



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 2002 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the Directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The Directors 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.

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

Mrs. Cathy Stanton
Chairperson

14.12. 2007
Date

Mr. Adam Fuller
Hon. Treasurer

14.12. 2007
Date



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF INTERNATIONAL SCHOOL OF TANGANYIKA LIMITED

We have audited the financial statements of International School of Tanganyika Limited set out on pages 58 to 67 which comprise the income statement, the balance sheet as at 31 July 2007, statement of changes in equity and cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibility of Directors and Auditors

The company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Tanzanian Companies Act. 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. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement and include an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company as at 31 July 2007 and of its surplus and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2002.

Deloitte & Touche

Certified Public Accountants (T)

E A Harunani
Dar es Salaam
21. 12. 2007



**INCOME STATEMENT
FOR THE YEAR ENDED 31 JULY 2007**

	Note	2007 Tshs Million	2006 Tshs. Million
Fee income	3	14,045	11,882
Other operating income		627	2,959
Operating Income		<u>14,672</u>	<u>14,841</u>
Personnel costs	4	(8,929)	(7,888)
Other operating costs		(3,229)	(2,664)
Operating expenses		<u>(12,158)</u>	<u>(10,552)</u>
Operating surplus		2,514	4,289
Finance income		305	150
Surplus before taxation	5	<u>2,819</u>	<u>4,439</u>
Taxation	6	-	(143)
Surplus for the year		<u><u>2,819</u></u>	<u><u>4,296</u></u>



BALANCE SHEET

As at 31 July 2007

	Note	2007 Tshs. Million	2006 Tshs. Million
ASSETS			
Non-current assets			
Property and equipment	7	12,682	3,355
Current assets			
Inventories	8	58	314
Trade and other receivables	9	710	727
Cash and bank balances	10	11,242	8,258
		12,010	9,299
TOTAL ASSETS		24,692	12,654
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	3,477	3,219
US Embassy capital grant	12	314	351
		3,791	3,570
Equity and reserves			
Operating fund		11,903	9,084
Revaluation reserve		8,998	-
		20,901	9,084
TOTAL LIABILITIES AND EQUITY		24,692	12,654

The financial statements on pages 58 to 67 were approved by the Board of Directors on December 6th 2007 and signed on its behalf by:

Mrs. Cathy Stanton
CHAIRPERSON

Mr. Adam Fuller
HON. TREASURER



**STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 JULY 2007**

	Operating Fund Tshs'000	Revaluation surplus Tshs'000	Total Tshs'000
At 1 August 2005	4,788	-	4,788
Surplus for the year	4,296	-	4,296
At 31 July 2006	<u>9,084</u>	<u>-</u>	<u>9,084</u>
At 1 August 2006	9,084	-	9,084
Surplus for the year	2,819	-	2,819
Revaluation surplus	-	8,998	8,998
At 31 July 2007	<u>11,903</u>	<u>8,998</u>	<u>20,901</u>



**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2007**

	Note	2007 Tshs. Million	2006 Tshs. Million
Cash flows from operating activities			
Surplus before taxation		2,819	4,439
Adjustments for:			
Depreciation		507	511
Gain on disposal fixed assets		(16)	(1,348)
Amortization of US Embassy grant		(70)	(62)
Decrease/(increase) in inventory		256	(94)
Decrease/(increase) in trade and other receivables		17	(453)
Increase/(decrease) in trade and other payables		258	939
Cash generated from operating activities		<u>3,771</u>	<u>3,932</u>
Investing activities			
Payments to acquire fixed assets		(836)	(1,166)
Proceeds of disposal of fixed assets		16	1,558
Cash used in investing activities		<u>(820)</u>	<u>392</u>
Financing activities			
US Embassy capital grant		33	241
Cash from financing activities		<u>33</u>	<u>241</u>
Increase in cash and cash equivalents		2,984	4,565
Cash and cash equivalents at beginning of year		8,258	3,693
Cash and cash equivalents at end of year	10	<u>11,242</u>	<u>8,258</u>



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2007

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted, which remain unchanged, are set out below:

Adoption of the New and Revised Standards and Interpretations

At the date of authorisation of these financial statements, the following new and revised standards and interpretations were in issue but not yet effective:-

- IAS 1 – Presentation of Financial Statements
- IAS 23 – Borrowing Costs
- IFRS 7 – Financial Instruments – Disclosures
- IFRS 8 – Operating Segments
- IFRIC 11 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangement
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 14 – The Limit on the Defined Benefit Asset, Minimum Funding Requirement, and their Interactions

The company is in the process of evaluating the effects of these new standards and interpretations; they are not expected to have significant impact on the company's results and disclosures.

Basis of Accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of School's business and is recognised when services are provided.

Inventories

Inventories are stated at the lower of cost and net realisable value. In general, cost is determined on average basis and includes transport and handling costs. Cost comprises purchase price and other costs incurred to bring inventories to their present location and condition. Net realisable value is the estimated price at which stocks can be sold after allowing for cost of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

Foreign Currencies

All transactions denominated in foreign currencies are translated into Tanzania Shillings at rates ruling at the transaction date. Assets and liabilities at the balance sheet date expressed in foreign currencies are translated into Tanzania Shillings at the rates ruling at that date. Differences on exchange are included in the income statement for the year.



2. ACCOUNTING POLICIES

Property and Equipment

Property and equipment are stated at cost or as professionally revaluated less accumulated depreciation and accumulated impairment.

Depreciation is calculated on the straight line basis to write off the cost of property and equipment over their estimated useful lives. The annual rates of depreciation generally in use are as follows:

	%
Buildings and roads	2.5
Furniture, fittings & office equipment	20
Motor vehicles	25
Books and classroom equipment	33.33
Sports facilities	5 – 25

School equipment and books which are expected to be used fully in the year of acquisition are expensed.

Property and equipment is periodically reviewed for impairment. If the carrying value of an asset is estimated to be greater than its recoverable amount, it is written down to its estimated recoverable amount.

The gain or loss arising on disposal or retirement of an asset is determined between the sale proceeds and the carrying value of the asset and is recognised in the income statements.

Grants

Grants relating to Property and Equipment are treated as deferred income and released to income statement over the expected useful lives of the assets concerned.

Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have failed.

Trade and Other Payables

Trade and other payables are stated at their nominal value.

Retirement Benefit Costs

For Tanzanian staffs, the School contributes to local statutory defined pension schemes whilst for non Tanzanians; it contributes to overseas retirements schemes. Contributions by the School in respect of retirement benefits costs are charged to the income statements in the year which they relate.

Impairment of Assets

At each balance sheet date, the School reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2007

3. FEE INCOME

	2007	2006
	Tshs. Million	Tshs. Million
School fees	11,620	9,863
Application fees	199	155
Capital and Maintenance Levy	1,966	1,642
Interest on instalment fees	261	222
	<u>14,045</u>	<u>11,882</u>
	No.	No.
Average No. of pupils during the school year	<u>833</u>	<u>846</u>

4. PERSONNEL COSTS

	Tshs. Million	Tshs. Million
Staff salaries	7,190	6,422
Overseas retirement benefit scheme	236	194
Employer's NSSF/NPF contributions	144	127
Staff housing	181	150
Other staff costs	1,178	995
	<u>8,929</u>	<u>7,888</u>
	No.	No.
Average no. of staff	<u>279</u>	<u>284</u>

5. SURPLUS BEFORE TAXATION

Surplus before taxation is stated after charging:

	Tshs. Million	Tshs. Million
Depreciation	507	513
Auditors' remuneration	31	22
Bad debts	43	6
Re-development costs	10	-
and after crediting:		
Interest on instalment payments	261	222
Gain on disposal of fixed assets	16	1,348
Interest on fixed deposits	305	150
Exchange (loss)/gain	<u>(109)</u>	<u>1,194</u>



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2007

6. TAXATION

The school is exempt from income tax.

7. PROPERTY AND EQUIPMENT

	Buildings & roads	Motor vehicles	Furniture, fittings, & equip	Plants & tools	Books & aids	Computers equipment	Capital work-in- progress	Total
	Tshs. Million	Tshs. Million	Tshs. Million	Tshs. Million	Tshs. Million	Tshs. Million	Tshs. Million	Tshs. Million
Cost or revaluation								
At 1 August 2005	2,734	487	1,616	216	723	1,133	128	7,037
Transfers	-	-	-	-	-	-	(128)	(128)
Additions	705	18	200	82	-	161	-	1,166
Disposals	(104)	(51)	-	(16)	-	-	-	(171)
At 1 August 2006	3,335	454	1,816	282	723	1,294	-	7,904
Additions	311	99	249	111	-	66	-	836
Disposals	-	-	-	(9)	-	-	-	(9)
Revaluation	7,038	(298)	(1,302)	140	-	(904)	-	4,674
At 31 July 2007	10,684	255	763	524	723	456	-	13,405
Analysed as:								
Cost	-	-	-	-	723	-	-	723
Revaluation – 2007	10,684	255	763	524	-	456	-	12,682
	10,684	255	763	524	723	456	-	13,405
Depreciation								
At 1 August 2005	563	438	1,257	170	716	983	-	4,127
Charge for the year	83	53	185	29	7	154	-	511
Eliminated on disposal	(22)	(51)	-	(16)	-	-	-	(89)
At 1 August 2006	624	440	1,442	183	723	1,137	-	4,549
Charge for the year	91	30	195	50	-	141	-	507
Eliminated on disposal	-	-	-	(9)	-	-	-	(9)
Revaluation	(715)	(470)	(1,637)	(224)	-	(1,278)	-	(4,324)
At 31 July 2007	-	-	-	-	723	-	-	723
Net book value								
At 31 July 2007	10,684	255	763	524	-	456	-	12,682
At 31 July 2006	2,711	14	374	99	-	157	-	3,355

All classes of property and equipment, with the exception of books & aids, were revalued as at 31 July 2007 by Messrs. Property Bureau (T) Limited on depreciated replacement cost basis. The resulting revaluation surplus was credited to the revaluation reserve. Books and aids were not revalued as these are being expensed on purchases.



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2007

8. INVENTORIES

	2007 Tshs Million	2006 Tshs Million
Uniform & office supplies	58	29
Goods in transit	-	285
	<u>58</u>	<u>314</u>

9. TRADE AND OTHER RECEIVABLES

School fees debtors	39	37
Prepayments and deposits	615	649
Staff loans and advances	56	41
	<u>710</u>	<u>727</u>

10. BANK BALANCES AND CASH

Cash in hand	5	5
Cash at bank	1,587	3,314
Fixed deposits	9,650	4,939
	<u>11,242</u>	<u>8,258</u>

11. TRADE AND OTHER PAYABLES

Suppliers	(314)	122
Advance school fees	2,425	1,675
Accruals	622	687
Family deposits	627	619
Trustee accounts	117	116
	<u>3,477</u>	<u>3,219</u>

12. US EMBASSY CAPITAL GRANT

At the beginning of the year	351	172
Grant received during the year	33	241
Credited to income statement	(70)	(62)
At the end of the year	<u>314</u>	<u>351</u>

This represents a grant received from the US Embassy in the year 2005/2006 and 2006/2007 which was utilised exclusively towards enhancing security systems and building of walls at all the school's campuses.



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2007

13. CONTINGENT LIABILITIES

The school has no material contingent liabilities as at 31 July 2007

14. COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to confirm with changes in presentation in the current year.

15. MEMBERS INTEREST

The school is incorporated in Tanzania under the Companies Act 2002 as a company limited by guarantee. In the event of its being wound up, every member of the school undertakes to contribute to the deficit of the school an amount not exceeding Tanzania Shillings 20. No amount may be distributed by way of dividend.

A member of the school is a parent or legal guardian of any child formally admitted to the school and the members of the faculty with children at the school.

16. CURRENCY

The financial statements are presented in million of Tanzania Shillings (Tshs).



**APPENDIX 1
DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 JULY 2007**

	2007 Tshs. Million	2006 Tshs. Million
FEE INCOME		
School fees	11,620	9,863
Application fees	199	155
Capital and Maintenance Levy	1,966	1,642
Interest on instalment payments	261	222
	<u>14,045</u>	<u>11,882</u>
OTHER INCOME		
Interest on fixed deposits	305	150
Profit on sale of fixed assets	16	1,348
Exchange gain	-	1,194
Other income	611	417
	<u>932</u>	<u>3,109</u>
EXPENDITURE		
<u>Personnel</u>		
Staff salaries	7,190	6,422
Overseas retirement benefit scheme	236	194
Employer's NSSF/NPF Contributions	144	127
Staff housing	181	150
Other staff costs	1,178	995
	<u>8,929</u>	<u>7,888</u>
<u>Material and supplies</u>		
Secondary and elementary school	131	140
General supplies	283	183
Office expenses	192	122
	<u>606</u>	<u>445</u>
<u>Amenities and utilities</u>		
Equipment lease	31	26
Fixed assets maintenance	292	221
Electricity, water and gas	415	315
Motor vehicle expenses	77	55
Telephone, postage and courier	123	117
Land rent	14	9
Advertising & marketing	52	10
Insurance	52	41
Bank charges	22	17
Audit fees	31	22
Other professional fees	143	235
Bad debts – parents	43	6
Resident permits	82	59
Scholarships	235	190
Exam fees	82	79
Property tax	7	5
Dispensary expense	1	1
Security expenses	221	202
Accreditation expenses	-	3
Official visit entertainment	2	2
Stationery office supplies & equipment lease	47	70
Re-development costs	10	-
Depreciation	507	513
Prizes & Awards	25	21
Exchange loss	109	-
	<u>2,623</u>	<u>2,219</u>
Total expenditure	<u>12,158</u>	<u>10,552</u>
Operating surplus	<u>2,819</u>	<u>4,439</u>