

# Kenana

**KENANA SUGAR  
COMPANY LIMITED**

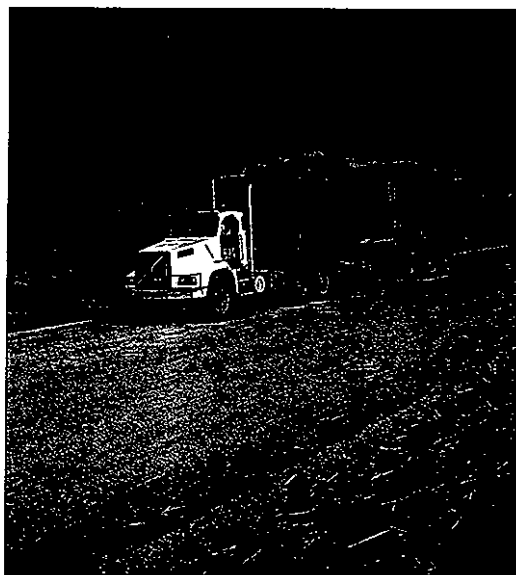
FC 18990

ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR 1995



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## **DIRECTORATE AND ADMINISTRATION:**

<b>Chairman:</b> H.E. Badr Eldin Mohammed Ahmed Suliman	Govemrnt of the Republic of the Sudan
<b>Deputy Chairman:</b> Mr. Mousa Abou-Taleb	Kuwait Real Estate Investment Consortium
<b>Members:</b> Syd El Fatih Ali Siddig	Government of the Republic of the Sudan
Syd Abdel Wahab Ahmed Hamza	Government of the Republic of the Sudan
Dr. Saber Mohamed Hassan	Government of the Republic of the Sudan
Mr. Ali Al-Muhaimed	Kuwait Real Estate Investment Consortium
Mr. Tariq Mohamed Al-Barak	Kuwait Real Estate Investment Consortium
Mr. Ali Othman Al-Ghannam	Kuwait Real Estate Investment Consortium
Mr. Abdulla E. Al-Ayadhi	Government of the Kingdom of Saudi Arabia
Mr. Abdulrahman Abdulaziz Al-Shaye	The Arab Investment Company SAA
Syd Abdalla Ahmed El Ramadi	Sudan Development Corporation
Mr. Mohamed Abdulla Al-Sani	Arab Authority for Agricultural Investment & Development
Syd El Saeed Osman Mahgoub	Consortium of Sudanese Banks
<b>Managing Director:</b>	Syd Osman Abdalla El Nazir
<b>Deputy Managing Directors:</b> (Site) (Khartoum)	Syd Mohamed El Mahi El Haj Syd Ibrahim Ali Masalam
<b>Principal Bankers:</b>	Bank of Sudan El Nilein Bank British Arab Commercial Bank Limited (London) Barclays Bank PLC (London) National Westminster Bank PLC (London) Citibank (London)
<b>Joint Auditors:</b>	Abdel Latif Al Tayeb & Co. (Khartoum) Hazem Hassan & Co. (Cairo)
<b>Legal Counsel:</b>	El Karib & Medani (Khartoum) Veil Armfelt & Associes (Paris & Cairo)
<b>Technical Consultants:</b>	F.C. Schaffer & Associates Inc. (Baton Rouge, USA)
<b>Company Secretary:</b>	F.O. Medani
<b>Registered Office:</b>	Plot No. 846, Block 22, El Geraif Gharb, Khartoum, Sudan

## **SOME FACTS ABOUT THE KENANA PROJECT**

### **Design Criteria:**

An integrated cane sugar estate with a factory rated at some 17,000 tonnes of cane per day (record daily throughput on 14th January 1985: 23,707 tonnes) and a production capability in excess of 300,000 tonnes of white sugar per annum (record production season 1986/87: 310,000 tonnes of white sugar)

### **Initial Concept:**

To replace imports by providing 150,000 tonnes of sugar annually for the domestic market, and to export the balance of production to earn foreign currency for the project.

### **Location:**

Near Rabak on the east bank of the White Nile, some 250 kilometres south of Khartoum and 1200 kilometres from Port Sudan.

### **Estate Area:**

150,000 feddans (63,000 hectares)

### **Plantation Area:**

85,000 feddans (35,700 hectares)

### **Irrigation Works:**

Four pumping stations with a capacity of 44 cubic metres a second and a total lift of between 40 and 43 metres, carry the waters of the White Nile along 29 kilometres of main canal to command the plantation area onto which they are fed by gravity along some 300 km of secondary canals, which follows the contours of the estate.

### **Irrigation Requirement:**

800 million gallons per day.

### **Estate Roads:**

250 kilometres of major roads supplemented by a 1,500 kilometres network of infield roads. The maximum length of cane haul to factory is 35 kilometres.

### **Electricity Generation:**

40 megawatts during the season, and 20 megawatts during the off-crop season.

### **Labour Force:**

8,000 permanent staff with a like number of seasonal workers engaged for the duration of the crop season.



## Kenana Sugar Company Limited

### Ten Year Operations and Financial Summary

		1985/86	1986/87	1987/88
01	Crushing season (days)	167	168	146
02	Area harvested (feddans)	82,600	81,700	77,100
03	Cane harvested (MT 000)	2,557	2,572	2,327
04	Cane yield per feddan (MT)	31.00	31.50	30.20
05	Cane harvested per day (MT)	15,300	15,300	15,900
06	Harvesting method – Mechanical (%)	47	48	49
	– Hand-cut (%)	53	52	51
07	Net sugar recovery/cane crushed (%)	11.45	12.04	11.38
08	Sugar production (MT)	293,000	310,000	265,000
09	Production target (MT)	290,000	265,000	280,000
10	Selling price (Domestic market quota) (LS/MT)	800.00	1,065.00	1,881.00
11	Production costs (LS/MT)	610.73	732.69	1,148.98
12	Cost excluding extraordinary items (Line 20) (LS/MT)	728.41	639.65	1,094.98
13	Total Cost (LS/MT)	690.00	803.67	1,094.98
14	Turnover (LS 000)	247,947	313,231	515,921
15	Operating Profit/(Loss) (LS 000)	69,004	86,098	211,441
16	Net finance charges (payable)/receivable (LS 000)	(3,993)	5,356	16,205
17	Net Gain/(Loss) on exchange (LS 000)	(30,489)	23,486	(1,894)
18	Provisions (LS 000)	—	—	—
19	Profit/(Loss) before extraordinary items (LS 000)	34,522	114,940	225,752
20	Extraordinary items (LS 000)	11,254+	(77,699 <sup>*</sup> )	—
			8,251+	
21	Net Profit/(Loss) for year (LS 000)	45,776	45,492	225,752
22	Applicable exchange rate per L.S.1.00 (US \$)	0.40	0.40/0.22	0.22
23	Dividends (US \$)	—	—	—

\* (Loss)/profit resulting from devaluation in Sudanese currency

+ Gain on settlement of contractors' claims

1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95
142	128	145	148	147	138	150
80,800	75,100	77,500	77,300	76,000	77,616	75,077
2,055	2,059	2,357	2,257	2,242	2,142	2,276
25.40	27.40	30.40	29.20	29.50	27.60	30.30
14,500	16,100	16,300	15,300	15,300	15,500	15,200
50	46	46	51	51	54	54
50	54	54	49	49	46	46
11.28	11.27	10.70	11.23	11.81	11.61	11.10
232,000	232,000	252,000	253,000	265,000	249,000	253,000
275,000	245,000	248,000	266,000	260,000	265,000	265,000
2,900.00	3,200.00	6,258.00	17,538.00	35,520	89,393	172,773
1,622.30	2,161.28	3,034.88	9,883.48	18,511.23	52,628.08	96,889
1,413.09	1,923.21	2,992.93	9,087.33	18,511.23	56,627.69	96,889
1,413.09	997.23	2,992.93	10,817.45	18,511.23	57,161.37	96,889
610,081	741,134	1,492,706	5,981,420	10,279,501	30,775,705	52,230,708
233,707	239,716	727,916	3,480,900	5,374,026	17,671,313	28,756,024
44,165	52,631	27,476	415,476	877,601	1,742,098	410,184
4,373	2,603	1,096	(198,401)	(807,234)	(2,512,775)	267,527
—	—	18,000	15,650	45,071	51,345	35,164
282,245	294,950	738,488	3,682,325	5,399,322	16,879,679	29,014,889
—	214,826 <sup>#</sup>	—	(437,719 <sup>#</sup> )	—	(132,885) <sup>#</sup>	—
282,245	509,776	738,488	3,244,606	5,399,322	16,706,794	29,014,889
0.22	0.22/0.08	0.08	0.03-0.009	0.009-0.006	0.006/0.0026	0,0014
—	—	—	1,500,000	3,000,000	3,000,000	5,000,000

## CHAIRMAN'S STATEMENT

(Foreword by H.E. Badr Eldin Mohammed Ahmed Suliman, Chairman of Kenana Sugar Company and Minister of Industry in Government of the Republic of Sudan).

The Production season began on 26 November 1994, a few days earlier than previous season, but a few days later than the normal starting dates. This was due to various reasons e.g. delays in the arrival of some equipment and spare parts pertinent to factory maintenance and up-grading, and the departure of some of the highly experienced staff before the crop. The production operations continued during the season for 150 days, thus producing 252,600 tonnes of sugar, only 4% short of the production target of 265,000 tonnes. The cane yield per feddan increased substantially to 30.3 tonnes/feddan, up from 27.6 tonnes last crop. These results were achieved under difficult economic and financial circumstances and in an economic climate characterised by high inflation and continuous increases in cost of manpower. This further worsened by the less than expected drop in the cash flow in local currency, due to the delays in payment of the proceeds of the 'Domestic Quota' for the current crop and the arrears of the previous crop (1993/94).

The considerable improvement in the sugar cane yield per feddan, by introducing new planting practices using modern technology, resulted in the increase in the quantity of sugar cane crushed during this season compared to the previous seasons. A slight decrease in the sugar recovery was also noticed, which is attributable to the warmer than usual winter season, especially as the season continued until the end of April 1995. These adverse factors have been overcome by the efficient running of the process and the close co-ordination between the different production departments.

The credit for the achievements during this crop, despite all the adverse factors, should go to a dedicated management team and the workforce for their vigorous efforts, the support of the Government of Sudan, the Shareholders, Directors of the Board and Executive Committee. These distinctive efforts led to the rise in total crushed tonnage, although the area harvested decreased from 77,700 feddans in the 1993/94 season to 75,100 feddans in the 1994/95 season. The cane yield per feddan increased also from 27.6 to 30.3 tonnes per feddan. This truly reflects the efficiency of the farming and harvesting operations, with the productivity per feddan increased by 2.7 tonnes, a 10% increase. Although the sugar recovery rate per tonne of cane declined from 11.6% in the 1993/94 season, to 11.1% in the 1994/95 season the total production increased from 248,800 to 252,600 tonnes, thus achieving a gross increase amounting to 4,000 tonnes.

The extensive maintenance, extended to the factory and the various equipments and machinery, prior to this season, will considerably reduce the amount of work for the maintenance next year. The Management is very much

concerned with the programmes of replacement of the factory equipments and up-grading of factory capacities, to compensate for the less than satisfactory maintenance during the previous seasons due to shortage in foreign currency fundings.

Sales proceeds totalled 53.2 billion Sudanese pounds compared to 30.8 billion pounds the previous year, and profits rose to 29 billion Sudanese pounds, compared to 12.7 billion the previous year. With these financial results the Board of Directors recommended to the AGM to distribute US\$ 5 million dividends this year.

We are very grateful for the understanding shown by the Minister of Finance, which enabled KSC to reach an interim price for the 'Domestic Quota' equitable to the estimated costs according to the current budget, pending the finalization of the audited accounts at the end of the financial year. This has enabled the company to overcome all the previous cash flow and the resultant arrears complications stemming from the application of the previous season's audited price as an interim price for the following season. As regards foreign currency, the company has managed for over four years, thanks to aggressive policies adopted by the Marketing Dept., to be self-reliant in terms of financing production inputs, maintenance programmes, equipments up-grading and replacement. Also, the company continued with its policies to diversify and increase the production capacities e.g. production of brown sugar and extension of the agricultural estate.

As part of implementing the company's strategic plan until the year 2000, to achieve a horizontal and vertical expansion of production and to diversify the company's products, many projects are being implemented. The most important of these projects are; the 10,000 feddans expansion, the up-grading of the Agronomy department and the improvement of the Estate's environmental conditions, as well as the strengthening of the Company's administration and financial systems and procedures.

The work on the expansion project is underway and expected to finish during the second half of 1996. The new area will enter the production cycle during 1997/98 crop season, enabling the Company to maintain the production at the levels of 320,000 tonnes annually. The project consists of a number of interconnected schemes aimed to modifying the existing pumping stations and the power station at pump station 3. This is in addition to construction of new irrigation canals and two additional pumping stations (NO. 5 and 6). This project is financed by a loan from the African Development Bank, amounting to US\$ 42 million.

The African Development Bank will also finance the newly proposed bagasse charcoal project with funds totalling US Dollars 5 million. This project has appreciated by various UN organisations as crucial to the preservation of the environmental and climatic conditions in central Sudan.

It's worth mentioning that the African Development Bank has commended KSC for the high degree of efficiency



in implementing all contracts and in execution of the various disbursement for the funds availed.

The company commenced the commercial production of brown sugar (Jaggary). The production of the Jaggary pilot plant was widely accepted by sweets, pastries and local drinks manufacturers. The objective of this project is to encourage production and therefore demand for non-centrifugal sugars in Sudan, hence allowing for more sugar exports.

The Company provided the Agronomy department with modern new equipments to enhance further their leading role in the cane production. The department carried out a number of experiments which assisted in increasing both the quantity and quality of sugar cane production. For the first time in Sudan, the department introduced new varieties of sugar cane. Since these new varieties have been developed locally to suit the Sudanese climate this has substantially improved the quality of sugar cane available in Sudan. These varieties have won the approval of the concerned national authorities, and were named 'Kenana Cane Varieties'.

During this season the Company has improved the various facilities on Site. More efforts were exerted to avail more houses, local transport, schools and drinking water, as well as improving local environmental conditions. Also, within a plan to be finalised within two years, all seasonal workers will be absorbed in semi-permanent jobs to give them more job security.

A comprehensive review of the company's wages and employment conditions has been carried out to further enhance the industrial relations, and to maintain the Company's leading position in the local labour market.

As regards the strengthening of the Company's financial and administration systems, a prominent firm has been employed to review all Kenana systems, which have been in place since the early 1980's. The employed firm is expected to submit to Kenana detailed recommendations to improve these systems.

It has always been the golden rule in Kenana, that the adoption of new technologies, the diversification of products, and the strengthening of the agricultural research systems, together with implementing flexible and dynamic export policies, the continuation of Sudanisation and training programmes and the improvement of the working conditions, are the only way forward. Therefore, Management has devoted most of the resources towards achieving these goals for the ultimate benefit of the Company and its Shareholders.

H.E. Badr Eldin Mohammed Ahmed Suliman  
Khartoum  
January 1996

## **DIRECTORS' REPORT**

The members of the Board of Directors submit their report together with audited accounts for the financial year ending 30 September 1995.

### **Assessment of 1994/95 Crop:**

During this season (1994/95), Kenana produced 253,000 tonnes of white sugar, by crushing 2.276 million tonnes of sugar cane during a period of 150 days. The average sucrose recovery rate achieved during the crop was 11.1% (1994: 11.61%). The final outrun represents 96% of the crop target (1994: 94% of target).

One of the most important features of this season was the noticeable increase in the yield per feddan. This amounted to 10% increase from previous season's results. This increase in production of cane will engage the Company in a comprehensive programme of up-grading of the Factory, machinery and equipments to be able to process more tonnage in the coming seasons.

### **Cash Flow:**

The timely realisation of the export sales proceeds this season has considerably improved the Company's ability to finance most of its requirements. At the same time the lack of sufficient funds in local currency had an adverse effect on funding of inputs and services from the local market. The intervention of the Government of Sudan in meeting the costs of the supply of petroleum products against last crop sugar sales arrears has lessened the demand for local currency.

### **Production of Sugar Cane:**

The first estimates of sugar cane showed very good prospects since the irrigation operation coupled with good rainy season, was expected to boost the yield per feddan more than the actual figures mentioned above. In general, the irrigation operations were much better than in the previous

season. The higher than average level of temperature during the crop and the reduction on the daily crushing rate has adversely affected cane production. An area of 23,817 feddans was sprayed with etheryl which is expected to increase the yield of sugar cane per feddan next season.

### **Harvesting & Transport of Sugar Cane:**

The harvesting and transport of sugar cane improved considerably reducing cane losses to 1.12 tonnes per feddan (1994: 1.48 tonnes per feddan). The transport trucks were utilised efficiently, especially with the introduction of the new Volvo trucks.

### **The Manufacturing Unit:**

The sugar recovery fell to 11.1% (1994: 11.6%). The average daily crushing rate also fell to 15,212 tonnes of sugar cane (1994: 15,574 tonnes). The down time rose to 9.38% (1994: 7.63%). These results prompted the Management to introduce intensive maintenance and up-grading programmes during the following shut down period. All spares and technical staff were provided to guarantee timely completion of these programmes.

### **Results For The Year:**

In the light of the various constraints indicated above, the considerable increase in cane productivity together with the close co-ordination between the different departments, led to the satisfactory results during this crop season.

The sales operations of sugar and molasses were satisfactory, with total proceeds reaching LS 53.2 billion (1994: LS. 30.8 billion), a 73% increase. This increase reflects the decline in the value of the Sudanese Pound in addition to the increase in the 'Domestic Quota' price and the high export prices negotiated for sugar and molasses.

Operating profits for the year, totalled LS 28.7 billion (1994: LS 17.7 billion). The net profits for the year totalled LS. 29.0 billion (1994: LS. 16.7 billion). The exchange rate of the Sudanese pound against US dollar declined from LS. 386.5 on 30 September 1994, to LS. 735, to the dollar on 30 September 1995.

#### Forecasts:

After the season was over, irrigation operations were performed with a high degree of efficiency as compared with the two previous years. Efforts to improve the agricultural operations continued unabated. Productivity per feddan is expected to increase beyond the target of 31 tonnes of sugar cane per feddan as stated in the balance sheet, accordingly, the amount of cane harvested will increase to 2,387 tonnes, resulting in the production of 265,000 tonnes of sugar at an extraction rate of 11.1%, together with an increase in the production of brown sugar. Maintenance operations were carried out in a better manner, providing for high expectations for a successful production season.

Before the new season began, a new agreement was concluded regarding the method of handing over the 'Domestic Quota' of sugar and its payment. This will reduce the shortage in local currency.

The operation for implementing projects financed by the African Development Bank

in accordance with the plans drawn up is continuing. Farming of the new area is expected to begin in the second half of the year 1996.

#### Share Capital Funding:

Authorised Share Capital remains constant at LS 590 million nor has there been any movement on the share register during the year, with the Issued Share Capital continuing to be held in the following percentage:

Government of the Republic of Sudan	35.17
Kuwait Real Estate Investment Consortium	30.50
Government of the Kingdom of Saudi Arabia	10.92
The Arab Investment Co. S.A.A.	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 W.L.L.	0.16
	100.00

**Managers:**

The Board of Directors as presently constituted is shown on page 2.

**Auditors:**

The appointment period for the joint external auditors Messers Abdel Latif Al Tayeb and Hazem Hassan has expired. The Board of Directors takes this opportunity to express its appreciation for the valuable services they have performed since 1990/91 financial year. In implementing the company's policy of replacing the external

auditors every four years, the Board of Directors recommends the appointment of Professional Accounting Partnership, Riyadh, Saudi Arabia, together with Abdulatif Atayib and partners (Khartoum) at fees to be negotiated, to hold office until the close of business at the Annual General Meeting for 1996.

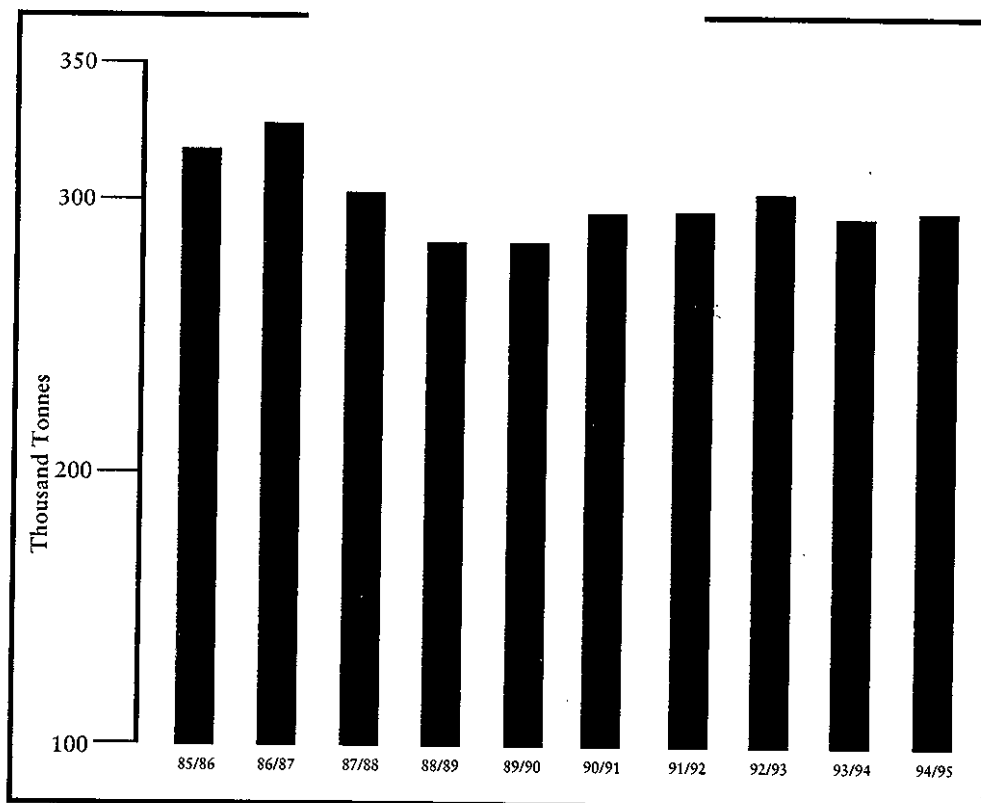
By order of the Board.

F.O. Medani

Company Secretary

Khartoum

January 1996



A Chart showing 10 year's production record

## SUMMARY OF DOMESTIC SUGAR SALES REVENUE

Crop Year	LS PRICE PER M. T.			Total Production M. T. 000	Domestic Market Quota M. T. 000	SHORTFALL IN LS MILLIONS		
	† Contractual	Received	Shortfall			* Exchange Rate Pegging Adjustment	On Annual Domestic Sales	Cumulative
1979/80	2,708	537	(2,171)	19	19	N/A	(41.249)	(41.249)
1980/81	1,112	537	(575)	107	107	N/A	(61.525)	(102.774)
1981/82	809	537	(272)	165	150	N/A	(40.800)	(143.574)
1982/83	734	537	(197)	230	150	N/A	(29.550)	(173.124)
1983/84	969	670	(299)	248	150	N/A	(44.850)	(217.974)
1984/85	875	773	(102)	306	150	N/A	(15.300)	(233.274)
1985/86	1,037	800	(237)	293	150	65,985	(35.550)	(202.839)
1986/87	1,200	1,065	(135)	310	150	23,318	(20.250)	(199.771)
1987/88	1,881	1,881	-	265	150	N/A	N/A	(199.771)
1988/89	2,883	2,900***	17	232	150	N/A	2.550	(197.221)
1989/90	5,390	3,200***	(2,190)	232	150	N/A	(328.500)	(525.721)
1990/91	6,258	6,258	-	252	150	N/A	-	(525.721)
1991/92	17,538	17,538	-	253	150	N/A	-	(525.721)
1992/93	35,520	35,520	-	265	150	N/A	-	(525.721)
1993/94	89,393	89,393	-	249	150	N/A	-	(525.721)
1994/95	173,773	173,773	-	253	150	N/A	-	(525.721)

\*Reduction in obligations to the Bank of Sudan in connection with rescheduled export credit loan repayments.

\*\* Prices do not include any adjustment which may be due in respect of capital cost over-run in terms of the sugar sale agreement of 1975.

\*\*\* Prices for the two seasons were negotiated simultaneously.

## PROFIT AND LOSS ACCOUNT

For the year ended  
30 September 1995

	Note*	1995 LS 000	1994 LS 000
Sales	3	53,230,768	30,775,705
Operating Costs		20,780,482	10,920,243
Social and infrastructure Costs		1,315,914	679,110
General and Administrative Costs		2,378,348	1,514,651
		<u>24,474,744</u>	<u>13,114,004</u>
Operating Profit		28,756,024	17,661,701
Net finance charges receivable	4	410,184	1,742,098
Capital revenues	5	148,626	—
Provisions		(35,164)	(51,345)
Development tax	6	(532,308)	—
Gain/(loss) on exchange	7	<u>267,527</u>	<u>2,512,775</u>
Profit before extraordinary item		29,014,889	16,839,679
Extraordinary loss on exchange		<u>—</u>	<u>132,885</u>
PROFIT FOR THE YEAR		29,014,889	16,706,794
APPROPRIATED AS UNDER:			
Proposed dividend	16	(3,675,000)	(1,159,500)
Provision for Dividend Currency Variations		<u>(1,825,000)</u>	<u>(100,500)</u>
RETAINED PROFIT FOR THE YEAR		<u>23,514,889</u>	<u>15,446,794</u>

\* The enclosed notes are considered to be an integral part of the financial statement.

# **BALANCE SHEET**

As at 30 September 1995

	Note*	1995 LS 000	1994 LS 000
<b>FIXED ASSETS:</b>			
Fixed Assets in use	8	7,231,240	2,434,026
Capital Works in Progress	9	5,041,623	4,011,494
Interest in Subsidiary	10	248	248
		<u>12,273,111</u>	<u>6,445,768</u>
<b>CURRENT ASSETS:</b>			
Inventories including standing cane	11	14,135,318	7,944,782
Government of Sudan Debt	12	171,815,682	82,971,020
Sundry Debtors	13	10,932,930	6,185,518
Cash and Bank Balances	14	22,098,926	5,479,803
		<u>218,982,856</u>	<u>102,581,123</u>
<b>CURRENT LIABILITIES:</b>			
Creditors and accruals	15	(100,653,165)	(42,130,403)
Bank overdraft		(1,764,000)	(1,126,725)
Proposed dividend		(3,675,000)	(1,159,500)
		<u>(106,092,165)</u>	<u>(44,416,628)</u>
Net Current Assets:		<u>112,890,691</u>	<u>58,164,495</u>
Total Assets Less Current Liabilities		<u>125,163,802</u>	<u>64,610,263</u>
<b>FINANCED BY:</b>			
Share Capital	16	560,545	560,545
Reserves	17	48,004,215	24,489,321
		<u>48,564,760</u>	<u>25,049,866</u>
SHAREHOLDERS' FUNDS	18	<u>76,599,042</u>	<u>39,560,397</u>
Loans		<u>125,163,802</u>	<u>64,610,263</u>

\* The enclosed notes are considered to be an integral part of the financial statement.

# STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended  
30 September 1995

	1995 LS 000	1994 LS 000
<b>SOURCES OF FUNDS:</b>		
Profit for the year	29,014,889	16,706,794
Adjustment for items not involving the movement of Funds:		
Unrealised (Gain)/Loss on exchange	5,869,484	2,735,870
Depreciation	398,835	244,492
Total Funds Generated	35,283,208	19,687,156
<b>APPLICATION OF FUNDS:</b>		
Capital Expenditure (net of disposals)	6,226,178	4,192,870
Increase/decrease in working capital:		
Stocks	6,190,536	4,335,678
Debtors	21,155,557	13,352,732
Creditors	(14,270,911)	(5,805,571)
TOTAL FUNDS APPLIED	19,301,360	16,075,709
MOVEMENT OF LIQUID FUNDS	15,981,848	3,611,447
<b>REPRESENTED BY:</b>		
Increase/(decrease) in cash resources	16,619,123	4,238,823
Increase in overdraft	(637,275)	(627,376)
	15,981,848	3,611,447



# NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

### i) Foreign Currency Translation

The Company maintains its accounts in Sudanese Pounds. Transactions in foreign currencies are converted into Sudanese Pounds at the exchange rate prevailing at the transaction date. At the date of balance sheet, the monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate then prevailing.

A floating exchange rate mechanism has operated since 1 February 1992. In September 1994, the prevailing exchange rate was 386.5 Sudanese pounds = 1 US\$. On 30 September 1995, the exchange rate escalated to 735 Sudanese pounds = 1 US\$. The exchange losses as a result of this appears in a separate item in the Profit and Loss Account.

### ii) Fixed Assets

#### 1. Fixed Assets in use:

The fixed assets in use are depreciated on the straight line basis over their expected useful lives as follows:

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

#### 2. Inventories Including Standing Cane:

Standing cane is stated at cost.

Materials and supplies are stated at the lower of cost (using the weighted average method) and net realisable value.

Sugar and sugar products are stated at the lower of cost (using the first in, first out method) and net realisable value.

In the case of standing cane, sugar and sugar products inventories, cost includes an appropriate portion of overhead expenditure.

## 2. FINANCE

In January 1983, shareholders of the Company committed themselves to subscribe US \$ 180 million for three series of Special 10% Cumulative Participating Convertible Preferred Shares 'A' of LS 1.00 each, the first two series totalling 175.5 million shares being offered to shareholders during the year ended 30 September 1983. Both issues were fully subscribed.

In accordance with projected funding requirements, the third series of 5.8 million shares was duly offered to shareholders for subscription on or before 2nd January 1985. To date some 30.6 million shares have been subscribed for, generating approximately US\$ 23.5 million.

Having regard to all known circumstances the directors expect that the Company will have sufficient working capital to sustain its ongoing operations.

### 3. SALES

Under the terms of the Sugar Sales Agreement, signed between the parties in May 1975, a 'domestic market quota' of 150,000 metric tons of sugar, annually, is to be purchased by Sudan Government in accordance with a pricing formula which takes account, *inter alia*, of specific indexed cost inputs. However, Domestic Market Quota Sugar used to be purchased at prices tailored to economic realities, rather than in accordance with the aforesaid pricing formula. In recognition of this, the Government of Sudan agreed to the following concessions:

1. The Company's US Dollars exposure to the Bank of Sudan in connection with its rescheduled export credit borrowings under agreement reached or anticipated for the years 1981 through 1989, has been pegged at 30th September 1985 exchange rate.
2. In terms of a communication received from the Ministry of Finance and Economic Planning, the Company's initial exemption from all business profit taxes is extended for a further 10 year period.

Recently an agreement has been reached with regard to methodology of pricing formula application after intensive efforts, with effect from 1991/92 and onwards.

Kenana is now engaged in large-scale export activity and is selling, under secure foreign currency arrangements, all sugar production in excess of the Domestic Market Quota.

Analysis of sugar sales for each grade, including the stock available in the first period:

	1995		1994	
	MT	LS 000	MT	LS 000
'Domestic quota' sugar	150,000	26,065,950	150,000	13,408,950
'Export quota' sugar	91,386	22,629,305	124,723	14,117,254
Cube sugar	26	4,917	1,372	203,138
Treacle	3,491	737,795	5,170	574,357
Small Packages	1,894	542,183	2,892	471,956
Molasses	93,711	3,250,618	88,409	2,000,050
		<u>53,230,768</u>		<u>30,775,705</u>

### 4. NET FINANCE CHARGES RECEIVABLE

	1995	1994
	LS 000	LS 000
<b>PAYABLE:</b>		
Export Credit Loans	2,564,464	1,287,563
Export Credit Rescheduled Loans	6,741,187	4,038,007
Bank Overdraft	64,674	65,311
	<u>9,370,325</u>	<u>5,390,881</u>
<b>RECEIVABLE:</b>		
Finance charges related to		
'Export Quota' sugar	9,458,222	7,011,625
Bank credit balances	322,287	121,354
	<u>9,780,509</u>	<u>7,132,979</u>
<b>NET RECEIVABLE</b>	<u>410,184</u>	<u>1,742,098</u>

#### 5. CAPITAL GAINS:

This represents the total revenues generated from disposing of all depreciated machinery and equipments etc.. during this financial year.

#### 6. DEVELOPMENT TAX:

The Development Tax is imposed on companies exempt from the Business Profits Tax, at the rate of 1% of the Total Sales. An agreement was reached with the Government of Sudan, to settle amounts due from Kenana against the arrears of the sales of the "Domestic Quota".

#### 7. LOSS ON EXCHANGE:

Represents fluctuations in exchange rates for assets, liabilities and foreign currency transactions during the year.

#### 8. FIXED ASSETS IN USE

	Land, buildings & infra- structure	Other buildings, equipment machines, pumps, furnishings	Agricultural equipment, & other plant	Vehicles, village housing & temporary structures	Total
	LS 000	LS 000	LS 000	LS 000	LS 000
<b>COST</b>					
At 1 October 1994	491,239	1,264,565	1,240,248	277,568	3,273,620
Additions	437,565	2,435,457	1,569,905	756,486	5,199,413
Disposals/Transfers	—	(15)	(8,423)	(1242)	(9,680)
<b>At 30 September 1995</b>	<b>928,804</b>	<b>3,700,007</b>	<b>2,801,730</b>	<b>1,032,812</b>	<b>8,463,353</b>
<b>DEPRECIATION</b>					
At 1 October 1994	109,439	355,501	288,426	86,228	839,594
Charge for the year	19,677	90,863	226,579	61,716	398,835
Disposals/Transfers	—	(13)	(5,061)	(1,242)	(6,316)
<b>At 30 September 1995</b>	<b>129,116</b>	<b>446,351</b>	<b>509,944</b>	<b>146,702</b>	<b>1,232,113</b>
<b>NET BOOK AMOUNT</b>					
At 30 September 1995	799,688	3,253,656	2,291,786	886,110	7,231,240
At 1 October 1994	381,800	909,064	951,822	191,340	2,434,026

#### 9. CAPITAL WORK IN PROGRESS:

The capital works in progress includes all amounts due to contractors, together with other capital expenses, before the date of the Balance Sheet.

	1995	1994
	LS 000	LS 000
Balance at beginning of year	4,011,494	677,953
Additions	6,229,542	4,193,133
Completed work transferred to Fixed Assets	(5,199,413)	(859,592)
Balance at end of year	5,041,623	4,011,494

#### 10. INVESTMENT IN SUBSIDIARY COMPANY:

	1995	1994
	LS 000	LS 000
2,475 Ordinary Shares of LS.100 per share in Kenana Engineering and Technical Services Limited	248	248

#### 11. INVENTORIES INCLUDING STANDING CANE:

	1995	1994
	LS 000	LS 000
Sugar	684,086	235,400
Standing Cane	6,858,361	3,858,265
Forests	44,669	—
Miscellaneous Stores	6,548,202	3,851,117
	14,135,318	7,944,782

#### 12. GOVERNMENT OF SUDAN DEBT:

There follows a summary of the accounting operations on this account during the year:

	1995		1994	
	US\$	LS	US\$	LS
	million		million	
Balance at beginning of year	190.3	9,429.2	176.5	4,319.8
Sales	—	31,811.1	—	13,408.9
Finance Charges	22.8	—	20.9	—
Receipts from Operations	(0.9)	(25,360.3)	(7.1)	(8,299.5)
	212.2	15,880.0	190.3	9,429.2
US\$ element converted at applicable rates of exchange		155,935.6		73,541.8
Balance at end of year		171,815.6		82,971.0

### 13. DEBTORS:

This includes sale of sugar and by-products in the local market valued in US dollars and documentary credits and advance payments.

### 14. BANK BALANCES AND CASH

	1995 LS 000	1994 LS 000
In Local Currency	2,127,012	52,961
In Foreign Currency	19,971,914	5,426,842
	<u>22,098,926</u>	<u>5,479,803</u>

After appropriate provision, local and foreign currency bank balances include respectively LS 8.2 million with BCCI, Khartoum and US Dollars equivalent to LS 202.8 million (US Dollar 276,000) with BCCI London, which are inaccessible at this time.

On the date of the balance sheet, there was a documentary credit established with Ubaf Bank, London equivalent to US\$ 12.1 million.

### 15. CREDITORS AND ACCRUALS

Includes LS 89.2 billion accrued interest due on Export Credit Loans.

### 16. SHARE CAPITAL

	1995 LS 000	1994 LS 000
(a) Authorised:		
Ordinary Shares of LS.1.00 each	76,475	76,475
10% Cumulative Participating Convertible Preferred Shares 'A' of LS 1.00 each	156,000	156,000
10% Cumulative Participating Convertible Preferred Shares 'A' of LS 100 each	234,000	234,000
8% Cumulative Participating Convertible Preferred Shares 'B' of LS 1.00 each	<u>123,525</u>	<u>123,525</u>
	<u>590,000</u>	<u>590,000</u>
(b) Issued and fully paid:		
Ordinary Shares	76,475	76,475
10% Cumulative Participating Convertible Preferred Shares 'A' of LS 1.0 each	155,288	155,288
10% Cumulative Participating Convertible Preferred Shares 'A' of LS 100 each	206,086	206,086
8% Cumulative Participating Convertible Preferred Shares 'B' of LS 1.0 each	<u>122,696</u>	<u>122,696</u>
	<u>560,545</u>	<u>560,545</u>

(c) All classes of preferred shares are, at the option of the Board of Directors, subject to conversion at par into Ordinary Shares at any time after 1st June 1995, provided that no share may be so converted unless all cumulative dividends thereon shall first have been paid up to the date fixed for conversion.

(d) Cumulative dividends attaching as under to the Company's various classes of Preferred Shares are due for distribution to Shareholders and will affect the financial statements when distribution is declared.

	Date of Issue	Amount Issued	Annual Interest Rate	Arrears as at 30.09.1995	Arrears as at 30.09.1994
	LS 000	LS 000	(%)	LS 000	LS 000
Cumulative Participating Convertible Preferred Shares 'B'	Apr 1980	122,696	8	152,144	142,328
Cumulative Participating Convertible Preferred Shares 'A'					
First Series	Jul 1980	68,744	10	102,477	95,603
Second Series	Oct 1980	68,744	10	99,914	93,040
Third Series	Feb./Mar 1981	17,800	10	30,083	28,303
				232,474	216,946
Less Total Distribution				(10,594)	(7,323)
				221,880	209,623
Special Cumulative Participating Convertible Preferred Shares 'A'					
First Series	Mar 1983	117,000	10 x	81,195,572	39,218,219
Second Series	Jul 1983	58,500	10 x	39,386,203	18,971,998
Third Series	Jan 1985	30,586	10 x	18,141,014	8,630,113
				138,722,789	66,820,330
Less Total Distribution				(9,168,340)	(2,890,395)
				129,554,449	63,929,935

x To be calculated on the basis of the US Dollar amount subscribed (at US\$ = 1.30 Sudanese pounds) for these shares and to be paid in United States Dollars, or the equivalent amount in Sudanese currency, calculated at the declared rate of exchange prevailing from time to time (at 30.9.94: LS 386.50 = US\$ 1.0).

## 17. RESERVES

	1995 LS 000	1994 LS 000
Balance at beginning of year	24,489,326	9,042,527
Retained Profit for the year	29,014,889	15,446,794
Balance at end of year	53,504,215	24,489,321
The Balance has arisen as follows:		
- Cumulative operating profit	56,143,552	27,954,995
- Pre-operating costs	(60,562)	(60,562)
- Net finance charges receivable	3,546,822	3,136,638
- Net losses on exchange	(3,266,871)	(3,534,398)
- Capital reserve	148,626	—
- Dividends	(7,888,617)	(2,388,617)
	48,622,950	25,108,056
Extraordinary losses on successive parity changes for the Sudanese Pound	(666,473)	(666,473)
Other extraordinary item	19,505	19,505
Allowance for issue of shares	28,233	28,233
	48,004,215	24,489,321

## 18. LOANS:

Bank of Sudan has agreed that certain amounts of principal and interest relating to the Company's export credit loans falling due in the calendar years 1984 through 1988 will eventually be included in rescheduling agreements to be signed between the Government of Republic of Sudan and the respective foreign Governments. The Company's accounts from 1984 to 1990 accordingly anticipated these agreements vis-à-vis loan instalments falling due during the years 1984 to 1988.

These agreements have yet to take place and accordingly all outstanding instalments of export credit loans which matured for payment from 1984 through 1988 have now been restated as loans, with adequate provisions made for accrued interest contractually due under the loan agreement.

It is assumed that no part of these loans will be settled during the next twelve months.

Although, as mentioned in Note 3 (1) above, the Government of Sudan has allowed the export credit loans to be pegged at 30 September 1985 exchange rate of the US Dollar against original loan currency, it has been decided as a matter of prudent accounting policy to translate these loans at rates of the Sudanese Pound against the original currency prevailing during the current financial year. However, should these loans to be taken over by the Government of Sudan in terms of any loan rescheduling agreement(s), the resultant set off against Government of Sudan export sugar dues would be effected at the 30 September 1985 rates of exchange between the U.S. Dollar and Loan Currencies, as already agreed with the Government.

The Loans are analysed below in the currencies in which they are denominated:

	Loans in foreign currency				
	French Francs (in 1000's)	Japanese Yen (in 1000's)	Austrian Schillings (in 1000's)	Kuwaiti Dinars (in 1000's)	
IN LOAN ORIGINAL CURRENCY					
Balance as at 30.9.1995	132,904	5,256,190	90,478	4,612	
Balance as at 30.9.1994	132,904	5,256,190	90,478	4,612	
EQUIVALENT IN SUDANESE CURRENCY					
Balance as at 30.9.1995	76,599,042	19,916,954	38,212,505	6,636,583	11,833,000
Balance as at 30.9.1994	39,560,397	9,680,708	20,446,581	3,192,075	6,241,033
Rate of interest (%)	10.0	8.5	9.5	10.5	
EXCHANGE RATE OF SUDANESE POUND					
In 1995, 1 Sudanese pound =	0.0067	0.1376	0.0136	0.0004	
In 1994, 1 Sudanese pound =	0.0137	0.2571	0.0283	0.0007	

#### 19. CAPITAL COMMITMENTS:

Capital expenditure of LS 18,357.9 million (1995: LS 11,639.8 million) has been budgeted for the year ending 30 September 1996 at exchange rate US\$ 1.0 = LS 531 (1995: US\$ 1.00 = LS 400). Of this amount, LS 5,472 million (1995: LS 29.30 million) was contracted for. It represents future contracts which are not reflected in the current year accounts.

Due to hard currency constraints activity this area was again restricted:

	1995 <u>(LS Million)</u>	1994 <u>(LS Million)</u>
Budget	11,639.8	5,357.7
Actual	6,229.5	4,176.2

#### 20. TAXATION:

Under the Income Tax Exemption Order (Kenana Sugar Company Limited) 1975, the Company has exemption from all business profit taxes for a period of ten years from the commencement of commercial production of refined sugar in 1981/82. In terms of a communication received from the Ministry of Finance and Economic Planning, this exemption is extended for a further ten year period.



## **REPORT OF THE INDEPENDENT AUDITORS**

To the Shareholders of  
Kenana Sugar Company Limited

We have examined the financial statements of the Kenana Sugar Company Limited for the year ended 30 September 1995. Our examination was conducted in accordance with generally accepted auditing standards and accordingly included such tests of the accounting procedure as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company at 30 September 1995 and the results of its profit and source and application of funds for the year then ended in conformity with generally accepted accounting principles.

Abdel Latif Al Tayeb & Co.  
Khartoum

KPMP - Hasem Hassan & Co.  
Cairo

Khartoum  
January 1995.