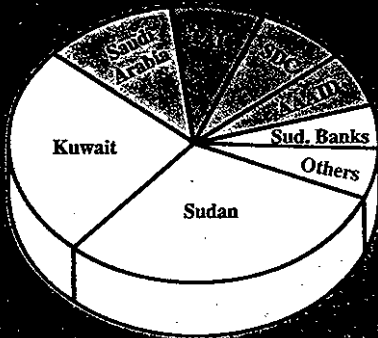


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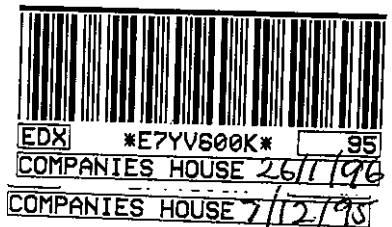


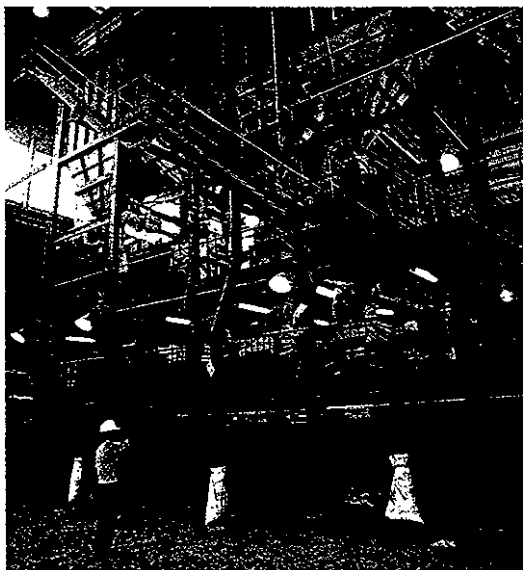
1994

Kenana

**KENANA SUGAR
COMPANY LIMITED**

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR 1994





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Directorate and Administration:

Chairman

H.E. Dr. Tag El Sir Mustafa

Government of the Republic of the Sudan

Deputy Chairman

Mr. Mousa Abou-Taleb

Kuwait Real Estate Investment Consortium

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-Muhaimeed

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. Abdurahman 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

Managing Director

Syd Osman Abdalla El Nazir

Deputy Managing Directors

(Site)

Syd Mohamed El Mahi El Haj

(Khartoum)

Syd Ibrahim Ali Masalam

Principal Bankers

Bank of Sudan

El Nilein Bank

UBAF Bank Limited (London)

Barclays Bank PLC (London)

National Westminster Bank PLC (London)

Joint Auditors

Abdel Latif El Tayeb & Co. (Khartoum)

Hazem Hassan & Co. (Cairo)

Legal Counsel

El Karib & Medani (Khartoum)

Veil Armfelt & Associates (London & Paris)

Technical Consultants

F.C. Schaffer & Associates Inc.

(Baton Rouge, USA)

Company Secretary

F.O. Medani

Registered Office

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:

Import substitution:

150,000 tonnes p.a. for the domestic market

Foreign currency generation:

Balance of production for export.

Location:

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

Estate Area:

150,000 feddans (63,000 hectares)

Plantation Area:

85,000 feddans (35,700 hectares)

Irrigation Works:

4 pump 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 29km of main canal to command the plantation area onto which they are fed by gravity along some 300 km of secondary canals, which follow the contours of the estate.

Irrigation Requirement:

800 million gallons per day

Estate Roads:

250 km of major roads supplemented by a 1,500 km network of infield roads. Maximum length of cane haul to factory: 35km

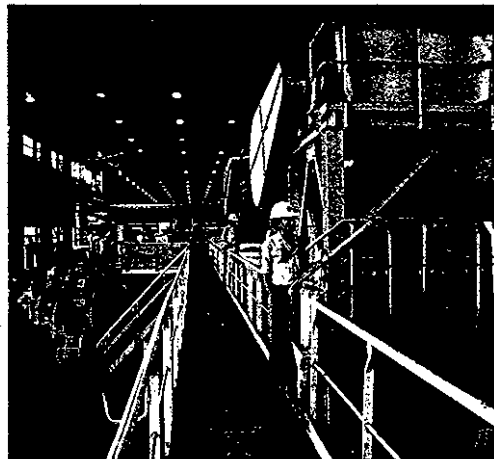
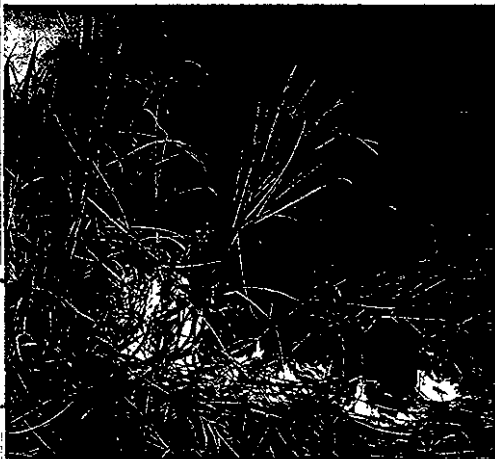
Electricity Generation:

During Crop: 40 megawatts

Off-crop: 20 megawatts

Workforce:

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



Kenana Sugar Company Limited

Ten Year Operations and Financial Summary

		1984/85	1985/86	1986/87
01	Crushing season (days)	164	167	168
02	Area harvested (feddans)	80,500	82,600	81,700
03	Cane harvested (MT 000)	2,743	2,557	2,572
04	Cane yield per feddan (MT)	34.10	31.00	31.50
05	Cane harvested per day (MT)	16,700	15,300	15,300
06	Harvesting method – Mechanical (%)	50	47	48
	– Hand-cut (%)	50	53	52
07	Net sugar recovery/cane crushed (%)	11.15	11.45	12.04
08	Sugar production (MT)	306,000	293,000	310,000
09	Production target (MT)	275,000	290,000	265,000
10	Selling price (Domestic market quota) (LS/MT)	773.00	800.00	1,065.00
11	Production costs (LS/MT)	502.43	610.73	732.69
12	Cost excluding extraordinary items (Line 20) (LS/MT)	681.71	728.41	639.65
13	Total Cost (LS/MT)	681.71	690.00	803.67
14	Turnover (LS 000)	209,728	247,947	313,231
15	Operating Profit/(Loss) (LS 000)	55,983	69,004	86,098
16	Net finance charges (payable)/receivable (LS 000)	562	(3,993)	5,356
17	Net Gain/(Loss) on exchange (LS 000)	(55,419)	(30,489)	23,486
18	Provisions (LS 000)	—	—	—
19	Profit/(Loss) before extraordinary items (LS 000)	1,126	34,522	114,940
20	Extraordinary items (LS 000)	—	#11,254	* (77,699)
				#8,251
21	Net Profit/(Loss) for year (LS 000)	1,126	45,776	45,492
22	Applicable exchange rate per L.S.1.00 (US \$)	0.77/0.40	0.40	0.40/0.22
23	Dividends (US \$)	—	—	—

* (Loss)/Gain on devaluation of Sudanese currency

Gain on settlement of contractors' claims

1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
146	142	128	145	148	147	138
77,100	80,800	75,100	77,500	77,300	76,000	77,616
2,327	2,055	2,059	2,357	2,257	2,242	2,142
30.20	25.40	27.40	30.40	29.20	29.50	27.60
15,900	14,500	16,100	16,300	15,300	15,300	15,500
49	50	46	46	51	51	54
51	50	54	54	49	49	46
11.38	11.28	11.27	10.70	11.23	11.81	11.61
265,000	232,000	232,000	252,000	253,000	265,000	249,000
280,000	275,000	245,000	248,000	266,000	260,000	265,000
1,881.00	2,900.00	3,200.00	6,258.00	17,538.00	35,520	89,393
1,148.98	1,622.30	2,161.28	3,034.88	9,883.48	18,511.23	52,628.08
1,094.98	1,413.09	1,923.21	2,992.93	9,087.33	18,511.23	56,627.69
1,094.98	1,413.09	997.23	2,992.93	10,817.45	18,511.23	57,161.37
515,921	610,081	741,134	1,492,706	5,981,420	10,279,501	30,775,705
211,441	233,707	239,716	727,916	3,480,900	5,374,026	17,671,313
16,205	44,165	52,631	27,476	415,476	877,601	1,742,098
(1,894)	4,373	2,603	1,096	(198,401)	(807,234)	(2,512,775)
—	—	—	18,000	15,650	45,071	51,345
225,752	282,245	294,950	738,488	3,682,325	5,399,322	16,879,679
—	—	*214,826	—	*(437,719)	—	(132,885)
225,752	282,245	509,776	738,488	3,244,606	5,399,322	16,706,794
0.22	0.22	0.22/0.08	0.08	0.03-0.009	0.009-0.006	0.006/0.0026
—	—	—	—	1,500,000	3,000,000	3,000,000

CHAIRMAN'S STATEMENT

(Foreword by H.E. Dr. Tag El Sir Mustafa, Chairman of Kenana Sugar Company Limited and Minister of Industry & Commerce in the Government of the Republic of the Sudan).

The start-up of the 1993/94 crop in the first week of December 1993 was delayed slightly due to various difficulties faced by Kenana, the most crucial being the severe shortage of furnace fuel and the scarcity of both foreign and local currencies. Despite these constraints coupled with difficult economic conditions and spiral inflation, the results achieved were indeed commendable in that the factory produced some 249,000 metric tonnes of sugar representing about 94% of the target.

In addition to the adverse factors mentioned above, the average yield of cane/feddan was down to 27.6 M.T. from 29.5 M.T. of cane/feddan achieved during last season. This unsatisfactory performance was attributable mainly to the severe lack of irrigation water - obviously due to the lack of furnace fuel - and non-application of ethrel to certain areas. This trend is expected to be reversed next season as both of these problems have been resolved. Also the sugar recovery level was down to 11.61% from 11.81% achieved during last season.

In the light of the various constraints that affected the overall operational efficiency, the credit for the satisfactory results achieved during the crop should go to the dedicated management team and workforce for their vigorous efforts, continuous support of the Government of the Republic of the Sudan, Shareholders, Directors of the Board and Members of the Executive Committee. These efforts have now been directed towards the preparation of the Crop Season 1994/95 in order to achieve a target production of 265,000 M.T. of white sugar.

The audited accounts for this year again displayed considerable profits which have been achieved by Allah's grace and the efforts of all concerned. Since the price of the domestic sugar quota was the provisional one and which was hardly sufficient for the company to provide for all of its local currency requirements, it was decided by the Board on Executive Committee's recommendation, that the audited accounts for the year in question be finalised, presented and approved within four months from the end of each of financial year. No doubt this will help in timely determination of the domestic sugar quota price according to 1975 Sugar Sales Agreement thereby improving the Company's liquidity prospects. As regards the foreign

currency situation, the Company is now fully dependent on the export sugar sales proceeds and is able to meet the majority of its overseas requirements of equipments and spares on its own - thanks to the highly efficient and effective marketing policies adopted by the Company.

The on-going execution of the developmental projects will continue as scheduled and so the implementation of the other maintenance and rehabilitation programmes to ensure that the efficiencies of the production operations in the factory and other departments are maintained throughout. Under the Loan Agreement concluded with the African Development Bank (ADB), the 10,000 feddans New Extension Project which is being executed at the cost of some US\$44.0 million, is getting top priority and attention of the management and when completed, it will enable Kenana to restore again the annual sugar production to the levels of 300,000 metric tonnes. The withdrawals against ADB loan which were suspended for some time, are expected to resume this year. The "Kenana 2000" strategy aimed at diversifying KSC's economic activities, will continue as planned, with the practical steps taken to execute the Lime and Tyre Retreading projects soon. Kenana will also continue to expand its warehousing capacities both at Site and Port Sudan. Currently Kenana is studying the technical viability of using locally-produced fuels as an alternative to the existing ones, however, such switch-over requires considerable modifications to the existing systems. To improve and safeguard the local environment, Kenana has started a green belt around the project site using 'in-house' expertise and capabilities. It is worth mentioning however that the implementation of these projects is totally dependent on the availability of the foreign currency funds.

To keep the current tempo of progress and maintain the same production standards in the years to come, constitute one of the most daunting concerns of the Management and the Shareholders. Therefore it is of paramount importance that every effort is directed towards the integration of the agricultural and factory operations, as well as the timely maintenance and rehabilitation of all equipments and machinery. Also, it is imperative that Kenana improves and diversifies its production activities, keeping in view the requirement of the overseas markets and the changing economic and investment environment within the Sudan.

Dr. Tag El Sir Mustafa
Khartoum
January 1995

Report of the Directors

The Directors submit their report together with audited accounts for the year ended 30th September 1994.

Assessment of 1993/94 Crop

The 1993/94 Crop extending to 138 days (previous crop 147 days) ended on a satisfactory note, crushing 2.143 million metric tonnes of cane (2.242 million metric tonnes in 1992/93) and producing 249,000 metric tonnes of white sugar, some 16,000 metric tonnes less than the previous crop. The average sucrose recovery rate achieved during the crop was 11.6% as compared to 11.8% for the previous crop.

Although the total sugar produced is less than the target, the crop could be treated as a successful one, considering the various difficulties and constraints faced by the Company, viz.

Foreign Currency

While the export sales proceeds continue to generate a large part of the foreign currency funds, it must be noted that the time-gaps in realisation of these proceeds, have resulted in late financing of certain inputs.

Local Currency

Operational efficiency throughout the Company continues to be adversely affected by the non-availability of sufficient local currency funds. As a result of this, some basic and vital commitments like electricity bills, transporters invoices, staff salaries and wages, cost of petroleum products etc. could not be adequately met.

The system of receiving local currency funds calculated at previous year's formula price for domestic sugar sold to the Government, proved to be especially counter-productive as the abnormal increases in the cost of materials immediately outstripped the allocated local currency funds. In an attempt to avoid such a situation, a series of contacts were made with the Government of the Republic of Sudan

(GRS), and positive steps have now been taken to arrive at a workable plan for bridging the local currency cash flow gap. Additionally, GRS is now directly meeting the costs of petroleum products against the amounts accumulating from domestic quota price differences.

Agriculture & Irrigation Operation

Inadequate supply of furnace fuel to provide electrical power for cane irrigation, lack of heavy equipments and machinery required for certain agricultural practices, non-application of ethrel on certain areas and other constraints have contributed to the low productivity which is down by 2 tonnes of cane per feddan as compared to previous crop.

Harvesting & Cane Transport

Late financing of some orders of spare parts and other materials has adversely affected the efficiency of harvesting operations and cane transport fleet. On certain occasions, increase in the cane losses during harvesting, were also witnessed.

Factory

The mill extraction rate has declined, as compared to last year. In order to avoid losses and stoppages, concentrated efforts should be directed at implementing comprehensive maintenance and rehabilitation programmes of the factory equipment. Due to harsh economical conditions, many qualified and trained Sudanese engineers and technicians have left their jobs, creating not only a shortage of skilled manpower, but adversely affecting the efficiency of factory operations and maintenance. Kenana will make every effort to retain the available skills and attract the right talent by offering adequate salary differentials to the existing workforce.

Adverse weather conditions left their mark on cane quality as reflected in a reduced sucrose recovery rate, as well as on overall cane tonnage.

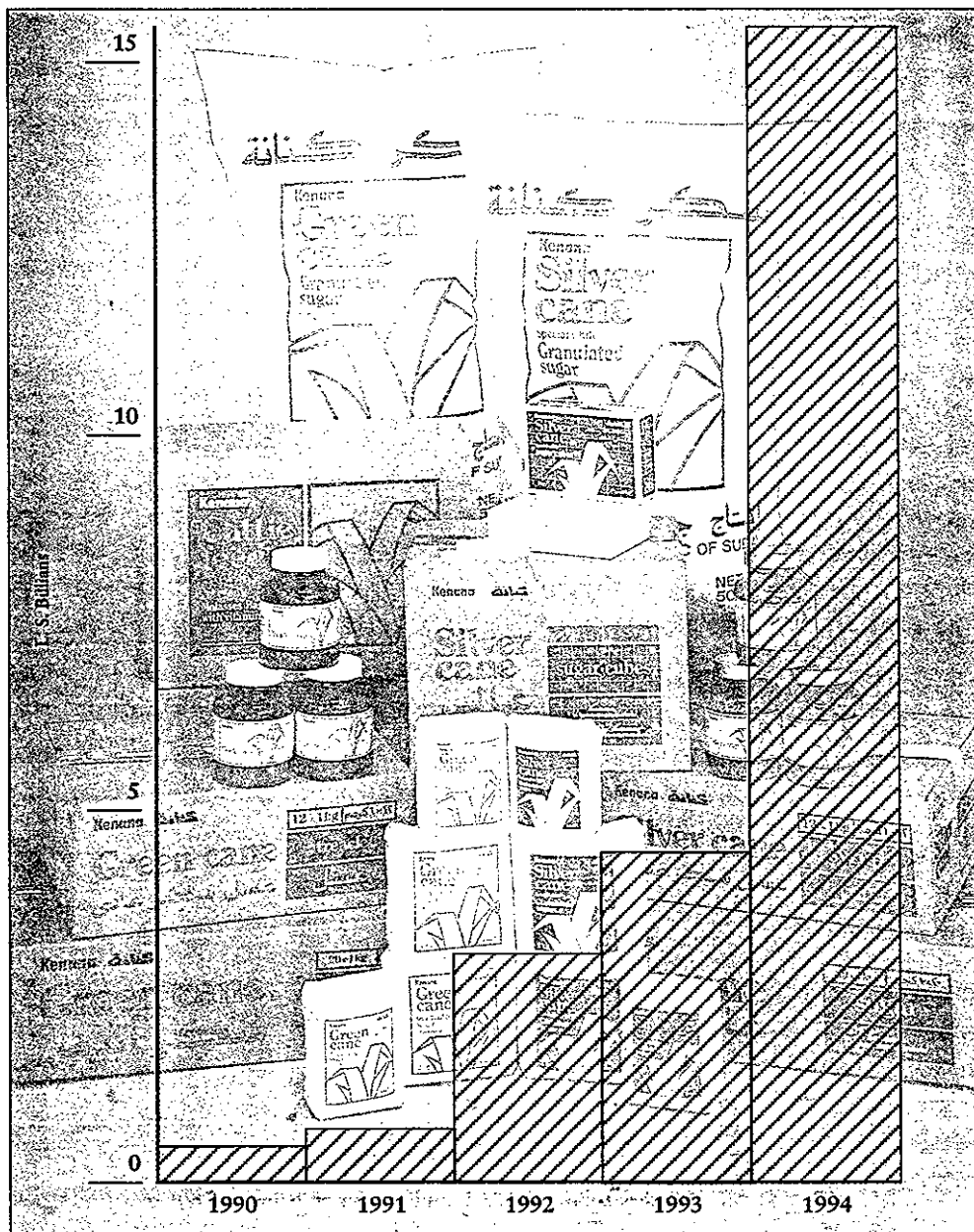
Results for the Year

In the light of the various constraints indicated above, the output equivalent to 94% of the pre-crop production target can be considered a remarkable achievement.

Notwithstanding, a reduction in the total production, the turnover for the year under

review, reached to LS 30.78 billion (1993: LS 10.28 billion). This increase of 199% is principally attributed to a revised Domestic Quota Sugar Price and parity changes for the Sudanese currency, relative to the United States Dollar.

Operating profit for the year, totalled LS 17.67 billion (1993: LS 5.37 billion). Net finance charges receivable amounted to LS 1.74 billion (1993: LS 877 million), reflecting the impact of the decline in the value of the Sudanese Pound.



A chart showing 5 year's profit

The exchange rate for the Sudanese Pound declined from LS 170.00 = US \$1.00 at 30 September 1993 to LS 386.5 = US\$ 1.00 at 30 September 1994. The impact of this decline is reflected in a loss on exchange of LS 2.51 billion (1993: LS 807 million), leaving a total profit for the year at LS 16.71 billion (1993: LS 5.40 billion).

In the 90th Meeting, the Board of Directors recommended payment of a restricted dividend from the profits of the year ended 30 September 1994 within the constraints imposed by available hard currency funding of US \$ 3.0 million for Preferred Shares 'A' and Special Preferred Shares 'A'.

Future Prospects

At an estimated cane yield of 30 metric tonnes per feddan, the total cane production in 1994/95 is expected to reach 2.31 million metric tonnes. The target is set at 265,000 metric tonnes of white sugar during 1994/95 season at a sugar recovery rate of 11.5% per metric tonne of cane.

In co-ordination with all technical departments and to secure the successful continuity of 1994/95 crop season, a comprehensive plan to finance all spare parts orders required for the maintenance of plant, machinery and equipment replacement programme has been implemented before the start-up of the Crop.

Also, with the aerial application of ethrel, the production of cane is expected to improve significantly. It is heartening to point out the excellent performance of the Marketing Division concerning sugar export with particular reference to prices obtained.

In an effort to avoid any short-fall of local currency during the crop campaign, an arrangement should be worked out to secure adequate funding to meet various requirements. This requires extensive efforts on the part of the management and the understanding of the Government of the Republic of the Sudan.

The projects financed under the aegies of African Development Bank are proceeding, according to original plans, despite the delays experienced in disbursement of the payments. Once completed, these projects will no doubt have a significant and

positive effect on the overall productivity of cane and sugar.

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 percentages:

Government of the Republic of the 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

Directorate

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

Auditors

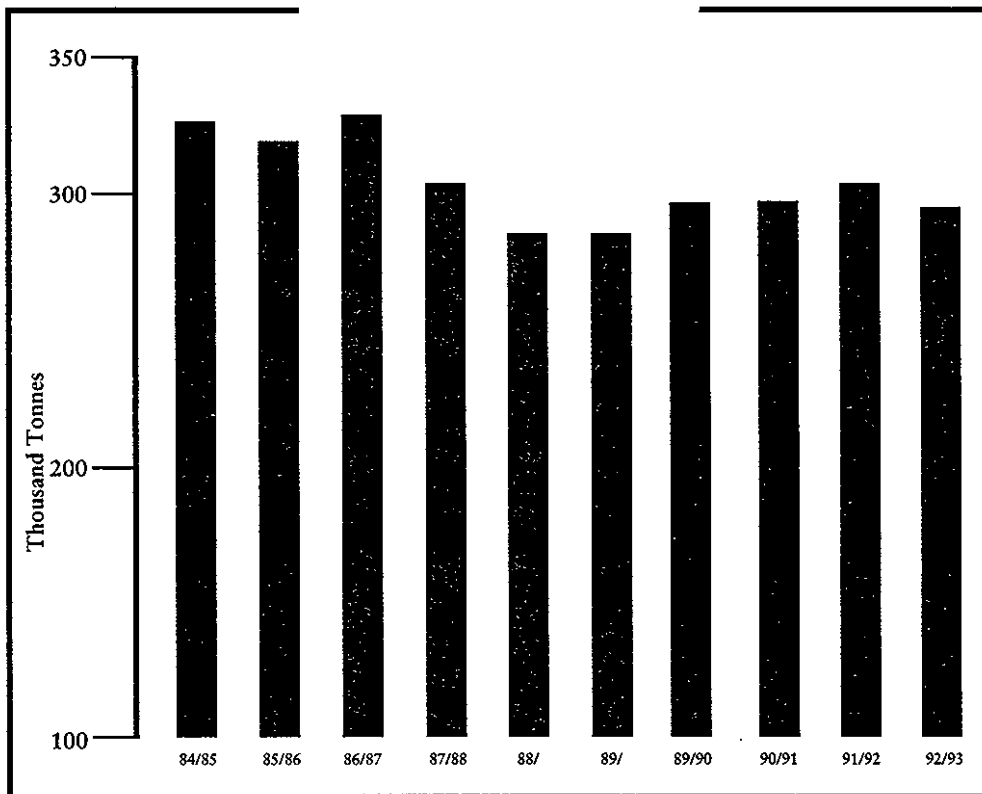
The retiring auditors, Abdel Latif Al Tayeb & Co. (Khartoum) and Hazem Hassan & Co. (Cairo), are eligible for re-appointment and have indicated that they are prepared to continue in office. Accordingly, your

Board recommends their re-appointment as Joint Auditors at fees to be negotiated, to hold office until the close of business at the Annual General Meeting for 1995.

By order of the Board.

F.O. Medani
Company Secretary

Khartoum
January 1995



A Chart showing 10 year's production record

DOMESTIC SUGAR SALES REVENUE SUMMARY

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	Nil	265	150	N/A	Nil	(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	Nil	252	150	N/A	Nil	(525.721)
1991/92	17,538	17,538	Nil	253	150	N/A	Nil	(525.721)
1992/93	35,520	35,520	Nil	265	150	N/A	Nil	(525.721)
1993/94	89,393	89,393	Nil	249	150	N/A	Nil	(525.721)

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

Prices for both years negotiated simultaneously

† Contractual Price does not include any adjustment which may be due in respect of Capital Costs over-run in terms of the Sugar Sales Agreement 1975

PROFIT AND LOSS ACCOUNT

For the year ended
30 September 1994

	Note	1994 LS 000	1993 LS 000
Sales	3	30,775,705	10,279,501
Operating Costs		10,920,243	4,020,958
Social and infrastructure Costs		679,110	277,694
General and Administrative Costs		1,514,651	606,823
		<u>13,114,004</u>	<u>4,905,475</u>
Operating Profit		17,661,701	5,374,026
Net finance charges receivable	4	1,742,098	877,601
Provisions		(51,345)	(45,071)
Gain/(loss) on exchange	5	(2,512,775)	(807,234)
Profit before extraordinary item		16,839,679	5,399,322
Extraordinary loss on exchange		(132,885)	—
PROFIT FOR THE YEAR		<u>16,706,794</u>	<u>5,399,322</u>
APPROPRIATED AS UNDER:			
Proposed dividend	14	(1,159,500)	(511,373)
Provision for Dividend Distribution Exchange Variations		(100,500)	(450,000)
RETAINED PROFIT FOR THE YEAR		<u>15,446,794</u>	<u>4,437,949</u>

BALANCE SHEET

As at 30 September 1994

	Note	1994 LS 000	1993 LS 000
FIXED ASSETS			
Fixed Assets in use	6	2,434,026	1,819,189
Capital Works in Progress	7	4,011,494	677,953
Interest in Subsidiary	8	248	248
		<u>6,445,768</u>	<u>2,497,390</u>
CURRENT ASSETS			
Inventories including standing cane	9	7,944,782	3,609,104
Government of Sudan Debt	10	82,971,020	34,320,712
Sundry Debtors	11	6,185,518	849,041
Bank Balances and Cash	12	5,479,803	1,240,980
		<u>102,581,123</u>	<u>40,019,837</u>
CURRENT LIABILITIES			
Creditors and accruals	13	(42,130,403)	(15,348,060)
Bank overdraft		(1,126,725)	(499,349)
Proposed dividend		(1,159,500)	(511,373)
		<u>(44,416,628)</u>	<u>(16,358,782)</u>
NET CURRENT ASSETS		<u>58,164,495</u>	<u>23,661,055</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>64,610,263</u>	<u>26,158,445</u>
FINANCED BY:			
Share Capital	14	560,545	560,545
Reserves	15	24,489,321	9,042,527
SHAREHOLDERS' FUNDS		<u>25,049,866</u>	<u>9,603,072</u>
Loans	16	39,560,397	16,555,373
		<u>64,610,263</u>	<u>26,158,445</u>

SOURCE AND APPLICATION OF FUNDS STATEMENT

For the year ended
30 September 1994

	1994 LS 000	1993 LS 000
SOURCES OF FUNDS		
Profit for the year	16,706,794	5,399,322
Adjustment for items not involving the movement of Funds:		
Unrealised (Gain)/Loss on exchange	2,735,870	921,463
Depreciation	244,492	140,886
TOTAL FUNDS GENERATED	19,687,156	6,461,671
APPLICATION OF FUNDS		
Capital Expenditure (net of disposals)	4,192,870	1,557,068
Increase/decrease in working capital:		
Stocks	4,335,678	1,762,124
Debtors	13,352,732	5,530,866
Creditors	(5,805,571)	(1,879,738)
TOTAL FUNDS APPLIED	16,075,709	6,970,320
MOVEMENT OF LIQUID FUNDS	3,611,447	(508,649)
REPRESENTED BY:		
Increase/(decrease) in cash resources	4,238,823	(339,199)
Increase in overdraft	(627,376)	(169,450)
	3,611,447	(508,649)

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 translated into Sudanese Pounds at the exchange rate prevailing at the transaction date. At the balance sheet date, 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. As on 1 October 1993, the applicable exchange rate was LS 170.0 = US\$ 1.00. and by 30 September 1994 the rate stood at LS 386.5 = US\$ 1.00. Exchange losses arising from these rate movements are shown separately in the Profit & Loss Account.

ii) Fixed Assets

a) Fixed assets in use

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

Permanent buildings and infrastructure works	25 years
Other buildings, machinery, pumps and fixtures	12 years
Plant and earthmoving equipment	5 years
Motor vehicles and other assets	4 years

b) Capital work in progress

Capital work in progress comprises amounts certified as payable to contractors, stage payments and other expenditure of a capital nature effected before the Balance Sheet date in respect of incomplete projects.

iii) 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 tranches of Special 10% Cumulative Participating Convertible Preferred Shares 'A' of LS.1.00 each, the first two tranches 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 tranche 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 available to it 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 agreed to the following concessions:

- i) The Company's United States Dollar 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.
- ii) 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 hard currency arrangements, all sugar production in excess of Sudan Government's annual 150,000 MT entitlement.

Analysis of sales by category:

	1994		1993	
	MT	LS 000	MT	LS 000
'Domestic quota' sugar	150,000	13,408,950	150,000	5,328,000
'Export quota' sugar	124,723	14,117,254	64,289	3,096,154
Cube sugar	1,372	203,138	1,585	86,034
Liquid sugar	5,170	574,357	9,264	631,628
Small Packets sugar	2,892	471,956	6,464	369,785
Molasses	88,409	2,000,050	106,183	767,900
		<u>30,775,705</u>		<u>10,279,501</u>

4. NET FINANCE CHARGES RECEIVABLE

	1994 LS 000	1993 LS 000
PAYABLE:		
Export Credit Loans	1,287,563	494,267
Export Credit Rescheduled Loans	4,038,007	1,202,364
Bank Overdraft	65,311	23,785
	<u>5,390,881</u>	<u>1,720,416</u>
RECEIVABLE:		
Finance charges related to 'Export Quota' sugar	7,011,625	2,577,903
Bank credit balances	121,354	20,114
	<u>7,132,979</u>	<u>2,598,017</u>
NET RECEIVABLE	<u>1,742,098</u>	<u>877,601</u>

5. LOSS ON EXCHANGE

Represents fluctuations in exchange rates for assets, liabilities and other foreign currency transactions.

6. FIXED ASSETS IN USE

	Land, permanent buildings & infra- structure	Other buildings, machinery, pumps and fixtures and fittings	Agricultural and other plant	Vehicles, village housing and temporary structures	Total
	LS 000	LS 000	LS 000	LS 000	LS 000
COST					
At 1 October 1993	439,730	1,192,007	596,413	187,780	2,415,930
Additions	51,509	72,558	645,412	90,113	859,592
Disposals/Transfers	—	—	(1,577)	(325)	(1,902)
At 30 September 1994	<u>491,239</u>	<u>1,264,565</u>	<u>1,240,248</u>	<u>277,568</u>	<u>3,273,620</u>
DEPRECIATION					
At 1 October 1993	91,473	272,575	186,302	46,391	596,741
Charge for the year	17,966	82,926	103,439	40,162	244,493
Disposals/Transfers	—	—	(1,315)	(352)	(1,640)
At 30 September 1994	<u>109,439</u>	<u>355,501</u>	<u>288,426</u>	<u>86,228</u>	<u>839,594</u>
NET BOOK AMOUNT					
At 30 September 1994	381,880	909,064	951,822	191,340	2,434,026
At 1 October 1993	348,257	919,432	410,111	141,389	1,819,189

7. CAPITAL WORK IN PROGRESS

	1994 LS 000	1993 LS 000
Balance at beginning of year	677,953	211,481
Additions	4,193,133	1,557,340
Completed work transferred to Fixed Assets	(859,592)	(1,090,868)
Balance at end of year	4,011,494	677,953

8. INVESTMENT IN SUBSIDIARY COMPANY

	1994 LS 000	1993 LS 000
2,475 fully paid Ordinary Shares of LS.100 each in Kenana Engineering & Technical Services Limited	248	248

9. INVENTORIES INCLUDING STANDING CANE

	1994 LS 000	1993 LS 000
Sugar	235,400	585,015
Standing Cane	3,858,265	1,170,193
Stores	3,851,117	1,853,896
	7,944,782	3,609,104

10. GOVERNMENT OF SUDAN DEBT

Movement on this account during the year is summarised below:

	1994		1993	
	US\$ million	LS	US\$ million	LS
Balance at beginning of year	176.5	4,319.8	158.4	1,317.5
Sales	—	13,408.9	7.4	5,328.0
Finance Charges	20.9	—	19.0	—
Receipts from Operations	(7.1)	(8,299.5)	(8.3)	(2,325.7)
	190.3	9,429.2	176.5	4,319.8
Central Bank Letters of Credit opened on KSC's behalf and not yet utilised	—	—	—	—
	190.3	9,429.2	176.5	4,319.8
US\$ element converted at applicable rates of exchange		73,541.8		30,000.9
		82,971.0		34,320.7

11. SUNDRY DEBTORS

Includes sale of sugar and speciality sugar products sold in the domestic market for foreign currency, letters of credits and advance payments.

12. BANK BALANCES AND CASH

	1994 LS 000	1993 LS 000
Local Currency	52,961	132,717
Foreign Currency	5,426,842	1,108,263
	<u>5,479,803</u>	<u>1,240,980</u>

After appropriate provision, local and foreign currency bank balances include respectively LS 8.2 million with BCCI, Khartoum and United States Dollars equivalent to LS 106.8 million (equivalent to US\$ 276,000) with BCCI London, which are inaccessible at this time.

13. CREDITORS AND ACCRUALS

Includes LS 39.6 billion accrued interest due on Export Credit Loans.

14. SHARE CAPITAL

	1994 LS 000	1993 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
Special 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	123,525	123,525
	<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'	155,288	155,288
Special 10% Cumulative Participating Convertible Preferred Shares 'A'	206,086	206,086
8% Cumulative Participating Convertible Preferred Shares 'B'	122,696	122,696
	<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 30.09.94 LS 000	Arrears as at 30.09.93 LS 000
	LS 000	LS 000			
Cumulative Participating Convertible Preferred Shares 'B'	Apr 1980	122,696	8	142,328	132,512
Cumulative Participating Convertible Preferred Shares 'A'					
First Series	Jul 1980	68,744	10	95,603	88,729
Second Series	Oct 1980	68,744	10	93,040	86,166
Third Series	Feb./Mar 1981	17,800	10	28,303	26,523
				216,946	201,418
Less: Total Distribution				7,323	4,393
				209,623	197,025
Special Cumulative Participating Convertible Preferred Shares 'A'					
First Series	Mar 1983	117,000	10*	39,218,219	15,719,928
Second Series	Jul 1983	58,500	10*	18,971,998	7,579,734
Third Series	Jan 1985	30,586	10*	8,630,113	3,395,939
				66,820,330	26,695,601
Less: Total Distribution				2,890,395	762,614
				63,929,935	25,932,987

* To be calculated on the basis of the United States Dollar amount subscribed (at LS.1.30 = US\$ 1.00) 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\$ 1.00).

15. RESERVES

	1994 LS 000	1993 LS 000
Balance at beginning of year	9,042,527	4,604,578
Retained Profit for the year	15,446,794	4,437,949
Balance at end of year	24,489,321	9,042,527
The balance has arisen as follows:		
- Cumulative operating profit	27,954,995	10,344,639
- Pre-operating costs	(60,562)	(60,562)
- Net finance charges receivable	3,136,638	1,394,540
- Net losses on exchange	(3,534,398)	(1,021,623)
- Dividends	(2,388,617)	(1,128,617)
	25,108,056	9,528,377
Extraordinary losses on successive parity changes for the Sudanese Pound	(666,473)	(533,588)
Other extraordinary item	19,505	19,505
Share premium account	28,233	28,233
	24,489,321	9,042,527

16. 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-a-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 repayment from 1984 through 1988 have now been restated as loans, with adequate provisions made for accrued interest contractually due under the loan agreements.

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 rates 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 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:

	ORIGINAL LOAN CURRENCY				
	French Francs 000	Japanese Yen 000	Austrian Schillings 000	Kuwaiti Dinar 000	
IN LOAN ORIGINAL CURRENCY					
Balance as at 30.9.94	<u>132,904</u>	<u>5,256,190</u>	<u>90,478</u>	<u>4,612</u>	
Balance as at 30.9.93	<u>132,904</u>	<u>5,256,190</u>	<u>90,478</u>	<u>4,612</u>	
EQUITVALENT IN SUDANESE CURRENCY					
Balance as at 30.9.94	<u>39,560,397</u>	<u>9,680,708</u>	<u>20,446,581</u>	<u>3,192,075</u>	<u>6,241,033</u>
Balance as at 30.9.93	<u>16,555,373</u>	<u>4,011,462</u>	<u>8,444,073</u>	<u>1,354,324</u>	<u>2,745,514</u>
Rate of interest (%)		10.0	8.5	9.5	10.5
EXCHANGE RATE					
1994 LS 1.00	—	0.0137	0.2571	0.0283	0.0007
1994 LS 1.00	—	0.0331	0.6225	0.0668	0.0017

17. CAPITAL COMMITMENTS

Capital Expenditure of LS.11, 639.80 million (1994: LS.5,357.70 million) has been budgeted for the year ending 30 September 1995 at exchange rate US\$ 1.00 = LS 400 (1994: US\$ 1.00 = LS 150). Of this amount, LS 29.30 million (1994: LS.2, 174.60 million) was contracted for. It represents future contracts which are not reflected in the current year accounts.

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

	1994 <u>(LS Million)</u>	1993 <u>(LS Million)</u>
Budget	5,357.7	3,822.8
Actual	4,176.2	1,557.3

18. 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 1994. 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 1994 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 El Tayeb & Co.,
Khartoum

KPMP - Hazem Hassan & Co.
Cairo

January 1995.