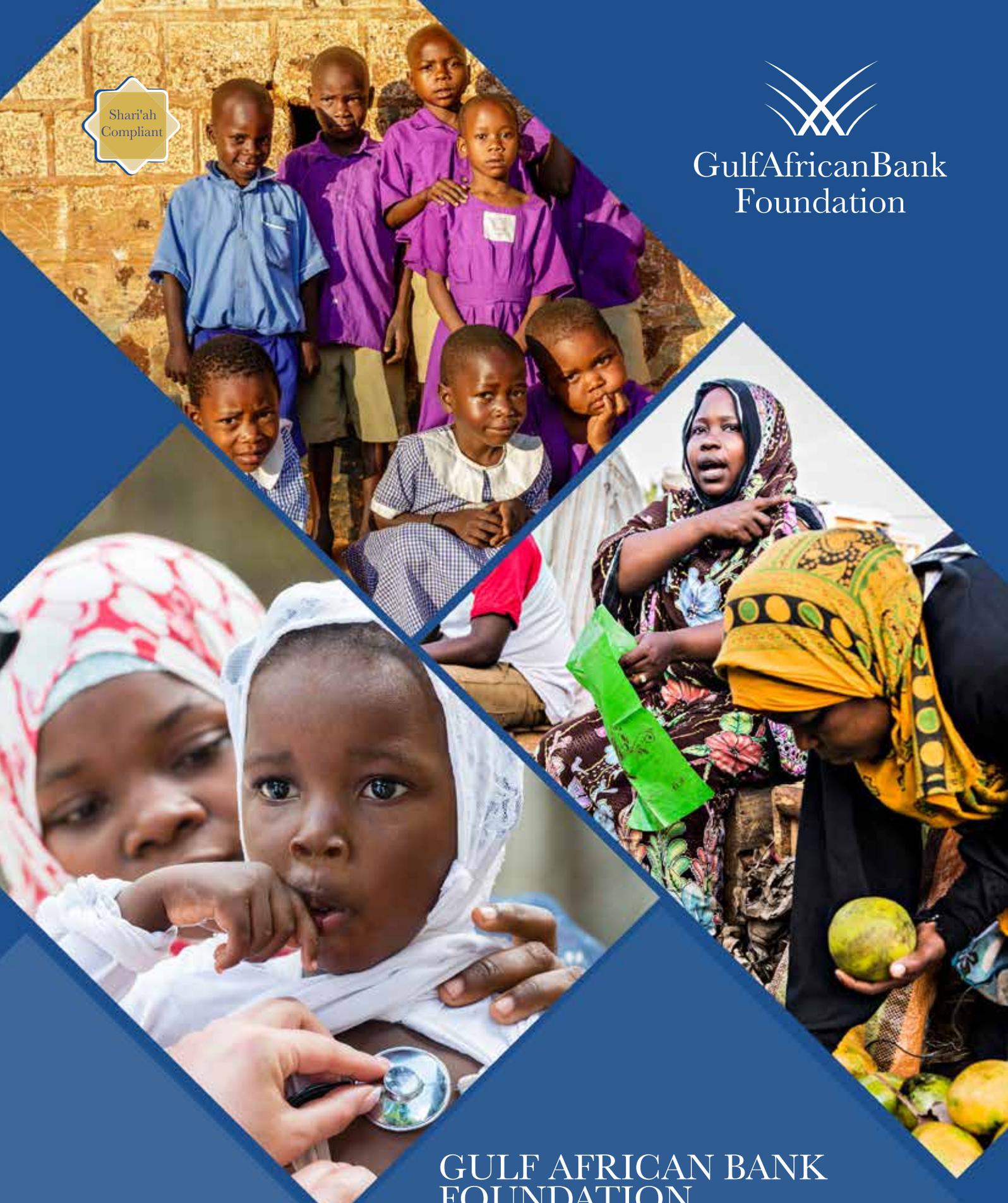




GulfAfricanBank  
Foundation



GULF AFRICAN BANK  
FOUNDATION

**ANNUAL REPORT 2019**

*Gulf African Bank Foundation is categorized as a tax exempt private organization audited by KPMG.*

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## ABOUT US

Gulf African Bank Foundation was established by Gulf African Bank to create the financial and operational infrastructure for social programs aimed at the low income sector within the Kenyan population and officially launched on 28th May, 2016. This innovative and creative vehicle was formed with an aim of transforming the concept of philanthropy and corporate social responsibility. The Foundation mainly deals with social programs in three thematic areas - education, social economic welfare and health.

To date, the foundation has invested in excess of 200 million Kenyan Shillings into the core 3 areas around the country. This report will give an overview of our activities. Special thanks to the team who contributed in writing this report.

### Gulf African Bank Foundation

-  Geminia Insurance Plaza
-  +254711075000, +254711075590
-  The Gulf African Bank
-  Gulf African Bank
-  gulfafrican\_bank
  
-  <https://gabfoundation.or.ke/>

Give us your feedback or raise any queries at:

 [gabfoundation@gab.co.ke](mailto:gabfoundation@gab.co.ke)



### MISSION STATEMENT

To actively contribute to the enrichment of lives through integrated, efficient and effective social investment Program in the identified focus areas.



### VISION STATEMENT

To be one of the leading socially responsible foundations involved in serving distressed communities and work for social-economic development of the country.



### OUR VALUES

Teamwork  
Integrity  
Professionalism

## MESSAGE FROM THE CHAIRMAN OF THE BOARD OF TRUSTEES

**PROF MOHAMED BADAMANA - CHAIRMAN**

I am pleased to present this report for the year 2019 with the related financial statements and provide an activity status for the year 2020.

Together, we have accomplished much. The Foundation oversaw great achievements in its three thematic areas of focus namely; Education, Health and Social Economic Areas. The Bursary program has assisted more than 200 students across various parts of the country towards achieving their dreams. In the Health sector, the foundation through partnerships with various organizations participated in sponsoring several surgical and medical camps that saw more than 600 patients benefit from the free medical services, specialized treatment and successful surgeries countrywide. The launch of the women empowerment kitty (the Annisaa Wema Revolving fund) has seen more than 65 women in small business get access to soft loans to improve and positively impact their lives and families.

We are very grateful for the support of all who made it possible for the Gulf African Bank Foundation to achieve its mission of actively contributing to the enrichment of lives through integrated, efficient and effective social investment Program in the identified focus areas.

Officially launched in 28th May 2016, the Foundation works very closely with the local communities to identify areas which have potential to uplift the less privileged in the society to become self-sufficient and attain the Millennium Development goals as set by the Global Body.

Our core program is the Bursary initiative, which provides bursary assistance to needy and bright students across all levels of education. In addition, we managed to admit new beneficiaries for our program this year and hope that with the current trend, we will build a strong generation with a heart of giving back to the society when they achieve what they aimed for in life.

We have maintained an efficient and effective organization with an external audit report of satisfactory; well within the accepted global audit standards.

In the coming year of 2020, we intend to enter into partnerships with like-minded organizations and corporations, which will enable us to expand our scope and at the same time increase our outreach to the most vulnerable amongst us. The partnerships shall also enable the organizations to carry out their duties effectively and coordinating the efforts to ensure that the deserved groups benefit from our programs.

## MESSAGE FROM THE GAB FOUNDATION MANAGER

Since its inception in 2016, The Foundation has dedicated its resources towards assisting our local communities and to great effect. The focus over the past four years has been on the three core thematic areas namely; Education, Health and Social Economic programs.

In the year 2019, the Foundation undertook various projects which had positive effects in the local communities we serve.

Our bursary program which has been running since the inception of the Foundation has assisted more than 200 students across various parts of the country towards achieving their dreams. Increase in literacy levels and access to quality education has seen our beneficiaries develop into good role models and successful individuals in their own right.

The foundation through partnerships with various organizations took part in free medical camps that saw communities from remote areas have access to medical check-ups and simple surgeries. We will continue to be part of such initiatives in the coming year.

With the introduction of the women empowerment soft loan program has also seen an increase of applications from women entrepreneurs around the country. The Foundation through its trustees is committed to the success of this initiative by injecting an additional Ksh 1 million into the fund to include more beneficiaries in this noble initiative.

Even with a positive year of great impact and results, the foundation is still very keen to make greater impact within the stipulated thematic areas.

Special thanks go to all the foundation trustees and all the relevant stakeholders involved in assisting to steer the foundation to new levels.

## OUR TRUSTEES



### **PROF MOHAMED BADAMANA**

Sheikh professor Mohamed S.Badamana holds a PhD in Animal Nutrition from the University of Reading-UK and was the Chairman of the Department of Animal Science for nine years,at the University of Nairobi. He also holds another PhD in Islamic Philosophy from the University of Khartoum-Sudan and a post graduate diploma in Islamic Banking and Insurance(IIBI-UK).

He was a lecturer for many years at the University of Nairobi,Department of Animal Science and department of Philosophy and Religious Studies-Kikuyu Campus..He has presented papers at both national and international forums and published in refereed journals.He is the Chairman of Sharia Supervisory Board(SSB) for Gulf Africa Bank and an SSB member of various Islamic Financial Institutions in the East African Region.



### **DR. ISLAM MOHAMED**

An academic leader, researcher and trainer with considerable experience in educational management with special interest in Islamic Finance and Economics & former Vice Chancellor of RAF International University, and was the founding Director of Al-Munawwarah College. He has also designed and taught several courses at Diploma, undergraduate and postgraduate (Masters) levels in both public and private universities and colleges in the country including JKUAT Technical University of Mombasa, Pwani University. He is a graduate of University of Imam Muhammad bin Saud, International Islamic University Malaysia, and attended courses at Al-Azhar University in Cairo.



### **AHMED SAID BAJABER**

Mr. Ahmed Said Bajaber is the Chief Investment Officer of Fadeed Commercial & Industrial Investment Company in Saudi Arabia – in charge of African Investments. He has over 25 years experience and has been involved in setting up large investment projects across the world. He has also served on one of the investment boards of Citigroup Venture Capital Group (CVC) and is currently the Chairman of API Limited (Ethiopia), the largest Bio-diesel farm in the world.



### **ABDALLA ABDULKHALIK**

Mr. Abdulkhalik is the Managing Director, Gulf African Bank. He brings over 25 years of work experience. He was previously with SAMBA Financial Group, Jeddah, Saudi Arabia where he last served as Assistant General Manager & Head of Western Region. Prior to that, he worked at Citibank as assistant General Manager, Country Treasurer. Mr. Abdulkhalik holds an MBA from Washington International University. He is a certified Islamic Banker/Islamic Finance Institute-London. In addition, he has attended various professional Qualifications which include school of FX and Derivatives, Foreign Exchange Derivatives, advanced technical analysis among others. Previously, Mr. Abdulkhalik has been part of special committee at Central Bank of Kenya and, a part time lecturer at Kenya School of Monetary Studies.

## THE GAB FOUNDATION TEAM

### **Nasser Abdulwahab - Manager**

Mr. Nasser is a certified Islamic Finance Expert. He is also the Shari'ah Manager at Gulf African Bank. He has previously worked in FCB Group where he was the Manager-Shariah for two and a half years, where he also held the docket of the Manager in charge of FCB Foundation. Nasser has a Post Graduate Degree-Islamic Banking & Insurance from the Institute of Islamic Banking and Insurance based in London, Bachelor of Science-Economics from International University of Africa in Khartoum. He is a Certified Islamic Finance Executive- (CIFE)-Dubai, Certified Shari'ah Advisor and Auditor (CSAA)-Accounting and Auditing Organization for Islamic Financial Institutions Manama Bahrain.

### **Suhel Mohamed - Foundation Officer**

Mr. Suhel is the officer tasked with the day to day running of the foundation and has worked for the foundation for over a year. He holds a bachelor's degree in economics and finance from Kenyatta University and is currently pursuing a master's degree in economics with specialization in economic theory. He is a member and volunteer to various charitable organizations across the country.

## INTRODUCTION

Since inception of the bank in 2008, the foundation though then a charity account was used to provide mainly bursaries to the community and more so the less fortunate. Since 2008 to 2019, the foundation has invested close to 220 Million Shillings on the three core programs being: education, health and socio-economic programs. All of these donations for these charitable courses have been internally sourced within the bank with no sources of external funding whatsoever. This goes to show the extent to which the bank has put in efforts to ensure that corporate social responsibility by the bank is held in the highest regards.



More than  
**1600**

students have gone through our bursary programs



More than  
**250M**

shillings have been invested through the foundation



More than  
**60**

women have had access to the Wema Fund in one year alone



More than  
**200**

More than **5000 patients** directly helped through medical camps. Conducted over **200 surgeries** with a **90%** success rate.



**17M** ON UNIVERSITY EDUCATION IN 2019



**11M** ON SECONDARY EDUCATION IN 2019



**3M** ANNISAA WEMA REVOLVING FUND

GAB Foundation supports the following Sustainable Development Goals as adopted by the United Nations Member States.



# SOCIAL ECONOMIC PROGRAMS

**8** DECENT WORK AND  
ECONOMIC GROWTH



### ANNISAA WEMA FINANCING FOR WOMEN



*The financed amount is capped at Ksh. 50,000 per individual or group and is given per one beneficiary at a given time.*

Annisaa Wema fund is a social impact revolving fund from the foundation that aimed to help and assist vulnerable but strong women and women self-help groups doing small businesses within the country through empowering them and their businesses. This is under a financial contract from which in repayment; women only repay the amount that is owed to them with zero additional charges. The financed amount is capped at Ksh. 50,000 per individual or group and is given per one beneficiary at a given time. The women are given one year to repay the loans and if the business venture is a start up then the recipients are given a grace period to set up then begin payments.

The foundation has the revolving fund capped at Ksh. 3M. The facilities are distributed on demand and are distributed within different small scale business sectors. Our most recent report shows that 92% of the fund is performing while only a paltry 8% is underperforming given the nature of the small businesses the women are involved in.

The fund has so far impacted the lives of 56 women from different counties and the impact has been felt by the women and their families and it is continuing to help and assist more women in alleviating poverty and increasing their living standards.

On average, from the women interviewed, their livelihoods has changed for the better given the access to the fund and has made them so self sufficient and independent in fending for themselves and their families.



**+60**

WOMEN ACCESSED THE FUND



**6**

COUNTIES ACCESSED THE FUND

**WEMA FINANCING IMPACT:  
CASE STUDY: LAMU COUNTY**



**HUSNA ABUD LALI, 55**

In the heart of Lamu Town, Husna is busy selling different types cut out mangrove trees. Her work area is busy with orders being prepared for deliveries across Lamu and Shela Island. It is a welcome relief for Husna whose business had crumbled on the onset of banning of logging of mangrove trees by the Kenya Forest Service. In early 2019, the bank was lifted and Husna had to start afresh, build from the ground up, but she was determined to get back her business. She is one of the two suppliers of building materials (mikoko, korija, choka and kokoto) and has grown her business now more than ever. Mangrove trees are the primary source of construction materials that is used in Lamu County as a means of preserving the heritage and face of the sites. A recent estimate showed that at least 30,000 families depend of logging trade within the county and is a source of unskilled labour within the county.

With access to the loans, Husna was able to grow and expands her business which she solely owns and runs. She has between 5 to 10 casual labourers depending on orders being received at any given time. She sells 1 korija (20 cut tree stems) for ksh. 8,000. Given the level of adept and savvy Husna is, she has grown her business for 100,000 to turning over and having capital at least worth ksh. 900,000. This has been testament to her business ethics and willingness to work smart and improve her living standards within her area. She has uplifted her living standards and has been able to take her kids to attain proper education so that they come and help her run her expanding business.

She is also part of the gallant efforts being done in collaboration with the local organizations to reforesting at least 10,000 trees to preserve marine life and the eco- systems within the surrounding areas of the Island and beyond.



**BITI FANKUPI ABSHIR, 38**

Biti, 38 is involved in the beauty and cosmetic business. She runs her business from her home given the high expenses involved with leasing or renting. She sales perfumes and women accessory products on order and utilises the use of social media apps like Facebook groups and WhatsApp as her main marketing tools that has increased access to her goods and has positively impacted her business. She does custom orders and delivers for free within Lamu town and has now expanded her business to Mombasa. She now has goods worth Khs. 250,000 from the initial Ksh. 50,000 that was given to her within 6 months through the Wema Fund. She has attributed her success to the ease access to the fund within a short period of time. Being a single, mother she has been able to afford school for her children and pump back income made into her business that is ever growing.

This business she says is seasonal and she is looking to travel outside the country to stock up for Eid celebrations from which she anticipates will diversify and sell women and children clothes within Lamu. She says the ripple effect has led to her being financially secure and plan and be more financially astute through the bank's support team that have inculcated the need for long term financial planning and financial management.



### **SALMA, 45**

In her day to day activities, Salma's kid loved milk a lot but was in short supply within the locale. She however, couldn't find readily available cheap milk within her area. She had the idea of getting herself a cow and to fill the niche that she saw. She then heard of the WEMA financing and visited the Lamu branch was informed of the product on offer and the terms. She accepted the terms and got accepted for the facility.

One week later she brought a grade cow and a calf for a total of ksh. 65,000. She and her son got to work and after a while she was able to produce close to 20 litres of milk a day. She sold 15 litres and kept 5 for home consumption. She sells her milk at an average price of ksh 50 per litre and on an averagely good day she makes ksh. 1000. She repaid of the facility and has been able to now cater for her son's education without any problems. She has also expanded her business into home use LPG cylinders where she trades empty ones for filled cylinders and gets commissions off of that. She now has that business booming and in addition has 4 cows now and is slowly but surely making a giant stride in her business portfolio.

## OTHER SOCIAL ECONOMIC PROGRAMS

Through social economic programs, the foundation has been able to give out grants and loans to various institutions with the aim of helping with social issues such as orphanages, not for profit organizations (waqf projects), and towards Muslim education based curriculum.

Within the year 2019, the foundation has disturbed close to 16 million Kenya shillings towards this cause that will provide long term based solutions to such issues pertaining to the eradicating poverty, provision of quality education, environment conservation and awareness on health.

*We spread the donations through different places like Nakuru County, Kilifi County, parts of the slums in Nairobi and the Langata Prisons.*

Such grants have gone to institutions like the Muslim Education Council which has been on the fore front towards introduction of the Muslim curriculum education within the Kenyan education sector. This would be a key milestone towards attaining such high quality standard education for both Muslim and non Muslim children and will prove to be pivotal towards early childhood development of children within the education frontier.

Through the Ramadan program, the foundation has been a key partner in donation of food stuff towards people from underprivileged backgrounds within the country. With this, the foundation within the year 2019 was able to reach more than 800 who would have otherwise found it hard to put food on the table during the holy month Ramadan. We spread the donations through different places like Nakuru County, Kilifi County, parts of the slums in Nairobi and the Langata Prisons.

The foundation in partnership with the bank was also able to initiate a cancer awareness drive within the bank staff for the whole month of October and raised funds that was presented to the Nairobi Hospice group which has been at the fore front of provision of critical care and rehabilitation to cancer patients in Nairobi and across parts of the country.

# EDUCATION

4 QUALITY EDUCATION



## BURSARIES

For many students across the country, education is more of a luxury than a necessity due to the lack of adequate resources to cater towards their education. The government through subsidised tuition fees for secondary has helped but for other even the little they can afford to pay is too little too much. Through its education programme, the GAB Foundation has invested heavily in education through its bursary scheme has been a frontier that the bank has been keen on even before inception of the foundation.

The foundation targets needy but quite brilliant children from all walks of life within the country and help them bridge the gap of getting quality education which they have otherwise lacked. The foundation focuses more on secondary and tertiary education and for most parts, majority of secondary leavers join on board to university calibre degree and diploma courses ranging from medicine, education, engineering, pharmacy, law, teaching amongst many other courses.

Through this noble cause, the foundation has succeeded in transitioning its beneficiaries from high school education through employment and this is one of the major achievements produced by the foundation in its effort to provide value addition in education to deserving but disadvantaged kids. Through our alumni database, more than 100 beneficiaries have been absorbed into the job market and are now able to fend for themselves and for their families.

The foundation through the scholarships programs has been able to reach more than 2000 students through secondary and tertiary education. The foundation has been keen on social impact university courses that will be able to improve the societies for instance, medicine, teaching, nursing and pharmaceutical courses. We have thus invested bulk of the funds to these courses so that they carry it forward and pave the way for the next generation of students and community leaders in the future.

The foundation has in the past 5 years invested Ksh. 118 million to cater towards education within the country with emphasis on need and access to quality education for vulnerable bright and needy students. Statistics from the education ministry and UNICEF indicate that access to basic education has been on the downward trend given lack of financial support to cater for the education costs. The government has tried by subsidising education within the secondary level but this has also proven to be tough to some individuals.

Through our scholarship programme, the foundation has on average 300 children each year on scholarship through secondary and university through fee payments.

The foundation has put emphasis on needy families, orphaned children, children with unemployed parents or single parents as well as in children's homes or under guardianships with old parents.

The foundation has seen many of its university alumni being absorbed into the job market and alleviating the lives of their families and making something good of themselves.

*The foundation has in the past 5 years invested Ksh. 118 million to cater towards education within the country with emphasis on need and access to quality education for vulnerable bright and needy students.*



25 MILLION DISBURSED  
TOWARDS BURSARIES  
IN 2019



+250 STUDENTS WERE  
ABLE TO ACCESS  
EDUCATION



OUR FOOTPRINT COVERS  
40 COUNTIES

Through the operations policy, the foundation has a strict appraisal process that it follows to ensure bright needy students are given the quality education they thoroughly deserve

## IMPACT STORIES

### QATHRA YUSSUF ISSACK, 18

Having been born and raised within the Eastleigh district, Qathra had dreams to achieve big in her life and knew education would be her way out. She was well settled at the New Eastleigh Primary School. In 2010 however, she lost her father who was the sole bread winner within the household. This would prove to be a pivotal point in her life but she was still resilient and more relentless in her pursuit of education. Her single mother would now take up the role of being the provider within the family through selling milk. She did however excel in her primary school education posting incredible results.

*Her dream has been to pursue medicine and she did get the call recently as she got admitted to pursue a bachelor's degree in medicine and surgery starting on the fall of 2020.*

In 2015, she graduated from primary with an outstanding 423 marks and was one of the best performing students in Nairobi County. The uncertainties would now rise as to how she will pursue her high school education. She did succeed and got a placement to Kenya High School which in 2020 is the best school in the country. Her family members researched and assisted her in applying for various scholarships across different institutions. With hopes resting on outsiders for assistance and on the verge of giving up, she got a call from the GAB Foundation and her prayers would finally be answered.

She got admitted and put in the hard work through her four years and in 2019 completed her high school education. She posted a remarkable mean grade of A with 83 points garnered and ranked in the top 25 performing students nationally. Her dream has been to pursue medicine and she did get the call recently as she got admitted to pursue a bachelor's degree in medicine and surgery starting on the fall of 2020.

## KCSE PERFORMANCE 2019

We had some of our beneficiaries who sat for the 2019 KCSE examinations and below is the performance from some of the beneficiaries.

The mean score from the 25 students listed is 60.12 which translate to an overall grade of B. We had the highest score from a female student from Kenya High School, Qathra Yusuf Issack. She garnered a mean score of 83, translating to a grade of A. She has been selected admitted to pursue a degree in medicine and surgery at the Jomo Kenyatta University of Agriculture and Technology (JKUAT).

The lowest score from the list is a mean of 33, a grade of C-. 90% from the beneficiaries who scored an average of C+ and above have qualified for admission to public universities under the government sponsorship programme.

NAME	GRADE	SCORE
Qathra Yussuf Issack	A	83
John Haya Masinga	A-	80
Mohamed Swabra Rishad	B+	73
Ali Mohamed Ali	B+	72
Issa Mohamed Maamun	B	70
Anisa Ibrahim Mohamed	B+	68
Abdalla Randu Nzai	B	66
Mustafa Mahmoud Mohamed	B	66
Nassor Salim Nassor	B	64
Mustafa Said Nasser	B	64
Harith Mohamed Abdulwahab	B	62
Fatma Said Swaleh	B	61
Felix Bwire	B	60
Maalim Ahmed	B-	57
Abdulrahman Ramadhan	B-	57
Gathongo Sharon Wagishu-Ru	B-	56
Abdullahi Said Ramah	B-	54
Rashid Khalid Ali	B-	54
Sauda Lali Athman	B-	53
Agalomba Swabra	C+	52
Najat Abdalla Suleiman	C+	48
Said Hassan	C	44
Hafsa Atieno	C	42
Nyiro Faridah Kokola	C-	33
Hassan Omar Issack	B	64
<b>Mean Score</b>		<b>60.12</b>

# HEALTH

**3** GOOD HEALTH  
AND WELL-BEING



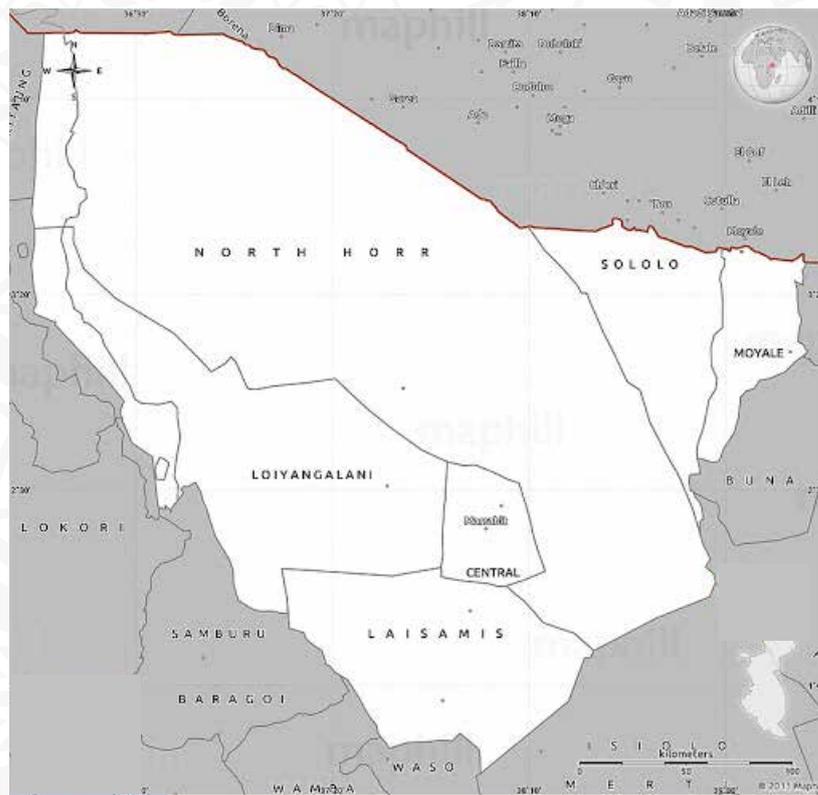
## HEALTH PROGRAMS

Healthcare in Kenya is a huge burden and problem to all individuals within the country. The cost of getting good treatment is very expensive and this leaves most of the citizens crying out for help. Access to healthcare is more dented within poor communities who do not even have basic health care systems within their communities. As such the foundation through its Health Programs has targeted these afflicted regions with the aim of provision of quality healthcare at least twice annually.

Through the program, the foundation through its partnership with leading doctors and surgeons and The Muslim Students Association of University of Nairobi and other specialized volunteer workers has over the past 5 years conducted surgical and medical camps within regions that don't have sufficient access to healthcare. The foundation through its donations and oversight on the health projects have been able to reach and assist close to 15,000 patients who could have not had access to primary health care.

### MARSABIT

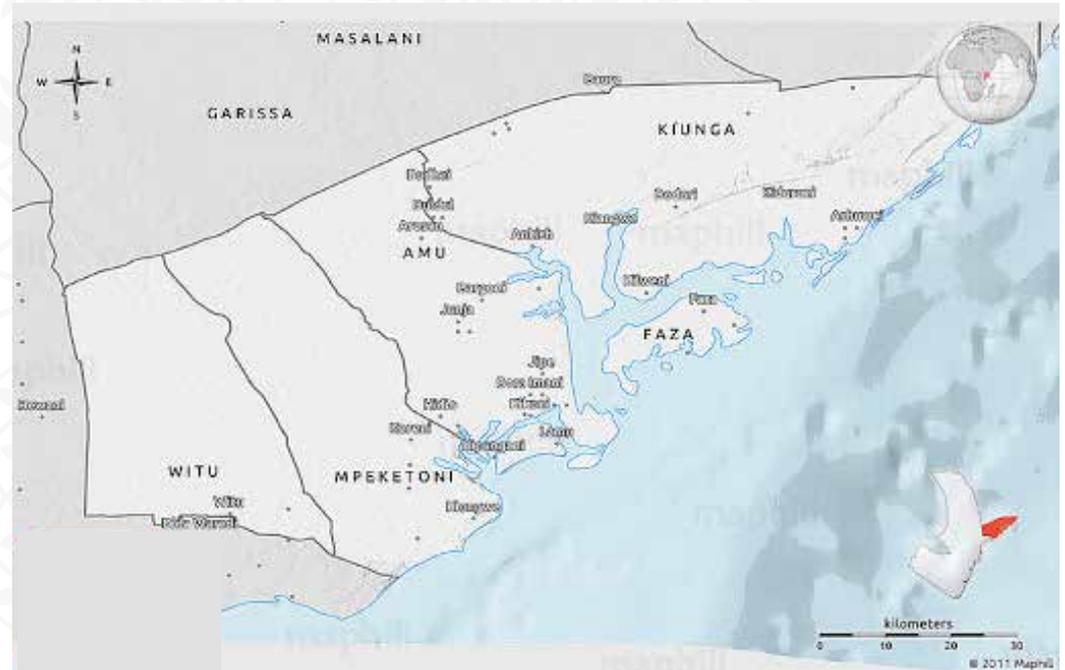
The recent medical camp conducted in 2019 targeted Marsabit County at the Marsabit County and Referral Hospital from 15th April to 22nd April.



**The team was able to attend to 5,567 patients and performed 122 surgeries. A further 95 patients were attended to by the dental and maxillofacial team while more than 600 eye patients were assisted and treated by the ophthalmology team. A total of 6,167 were attended to during this one week camp.**

Apart from consultations, surgeries and any other intervention provided to the patients, they were also provided with free medication to last them till full period recovery. Children under the age of 5 that were malnourished were provided with nutrition and care plan that saw them receive the much needed vitamins and supplements.

## LAMU



Lamu medical camp conducted in November 2019 in partnership with Riyadhha Welfare and Health Group was one of the most recent medical camps that the foundation donated for given the lack of access to quality healthcare.

A recent survey done by an independent group identified Lamu County as one of the counties in Kenya with least access to medical and health care facilities and attributed it to having health transferred from national to a devolved function.

The medical camp was divided into surgical operations with screening and surgeries being held at King Fahd Hospital with outpatient reviews and treatments being carried out next to Riyadhha Mosque.

### SURGERIES

Eye Surgeries	61
Major Surgeries	31
Minor Surgeries	16
Ear Nose Throat Surgeries	10
Gynaecology Surgeries	3

**Total Surgeries Done 121**

**OUT PATIENT SERVICES**

Internal Medicine (E.g. Hypertension, Diabetes, Asthma, Heart Diseases Arthritis, Peptic Ulcers)	374
Ophthalmology (Eye)	444
Dermatology (Skin)	272
Dental	66
Paediatrics	104
Reproductive Health	57
Laboratory Services	390



# FINANCIALS

## TRUSTEES AND STATUTORY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

### TRUSTEES

Prof. Mohammad Salim Badamana – Chairman  
Mr Ahmed Said Bajaber  
Mr Abdalla Abdulkhalik Ahmed  
Mr Islam Mohamed Salim

### SECRETARY

Mrs Amina Bashir  
Geminia Insurance Plaza  
Kilimanjaro Avenue  
Upper Hill  
PO Box 43683 – 00100  
Nairobi

### AUDITOR

KPMG Kenya  
Certified Public Accountants  
8th Floor, ABC Towers  
Waiyaki Way  
PO Box 40612 – 00100  
Nairobi

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Geminia Insurance Plaza  
Kilimanjaro Avenue  
PO Box 43683 – 00100  
Nairobi

### BANKERS

Gulf African Bank Limited  
Upper Hill Branch  
PO Box 43683 – 00100  
Nairobi

## REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2019

The Trustees submit their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of Gulf African Bank Foundation (the "Foundation").

### 1. Principal activity

The Foundation is a charitable organization set up to assist disadvantaged families and communities in Kenya by accepting donations from the donors locally and from abroad. Donations are used on three thematic areas; education, health and social economic programmes. The Foundation also co-ordinates and implements Corporate Social Responsibility (CSR) plans on behalf of Gulf African Bank Limited.

### 2. Registration

The Foundation is registered as a Trust. The Trust was set up by a trust deed dated 19 March 2014 and commenced operations in 2015.

### 3. Results

The results for the year are set out on page 7.

### 4. Trustees

The Trustees who served during the year and to the date of this report are set out on page 1.

### 5. Auditor

The auditor, KPMG Kenya, has expressed their willingness to continue in office in accordance with the requirements of the Trust Deed.

### 6. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the Trustees held on **26th June 2020**.

**BY ORDER OF THE TRUSTEES**



**Company Secretary**  
Mrs Amina Bashir

**Date: 26th June 2020**

## STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2019

The Trustees are responsible for the preparation and presentation of the financial statements of Gulf African Bank Foundation set out on pages 7 to 21 which comprise the statement of financial position at 31 December 2019, and the statement of income and expenditure, the statement of changes in fund balance and the statement of cash flows, for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

The Trustees' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Trustees' Deed and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Trustees' Deed, the Trustees are required to prepare financial statements for each financial period which give a true and fair view of the financial position of the Foundation as at the end of the financial period and of the income and expenditure of the Foundation for that year. It also requires the Trustees to ensure the Foundation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Foundation.

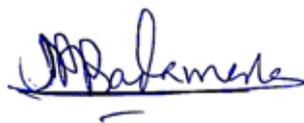
The Trustees accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Trustees' Deed. The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Foundation and its income and expenditure.

The Trustees further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Trustees have made an assessment of the Foundation's ability to continue as a going concern and have no reason to believe the Foundation will not be a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Trustees on: **26th June 2020**



Prof. Mohammad Salim Badamana  
Trustee



Mr Ahmed Said Bajaber  
Trustee

Date: **26th June 2020**

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF GULF AFRICAN BANK FOUNDATION

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Gulf African Bank Foundation set out on pages 7 to 21 which comprise the statement of financial position at 31 December 2019, and the statement of income and expenditure, the statement of changes in fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of Gulf African Bank Foundation at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Trustees' Deed.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements section of our report*. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other information**

The Trustees are responsible for the other information. The other information comprises the information included in the *Annual Report and Financial Statements*, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work that we have performed, we conclude that there is a material misstatement of this information, then we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF GULF AFRICAN BANK FOUNDATION

### **Report on the audit of the financial statements (Continued)**

#### ***Trustees' responsibility for the financial statements***

As stated on page 3, the Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Trustees' Deed and for such internal control, as the trustees determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

The Trustees are responsible for overseeing the Foundation's financial reporting process.

#### ***Auditor's responsibility for the audit of the financial statements***

Our 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

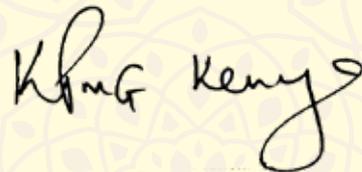
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF  
GULF AFRICAN BANK FOUNDATION (CONTINUED)

**Report on the audit of the financial statements (Continued)**

***Auditor's responsibility for the audit of the financial statements (continued)***

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*The signing partner responsible for the audit resulting in this independent auditor's report is CPA Joseph Kariuki – P/2102.*



Certified Public Accountants  
PO Box 40612 – 00100  
Nairobi

Date: **26th June 2020**

STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 31 DECEMBER 2019

Report on the audit of the financial statements (Continued)

	Note	2019 KShs	2018 KShs
Income	5	25,797,498	29,638,055
Expenditure	6	(26,178,657)	(34,979,387)
<b>Deficit for the year before tax</b>		<b>(381,159)</b>	<b>(5,341,332)</b>
Income tax expense	8(a)	(168,596)	(1,107,370)
<b>Deficit for the year after tax</b>		<b>(549,755)</b>	<b>(6,448,702)</b>
Other comprehensive income, net of income tax		-	-
<b>Total comprehensive income for the year</b>		<b>(549,755)</b>	<b>(6,448,702)</b>

The notes set out on pages 11 to 21 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019

**Report on the audit of the financial statements (Continued)**

<b>ASSETS</b>	<b>Note</b>	<b>2019 KShs</b>	<b>2018 KShs</b>
<b>Non current assets</b>			
Due from charitable organizations	11	500,000	-
<b>Current assets</b>			
Cash and cash equivalents	9	42,888,948	51,053,231
Receivables	10	8,682,571	2,158,205
Tax recoverable	8(b)	176,790	-
		<b>52,248,309</b>	<b>56,211,436</b>
<b>LIABILITIES</b>			
<b>Current liability</b>			
Tax payable	8(b)	-	413,372
		<b>52,248,309</b>	<b>52,798,064</b>
<b>NET ASSETS</b>			
<b>Represented by:</b>			
Accumulated surplus (Page 9)		<b>52,248,309</b>	<b>52,798,064</b>

The financial statements set out on pages 7 to 21 were approved and authorised for issue by the Board of Trustees on



Prof. Mohammad Salim Badamana  
Trustee



Mr Ahmed Said Bajaber  
Trustee

The notes set out on pages 11 to 21 form an integral part of these financial statements.

STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED 31 DECEMBER 2019

Report on the audit of the financial statements (Continued)

**2019:**

At 1 January 2019

Deficit for the year

**At 31 December 2019**

**2018**

At 1 January 2018

Deficit for the year

**At 31 December 2018**

**Accumulated surplus  
for the year ended 31  
December 2019**

**KShs**

52,798,064

(549,755)

**52,248,309**

**Accumulated surplus  
for the year ended 31  
December 2019**

**KShs**

59,246,766

( 6,448,702)

**52,798,064**

The notes set out on pages 11 to 21 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019

**Report on the audit of the financial statements (Continued)**

	Note	2019 KShs	2018 KShs
Cash flows from operating activities			
Deficit for the year before tax		(381,159)	(5,341,332)
Changes in due from charitable organizations		(500,000)	-
Increase in receivables		(6,524,366)	(737,715)
Tax paid	8(b)	(758,758)	(1,031,707)
<b>Net cash flows from operating activities</b>		<b>(8,164,283)</b>	<b>(7,110,754)</b>
Cash and cash equivalents at the beginning of the year		51,053,231	58,163,985
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>42,888,948</b>	<b>51,053,231</b>

The notes set out on pages 11 to 21 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 1. REPORTING ENTITY

Gulf African Bank Foundation is a charitable organization set up to assist disadvantaged families and communities in Kenya by accepting donations from the donors locally and from abroad. Donations are used on three thematic areas; education, health and social economic programmes. The Foundation also co-ordinates and implements Corporate Social Responsibility (CSR) plans on behalf of Gulf African Bank Limited. The address of its registered office is as follows:

Geminia Insurance Plaza  
Kilimanjaro Avenue, Upper Hill  
PO Box 43683 – 00100  
Nairobi

### 2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

#### (a) Statement of compliance

The financial statements of the Foundation have been prepared in accordance with and in compliance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Trustees' Deed. Details of the Foundation's significant accounting policies are included in Note 3 to the financial statements.

#### (b) Basis of measurement

The financial statements have been prepared on a historical cost basis.

#### (c) Functional and presentation currency

Items included in the financial statements of the Foundation measured using the currency of the primary environment if the entity operates ("functional currency").

The financial statements are presented in Kenya Shillings (KShs), which is the Foundation's functional currency.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

#### (a) Revenue recognition

##### (i) Donations

Income is recognized based on the donations received from Gulf African Bank Limited, Gulf African Bank customers, and other donations or grants received from third parties.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Revenue recognition (continued)

##### (ii) Calculation of profit income

Income from fixed deposits is recognised in profit or loss using the effective interest rate method. Whereas IFRS refers to effective interest rate method, within these financial statements, income from fixed deposits is referred to as profit income. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability

When calculating the effective interest rate, henceforth referred to as effective profit rate, for financial instruments other than purchased or originated credit-impaired assets, the Foundation estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL). For purchased or originated credit-impaired financial assets, a credit-adjusted effective profit rate is calculated using estimated future cash flows including ECL.

The calculation of the effective profit rate includes transaction costs and fees and points paid or received that are an integral part of the effective profit rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

##### **Amortised cost and gross carrying amount**

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective profit rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective profit rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating revenue from financing and investing activities, the effective profit rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, income from fixed deposits is calculated by applying the effective profit rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Cash and cash equivalents

Cash and cash equivalents include cash balances held with the bank with maturity of up to three months on placing.

#### (c) Taxation

Tax on the profit or loss for the year comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided on all temporary differences between the carrying amounts of financial assets and financial liabilities for financial reporting purposes and the amounts used for taxation purposes, except temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset on tax losses is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rates currently enacted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax, the company considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

#### (d) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Foundation has designated as at fair value through profit or loss or available for sale.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Receivables (continued)

Receivables comprise default damages receivable, profit income on fixed deposits and bank charges refund receivable from the bank. These are measured at amortized cost using the effective interest method, less any impairment losses.

#### (e) Financial assets and liabilities

##### (i) Recognition and initial measurement

GAB Foundation initially recognizes financial assets and liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Foundation becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair Value through Profit or Loss, transaction costs that are directly attributable to its acquisition or issue.

##### (ii) Classification

On initial recognition, a financial asset is classified as measured at: amortized cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principle and Interest (SPPI).

On initial recognition of an equity investment that is not held for trading, GAB Foundation may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Foundation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Financial assets and liabilities (continued)

##### (ii) Classification – continued

###### *Business model assessment*

The Foundation makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice in particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of transactions in prior periods, the reasons for such transactions and its expectations about future transaction activity. However, information about transaction activity is not considered in isolation, but as part of an overall assessment of how the Foundation's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

###### *Assessment of whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Foundation considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Foundation considers:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Financial assets and liabilities (continued)

##### (ii) Classification – continued

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the GAB Foundation's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates )

GAB Foundation holds a portfolio of short-term fixed deposits for which the Foundation has the option to propose to revise the profit rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision.

The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Foundation has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

##### Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Foundation changes its business model for managing financial assets.

##### (iii) De recognition

GAB Foundation derecognizes a financial asset when the contractual rights to the cash flows from the financial set expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Foundation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by GAB Foundation is recognised as a separate asset or liability.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Financial assets and liabilities (continued)**

**(iii) De recognition – continued**

GAB Foundation enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because GAB Foundation retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which GAB Foundation neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, Foundation continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, GAB Foundation retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing

**(f) New standards and interpretations effective for the year ended 31 December 2019**

There are several new standards and interpretation effective for the year ended 31 December 2019 as below. These did not have a significant impact on the Foundation's financial statements.

<b>New standard or amendments</b>	<b>Effective for annual periods beginning on or after</b>
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual improvements cycle (2015-2017)	1 January 2019
IAS 19 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019

The above standards did not have a material impact on the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2019, and have not been applied in preparing these financial statements. The Foundation does not plan to adopt these standards early and they are not expected to have a significant impact on the financial statements of the Foundation. These are summarised below:

New standard or amendments	Effective for annual periods beginning on or after
IFRS 3 Definition of a Business	1 January 2020
Amendments to references to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
IFRS 17 Insurance contracts	1 January 2022
Sale or Contribution of Assets between an Investor and its Associate or Bank (Amendments to IFRS 10 and IAS 28).	To be determined

### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Foundation's principal financial instruments comprise of cash at bank. These instruments arise directly from its operations.

The Foundation activities do not expose it to significant financial risks, including credit risk, foreign currency exchange rates risk, liquidity risk and profit rates risk.

Risk management is carried out by management under policies approved by the Board of Trustees.

The Foundation maintains a conservative policy regarding currency risks and does not engage in speculation in the markets. In addition, the Foundation does not speculate or trade in derivative financial instruments.

#### (a) Profit rate risk

The Foundation is not exposed to any profit rate risk as it does not have external funding or debt instruments with variable profit rates that will otherwise have inherent risk exposure. In light of this, the Trustees are of the opinion that any sensitivity analysis with respect to the profit rate risk would be unrepresentative.

#### (b) Credit risk

The largest concentrations of credit exposure within the Foundation relate to cash amounts at bank. The Foundation has policies in place to ensure that it continues to carry out its activities as per the donations from Gulf African Bank Limited and Gulf African Bank customers. In light of this, the Trustees do not consider the credit risk exposure to be significant.

#### (c) Foreign currency exchange risk

The Foundation's functional currency is the Kenya Shilling and as such it is not exposed to foreign currency exchange risk.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (d) Liquidity risk

Liquidity risk concerns the ability of the Foundation to fulfill its financial obligations as they become due. The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Foundation's reputation.

The Foundation operates within the donations or budget allocation from Gulf African Bank Limited and donations received from Gulf African Bank customers to ensure that it meets its obligations as they fall due.

#### (e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Foundation's processes, personnel, technology and infrastructure and from external factors other than credit, profit rate, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of Trustee behavior. Operational risks arise from all of the Foundation's operations.

The Foundation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Foundation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Foundation standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical standards.
- Risk mitigation, including insurance where this is effective.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

**5. INCOME**

	<b>2019</b>	<b>2018</b>
	<b>KShs</b>	<b>KShs</b>
Default damages from Gulf African Bank customers	22,593,606	25,946,822
Profit income from fixed deposits	3,203,892	3,691,233
	<b>25,797,498</b>	<b>29,638,055</b>

The income received by the Foundation arises from Gulf African Bank Limited donations and grants, Defaults damages from Gulf African Bank customers and other donations from third parties.

**6. EXPENDITURE**

Bursary disbursements to students	25,515,572	33,230,901
Medical assistance	-	200,000
<b>Foundation disbursements</b>	<b>25,515,572</b>	<b>33,430,901</b>
Administration expenses (Note 7)	663,085	1,548,486
	<b>26,178,657</b>	<b>34,979,387</b>

**7. ADMINISTRATION EXPENSES**

Staff costs	290,652	759,939
Bank charges	115,873	294,757
Other expenses	-	3,710
Travel	54,140	215,840
Information Technology cost	202,420	239,540
Entertainment costs	-	34,700
	<b>663,085</b>	<b>1,548,486</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

**8. INCOME TAX EXPENSE**

	<b>2019</b>	<b>2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>(a) Income tax expense</b>		
Current income tax expense at 30%	168,596	1,107,370
<b>Income tax expense</b>	<b>168,596</b>	<b>1,107,370</b>

The tax expense on the Foundation's deficit differs from the theoretical amount using the basic tax rate, as follows:

Deficit for the year before taxation	<b>(381,159)</b>	<b>(5,341,332)</b>
Tax at the standard rate of 30%	(114,348)	(1,602,400)
Tax effect on tax-exempt income and non-deductible expenses	282,944	2,709,770
<b>Income tax expense</b>	<b>168,596</b>	<b>1,107,370</b>

**(b) Tax payable**

At 1 January	413,372	337,709
Charge for the year	168,596	1,107,370
Paid during the year	(758,758)	(1,031,707)
<b>At 31 December (receivable)/payable</b>	<b>(176,790)</b>	<b>413,372</b>

**9. CASH AND CASH EQUIVALENTS**

Cash at bank	42,888,948	51,053,231
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The balances are held by Gulf African Bank Limited. There was no profit income receivable from term deposits that was included in cash and cash equivalents (2018 – Nil).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

**10. RECEIVABLES**

	<b>2019</b>	<b>2018</b>
	<b>KShs</b>	<b>KShs</b>
Default damages receivable	6,584,301	1,467,673
Due from charitable organizations	1,661,674	-
Profit income on fixed deposits	340,171	647,877
Bank charges refund receivable from the bank	96,425	42,655
	<b>8,682,571</b>	<b>2,158,205</b>

**11. DUE FROM CHARITABLE ORGANIZATIONS**

Non current assets	<b>500,000</b>	-
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The amount due from charitable organizations relates to loans granted at no cost to charitable organizations who are partners with the foundation to provide assistance to beneficiaries.



# GulfAfricanBank Foundation

## **Gulf African Bank Foundation**

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