



**COSTAIN**  
(WEST AFRICA)  
Plc

**2007  
annual  
report** & financial statements



RC 672

## COSTAIN VALUES

We are

**C**ustomer focused

**O**pen and honest

**S**afe and environmentally aware

**T**eam players

**A**ccountable

**I**mproving continuously

and so the

**N**atural choice

## VISION

To be the leader in the delivery of sustainable engineering and construction solutions that meet our customers' needs.

## MISSION

Seen as an automatic choice for projects requiring innovation, initiative, teamwork and managerial skills.

## OBJECTIVES

To develop a sustainable business through growth, which delivers profitability to our shareholders, value to our customers and a rewarding career for our staff.

## STRATEGY

To have skilled teams committed to a common management system using tools and guides to provide a consistent approach to best practice and best value.

**COSTAIN**

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**Company Registration No. RC 672**  
**Directors, Officers and Professional Advisers**

Chairman  
Alhaji (Dr.) M. H. Koguna

Deputy Chairman  
Mr. Orikolade Karim

Managing Director/Chief Executive  
Mr. Philip Wharton (British)

**Directors**

Mr. M. Bullen (British)  
Mr. H. Ploeger (Dutch)  
Mr. A.J. Karim

**COMPANY SECRETARY:** Mrs. C.-I. Tabiowo

**REGISTERED OFFICE:** 174 Funso Williams Avenue (Formerly Western Avenue)  
Ebute-Metta, Lagos  
Phone No: 01-7748540  
Tel/Fax:01- 5876204, 01-5801870-4  
E-mail: [info@costainwa.com](mailto:info@costainwa.com)

**REGISTRARS & TRANSFER OFFICE:** First Registrars Nigeria Limited  
Plot 2 Abebe Village Road  
Iganmu, Lagos  
Phone No: 7743309, 5851418, and 5456142  
Fax: 5850552

**AUDITORS:** Akintola Williams Deloitte  
(Chartered Accountants)  
235, Ikorodu Road, Ilupeju, Lagos

**BANKERS:** Ecobank Nigeria Plc  
Guaranty Trust Bank Plc  
IBTC-Chartered  
Intercontinental Bank Plc  
Zenith Bank Plc

**SOLICITORS:** Adepetun Caxton-Martins, Agbor & Segun  
Folu Aremu & Co.

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FIFTYNINTH ANNUAL GENERAL MEETING of Costain (West Africa) Plc will be held at the Ladi Kwali Conference Centre, Sheraton Abuja Hotel & Towers, Ladi Kwali Way, Maitama, Abuja on Tuesday 25th September, 2007 at 11 o'clock in the morning to transact the following business:

### ORDINARY BUSINESS:

1. To receive the audited Financial Statements for the year ended 31st March, 2007 together with the Reports of the Directors, Auditors and Audit Committee thereon.
2. To re-elect Directors.

### Special Notice

Notice is hereby given pursuant to section 256 of the Companies and Allied Matters Act 1990 to re-elect Alhaji (Dr.) M. H. Koguna as a Director of the Company. The following resolution will be moved as an ordinary resolution:

"That the appointment of Alhaji (Dr.) M.H. Koguna as a Director of the Company, who has attained the age of 70 years, be and is hereby approved."

3. To approve the remuneration of the Directors.
4. To authorise the Directors to fix the remuneration of the Auditors
5. To elect members of the Audit Committee.

### SPECIAL BUSINESS

6. To consider and if thought fit to pass the following resolutions, which will be proposed as Special Resolutions:-
  - a. "That the Directors be and are hereby authorised to issue up to 1,100,000,000 Ordinary shares of 50 Kobo each through an Offer by way of Rights and an Offer for Subscription in the ratio and on terms, conditions and dates to be determined by the Directors."
  - b. "That the Directors be and are hereby authorised that in the event of over-subscription of the shares to be issued to the public, the excess funds be capitalised and additional shares allotted in a manner deemed fit by them, upon obtaining permission from the appropriate authorities, provided such allotments can be accommodated by the Company's unissued Share Capital."
  - c. "That the Directors, if the need arises, be and are hereby authorised to allot part of the shares so offered by way of preferential allotments subject to the approval of the appropriate regulatory authorities".
  - d. "That the Directors be and are hereby authorised to effect the conversion to equity, of the existing debt of Costain (West Africa) Plc owed to Shoreline Energy International Limited amounting to N1,669,698,014.20 as at 31st March, 2007 plus accrued interest thereon, at the proposed Rights Issue price".

## Notice of Annual General Meeting (cont'd)

- e. "That notwithstanding the provisions of Article 46 or any other provision of the Articles of the Company, the shareholders hereby waive their pre-emptive rights in the Company as could be affected by the implementation of sub-paragraphs 6(b) and (c)above".

### Notes

- 1. Proxies**  
A member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.

A proxy form is supplied with this notice and for the appointment to be validly executed, proxy forms should be deposited at the Registrar's Office (First Registrars Nigeria Ltd, Plot 2, Abebe Village Road, Iganmu, Lagos) not later than 48 hours before the time fixed for the meeting.
- 2. Closure of Register of Members and Transfer Book**  
NOTICE IS HEREBY GIVEN that the Register of Members and Transfer Books of the Company will be closed from Tuesday 4th September, 2007 to Friday 11th September, 2007 (both dates inclusive) for the purpose of up-dating the Register of Members.
- 3. Audit Committee**  
In accordance with section 359(5) of the Companies and Allied Matters Act 1990, any member may nominate a shareholder as a member of the Audit Committee, by giving notice in writing of such nomination to reach the Company Secretary at least 21 days before the day of the Annual General Meeting.

DATED THIS 27th DAY OF AUGUST, 2007

BY ORDER OF THE BOARD

C.I. Tabiowo (Mrs)

Company Secretary

Registered Office

174, Funso Williams Avenue, Ebute Metta, Lagos

## Chairman's Statement

My fellow Shareholders, Distinguished Ladies and Gentlemen, I have the pleasure and honour of welcoming you to the 59th Annual Meeting of our Company and presenting the Company's Annual Report and Financial Statements for the year ended 31st March, 2007.

Before delving into details of your Company's performance over the period under review, it is also necessary to give an overview of the Economy and Business Environment, our Operations, Results, changes in the Board and the future of your Company.

### The Economy/Business Environment

The Federal Government continued with its reforms and a number of achievements were recorded. Inflation stabilized and indeed dipped below the double digit levels and this appears to be the first time it was achieved since the mid eighties. Fiscal discipline was also maintained and this enabled the government to offset its foreign debt obligations. It is also instructive to note that our foreign reserves increased to over \$40 billion.

The gains from this improved economic climate were however hindered by the alarming and continued upheavals in the Niger Delta Region. There has been an embarrassing and increased hostage taking which has elicited world outrage and condemnation. There has been incessant attacks on oil production facilities. It goes without saying that all these posed an enormous burden and considerable challenges on the Country's investment initiatives and on the global oil market.

The run-up to the general elections witnessed flurries of activities which drew some concerns from the International Community and this led to a decline in business in flow and capital into the Country. It is however gratifying to note that government is addressing the issues particularly the security concerns with a view to finding lasting peace in the Niger Delta Region.

### Review of Operations

The year under review witnessed completion of some of the projects being undertaken by the Company. I am happy to report that the clients are all well pleased with the executed projects. At the last AGM, I mentioned to you that our flagship project the Tamburawa Water Treatment Works Kano was on course. Again I am delighted to state that we have achieved more than 90% in the execution of the contract. We are hopeful to handover shortly.

In the year under review, we were successful in securing new contracts which would significantly improve the fortunes of the Company. Our aggressive and proactive business approach is beginning to yield the desired results and it is my hope that it would be sustained.

### Results

The year 2006-2007 was a remarkable one for us. Distinguished Shareholders, having posted losses and decline in turnover in the previous financial years, this year's result marked a departure from the losses of the past.

We witnessed a significant increase in our turnover. The turnover for 2007 increased to N3.0billion which shows an increase of 174%. This is commendable if you consider the results of the past financial year. We are encouraged by this result, and we are looking forward to continue double digit turnover growth. We trust we would meet our expectations in this regard.

Following the positive trend, the Company made its first significant profit in nearly a decade. The profit after tax for year ended is N107million. This is another welcome development and you have our assurances this trend would be improved upon. We are however, not yet in a position to pay dividend on your investments in the Company.

*"Funds sourced from the Capital market is cheaper, and once we are successful, the Company would be placed in a good position to further invest in Plant and Equipment to be able to confidently compete and be a major player in the Nigeria Construction Industry and beyond."*

## Chairman's Statement (cont'd)

### Changes in the Board

As you all may be aware, in February this year Costain Group UK sold its entire shareholding in Costain (West Africa) Plc to Shoreline Energy International Ltd. By virtue of the sale, the composition of the Board of Directors has changed to reflect the new core investors. Please join again in welcoming Messrs Orikolade Karim and Ayodeji Karim to the Board of the Company. They are coming along with a wealth of experience in the Construction and Engineering sector, and would certainly add value to the Company's business.

### Our Goals

We have outlined several steps to follow in our quest to grow the business of the Company. We came to the inevitable decision that the working capital of the Company must be substantially increased. At the Board, we agreed and will, subject to Regulatory Approvals, approach the Capital Market to source funds for the Company. We have therefore brought the issue before you all today for your endorsement, and no doubt you would give your unflinching support.

Funds sourced from the Capital market is cheaper, and once we are successful, the Company would be placed in a good position to further invest in Plant and Equipment to be able to confidently compete and be a major player in the Nigerian Construction Industry and beyond. This will also enable us to reposition our self as the contractor of choice in the execution of Projects in Nigeria.

I must mention that with the coming of Shoreline Energy International as a core investor, a synergy has been created; this is a boost to the business and growth of your company. We have also lately been successful in securing new contracts and we are determined to execute them and on time. This is indeed our time. The confidence of clients and banks has been restored and the time is ripe to capitalise on that and build on the strong brand name of Costain in Nigeria.

We are committed to driving the Company to be the leader in the delivery of sustainable engineering and construction solutions that meet client's needs. We believe we have acquired the leverage to take full advantage of these emergent opportunities in Nigeria.

Again, with the appreciable increase in our share price, we are committed to sustaining it and to build a shareholder level that would be a reference stock in the construction sector. Delivering sustainable business through growth, maximizing returns on our shareholders' investment and value to our clients remain our commitments, which please God we shall achieve.

### Conclusion

I can not conclude this address without thanking our esteemed shareholders for their support to the Company these past years. To the Board, accept my special thanks for your priceless experience, and wisdom you have brought to bear on the Company. To the staff and Management, you deserve our appreciation for your commitment, patience and for demonstrating our Costain core values.

Above all, I must thank God for the turn around fortunes of our Company and it is my prayers that this irreversible course shall be sustained.

Thank you and God bless you all.

Alhaji (Dr) M.H. Koguna

## Managing Director/Chief Executive's Review

Distinguished Ladies and Gentlemen,

I wish to welcome you all to the 59th Annual General Meeting of your Company. Although the year ending 31st March 2007 was, undeniably, a very difficult year, we succeeded in achieving a number of our key objectives.

We completed a number of loss making contracts which are no longer a drain on the Company and refocused our efforts in securing a more economic spread of business between State Authorities and private sector clients.

There is more work to be done but much has been achieved in shaping the business to focus on the private sector both in civil engineering and building work.

### Work Force, Clients and Potential Clients

We have continued throughout the year to raise the profile of Costain and continued to re-establish our brand image. Much effort has been spent in visiting clients and potential clients to ensure that we are given the opportunity to bid for future projects and to persuade them that a new Costain has been born.

Much effort has also been placed on improving systems and developing and communicating with staff through our new Information Technology System. We have held regular meetings with the construction Unions who have fully supported our actions at local levels, and continue to support us in our quest to reinstate Costain to its rightful place in Nigerian construction. Without their encouragement, our progress would have been much slower and we look forward to the continuation of their cooperation in the future.

### Operational Review

As mentioned earlier, we have now completed all loss-making contracts that had been taken at unrealistic prices in previous years and a number of Claims have been submitted to clients which were justified. Many of these claims have been resolved but a few remaining ones have still to be agreed. Any revenue flowing from these will be reflected in the 2007/2008 year.

Our flagship joint venture project in KANO continues to make good progress with completion on target before the end of the year. Major projects for Maersk and APM Terminal continue to make improvement along with BUA Housing in Abuja and refurbishment works in Rivers State and we are also pleased to announce that a number of recent new awards have brought new clients to the business including the Dangote Group. We are continuing to strive to broaden our customer base and have seen positive results in this respect. Our commitment to work alongside clients, providing value for money and a total service is now beginning to yield dividends in enquiries and potential projects. This philosophy, together with the continuous monitoring of costs has enabled us to re-establish our competitiveness in the market place and will enable us to respond as economic conditions pick up.

### Safety

Whilst we have a reputation for high safety standard, we remain committed to improving our accident prevention system further by identifying areas of improvement.

## Managing Director/Chief Executive's Review (cont'd)

### Strategy

In previous year's Report, I outlined our short term strategy for 2007 and we are pleased to report significant progress towards achieving those aims.

We continue to give priority to health and safety and have seen considerable improvements across the whole of the Company both in attitude and reportable incidents.

We have developed our private sector business and are less dependent on State or Federal Government contracts.

We have achieved substantial triple digit growth in revenues and a return to profitability.

An improved working environment including information technology systems has been put in place with an ongoing improvement in environment.

Customers are starting to regain confidence in the "Costain Brand" after a long period of decline.

### Ownership

During the year under review, our major UK investor, Costain Group Plc, decided to dispose of their 37% interest in Costain (West Africa) Plc. This transaction took place in March 2007; their shareholding having been purchased by Shoreline Energy International Limited, a business wholly owned by Nigerian nationals. The effect of this transaction, in the market place, was a considerable increase in the Company's Share Price on the expectations of further improvements in the Company's performance. Everyone in the Company welcomes our new investors and we look forward to working with them to ensure Costain's success.

### Conclusion

Everyone in Costain is striving to be the best in the industry and 2006/2007 has been a year of great achievement and change for Costain. We still have much work to do, our operations need to raise the levels of service to clients and we must continue to improve our management of risk. However, our order book is getting stronger and we have a significant list of established clients and a committed work force. No one can doubt the strength of the Costain Brand. Progress has been achieved and confidence is high within the Company.

Philip Wharton

## Directors' Report

For the year ended 31 March, 2007.

The Directors wish to present to Members of the Company this Annual Report together with the financial statements for the year ended 31 March, 2007.

- 1. Result**  
The profit of the Company for the year after taxation transferred to General Reserve was =N=  
'000  
107,963
- 2. Legal Status**  
Costain (West Africa) Limited was incorporated as a Private Limited Liability Company on 16 July 1948 and became a Public Company on 13 March, 1974.
- 3. Principal Activities**  
The principal activities of the Company remained the same as it operates as building and civil engineering contractors throughout the Federal Republic of Nigeria and also manufactures furniture and joinery.
- 4. Board of Directors**  
The list of the current Directors of the Company is published in this Annual Report (see page 1). The Board met six (6) times in the course of the year under review.

The Directors to retire by rotation at the forthcoming Annual General Meeting in conformity with the Articles of Association of the Company are Alhaji M.K. Koguna and Mr. Harm Ploeger and being eligible, they offer themselves for re-election.

- 5. Record of Directors' Attendance**  
Section 258(2) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria 2004, provides that the Record of Directors' attendance at Board Meetings during the year under review be exhibited for inspection at the Annual General Meeting. Accordingly, the record is available at this meeting for inspection.
- 6. Directors' Interest in Shares**  
The interest of the Directors in the Issued Share Capital of the Company as recorded in the Register of Members and/or notified by the Directors for the purpose of Section 275 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004 and disclosed in accordance with the Listing Rules of the Nigerian Stock Exchange are as follows:-

	Number of shares	
	At 31 March 2007	At 31 March 2006
Alhaji Mohammed Hassan Koguna	1,122,633	432,933
Mr. Onuorah Prettylove Aigbe	-	1,151,708

## Directors' Report

for the year ended 31 March, 2007 (cont'd).

### 7. Directors' Responsibility

In accordance with the provisions of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, the Directors are responsible for the preparation of the annual financial statements, which give a true and fair view of the state of affairs of the Company and of the profit or loss for the financial year.

The Directors' responsibilities include ensuring that:

- appropriate internal controls are established both to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004;
- that the Company has used suitable accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed; and
- the financial statements are prepared on a going concern basis unless it is presumed that the Company will not continue in business.

### 8. Analysis of Shareholding

The fully paid-up Share Capital of the Company is 159,920,000 Ordinary Shares of 50 kobo each.

	Number of shares			
	At 31 March 2007 '000	%	At 31 March 2006 '000	%
Nigerians	101,450	63.45	101,450	63.45
Foreign shareholders:				
Costain Engineering & Construction (Overseas) Limited	-	-	58,470	36.55
Shoreline Energy International Limited	58,470	36.55	-	-

According to the Register of Members, only Shoreline Energy International Limited held more than 5% of the Issued Share Capital of the Company as at 31 March, 2007.

## Directors' Report

for the year ended 31 March, 2007 (cont'd).

9. Fixed Assets

Movements in fixed assets during the year are shown in note 7 on page 23. In the opinion of the Directors, the market value of the Company's properties is not less than the value shown in the financial statements.

10. Suppliers

The Company's significant local suppliers are:

West African Portland Cement Co. Limited  
Orazulike Trading Company Limited  
Dangote Group  
Mallinson & Partners Limited  
Edilcentre Nigeria Limited

The Company is not associated with the local suppliers and obtains all its materials on an arm's length basis.

11. Gifts and Donations

No donations were made during the year.

12. Employment and Employees

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to widen their experience and knowledge and to qualify for promotion in furtherance of their careers. As at 31 March, 2007, two disabled persons were employed by the company.

Health, Safety at work and welfare of employees:-

Health and safety regulations are in force within the premises and sites of the Company. The Company provides subsidy towards transportation, housing and medical expenses to all employees in accordance with the agreement with the National Joint Industrial Council.

Employees' involvement and training:

The Company is committed to keeping employees fully informed as much as possible regarding its performance and progress and seeking their views wherever practicable on matters, which particularly affect them as employees. Management, professional and technical expertise are the Company's major assets and investment in developing such skills continues. The Company's manpower development program has been broadened to create improved prospects within the organization. Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of these schemes include bonus, promotion, wage review, etc.

## Directors' Report

for the year ended 31 March, 2007 (cont'd).

13. Post Balance Sheet Events

There are no post Balance Sheet events which could have had a material effect on the state of affairs of the Company as at 31 March, 2007 and on the profit to that date which has not been provided for.

14. Board Committee

The Executive Committee comprises all the Executive Directors and is responsible for agreeing priorities, allocating resources, proposing overall corporate targets, agreeing and monitoring operational strategies and plans and has responsibilities for superintending the affairs of the business on a day-to-day basis. It is chaired by the Managing Director/Chief Executive Officer of the Company.

15. Audit Committee

In accordance with the provisions of Section 359(3) of the Companies and Allied Matters Act, Cap.C20, Laws of the Federation of Nigeria, 2004, the Audit Committee comprises two Directors (one of whom is a Non-Executive Director) and two shareholders. It is chaired by a member representing the shareholders and meets three times. The Committee in the conduct of its affairs reviews the overall risk management and control systems, financial reporting arrangements and standards of business conduct. It provides independent monitoring of internal control and the internal audit department of the Company. In the performance of their duties, the members have direct access to the Internal Audit Department and the External Auditors.

The statutory functions of the Committee are as provided in Section 359(6) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004.

16. Auditors

Messrs Akintola Williams Deloitte have indicated their willingness to continue in office as the Company's auditors in accordance with section 357(2) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004.

### BY ORDER OF THE BOARD

C.I. Tabiowo (Mrs.)  
Company Secretary  
Costain (West Africa) Plc  
174, Funso Williams Avenue (Formerly Western Avenue)  
Lagos, Nigeria

Dated 27th Day of August 2007


## Report of the Audit Committee

to the Members of Costain (West Africa) Plc

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, Cap.C20 Laws of the Federation of Nigeria, 2004, we, the Members of The Audit Committee of Costain (West Africa) Plc, having carried out our statutory functions under the Act, hereby report that:

- (a) The accounting and reporting policies of the Company are in accordance with the Legal requirements and agreed ethical practices.
- (b) The scope and planning of both external and internal Audit programmes for the year ended 31st March 2007 are satisfactory and reinforce the Company's internal control system.
- (c) Having reviewed the external auditors' findings and recommendations on management matters, we are satisfied with management's responses thereon.

Finally, we acknowledge the co-operation of management and staff in the conduct of these duties.



Chief Anthony Obi Obiogbolu  
Chairman Audit Committee

Members of the Audit Committee are:-

Chief Anthony Obi Obiogbolu (Chairman)  
Alhaji Gbadebo Olatokunbo  
Mr. Mark Bullen  
Mr. Orikolade Karim

Dated 24th day of August, 2007

The Company Secretary, Mrs. C.-I. Tabiowo is the Secretary to the Committee.

**Report of the Independent Auditors**  
To the Members of Costain (West Africa) Plc

**Deloitte**

**Akintola Williams  
Deloitte**

We have audited the accompanying financial statements of Costain (West Africa) Plc, as at 31st March 2007, set out on pages 16 to 31 which have been prepared on the basis of the significant accounting policies on pages 16 to 17 and other explanatory notes on pages 21 to 29.

**Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Acts CAP C20 LFN 2004. This responsibility includes: designing, implementing and maintaining internal control 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.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraph, 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.


The company had a withholding tax receivable of N266 million of which N177 million has been outstanding for more than two years. This amount of N177 million is considered doubtful of recovery. No provision has been made for this amount. Had provision been made, the company would have made a loss of N63 million.

**Opinion**

In our opinion, except for the effect of such adjustments as described above, the Company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied matters Act CAP C20 LFN 2004. The financial statements give a true and fair view of the financial position of Costain (West Africa) Plc as at 31 March 2007, and of its financial performance and its cash flows for the year then ended in accordance with the Statement of Accounting Standards issued by the Nigerian Accounting Standards Board and relevant International Finance Reporting Standards.

**Emphasis of matter**

We draw your attention to note 2 to the financial statements, concerning the accumulated losses, working capital deficiency and erosion of shareholders' funds.

  
Chartered Accountants  
Lagos, Nigeria



27 August 2007

**Deloitte  
Touche  
Tohmatsu**

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**COSTAIN**

## Significant Accounting Policies

The following are the significant accounting policies adopted by the Company in the preparation of these financial statements:

1. Accounting basis

The financial statements have been prepared under the historical cost convention as modified by the inclusion of fixed assets at professional revaluation.

2. Turnover

Turnover is calculated on the percentage of completion method of revenue recognition less retention monies which are brought into the accounts only on receipt. Revenue is apportioned to each accounting period on the basis of the proportion of the contract executed during that period to the total of the contract value, and sales of furniture to third parties.

3. Stocks

Stocks are valued at the lower of cost and net realisable value.

4. Work in progress

Work in progress is valued on the basis of the Company's engineers' estimate less progress payments received. Claims received arising on contracts are accounted for when agreed. In the case of unprofitable contracts, full provision is made for foreseeable losses. Retentions are accounted for on receipt.

5. Fixed assets

Fixed assets are stated at cost or professional valuation plus subsequent addition at cost less accumulated depreciation.

6. Depreciation of fixed assets

Depreciation is provided to write off the cost or revalued amounts of fixed assets on a straight line basis at the following annual rates:

	%
Plant and Equipment:	
Light	33.33
Heavy	10.00
Motor Vehicles:	
Cars & Buses	33.33
Trailers & Lorries	16.50
Furniture and fittings	20.00
Office Equipment	33.33
Leasehold property:	
50 years and above	-
Below 50 years	- Over the unexpired period.

## Significant Accounting Policies (cont'd)

### 7. Foreign currencies

- a. Transactions in foreign currencies are recorded in Naira at the rates of exchange ruling at the dates of the transactions.
- b. Balances in foreign currencies are converted to Naira at the rates of exchange ruling at the balance sheet date.
- c. Gains/Losses arising there from are taken to the profit and loss account.

### 8. Deferred taxation

Deferred tax, which is principally from timing difference in the recognition of items for accounting and tax purposes, is calculated using the liability method. This represents taxation at the current rate of corporate income tax on the difference between the net book value of qualifying fixed assets and their corresponding tax written down values. This is in accordance with SAS 19 on Accounting for Taxes.

### 9. Debtors

Debtors are stated after making specific provisions for balances considered bad or doubtful of recovery.

### 10. Retirement benefit scheme

- i. Costain operated a staff provident fund up to 31 December 2004. Savings made by employees on a voluntary basis are deducted from their monthly wages. Each employee's contribution is met equally by the company. The costs were charged to the profit and loss account.
- ii. The Company makes provision for staff gratuity. The employees' benefits are based on the individual employee's year of service and the existing staff conditions of service. The costs are charged to the profit and loss account.
- iii. The Company operates a contributory pension scheme covering all eligible employees where the employer and the employees contribute 7.5% each in accordance with the Pension Reform Act 2004. Benefits under the scheme are generally related to employees' length of service and remuneration. The costs are charged to the profit and loss account.

### 11. Investment

Investments are stated at cost less diminution in value thereof.

### 12. Taxation

Income tax payable is provided on taxable profits at the current statutory rate.

### 13. Provisions

Provision is recognised when the Company has a present obligation whether legal or constructive, as a result of past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations in accordance with the Statements of Accounting Standards (SAS) 23.

**Profit And Loss Account**  
For the year ended 31 March 2007

	Note	2007 N'000	2006 N'000
Turnover	3	3,016,397	1,111,761
Interest received and other income	4	14,555	214,154
		<u>3,030,952</u>	<u>1,325,915</u>
<b>EXPENSES:</b>			
Direct Costs		2,308,585	1,998,036
Administrative expenses		453,892	683,098
Interest expenses		154,212	133,420
		<u>2,916,689</u>	<u>2,814,554</u>
Profit/(Loss) before taxation	5	114,263	(1,488,639)
Taxation	6	(6,300)	-
Profit/(Loss) after taxation transferred to general reserve	16	<u>107,963</u>	<u>(1,488,639)</u>
Profit/(Loss) per share (kobo)		<u>68</u>	<u>(931)</u>

The accounting policies on pages 16 and 17 and the explanatory notes on pages 21 to 29 form part of these financial statements.

## Balance Sheet at 31 March 2007

	Note	2007 N'000	2006 N'000
FIXED ASSETS	7	1,108,782	1,060,933
LONG TERM INVESTMENTS	8	458	2,525
		<u>1,109,240</u>	<u>1,063,458</u>
CURRENT ASSETS			
Stocks	9	101,238	123,250
Work in progress		616,262	235,913
Trade debtors	10	49,915	51,354
Other debtors and prepayments	10.1	396,096	454,227
Amount due from associated company		228,332	138,408
Bank and cash balances		97,454	92,118
TOTAL CURRENT ASSETS		<u>1,489,297</u>	<u>1,095,270</u>
CREDITORS: Amount falling due within one year			
Trade creditors		312,527	331,252
Other creditors and accruals	11	1,884,297	1,754,936
Bank overdraft		364,028	395,817
Dividend	19	5,887	5,887
Taxation	6	6,300	7,798
		<u>2,573,039</u>	<u>2,495,690</u>
Net current Liabilities		<u>(1,083,742)</u>	<u>(1,400,420)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>25,498</u>	<u>(336,962)</u>
PROVISION FOR LIABILITIES AND CHARGES			
Term Loan	12	(1,150,741)	(825,475)
Staff retirement benefit	13	(116,738)	(187,507)
		<u>(1,241,981)</u>	<u>(1,349,944)</u>
CAPITAL AND RESERVES			
Share capital	14	79,960	79,960
Revaluation reserve	15	1,291,132	1,291,132
Share premium		44,189	44,189
General reserve	16	(2,657,262)	(2,765,225)
		<u>(1,241,981)</u>	<u>(1,349,944)</u>

The financial statements on pages 16 to 31 were approved by the Board of Directors on 27 August 2007 and signed on its behalf by:


 } Directors

The accounting policies on pages 16 and 17 and the explanatory notes on pages 21 to 29 form part of these financial statements.

## Statement of Cash Flows

For the year ended 31 March 2007

	Note	2007 N'000	2006 N'000
Cash flows from operating activities			
Cash receipts from customers		3,135,337	1,526,254
Cash paid to employees and suppliers		(3,103,937)	(1,585,222)
		<u>31,400</u>	<u>(58,968)</u>
Income tax paid	6	(7,798)	-
Net cash provided by operating activities	17	<u>23,602</u>	<u>(58,967)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7	(182,492)	(13,640)
Interest receivable and similar income	6	6	2,909
Proceeds from the sale of shares		16,638	-
Proceeds from the sale of fixed assets		8,317	5,461
Net cash provided by investing activities		<u>(157,531)</u>	<u>(5,270)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan obtained		325,266	9,712
Interest paid	5	(154,212)	(133,420)
Net cash provided by financing activities		171,054	(123,708)
Net increase/(decrease) in cash and cash equivalents		37,125	(187,944)
Cash and cash equivalents at 1 April		(303,699)	(115,755)
Cash and cash equivalents at 31 March	18	<u>(266,574)</u>	<u>(303,699)</u>

## Notes to the Financial Statements

For the year ended 31 March 2007

### 1. The Company

The Company was incorporated as a private limited liability company on 16 July 1948 and became a public company on 13 March 1974.

#### Principal activities

The Company operates as a building and civil engineering contractor throughout the Federal Republic of Nigeria and also manufactures furnitures and joineries.

### 2. Going concern considerations

The company had working capital deficiency to the tune of N1,084 million from operations, negative cashflows of N267 million and negative shareholders' funds of N1,242 million. Consequently, the going concern basis of the Company is threatened by persistent working capital deficiency which have raised doubt over its ability to continue as a going concern.

The financial statements have been prepared on a going concern basis, as management has adopted aggressive marketing strategy, remained focused, realigned the overhead structure with the business environment and restructured site operations to achieve greater efficiency. The Directors believe that these measures will produce improved gross margins, lower overhead costs and consequently result in profitability.

### 3. Turnover

i) Analysis of turnover by geographical areas:

All building and civil engineering contracts were executed locally in Nigeria.

ii) Analysis of turnover by activity

	2007 N'000	2006 N'000
Contracts	3,008,883	1,099,613
Jobbings	7,514	12,148
	<u>3,016,397</u>	<u>1,111,761</u>

### 4. Interest received and other income

Interest received	6	2,909
Exchange gain	-	211,245
Profit on sale of investments	14,549	-
	<u>14,555</u>	<u>214,154</u>

## Notes to the Financial Statements

For the year ended 31 March 2007 (cont'd)

	2007 N'000	2006 N'000
5. Profit/(Loss) before taxation		
The profit/(loss) before taxation is stated after charging:		
Depreciation	119,355	106,966
Directors' emoluments	6,780	4,636
Auditors' remuneration	5,000	3,200
Interest paid	154,212	133,420
Staff retirement benefit	(23,286)	56,358
Interest received	(6)	(2,909)
Exchange loss/(gain)	150,420	(211,245)
6. Taxation		
1. Per profit and loss account		
Education tax	6,202	-
Capital gains tax	98	-
	<b>6,300</b>	<b>-</b>
2. Per balance sheet:		
Per profit and loss account	6,300	-
Payment during the year	(7,798)	-
	<b>(1,498)</b>	<b>-</b>
At beginning of the year	<b>7,798</b>	<b>7,798</b>
At end of the year	<b>6,300</b>	<b>7,798</b>
3. Income tax and education tax are based on the Companies Income Tax Act (LFN Cap 60) as amended to date and Education Tax Act 1993 respectively. As a result of unrelieved losses and capital allowances the Company is not liable to income tax.		
4. The computation of deferred taxation resulted in deferred tax asset of N410,112,455 (2006 - N572,193,918), which is not recognised in these financial statements.		
5. The Directors are of the opinion that no provision should be made for withholding taxes owed to the Company by the Federal Inland Revenue Service. This is because according to prevailing Nigerian tax laws, withholding tax is duly owed to the Company.		

## Notes to the Financial Statements

For the year ended 31 March 2007 (cont'd)

### 7. Fixed assets

Summary	Land and Buildings N'000	Plant and Equipment N'000	Motor Vehicles N'000	Furniture and Fittings N'000	Total N'000
Cost/Valuation					
At 1 April	597,787	366,678	166,961	35,579	1,167,005
Additions during the year	8,975	135,305	37,600	612	182,492
Disposals	-	(12,659)	(14,030)	-	(26,689)
At 31 March	606,762	489,324	190,531	36,191	1,322,809
Depreciation					
At 1 April	11,809	44,258	43,230	6,775	106,072
Charge for the year	11,964	52,762	47,431	7,198	119,35
Elimination on disposal	-	(2,532)	(8,869)	-	(11,401)
At 31 March	23,773	94,488	81,792	13,973	214,026
Net Book values					
At 31 March 2007	582,989	394,836	108,739	22,218	1,108,782
At 31 March 2006	585,978	322,420	123,731	28,804	1,060,933

- .1 Land and buildings were professionally revalued by Messrs RCO Okafor & Co. Chartered Surveyors and Valuers at 30 September 1998, while plant and equipment were revalued at 15 September 2000 by Messrs RCO Okafor & Co Chartered Surveyors & Valuers. Land and buildings, plant and equipment, motor vehicles and furniture and fittings were professional revalued by Messrs RCO Okafor & Co, Chartered Surveyors & Valuers on 30 March 2005. The valuations, which were based on an open market value between a willing buyer and a willing seller were incorporated in the financial statements. The surplus arising on revaluations were credited to revaluation reserve.
- .2 Abuja Life Camp was professionally valued by RCO Okafor & Co. Chartered Surveyors and Valuers on 10 September 2002. Also, the head office and furniture & Joinery unit were professionally valued by the same firm on 20th June 2003 and 25th June 2003 respectively but adopted into the account on 31 March 2004. The valuation was based on an open market value. The surplus on revaluation has been credited to revaluation reserve.

Subsequent additions were stated at cost. The revaluation of fixed assets is done when it is considered necessary by the Directors.

	2007 N'000	2006 N'000
.3 Included in the value of land and buildings are revalued properties as follows:		
Land held under statutory right of occupancy	8,547	8,547
Land held under leases-long lease	598,215	589,240
	606,762	597,787

## Notes to the Financial Statements

For the year ended 31 March 2007 (cont'd)

	2007 N'000	2006 N'000
4 The depreciation charge for the year is included in the financial statements as follows:		
Contract cost	86,303	61,044
Administration expenses	33,052	45,922
	<u>119,355</u>	<u>106,96</u>
8. Long-term investments		
(Unquoted shares at cost)		
Related company- Dolphin Properties Ltd	2,525	2,525
Subsidiary company- Foundation Engineering (Nig) Ltd	-	2,853
	<u>2,525</u>	<u>5,378</u>
Diminution in value thereof	-	(2,853)
Disposal of investments	(2,067)	-
	<u>458</u>	<u>2,525</u>
<p>The financial statements of Foundation Engineering (Nigeria) Limited, a wholly-owned subsidiary, are not consolidated with these financial statements as it would be of no real value to the members of the Company as the amount involved is insignificant.</p>		
9. Stocks	2007 N'000	2006 N'000
Raw materials	116,862	131,512
Spare parts and tools	651	661
Stationery and other stocks	2,915	2,448
	<u>120,428</u>	<u>134,621</u>
Provision for obsolete stocks	(19,190)	(11,370)
	<u>101,238</u>	<u>123,250</u>
10. Trade debtors		
Trade debtors	240,399	241,324
Provision for doubtful debts	(190,484)	(189,970)
	<u>49,915</u>	<u>51,354</u>
10.1 Other debtors and prepayments		
Other debtors	110,077	179,183
Prepayment	20,377	17,355
Withholding tax recoverable	265,642	257,689
	<u>396,096</u>	<u>454,227</u>

## Notes to the Financial Statements

For the year ended 31 March 2007 (cont'd)

	2007 N'000	2006 N'000
11. Other creditors		
Amount falling due within one year:		
Withholding Tax Payable	-	2
Payment received in advance	221,689	910,908
Other credit balances	1,374,578	653,216
Accruals	288,030	190,810
	<u>1,884,297</u>	<u>1,754,936</u>
12. Term loan		
Shoreline Energy International Limited	<u>1,150,741</u>	<u>825,475</u>
This relates to Loans given by Shoreline Energy International Limited to Costain (West Africa) Plc to support its working capital. The agreed interest rate was LIBOR plus 3% per annum.		
13. Staff retirement benefit		
At beginning of the year	187,507	164,482
(Writeback)/charge for the year	(23,286)	23,025
Charge for the year as per NASB Concession	-	33,333
Payments during the year	(47,483)	(33,333)
At end of the year	<u>116,738</u>	<u>187,507</u>
14. Share capital		
Authorised		
200,000,000 ordinary shares of 50k each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
159,920,000 ordinary shares of 50k each	<u>79,960</u>	<u>79,960</u>
15. Revaluation reserve		
At 1 April	1,291,132	1,298,122
Elimination on disposal	-	(6,990)
At 31 March	<u>1,291,132</u>	<u>1,291,132</u>
16. General reserve		
At 1 April	(2,765,225)	(1,276,586)
Transfer from profit and loss account	107,963	(1,488,639)
At 31 March	<u>(2,657,262)</u>	<u>(2,765,225)</u>

## Notes to the Financial Statements

For the year ended 31 March 2007 (cont'd)

	2007 N'000	2006 N'000
17. Reconciliation of net profit/(loss) after tax to net cash provided by operating activities		
Profit/(Loss) after Tax	107,963	(1,488,539)
Adjustments for non-cash and operating items :		
Depreciation	119,355	106,966
Provision for diminution on investments	-	2,853
Loss on sale of fixed assets	6,949	2,625
Interest on loan	154,212	133,420
Interest received	(6)	(2,909)
Profit on sale of investment	(14,549)	-
Working Capital Changes:		
(Increase)/decrease in stock and work in progress	(358,337)	390,823
Decrease/(increase) in debtors	59,570	(103,772)
Increase/(decrease) in intercompany	(89,924)	-
Decrease in trade creditors	(18,725)	(263,503)
Increase in other creditors	129,361	1,140,146
(Decrease)/increase in staff retirement benefits	(70,769)	23,025
Decrease in tax	(1,498)	-
Total adjustments	(84,361)	1,429,672
Net cash provided by operating activities	23,602	(58,967)
18. Cash and cash equivalents		
Cash and bank balance	97,454	92,118
Bank overdraft	(364,028)	(395,817)
	(266,574)	(303,699)
19. Dividend	5,887	5,887

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## Notes to the Financial Statements

For the year ended 31 March 2007 (cont'd)

	2007 N'000	2006 N'000
20. Information regarding Directors and employees		
a. Directors		
.1 Emoluments		
Chairman	-	-
Other directors	6,780	4,636
	<u>6,780</u>	<u>4,636</u>
As:		
Fees	-	-
Executives	6,780	4,636
	<u>6,780</u>	<u>4,636</u>

.2 The number of Directors excluding the Chairman whose emoluments were within the following ranges are:

N		N	2007 Number	2006 Number
1,000,001	-	1,950,000	1	1
2,000,001	-	2,970,000	2	1
			<u>N2,880,000</u>	<u>N2,966,000</u>

.3 No payment was made to any Director, past or present, in respect of pensions and compensation for loss of office.

b. Employees

.1 The average number of persons employed as at 31 March

	2007 Number	2006 Number
Contract	1034	1,166
Administration	226	158
	<u>1,260</u>	<u>1,324</u>

total staff cost amounted to N16,256,000 (2006- N15,399,000)

## Notes to the Financial Statements

For the year ended 31 March 2007 (cont'd)

.2 Number of employees whose emoluments excluding allowances and provident fund contributions were within the following ranges:

		2007 Number	2006 Number
N	N		
60,001	- 70,000	2	6
70,001	- 80,000	-	1
80,001	- 90,000	3	1
90,001	- 100,000	-	5
100,001	- 110,000	-	59
110,001	- 120,000	1	79
120,001	- 130,000	23	80
130,001	- 140,000	44	67
140,001	- 150,000	37	57
150,001	- 160,000	7	14
160,001	- 170,000	4	16
170,001	- 180,000	2	27
180,001	- 190,000	1	3
190,001	- 200,000	5	10
200,001	- 210,000	1	20
210,001	- 220,000	17	11
220,001	- 230,000	17	6
230,001	- 240,000	24	9
240,001	- 250,000	27	2
250,001	- 260,000	37	2
260,001	- 270,000	31	1
270,001	- 280,000	23	3
280,001	- 290,000	11	48
290,001	- 300,000	-	22
300,001	- 400,000	41	13
400,001	- 500,000	31	13
500,001	- 600,000	35	4
600,001	- 700,000	20	-
700,001	- 800,000	32	11
800,001	- 900,000	16	1
900,001	- 1,000,000	14	-
1,000,001	- ABOVE	32	-

## Notes to the Financial Statements

For the year ended 31 March 2007 (cont'd)

### 21. Guarantees and other financial commitments

#### .1 Staff retirement benefit scheme

- i Costain operated a staff provident fund up to 31 December 2004. Savings were made by employees on a voluntary basis and deducted from their monthly wages. Each employee's contribution is met equally by the Company. The costs were charged to the profit and loss account.
- ii The Company makes provision for staff gratuity. The employees' benefits are based on the individual employee's year of service and the existing staff conditions of service. The costs are charged to the profit and loss account.
- iii The Company operates a contributory pension scheme covering all eligible employees in accordance with the Pension Reform Act 2004. Benefits under the scheme are generally related to employees' length of service and remuneration. The costs are charged to the profit and loss account.

#### .2 **Contingent Liabilities**

- i No provision has been made in these financial statements for contingent liabilities totalling N146m (2006 - N94.9m) in respect of pending litigations as the Directors are of the opinion, based on solicitors' advice, that they have good defence against the actions and that any loss arising therefrom will not be significant.
- ii The bank facilities are secured by a legal mortgage on the Company's head office complex.

#### .3 **Capital expenditure**

Capital expenditure authorised by the Directors but not contracted was nil (2006 - nil)

#### .4 **Other financial commitments**

The Directors are of the opinion that all known liabilities and commitments which are relevant in assessing the Company's state of affairs have been taken into account in the preparation of the financial statements under review.

#### .5 **Retentions**

Retentions are accounted for on receipt. Retention outstanding at 31 March 2007 amounted to N239,809,973.72 (2006 - N184,846,777.40)

### 22. Related party transactions

Shoreline Energy International Limited holds 36.55% interest in Costain (West Africa) Plc. During the year, the company did not make any supply to Costain (West Africa) Plc.

### 23. Comparative figure

Certain comparative figures have been reinstated in line with the presentation in the current year.

## Statements of Value Added

For the year ended 31 March 2007

	2007 N'000	%	2006 N'000	%
Turnover	3,016,397		1,111,761	
Other income	14,555		214,154	
Bought-in materials and services - Local	(2,476,867)		(2,219,771)	
<b>VALUE ADDED</b>	<b>554,085</b>	<b>100</b>	<b>(893,856)</b>	<b>100</b>
Applied as follows:				
In payments to employees:				
Salaries, wages and other benefits	166,256	30	354,399	(40)
In payment to government:				
Income and education taxes	6,300	1	-	-
Providers of capital:				
Interest expenses	154,212	28	133,420	(15)
Retained for future replacement of assets and expansion of business				
Depreciation	119,355	22	106,966	(12)
Profit/(Loss) for the period	107,963	19	(1,488,639)	167
	<b>554,085</b>	<b>100</b>	<b>(893,856)</b>	<b>100</b>

Value added represents the wealth created by the efforts of the Company and its employees. This statement shows the allocation of the wealth between employees, providers of capital, government and that retained by the Company for the future creation of wealth.

## Five-year Financial Summary

31 March 2007

	2007 N'000	2006 N'000	2005 N'000	2004 N'000	2003 N'000
<b>ASSETS EMPLOYED</b>					
Fixed assets	1,108,782	1,060,933	1,169,336	875,699	516,522
Investment	458	2,525	5,378	5,378	5,378
Net current liabilities	(1,083,742)	(1,400,420)	(48,784)	(728,732)	(320,888)
Other long - term liabilities	<u>(1,267,479)</u>	<u>(1,012,982)</u>	<u>(980,245)</u>	<u>(41,855)</u>	<u>-</u>
	<u>(1,241,981)</u>	<u>(1,349,944)</u>	<u>145,685</u>	<u>110,490</u>	<u>201,012</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	79,960	79,960	79,960	79,960	79,960
Revaluation reserve	1,291,132	1,291,132	1,298,122	981,580	603,092
Share premium	44,189	44,189	44,189	44,189	44,189
General reserve	(2,657,262)	(2,765,225)	(1,276,586)	(995,239)	(526,229)
	<u>(1,241,981)</u>	<u>(1,349,944)</u>	<u>145,685</u>	<u>110,490</u>	<u>201,012</u>
<b>TURNOVER</b>					
	<u>3,016,397</u>	<u>1,111,761</u>	<u>2,216,355</u>	<u>1,261,909</u>	<u>1,501,992</u>
Profit/(loss) before taxation	114,263	(1,488,639)	(280,753)	(468,754)	(42,306)
Profit/(loss) after taxation	<u>107,963</u>	<u>(1,488,639)</u>	<u>(281,347)</u>	<u>(469,010)</u>	<u>(42,605)</u>
Earnings/(loss) per share	68k	(931k)	(176k)	(293k)	(27k)
Net assets per share	<u>(777k)</u>	<u>(844k)</u>	<u>91k</u>	<u>69k</u>	<u>126k</u>

**Note:**

- Earnings/(loss) per share are based on profit/(loss) after tax and the number of issued share capital at the end of each year.
- Net assets per share are based on the net assets and the number of issued shares at the end of each financial year.

## Shareholder's Information

Register Range Analysis as at 31st March 2007

Range	No. Of Holders	Percent(%)	Units	Percent (%)
1 - 500	6,983	36.65	2,201,167	1.38
501 - 1,000	7,502	39.37	5,033,888	3.15
1,001 - 5,000	3,376	17.72	8,097,217	5.06
5,001 - 10,000	547	2.87	4,173,538	2.61
10,001 - 50,000	471	2.47	9,714,467	6.07
50,001 - 100,000	73	0.38	5,500,227	3.44
100,001 - 500,000	70	0.37	14,384,443	8.99
500,001 - 1,000,000	20	0.10	14,418,146	9.02
1,000,001 - 5,000,000	11	0.06	27,375,870	17.12
5,000,001 - 10,000,000	1	0.01	5,140,175	3.21
10,000,001 - 99,999,999,999	1	0.01	63,880,862	39.95
Grand Total	19,055	100.00	159,920,000	100.00



RC 872

*Partners in Progress and Expansion*