Kenana

Kenana Sugar Company Limited

Annual report and accounts

For the year ended 30th September 2005

05

KSC

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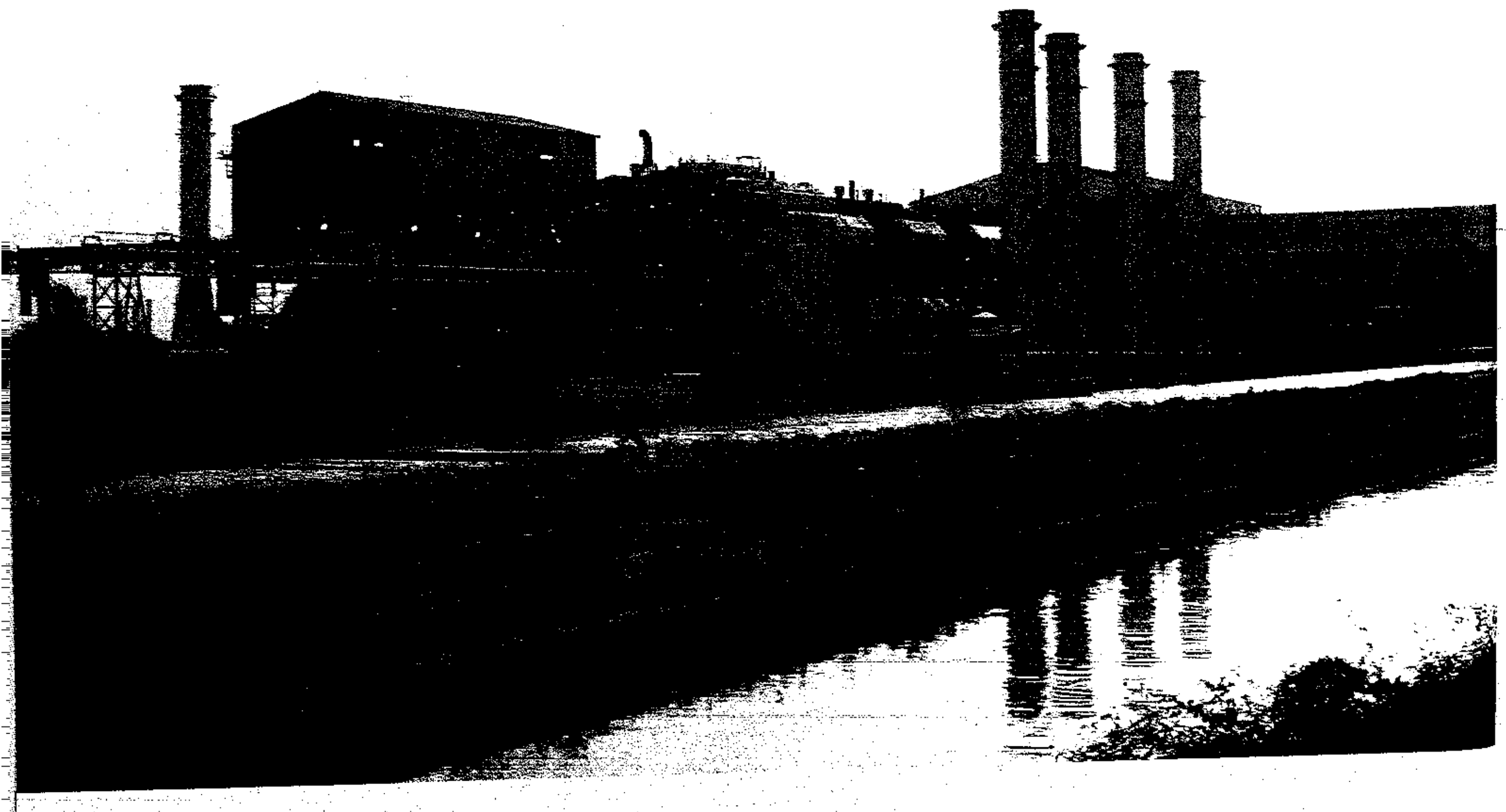

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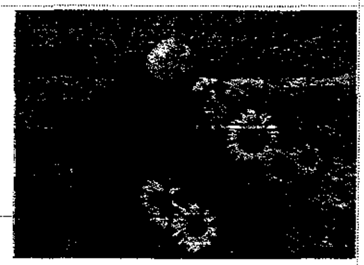

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Annual report and accounts

For the year ended 30th September 2005

Directorate and Administration

CHAIRMAN
H.E. Dr Galal Yousef Eldigair
Government of the Republic of Sudan

Dr. Saber Mohamed Hassan Ahmed
Government of the Republic of Sudan

Mr. Al Sheikh Mohamed El Mak
Government of the Republic of Sudan

Mrs. Laila Omer Bashir
Government of the Republic of Sudan

Deputy Chairman
Mr. Mohamed Al-Magran Al-Roumi
Kuwait Real Estate Investment Consortium

Mr.Fawzi Abdel Hamid Al Mani
Kuwait Real Estate Investment Consortium

Mr. Mohamed Hamad Al- Mutairi
Kuwait Real Estate Investment Consortium

Mr. Khalid Abdel Rahman Al-Mugham
Kuwait Real Estate Investment Consortium

Mr. Abdul Aziz Abdul Karim Al Wahib *Government of the* Kingdom of Saudi Arabia

Mr. Abdulrahman Abdulaziz *Al-Shaye The Arab Investment* Company SAA

Mr. Ahmed Mohamed Ali Hassan
Industrial Development Bank (SDC)

Mr. Medani Malik Hassab El Nabi
Arab Authority for Agricultural Investment and Development

Mr. Wagiealla Abdalla Al Naw
Consortium of Sudanese Commercial Banks

MANAGING DIRECTOR
Mr. Osman Abdalla El Nazir

DEPUTY MANAGING DIRECTOR (KHARTOUM)
Mr. Ibrahim Ali Masalam

DEPUTY MANAGING DIRECTOR (SITE)
Mr. Mohamad El-Mahi El-Haj

PRINCIPAL BANKERS
Bank of Sudan
El Nilein Bank
Bank of Khartoum
Sudanese French Bank
British Arab Commercial Bank Ltd. (London)
Barclays Bank Plc.(London)
National Westminster Bank Plc. (London)

JOINT AUDITORS
PricewaterhouseCoopers (London)
Abdel Latif, El Tayeb And Co. (Khartoum)

LEGAL COUNSEL
El Karib & Medani (Khartoum)
Veil Armfelt & Associates (Paris)

TECHNICAL CONSULTANTS
F.C.Schaffer & Associates
(USA)

COMPANY SECRETARY
Mr. Fareed Omer Medani

REGISTERED OFFICE
Plot Number 846,
Block 2, El Geraif Gharb,
Khartoum, Sudan


KSC

Some Facts & Figures about Kenana:

Design Criteria

An integrated Cane Sugar estate, with a factory rated at 26,000 MT of cane per day.

Basic concept
Import Substitution: To allocate one half of the annual production of White Sugar for the Domestic market.

Foreign Currency Generation
One half of the annual production is for export.

Location
Near Rabak Town on the east bank of the White Nile, some 250 Km south of Khartoum and 1,200 Km from Port Sudan.

Estate Area
168,000 feddans (70,000 hectares)

Plantation Area
100,000 feddans (41,800 hectares)

Irrigation Works
Six pump stations (raising the water 46 metres above the level of the White Nile), with a capacity of 42 cubic metres a second and a total lift of between 40 and 46 metres, send the waters of the White Nile along 40 Km of Main Canal to the plantation area onto which they are fed by gravity along some 400 Km of secondary canals following the contours of the Estate.

Irrigation Requirements
400 million gallons per day

Estate Roads
328 km of major roads supplemented by a 1,500 Km network of infield roads

Electricity Generation
During Crop: 53 megawatts

Workforce
5,700 employees, with a further 5,800 seasonals on an average during the crop.

Summary of Operations and Financial Status

			1995/ 96	1996/ 97	1997/ 98
1	Crushing Season	(days)	149	166	191
2	Area harvested	(feddans)	76,834	76,538	79,160
3	Cane harvested	(MT/000)	2,594	2,970	3,439
4	Cane yield per feddan	(MT)	33.80	38.80	43.50
5	Cane harvested per day	(MT)	17,400	17,900	18,000
6	*Harvesting mechanical*	(%)	50	51	63
	Harvesting hand-cut	(%)	50	49	37
7	Net sugar recovery/ cane crushed	(%)	10.79	11.20	10.34
8	Sugar production	(MT)	280,000	333,000	356,000
9	Production target	(MT)	265,000	290,000	340,000
10	Selling Price (DMQ)	(SD/MT)	35,021.5	57,593.7	86,406.3
11	Production costs	(SD/MT)	17,588	32,290	35,130
12	*Costs excluding extraordinary items (line 20)*	(SD/MT)	17,588	32,290	35,130
13	Total costs	(SD/MT)	17,588	32,290	35,130
14	Turnover	(SD/000)	10,312,875	19,917,675	29,903,407
15	Operating profit/ (loss)	(SD/000)	5,411,040	9,055,075	11,700,547
16	Net finance charges (payable)/ received	(SD/000)	(219,183)	1,617,501	2,329,333
17	Gain/ (loss) exchange	(SD/000)	-	4,002,378	3,629,213
18	Provisions	(SD/000)	-	22,181	-
19	Profit/ (loss) before extraordinary items	(SD/000)	5,088,728	9,916,506	15,292,434
20	Extraordinary items	(SD/000)	-	-	-
21	Profit/ (loss) for year	(SD/000)	5,088,728	9,916,506	15,292,434
22	Sudanese pound exchange rate against US Dollar	(US $)	0.0007	0.0006	0.0005
23	Dividends	(US $)	15,852,776	17,000,000	15,859,916

1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
187	193	186	171	170	176	164
79,006	78,594	78,209	79,712	79,359	80,096	79,370
3,500	3,541	3,751	3,615	3,828	3,905	3,686
44.30	45.10	48.00	45.34	48.24	48.80	46.44
18,700	18,348	20,110	21,140	22,534	22,969	22,476
64	62	62	63	62	61	60
36	38	38	37	38	39	40
10.43	10.93	10.76	10.40	10.40	10.96	10.67
365,000	387,044	403,486	376,039	398,268	427,895	393,002
365,000	367,000	390,000	420,000	390,000	395,000	400,000
83,809	98,000	104,700	113,076	113,076	113,076	113,076
43,213	77,686	84,984	84,274	80,418	78,701	84,910
43,213	77,686	84,984	84,274	80,418	78,701	84,910
43,213	77,686	84,984	84,274	80,418	78,701	84,910
32,734,015	37,834,308	39,955,036	38,825,464	51,461,456	49,915,342	63,448,903
8,738,057	7,853,543	5,610,127	6,936,536	10,604,341	8,867,903	9,006,251
152,067	84,467	(38,694)	(172,271)	(240,366)	(164,938)	309,694
(14,303,604)	990,588	659,294	(271,063)	(2,199,082)	(423,345)	1,586,237
-	-	-	-	-	-	-
(9,125,437)	9,396,113	6,157,839	4,212,782	5,632,889	5,466,838	6,986,490
-	-	-	-	-	-	-
(9,125,437)	9,396,113	6,157,839	4,212,782	5,632,889	5,466,838	6,986,490
0.004	0.004	0.004	0.004	0.004	0.004	0.004
16,000,000	19,600,000	22,000,000	12,757,000	16,000,000	18,000,000	18,000,000

Chairman's Statement

The international economy which witnessed a slight pick up during 2004 as compared to year 2003 started to slow down a little during 2005. In 2005 international GDP is increased by 4.3% as compared to an increase of 4.5% in 2004. Year 2005 witnessed many devastating natural calamities like hurricanes, and it is expected that international GDP growth rate in 2006 will be the same as that of 2005.

In the Sudan, economic growth has continued with more speed than the period 2001-2004 with an average annual growth rate of 6.3%. GDP for the year 2005 has been increased to 7.3%. This substantial growth came to reality due to political and economic stability achieved after the signature of the Comprehensive Peace Agreement in Sudan in January 2005, environment created on the implementation of the Agreement, adoption of both the National Transitional Constitution and States Transitional Constitution followed by the formation of the Federal Unity Government and State Governments. Economic stability has continued as can be seen from the stability of the exchange rate (which is getting even stronger) of Sudan's local currency (Dinar) against major international currencies and the inflation figure remaining in single digit.

This year, the international sugar market witnessed an upward and fluctuating trend with a substantial spread between the highest and lowest recorded prices during this period, pointing to the significant increase in the sugar prices. Performance in the international sugar market has been sluggish growth within the exporting countries for season 2004/2005 amounting to 1.8% as compared to 3% in the previous season. This is attributed to the saturation in the world market which many exporting markets are facing. The volume of international export of the raw sugar during the season has increased from 27.9 million tonnes as compared to 29.0 million tonnes during the previous season. Preliminary statistical estimates for consumption worldwide in 2005-2006 will be around 150.5 million tonnes whereas worldwide production is estimated at 150 million tonnes.

Sudan's total sugar output for the Season 2004-2005 totaled 713,000 tonnes out of which Kenana produced 55% of the total i.e. 393,000 tonnes.

The Company's marketing efforts continued in the local market which takes into account the fact that KSC is playing a key role in implementing the adopted policy for marketing of local sugar under the Anti-monopoly Act (liberalization) for sugar sales in the Sudan. Kenana together with the Sudanese Sugar Production Company, led a sound and aggressive marketing policy for local sales by directly deliverying sugar to customers which enabled the factories to satisfy the customers needs and at the same time achieve an effective cash flow throughout the season.

This season was a challenging season for the sugar production companies due to unpredictable and abnormal increase in demand for sugar which surpassed 40% growth as compared to the last season. The increase is attributed to many factors; most important being the political and economic stability followed by the signature and execution of the Comprehensive Peace Agreement and the settlement of many displaced populations. Added to this is a substantial growth in the food and beverage industry in Sudan together with the effectiveness of the local marketing policy of the sugar producing companies in Sudan. To satisfy the outstanding increase in sugar consumption in the local market and to fill the gap between consumption and production, the Sudan Government allowed the local producing companies to import raw sugar for refining together with small quantity of white sugar for direct sales to customers. The policy was very successful which put the local sugar market in its normal track and helped in combating sugar marketing speculation.

It is worth mentioning the fact that Kenana for the first time since its inception in 1975, imported raw sugar and refined it in its newly constructed refinery (a part of its medium term production plan) which is considered a turning point in Kenana's production prospects and also points out to a radical change in the history of sugar industry in Sudan.

In the international sugar market, the continuous and substantial increase in the prices of sugar in the spot market led to the increase in demand for Kenana sugar, especially in Kenana's traditional markets in Kenya and Ethiopia, in addition to the unexpected increase in demand for sugar in the European Union market. However, the demand pressures from the local market which is considered a priority and strategic market for Kenana did not allow the Company from satisfying the increasing international demand by exporting its sugar.

Since its inception in 1975, Kenana was aware of the risks and challenges in the local, regional and the international sugar markets. As a major investment Company, Kenana cannot rely wholly on one product portfolio, consisting solely of sugar. Its medium and long term strategy clustered around the processing of the sugarcane by-products through the value- added concept and the advantage of the strong infrastructure base and accumulation of the know-how over the years within Kenana. Based on the above and taking into account the drastic regional and international, technical and technological changes and Kenana's situation as a leading international sugar company, successive investment plans were executed to increase KSC production vertically and horizontally. The aim of these projects was to strengthen the Company's financial position and to secure and protect it from fluctuation in the sugar market and other manufacturing risks. One of the important ongoing project is the factory up-rating to increase the sugarcane milling capacity from the designed capacity of 17,000 tonnes of cane sugar per day to 26,000 tonnes per day. Other new executed projects include the up-rating and increasing efficiency of the irrigation system.

Modernization in Kenana this season includes the upgrading the project estate through the introduction of the new sewage system in addition to other projects in the production side such as the Forestry Project, the Dairy Farm products and the Animal Feed Plant. Other diversification projects in the pipeline include: Charcoal project, Ethanol project, Yeast and Papers. The Company's management is now in the process of completing the drawing of Kenana Future Vision and Strategy for the period 2004/2014 which was approved in its frame-shape by the Joint Meeting of its Board of Directors and Executive Committee of the Company in February 2005.

Kenana Engineering and Technical Services Company Limited (KETS) which is a subsidiary of Kenana Sugar Company has extended its wide range of services to the local market as well as to other African countries such as Nigeria, Kenya and Chad. KETS is actively involved in the promotion, set-up and establishment of the White Nile Project within the Management Agreement signed between KSC and White Nile Sugar Company. KETS is taking advantage of KSC's sound technical knowledge and resources covering wide range of disciplines and Kenana's experienced workforce is readily available to KETS. Execution of the White Nile Project is now in full swing after the re-settlement of the local population into newly constructed many modern villages in that area.

Within its successful progress, Kenana has up to now distributed in the last 13 years US $ 165.2 million as dividends to Shareholders, It has undistributed profits retained within the Company for the development of existing projects and execution of new projects,

We all appreciate the immense efforts exerted by the Company management to well establish its investment portfolio in the Sudan within the healthy political and economic environment created by the adoption of the Comprehensive Peace Agreement, The political and economic stability and inflow of direct investment will accelerate the progress of the Company and will intensify its business opportunities in the Sudan and in the international markets. It is believed by KSC management and Directors that within the present and envisaged future Kenana should continues with its diversification of production policy, keeping in mind the requirement of the overseas markets and changing economic and investment environment within the Sudan.

By any standard Kenana Sugar Company has proved to be an outstanding technical, financial and managerial success. We are all aware that the Company's management and employees are quite conscious of the policy to achieve economies wherever these can be accomplished without adversely affecting operational efficiency. In this context I admire the efforts exerted by the dedicated Company's managers and workforce for their concerted efforts, and to the unlimited support of the Board of Directors and to the Shareholders and to the Government of Republic of Sudan which led to the achievement of the Company's goals and objectives.

With such well designed plans, dedicated staff, excellent support of the Shareholders, I am confident that Kenana will continue to achieve its goals and objectives, both qualitatively and quantitatively.

Dr. Galal Yousef El Degair


KSC

DIRECTORS' REPORT

The members of the Board of Directors submit their report with the audited accounts for the financial year ended 30th September 2005.

Assessment of the 2004-05 Crop Season

Kenana commenced its 26th Crop Season on 4th November 2004 which ended on 17 April 2005. During the tenure of 164 days, a total of 3,686,067 M.T. of cane was crushed, producing in the process a total of 393,002 M.T. of sugar at an average final sucrose recovery of 10.67%.

The following table shows the actual production parameters compared to the year 2003-04:

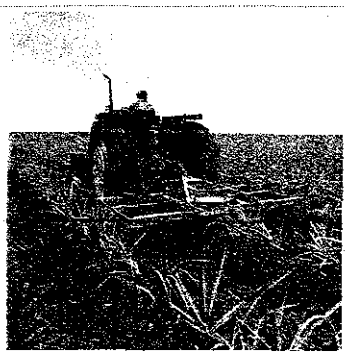
S, No,	Description	Crop 2004-05	Crop 2003-04
1	Area for harvest (Feddans)	79,370	80,096
2	Cane Yield/Feddan (MT)	46.44	48.80
S	Net cane harvested (MT)	3,686,067	3,904,692
4	Average sugar yield (%)	10.67	10.96
5	Sugar Produced (MT)	393,002	427,895
6	Crop days	164	176

The decline in cane, which also resulted in a decline in sugar production, was due to environmental factors, principally the nearly 50% rainfall deficit, high temperatures during the peak growth periods of June, July, August and September and the overall low relative humidity coupled with high transpo - evaporation forces resulting in the cane drawing water through its root system and exhaling it at a higher than normal rate in order to cool itself rather than use it for its own growth.

Crop Positive indicators

i) Delivery of most fresh cane to the Factory on a daily basis despite the high crushing rate.
ii) Low cane losses in the field and low height of cut enabling delivery of good quality cane.
iii) A high crushing rate (though not the highest) of 22,505 MT a crop clay as against 22,363 MT in the previous crop year.
iv) Sugar produced per crop day reached higher levels than previously recorded.
v) A very successful export of 18,000 MT of raw sugar without any change or modification to equipment with an average pol of 98.38% and moisture content of 0.15%. This is in full compliance with EU specifications.
vi) The lowest downtime of 3.32% in the history of Kenana. This included 2.18% downtime due to scheduled maintenance work.
vii) Furnace utilization recorded was the lowest in the history of Kenana at 5,633 MT as against 10,465 MT in the previous crop.

DIRECTORS' REPORT



Other Positive Elements

a) As part of Kenana's cost consciousness drive, the Manpower Redundancy Plan was executed, thereby making 2,374 employees redundant.

b) At the same time, with rising prices of Kenana's inputs from the international market, and the consequent impact on both Kenana's Operating and Capital Budgets, managers were made aware of the need to cut down production costs and improve cash flow, Towards this end, managers are regularly briefed on their budget performance.

As a result, Kenana Managers today are as professional as their counterparts elsewhere in the world and this augurs very well for the Company's future.

c) The Industrial environment remained satisfactory throughout the crop period which helped achievement of production targets.

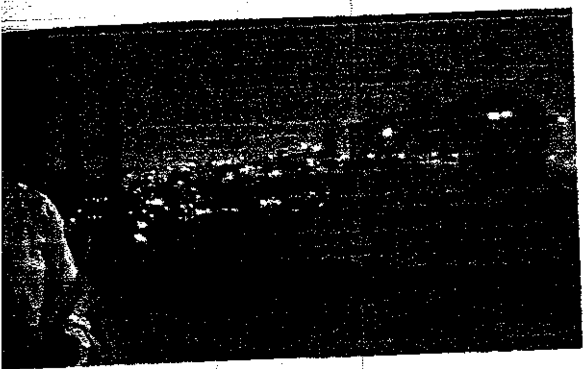
d) *There is sudden increase in Demand of Sugar* in local market, Kenana took the proactive decision of importing the raw sugar and refining it at the factory to take the advantage of feeding the gap between the Demand and Supply and generating additional profits.

Results of the Year

· Sales volume SD 63.4 billion (last year SD 49.9 billion).

· Gross profit for the year SD 22.3 billion (last year SD 18.9 billion).

· Net Assets increased to SD 53.6 billion (last year SD 49.6 billion).



Forecast

Execution of Operating and Capital budgets for the next year 2006 has commenced with efforts to achieve 2005/2006 production targets.

Share Capital Funding

The authorised share capital amounts to SD 59 million and the paid up capital amounts to SD 56 million (before adjusting for previous years's hyper-inflation) which is held in the following percentages as at 30 September 2005.

	%
Government of the Republic of Sudan	35.33
Kuwait Investment Authority	30.64
Government of the Kingdom of Saudi Arabia	10.97
The Arab Investment Company	6.99
Sudan Development Corporation	5.69
The Arab Authority for Agricultural investment & Development	5.59
Consortium of Sudanese Commercial Banks	4.47
Sojitz Corporation	0.16
Gulf Fisheries Company	0.16
Total	100.00

Directors

The names of members of the present Board of Directors are shown on Page (2) of this report.

PROFIT AND LOSS ACCOUNT

Year Ended 30 September 2005
(Thousand Sudanese Dinar)

	Note	2005	2004
Sales	18	63,448,903	49,915,342
Cost of sales:			
Depreciation	4	(6,723,041)	(7,217,933)
Other operating expenses		(34,457,251)	(23,743,773)
		(41,180,292)	(30,961,706)
Gross Profit		22,268,611	18,953,636
General and administration expenses			
Services and others		(3,170,326)	(3,021,318)
Other administration expenses		(6,037,988)	(4,710,022)
		(9,208,314)	(7,731,340)
Selling and distribution expenses		(4,226,291)	(3,710,719)
Other operating income	21	172,245	1,356,326
		(13,262,360)	(10,085,733)
Profit from Operating Activities		9,006,251	8,867,903
Dividends Received - KETS		129,587	176,814
Finance income	19	159,832	35,092
Finance Cost	19	(469,526)	(200,030)
Net foreign exchange difference	22	1,586,237	(423,345)
		1,406,130	(411,469)
Profit on ordinary activities before Tax		10,412,381	8,456,434
Prepaid Tax	20	(3,425,891)	(2,989,596)
Net Profit/ (Loss) for the year		6,986,490	5,466,838

The attached notes form part of these Financial Statements.

BALANCE SHEET
As At 30 September 2005
(Thousand Sudanese Dinar)

	Note	2005	2004
ASSETS EMPLOYED			
Fixed Assets	4	53,625,972	49,562,906
Capital Work in Progress	5	1,525,437	114,639
Investments	6	4,375,186	2,278,546
Tax Prepayment	7	2,598,141	7,424,032
CURRENT ASSETS			
Current Portion of Tax Prepayment	7	5,200,000	3,800,000
Inventories	8	25,350,500	22,964,802
Trade and other receivable	9	8,141,980	11,270,683
Cash on hand and bank balances	10	8,158,397	7,592,860
		46,850,877	45,628,345
CURRENT LIABILITIES			
Accounts payable and accruals	11	8,464,835	6,785,161
Current Portion of Long Term Loan	17	1,372,997	1,468,885
Export Credit Loans (Suspended)	17	18,525,956	20,523,985
		28,363,788	28,778,031
Net current assets		18,487,089	16,850,314
Total assets less current liabilities		80,611,825	76,230,437
FUNDS EMPLOYED			
CAPITAL AND RESERVES			
Share capital	13	183,746,896	183,746,896
General reserve	14	2,518,690	2,169,365
Exchange differences reserve	15	342,629	(1,243,608)
Revaluation Reserve	16	(179,541,241)	(182,675,543)
Retained earnings		58,082,421	60,571,320
		118,597,501	(121,178,466)
		65,149,395	62,568,430
NON CURRENT LIABILITIES			
Long term loans	17	2,163,280	3,163,168
Deferred tax liabilities	7	434,000	434,000
Retirement benefit obligations	2	12,865,150	10,064,839
		15,462,430	13,662,007
		80,611,825	76,230,437

The attached notes form part of these Financial Statements.

Chairman

Deputy Chairman

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
30 September 2005
(Thousand Sudanese Dinar)

	Note	Share Capital	General Reserve	Exchange Difference Reserve	Revaluation Reserve	Retained Earnings	Total
As at 30 September 2003		**183,746,896**	**1,896,023**	**(820,263)**	**(180,277,352)**	**56,735,488**	**61,280,792**
Net Profit for the year						5,466,838	5,466,838
Dividends for the Year ended 30 Sept, 2002	12					(4,179,200)	(4,179,200)
Transfer to General Reserve	14		273,342			(273,342)	-
Transfer to Exchange							-
Differences reserve	15			(423,345)		423,345	-
Depreciation Transfer	16				(2,398,191)	2,398,191	
As at 30 September 2004		**183,746,896**	**2,169,365**	**1,243,608**	**(182,675,543)**	**60,571,320**	**62,568,430**
Investment in KETS						247,475	247,475
Net Profit for the year						6,986,490	6,986,490
Dividends for the Year ended 30 Sept 2003	12					(4,653,000)	(4,653,000)
Transfer to General Reserve	14		349,325			(349,325)	-
Transfer to Exchange							-
Differences reserve	15			1,586,237		(1,586,237)	-
Depreciation Transfer	16				(884,698)	884,698	-
Deferred Tax Transfer	16				4,019,000	(4,019,000)	-
As at 30 September 2005		**183,746,896**	**2,518,690**	**342,629**	**(179,541,241)**	**58,082,421**	**65,149,395**

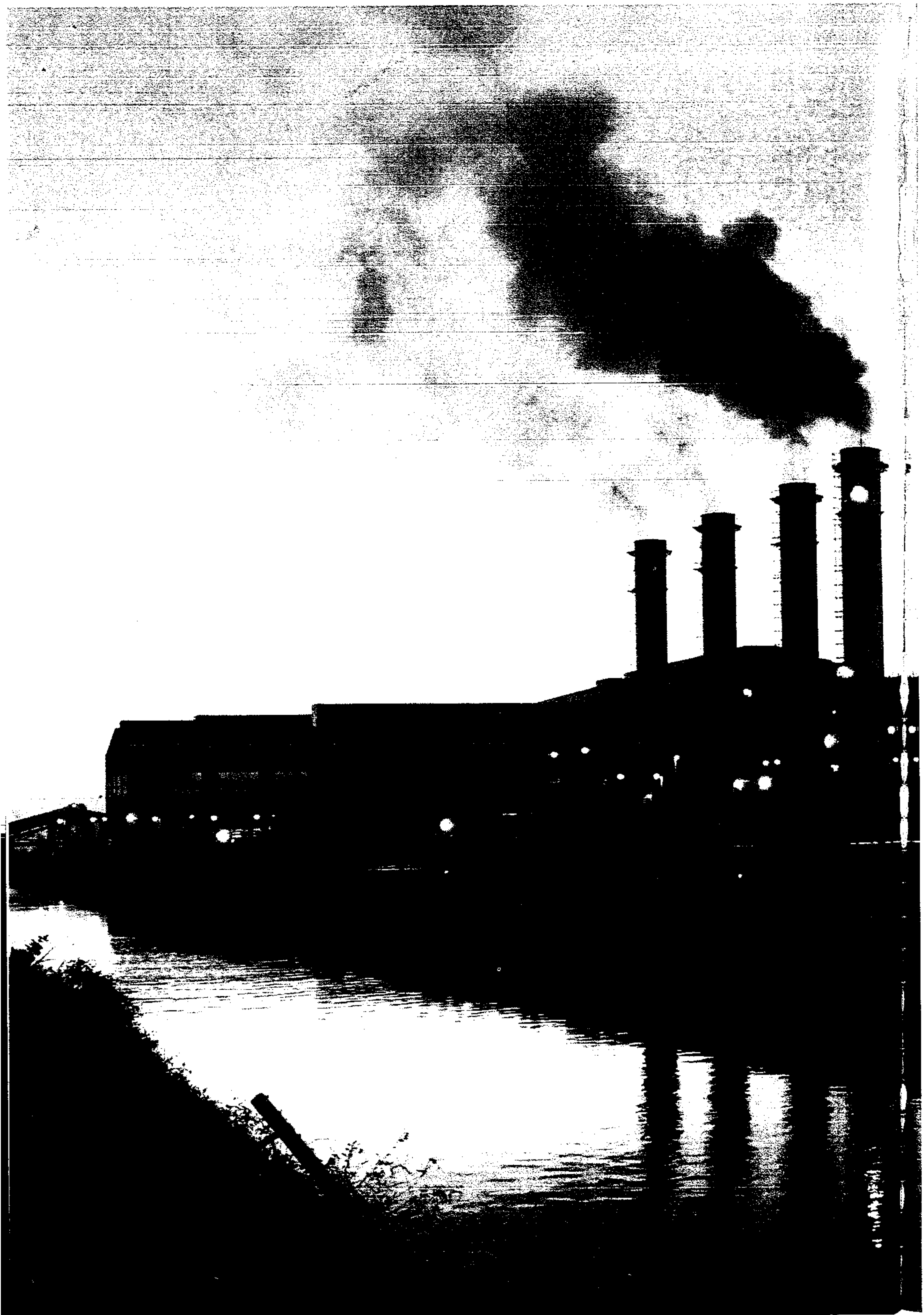
The attached notes form part of these financial statements.

STATEMENT OF CASH FLOWS

Year Ended 30 September 2005
(Thousand Sudanese Dinar)

OPERATING ACTIVITIES	2005	2004
Profit before tax	10,412,381	8,456,434
Adjustment for:		
Depreciation	6,723,041	7,217,933
Foreign exchange Losses/ (gains)	-	423,345
(Profit)/ loss on sale of fixed assets	29,993	(39,521)
Net interest (income)/ charge	(159,832)	(35,092)
Changes in working capital:		
Inventories	(2,385,698)	(5,058,906)
Trade and other receivable	3,128,703	8,251,319
Payables	1,679,674	(2,342,337)
Provision for employees terminal benefits	2,800,311	3,230,328
Cash generated from operations	22,228,573	20,182,545
Interest received	159,832	35,092
Net cash from operating activities	22,388,405	20,217,637
INVESTMENT ACTIVITIES		
Purchase of property, plant and equipment	(12,226,899)	(9,914,241)
Proceeds from property, plant & equipment		35,394
Increase in investment	(1,849,165)	(1,938,750)
Net cash used in investing activities	(14,076,064)	(11,817,597)
FINANCIAL ACTIVITIES		
Proceeds from longterm borrowings	-	106,246
Dividends paid	(4,653,000)	(4,179,200)
Loan Repayments	(1,095,776)	(824,495)
Net cash used in financing activities	(5,748,776)	(4,897,449)
(Decrease) increase in cash and cash equivalent	2,563,565	3,502,591
Movement in cash and cash equivalent:		
At start of the year	7,592,860	4,289,081
(Decrease) / increase in the year	2,563,565	3,502,591
Effects of Exchange rate Changes	(1,998,028)	(198,812)
At end of the year	8,158,397	7,592,860

The attached notes form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS
30 September 2005
All amounts are in thousand Sudanese Dinar unless otherwise stated,

1, ACTIVITIES

The company is a limited liability company registered under the Companies Law of the Republic of Sudan with the certificate of registration number C/1151 dated 11 March 1975 having its registered office in the Republic of Sudan. The company's principal activity is to grow and refine sugar cane and sell sugar and by-products.

2, SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The Financial Statements are prepared in accordance with and comply with International Financial Reporting Standards applied on a consistent basis. The financial statements are prepared under the historical cost convention as modified by the revaluation of fixed assets and share capital to account for the impact of hyperinflation.

B) FOREIGN CURRENCY TRANSLATION

The company maintains its accounts in Sudanese Dinar. The rate of exchange of the Sudanese Dinar to the US Dollar at the balance sheet date was Sudanese Dinar 237.08 (2004 - Sudanese Dinar 258.50) Transactions in foreign currencies are translated to the Sudanese Dinar at the rates of exchange issued by the Bank of Sudan at the beginning of each quarter. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date. All differences are recognised in the income statement. Net foreign currency profits arising each year are disclosed separately within reserves, to be offset against net future foreign currency losses charged to the profit and loss account.

C) INVENTORIES INCLUDING STANDING CANE

Inventories are valued at the lower of cost or net realisable value, Costs represent the expenses incurred in bringing each product to its present position and condition as follows:

Standing cane	- Cost of direct materials and labour, plus attributable overheads
Sugar and by-products	- Purchase cost on a weighted average basis.
Raw materials & consumables	- Cost of direct materials and labour plus overheads based on normal level of activity.
Livestock	- Livestock are measured at their fair value less estimated point of sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.
Sugar Cane	- As there is no active market for sugar cane, a fair market value is not determinable and therefore the valuation of sugar cane is outside the scope of IAS 41, and is valued on the basis described above.

D) EMPLOYEES' END OF SERVICE BENEFITS

The company provides for amounts payable under the company's end of service benefits scheme applicable to employees' accumulated periods of service at the balance sheet date.

E) REVENUE RECOGNITION

(i) Sales of goods
Sales represent the invoiced value of goods (excluding Value Added Tax and Excise Duty) supplied by the company during the year.

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

(ii) Interest Income
Interest income is recognised on a time-proportion basis using the effective interest method.

(iii) Dividend Income
Dividend income is recognised when the right to receive payment is established.

F) RESEARCH COST

All costs relating to research are expensed — as operating expense - during the period in which they are incurred, Total research cost for the year is SD 240,000 thousand (2004 — SD 200,252 thousand).

G) TAX PREPAYMENT
During the ten year period of tax exemption which recommenced on 1st October 2001 (see note 7), the tax prepayment is amortised to the income statement at amounts equivalent to the tax that would otherwise have been payable on annual taxable profit, The amount at each Balance Sheet date to be carried forward as a prepayment against future taxable profits is reassessed annually and any adjustment required (if any) is credited or charged to the income statement in that year.

H) FIXED ASSETS
Fixed assets are recorded at historic cost, except those held at 30 September 2000 where the historic cost was modified by a revaluation to account for impact of hyperflation.

Depreciation is provided against all fixed assets, except for freehold land, at rates calculated to allocate the cost, less estimated residual value, at the rates ruling at the date of purchase of each asset, over its expected useful life.
The estimated useful lives of the assets for the calculation of depreciation are as follows:

Permanent buildings and infrastructure.	25 years
Other buildings, machinery, pumps and fittings	12 years
Agricultural and other equipment	5 years
Vehicles and other assets	4 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

I) PROVISIONS
Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, where it is probable that an outflow will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2005
All amounts are in thousand Sudanese Dinar unless otherwise stated.

J) DEFERRED INCOME TAX

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Under this method the Company makes provisions for deferred income taxes on certain fixed assets. Deferred tax liabilities are offset against the tax prepayment to the extent such prepayment is available.

K) CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

L) INVESTMENTS

Investments in subsidiary undertakings are accounted for at cost, These are undertakings over which the company has between 50% and 100% of the voting rights over which the group exercises control.

M) TRADE RECEIVABLES

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the carrying amount and the recoverable amount.

N) DIVIDENDS

In the Company's accounts dividends distributed to the Company's shareholders are recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

0) BORROWINGS

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for more than 12 months after the balance sheet date.

P) FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks:

i) Foreign exchange risk
The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US dollars, Euros and Japanese Yen.

ii) Credit risk
The Company has no significant concentration of credit risk, as from 2004 sales of products are made to customers only on payment by cash or bankers draft.

iii) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the business, the Company aims to maintain flexibility in funding through monitoring cash and cash equivalent levels.

3. STAFF COSTS

	2005	2004
Salaries and Wages	15,807,053	12,556,364
End of Services Gratuity	4,385,548	4,115,813
National Social Insurance fund	1,249,881	1,712,231
	21,442,482	18,384,408
Average number of employees	12,728	13,336

4. FIXED ASSETS

	Land, Permanent Buildings and Infrastructure	Other Buildings Equipment Machinery Pumps, Appliances and Furniture	Agricultural Equipment and Excavation Machinery	Vehicles and Other Assets	Total
Cost					
At 30 September 2004	73,125,539	129,050,156	28,628,218	7,412,201	238,216,114
Additions	2,709,449	4,809834	3,181,779	115,039	10,816,101
Disposals	--	--	(340,692)	(10,867)	(351,559)
At 30 September 2005	**75,834,988**	**133,859,990**	**31,469,305**	**7,516,373**	**248,680,656**
Depreciation:					
At 30 September 2004	55,314,225	103,065,951	24,256,886	6,016,146	188,653,208
Charge for the	1,534,703	3,047,983	1,659,952	480,403	6,723,041
year Disposals	-	-	(310,699)	(10,866)	(321,565)
At 30 September 2005	56,848,928	106,113,934	25,606,139	6,485,683	195,054,684
Net book value:					
At 30 September 2005	**18,986,060**	**27,746,056**	**5,863,166**	**1,030,690**	**53,625,972**
At 30 September 2004	**17,811,314**	**25,984,205**	**4,371,332**	**1,396,055**	**49,562,906**

5. CAPITAL WORK IN PROGRESS

	2005	2004
Balance at the beginning of the year	114,639	2,683,639
Additions	12,226,899	9,914,241
Transfers to fixed assets	(10,816,101)	(12,483,241)
Balance at the end of the year	1,525,437	114,639

6. INVESTMENTS
These comprise:

a) KETS:

Kenana Engineering & Technical Services Company (KETS) is a separate registered subsidiary owned by Kenana Sugar Company (share 99%) and the Sudan Development Corporation (share 1%). On 10 October 2000, the authorised share capital was increased by SD 257 million. No additional share capital has been issued subsequent to that date.

The General Meeting of KETS for the year ended 30/9/2004 (held post year end) passed a resolution to increase the share capital of KETS to SD 250 million. Accordingly the necessary adjustments have been made in KSC's accounts to reflect this increase in KETS share capital to SD 247.5 million.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2005
All amounts are in thousand Sudanese Dinar unless otherwise stated.

b) SAHEROON HOSPITAL

KSC has agreed to participate, among others, in Saheroon Specialised Hospital. The project intended to provide, for the participants, good medical treatment at preferential service fees. Through this participation Kenana enjoy a reduction in its medical treatment costs. KSC's participation in the project amounted to SD 35.0 million. However, during the current year the participants of Saheroon Specialised Hospital decided to return back part of funds the project has earlier received. As a result, participation of KSC in Saheroon Specialised Hospital decreased to SD 27.3 million as at 30th September 2005 (SD 35.0 million as at 30th September 2004).

c) KFD

Kenana Friesland Dairy (KFD) is a joint venture between Kenana Sugar Co. Ltd (share 37%). Van Der Ploeg International (share 31.5%) and Sudanese French Bank (share 31.5%). In this joint venture Kenana wishes to develop and process the milk to produce a variety of dairy products.

d) White Nile Sugar Company (WNSC)

Kenana has committed to purchase 15% of the total equity of WNSC, amounting to 22,500 shares to be acquired through three separate tranches. During year ended 30/9/2005 Kenana received the second call payments in relation to the other 7,500 shares totaling US$7.5 million which due to be paid by 15 December 2005. During the year ended 30/9/2005 Kenana paid a total of US$6.0 million out of the second call, The balance of US$1.5 million has been fully paid by 14 November 2005. As a result the second call of US$7.5 million has been fully recorded, with a corresponding liability of US$1.5 million payable to WNSC after the year end, increasing the share capital in Kenana's books to US$15.0 million as at 30 September 2005.

Investment value is as follows:

	2005	2004
a) KETS	247,500	25
b) Saheroon Hospital	27,300	35,000
c) KFD	304,771	304,771
d) WNSC	3,795,615	1,938,750
	4,375,186	2,278,546

7. TAX PREPAYMENT

In late 1999 the Company agreed with the Minister of Finance, on behalf of the Government of Republic of Sudan to restructure the trade receivable due at that time from the Government in exchange for treating all business profit taxes that would have become payable by the Company for the ten year period ending 30 September 2011 as having been settled.
Of the total tax prepayment, SD 7.8 billion (2004- SD 11.2 billion) has been carried forward in these financial statements being the amount currently assessed as probable of utilization in the foreseeable future as a prepayment of future taxable profits, During the ten year period of the tax exemption the tax prepayment is being amortised to the profit and loss account in line with tax that would otherwise have been payable . This year is the fourth year of the exemption, the amortization of the tax prepayment charged to the profit and loss account for the year is SD 3,425,891 thousand (assessed in accordance with the Income Tax Order Treating of Assets Depreciation issued by the Ministry of Finance — August 1997) (2004 - SD 2,989,596 thousand).

Deferred income taxation
Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30%. In accordance with IAS 29 a deferred tax liability arises on the revaluation of fixed assets.

	2005	2004
Deferred Tax Liabilities	434,000	434,000

The above liability is that part of the deferred tax liability, which arose on the revaluation of fixed assets, made on 30th September 2000, that will crystalise after the end of current ten-year exemption period.

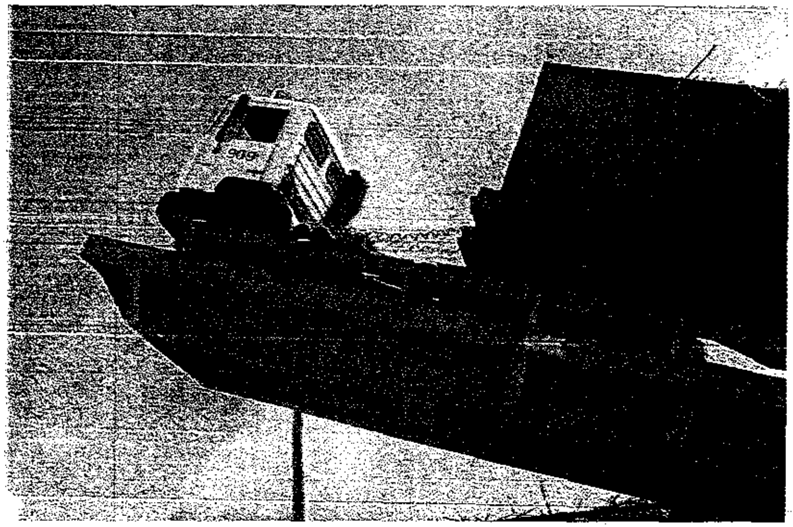
8. INVENTORIES INCLUDING STANDING CANE

	2005	2004
Sugar	2,143,478	3,642,302
Raw Sugar	514,389	-
Standing cane	9,172,930	8,591,449
Forests	376,826	233,326
Live stock	565,101	418,855
Spare parts, fuel and others	12,577,776	10,078,870
	25,350,500	22,964,802

9. TRADE AND OTHER RECEIVABLES

	2005	2004
Trade accounts receivable	1,139,082	976,765
Prepayments	64,744	64,568
Advances to employees	1,831,668	1049,171
Advances to suppliers	1,313,221	4,235,815
Other receivables	3,793,265	4,944,364
	8,141,980	11,270,683

NOTES TO THE FINANCIAL STATEMENTS
30 September 2005
All amounts are in thousand Sudanese Dinar unless otherwise stated.



10. CASH ON HAND AND BANK BALANCES
The cash balances include:

a) SD 765,768 thousand (2004- SD 834,998 thousand) cash held in escrow as security for two long-term loans (refer to note 17).

b) SD 1,332,137 thousand restricted cash as it is held within British Arab Commercial Bank as security for undrawn Letters of Credit.

11. ACCOUNTS PAYABLE AND ACCRUALS

	2005	2004
Trade accounts payable	1,172,667	1,157,406
Taxes and customs duties on sales	175,994	777,731
Advances from customers	598,979	161,200
Other payables	4,670,764	3,003,774
Accrued expenses	1,846,431	1,685,050
	8,464,835	6,785,161

Included with other payables is SD 80,582 thousand relating to proposed dividend (2004 - SD 433,454 thousand)

12. PROPOSED DIVIDENDS
Dividends proposed, but not approved at the end of the financial year, are as follows:

	2005	2004
8% Cumulative, participating, convertible preference shares "B"	-	-
10% Cumulative, participating, convertible preference shares "A"	-	-
10% Special, cumulative, participating Convertible preference shares "A"	3,024,430	3,297,685
All shares (ordinary and preference)	1,243,010	1,355,315
TOTAL PREFERENCE AND ORDINARY SHARES	**4,267,440**	**4,653,000**

13. SHARE CAPITAL

Authorised Share Capital

No, Of Shares (Thousand)		2005	2004
76,475	Ordinary shares of Sudanese Piasters 10 each	7,647	7,647
156,000	10% Cumulative participating convertible Preference shares "A" of Sudanese Piasters 10 each	15,600	15,600
234,000	10% Special, cumulative, participating, convertible Preference shares 'A' of Sudanese Piasters 10 each	23,400	23,400
123,525	8% Cumulative, participating, convertible Preference shares 'B' of Sudanese Piasters 10 each	12,353	12,353
590,000		59,000	59,000

Subscribed and fully paid up Capital:

No, Of Shares (Thousand)		2005	2004
76,470	Ordinary shares	7,647	7,647
155,290	10% Cumulative, participating, convertible preference shares "A"	15,529	15,529
206,090	10% Special, cumulative, participating, convertible preferences shares "A"	20,609	20,609
122,700	8% Cumulative, participating, convertible preferences shares "B"	12,270	12,270
560,550		56,055	56,055
Restated subscribed share capital		183,746,896	183,746,896
Share Capital revaluation reserve (Note 16)		(183,690,841)	(183,690,841)
		56,055	56,055


KSC

Preference shares

Dividends on all issued preference shares are cumulative but are only accrued and payable when (and if) the Directors declare a dividend.

Each preference share has full voting rights equal to the voting rights granted to each ordinary share.

Increases of capital, changes of rights and merger shall not be effected without first obtaining the approval of 75 per cent of the preference shares holders.

In the event of a voluntary or involuntary liquidation, dissolution, or winding up of the Company, the holders of preference shares rank before ordinary shares and after creditors in the following order:
i) Holders of shares special "A", and "A".
ii) Holders of preference shares "B".
All classes of preference shares are convertible to ordinary shares at any time after 1 June 1995, if the Board of Directors so decides, provided that all declared dividends have been fully paid, before the date specified for conversion.
Preference shares, which are convertible to ordinary shares at the option of the Directors subject to certain conditions, carry dividend obligation at the discretion of the Directors and attract a residual interest in the net assets of the company, are classified as equity.

Dividends in arrears

In accordance with the agreement by the shareholders in their 35th Extra-ordinary General Meeting in Dubai on 16 October 1999. the shareholders of A, B and special A preference shares agreed to the following:

1) To cease the calculation of dividends as per the fixed dividends rates, and to freeze the dividends in arrears up to the year ending 30 September 1995, and to consider all the distributed dividends up to the year ending 30 September 1998, as paid from the frozen amounts.

2) To utilise the dividends which will be declared (if any) in years subsequent to the year ending 30 September 1998 for payment of the frozen amounts. The period of payment of these dividends should not exceed ten years from the year ending 30 September 1999. After full payment of these dividends, the preferred shares shall be converted into ordinary shares in accordance with the terms of issuance of these shares.

3) To utilise an amount of US$12.7 million of the declared dividends for all years after the year ending 30 September 1998 for the payment of the remaining dividend arrears (at 30 September 2004 such dividends arrears totaled US$ 51.2 million for the special preferred shareholders "A"). and to distribute the remaining portion of the declared dividends (if any) to all shareholders on a pro rata basis.

14. GENERAL RESERVE
The shareholders have resolved to set aside a general reserve of 5% from the company's annual net profit. This reserve is under the Board of Directors discretion, in accordance with its authorities as stated in Article 115 of the company's Memorandum of Association.

15. EXCHANGE DIFFERENCES RESERVE
The shareholders have resolved to set aside from Retained Earnings any foreign exchange gains from the Company's annual net profit, This reserve is not available for distribution but will be utilised against future foreign exchange losses charged against the Company's net profit.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2005
All amounts are in thousand Sudanese Dinar unless otherwise stated.

16. REVALUATION RESERVE

This reserve arises upon the adoption of IAS29, following the revaluation of non- monetary assets, principally the fixed assets and the deferred income tax liability thereon and the share capital. This reserve is not available for distribution.

	As at 30 September 2005 SD 000's	As at 30 September 2004 SD 000's
Revaluation of fixed assets	5,447,600	6,332,298
Deferred tax liability	(1,298,000)	(5,317,000)
Share Capital revaluation	(183,690,841)	(183,690,841)
Revaluation Reserves	(179,541,241)	(182,675,543)

An amount equal to the difference between historical cost depreciation and the depreciation on the revalued fixed assets is transferred from this reserve to retained earnings each year, This transfer amounted to SD 884,698 thousand (2004 - SD 2,398,191 thousand).
An amount equal to the deferred tax which would have been incurred on the revalued fixed assets is transferred from this reserve to retained earnings. This transfer amounted to SD 4,019,000 thousand. The transfer will continue annually until the deferred tax liability reserve equals nil.

17. BORROWINGS

A) Export Credit Loans

The Bank of Sudan has agreed to include the Export Credit Loans (that should have been fully repaid in the repayment period 1980-1988) and interest accrued thereon for the year 1984 to 1988, in the rescheduling agreements which the Government of the Republic of Sudan is seeking to negotiate with its international creditors.
As no such agreements have yet been concluded, the loans and interest accrued between 1984 and 1988 under the loan agreements totaling SD 18,525,956 thousand (2004 - SD 20,523,985 thousand) are financial obligations. Accordingly the total principal amounts and interest up to 1988 that could be payable are recorded as a liability.
The Government of the Sudan has agreed with the Company that the Company will receive any agreed debt relief in respect of these loans, When negotiations are completed, adjustment may need to be made to the carrying value of the loans in the balance sheet and adjustment to finance charges included in the profit and loss account. The negotiations originally commenced in 1981 and it is expected that a future period will elapse before any final agreement is reached. The Directors expect that such an agreement will incorporate rescheduled payment dates and that the Company will be able to finance repayments. As a consequence these financial statements have been prepared on a going concern basis.

It is not expected that either the original lenders or the Government of Sudan will seek to enforce immediate repayment of the overdue loans, term borrowings and dividends payable. As no agreement has yet been reached with creditors over repayment of Export Credit Loans, then no reliable estimate of their fair value can be made at present.

KSC

18. SALES

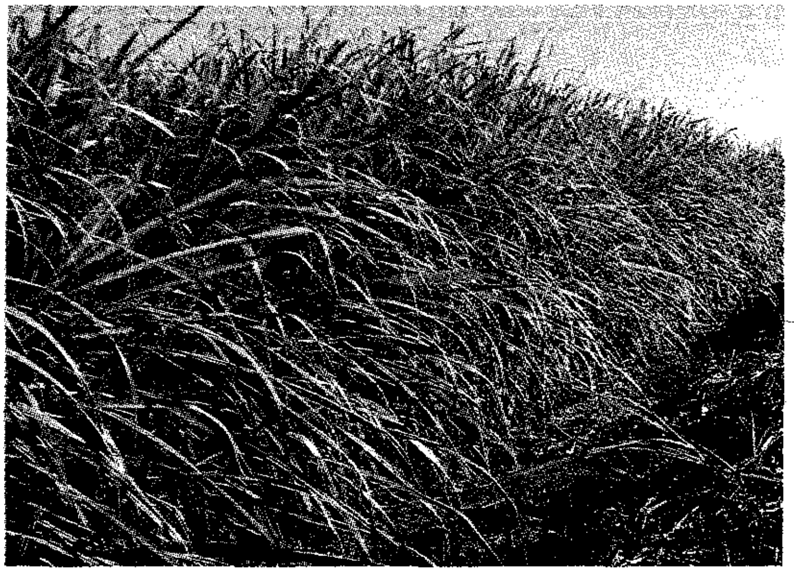
Under the terms of the Sugar Sales Agreement for 1975 concluded between Kenana Sugar Company Limited and the Government of the Republic of the Sudan, one half of the sugar production each year shall be sold to the Government of Sudan. The company has the unrestricted right to export the other half under the guarantee of contracts and payment shall be made through letters of credit or by cash in US dollars before delivery. The company also has the right to sell part of the export quota locally in foreign currency or in Sudanese Dinar (convertible to foreign currency).
The price formula for the calculation of the selling price of sugar sold to the Government is based on the budgeted total operating costs, finance costs and fixed asset replacement costs, plus a profit margin.
The analysis of all categories of sales as follows:

	2005 Metric Tonnes	2005 Amount SD'OOO	2004 Metric Tonnes	2004 Amount SD'OOO
Domestic market quota	150,000	17,066,726	150,000	17,721,073
Export quota	288,290	38,608,149	246,795	29,601,899
Small packages	1	143	-	-
Treacle	775	301,520	-	-
Refined Sugar	19,712	2,561,916	-	-
Molasses	98,559	1,759,172	105,994	1,151,805
Animal Feed	8,579	375,486	-	-
Produce Farm		578,820		307,239
Forestry		73,147		30,652
Transportation, Handling and Storage		2,123,824		1,102,674
		63,448,903		49,915,342

19, FINANCE INCOME AND COST

	2005	2004
Income:		
Bank interest receivable	159,832	35,092
Cost:		
Bank/ Loan interest payable	469,526	200,030

NOTES TO THE FINANCIAL STATEMENTS
30 September 2005
All amounts are in thousand Sudanese Dinar unless otherwise stated.



20. TAX PREPAYMENT

SD 3,425,891 thousand is charged to the profit and loss account. This represents the amortization of the tax prepayment (see note 7).

The notional tax on the Company's profits before tax differs from the theoretical amount that would arise based on the country's tax rate of 30% as follows:

	2005	2004
Profit before tax for this year	10,412,381	8,456,434
Add Depreciation for this year	6,723,041	7,217,933
	17,135,422	15,674,367
Less: Exemption (per the Act,)		
Year 1(2000) 3,686,251 X 70%	(2,580,376)	(2,580,376)
Year 2(2001)3,602,239 X 50%	(1,801,120)	(1,801,120)
Year 3(2002)3,496,373 X 30%	(1,048,912)	(1,048,912)
Year 4(2003)2,853,770 X 10%	(285,377)	(285,377)
Year 5 (2004) 2,398,169 X 0%	-	-
	11,419,637*	9,958,582*
* @ 30%	3,425,891	2,989,596

21. OTHER OPERATING INCOME

	2005	2004
Fire Damage Claim	-	639,142
Workshop Services	-	2,737
White Nile Sugar Co,	-	493,617
Miscellaneous	172,245	220,830
	172,245	1,356,326

22. FOREIGN EXCHANGE DIFFERENCES

This represents the net exchange differences arising from re-translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the balance sheet date.

23. CAPITAL COMMITMENTS

The directors have authorized future capital expenditure amounting to SD 9,018.5 million (2004- SD 8,603.4 million).

24. RELATED PARTIES

a) Directors' Remuneration
The thirteen members of the Board of Directors, who have voting rights, as listed on page (2) of the Annual Report, received an aggregate remuneration of SD 46.0 million (2004 – SD 45.8 million).

b) Government of Sudan

The Government of the Sudan is a related party of the Company by virtue of its shareholding, As indicated in note 18, the Government must purchase 150,000MT of sugar but can buy additional amounts over and above this quota. During the year the Government purchased 197,565 MT with a total value of SD thousand 24,982,575 (2004-150,206 MT with a total value of SD thousand 18,016,557). As at 30 September 2005 the amounts were fully paid. (As at 30 September 2004 the amounts were fully paid).

c) KETS

Kenana Engineering and Technical Services Company (KETS) (refer to note 6) is a related party by virtue of Kenana Sugar Company Limited's shareholding.

d) White Nile Sugar Company (WNSC)

The WNSC is a related party through KETS, which was awarded the management responsibility for the WNSC project during the year. KETS sold services valued at SD 578 million during the year and had, as at 30 September 2005, an amount due from WNSC of SD173.4 million (2004- SD 414 million).

e) Kenana Friesland Dairy
Kenana Friesland Dairy (KFD) is a related party by virtue of being a joint venture in which the Company has a 37% interest. During the year, Kenana Sugar Company Limited sold goods to KFD amounting to SD 173.5 million (2004 – SDD 121 million). At 30 September 2005, Kenana Sugar Company had an amount due from KFD totaling SD 771 million (2004– SDD 567.6 million).

25, Subsequent Event

On 9th May 2006, the KSC Board of Directors Passed a resolution to convert the KSC Loan to KFD into ordinary shares of KFD, such shares having the same rights as existing ordinary shares. The increase in shareholding has the impact of changing the status of KSC's investment in KFD from a joint venture to subsidiary. As a consequence, from the date of KFD resolution to issue share capital for KSC, KFD will no longer be proportionately consolidated, but instead, will be fully consolidated into the KSC group accounts.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KENANA SUGAR COMPANY LIMITED

We have audited the financial statements of Kenana Sugar Company limited for the year ended 30th September 2005 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Change in Shareholders' Equity and the related notes, These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and international Standards on Auditing. This report, including the opinion, has been prepared for and only for the company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view. We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report the Chairman's Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

KSC

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 30th September 2005 and of its profit and cash flows for the year then ended; and

We draw attention to Note 17 in the financial statements. Settlement of Export Credit Loans, repayments of which have been suspended, amounted to SD 18.5 billion (as adjusted for exchange movements), are to be re-negotiated. When completed, adjustment may be required to their carrying values. The Directors expect the Company will be able to finance rescheduled repayments, Consequently these financial statements have been prepared on a going concern basis. Our opinion above is not qualified in this respect.

PricewaterhouseCoopers LLP

Pricewaterhouse Coopers LLP
Chartered Accountants and Registered Auditors
London
9th May 2006

Abdel Latif El tayeb & Co
Chartered Accountants and Registered Auditors
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