KENANA SUGAR COMPANY LIMITED

KSC

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED ON 30 SEPTEMBER 1999

Our Vision:

Innovative Solutions
to Feed the World

In Partnership
with Nature

Quality Products for
Ultimate Satisfaction

contents

"I would like to extend my highest regard and appreciation to the Shareholders and the Board of Directors in their unlimited continuing substantiation and support extended to the Company which led to the achievement of the Company's goals and objectives."

Foreword by H.E. Badr Eddin Mohammed Ahmed Suleiman Minister of National Industry in the Government of the Republic of Sudan

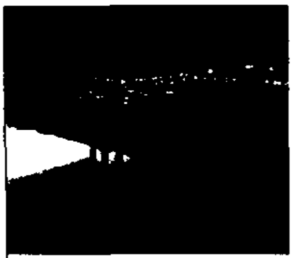
chairman's statement

At 365,000 tonnes, white sugar production for 1998/99 must be regarded as the highest production yield of Kenana since its inception, i.e. 9000 tonnes above the previous crop season (1997/98); an increase of 2.5% and 85,000 tonnes above (1995/96) production season; an overall increase of 30% through the last four production seasons.

This continuous increase in production substantiates the rising trend of production and exemplifies the steady development in productivity and managerial operations of the Company. The average yield per feddan of sugarcane has scored an outstanding record in the history of the project scaling to 44.3 tonnes of cane per feddan, well above the average world record of 40 tonnes of cane per feddan. This crop season witnessed the utmost minimum average lost time as percentage of total time in factory production operations amounting to 4.11% as compared to the world average lost time of 7%, reflecting the efficiency of production.

This continuous achievement of high yield of sugarcane per feddan this season led to an overall annual increase in the ground cane to a record 3.5 million tonnes which is 3% above total production of ground cane for the previous season (1997/98) and 35% more than the cane ground for production season (1995/96).

The total value of sales (including proceeds from export and domestic quota) reached SD 32.7 billion as compared to total sales revenue of SD 29.9 billion for production season 1997/98 (a 9% increase.) Foreign proceeds amounted to US $78 million out of the total proceeds as compared to the export proceeds of US $62.3 million. The export policy performance was outstanding despite the fragile international sugar market. The Company's export marketing policy was based on the full utilization of the additional premium within the COMESA and Western Africa markets, with special emphasis on attracting customers of comparative advantage to the Company, on the basis of large quantity sales through long term contracts. Parallel to this policy, constant efforts



were directed to the traditional markets of Yemen and Somalia in addition to local sales of export quota to the Sudanese Free Zones Company (SFZ).

The profit for the year amounted to SD 12.5 billion compared to previous season's profit of SD 18.9 billion. The decrease in profit between the two seasons is attributed to the cancellation of the item 'net finance charges' which was adding a positive figure to the revenues through the addition of charges calculated on Sudan Government receivables to the Company.

It was quite clear to the Management of the Company - long before being mentioned by the Company's external auditors - that there are many shortfalls in the annual audited accounts, citing severe anomalies in the figures presented in the Company's Annual Profit and Loss Account and Balance Sheet in the past years. Within the 21st Meeting of the Shareholders' General Meeting of 1998, the Management was directed to prepare a comprehensive study to form the basis for review, consideration and decision for the removal or rectification of these anomalies for more crystallization in the Company's accounts.

Accordingly the Management formed a committee consisting of Company's internal and external auditors, financial and legal counsels including Price Waterhouse Coopers (London), Whinney Murray and Co., (Riyadh), Banaga and Gassim (Khartoum) and Abdel Latif El Tayeb and Co. (Khartoum).

The study is to present ways of tackling these shortfalls and to advise on different solutions to cure these shortfalls. In this regard a special ad hoc committee of the Company's Board of Directors, headed by the Chairman including the representatives of the major three Shareholders i.e. Government of Sudan, Government of Kuwait and Government of the Kingdom of Saudi Arabia has been formed. Within the 35th extraordinary general meeting of the Shareholders held on 16th October 1999, vital resolutions were taken for the improvement in the short and long term of the Company's financial situation, by removing all shortfalls from the accounts of the Company. Part of these Resolutions were reflected during the current financial year, and the remaining financial resolutions will be reflected during the forthcoming financial years.

The salient features of historical resolutions taken during the 35th Extraordinary meeting of the Shareholders of the Company could be enumerated as follows:

The freezing and cancellation of the Government of the Republic of Sudan export quota sugar Debtor Accounts within a period of 14 years. It is worth mentioning that the debt is considered as a non-performing credit account for the previous years which led to the finance charge in the profit and loss account.

In consideration of the above the Company be granted by the Government of Sudan, exemption from all types of Income Tax similar to the exemption granted in the Presidential Order of 1975 for a ten year period commencing the year 2000/2001 through 2010/2011, with confirmation that ten years' income tax exemption granted for the period 1990/91 through the year 1999/2000 is retroactively ratified.

These exemptions reinforced the financial situation of the Company. Studies undertaken on the effects of these exemptions on the Company ascertained the tangible benefits the Company is going to reap in terms of increased production in sugar and to the strategy adopted by the Company in diversification of production and to the maximization of utilization of the by-products such as the Molasses and Bagasse, to produce some vital products such as animal feed, charcoal, medical alcohol, paper, ethanol, in addition to commercialization of the forest production and the commercialization of the excess production of the agricultural workshops and other projects embodied in the Company's strategy for the 21st century.

To change the formula of the determination of the price of sugar sold in the local market as specified in the Sugar Sales Agreement (1975) by abandoning the adoption of the interim price which leads to differentials in the sales proceeds of sugar on account of the final price.

Instead of the formula, a new method was approved i.e. to fix the domestic quota sugar sales price at the beginning of the crop season based on the annual budgets approved by the Board of Directors, taking into account costs as per operating budgets plus profit margin to be discussed

and agreed on between the Company's management and the Government of the Republic of Sudan plus the replacement cost.

The holders of the Preferred Shares of this Company have willingly concurred to remove the cumulative and fixed dividend aspect of the respective Preferred Shares with retroactive effect from 1st June 1995 and further concurred to freeze the cumulative dividends accrued up to financial year 1994/95 and to convert Preferred Shares into Ordinary Shares after payment of the accrued balance of dividends as of 1994/95.

To set aside 5% of the annual net profits before the provision of dividends to be declared, if any, as General Reserves, for application at the discretion of the Directors to support the financial situation of the Company.

That from the financial year 1998/99 the Company's Annual financial statements should be presented to the Shareholders in US Dollars along with the Annual Financial Statements usually presented in local currency. This is to assure that the Financial Statements reflect the actual financial status of the Company, so that the revaluation of the fixed assets and the actual depreciation rate in Dollars would enable the Company to set aside enough funds for the replacement cost.

This year witnessed the continuation of the execution of Company's projects embodied in the Company's Strategy for the 21st century. The most vital project under execution is the Factory Up rating, the objective of which is to improve efficiency of the Factory and to raise the daily crushing capacity process of the factory from the previous 17,000 tonnes of cane per day to 26,000 tonnes of cane per day by the end of season 2000/2001. By the end of 1998/99, 65% of the total volume of the project was completed.

Within the improvement of the environment efforts, an area of 6,300 feddans was put into forestry, thus outpassing the target of planting an area of 5,000 feddans into forests. This season witnessed the marketing and sales of the forestry products. The basic infrastructure for the commercialization of the Kenana Agricultural Implements Factory has been completed and the (KAIF) started its commercial activities. The KAIF was capable of manufacturing many agricultural implements and it succeeded in inventing some new agricultural implements. Other projects

include the construction of the Company's warehouses and offices at Port Sudan. All fabricated iron skeletons have reached the project site and the civil works is scheduled for completion by mid-2000 to begin erection of the metal skeleton.

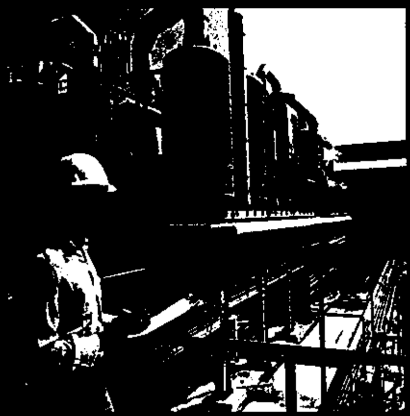
It is envisaged that the forthcoming year will witness the execution of the Charcoal Project together with the New Agricultural Extension (Phase II) which area is 5,000 feddans. The year will also witness the execution of the Foundry with a daily production of 2,800 Kgs of cast iron.

Feasibility studies are on the swing for other projects to ascertain their viability and to avail financial resources for their implementation. These projects include animal feed project, paper manufacturing project, production of alcohol, meat export project and hydrated lime production.

In preparation for the approaching 21st century and to face the globalization challenges, the Company held its first management seminar 'Liberating the Minds'. This seminar reflects the Corporate Management's belief in involvement of all managerial sectors in designing future policies, plans and programmes to comply with the era of globalization, free trade and removal of boundaries by the WTO and the Quality Control Measures. The Seminar thoroughly discussed all present and future issues pertaining to human resources, social services, investment, production, productivity, diversification, scientific research and other strategic issues. Working groups have been formulated for follow up on the seminar recommendations. Many workshops have been organized to tackle certain vital production issues aimed at strengthening and sharpening the Company's aims and objectives towards the 3rd millennium.

Now that the Company is entering the new millennium with stable steps and ambitious strategy, I would like to extend my highest regard and appreciation to the Shareholders and the Board of Directors in their unlimited continuing substantiation and support extended to the Company which led to the achievement of the Company's goals and objectives. My appreciation also goes to the Management and Staff for their dedication, loyalty and commitment to the Company's success and progress.

Badr Eddin Mohamed Ahmed Suleiman. Khartoum, 24 January 2000



"The crop season of 1998/99 confirms Kenana's continued annual production in excess of 300,000 MT - higher than all previous seasons."

directors' report

The members of the board submit their report with the audited accounts for the financial year ending 30th September 1999.

Assessment of 1998/99 Season:

The crop season of 1998/99 confirms Kenana's continued annual production in excess of 300,000 MT - higher than all previous seasons. The crop season started on 31st October 1998 and continued for 187 days (compared to last season's 191 days). Sugar production achieved 365,000 MT equivalent to the target figure and exceeding the last crop production by 2.5%

Cane Production

Although Kenana was about to reach the climax of its sugar production plateau, last crop season's average cane tonnage per feddans of 43.5 was again surpassed when this season it hit 44.3. The sugar cane research department has set short and long term research programmes aimed at improving production levels, through new cane varieties, improving planting dates, cane harvest, application of agro-chemicals and ripeners. In fact sugar yield in the cane is the basis for sugar production increases.

Cane Harvest and Transport

Effective harvesting operations management has once more confirmed the successful harvest and transport of 3.5 million MT of cane, with the minimum losses and within a shorter period. The average daily cane tonnage delivered to the factory amounts to 18,700 MT.

The Factory

The average daily crushing rate reached 18,852 MT of cane, thus confirming the factory's continued crushing ability for a period exceeding six months. The factory achieved the production target of 365,000 MT despite several obstacles. The factory up-rating programmed planned for the year 1998/99 has been implemented as scheduled. The project included power and steam generation, milling and sugar bagging station.

Marketing

Export proceeds in foreign currency were attained as planned despite the continued drop in world sugar prices. The marketing strategy of the company aimed to shift export sugar between different markets to achieve the maximum revenue. Total Quality received due attention being the major factor for obtaining best prices in external markets. Severe market competition worldwide has continued to depress demand and excessive sugar production in some regions. In fact these adverse factors have resulted in the closure of several factories and severe losses for others.

Cash Flows

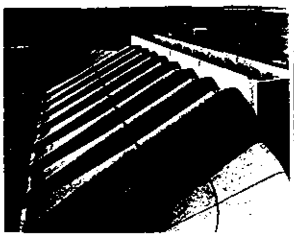
The company was able to improve both local and foreign currency cash flows to match its financial obligations. The exchange rate of the Sudanese Dinar against the U.S. Dollar has noticed a mild drop in comparison to previous years. The exchange rate was 217.5 Dinars on 30th September 1998 and changed to 257.7 to the U.S. dollar on 30th September 1999.

Results of the year

Sales proceeds reached Sudanese Dinars 32.7 billion (1998: S.D. 29.9 billion) which confirms a 9% increase due to production level increases, increase of selling prices and the slight devaluation of the local currency against the U.S. dollar. Operating profits reached 10.5 billion Dinars against 11.7 billion Dinars last year.

Projects and investments

Execution of new projects has continued, in particular; Factory up-rating, Port Sudan warehouses and new offices. External sources of finance are anticipated for the new projects, namely animal feed and charcoal.



Forecasts

- Maintenance and rehabilitation programmes for the new season were successfully completed.
- Cane tonnage for crushing is expected to be around 3.56 million that produces 367,000 MT of sugar.
- The shareholders have convened their 35th Extra General Meeting on 16th October 1999 and issued several resolutions all targeted to strengthen the financial status of the company and generate financial statements that reflect the true view of the company's affairs. Some of these resolutions have been implemented in this year's financial statements which include freezing of Sudan Government Receivables, deletion of finance costs from Profit and Loss account, setting aside 5% of the net profits as "General Reserve" and confirmation of the third ten years tax exemption starting 2001/02. Accordingly the financial statements now show a better reflection of the company's financial status.

Share Capital Funding

Authorised share capital SD 59 million and the paid-up capital amounts to SD 56 million held in the following percentages as on 30/09/1999.

	%
Government of the Republic of Sudan	35.17
Kuwait Investment Authority	30.50
Government of the Kingdom of Saudi Arabia	10.92
The Arab Investment Company	6.96
Sudan Development Corporation	5.66
The Arab Authority for Agricultural Investment and Development	5.56
Consortium of Sudanese Commercial Banks	4.45
Lonrho Plc	0.46
Nissho Iwai Corporation	0.16
Gulf Fisheries Company	0.16
	100.00

Managers

The names of members of the present Board of Directors are shown on page 39 of this report.

"The strength of belief within Kenana extends from the factory floor to the senior management; the office workers feel it as strongly as the shareholders."

kenana today

During the last three years the sugar industry has suffered deeply from low world market prices. However, Kenana has successfully weathered this difficult storm over the last financial year. This success has largely been achieved through the innovation, imagination and downright persistence of its loyal workforce and shareholders. The strength of belief within Kenana extends from the factory floor to the senior management; the office workers feel it as strongly as the shareholders.

The phenomenal spirit of Kenana cannot be fully understood without some reference to its fascinating and unique history:

In 1971 the idea was born – to create an integrated sugar estate capable of producing 300,000 MT of refined sugar. The site at this time - a dry and baron desert - was to be transformed into the lush green site that it is today, through the utilisation of the life-blood of Africa: the great river Nile. An incredible plan was devised - to siphon and irrigate the waters to feed the land and its people.

The harvesting and crushing processes of Kenana are remarkable achievements. For the duration of the annual 7-month crop season the factory runs at full capacity 24 hours a day. This is made possible by a carefully synchronised operation to deliver the cane from the fields to the factory at a constant rate. This is more of an achievement than it may initially sound, if one considers that each field of cane must be cut and delivered promptly to the factory at a precise time to ensure high sucrose levels and freshness of cane. Kenana's ability to achieve this mammoth task with such efficiency is well known and highly regarded throughout the international sugar industry.

The financing of Kenana was an extraordinary collaboration between Arab and Western Nations: a unique model for the world to follow.

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 produce 150,000 MT of White Sugar per annum for the Domestic market.*

Foreign Currency Generation: *Sugar production in excess of 150,000 MT per annum is the "Export Quota"*

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: *94,000 feddans (39,500 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 command 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: *12,000 employees, with a further 4,000 seasonal workers for the duration of the crop.*

In a country so often perceived by the outside world as torn apart by conflict there exists in Kenana a success story of the developing world. Kenana has always been more than a business – providing, as it does, social care for its employees and their families. Within the Kenana site there are schools, hospitals, mosques and social centres (and now even a university). The beneficial knock-on effect for the wider community is also substantial and continues to grow as the injection of wealth increases in the region.

One of the most important characteristics of Kenana employees and shareholders is their ability to adapt. This has been clear from the outset when the area, which is now Kenana Site, was transformed beyond all recognition. It is also very apparent today and is one of the main reasons that the company has continued to flourish in recent years. Despite the state of flux of international business and the ever-changing world we find ourselves in today, Kenana has planned ahead and treated each change as an opportunity to be relished. For example, the introduction of new technology has not lead to job cuts, but instead to greater specialisation and efficiency. This adaptability is also exemplified through Kenana's marketing strategy, which has been successfully revised to combat low world sugar prices. And finally, it is now most apparent in Kenana's diversification plans, which have been evolving steadily and are now reaching fruition.

An integral part of Kenana's plans for the 21st Century is the maximum utilization of the company's by-products, assets, infrastructure, knowledge and expertise. It has from the outset been the philosophy of Kenana that no resource should be wasted; consequently the following are the new generation of Kenana products:

Forestry Products

Over 3,000 feddans of Eucalyptus trees have been planted within the Kenana complex in Sudan. The project began in 1993 and thus the trees have now reached the stage of mature fruition.

Ever conscious of Kenana's responsibility to the environment the project does not only "do not harm" but actually makes a positive contribution to the ecosystem of the area.

The resulting products that are (or soon will be) available for sale worldwide include wood chips, logs, gum-arabic and MDF.

The long-term plan is to increase the size of the forest to 10,000 feddans within the next 10 years and to introduce more commercial varieties to suit differing industrial requirements. This regeneration of natural resources will enable Kenana to expand the commercial possibilities of the project in future years.

Charcoal:

Through the ingenuity and research of Kenana technicians a unique product has been developed: Charcoal created from a by-product of sugar production – bagasse. Kenana charcoal has a number of advantages over traditional charcoal produced from wood: It burns for longer and so is more cost effective for the end user; it is more environmentally friendly because it cuts out the necessity of using wood to make the product; it is more cost effective to produce, because it utilizes a by-product which has been previously regarded as waste.

Animal Feed:

Kenana animal feed has found a substantial and loyal market in Saudi Arabia and the United Arab Emirates. Its nutritional value is very high. In this era of food scares, connected to traditional animal feed (that may use as ingredients animal protein and GM crops) it is a safe and healthy alternative.

Other projects in the pipeline include the production of ethanol, floriculture, yeast, industrial alcohol and paper.

New Crops:

Always with an eye firmly on the future Kenana has, for some years now, been developing alternative crops that can be grown and sold commercially. With the necessary skilled workforce and agricultural infrastructure already in place and the land readily available, the capital out-lay for these projects has been negligible.

Extensive research and product development has lead to a number of crops being selected and now commercial production has begun.

The new crops include:

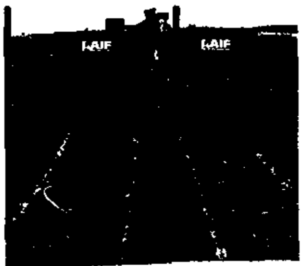
Sunflower seeds

Sesame seeds

Sorghum

Maize

Peanuts



KAIF

Kenana Agricultural Implements Factory

KAIF evolved within Kenana to meet a real requirement for agricultural equipment that would improve the efficiency and productivity of the Kenana sugar crop. Enterprising and skilled individuals began to recycle and redesign existing equipment to meet the specific needs of crop growers. These implements have been used with great success within Kenana for around 10 years now. During this period they have been extensively tried and tested and have become progressively more refined and sophisticated.

A range of 25 implements (covering pre to post agricultural operations) were produced and launched on to the market last year; they met with a very favourable response. The implements include fertilizer applicators, seed cane coverers and soil levellers. Already the factory is selling its full production capacity and plans to expand are afoot. Due to the specialised skills of the Kenana workforce KAIF is also able to offer agricultural implements that are tailored to meet customers' specific requirements. The implements are by no means restricted to the sugar sector, but are also widely used by diverse Agri-businesses.

The enormous knowledge base of Kenana is also being utilized through the company's consultancy services: KETS (Kenana Engineering & Technical Services).

KETS mission statement: Helping the sugar industry and the agro industrial sector worldwide to maintain continuous and sustainable growth.

KETS

Kenana Engineering & Technical Services

The objectives of KETS are:

- Deliver quality services to clients based on innovative designs and techniques.
- Provide the right solutions to meet the real needs of clients.
- Provide independent & impartial advice on the most suitable equipment manufacturers or agencies.
- Help clients worldwide to realize their full potential and prospects for growth.

KETS was formed in 1986 to meet a genuine need for independent and reasonably priced consulting and engineering services to the agro-industrial sector (with special emphasis on the sugar industry).

KETS is a subsidiary of the Kenana Sugar Company. Kenana's deep technical knowledge and resources, cover a wide range of disciplines and its experienced work force, are readily available to KETS.

Kenana's rich experience in the sugar industry is considered particularly relevant to major construction and civil works contracts in an "Emerging Market" environment. Now, through KETS, others can benefit from this vast knowledge.

KETS provides the ultimate gateway to a rich inside knowledge and expertise of sugar business processes and the related technological information.

KETS possesses extensive knowledge of all legal aspects of contracts drafting, contesting and procedures.

KETS clients will be able to benefit from the comprehensive knowledge that has been accumulated during the last 25 years in all aspects of sugar and sugar cane. This knowledge is documented in readily available, easy to retrieve manuals of systems and procedures, which cover the whole industry.

KETS offers the following range of services:

- Feasibility studies and complete designs for factories, farms and plants.
- Drafting of complete specifications of equipments and machinery for the entire factory and ancillaries.
- Provide comprehensive drawings of all equipments and fittings.
- Undertake the installation of plants and machinery and the successful commissioning of equipment.
- Supervise the erection of plants on behalf of the owner.
- Undertake technical and management services on behalf of owner.
- Consultancy services and appraisals to agribusinesses worldwide.
- Implement and maintain training and development programmes for technical, engineering and administrative staff at all levels of an enterprise.
- Undertake the negotiation, procurement and expediting of all types of machinery and equipments.
- Provide comprehensive legal backing and support.
- Complete services on marketing strategies, pricing, branding, product developments, etc.
- Implement strategies for continuous & effective improvements, cost consciousness and innovative solutions.
- Offer introductions and opportunities via a network of worldwide contacts.
- Provide finance avenues for the sugar sector.

annual accounts

PROFIT AND LOSS ACCOUNT
Year Ended 30 September 1999
(Thousand Sudanese Dinars)

	Note	1999	1998
Sales	16	32,734,015	29,903,407
Expenses:			
Operating expenses		13,678,073	11,438,720
Selling and distribution expenses		1,968,432	1,919,364
General and administration expenses		3,441,900	2,413,238
Services and other		1,715,253	1,286,128
Depreciation	5	1,479,089	1,145,410
TOTAL EXPENSES		22,282,747	18,202,860
PROFIT FROM OPERATIONS		10,451,268	11,700,547
Finance income	17	152,067	4,591,375
Finance cost	17	(4,195)	(2,262,042)
Development tax	18	(327,340)	(299,034)
Other income	19	2,249,035	1,561,588
PROFIT BEFORE NET EXCHANGE DIFFERENCES		12,520,835	15,292,434
Net exchange differences	20	-	3,639,213
NET PROFIT FOR THE YEAR		12,520,835	18,931,647

The attached notes 1 to 24 form part of these financial statements.

BALANCE SHEET
30 September 1999
(Thousand Sudanese Dinars)

	Note	1999	1998
ASSETS EMPLOYED			
FIXED ASSETS	5	14,391,007	10,603,388
CAPITAL WORK IN PROGRESS	6	316,857	1,108,017
INVESTMENTS RECEIVABLE FROM THE GOVERNMENT OF THE REPUBLIC OF SUDAN		25,025	25
CURRENT ASSETS	7	59,512,892	64,394,172
Inventories	8	11,702,494	9,025,707
Trade and other receivables	9	13,819,456	9,883,915
Cash on hand and bank balances		4,228,361	3,615,294
		29,750,311	22,524,916
CURRENT LIABILITIES			
Accounts payable and accruals	10	5,319,619	4,797,915
Provisions		-	4,881,280
Current portion of term loans	15	712,384	434,165
Proposed dividends	11	4,123,200	3,449,532
		10,155,203	13,562,892
NET CURRENT ASSETS		19,595,108	8,962,024
		93,840,889	85,067,626
FUNDS EMPLOYED			
SHAREHOLDERS' EQUITY			
Share capital	12	56,055	56,055
General reserve	13	626,042	-
Exchange differences reserve	14	-	10,528,672
Capital reserve		-	47,864
Retained earnings		32,279,707	31,663,468
		32,961,804	42,296,059
NON CURRENT LIABILITIES			
Term loans	15	20,758,075	16,435,919
Interest payable on term loans	15	36,375,750	24,294,146
Employees' terminal benefits		3,745,260	2,041,502
		60,879,085	42,771,567
		93,840,889	85,067,626

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year Ended 30 September 1999
(Thousand Sudanese Dinars)

	Note	Share capital	General reserve	Exchange difference reserve	Capital reserve	Retained earnings	Total
Balance at 30 September 1997		56,055	-	6,889,459	33,600	19,820,566	26,799,680
Net profit for the year	-	-	-	-	-	18,931,647	18,931,647
Proposed dividends	11	-	-	-	-	(3,449,532)	(3,449,532)
Transferred to exchange differences reserve	14	-	-	3,639,213	-	(3,639,213)	-
Capital reserve	-	-	-	-	14,264	-	14,264
Balance at 30 September 1998		56,055	-	10,528,672	47,864	31,663,468	42,296,059
Net profit for the year	-	-	-	-	-	12,520,835	12,520,835
Proposed dividends	11	-	-	-	-	(4,123,200)	(4,123,200)
General reserve	13	-	626,042	-	-	(626,042)	-
Interest accrued	15	-	-	-	-	(3,380,422)	(3,380,422)
Transferred to exchange differences reserve	14	-	-	(10,528,672)	-	(3,774,932)	(14,303,604)
Transferred to other income	19	-	-	-	(47,864)	-	(47,864)
Balance at 30 September 1999		56,055	626,042	-	-	32,279,707	32,961,804

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year Ended 30 September 1999
(Thousand Sudanese Dinars)

	1999	1998
OPERATING ACTIVITIES		
Net profit for the year	12,520,835	18,931,647
Adjustments for:		
Depreciation	1,479,089	1,145,410
Foreign exchange loss on term loans	-	3,243,425
Foreign exchange loss on interest on term loans	-	4,915,013
Finance cost	4,195	2,262,042
Provision for employees' terminal benefits	1,703,758	594,533
Reversal of capital reserve	(47,864)	-
(Profit) loss on sale of fixed assets	(14,650)	8,705
Operating profit before working capital changes:	15,645,363	31,100,775
Inventories	(2,676,787)	(2,178,908)
Receivables	945,739	(240,050,640)
Payables	(2,938,711)	380,618
Net cash from operating activities	10,975,604	5,251,845
INVESTMENT ACTIVITIES		
Purchase of fixed assets	(5,284,110)	(4,495,699)
Proceeds from sale of fixed assets	32,052	14,264
Investments	(25,000)	-
Net cash used in investing activities	(5,277,058)	(4,481,435)
FINANCIAL ACTIVITIES		
Dividends paid	(4,587,755)	(2,235,681)
Repayment of loans	(497,724)	(736,847)
Net cash used in financing activities	(5,085,479)	(2,972,528)
Increase (Decrease) in bank balances and cash on hand	613,067	(2,202,118)
Bank balances & cash on hand at the beginning of the year	3,615,294	5,817,412
Bank balances and cash on hand at the end of the year	4,228,361	3,615,294

The attached notes 1 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 September 1999

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 grows and refines sugar cane and sells sugar and related by-products.

2. CURRENCY

a) Due to the change of the Sudanese currency from the Pound to the Dinar, the company changed its reporting currency during the year to Sudanese Dinars. The rate of exchange of the Sudanese Dinar to the US Dollar at the balance sheet date was Sudanese Dinar 257.7 (1998 - Sudanese Dinars 217.5).

b) 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 taken to the exchange differences reserve and retained earnings.

3. INFLATION ACCOUNTING

The company realized that, due to the continual decrease in the value of the Sudanese Dinar it loses purchasing power at such a rate that comparison of amounts of transactions that have occurred at different times may be misleading. International Accounting Standard number 29 "Financial Reporting in Hyperinflationary Economies" suggests that the reporting of operating results and financial position in Sudanese Dinars should be restated "using the measuring unit current at the balance sheet date." In order to do this, it is necessary to revalue all fixed assets (which are recorded at the historical rates of exchange). The shareholders resolved in their Extra-ordinary General Meeting held on 16 October 1999 to effect this in the accounts, however, the shareholders' decision was not applied during the year and accordingly the financial statements have been prepared on a historical cost basis. The issue is under implementation as the decision has been taken to comply with International Accounting Standard 29.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Accounting convention

The financial statements are prepared under the historical cost convention and all fixed assets are recorded at cost.

b) 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.
Raw materials & consumables	-	purchase cost on a weighted average basis.
Sugar and its by-products	-	cost of direct materials and labour plus attributable overheads based on normal level of activity.

(Thousand Sudanese Dinars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) 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.

d) Sales

Sales represent the invoiced value of goods supplied by the company during the year.

e) Government receivables

This will be amortised over the period of the related tax exemption received commencing in the year ending 30 September 2002 (being the first year of the new tax exemption). (see note 7).

5. FIXED ASSETS AND DEPRECIATION

Depreciation is made to all fixed assets, except for freehold land, at rates calculated to allocate the cost, less estimated residual value, at the rates ruling at the time 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

	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 1998	2,574,629	6,331,125	3,005,338	671,336	12,582,428
Additions	1,181,234	3,329,054	460,504	313,318	5,284,110
Disposals	-	-	(25,409)	-	(25,409)
At 30 September 1999	3,755,863	9,660,179	3,440,433	984,654	17,841,129
Depreciation:					
At 30 September 1998	102,588	782,142	837,116	257,193	1,979,039
Charge for the year	105,553	566,280	620,520	186,736	1,479,089
Disposals	-	-	(8,006)	-	(8,006)
At 30 September 1999	208,141	1,348,422	1,449,630	443,929	3,450,122
Net book value:					
At 30 September 1999	3,547,722	8,311,757	1,990,803	540,725	14,391,007
At 30 September 1998	2,472,040	5,548,983	2,168,222	414,143	10,603,388

(Thousand Sudanese Dinars)

6. CAPITAL WORK IN PROGRESS

	1999	1998
Balance at the beginning of the year	1,108,017	763,464
Additions	4,492,950	4,495,699
Transfers to fixed assets	(5,284,110)	(4,151,146)
Balance at the end of the year	316,857	1,108,017

7. RECEIVABLE FROM THE GOVERNMENT OF THE REPUBLIC OF THE SUDAN

a) The shareholders have agreed in the Extraordinary General meeting held on 16 October 1999 to freeze and amortise the above receivable against a period of full exemption from all types of taxes over ten years period from 2001/2002.

b) An agreement was signed between the company and the Government of The Republic of Sudan on 14 December 1999 to cease charging financial charges on the receivable balance from 1 October 1998 and amortise this fully in the Company books in ten annual instalments against exemption of the company from all types of taxes on business profits or any other payable under the provisions of Income Tax law for 1986, or any amendments or laws subsequent thereto. The exemption shall cover shareholders, including their profits, foreign lenders, contractors, suppliers and the company's foreign employees, according to the exemption order which was issued on 15 December 1999.

c) The Board of directors believes that the tax exemption granted to the company commencing in 2001/2002 for a period of 10 years is adequate for the amortisation of the receivable from the Government of Sudan referred to in (a) above.

8. INVENTORIES INCLUDING STANDING CANE

	1999	1998
Sugar	808,680	812,180
Standing cane	4,243,287	3,503,593
Forests	118,594	72,607
Spare parts, fuel and others	6,531,933	4,637,327
	11,702,494	9,025,707

9. TRADE AND OTHER RECEIVABLE

	1999	1998
Trade accounts receivable	4,273,929	4,088,688
Cash margins	261,846	168,432
Advances to employees	296,116	189,702
Advances to suppliers	6,703,080	4,389,235
Other receivables	2,284,485	1,047,858
	13,819,456	9,883,915

(Thousand Sudanese Dinars)

10. ACCOUNTS PAYABLE AND ACCRUALS

	1999	1998
Trade accounts payable	2,627,596	1,282,737
Taxes and customs duties on sales	413,394	483,902
Sudanese Sugar Production Company	182,234	331,501
Advances from customers	255,211	610,092
Amounts due to insurance companies	386,113	30,817
Other payables	1,064,123	693,221
Dividends payable	-	676,773
Accrued expenses	390,948	688,872
	5,319,619	4,797,915

11. PROPOSED DIVIDENDS

	1999	1998
8% Cumulative, participating, convertible preference shares "B"	15,214	-
10% Cumulative, participating, convertible preference shares "A"	12,377	1,553
10% Special, cumulative, participating, convertible preference shares "A"	3,287,540	3,447,979
Ordinary shares	808,069	-
TOTAL PREFERENCE AND ORDINARY SHARES	4,123,200	3,449,532

12. SHARE CAPITAL

Authorized capital:	1999	1998
Ordinary shares of Sudanese Piasters 10 each	7,647	7,647
10% Cumulative, participating, convertible preference shares "A" of Sudanese Piasters 10 each	15,600	15,600
10% Special, cumulative, participating, convertible preference shares "A" of Sudanese Piasters 10 each	23,400	23,400
8% Cumulative, participating, convertible preference shares "B" of Sudanese Piasters 10 each	12,353	12,353
	59,000	59,000

Subscribed and fully paid up capital:

	1999	1998
Ordinary shares	7,647	7,647
10% Cumulative, participating, convertible preference shares "A"	15,529	15,529
10% Special, cumulative, participating, convertible preference shares "A"	20,609	20,609
8% Cumulative, participating, convertible preference shares "B"	12,270	12,270
	56,055	56,055

12. SHARE CAPITAL (continued)

All classes of preference shares are convertible to ordinary shares at any time after 1st June 1995, if the Board of Directors so decides, provided that all declared dividends have been fully paid, before the date specified for conversion.

Dividends in arrears

In accordance with the agreement by the shareholders in the Extra-ordinary General Meeting number 35, the preferred shareholders A, B and special A 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 1994/95, and to consider all the distributed dividends up to the year 97/1998, as paid from the frozen amounts, as follows:

Types of shares	Total dividends in arrears as at 30.9.1999	Amount paid	Balance USD000 as at 30.9.1999	Balance SD000 as at 30.9.1999	Balance SD000 as at 30.9.1998
8% preferred shares "B"	SD000 15,214	-	-	15,214	15,214
10% preferred shares "A"	SD000 23,247	SD000 10,870	-	12,377	12,377
10% preferred shares "A" Special	USD000 188,740	USD000 61,170	127,570	32,874,789	27,779,046
Total				32,902,380	27,806,637

2) To utilise the dividends which will be declared in years subsequent to year 1997/1998 for payment of the remaining balance as shown above. The period of payment of these dividends should not exceed ten years from the year1998/1999. 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 1997/1998 for the payment against the remaining balance of US $127.5 million for the special preferred shareholders "A" as shown above, and to distribute the remaining portion of the declared dividends (if any) to all shareholders on a pro rata basis. These dividends will be reflected in the financial statements after declaration.

13. GENERAL RESERVE

The shareholders 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.

14. EXCHANGE DIFFERENCES RESERVE

This represents the reserve provided from the net gains on differences on exchange against the Sudanese Dinar. This reserve is not available for distribution.

15. TERM LOANS

a) The Bank of Sudan agreed to include the Export Credit Loans and interest thereon due in the years 1984 to 1988, in the rescheduling agreements to be signed between the Government of the Republic of Sudan and the creditors.

b) As these agreements have not yet been concluded, the loans and interest thereon due from 1984 and subsequent years have been considered as financial obligations and adequate provisions have been made to meet their settlement. However, it is not expected to pay any of these loans within the next twelve months.

c) The Government of the Republic of Sudan has allowed pegging of Export Credit Loans original currencies at 30 September 1985 exchange rates of the US $. But it has been decided as a matter of prudence starting 30 September 1992 to translate these loans at the rates of Sudanese Dinar against the original currency prevailing at the date of the balance sheet. However, these loans may be taken over by the Government of the Republic of Sudan in accordance with the rescheduling or debt waiver agreements at the rates of exchange prevailing as at 30.9.1985, as already agreed with the Government of the Republic of the Sudan.

d) On 2nd March1998, an agreement was signed for the settlement of the loan of the National Automobile Manufacturing and Trading Company (Kuwait), whereby the loan was reduced from 4.612 million Kuwaiti Dinars to 3.0 million Kuwaiti Dinars, interest free and repayable within three years. It was also agreed to write off all interest accumulated until 30.9.1997.

NOTES TO THE FINANCIAL STATEMENTS (continued)
30 September 1999
(Thousand Sudanese Dinars)

15. TERM LOANS (Continued)

d) **Analysis of Foreign Currency Loans**

	Total 000's	French Francs 000's	Japanese Yen 000's	Austrian Shillings 000's	Kuwaiti Dinars 000's	American Dollars 000's
Total loans:						
As at 30 September 1999						
Principal		132,904	5,256,190	90,478	1,600	-
Accumulated interest		180,819	10,071,323	219,085	-	-
		313,723	15,327,513	309,563	1,600	-
As at 30 September 1998						
Principal		132,904	5,256,190	90,478	2,000	600
Accumulated interest		169,632	8,870,550	191,647	-	-
		302,536	14,126,740	282,125	2,000	600
Equivalent in SD:						
Balance at 30 September 1999	57,846,209	12,860,409	37,552,407	6,008,625	1,424,768	-
Balance at 30 September 1998	41,164,230	11,680,271	22,645,165	5,189,970	1,518,324	130,500
Rate of interest %		10.0	8.5	9.5	-	-
SD rate of exchange:						
30 September 1999, 1SD =		0.025	0.408	0.052	0.001	0.004
30 September 1998, 1 SD =		0.026	0.624	0.054	0.001	0.005

The loan in Kuwaiti Dinars includes an amount of KD 800,000 payable during the year 1999/2000 which is included in the current portion of term loans. The Sudan Development Corporation's loan in US Dollars has been fully paid.

The finance cost on the above Export Credit Loans for the year ended 30 September 1999 amounting to SD 3,380,422 has been charged to the retained earnings, as these loans will not be repaid in full and also as the amount and date of repayment are not fixed and hence the company considered that the interest should not be charged to the profit and loss account but must be shown as a financial obligation (liability) in the balance sheet, which fact was approved by the Board of Directors.

16. 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, the first 150,000 tons of sugar production during the year shall be sold to the Government of Sudan. All production in excess of the domestic market quota shall be exported under the guarantee of contracts and payment shall be made through letters of credit or by cash before delivery in US dollars.

The analysis of all categories of sugar sales including sales from the opening balance is as follows:

	1999 Metric tons	1999 Amount SD'000	1998 Metric tons	1998 Amount SD'000
Domestic market quota	150,000	12,571,350	150,000	12,960,945
Export quota	212,000	19,028,670	210,000	15,693,795
Small packages	2,075	171,842	2,742	245,912
Treacle	745	64,137	1,984	246,678
Jaggery	16	265	4	146
Molasses	144,525	897,751	98,919	755,931
		32,734,015		29,903,407

The domestic quota selling price formula as stated in paragraph (5) of the Sugar Sale Agreement for 1975, has been replaced by a new price formula effective from the year ending 30 September 1999.

The new price formula for the calculation of the selling price of sugar is based on the total operating costs, finance cost and replacement cost, plus a profit margin to be negotiated with the Government of the Republic of Sudan, divided by predicted total production as per the annual budgets to be approved by the Board of Directors.

17. FINANCE INCOME AND COST

	1999	1998
Income:		
Export quota sales receivables	-	4,433,676
Banks' credit balances	152,067	157,699
	152,067	4,591,375
Cost:		
Loan facilities	-	2,251,892
Bank facilities	4,195	10,150
	4,195	2,262,042

18. DEVELOPMENT TAX

Represents 1% of gross annual sales in accordance with the taxation authorities resolution dated 15 July 1995.

(Thousand Sudanese Dinars)

19. OTHER INCOME

	1999	1998
Insurance claim	2,164,040	-
Transportation	-	1,561,588
Reversal of capital reserve	47,864	-
Workshop services to others	12,923	-
Miscellaneous	24,208	-
	2,249,035	1,561,588

20. FOREIGN CURRENCY RATES

a) **Net exchange differences**

Represent 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.

b) **Change in accounting policy related to foreign exchange differences**

The Board of Directors agreed to charge the foreign exchange differences resulting from Export Credit Loans directly to the foreign exchange differences reserve and retained earnings, as the company considered these loans as non-performing liabilities since the final settlement amounts and dates are not ascertainable.

21. CAPITAL COMMITMENTS

The directors have authorised future capital expenditure amounting to SD 6,951 million (1998: SD 5,766 million).

22. TAXATION

In accordance with the Income Tax Exemption Order issued to Kenana Sugar Company Limited in 1975, the company was exempt from all business profit taxes for a ten year period starting from the date of the commencement of refined sugar commercial production in the year 1981/1982.

The Government of the Republic of Sudan has agreed to extend the tax exemption for a second ten year period effective from the year 1991/1992.

The Government of the Republic of Sudan also agreed to extend the tax exemption period for a third ten years period effective from the year 2001/2002.

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

To strengthen the financial position of the company, the shareholders, in their Extra-ordinary General Meeting convened on 16 October 1999, resolved as follows:

1) Receivables from the Government of the Republic of Sudan

To freeze the receivables due from the Government of the Republic of Sudan, which amounted to SD 64,394,172 thousands (before deduction of the provision of SD 4,881,280 thousand), as at 30 September 1998, and, to amortise this amount, with effect from the financial year commencing on 1 October 2003 in ten annual instalments against profit and loss account.

2) Tax exemption

Endorsement of Sudan Government Tax Exemption for the Company from all types of business profit taxes - similar to the first exemption granted by Presidential Decree in 1975 - for a period of ten years beginning from the financial year commencing on 1 October 2001 and confirmation of all other concessions and exemptions granted. This tax exemption has been granted in consideration for Government of the Republic of Sudan debt cancellation as stated in (1) above, within a period of ten years.

3) Domestic quota price formula

Amendment of Domestic Sugar Price Formula set forth in Paragraph Five of Sugar Sale Agreement - 1975 concluded between the Government of Sudan and the Company as included in the Founders' Agreement - 1975, for the purpose of discontinuing the application of the interim price. Also, the fixing of the ex-factory sugar price for the relevant season's production in respect of the domestic quota before commencement of sugar delivery, based on the annual budgets approved by the Board of Directors, provided that this price will remain valid until all the contracted quantities have been delivered. The ex-factory sugar price shall be calculated according to a new formula compromising the company budgets plus a producer profit margin divided by an estimated sugar production target to arrive at the fixed ex-factory price per metric ton.

4) Preferred shares

Holders of preference shares (B), preference shares (A) and preference shares (A) - special have agreed to freeze the cumulative amount as a return (dividend) on shares up to the year 1994/1995, and that the dividends declared and distributed through 1997/98 are deemed to have been paid against the said frozen amount. Any outstanding balances to be paid out of the declared profits in the years after the year 1997/98 within a maximum period of ten years from the year 1998/99. After full payment of dividends, all preference shares shall be converted to ordinary shares. The shareholders also agreed that the annual declared extra profits, after payments to the preference shareholders to be paid to all types of shareholders on a prorata basis (on the basis of their respective share in the company's total capital).

5) General Reserve

In accordance with the power delegated to the Directors under Article 115 of the Company's Memorandum of Association, it is resolved to set aside annually 5% of the net profits as General Reserve.

23. EVENTS AFTER THE BALANCE SHEET DATE

6) Annual Report and Accounts

a) Preparation of annual report and accounts in US dollars under the historical cost convention along with local currency.

b) The company shall keep its fixed assets register in US dollars for the purpose of calculation of the annual depreciation amount and transfer these in local currency to the annual accounts.

7) Export Credit Loans

The company should make all possible efforts to settle Export Credit Loans serving the best possible interest of the company including benefits that might be received by the Government of the Republic of Sudan in the form of debt concession or waiver from the company's creditors.

24. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

AUDITORS' REPORT TO THE SHAREHOLDERS OF KENANA SUGAR COMPANY LIMITED KHARTOUM - REPUBLIC OF SUDAN

We have audited the financial statements of Kenana Sugar Company Limited set out in pages 22 to 44. These financial statements are the responsibility of the company's management and have been prepared in accordance with the requirements of the Companies Act and the Company's Articles of Association and submitted to us with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 3 to the financial statements, the company is operating in an inflationary economy. International Accounting Standard number 29 requires that the financial statements of an enterprise that reports in the currency of an inflationary economy, should be stated using the current measuring unit at the balance sheet date. Comparative figures and any information relating to earlier periods amounts, should also be stated using the same measuring unit. However, there are practical difficulties that have hindered the application of this standard's requirements.

As explained in Note 15 to the financial statements, the company accrued interest on term loans amounting to SD 3,380,422 thousand for the financial year ended 30 September 1999, and charged it to retained earnings instead of the profit and loss account. The effect of this treatment is an overstatement of net profit for the year by SD 3,380,422.

As explained in Note 20 to the financial statements, the company changed during the year its accounting policy relating to foreign exchange differences, by charging all these differences directly to the foreign exchange differences reserve and retained earnings, instead of charging such differences to the profit and loss account. International Accounting Standard number 21 requires that exchange differences be recognized in the profit and loss account. The effect of the change is an overstatement of the net profit for the year by SD 14,303,604 thousand.

In our opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial statements present fairly the financial position of the company as of 30 September 1999, and of the results of its operations, and its cash flows for the year then ended in accordance with the International Accounting Standards and comply with the Companies Act and the Articles of Association of the company in so far as they affect the preparation and presentation of the finacial statements.

Without further qualifying our audit opinion, we draw attention to the following matters:

1) Note 7 to the financial statements in connection with the resolutions of the Extraordinary General Meeting of the shareholders held on 16 October 1999 and the agreement signed between the Government of the Republic of Sudan and Kenana Sugar Company Limited on 14 December 1999 and the tax exemption order approved by the Minister of Finance and National Economy on 15 December 1999 relating to the receivable from the Government of the Republic of Sudan and exemption of the company from all types of taxes.

2) Note 23 to the financial statements in respect of events occurring after the balance sheet date in connection with the resolutions of the Extraordinary General Meeting of the shareholders held on 16 October 1999, relating to the receivable from the Government of the Republic of Sudan, exemption from all types of taxes, inflation accounting, preferred shares and other matters.

Whinney Murray & Co.	Banaga, Gassim & Co.
Dr. Abdullah A. Baeshen Licence No. (66)	Ismail M. Ismail Certified Accountant
Riyadh 17 Shawwal 1420H (24 January 2000)	Khartoum

Directorate and Administration

Chairman
Mr Badr Eddin Mohammed Ahmed Sulieman
Government of the Republic of the Sudan

Dr Mohamed Kheir El Zubair
Government of the Republic of the Sudan

Dr Saber Mohamed Hasan Ahmed
Government of the Republic of the Sudan

Mr El Fatih Ali Siddig
Government of the Republic of the Sudan

Deputy Chairman
Mr Musa Ali Abou-Taleb
Kuwait Real Estate Investment Consortium

Mr Badr Ajil Al-Ajil
Kuwait Real Estate Investment Consortium

Mr Ayad Abdulla Alsumait
Kuwait Real Estate Investment Consortium

Mr Meshaa'l J. Al Derbas
Kuwait Real Estate Investment Consortium

Mr Abdulla Ibrahim Al-Ayadhi
Government of the Kingdom of Saudi Arabia

Mr Abdulrahman Abdulaziz Al-Shaye
The Arab Investment Company SAA

Mr Abdulwahab Ahmed Hamza
Sudan Development Corporation

Mr Mohammed Abdulla Al-Sanie
Arab Authority for Agricultural Investment and Development

Mr Ibrahim Adam Habib
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 (Khartoum)

British Arab Commercial Bank Ltd (London)

Barclays Bank Plc (London)

National Westminster Bank Plc (London)

Joint Auditors

Banaga, Gasim & Co. (Khartoum)

Whinney Murray & Co. (Riyadh)

Legal Counsel

El Karib & Medani (Khartoum)

Veil Armfelt & Associates (Paris)

Technical Consultants

F. Schaffer & Associates (USA)

Company Secretary

Mr Fareed Omer Medani

Registered Office

Plot Number 846,
Block 22,El Geraif Gharb,
Khartoum

Summary of Operations and Financial Status

			1989/90	1990/91	1991/92	1992/93	1993/94
1	Crushing season	(days)	128	145	148	147	138
2	Area harvested	(feddans)	75,100	77,500	77,300	76,000	77,616
3	Cane harvested	(MT/000)	2,059	2,357	2,257	2,242	2,142
4	Cane yield per feddan	(MT)	27.40	30.40	29.20	29.50	27.60
5	Cane harvested per day	(MT)	16,100	16,300	15,300	15,300	15,500
6	Harvesting: mechanical	(%)	46	46	51	51	54
	Harvesting: hand-cut	(%)	54	54	49	49	46
7	Net sugar recovery / cane crushed	(%)	11.27	10.70	11.23	11.81	11.61
8	Sugar production	(MT)	232,000	252,000	253,000	265,000	249,000
9	Production target	(MT)	245,000	248,000	266,000	260,000	265,000
10	Selling Price (DMQ)	(LS/MT)	3,200	6,258	17,538	35,520	89,393
11	Production costs	(LS/MT)	2,161.28	3,034.88	9,883.48	18,511.23	52,628.00
12	Costs excluding extraordinary items (line 20)	(LS/MT)	1,923.21	2,992.93	9,087.33	18,511.23	56,627.69
13	Total costs	(LS/MT)	997.23	2,992.93	10,817.45	18,511.23	57,161.37
14	Turnover	(LS/000)	741,134	1,492,706	5,981,420	10,279,501	30,775,705
15	Operating profit (loss)	(LS/000)	239,716	727,916	3,480,900	5,374,026	17,161.37
16	Net finance charges (payable) received	(LS/000)	52,631	27,476	415,476	877,601	1,742,098
17	Gain (loss) on exchange	(LS/000)	2,603	1,096	(198,401)	(807,234)	(2,512,775)
18	Provisions	(LS/000)	-	18,000	15,650	45,071	51,345
19	Profit (loss) before extraordinary items	(LS/000)	294,245	738,488	3,682,325	5,399,323	16,879,679
20	Extraordinary items	(LS/000)	x214,826	-	x(437,719)	-	x(132,885)
21	Profit (loss) for year	(LS/000)	509,776	738,488	3,244,606	5,399,322	16,706,794
22	Sudanese pound exchange rate against US Dollar	(US$)	0.08/0.22	0.08	0.009/0.03	0.006/0.009	0.0026/0.006
23	Dividends		-	-	1,500,000	3,000,000	3,000,000

x (Loss)/profit resulting from devaluation of Sudanese currency

+ Gain on settlement of contractors' claims

Summary of Operations and Financial Status

1994/95	1995/96	1996/97	1997/98	1998/99	
150	149	166	191	187	1
75,077	76,834	76,538	79,160	79,006	2
2,276	2,594	2,970	3,439	3,500	3
30.30	33.80	38.80	43.50	44.30	4
15,200	17,400	17,900	18,000	18,700	5
54	50	51	63	64	6
46	50	49	37	36	
11.10	10.79	11.20	10.34	10.43	7
253,000	280,000	333,000	356,000	365,000	8
265,000	265,000	290,000	340,000	365,000	9
172,773	350,215	575,937	864,063	83,809	10
96,889	175,881	322,904	351,301	43,213	11
96,889	175,881	322,904	351,301	43,213	12
96,889	175,881	322,904	351,304	43,213	13
53,230.768	103,128,747	199,176,742	299,034,072	32,734,015	14
28,756,024	54,110,401	90,550,746	117,005,468	10,451,268	15
410,184	(2,191,831)	16,175,011	23,293,325	147,872	16
267,527	x	40,023,775	36,292,131	-	17
35,164	-	221,805	-	-	18
29,014,889	50,887,283	99,165,057	152,924,337	12,520,835	19
-	-	-	-	-	20
29,014,889	50,887,283	99,165,057	152,924,337	12,520,835	21
0.0014	0.0007	0.0006	0.0005	0.004	22
5,000,000	15,852,776	17,000,000	15,859,916	16,000,000	23

x (Loss)/profit resulting from devaluation of Sudanese currency

+ Gain on settlement of contractors' claims

Kenana

KSC