



# ANNUAL REPORT 2019

**GIBAC**

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# TO OUR PARTNERS

## **Strategic Highlights**

As a startup, we are still focused on growth and operational effectiveness and efficiency, while working towards building a sustainable profitable business and taking an active role in corporate social responsibility.

### ***Growth***

Our revenue has grown by 7% in the year 2019 to K 594,200 from K555,000 (2018), with the biggest growth registered in webhosting (269%). This is due to proactive marketing which saw us acquire 4 new webhosting clients in 2019.

### ***Operational Effectiveness and Efficiency***

With our management policies in place, we have been able to operate smoothly and have met client expectations. All projects were completed on time and targets were met. We have made significant investments in our people through recruitment, training and team building. This has seen our human capital costs increase at least 8 times compared to 2018. We believe investing in our people is key to our progress.

### ***Sustainable Profitable Business***

As a social enterprise, we strive to generate enough revenue to cover our operating expenses. In 2019, we made a gross profit of K 334,200, against our operating expenses of K 276,450. We had an expense cover of 1.2. This shows GIBAC is able to cover its expenses 1.2 times.

In addition, we made a net operating profit of K 57,750, with a significant drop of 72% from the previous year (2018: K 198,510). The drop-in profit is due to the poor economic conditions of 2019. However, management is optimistic, and will employ turn around strategies in 2020 to boost profitability. As the business still made profits in 2019, it met its sustainable profitable business objective.

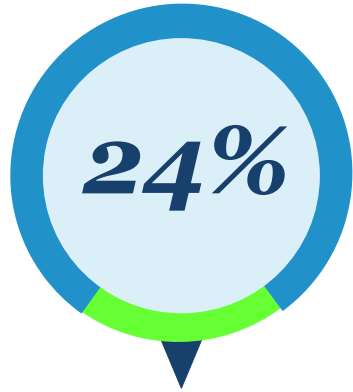
### ***Corporate Social Responsibility***

As a Social Enterprise, Corporate Social Responsibility (CSR) is a principal element in our operations. One of our values is Giving Back to the communities we are working with. In 2019, we hosted 3 IT awareness campaigns at 3 secondary schools in Blantyre; Zingwangwa Secondary School, Bangwe Secondary School and Maranatha Girls Academy. We diverted 24% of our total revenue and 3 times our net operating profits towards the campaigns. This shows our commitment towards CSR as GIBAC. We intend to expand our outreach activities in 2020 by 75%.

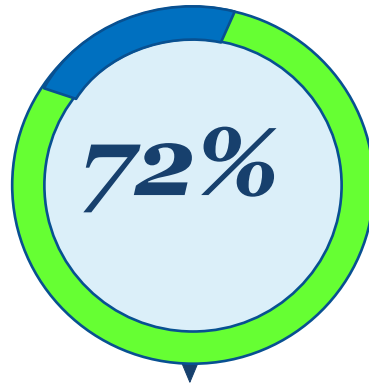
We have also developed 1 free website for Youth Arise Network through our Free Website Program for Peer Social Organisations.

## Financial Highlights

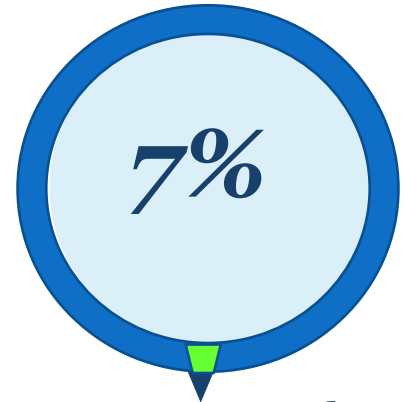
In 2019, our financial performance was as follows:



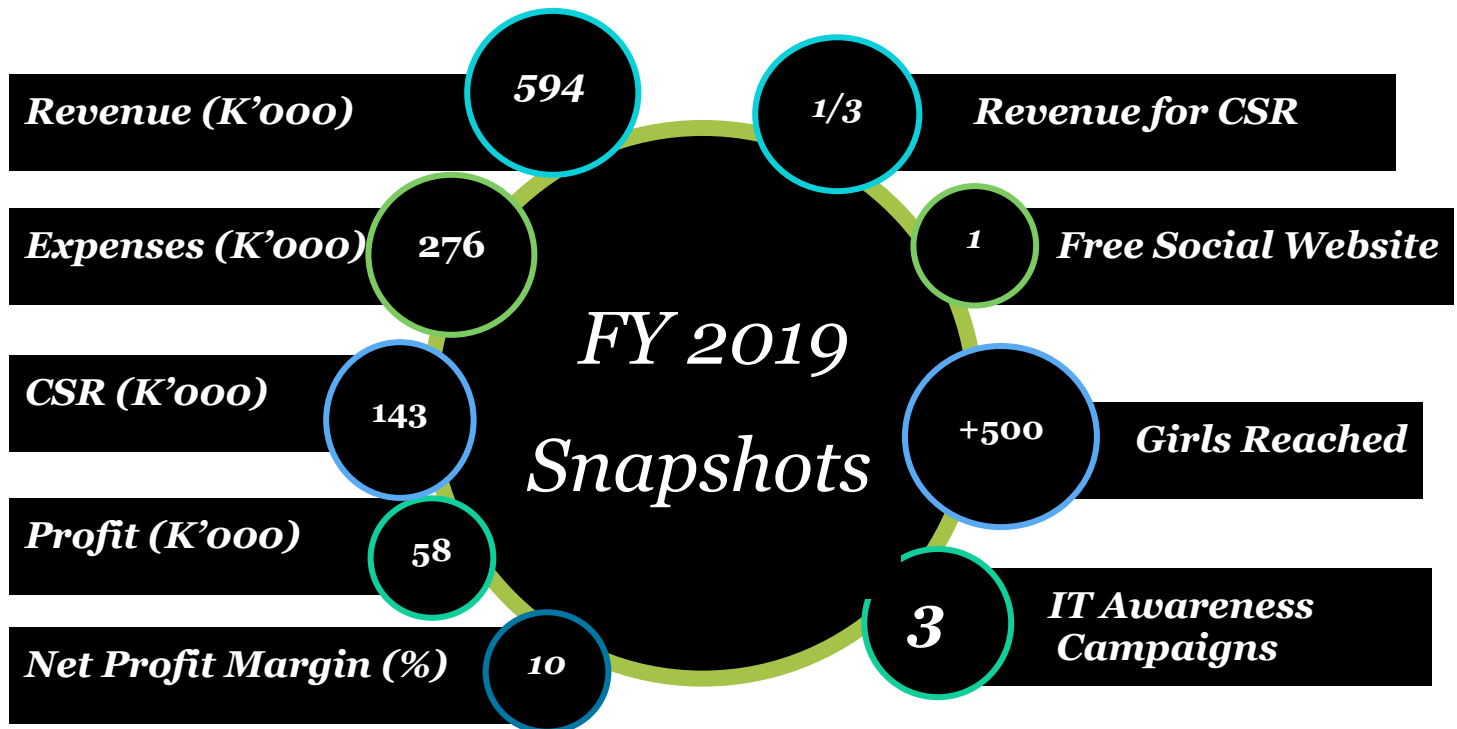
*Revenue diverted  
towards CSR projects*



*Drop in Net Operating  
Profit*

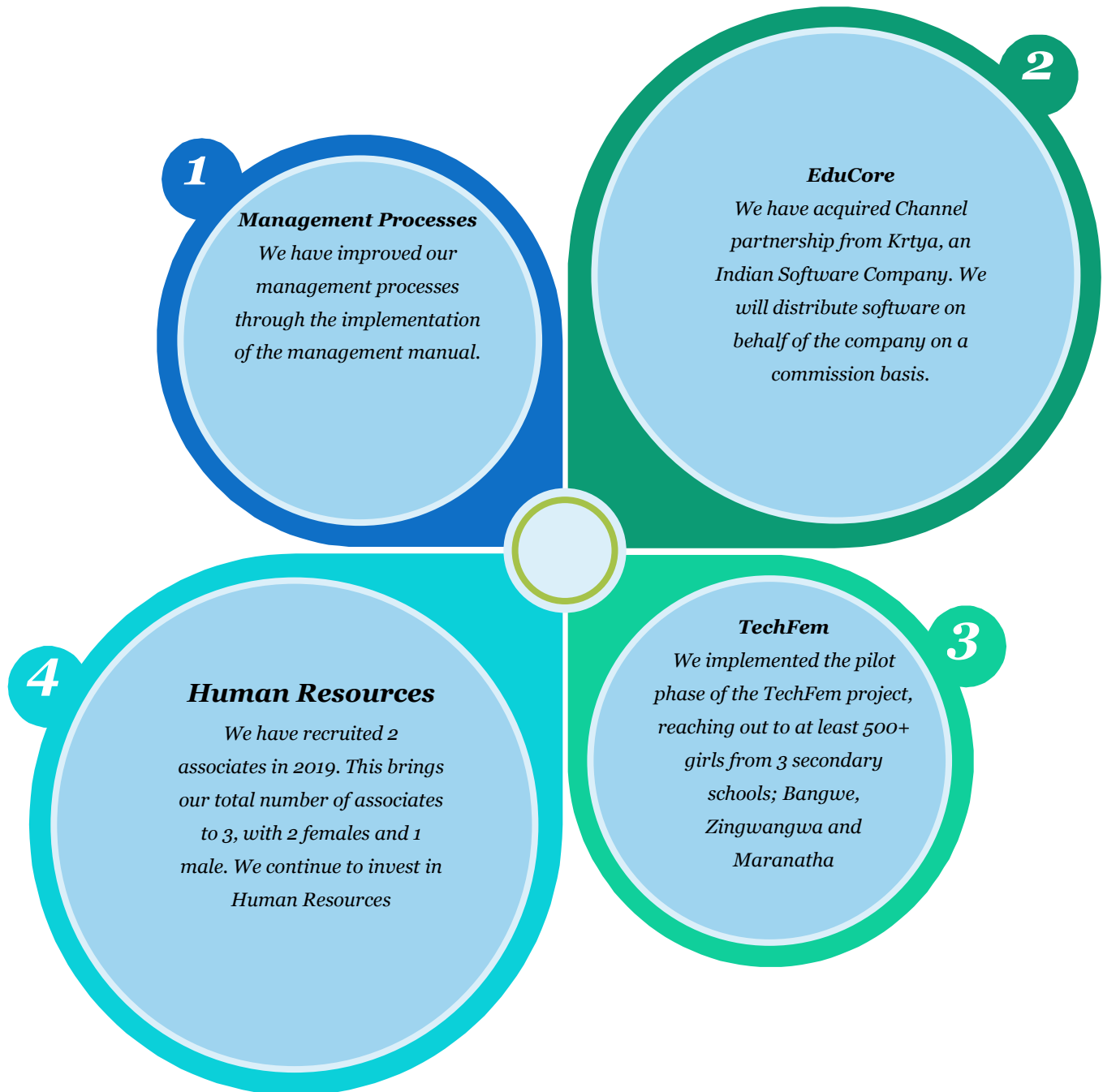


*Revenue Growth*



## Operating Highlights

We made significant progress towards improving our operations and service lines.



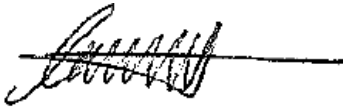
## Looking Ahead

As we take on 2020, we remain highly optimistic and enthusiastic. We remain committed to the big picture, working towards realizing our vision and fulfilling our mission.

In 2020, we will focus on the following key areas:

1. Business Growth
2. Innovation
3. Operational Effectiveness
4. Marketing and Branding
5. Social Entrepreneurship

I call upon all partners to believe in the firm and work towards driving it towards achieving these objectives.

A handwritten signature in black ink, appearing to read 'Khumbo M'bawa', is written over a horizontal line.

**Khumbo M'bawa**  
**Senior Managing Partner**  
**6<sup>th</sup> January 2020**

# FINANCIAL SUMMARY

## Reporting Entity

GIBAC IT Services and Consultancy (GIBAC) is a social enterprise partnership firm domiciled in Blantyre Malawi. The partnership is registered with the Malawi Business Registrar. The business provides IT services such as website design and development, computer systems design and development, webhosting, IT training and IT consulting. The business also carries out social impact activities such as IT awareness campaigns with the aim of reducing the gender digital gap. The firm is owned by six partners as follows:



**Khumbo M'bawa**

Senior Managing Partner – Finance & Administration



**Noel Tcheula**

Managing Partner- Marketing, Social Impact & Public Relations



**McDonald Kapsata**

Managing Partner- Operations, Learning and Development





**Linda Nyirenda**  
Non-Managing Partner



**William Mbobe**  
Non-Managing Partner



**Aubrey Kalumphalinga**  
Non-Managing Partner

## **Financial Statements**

The Senior Managing Partner – Finance and Administration is responsible for the preparation and presentation of Financial Statements.

The financial statements of the entity comprise the following:

1. Statement of Financial Position as at 31<sup>st</sup> December 2019
2. Statement of Profit and Loss
3. Cash Summary

In preparation of the financial statements, the Senior Managing Partner accepts responsibility for the maintenance of appropriate accounting records, use of and compliance with suitable accounting policies, and use of appropriate and reasonable judgements.



# Statement of Financial Position as at 31<sup>st</sup> December 2019

<i><b>Non Current Assets</b></i>	<i><b>Notes</b></i>	<i><b>2019</b></i> <i><b>K</b></i>	<i><b>2018</b></i> <i><b>K</b></i>
<i>Fixed Assets</i>		32,000	-
<i>Investments in Projects</i>	1	10,000	-
		<u>42,000</u>	<u>-</u>
 <i><b>Current Assets</b></i>			
<i>Cash at Bank</i>		39,750	145,000
<i>Accounts Receivable</i>	2	54,000	90,000
<i>Prepayments</i>	3	14,000	37,600
<i>Tax Receivable (WHT)</i>	4	47,500	27,500
<i>Tax Receivable (Provisional Tax)</i>	4	15,000	-
		<u>170,250</u>	<u>300,100</u>
 <i><b>Total Assets</b></i>		<u><b>212,250</b></u>	<u><b>300,100</b></u>
 <i><b>Liabilities</b></i>			
 <i>Deffered Income</i>	5	85,000	25,000
 <i><b>Net Assets</b></i>		<u><b>127,250</b></u>	<u><b>275,100</b></u>
 <i><b>Equity</b></i>			
<i>Capital</i>		110,250	110,250
<i>Retained Earnings</i>	6	17,000	164,850
 <i><b>Total Equity</b></i>		<u><b>127,250</b></u>	<u><b>275,100</b></u>

## Statement of Profit and Loss for the Period Ended 31<sup>st</sup> December 2019

	<i>Notes</i>	<b>2019</b> <b>K</b>	<b>2018</b> <b>K</b>
<b>Revenue</b>	7	594,200	555,000
<b>Less Cost of Sales</b>			
Webhosting Costs	8	238,000	90,000
Commissions	9	7,000	27,000
Management Compesations	10	15,000	63,000
		<u>260,000</u>	<u>180,000</u>
<b>Gross Profit</b>		<u><b>334,200</b></u>	<u><b>375,000</b></u>
<b>Less Operating Expenses</b>			
Marketing		57,700	48,000
Bank Charges		7,100	1,000
Professional Fees	11	5,000	-
Stationery		3,000	4,800
Rent		-	15,300
Telephone & Data		43,650	24,140
Transport & Travel		26,000	20,750
Webhosting	12	84,000	41,000
Human Capital	13	50,000	6,500
Bad Debts		-	5,000
		<u>276,450</u>	<u>166,490</u>
<b>Net Operating Profit</b>		<b>57,750</b>	<b>208,510</b>
<b>Social Impact</b>			
IT Awareness Campaigns	14	143,000	10,000
<b>Net Profit</b>		<u><b>-85,250</b></u>	<u><b>198,510</b></u>

### Cash Summary for the Period as at 31<sup>st</sup> December 2019

<b>Inflows</b>	<b>2019 K</b>	<b>2018 K</b>
Accounts Receivable	622,000	437,500
Capital	-	56,340
Deffered Income	17,000	20,000
Interest Received	6,200	-
<b>Total Inflows</b>	<b>645,200</b>	<b>513,840</b>
<b>Outflows</b>		
Accounts Payable	244,000	100,000
Advertising and Promotion	57,700	36,000
Bank Charges	7,100	1,000
Compesations Payable	15,000	63,000
Fixed Assets	32,000	-
Human Capital Costs	50,000	6,500
Investments	10,000	-
IT Awareness Campaigns	133,000	10,000
Legal Fees	5,000	-
Prepaid Costs/Expenses	21,000	37,600
Printing and Stationery	3,000	4,800
Project Leader Commissions Payal	17,000	27,000
Provisional Tax	15,000	-
Rent	-	15,300
Telephone and Data Charges	43,650	24,140
Travel Expenses	26,000	20,750
Webhosting Costs	-	2,000
Webhosting Fees Paid	71,000	41,000
<b>Total Outflows</b>	<b>750,450</b>	<b>389,090</b>
<b>Net increase (decrease) in ca:</b>	<b>-105,250</b>	<b>124,750</b>
Cash at the beginning of the period	145,000	20,250
<b>Cash at the end of the period</b>	<b>39,750</b>	<b>145,000</b>

# NOTES TO FINANCIAL STATEMENTS

## 1. Investments in Projects

This is cash invested in the Xerus Accounting Project. Xerus is an online accounting software targeting small and medium businesses and start up social organisations. The project is a joint venture with Moses Nderemani Inc.

## 2. Accounts Receivables

These are amounts due from clients. The age analysis as at year end was as follows:

Client Name	Amount (K)
Hope for Cancer	35,000
Advent Hope Ministries	15,000
Hills Safety	4,000
<b>Total</b>	<b>54,000</b>

## 3. Prepayments

These are amounts paid in advance for webhosting services to Moses Nderemani Incorporated. The breakdown for the prepaid expenses are as follows:

Client	Amount (K)
Hills Tracker	6,000
GIBAC Domain	8,000
<b>Total</b>	<b>14,000</b>

## 4. Tax

This is withholding tax remitted to MRA on behalf of Phata Sugarcane Outgrowers Cooperative and provisional tax paid in 2018 for an application of tax clearance.

## 5. Deferred Income

This is webhosting fees received in advance from clients. The breakdown is as follows:

Client Name	Amount (K)	Number of Months	Up To
Phata SOC	20,000	4	April 2020
Youth Arise	45,000	9	September 2020
Hills Safety	5,000	1	January 2020
Hope for Cancer	15,000	3	March 2020
<b>Total</b>	<b>85,000</b>		

## 6. Retained Earnings

The decrease in retained earnings is due to the loss incurred in 2020 and the write off of receivables. Details are outlined in the Statement of Changes in Equity

## 7. Revenue

The revenue for the year is broken down as follows:

Service Line	Amount (K)
Interest Received	6,200
Web Design & Development	215,000
Webhosting Fees	369,000
Vantage Subscriptions	2,000
Digital Marketing	2,000
<b>Total</b>	<b>594,200</b>

## 8. Webhosting Costs

These are amounts remitted to Moses Nderemani as webhosting fees for our clients. This is server rental fees charged per monthly.

## 9. Commissions

Commissions are paid to partners and staff who bring business to the firm. The commissions are paid on a percentage basis, currently at 10% of total project revenue. Commissions in 2019 were paid to Khumbo M'bawa for the Hills Safety project, with a total revenue of K70,000.

## 10. Management Compensations

These are allowances made to managing partners on revenue-based projects. Payment is at the discretion of the Senior Managing Partner. Payments made in 2019 were made to McDonald Kapsata for Hills Safety and Advent Hope projects.

## 11. Professional Fees

This is consultation fees paid to Tax consultants to assist with Tax Clearance.

## 12. Webhosting

These are amounts paid to Moses Nderemani Incorporated for the hosting of the GIBAC and Vantage websites.

## 13. Human Capital

These are costs associated with recruitment, training and team building activities carried out in 2019. In the year, we recruited 2 associates and 1 marketing consultant.

#### **14.IT Awareness Campaigns**

These are the costs associated with hosting IT awareness campaigns. They comprise of logistics, photographer and equipment hire, personnel allowances and refreshments.