983 – 13 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 13 years of experience implementing technology projects, developing product requirements, analysing support strategies and processes to facilitate improved operations and efficiency</p>
	<p>Irah K. Nkuubi – Legal Officer/Secretary Bachelor of laws, UON Diploma in law, Kenya School of law Development programme/Senior Management Course – KSG</p>	<p>Year of birth – 1988 Over 10 years’ experience in legal practice, management and corporate governance</p>

5. Chairman's Statement



The Meru County Microfinance Corporation Act 2014 requires the corporation to prepare financial statements at the end of each financial year. On behalf of the Board of Directors, I am pleased to present the financial statements for the corporation, for the period ended 30th June 2023.

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.

In the fiscal reporting period 2022-2023, the Corporation had a total budget on County Government funding of Kes.80 million on recurrent expenditure but received Kes.77 million. The Corporation relies on the revolving fund from loan repayments to finance its development expenditure. The amount utilized for lending for the period under review was Kshs.56,685,710.

The corporation has operated seven branches covering the larger Meru County. These branches are Meru, Maua, Laare, Timau, Nkubu, Muriri and Mikinduri. The corporation has reached over 10,000 customers, with products covering both credit facilities and Financial Literacy.

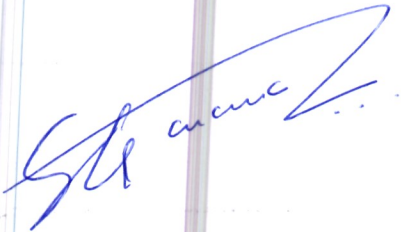
The corporation is on a commendable growth trajectory. In this regard the Corporation appreciates the continued financial support from the County Government and Development Partners. During the period under review the Corporation was supported by the County Government to provide Microfinance and related services to small and medium businesses in Meru County.

Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

CHAIRMAN'S STATEMENT(Cont'd)

Among the main challenges experienced during the period include inadequate and delayed disbursement of funds by the County Executive and inadequate personnel. The Corporation intends to open another branch in the financial year 2023/2024 to bring its services closer to the people. To address the issue of inadequate funding, the Corporation intends to mobilize additional resources externally from donors and other external linkages.

The Board will continue working closely with management to ensure realization of its vision. My Board is committed to continue providing sound leadership to ensure extensive financial coverage in order to meet and exceed the expectations of the people of Meru County. I am grateful to Meru County Microfinance Corporation Management Team and staff for their continued dedication in steering the Corporation. 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.



Gitonga Mutungi

CHAIRMAN-Board of Directors

6. 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.

During the period under review, the combined financial absorption of the Corporation was Kes.148.6 million out of revenues of Kes.151.6 million translating into 98% absorption rate. The Corporation raised a total of Kes.12.9 Million as Appropriation in Aid mainly from income interest from lending to customers, finance income and fees charged on strategic partnerships. This income dropped against the previous reporting period Financial Year 2021/22 of KES. 18 Million. The decrease in the income is attributed to reduced lending activity as a result of the run up to the general election and reduced economic activity during the same period.

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.

Meru County Microfinance Corporation
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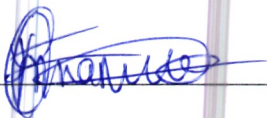
REPORT OF THE MANAGING DIRECTOR (Cont'd)

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.

The main challenges to effective implementation of the Corporation's Strategic Plan include inadequate funding and the run up to the general election which presented major obstacle into achievement of 2022/23 targets. The Corporation will continue implementing the reforms aimed at enhancing service delivery, adhere to the Government's Financial Management requirements while upholding strict Financial Management Guidelines and application of best practice in management.

Moving forward, The Corporation intends to pursue the necessary approvals from the Central bank in order to be a deposit taking Microfinance. This will ensure that the Corporation not only caters for the 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.

I wish to thank the County Government of Meru, Meru County Assembly and the Government of Kenya for their sound leadership and financial support in driving the implementation of the Corporation's Mandate. I extend our gratitude to the Board of Directors for their invaluable support and provisions of strategic leadership that was crucial in achievement of the Corporation's objectives. Finally, I also wish to applaud the commitment, cooperation and professionalism of the Management team and the entire staff of Meru County Microfinance Corporation.



for Kenneth K. Mbae
Managing Director

Meru County Microfinance Corporation
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7. Statement of Performance against Predetermined Objectives for FY 2022/2023

Meru County Microfinance Corporation has 3 strategic pillars and objectives within its Strategic Plan for the FY 2022/2023- 2026/2027. 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 2022/2023 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"> • Number of products • Number of product evaluation reports • Increase branch network 	<ul style="list-style-type: none"> • Implement the new products approval procedures manual • Evaluate and revise current products as necessary • Develop and market sector focused products based on market studies • Develop and implement a product monitoring system 	<ul style="list-style-type: none"> • Products • Increased branch network
Institutional Development	Developing a highly qualified and motivated staff as well as the support systems	<ul style="list-style-type: none"> • <i>Fully operational organizational structure</i> • <i>Operating Policies and Procedures</i> 	<ul style="list-style-type: none"> • Final Organogram chart • Board Charter • Board oriented on and knowledgeable of roles, responsibilities, reporting and authority • Staff oriented on and knowledgeable of roles, responsibilities, reporting and authority 	<ul style="list-style-type: none"> • Final Organogram chart • Policies and procedures

**Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023**

**REVIEW OF MERU COUNTY MICROFINANCE CORPORATION PERFORMANCE
FOR FY 2012/2023(Cont'd)**

Resource Mobilization	Build a wide range of strategic partnerships	<ul style="list-style-type: none"> • Conduct studies on potential networks, linkages and partners • Develop and disseminate concept papers and presentations • Identify and approach networks, linkages and partners • Establish functioning networks, linkages and partners <p>Establish functioning formal partnerships</p>	<ul style="list-style-type: none"> • Number of potential partners identified • Number of concept papers developed and disseminated • Number of presentations made • Number of established partnerships and linkages <p>Monetary value of partnerships developed</p>	
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8. 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.

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.

Meru County Microfinance Corporation
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CORPORATE GOVERNANCE STATEMENT (Cont'd)

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.

Its mandate is to review current resource needs and funding gaps and pursue possible funding opportunities for the Corporation.

The attendance of Board meetings during the year under review was as follows;

Director	Full Board	Finance Committee	HR & Administration Committee	Audit Committee	Resource Mobilization Committee
Samuel Gitonga Mutungi	Membership				
Attendance	4/4	-	-	-	-
Catherine Kendi Kiecha	Membership	✓	✓	✓	✓
Attendance	4/4				
Benjamin Muketha	Membership	✓	✓	✓	✓
Attendance	¾				
Joseph Kabii Chabari	Membership	-	-	-	-
Attendance	-				
Denson Mwirigi Mbuui	Membership	-	-	-	-
Attendance	-				
Mr. Kenneth K. Mbae	Membership	-	-	-	-
Attendance	1/4				

Succession plan

The Governor/Executive who are the appointing authority have parameters in place to ensure that the tenures of Board members are staggered to ensure a phased transition.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Board charter

The Board has developed and adopted a Board Charter. The Board Charter defines the role, responsibilities and functions of the Board in the governance of the organization.

Process of appointment and removal of Directors

1. Meru County Microfinance Corporation Board appointment is in line with Article 6 of the Meru County Microfinance Corporation Act, 2014 and the guidelines of the Mwongozo Code of Conduct.
2. The Board is appointed through a transparent and formal process governed by the overriding principle of merit.
3. The Board has seven members who are formally appointed to the Board through a Gazette Notice.
4. Managing Director is a Board member with no voting rights.
5. Board appointments put into consideration the mix of skills and competencies required for the achievement of the organizations long term goals.
6. The Board membership has at least one third of the Board members who are independent upon appointment and maintains their independence during their term of service.
7. The removal of a Board member is based on non-performance, non-attendance of meetings, unethical conduct or as set out in any constitutive documents or applicable law

Roles and functions of the Board

These are;

- (a) Ensure proper and efficient exercise of the powers and performance of the functions of the Corporation;
- (b) Uphold the vision and mission of the Corporation
- (c) Provide strategic guidance to the Corporation and ensure effective organizational planning
- (d) Advise the management of the Corporation generally on the exercise of the powers and the performance of the functions of the Corporation
- (e) Approve the estimates of the revenue and expenditure of the Corporation
- (f) Ensure effective and efficient risk management;
- (g) Oversee the management performance
- (h) Perform such other functions as are provided for under this Act or any other written law

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Board induction and training

The Corporation Board;

- (a) Develops an induction programme for new Board members.
- (b) Ensures that a competence needs assessment is carried out and an annual development programme for a Board member is put in place.

The Board members;

- (a) Ensure that they are up to date with continuous professional development in their respective professional bodies.
- (b) Receive regular briefings on matters relevant to the Corporation, changes in laws and regulations including government policies and practices.

Board and member performance

1. The Corporation's Board has;

- (a) Determined its performance criteria.
- (b) Undertaken an annual evaluation of its performance

2. The evaluation covers the Board as a whole, its committees and individual members.

Conflict of interest

The Board have ensured that a policy on the management of conflict of interest is in place.

The Board members;

- (a) Declare any real or perceived conflict of interest with the Corporation upon appointment to the Board.
- (b) Declare to the Board any real or perceived conflict of interest that may subsequently arise.
- (c) Do not take part in any discussions or decision-making regarding any subject or transaction in which they have a conflict of interest.
- (d) Do not influence in any manner decision making on any matter in which they have interest.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Board remuneration

The Corporation has established a formal and transparent remuneration policy and remunerate Board members fairly, ethically and responsibly. The Corporation ensures that the remuneration policy is as per the Government regulations. The remuneration policy for Board members clearly stipulates the elements of such remuneration including sitting and other allowances.

Ethics and conduct

The Board;

- (a) Ensured that a code of conduct and ethics was developed.
- (b) Ensures that all members of the board subscribe to the code of conduct and ethics.
- (c) Reviews the code of conduct and ethics as necessary.
- (d) Promote ethical conduct and sanction misconduct.

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.

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.

Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

9. 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 27th 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 was able to disburse Kshs.58 Million during the financial year.

Digital Transformation has been an on-going process since 2016 with an investment of over Ksh. 25 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. The Corporation in collaboration with Meru County Department of Trade was able to disburse mobile loans to small traders in the county as a post Covid-19 measure to boost their businesses.

The board and management of the Meru County Microfinance Corporation has developed 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.

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

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.

Meru County Microfinance Corporation

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

10. Environmental and Sustainability Reporting

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 as well as conserve the environment. During the year under review, the Corporation was one of the major sponsors of Mount Kenya run aimed at sensitizing on the need to conserve the forest cover.

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 for free. 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.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 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, 2023 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 external board members were appointed in the year 2018 for a 3 year term which was renewed in December 2020.

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



.....

Name

Corporate Secretary/Secretary to the Board

Date

12. 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 ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the entity, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the entity'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).

**Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023**

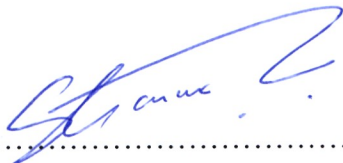
Statement of Directors' Responsibilities (Continued)

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, 2023, 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.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern.

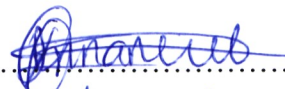
Approval of the financial statements

Meru County Microfinance Corporation financial statements were approved by the Board on 08/09/ 2023 and signed on its behalf by:



.....
Name SAMUEL G. MUTONGI

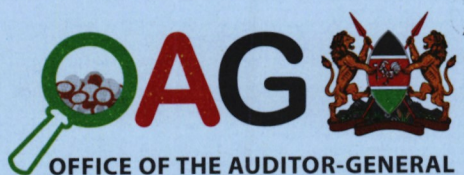
Chairperson of the Board



.....
Name Kenneth W. Mbal

Managing Director

REPUBLIC OF KENYA



Enhancing Accountability

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

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

REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY MICROFINANCE CORPORATION FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Meru County Microfinance Corporation set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income,

statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 Meru County Microfinance Corporation as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Meru County Microfinance Corporation Act, 2014 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy of Financial Statements

A review of the financial statements revealed the following inaccuracies:

1.1 Inaccuracies in Statement of Cash flows

1.1.1 Inaccuracy of Transfers to Other Government Entities

The statement of cash flows reflects transfers from other government entities amounting to Kshs.87,461,640 which differs with the amount of Kshs.80,155,481 reflected in the statement of profit or loss and other comprehensive income resulting to unreconciled variance of Kshs.7,306,159

1.1.2 Inaccuracy of Payments for Operating Expenses

The statement of cash flows reflects payments for operating expenses amounting to Kshs.82,375,025 which differs with the amount of Kshs.92,088,574 reflected in the statement of profit or loss and other comprehensive income resulting to unreconciled variance of Kshs.9,713,549

1.1.2 Inaccuracy of Payment for Property, Plant and Equipment and Intangible Assets

The statement of cash flows reflects payment for property, plant and equipment and intangible assets amounting to Kshs.2,484,720. However, there were no additions to property, plant and equipment and intangible assets as disclosed in Note 12 and 13 to the financial statements.

1.2 Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects total income amounting to Kshs.158,331,524. However, the amount differs with the total revenue amounting to Kshs.109,977,579 reflected in the statement of profit or loss and other comprehensive income resulting to unreconciled variance of Kshs.48,353,945. Further,

the statement of comparison of budget and actual amounts reflects total expenditure amounting to Kshs.148,643,524. However, the statement of profit or loss and other comprehensive income reflects administration costs and other payments amounting to Kshs.92,088,574 and Kshs.23,915,000 respectively both totaling Kshs.116,003,574. The resulting variance of Kshs.32,639,950 has not been reconciled.

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

2. Unsupported Receivable from the County Government

The statement of financial position reflects receivable from County Government amounting to Kshs.71,094,850. The amount includes correction of partnership amount wrongly posted as receipts from the county Treasury amounting to Kshs.17,000,000 as disclosed in Note 17 to the financial statements which was not supported.

In the circumstances, the accuracy and completeness of receivable from the County Government amounting to Kshs.17,000,000 could not be confirmed.

3. Inaccuracy of Bank and Cash Balances

The statement of financial position reflects bank and cash balances amounting to Kshs.17,167,899 as further disclosed in Note 15 to the financial statements. The amount includes Kshs.18,935 and Kshs.546,530 in two bank accounts which were not supported with cash books, certificates of bank balance and monthly bank reconciliation statements contrary to Regulation 90 of the Public Finance Management (County Governments) Regulations, 2015. Further, review of records revealed that Management transferred an amount of Kshs.16,915,000 to an account on 14 July, 2022 to County Government of Meru (Department of Youth Affairs Sports and Culture). However, the transfer was not approved by the Board and the purpose for transfer was not provided for audit review. No explanation was provided for the diversion of main function of lending to micro institution to lending County Department.

In the circumstances, the accuracy and completeness of bank and cash balances amounting to Kshs.17,167,899 could not be confirmed.

4. Unsupported Short-Term Deposits

The statement of financial position reflects short term deposits amounting to Kshs.70,300,000 as further disclosed in Note 14 to the financial statements. The amount is a decrease of Kshs.7,000,000 from the previous year balance of Kshs.77,300,000. However, the decrease was not supported by authority from the Board to withdraw and the utilize the deposits amounting to Kshs.7,000,000.

In the circumstances, the accuracy and completeness of short-term deposits amounting to Kshs.70,300,000 could not be confirmed.

5. Inaccuracy of Loans Due from Customers

The statement of financial position reflects loans due from customers amounting to Kshs.139,941,799 as further disclosed in Note 19 to the financial statements. The amount

includes loans due amounting to Kshs.94,258,429 whose repayment period had lapsed but were still not repaid. Further, no provisions have been made for bad and doubtful debts.

In the circumstances, the accuracy and recoverability of loans due from customers amounting to Kshs.139,941,799 could not be confirmed.

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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final total expenditure budget and actual on comparable basis amounting to 151,615,481 and Kshs.148,643,524 respectively resulting to an under expenditure of Kshs.2,971,957 or 2% of the budget.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given explanation for failure to do so in the format and contents prescribed by the Public Sector Accounting Standards Board.

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 matter 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. Overdrawn Operations Cashbook

The statement of financial position reflects bank and cash balances amounting to Kshs.17,167,899. The amount is net of two overdrawn bank account balances amounting to Kshs.122,657 and Kshs.3,176,074 respectively as disclosed in Note 16 to the financial statements. This is contrary to Section 119(4) of the Public Finance Management Act, 2012 which states that an accounting officer for a county government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the County Treasury or a Board of a county government entity, if any.

In the circumstances, Management was in breach of the Public Finance Management Act, 2012.

2. Irregular Board Meetings

Review of records revealed that four (4) full board meetings and four (4) committee meetings were held during the year under review. However, two (2) full Board meetings held virtually on 21 December, 2022 and 30 June, 2023 were attended by four (4) members of the Board of the seven (7) members of the Board. This is contrary to Section 3(1) (4) of the Meru County Microfinance Corporation Act, 2014 schedule which states that the Board shall meet not less than four times in every financial year and not more than four months shall elapse between the date of one meeting and the date of the next meeting and the quorum for the conduct of the business of the Board shall be five members including the chairperson or the person presiding.

In the circumstance, Board of Management was in breach of the Meru County Microfinance Corporation Act, 2014.

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 complying, 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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue to sustain services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate 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 financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are following the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue to sustain its services. 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 sustaining its services.

- 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 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 January, 2024

Meru County Microfinance Corporation**Annual Report and Financial Statements for the year ended June 30, 2023****14. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th
June 2023**

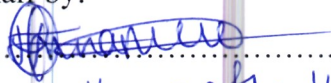
	Note	2022-2023	2021-2022
		Kshs.	Kshs.
REVENUES			
Transfers from other Government entities	6.	80,155,481	81,230,864
Other Income	7.	8,477,246	14,561,674
Finance Income	9.	4,429,853	3,496,123
Other receipts	10.	16,915,000	-
TOTAL REVENUES		109,977,579	99,288,661
OPERATING EXPENSES			
Administration Costs	8.	92,088,574	95,363,109
TOTAL OPERATING EXPENSES		92,088,574	95,363,109
Other payments	11.	23,915,000	-
SURPLUS/(DEFICIT) BEFORE TAXATION		(6,025,995)	3,925,552
INCOME TAX EXPENSE/(CREDIT)			
SURPLUS AFTER TAXATION		(6,025,995)	3,925,552


Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

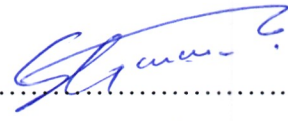
15. Statement of Financial Position as at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs.	Kshs.
ASSETS			
Non-Current Assets			
Property, plant and equipment	12.	3,322,462	4,818,763
Intangible assets	13.	-	3,092,519
Total Non-Current Assets		3,322,462	7,911,283
Current Assets			
Receivable from County Government	17.	71,094,850	61,401,009
Prepayments – Rent	18.	276,000	276,000
Short-term deposits	14.	70,300,000	77,300,000
Bank and cash balances	15.	17,167,899	21,389,592
Loans due from customers	19.	139,941,799	132,826,628
Total Current Assets		298,780,547	293,193,229
Total Assets		302,103,008	301,104,512
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Contribution	20.	155,303,584	155,303,584
Retained earnings	21.	62,802,955	68,828,950
Capital and Reserves		218,106,539	224,132,534
Current Liabilities			
Customer Savings	22.	78,470,182	74,651,163
Trade and other payables	23.	5,526,287	2,320,813
Total Current Liabilities		83,996,469	76,971,976
TOTAL EQUITY AND LIABILITIES		302,103,008	301,104,510

The financial statements were approved by the Board on 08/09/ 2023 and signed on its behalf by:


 Name: Kenneth K. Mbari
 M.D


 Name: DANIEL KIMATHI
 Head of Finance
 ICPAK M/NO: 6019


 Name: SAMUEL G. MWANGI
 Chairman of the Board

**Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023**

16. Statement of Changes in Equity for the year ended 30 June 2023

	Ordinary Share Capital	Revaluation Reserve	Fair Value adjustment Reserve	Retained Earnings	Capital/ Development Grants/Fund	Proposed Dividends	Total
At July 1, 2021	-	-	-	64,903,398	155,303,584	-	220,206,982
Capital Contribution	-	-	-	3,925,552	-	-	3,925,552
At June 30, 2022	-	-	-	68,828,950	155,303,584	-	224,132,534
At July 1, 2022	-	-	-	68,828,950	155,303,584	-	224,132,534
Capital Contribution	-	-	-	(6,025,995)	-	-	(6,025,995)
At June 30, 2023	-	-	-	62,802,955	155,303,584	-	218,106,539

Meru County Microfinance Corporation

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

17. Statement of Cash Flows for the year ended 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Transfers from other Government Entities		87,461,640	96,024,735
Interest received	9.	4,429,852	3,496,123
Fees earned		-	1,900,000
Payments for operating expenses		(82,375,025)	(91,059,542)
Other receipts - partnerships		28,370,000	-
Net cash generated from/(used in) operating activities		37,886,468	10,361,317
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment and intangible assets		(2,484,720)	(5,253,528)
Loan advances to customers	(19i)	(56,685,710)	(69,089,516)
Disbursements to partnerships		(51,719,535)	-
Net cash generated from/(used in) investing activities		(110,889,965)	(74,343,044)
CASH FLOWS FROM FINANCING ACTIVITIES			
Customer savings received	22.	7,620,997	6,489,734
Customer savings refunded	22.	(3,801,978)	-
Repayment of loans	(19ii)	57,962,785	90,865,746
Net cash generated from/(used in) financing activities		61,781,804	97,355,480
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(11,221,693)	33,373,753
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		98,689,590	65,315,837
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16.	87,467,899	98,689,592

**Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023**

18. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2023

	Note	Original budget 2022-2023 Kshs	Adjustments 2022-2023 Kshs	Final budget 2022-2023 Kshs	Actual on comparable basis 2022-2023 Kshs	Performance difference 2022-2023 Kshs	% of utilisation 2022-2023 %
Revenue							
Balance bf FY 2021/2022		-	-	-	-	-	-
Transfers from the Government		80,155,481	-	80,155,481	87,461,640	(7,306,159)	9%
Finance Income		4,200,000	-	4,200,000	4,429,853	(229,853)	5%
Revolving fund		58,000,000	-	58,000,000	57,962,785	37,215	-
Other Revenue		9,260,000	-	9,260,000	8,477,246	782,754	8%
Total income		151,615,481	-	151,615,481	158,331,524	(6,716,043)	4%
Expenses							
Compensation of employees		59,500,000	-	59,500,000	58,042,302	1,457,698	2%
Use of goods and services		31,215,481	-	31,215,481	31,652,518	(437,037)	1%
Rent paid		2,900,000	-	2,900,000	2,262,994	637,006	22%
Development expenditure		58,000,000	-	58,000,000	56,685,710	1,314,290	2%
Total expenditure		151,615,481	-	151,615,481	148,643,524	2,971,957	2%
Surplus for the period		-	-	-	9,688,000	9,688,000	-

19. 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 entity, and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

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

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

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 st January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

Title	Description	Effective Date
(issued in May 2021)		

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of 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.

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

Notes to the Financial Statements (Continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized 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 recognized 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 recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

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.

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.

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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized 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, as guided by National Treasury policy on assets depreciation 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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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. These bonds are measured at amortized cost/ at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL)

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 through profit or loss (FVTPL).

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

k) Unquoted investments

Unquoted investments are measured at fair value through profit or loss (FVTPL).

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method or First In First Out (FIFO). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables

Trade and other receivables are recognized at amortized cost 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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

n) Taxation

i) Current income tax

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

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) 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.

Notes to the Financial Statements (Continued)
Summary of Accounting Policies

Deferred Tax

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.

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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) 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.

r) 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.

s) 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.

t) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2016. The scheme is administered by an in-house team 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 15% of the basic pay per employee per month.

u) 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.

v) 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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

w) Budget information

The original budget for FY 2022/2023 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in these financial statements.

Notes to the Financial Statements (Continues)

a) 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.

b) Comparative figures

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

c) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the 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.

Notes to the Financial Statements (Continues)

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the 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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continues)

6. Transfers from other Government Agencies

	2022-2023	2021-2022
	Kshs	Kshs
Recurrent grants	80,155,481	81,230,864
Total	80,155,481	81,230,864

7. Other Income

	2022-2023	2021-2022
	Kshs	Kshs
Interest earned on loans issued	7,193,456	11,251,684
Application fee on loans issued	578,845	704,995
Insurance fee on loans issued	619,945	704,995
Fees earned**	85,000	1,900,000
Total	8,477,246	14,561,674

Interest earned, application fee and insurance fees are recognized once a loan is issued to a customer and income thereon is prorated up to the end of the financial year.

Fees earned** - relates to fees charged on dealings with other partners – (Further reference note 10)

8. Administration Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Staff costs	58,042,302	53,050,742
Directors' emoluments	383,360	1,144,331
Electricity and water	282,296	240,101
Communication services and supplies	1,970,214	1,982,149
Transportation, travelling and subsistence	4,386,838	6,756,234
Advertising, printing, stationery and photocopying	645,945	499,412
Rent expenses	2,262,994	2,536,625
Staff training expenses	526,612	843,480
Hospitality supplies and services	2,125,826	2,145,580
Insurance costs	11,778,161	11,942,528
Bank charges and commissions	64,814	15,350
Office and general supplies and services	325,311	1,102,305
Legal fees	4,800	-
Repairs and maintenance	900,133	2,236,359
Capacity Building	1,827,750	4,944,921
Depreciation	1,496,301	1,496,301

Meru County Microfinance Corporation
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Description	2022-2023	2021-2022
	Kshs	Kshs
Amortization	3,092,519	3,083,266
Other Operating Expenses	1,972,397	1,343,425
Total	92,088,574	95,363,109

9. Finance Income

	2022-2023	2021-2022
	Kshs	Kshs
Interest income received on short-term bank deposits	4,429,853	3,496,123
Add: Accrued interest during the year	-	-
Less – Accrued interest for prior year received	-	-
Total Finance Income for the year	4,429,853	3,496,123

10. Other receipts

	2022-2023	2021-2022
	Kshs	Kshs
Total receipts	17,000,000	-
Less: Administration fee at 0.5%	(85,000)	-
Total receipts	16,915,000	-

The County Government of Meru through the Directorate of Co-operatives identified boda boda sector as an integral sector which employs many youths in the County. The Directorate registered 45 Saccos to represent bodaboda riders across the County – One Sacco per ward. They were granted an amount of Kshs.17 million to be disbursed through their respective Saccos. Meru County Microfinance Corporation was to administer the funds at 0.5% of the total amount disbursed

11. Other payments

Other payments relates to payments made to programmes the Corporation runs in conjunction with the County Departments. The Corporation had Memorandum of Understanding with the departments of Co-operatives and Gender for disbursement of funds for empowerment of the youths and women within the County as follows:

	2022-2023	2021-2022
	Kshs	Kshs
Co-operative	16,915,000	-
Gender	7,000,000	-
Total	23,915,000	-

**Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended 30th June 2023**

Notes to the Financial Statements (Continued)

12. Property, Plant and Equipment

	Motor vehicles and motor cycles	Furniture and fittings	Office equipment	Computers & related equipment	Total
COST/VALUATION					
At July 1, 2022	9,105,886	5,609,119	2,104,480	14,347,701	31,167,186
Additions/Acquisitions	-	-	-	-	-
Disposals	-	-	-	-	-
At June 30, 2023	9,105,886	5,609,119	2,104,480	14,347,701	31,167,186
DEPRECIATION					
At July 1, 2022	25%	8%	8%	33.3%	
Charge for the year	9,105,886	2,727,359	1,115,931	13,399,247	26,348,423
Impairment loss	-	448,730	168,358	879,214	1,496,301
At June 30, 2023	9,105,886	3,176,088	1,284,290	14,278,461	27,844,724
Net book value at June 30, 2023.	-	2,433,031	820,190	69,240	3,322,462

Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended 30th June 2023

Notes To The Financial Statements (Continued)

	Motor vehicles, including motor cycles	Furniture and fittings	Office equipment	Computers & related equipment	Total
COST/VALUATION					
At July 1, 2021	9,105,886	5,609,119	2,104,480	14,147,701	30,967,186
Additions(Acquisitions)	-	-	-	200,000	200,000
Disposals	-	-	-	-	-
At June 30, 2022	9,105,886	5,609,119	2,104,480	14,347,701	31,167,186
DEPRECIATION	25%	8%	8%	33.3%	
At July 1, 2021	9,105,886	2,278,630	947,572	12,520,034	24,852,121
Charge for the year	-	448,730	879,214	168,358	1,496,301
Impairment loss	-	-	-	-	-
At June 30, 2022	9,105,886	2,727,359	13,399,247	1,115,931	26,348,423
Net book value at June 30, 2022	-	2,881,760	948,454	988,549	4,818,763

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost Valuation	Normal Annual Depreciation charge
	Kshs	Kshs
Motor Vehicles, Including Motor Cycles	9,105,886	2,276,472
Computers And Related Equipment	11,707,420	1,692,487
Total	20,813,306	3,968,959

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Notes To The Financial Statements (Continued)

13. Intangible Assets

	2022-2023	2020-2021
	Kshs	Kshs
COST		
At July 1	25,252,444	25,252,444
Additions	-	-
Disposals	--	--
At June 30	25,252,444	25,252,444
AMORTISATION		
At July 1	22,159,925	19,076,659
Charge for the year	3,092,519	3,083,266
Disposals	----	----
Impairment loss	----	----
At June 30	25,252,444	22,159,925
NET BOOK VALUE		
At June 30	-	3,092,519
	=====	=====

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

14. Short Term Deposits

	2022-2023	2021-2022
	Kshs	Kshs
Kenya Commercial Bank	30,300,000	37,300,000
ABSA Bank	40,000,000	40,000,000
	70,300,000	77,300,000
	=====	=====

The average effective interest rate on the short term deposits as at June 30, 2023 was 4.8% (2022: 4.8%)

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15. Bank and cash balances

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	17,167,899	21,389,592
	17,167,899	<u>21,389,592</u>
	=====	=====

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

16. Cash and cash equivalents

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	17,167,899	21,389,592
Short term deposits	70,300,000	77,300,000
	87,467,899	<u>98,689,592</u>
	=====	=====

Detailed analysis of the cash and cash equivalents

Description	2022-2023	2021-2022
Financial institution	Kshs	Kshs
a) Current Account		
Other Commercial banks	17,167,899	21,389,592
Sub- Total	17,167,899	21,389,592
b) On - Call Deposits		
Other Commercial banks	70,300,000	77,300,000
Sub- Total	70,300,000	77,300,000
c) Fixed Deposits Account		
Other Commercial banks	-	-
Sub- Total	-	-
Grand Total	87,467,899	<u>98,689,592</u>

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Notes To The Financial Statements (Continued)

Detailed analysis of the cash and cash equivalents

Bank Accounts

Name of Bank, Account No. & currency	2022-2022	2021-2022
	Kshs	Kshs
Kenya Commercial bank, Ac no.1180085434	18,187,082	11,472,739
Kenya Commercial bank, Ac no.1180085329	283,919	9,023,999
Kenya Commercial bank, Ac no.1180084896	(122,657)	2,584,308
Kenya Commercial bank, Ac no.1168502993	(3,176,074)	(1,691,454)
Kenya Commercial bank, Ac no.1284845516	18,935	-
Kenya Commercial bank, Ac no.1288023324	546,530	-
ABSA Bank, Ac no.2043505974	<u>1,430,163</u>	=
Grand Total	17,167,899	<u>21,389,592</u>

17. Receivable from the County Government

	2022-2023	2021-2022
	Kshs	Kshs
Balance brought forward	61,401,009	76,194,880
Allocation for the financial year	80,155,481	81,230,864
Less: Receipts during the year	(87,461,640)	(96,024,735)
Correction of partnership amount wrongly posted as receipts from County Treasury	17,000,000	-
Total due from County Treasury	71,094,850	<u>61,401,009</u>

18. Prepaid rent

	2022-2023	2021-2022
	Kshs	Kshs
Balance brought forward	276,000	276,000
Rent expense for the financial year	744,000	744,000
Less: paid during the year	(744,000)	(744,000)
Rent prepaid	276,000	<u>276,000</u>

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Rent prepayment relates to the office rents for Maua and Laare branches which according to the terms of their agreements, the rents were prepaid for the months of July to September 2023 and July 2023 to March 2024 respectively.

19. Loans due from customers

	2022-2023	2021-2022
	Kshs	Kshs
Balance brought forward	132,826,628	141,941,184
Loan advances to customers(i)	56,685,710	69,089,516
Loan interest charge	8,392,245	12,661,674
Loan repayments(ii)	(57,962,785)	(90,865,746)
Balance carried down	<u>139,941,799</u>	<u>132,826,628</u>

20. Capital Contribution

	2022-2023	2021-2022
	Kshs	Kshs
Balance brought forward	155,303,584	155,303,584
Contribution for the year	-	-
Balance carried down	<u>155,303,584</u>	<u>155,303,584</u>

21. Retained Earnings

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

	2022-2023	2021-2022
	Kshs	Kshs
Balance brought forward	68,828,950	64,903,398
Surplus/(Deficit) for the year	(6,025,995)	3,925,552
Balance carried down	<u>62,802,955</u>	<u>68,828,950</u>

22. Customer Savings

	2022-2023	2021-2022
	Kshs	Kshs
Opening balance	74,651,163	68,161,429
Savings received for the period	7,620,997	6,489,734
Customer savings refund	(3,801,978)	-

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	<u>78,470,182</u>	<u>74,651,163</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.

23. Trade and other payables

	2022-2023	2021-2022
	Kshs	Kshs
Salaries payable	4,591,917	-
Due to partnerships	565,465	-
Other accrued expenses	368,905	2,320,813
Balance carried down	<u>5,526,287</u>	<u>2,320,813</u>

24. 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 corporation 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.

Notes to the Financial Statements (Continued)

25. Related Party Disclosures

County Government of Meru

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

Other related parties include:

- i) Department of Finance, Economic Planning and ICT, Department of Youth and Department of Trade, Co-operatives and Tourism
- ii) Key management
- iii) Board of directors

Related parties transactions during the financial year includes salary payment to key management, Board allowances to the Board of Directors, and amounts received from the County Government to support recurrent expenditure as well as amounts received from various departments to support various programmes to utilize the Corporation's branch networks.

Notes To The Financial Statements (Continued)

26. 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables from exchange transactions	139,941,799	139,941,799	-	-
Bank balances	17,167,899	17,167,899	-	-
Total	157,109,697	157,109,697	-	-
At 30 June 2022				
Receivables from exchange transactions	132,826,628	132,826,628	-	-
Bank balances	21,389,592	21,389,592	-	-
Total	154,216,220	154,216,220	-	-

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.

ii) 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.

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
At 30 June 2023				
Trade payables	-	5,526,287	78,470,182	83,996,469
Total	-	5,526,287	78,470,182	83,996,469
At 30 June 2022				
Trade payables	-	-	76,971,976	76,971,976
Total	-	-	76,971,976	76,971,976

(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.

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.38,341(2022: KShs 36,824). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs.191,705(2022 – KShs 184,121).

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:

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

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
At 30 June 2023				
Non- financial Assets				
Property, plant and equipment	-	3,322,462	3,322,462	
	-	3,322,462	3,322,462	
	=====	=====	=====	=====
At 30 June 2022				
Non- financial Assets				
Property, plant and equipment	-	4,818,765	-	4,818,765
	-	4,818,765	-	4,818,765
	=====	=====	=====	=====

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.

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:

Description	2022-2023	2021-2022
	Kshs	Kshs
Retained earnings	62,802,955	68,828,950
Capital reserve	155,303,584	155,303,584
Total Funds	218,106,539	224,132,534
Total Borrowings	-	-
Less: Cash and Bank balances	87,467,899	98,689,592
Net Debt/(Excess Cash and Cash Equivalents)	130,638,640	125,442,942

9 CONTINGENT LIABILITIES

There were no contingent liabilities as at the end of the financial period.(2022 – Nil).

10 INCOPORATION

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

11 EVENTS AFTER THE REPORTING PERIOD

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

12 CURRENCY

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

Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended 30th June 2023

20. Appendices

Appendix 1: Implementation Status Of Auditor-General prior year recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Unsupported loans due from customers	The loans due have since been supported	Resolved	
2.	Inaccurate bank and cash balance	The bank account has been reconciled	Resolved	
3.	Unsupported trade and other payables	Trade and other payables fully supported	Resolved	
4.	Inaccuracy of staff costs	This was caused by inadequate funding for staff salaries	Resolved	
5.	Inaccuracies in the statement of comparison of budget and actual amounts	The differences between the two statements were explained	Resolved	

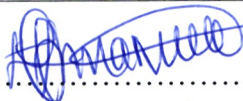
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1.	Unauthorized Deposit taking business	The Corporation does not carry out deposit taking business but receives savings to act	Deposit taking registration	This is subject to availability of resources
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Meru County Microfinance Corporation

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		as collateral for loans undertaken	not undertaken	
2.	Failure to provide quarterly loan arrears reports	The reports were subsequently submitted	Resolved	
3.	Irregular payment of special duty allowance	The Corporation's human resources manual has been updated and regularized with the PSC manual	Resolved	
4.	Ethnic composition	The issue to be addressed in future recruitments	Not resolved	
5.	Late remittance of statutory deductions	Caused by late disbursement by the National Treasury	Not resolved	
6.	Violation of the Corporation's enabling Act	The Corporation now has a secretary to the board	Resolved	


 Name *Kenneth W. Mbatia*
 Accounting Officer

Date *15/12/2023*

**Meru County Microfinance Corporation
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Appendix II: Projects implemented by Meru County Microfinance Corporation

Projects

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

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)
1		Not Applicable				

**Meru County Microfinance Corporation
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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - Kshs	Statement of Financial Performance	Where Recorded/Recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Meru County	14/07/2022	Recurrent	10,000,000	10,000,000	-	-	-	-	10,000,000
	30/08/2022	Recurrent	10,000,000	10,000,000	-	-	-	-	10,000,000
	26/09/2022	Recurrent	4,751,607	4,751,607	-	-	-	-	4,751,607
	07/11/2022	Recurrent	19,000,000	19,000,000	-	-	-	-	19,000,000
	08/12/2022	Recurrent	4,977,123	4,977,123	-	-	-	-	4,977,123
	08/12/2022	Recurrent	5,022,877	5,022,877	-	-	-	-	5,022,877
	22/12/2022	Recurrent	10,368,634	10,368,634	-	-	-	-	10,368,634
	09/02/2023	Recurrent	8,000,000	8,000,000	-	-	-	-	8,000,000
	06/04/2023	Recurrent	5,026,227	5,026,227	-	-	-	-	5,026,227
	04/05/2023	Recurrent	5,027,000	5,027,000	-	-	-	-	5,027,000
06/06/2023	Recurrent	5,288,172	5,288,172	-	-	-	-	5,288,172	
Total			87,461,640	87,461,640	-	-	-	-	87,461,640

**Meru County Microfinance Corporation
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Appendix V- Inter-Entity Confirmation Letter

The [insert SC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2023						
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30 th June 2023			Amount Received by [beneficiary entity] (KShs) as at 30 th June 2023 (E)	Differences (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
		Not Applicable				
Total						

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary entity:

Name SignDate

**Meru County Microfinance Corporation
Annual Report and Financial Statements for the year ended 30th June 2023**

Appendix VI: Reporting of Climate Relevant Expenditures

Name of the Organization - Meru County Microfinance Corporation
 Telephone Number - 0773221015
 Email Address - info@countymicrofinance.go.ke
 Name of MD - Kenneth Kimathi Mbae

Name and contact details of contact person (in case of any clarifications) – Daniel Kimathi

Project Name	Project Description	Project Objectives	Project Activities	Project				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Not Applicable									

Appendix VII: Reporting Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
Not Applicable						

