

**TERTIARY EDUCATION SCHOLARSHIP TRUST  
FOR MALAWI (TEST)**

**FINANCIAL STATEMENTS**

**FOR THE TWENTY MONTHS PERIOD ENDED 31 AUGUST 2013**

**KCC Finance Associates**  
Certified Public Accountants

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FOR MALAWI (TEST)  
FINANCIAL STATEMENTS  
FOR THE TWENTY MONTHS ENDED 31 AUGUST 2013**

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**1 EXECUTIVE SUMMARY**

**1.1 BACKGROUND INFORMATION**

Tertiary Education Scholarship Trust for Malawi was officially registered in June 2010 to provide scholarships to needy and bright students in the Public Universities of Malawi. The establishment of TEST comes from the background that, the country is facing a lot of challenges in the education sector. Amongst the many problems the country is facing the low access to tertiary education by the majority of the underprivileged students more especially those coming from poor families, orphans and those requiring special needs and aspiring to join the university education. Though the Government provides some subsidized scholarships to very few students, the majority of the poor students cannot even afford to pay the tuition fees, buy books, accommodation and let alone their upkeep.

**1.2 TRUSTEES OBJECTIVE**

To advance the education of needy students by funding scholarships for undergraduate studies at public technical colleges and Universities in Malawi

**1.3 FINANCIAL SUMMARY FOR THE TRUST**

Income received from TEST for Africa during the period amounted to MWK 29,031,168, interest received during the year was MWK16,394 therefore total income for the year was MWK29,047,562. Total expenditure for the Trust was MWK 24,372,913.

**1.4 AUDIT SCOPE AND OBJECTIVES**

The financial audit was carried out in accordance with the Trustee's Agreement between TEST for Africa and TEST for Malawi and International Standard on Auditing.

The main objective of the audit was to obtain reasonable assurance that:

- The funds have been used in accordance with the Trustee's Agreement and only for the purposes for which the grant was provided.
- All necessary supporting documents, records and accounts have been kept in respect of all activities
- The financial statements have been prepared in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities and that they are fairly presented.

**1.5 SUMMARY OF AUDIT FINDINGS**

The audit did not find material weaknesses, hence unqualified opinion has been given on page 4 of this report.

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**2. STATEMENT OF TRUSTEES RESPONSIBILITIES**

The Board of Trustees of TEST for Malawi accept that it is their duty to prepare financial statements annually, which give a true and fair view of the state of affairs of the Trust at the balance sheet date and the results for the year then ended which comply with the Trustees Incorporation Act of 1962 and show a true and fair view of the state of affairs of the Trust and of the operating results for that period.

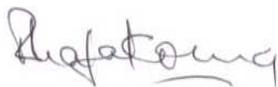
The Trustees also acknowledge their duty to ensure that the Trust keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the relevant regulations.

In preparing the financial statements management accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

Trustees are also responsible for establishing internal controls that ensure the propriety of transactions and accuracy and reliability of the accounting records and to safeguard the assets of the Trust against loss by theft, fraud, defalcation or otherwise.

These financial statements have been approved by the board of Trustees and are signed on its behalf by:



**Chairman**

20 September 2013

**Date**

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**Board Member**

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**Date**

Certified Public Accountants  
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**3 INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF TERTIARY EDUCATION SCHOLARSHIP TRUST FOR MALAWI (TEST)**

We have audited the financial statements of the Tertiary Education Scholarship Trust for Malawi set out on page 5 which comprise the income statement for the twenty months period ended 31 August 2013 and a summary of significant accounting policies and other explanatory notes.

**Management' Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium Sized Entities. This responsibility includes: Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The accompanying financial statements are prepared on a cash receipt and disbursement basis. On this basis revenue is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred.

**Opinion**

In our opinion the financial statements are properly drawn up in accordance with the provisions of the Trustees' Incorporation Act of 1962, so as to give, in all material respects, a true and fair view of the position of the Trust as at 31 August 2013 and of the results of the operations and cash flows for the year ended.

*KCC Finance Associates*

**Certified Public Accountants**

20 September 2013  
**Lilongwe, Malawi**

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|   |             | <b>For the twenty<br/>months ended<br/>31 Aug 2013</b> | <b>Thirteen<br/>Months<br/>ended 30<br/>Sept 2011</b> |
|---|-------------|--|---|
| <b><u>Income</u></b>                    | <b>Note</b> | <b>MWK</b>   | <b>MWK</b>  |
| Receipt from TEST for Africa            | 5.3         | 26,289,397   | 3,570,000   |
| Dr and Mrs Lloyds ( for Administration) | 5.3         | 1,271,520  | 1,163,500   |
| Receipt from Philantros                 | 5.3         | 715,097  | -   |
| Receipt from CLASSICA AFRICA            | 5.3         | 754,959  | -   |
| Bank interest                           |             | 16,589   | 3,959   |
|   |             | -----  | -----   |
| <b>Total Income</b>                     |             | <b>29,047,562</b>                                      | <b>4,737,459</b>                                      |
|   |             | -----  | -----   |
| <b><u>Expenditure</u></b>               |             |  |   |
| School Fees                             | Appendix I  | 23,556,681   | 3,275,000   |
| Operations costs                        | Appendix I  | 738,304  | 689,900   |
| Bank Charges                            |             | 77,928   | -   |
|   |             | -----  | -----   |
| <b>Total Expenditure</b>                |             | <b>24,372,913</b>                                      | <b>3,964,900</b>                                      |
|   |             | -----  | -----   |
| Surplus for the year                    |             | 4,674,648  | 772,559   |
|   |             | =====  | =====   |

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**5. NOTES TO THE FINANCIAL STATEMENTS**

**5.1 ACCOUNTING POLICIES**

The principal accounting policies of the Trust, which are set out below have been consistently followed in all material respects. The accounting policies comply with the International Financial Reporting Standards for Small and Medium Sized Entities.

**5.2 Basis of preparation**

The financial statements have been prepared on a cash receipt and disbursement basis.

**5.3 Income**

Income consists of funds received as grants from TEST for Africa and other well wishers as shown in the table below;

**GBP ACCOUNT**

| <b>Details</b>                         | <b>GBP</b>       | <b>Average Exchange rate</b> | <b>Local Currency</b> |
|--|------------------|------------------------------|-----------------------|
|  |                  |                              | <b>MWK</b>            |
| Tertiary Education                     | 62,026.70        | 423.84                       | 26,289,396.53         |
| Dr and Mrs. Lloyd (for administration) | 3,000.00         | 423.84                       | 1,271,520.00          |
| <b>Total</b>                           | <b>65,026.70</b> |                              | <b>27,560,916.53</b>  |

**EURO ACCOUNT**

|              | <b>EURO</b>     | <b>Average Exchange rate</b> | <b>Local Currency</b> |
|--------------|-----------------|------------------------------|-----------------------|
| PHILANTROS   | 1,531.88        | 466.81                       | 715,096.90            |
| <b>Total</b> | <b>1,531.88</b> |                              | <b>715,096.90</b>     |

**USD ACCOUNT**

|                 | <b>USD</b> | <b>Average Exchange rate</b> | <b>Local Currency</b> |
|-----------------|------------|------------------------------|-----------------------|
| CLASSICA AFRICA | 2,298.90   | 328.4                        | 754,958.76            |

**5.4 Foreign Currency transactions**

Transactions in Currencies other than the Malawi Kwacha are initially recorded at rates of exchange ruling on the date of the transactions. Monetary assets and liabilities in foreign currencies are translated to Malawi Kwacha at rates of exchange ruling at the balance sheet date. Exchange differences arising from these transactions are credited or charged to the income statement.

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**5.5 RELATED PARTY TRANSACTION**

In the context of the Trust, related party transactions are considered by management to include any of the following:

- Board of Trustees
- Donors
- Tertiary Education Scholarship Trust for Africa
- Tertiary Education Scholarship Trust – Ghana

**5.6 COMPARATIVE FIGURES**

Comparatives figures are figures taken from prior year TEST Accounts not audited.

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**APPENDIX I: DETAILED INCOME AND EXPENDITURE STATEMENT**

|   | <b>31 Aug 2013</b> | <b>Thirteen<br/>Months<br/>ended 30<br/>Sept 2011</b> |
|---|--------------------|---|
|   | <b>MWK</b>         | <b>MWK</b>  |
| <b><u>Income</u></b>                    |                    |   |
| Receipt from TEST for Africa            | 26,289,397         | 3,570,000   |
| Dr and Mrs Lloyds ( for administration) | 1,271,520          | 1,163,500   |
| Receipt from Philantros                 | 715,097            | -   |
| Receipt from CLASSICA AFRICA            | 754,959            | -   |
| Interest Received                       | 16,394             | 3,959   |
|   | -----              | -----   |
| <b>Total Income</b>                     | <b>29,047,562</b>  | <b>1,167,459</b>                                      |
|   | -----              | -----   |
| <b><u>Expenditure</u></b>               |                    |   |
| <b><u>School Fees</u></b>               |                    |   |
| Mzuzu University                        | 3,775,000          | 85,00   |
| Kamuzu College of Nursing               | 6,665,000          | 550,000   |
| Bunda College of Agriculture            | 5,515,000          | 485,000   |
| Polytechnic                             | 4,470,000          | 1,700,00  |
| Chancellor College                      | 990,000            | 400,000   |
| College of Medicine                     | 2,141,681          | 55,000  |
|   | -----              | -----   |
| <b>Total School Fees</b>                | <b>23,556,681</b>  | <b>3,275,000</b>                                      |
|   | -----              | -----   |
| <b><u>Operation Costs</u></b>           |                    |   |
| Internet services                       | 206,204            | 236,728   |
| Payment for fuel refund                 | 193,100            | -   |
| Audit fees                              | 35,000             | -   |
| Data entry expenses                     | 40,000             | 16,070  |
| Stationery                              | 220,000            | 114,427   |
| cash payment                            | 44,000             | -   |
| Bank Charges                            | 77,928             | 22,257  |
| <b>Depreciation</b>                     | -                  | 80,418  |
| <b>Lunch expenses</b>                   | -                  | 220,000   |
|   | -----              | -----   |
| <b>Total Operation Costs</b>            | <b>816,232</b>     | <b>689,900</b>  |
|   | -----              | -----   |
| <b>Total Expenditure</b>                | <b>24,372,913</b>  | <b>3,964,900</b>                                      |
|   | -----              | -----   |
| <b>Surplus for the year</b>             | <b>4,674,648</b>   | <b>772,559</b>  |
|   | =====              | =====   |