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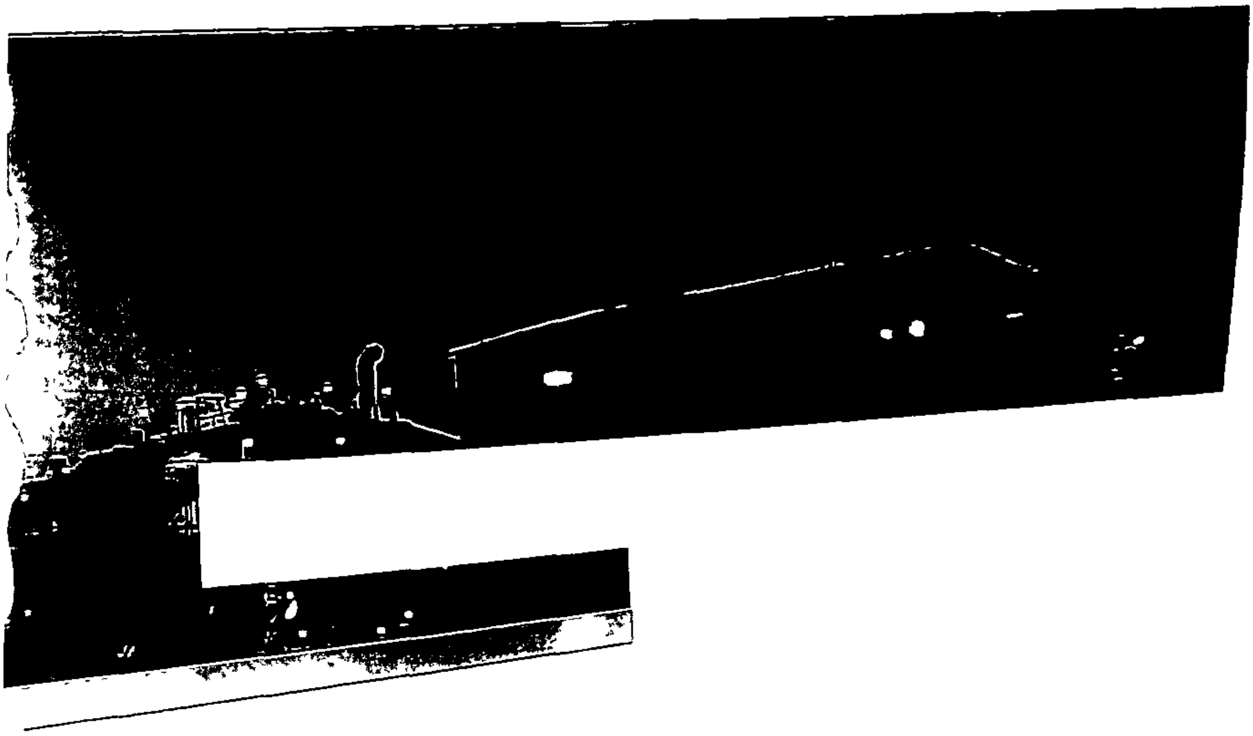

Kenana 2007

Kenana Sugar Company Limited

Annual report and accounts

For the year ended 30th September 2007

KSC

كنانة KSC **Kenana**

شركة سكر كنانة المحدودة

Kenana Sugar Company Limited

PO Box 2632 Khartoum, Republic of the Sudan
Telephone (+249 -183) 224703 - 224704 Facsimile:(+249 -183) 220563
39 Fitzroy Square, London W1T 6EZ
Telephone· 1350 7631 020 Facsimile· 73226623 020
Email·info@kenana.com, www.kanana.com

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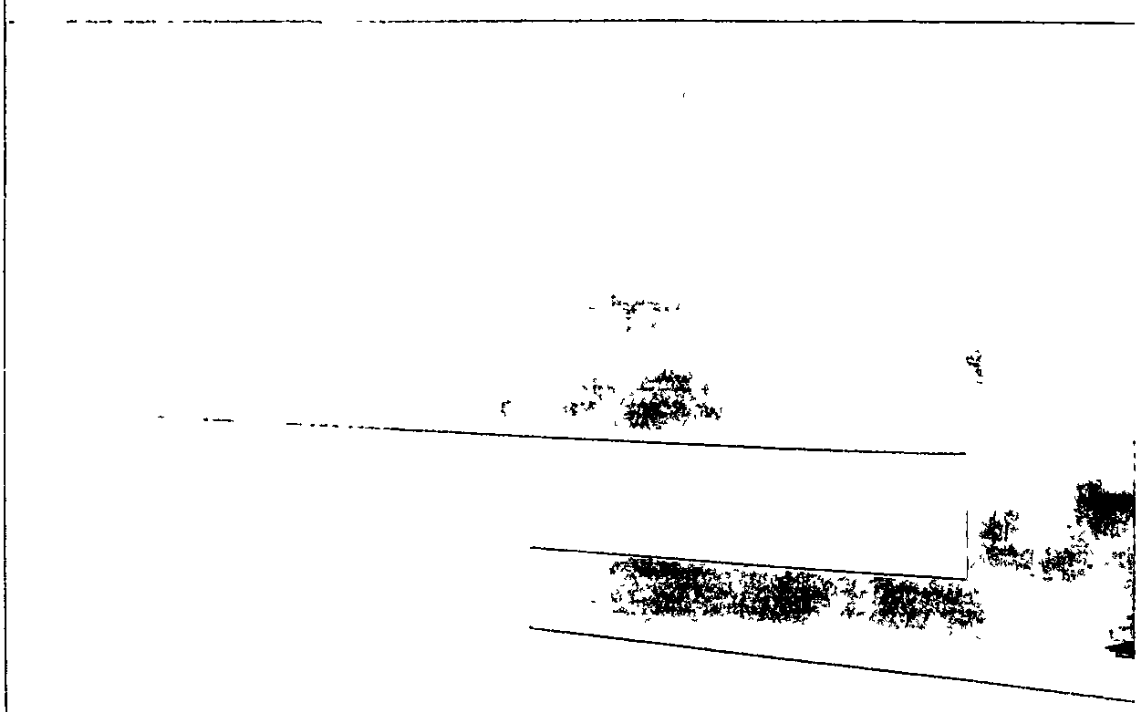


Annual Report and Accounts

For the year ended 30th September 2007

Directorate and Administration

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

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

Mr Al Sheikh Mohamed El Maki
Government of the Republic of Sudan

Mrs. Laila Omer Bashir
Government of the Republic of Sudan

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

Mr.Sami Abdel Hameed Al Hassan
Kuwait Real Estate Investment Consortium

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

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

Eng.Mohamed Ben Saad Al-Shesary
Government of the Kingdom of Saudi Arabia

Mr Abdulrahman Abdulaziz Al-Shaye
The Arab Investment Company SAA

Mr Ahmed Mohamed Ali Hassan
Industrial Development Bank

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

Mr.Mohamed Abbass Agab
Consortium of Sudanese Commercial Banks

MANAGING DIRECTOR
Mr.Mohamed El Mardi El Tegani

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

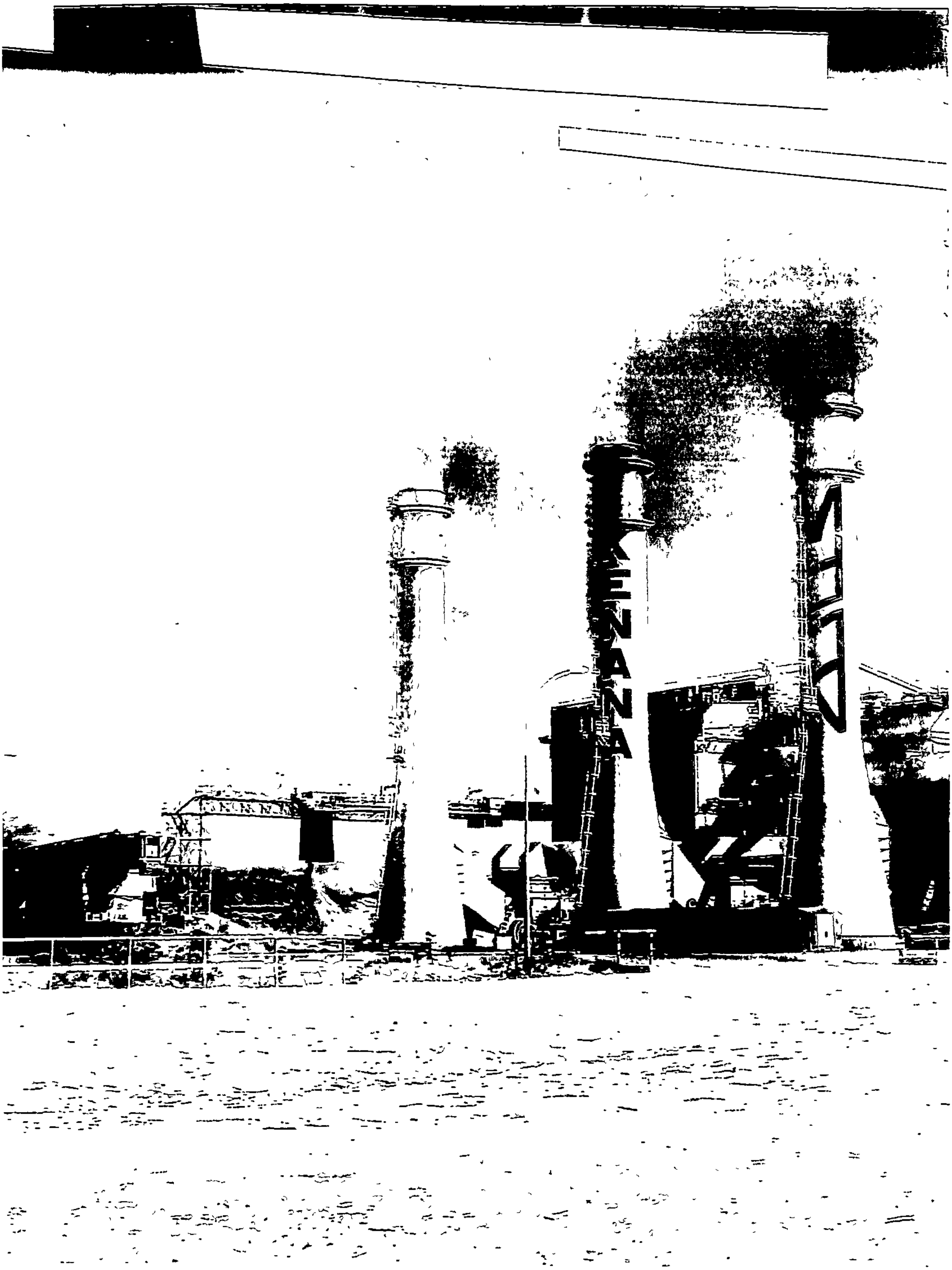
JOINT AUDITORS
PricewaterhouseCoopers (London)
A/Latif, El Tayeb, Bushra & Co. (Khartoum)

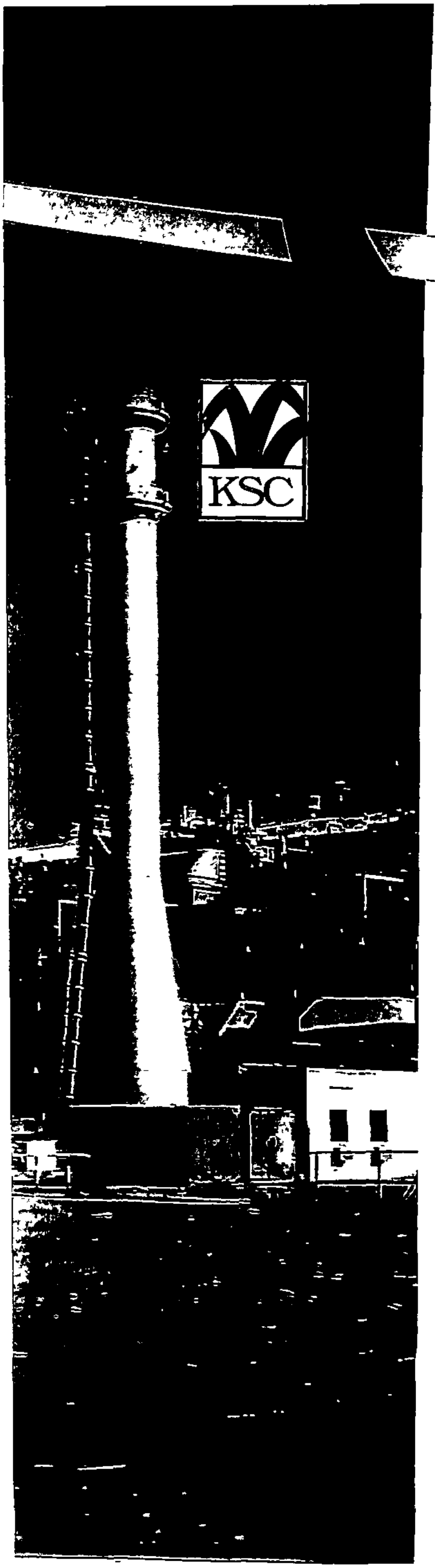
LEGAL COUNSEL
El Karib & Medani (Khartoum)
Veil Armfelt & Associates (London & Paris)

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

COMPANY SECRETARY Mr. Fareed Omer Medani

REGISTERED OFFICE
Plot Number 846,
Block 22, El Geraif Gharb,
Khartoum, Sudan


KENANA



Some Facts & Figures about Kenana:

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

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

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

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

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

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

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

Irrigation Requirements
400 million gallons per day

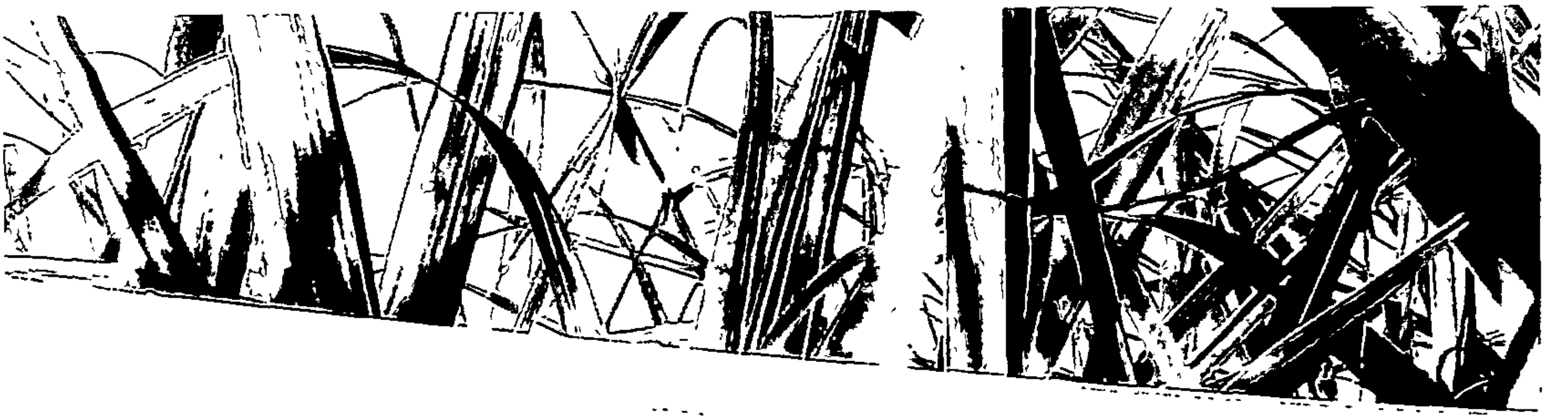
Estate Roads
328 km of major roads supplemented by a 1,500 Km network of infield roads

Electricity Generation
During Crop: 71 megawatts

Workforce
5,600 employees, with a further 5,800 seasonal workers for the duration of the crop

Summary of Operations and Financial Status

			1997/98	1998/99	1999/00
1	Crushing Season	(days)	191	187	193
2	Area harvested	(feddans)	79,160	79,006	78,594
3	Cane harvested	(MT/000)	3,439	3,500	3,541
4	Cane yield per feddan	(MT)	43.50	44.30	45 10
5	Cane harvested per day	(MT)	18,000	18,700	18,348
6	Harvesting mechanical	(%)	63	64	62
	Harvesting hand-cut	(%)	37	36	38
7	Net sugar recovery / cane crushed	(%)	10 43	10 43	10.93
8	Sugar production	(MT)	356,000	365,000	387,000
9	Production target	(MT)	340,000	365,000	367,000
10	(Selling Price (DMQ	(SDG/MT)	864	838	980
11	Production costs	(SDG/MT)	351	432	777
12	(Costs excluding extraordinary items (line 20	(SDG/MT)	351	432	777
13	Total costs	(SDG/MT)	351	432	777
14	Turnover	(SDG/000)	299,034	327,340	378,343
15	(Operating profit (loss	(SDG/000)	117,005	104,513	78,535
16	Net finance charges (payable) received	(SDG/000)	23,293	1,521	845
17	Gain (loss) exchange	(SDG/000)	36,292	(143,036)	9,906
18	Provisions	(SDG/000)	-	-	-
19	Profit (loss) before extraordinary items	(SDG/000)	152,924	(91,254)	93,961
20	Extraordinary items	(SDG/000)	-	-	-
21	Profit (loss) for year	(SDG/000)	152,924	(91,254)	93,961
22	Sudanese pound exchange rate against US Dollar	($ US)	0.5	0.4	0.4
23	Dividends	($ US)	15,859,916	16,000,000	19,600,000



2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
186	171	170	176	164	173	162
78,209	79,712	79,359	80,096	79,370	78,771	78,606
3,751	3,615	3,828	3,905	3,686	3,792	3,712
48	45.34	48.24	48.80	46.44	48.14	47.20
20,110	21,140	22,534	22,969	22,476	21,919	22,914
62	63	62	61	60	61	70
38	37	38	39	40	39	30
10.76	10.40	10 40	10.96	10.67	10.55	10.91
403,486	376,039	398,268	427,895	393,002	400,209	405,040
390,000	420,000	390,000	395,000	400,000	400,000	400,000
1,047	1,131	1,131	1,204	1,279	1,323	1,400
850	843	804	787	849	861	972
850	843	804	787	849	861	972
850	843	804	787	849	861	972
399,550	388,255	514,615	499,153	634,489	605,805	652,393
56,101	69,365	106,043	88,679	90,063	62,575	79,519
(387)	(1,723)	(2,404)	(1,649)	(3,097)	(31)	(393)
6,593	(2,711)	(21,991)	(4,233)	15,862	20,916	(14,675)
-	-	-	-	-	-	-
61,578	42,128	56,329	54,668	69,865	55,579	42,384
-	-	-	-	-	-	-
61,578	42,128	56,329	54,668	69,865	55,579	42,384
0.4	0.4	0.4	0.4	0.4	0.5	0.5
22,000,000	12,757,000	16,000,000	18,000,000	18,000,000	20,000,000	25,000,000

Chairman's Statement

Global economic growth has moderated to 4.9 per cent in 2007 from 5.4 per cent in 2006, according to the IMFs World Economic Outlook. This is considered a strong performance despite the recent volatility in world financial markets and difficulties in some parts of the US housing market.

Sudan economic performance in recent years has been doing very well. Growth has been robust, inflation has been a single-digit level, the local currency is appreciating vis-à-vis foreign currency and important reforms were undertaken for achieving economic stability. The authorities' attained macro-economic stability, lifted price controls, and foreign exchange regimes, pursued an ambitious privatization and enterprise-restructuring programme. The Government through the 5 year Development Plan 2007-2012 has finalised the strategy to attain the Millennium Development Goals, increase production and productivity and investment spending and is finalizing an interim Poverty Eradication Strategy. The Government has also indulged into the implementation of the Grand Sugar Plan to uplift sugar production to 10 million MT per annum.

Real GDP growth in 2007 (actual / projection) was 10% for the year compared to 9% for 2006.

The investment environment is improving, as Sudan was ranked for the third year by the Inter-Arab Investment Guarantee Corporation as third with regard to the Arab countries' foreign capital inflows.

The international sugar market for 2006/07 experienced sizeable surplus estimated at 11 million tones, the highest in the recent years. Accordingly the prices were under pressure due to such surpluses and the considerable amount of sugar stocks especially in countries such as India, China, Philippines, Thailand and Brazil. The sluggish global demand situation was reflected in the performance of the international sugar market as well as the domestic markets

Total production of white sugar in Sudan for the season 2006/07 was 741,320 tons and ranked the highest total production in the history of sugar industry in Sudan (previous year production 728,000 tons). KSC share in the total production from harvested sugar cane is 55%. In addition to KSC production from its own harvested cane, 120,000 tons has been refined from imported raw sugar to satisfy demand in the domestic market.

The continuous increase in production exemplifies the steady development in productivity and management operations of the Company, backed by a well organised and aggressive marketing department. Total sugar produced amounts to 405,040 MT, the second largest production in the history of KSC, as compared to 400,209 MT last crop.

Kenana Engineering and Technical Services Company (KETS) established in 1989, is a subsidiary of KSC, formed to meet a genuine need and reasonably priced consulting and engineering services to the agro-industrial sector in Sudan and its region. KETS during a short period of time managed to position itself as a leading consultancy firm in the sugar processing industry. Currently KETS is providing varied technical services to firms, government authorities in Sudan, Nigeria, Kenya, Ethiopia, Ghana and Egypt. KETS is presently the Engineer and Project Manager for the White Nile Sugar Project currently under execution with a rated capacity of 450,000 MT of white sugar, to be the largest integrated sugar producer in the world. Locally KETS is involved in contracting many projects and is taking the lead in engineering and implementation of the National Grand Sugar Plan. Lately this year, it has conducted a set of technical and financial studies in respect of many organisations and government authorities

Kenana Friesland Dairy (KFD) established 2002 is a subsidiary Company with a joint venture between KSC (66 1%), Sudanese French Bank (16.95%) and Holland Van Der Ploeg (16.15%). It is designed to produce dairy products with a capacity of 30,000 litres of milk/day. It is now planning to operate on 20,000 litres/day. It is now picking up on production and market share to be one of the profitable KSC subsidiary.

The 5-Year Plan 2007- 2011 approved by the Board and under implementation is an integral test of transparency of thought and clarity of the business. It is an anticipation of the next stage of business growth and plans to achieve such goals.

Through transformation and consolidation process KSC has established Business units as cost centres for ascertaining the real costs incurred by different units. The objectives of the 5-Year Plan are to:

- Ensure Company assets efficiencies
- Increase Company revenues
- Reduction and control of production costs
- Increase profits, dividends and R.O I.
- Restructuring Company's system and organisation chart to match transformation requirements and to achieve revenue objectives, cost reduction and hence profits.

Through its 5-Year Plan for the period 2007/08 – 2012/13, KSC has redefined its business structure. Recognising the importance of being totally responsive to clients and the immense opportunities for regional and international initiatives, KSC is enhancing its marketing policy for more diversification opportunities with an eye on the new Company's vision to focus around renewable source of food and energy to adapt with the new multi-dimensional trend of sugar industry. KSC continues to redefine its business structure and strategy to reflect the fundamental changes in the emerging markets in which it operates. KSC continues to emphasize the importance of environmental and social responsibility in its business. In both the global market place and the local communities in which it operates, KSC is committed to success in meeting the dual challenges of being a commercially oriented, yet socially responsible business while scaling up to face the competitive demands of domestic and global sugar and other KSC products.

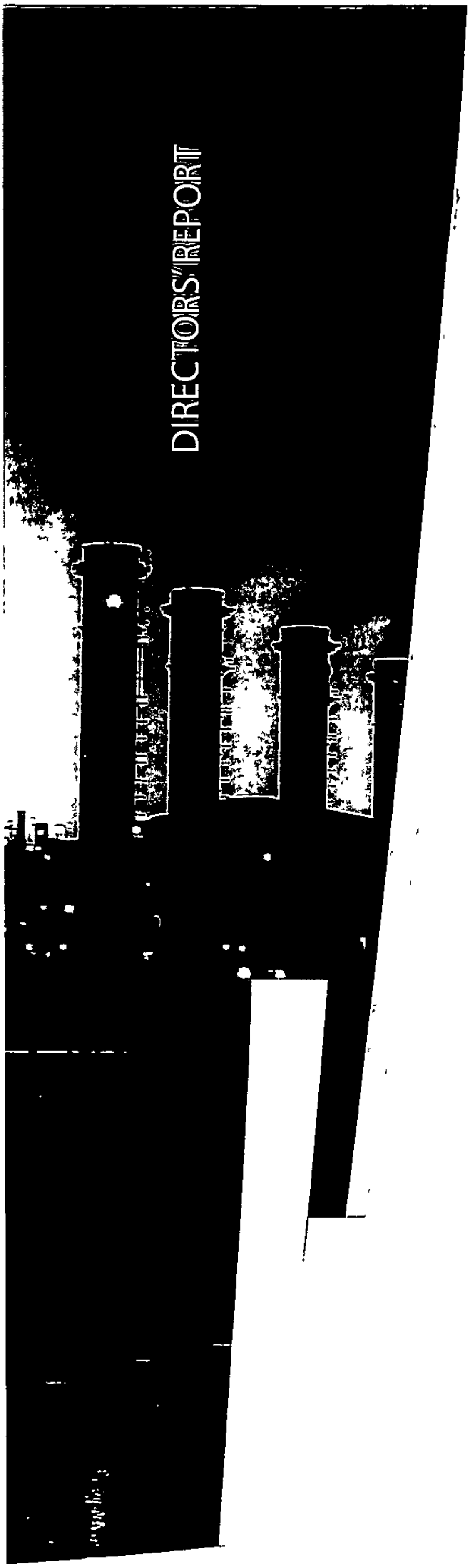
One of the most important targets of the 5-Year Plan is the focussing on achieving full returns on KSC portfolio within the parameters of its investment policy. Within the transformation and consolidation programme, KSC is creating a Treasury Unit which is assigned to manage Company's portfolio investment.

The next crop year 2007/08, which is considered the base year for the launching of the 5-Year Plan will witness a considerable improvement. KSC financial structure will be strengthened through effective financial policy, maximizing subsidiary companies profits, adhering to financial institutions for financing capital expenses and other productive activities. I am sure we have laid much of the ground work for a successful future. I am also confident that the 5-Year Plan has also laid down the framework, targets and guidelines to put into action an effective cost reduction and controls, sustainable revenue growth and a considerable increase in profits, dividends and return on investment.

I would like to extend my highest consideration and appreciation to Shareholders and the Board of Directors in their unlimited and continuing support extended to the Company which enhanced Company's success and achievement of its goals. My appreciation also goes to the Management and Staff for their dedication, loyalty and commitment to the Company's success and progress.

Dr Galal Yousif ElDegair
Khartoum

December 2007



DIRECTORS' REPORT

The members of the Board of Directors submit their report with the audited Annual Report & Accounts for the year ended 30th September 2007.

Assessment of the 2006 /07 Crop Season

Kenana's 28th crop season for the financial year 2006/07 started on 11th November 2006 and concluded on 22nd April 2007 i e. a total of 162 days. The season's actual production levels exceeded both the planned production targets of this season and actuals of the last crop season.

Cane Production

Cane production during the course of the last several crops has registered significant increases. However, this crop cane yield per feddan has decreased to 47.2 MT as compared to 48 1 MT last crop This drop in the cane yield per feddan may seem insignificant, but it confirms the fact that Kenana has reached the plateau of sugar cane productivity. Kenana has managed to surpass last few years' cane production levels which reached the upper vertical limit due to improvement of agricultural practices and availing agricultural inputs on timely basis. Consequently sugar cane production is 3.712 million MT.

Cane Harvest and Transport

Total cane harvested and transported to the factory amounts to 3.712 million MT out of harvested area of 78,606 feddans during the entire crop period of 162 days The average tonnage supplied for crushing was 22,914 MT per day compared to an average of 21,919 MT per day last crop season. The crushing operations continued at the programmed crushing rate without any shortage of cane supply for all the 162 crop days.

Factory

The factory created a daily grinding record of 22,928 MT of cane on average which is the highest since the start of commercial operations back in the early 1980s.

Despite the increase in the daily average crushing rate, the lost down-time this season was at its lower levels of 2.93%, including scheduled maintenance, which proves factory's high efficiency.

Average sucrose recovery increased to 10.91% (last crop 10.55%) due to factory operations efficiency improvement, cane ripeners and the favourable climatic conditions.

Marketing and Cash Flows

• The international prices of sugar were significantly volatile but the general trend points to price increases.

• The local market was depressed in general affecting all traded commodities including sugar, which has adversely affected sugar sales.

• Importation of sugar has continued in spite of the accumulation of closing stocks carried forward from last year. Lately, smuggled sugar from neighbouring countries was quite significant.

• Closing sugar stock exceeded 100,000 MT compared to 19,000 MT last year

• Accordingly, the Company faced severe shortage of cash inflow due to local market saturation. However, the Company managed to reschedule due payments without affecting its production operations, replacement/ rehabilitation of equipment and investment projects.

Results of the year

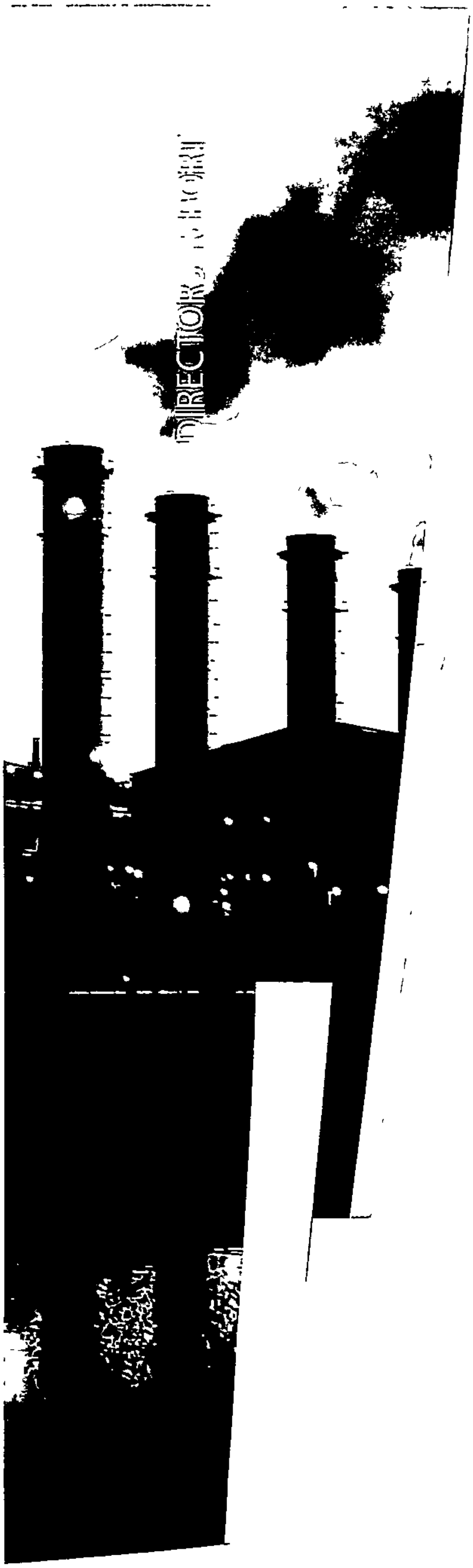
• The crop season which continued for 162 days is considered as the shortest during the last four seasons and total production was 405,040 MT of sugar compared to 400,000 MT last crop, and exceeded the targeted production of 400,000 MT which confirms the upwards trend.

• The Company has achieved all positive production indicators in spite of some difficulties and adverse factors during the season; mainly the unexpected rainfall just before crop start up which delayed the harvesting programme. This negative impact was neutralised by intensifying the crushing operations.

General

• Industrial Relations were good, similar to previous year.

• The Board of Directors has approved in February 2007 the Company's Five-Year Plan (2007-2012)



The Plan objectives are :

> Ensure Company assets efficiencies
> Reduction and control of production costs
> Increase Company revenue
> Increase profits and Return on invested capital.
> Restructuring of Company's systems and organisation chart to match transformation requirements and to achieve revenue objectives, cost reductions and hence profits.

• The Company has formulated a Transformation and Consolidation Programme to achieve the Five-Year Plan objective. The Programme implementation has started this year to put the foundations for the first year of the Plan 2007/08 such as restructuring the Company into Business Units and Support Services Departments to match the 'Best Practices' worldwide. The restructuring included Company Production operations, Human Resources, Finance and Information Technology

Financial Indicators

• The sales volume reached SDG 652.4 million (last year SDG 605.8 million) which represents 8% increase.

• Net Profit for the year SDG 66.4 million before Prepaid Tax deduction (last year SDG 83.4 million). This drop in profit is due to increases in operating costs, depreciation and loss in foreign exchange differences. The weakness of the US Dollar against the original currencies of the Export Credit Loans (Japanese Yen and Euro) has resulted into SDG 14.7 million loss of Exchange differences compared to a gain of SDG 20.9 million last year. Hence the total comparative foreign exchange loss is SDG 35.6 million

• Payroll revision applied retroactively for last year amounts to SDG 27.6 million which was paid this year Hence last year's net profit was restated, to include this cost in consultation with the External Auditors.

• Fixed Assets increased to SDG 590.0 million (last year SDG 560.6 million) which represents 5 2% increase.

Forecast

• Total area for harvest next crop season 2007/08 planned to be 80,600 feddans. Irrigation of this area has been effected as planned, especially during the summer period which will ensure high cane yield.

• Planned sugar production target at 10.5 % sugar extraction amount to 410,000 MT of sugar

• Parallel to the current year's activities, next year preparations were effected based to achieve the Five-Year Plan objectives, and to surmount the negative aspects experienced this year. All operational inputs have been availed well in advance.

Share Capital Funding

The authorised share capital amounts to SDG 590,000 and the paid-up capital amounts to SDG 560,550 (before adjusting for inflation). Share capital is held in the following percentages as at 30th September 2007·

	%
Government of the Republic of The Sudan	35.33
Kuwait Investment Authority	30.64
Government of the Kingdom of Saudi Arabia	10.97
The Arab Investment Company	6.99
Industrial Development Bank	5.69
The Arab Authority for Agricultural Investment & Development	5.59
Consortium of Sudanese Commercial Banks	4.47
Sojitz Corporation	0.16
Gulf Fisheries Company	0.06
TOTAL	100.00

The names of members of the present Board of Directors are shown on Page (5) of this Report.

INCOME STATEMENT
Year Ended 30 September 2007
(Thousand Sudanese Pounds)

	Note	2007	2006R/Note 25
Sales	18	652,393	605,805
Cost of sales			
Depreciation	4	(70,826)	(66,636)
Other operating expenses		(337,832)	(324,127)
		(408,658)	(390,763)
Gross Profit		243,735	215,042
General and administration expenses:			
Services and others		(38,815)	(39,236)
Other administration expense		(71,279)	(65,122)
		(110,094)	(104,358)
Selling and distribution expenses		(55,291)	(52,235)
Other operating income	21	1,169	4,127
		(164,216)	(152,466)
Profit from Operating Activities		79,519	62,576
Dividends Received - KETS		1,955	-
Finance income	19	775	1,950
Finance Cost	19	(1,168)	(1,981)
Net foreign exchange difference	22	(14,675)	20,916
		(13,113)	20,885
Profit on ordinary activities before tax		66,406	83,461
Prepaid Tax	20	(24,022)	(27,881)
Net Profit for the year		42,384	55,580

The attached notes form part of these Financial Statements.

BALANCE SHEET
As At 30 September 2007
(Thousand Sudanese Pounds)

	Note	2007	2006R/Note 25
ASSETS EMPLOYED			
Fixed Assets	4	590,000	560,558
Capital Work in Progress	5	7,341	3,731
Investments	6	74,832	60,454
Tax Prepayment	7	13,079	14,101
CURRENT ASSETS			
Current Portion of Tax Prepayment	7	13,000	36,000
Inventories	8	366,559	340,189
Trade and other receivable	9	98,312	117,566
Investment financial assets	6	2,585	-
Cash on hand and bank balances	10	37,085	8,650
		517,541	502,405
CURRENT LIABILITIES			
Accounts payable and accruals	11	144,332	125,540
Current Portion of Long Term Loan	17	4,511	12,419
Export Credit Loans (Suspended)	17	182,681	165,755
		331,524	303,714
Net current assets		186,017	198,691
Total assets less current liabilities		871,269	837,535
FUNDS EMPLOYED			
CAPITAL AND RESERVES			
Share capital	13	1,837,469	1,837,469
General reserve	14	30,085	27,967
Exchange differences reserve	15	9,668	24,343
Revaluation Reserve	16	(1,814,316)	(1,796,240)
Retained earnings		601,877	570,860
		(1,172,686)	(1,173,070)
		664,783	664,399
NON CURRENT LIABILITIES			
Long term loans	17	2,256	7,000
Deferred tax liabilities	7	4,340	4,340
Retirement benefit obligations	2	199,890	161,796
		206,486	173,136
		871,269	837,535

The attached notes form part of these Financial Statements.

Chairman

Deputy Chairman

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
30 September 2007
(Thousand Sudanese Pounds)

	Note	Share Capital	General Reserve	Exchange Difference Reserve	Revaluation Reserve	Retained Earnings	Total
As at 30 September 2005	13	1,837,469	25,187	3,426	(1,795,413)	580,824	651,493
Net Profit for the year						74,899	74,899
previously reported							
Restatement of employee costs							
and liabilities for year ended 30							
September 2006	25					(19,319)	(19,319)
Restated net profit for the year							
Dividends for the Year ended							
30 Sept 2005	12					(42,674)	(42,674)
Transfer to General Reserve	14		2,779			(2,779)	
Transfer to Exchange							
Differences reserve	15			20,917		(20,917)	
Depreciation Transfer	16				(1,105)	1,105	
Deferred Tax Transfer	16				278	(278)	
As at 30 September 2006	13	1,837,469	27,966	24,343	(1,796,240)	570,861	664,399
Net Profit for the year						42,384	42,384
Dividends for the Year ended							
30 Sept. 2006	12					(42,000)	(42,000)
Transfer to General Reserve	14		2,119			(2,119)	
Transfer to Exchange							
Differences reserve	15			(14,675)		14,675	
Depreciation Transfer	16				(18,354)	18,354	
Deferred Tax Transfer	16				278	(278)	
As at 30 September 2007		1,837,469	30,085	9,668	(1,814,316)	601,877	664,783

The attached notes form part of these Financial Statements

STATEMENT OF CASH FLOWS
Year Ended 30 September 2007
(Thousand Sudanese Pounds)

	2007	2006R/Note 25
OPERATING ACTIVITIES		
Profit before tax	66,406	83,460
Adjustment for.		
Depreciation	70,826	66,636
(Profit) Loss on sale of fixed assets	470	90
Net interest (income) charge	(775)	(1,950)
Changes in working capital.		
Inventories	(26,370)	(86,684)
Trade and other receivable	19,253	(36,146)
Payables	18,792	40,892
Provision for employees terminal benefits	38,094	33,144
Cash generated from operations	186,696	99,442
Interest received	775	1,950
Net cash from operating activities	187,471	101,392
INVESTMENT ACTIVITIES		
Purchase of property, plant and equipment	(104,347)	(79,501)
Proceeds from property, plant & equipment	-	-
Increase in investment	(16,963)	(16,702)
Net cash used in investing activities	(121,310)	(96,203)
FINANCIAL ACTIVITIES		
Proceeds from longterm borrowings	-	-
Dividends paid	(42,000)	(42,674)
Loan Repayments	(12,652)	(15,944)
Net cash used in financing activities	(54,652)	(58,618)
(Decrease)increase in cash and cash equivalent	11,509	(53,429)
Movement in cash and cash equivalent.		
At start of the year	8,650	81,584
(Decrease)/increase in the year	11,509	(53,429)
Effects of Exchange rate Changes	16,926	(19,505)
At end of the year	37,085	8,650

The attached notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2007

NOTES TO THE FINANCIAL STATEMENTS

30 September 2007

All amounts are in thousand Sudanese Pounds unless otherwise stated,

1.ACTIVITIES

The Company is a limited liability Company registered and domiciled under the Companies Law of the Republic of Sudan with the certificate of registration number C/1151 dated 11 March 1975 The address of the Company's registered office is PO Box 2632, Khartoum, the Republic of the Sudan. The Company's principal activity is to grow and refine sugar cane and sell sugar and related by-products.

2.SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

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

The Company's accounting policies are unchanged compared with the year ended 30 September 2006 The comparative amounts in the financial statements have been restated to present a consistent allocation of certain employee costs and liabilities The impact of the restatement is described in note 25

The Company has prepared these stand-alone financial statements in accordance with its shareholders' requirements.

The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the "Group"). In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Company, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - have been fully consolidated. The consolidated financial statements can be obtained from the Company's registered office.

Users of these stand-alone financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 30 September 2007 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

i) Standards, amendment and interpretations effective in 2007

IFRS 7 Financial Instruments· Disclosures, and the complementary Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures, was adopted by the Company from 1 January 2007. This has required additional disclosure of financial instruments from the Company but had no impact on the classification and valuation of the Company's financial instruments.

ii) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 October 2007 but they are not relevant to the Company's operations:

- IFRS 4, Insurance contracts;
- IFRIC 7 Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies,
- IFRIC 8 Scope of IFRS 2;
- IFRIC 9 Reassessment of Embedded Derivatives; and
- IFRIC 10 Interim financial reporting and impairment.

iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

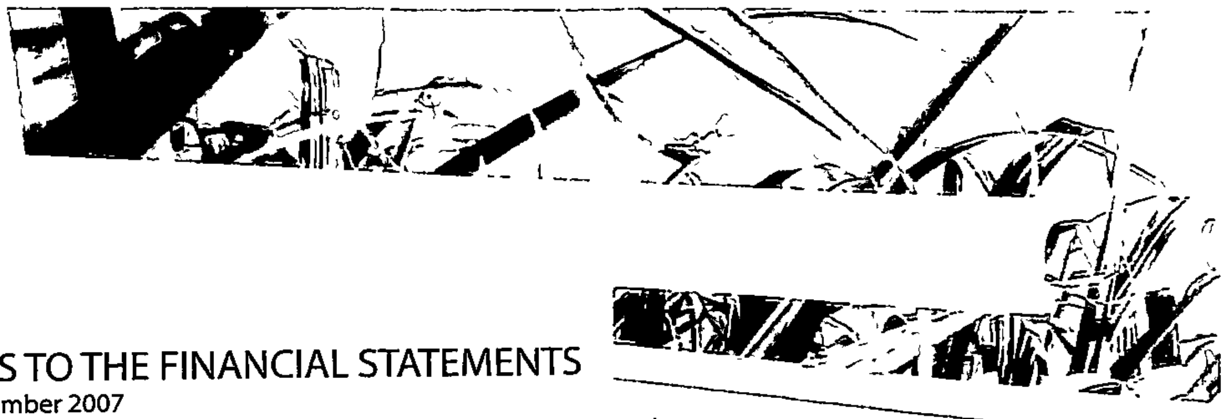
The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 October 2008 or later periods, but the Company has not early adopted them

- A revised IAS 23 Borrowing Costs (effective from 1 October 2009). The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Company has reviewed its accounting for borrowing costs and does not expect any impact from the revised standard

- IFRS 8 Operating segments (effective from 1 October 2009). IFRS 8 replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact of this standard on the Company is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to Company's of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments This will require the disclosure of additional segmental information.

- IFRIC 11, IFRS 2 – Company and treasury share transactions (effective from 1 October 2008). This interpretation is not relevant to the Company's operations.

- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 October 2008). This interpretation is relevant to the Company's operations but it is not expected to have any impact on the pension schemes' valuations or disclosures.



- IAS 1 (Revised) Presentation of Financial Statements (effective from 1 October 2009). This will require changes in the presentation of the financial statements from the Company but will have no impact on classification and valuation of items in the financial statements.

iv) Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

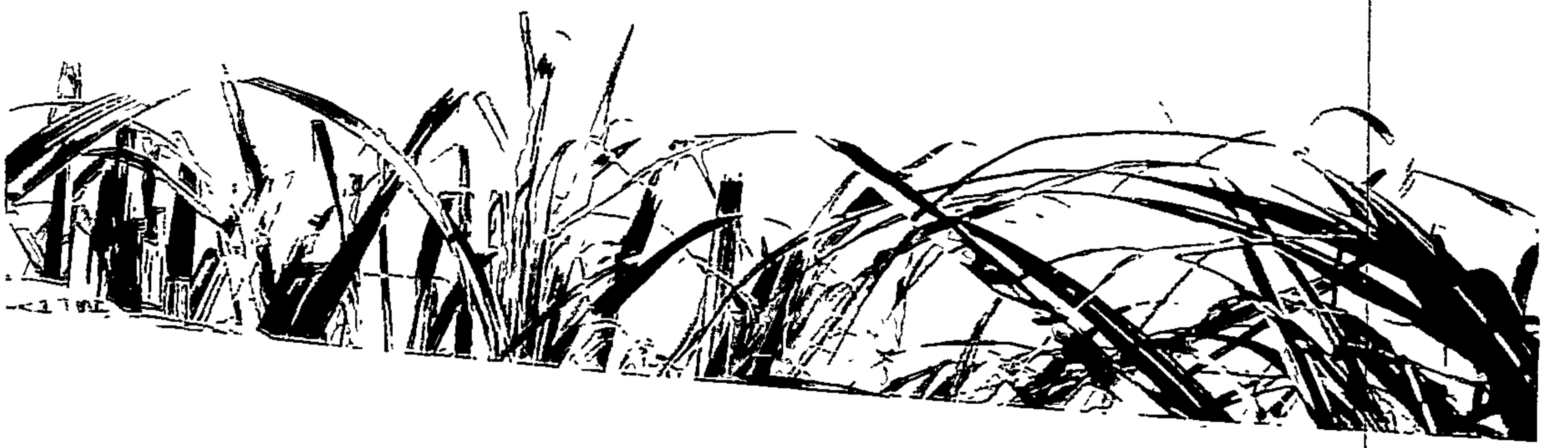
The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 October 2008 or later periods but are not relevant for the Company's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 October 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company's operations because none of the Company's companies provide for public sector services.

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 October 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values IFRIC 13 is not relevant to the Company's operations because none of the Company's companies operate any loyalty programmes.

B) FOREIGN CURRENCY TRANSLATION
The Company maintains its accounts in Sudanese Pounds (SDG), which is the functional currency of these financial statements. SDG replaced the Sudanese Dinar (SD) as the currency of Sudan from 1 July 2007, 1 SDG equals 100 SD. The rate of exchange of the Sudanese Pounds to the US Dollar at the balance sheet date was Sudanese Pounds 2.03 (2006 - Sudanese Pounds 2 10). Transactions in foreign currencies are translated to the Sudanese Pounds at the rates of exchange issued by the Bank of Sudan at the beginning of each quarter in which they occur. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are recognised in the income statement Net foreign currency profits arising each year are disclosed separately within reserves, to be offset against net future foreign currency losses charged to the income statement

C) INVENTORIES INCLUDING STANDING CANE
Standing cane, raw materials, consumables, and sugar inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method. 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 by-products	- Cost of direct materials and labour plus overheads based on a normal level of activity.
Livestock	- Livestock are measured at their fair value less estimated point of sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

As there is no active market for sugar cane in Sudan, a fair market value cannot be determined and therefore the valuation of sugar cane is outside the scope of IAS 41, and is valued on the basis described above

D) EMPLOYEES' END OF SERVICE BENEFITS

The Company provides for amounts payable under the Company's end of service benefits schemes applicable to employees' accumulated periods of service at the balance sheet date. The Company also provides for the statutory end of service benefits as required by the Labour Act 1997 and amended in March 2005. The Company has no legal obligation to pay further contributions although its current practice is to increase the historical amounts payable as rates of pay of employees increase.

The end of service benefits schemes are currently accounted for as defined contribution schemes in line with past custom and practice. Contributions to the schemes are recognised as an expense as employees earn end of service benefits during their service lives with the Company In addition, the impact of increases in rates of pay is recognised as they occur.

In the light of developing generally accepted accounting practice, the Directors are reviewing the accounting approach in relation to the end of service benefits plans Given that it is updated for future increases in rates of pay, the liability for end of services benefits relating to the current and prior periods is in practice not fixed. Consideration is therefore being given as to whether these schemes should be accounted for on a defined benefit basis. Further details are set out in Note [26].

NOTES TO THE FINANCIAL STATEMENTS
30 September 2007
All amounts are in thousand Sudanese Pounds unless otherwise stated,

E) REVENUE RECOGNITION
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods
Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer

(ii) Interest Income
Interest income is recognised when the right to receive payment is established.

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

(iv) Long term contracts for the provision of services
Revenue associated with long term contracts is recognised by reference to the stage of completion of the transaction at the balance sheet date. The conditions required for this treatment are that the stage of completion of the transaction and the costs incurred at the balance sheet date can be measured reliably and the costs to complete the transaction can be measured reliably

F) RESEARCH COSTS
All costs relating to research are expensed – as an operating expense - during the period in which they are incurred Total research costs for the year were SDG 2,895 thousand (2006 – SDG 2,336 thousand).

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

H) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are recorded at historical cost, except those held at 30 September 2000 when the historical cost was modified by a revaluation to account for the impact of hyperinflation.

Finance costs directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets.

Depreciation is provided against all property, plant and equipment, except for freehold land, at rates calculated to allocate the cost, less estimated residual value, over its expected useful life.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

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

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

I)PROVISIONS

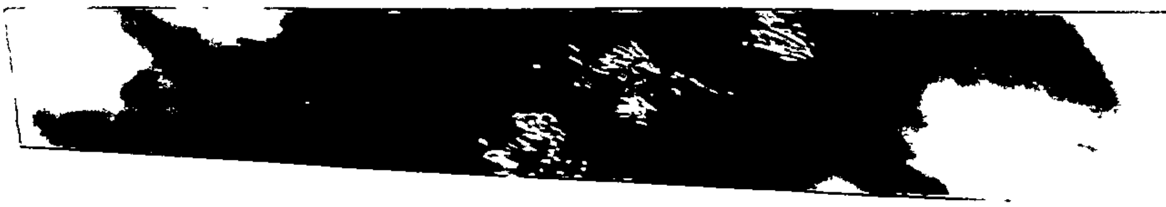
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, where it is probable that an outflow will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

J)DEFERRED INCOME TAX

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

K)CASH AND CASH EQUIVALENTS

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



L) INVESTMENTS
Investments in undertakings are accounted for at cost.
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets
Impairment of investments is assessed on an annual basis.

M) TRADE RECEIVABLES
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the carrying amount and the estimated recoverable amount.

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

O) BORROWINGS
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for more than 12 months after the balance sheet date.

P) FINANCIAL RISK FACTORS
The Company's activities expose it to a variety of financial risks

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

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

iii) Liquidity risk

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

Q)CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

i) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Recoverability of investment in KFD

The Company's investment in its subsidiary, KFD, is ramping up activities to reach full production levels and as such is still in the start-up phase. Management have assessed whether its investment in KFD has suffered any impairment. The recoverable amounts of cash-generating units of KFD have been determined based on value-in-use calculations. These calculations require the use of estimates.

b) Fair values of financial instruments

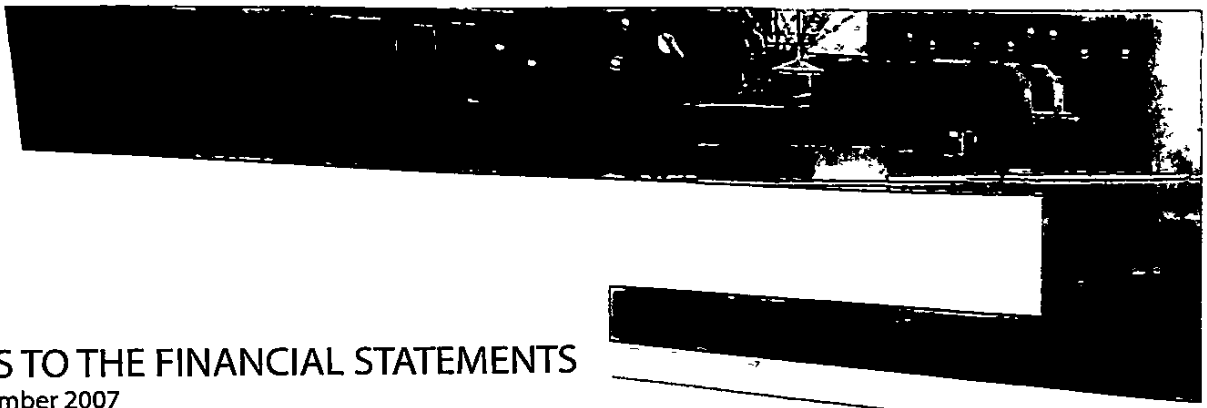
The fair value of financial instruments that are not traded in an active market (for example, Shehama investments (see note 6b)) is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date

ii) Critical judgments in applying the entity's accounting policies

a) Valuation of end of service benefits

The Company applies IAS 19 to determine the accounting treatment of its end of service benefits schemes which requires a number of judgements about expected future salaries and discount rates. These judgements are further described in note 25.

The directors do not consider that there were any other critical judgement in applying the Company's accounting policies



NOTES TO THE FINANCIAL STATEMENTS

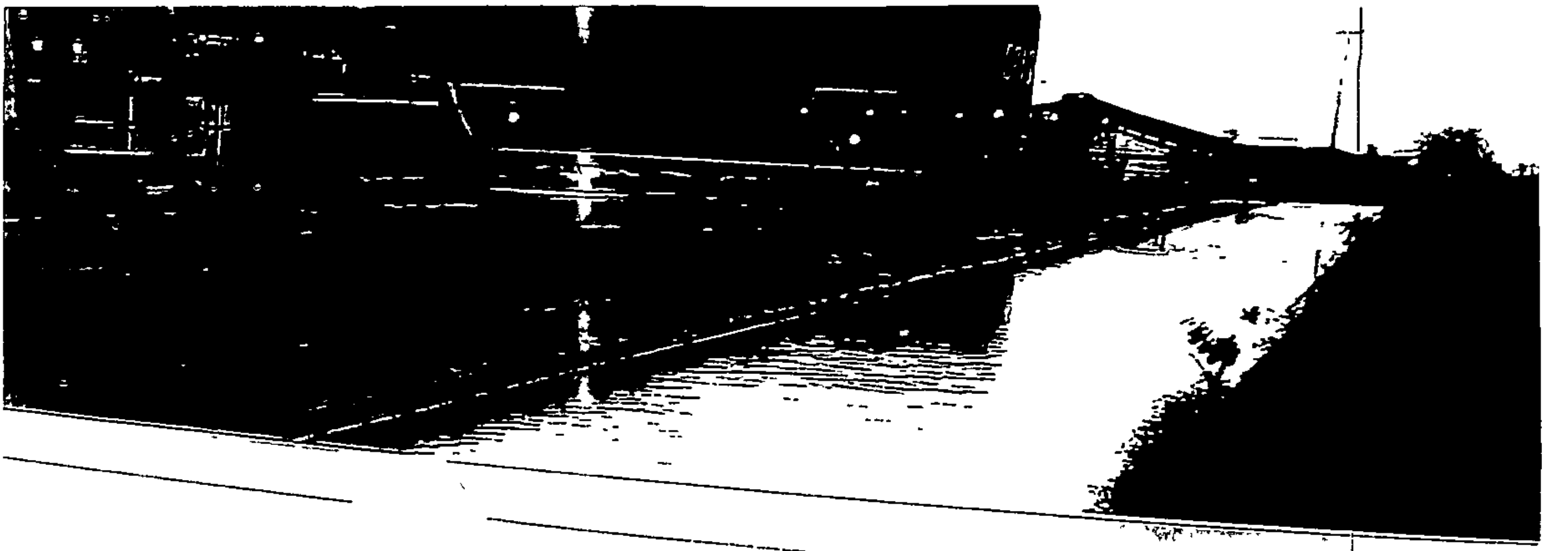
30 September 2007

All amounts are in thousand Sudanese Pounds unless otherwise stated,

3 STAFF COSTS

	2007	2006R
Salaries and Wages	194,844	187,446
End of Service Gratuity	34,432	24,783
National Social Insurance fund	11,773	19,717
	241,049	231,946
Average number of employees	11,885	12,785

During May 2007 the seasonal workers were outsourced to third party providers. The average number of seasonal workers now subject to outsourced contracts was 5,530 The costs associated with those employees are included above for comparative purposes.

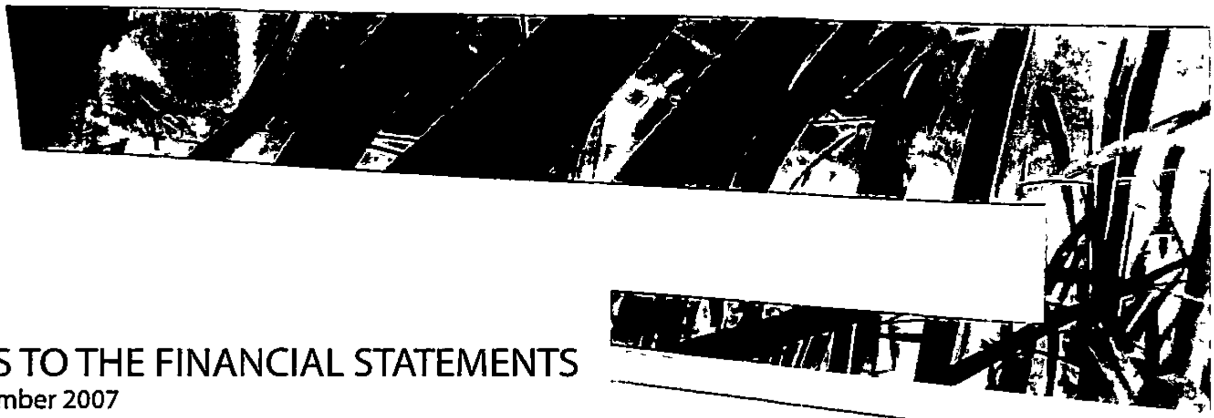


4. PROPERTY, PLANT AND EQUIPMENT

Cost	Land, Permanent Buildings and Infrastructure	Other Buildings, Equipment, Machinery, Pumps, Appliances and Furniture	Agricultural Equipment and Excavation Machinery	Vehicles and Other Assets	Total
At 30 September 2006	788,503	1,376,584	329,222	79,910	2,574,220
Additions	25,762	49,437	19,526	6,013	100,737
Transfer in (out)			4,065	(4,065)	
Disposals	-	(24)	(3,332)	(182)	(3,538)
At 30 September 2007	814,265	1,425,997	349,481	81,676	2,671,419
Depreciation					
At 30 September 2006	580,928	1,090,925	270,239	71,569	2,013,661
Charge for the year	8,269	36,169	20,697	5,691	70,826
Disposals	-	(20)	(2,866)	(182)	(3,068)
At 30 September 2007	589,197	1,127,074	288,070	77,078	2,081,419
Net book value					
At 30 September 2007	225,068	298,923	61,411	4,598	590,000
At 30 September 2006	207,576	285,659	58,983	8,341	560,559

5. CAPITAL WORK IN PROGRESS

	2007	2006
Balance at the beginning of the year	3,731	15,254
Additions	104,347	79,501
Transfers to fixed assets	(100,737)	(91,024)
Balance at the end of the year	7,341	3,731



NOTES TO THE FINANCIAL STATEMENTS
30 September 2007
All amounts are in thousand Sudanese Pounds unless otherwise stated,

6 a) INVESTMENTS
These comprise

a) KETS
Kenana Engineering & Technical Services Company (KETS) is a separate registered subsidiary owned by Kenana Sugar Company (share 99%) and the Industrial Development Bank (share 1%). As at 30 September 2007 the share capital of KETS equalled SDG 2,500 thousand. Kenana's share of this equalled SDG 2,475 million.

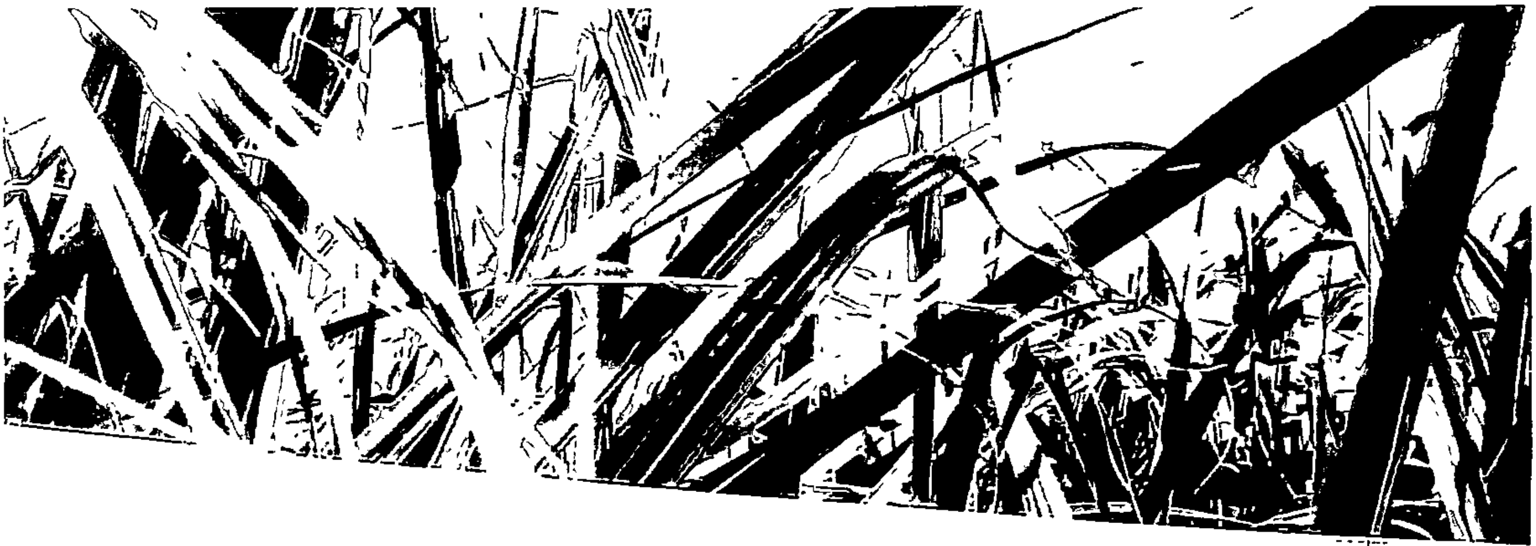
b) SAHEROON HOSPITAL
KSC has agreed to participate, among others, in Saheroon Specialised Hospital The project is intended to provide, for the participants, good medical treatment at preferential service fees Through this participation Kenana enjoys a reduction in its medical treatment costs for its employees KSC's participation in the project amounted to SDG 350 thousand

However, during the year ended 30 September 2007 the participants of Saheroon Specialised Hospital decided to return back part of funds the project has earlier received. As a result, the participation of KSC in Saheroon Specialised Hospital decreased to SDG 80 thousand as at 30 September 2007 (SDG 173 thousand as at 30 September 2006).

c) KFD
A loan of SDG 7,091 thousand extended to KFD, has been capitalised during the year ended 30 September 2007. Accordingly shares held by Kenana Sugar Company in KFD has increased by 709,093 shares bringing its total number of shares to 1,013,864 shares which represent 66% of KFD's total shares (the other shareholders of KFD are Van Der Ploeg International 17% and Sudanese French Bank 17%). These shares have the same rights as the existing ordinary shares The increase in shareholding has the impact of changing the status of Kenana's investment in KFD from a joint venture to a subsidiary

d) White Nile Sugar Company (WNSC)
Kenana owns 15% of the total equity of WNSC. During the year ended 30 September 2007 the final instalment of US$ 3.5 million for the shares has been fully paid. Accordingly, the investment in WNSC stood at US$ 26.0 million at the year end (2006: US$ 22.5million)

e) Kenana Sugar Free Zone Company
Kenana Sugar Free Zone Company (KFZC) is a separate registered subsidiary owned by Kenana Sugar Company (share 80%) and the Kenana Engineering Technical Services (share 20%) As at 30 September 2007 the share capital of KFZC equalled SDG 320 thousand. Kenana's share of this equalled SDG 256 thousand.



Investment value is as follows

	2007	2006
a) KETS	2,475	2,475
b) Saheroon Hospital	80	173
c) KFD	10,139	3,048
d) WNSC	61,882	54,758
e) Kenana Sugar Free Zone	256	-
	74,832	60,454

F) HELD-TO-MATURITY INVESTMENT

	2007	2006
Unlisted securities:		
- Shehama investments with fixed interest ranging from 14%-16% and maturity date of April 2008.	2,585	-

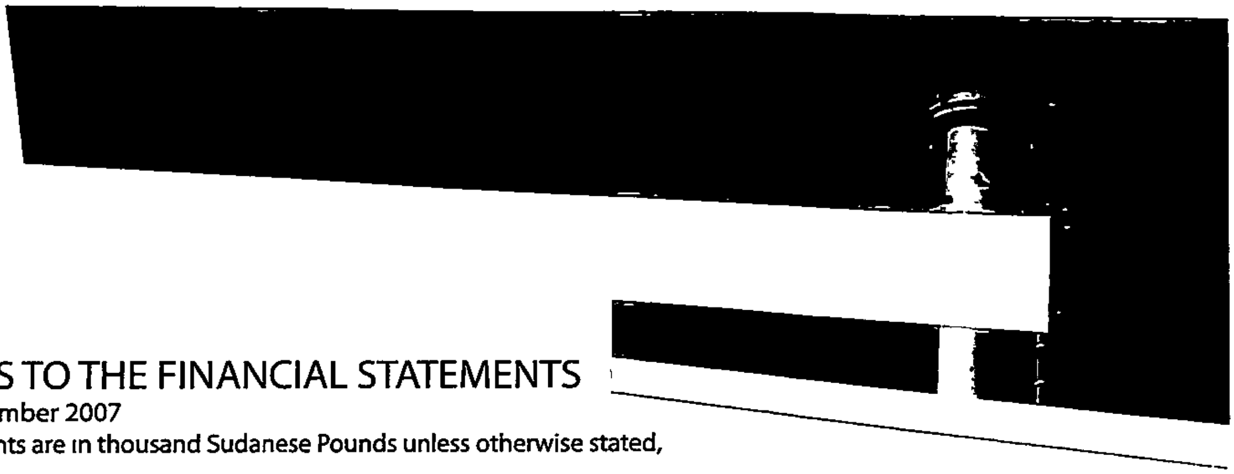
7.TAX PREPAYMENT

In late 1999 the Company agreed with the Minister of Finance, on behalf of the Government of Republic of the Sudan to restructure the trade receivable due at that time from the Government in exchange for treating all business profit taxes that would have become payable by the Company for the ten year period ending 30 September 2012 as having been settled.

Of the total tax prepayment, SDG 28,575 thousand (2006R - SDG 50,101 thousand) has been carried forward in these financial statements being the amount currently assessed as probable of utilisation in the foreseeable future as a prepayment of future taxable profits.

During the ten year period of the tax exemption the tax prepayment is being amortised to the profit and loss account in line with tax that would otherwise have been payable . This year is the fifth year of the exemption The amortisation of the tax prepayment charged to the income statement for the year was SDG 24,022 thousand (assessed in accordance with the Income Tax Order Treating of Assets Depreciation issued by the Ministry of Finance – August 1997) (2006 - SDG 27,881 thousand).

All amounts are in thousand Sudanese Pounds unless otherwise stated,



Deferred income taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30%. In accordance with IAS 29 a deferred tax liability arises on the revaluation of property, plant and equipment.

	2007	2006
Deferred Tax Liabilities	4,340	4,340

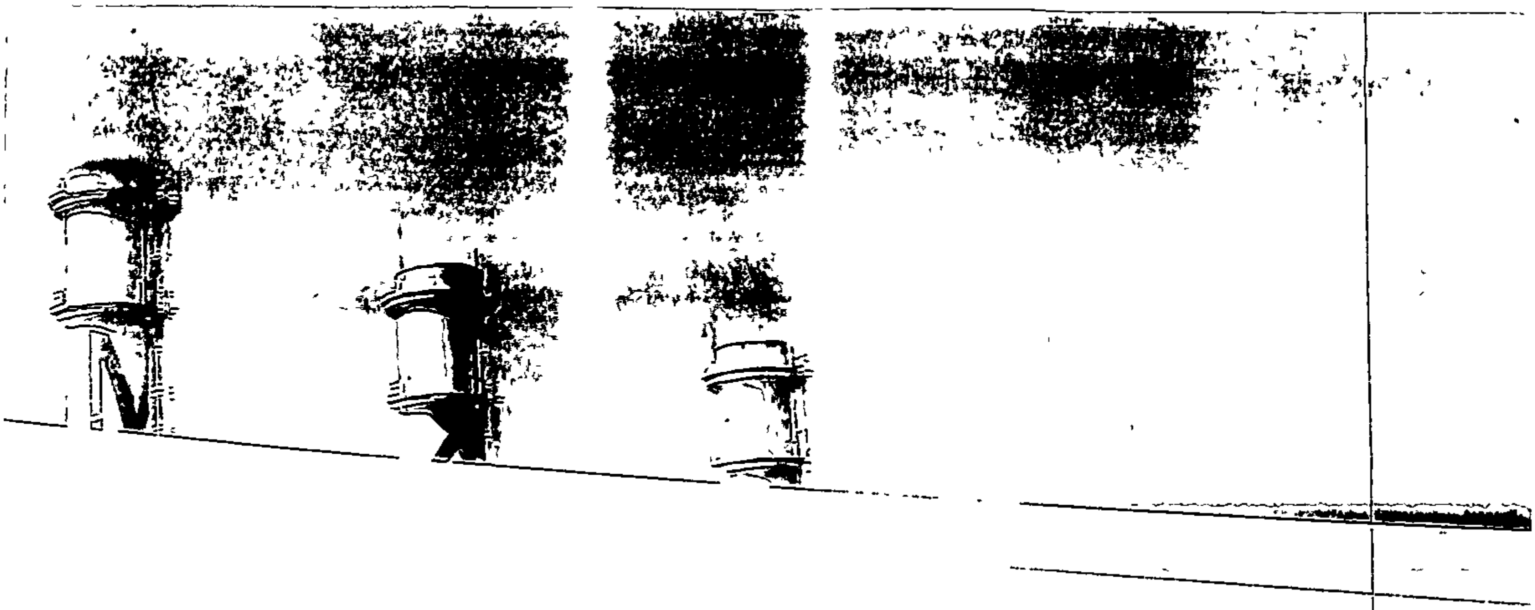
The above liability is that part of the deferred tax liability, which arose on the revaluation of property, plant and equipment made on 30th September 2000, that will crystallise after the end of the current ten-year exemption period.

8.INVENTORIES INCLUDING STANDING CANE

	2007	2006
Sugar	79,580	28,428
Raw sugar	55,096	51,521
Standing cane	103,469	107,109
Forests	4,688	3,769
Live stock	10,347	7,020
Animal feed	6,196	5,210
Spare parts, fuel and others	107,183	137,132
	366,559	340,189

Included in the value of stocks is depreciation as follows:

	2007	2006
Standing cane	644	8,124
Sugar stocks	13,681	3,450
Raw sugar stocks	4,421	1,524
Animal feed stock	-	996
Total	18,746	14,094



This capitalised depreciation has been excluded from other operating expenses in the income statement.

The cost of inventories recognised as expense and included in cost of sales amounted to SDG 337,832 thousand.

9.TRADE AND OTHER RECEIVABLES

	2007	2006
Trade accounts receivable	134	392
Prepayments	652	622
Advances to employees	25,556	25,527
Advances to suppliers	49,536	30,334
Other receivables	22,434	60,691
	98,312	117,566

10. CASH ON HAND AND BANK BALANCES

The cash balances include:
a) SDG 2,639 thousand (2006- SDG 6,783 thousand) cash held in escrow as security for a long-term loan (refer to note 17)
b) SDG 126 thousand restricted cash held within Sudanese French Bank as security for undrawn Letters of Credit.

11. ACCOUNTS PAYABLE AND ACCRUALS

	2007	2006R
Trade accounts payable	27,051	21,167
Taxes and customs duties on sales	21,375	3,379
Advances from customers	4,714	6,461
Other payables	79,234	48,747
Accrued expenses	11,958	45,186
	144,332	125,540

All amounts are in thousand Sudanese Pounds unless otherwise stated,

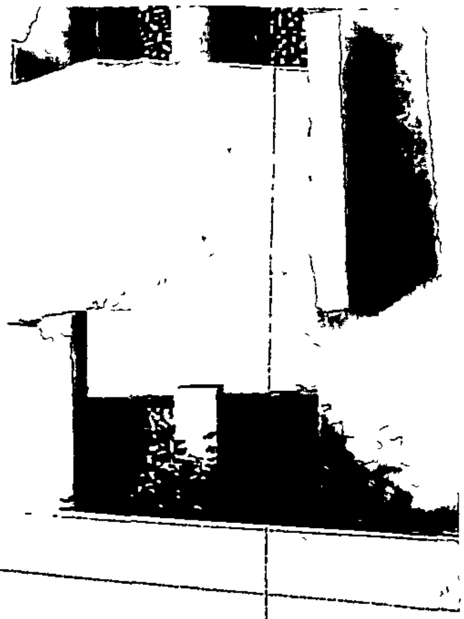
Included with other payables is SDG 27,764 thousand relating to dividends payable (2006 - SDG 2,407 thousand).

12. PROPOSED DIVIDENDS

Dividends proposed, but not approved or provided for in the financial statements at the end of the financial year, are as follows:

	2007	2006
8% Cumulative, participating, convertible preference shares "B"	–	–
10% Cumulative, participating, convertible preference shares "A"	–	–
10% Special, cumulative, participating convertible preference shares "A"	25,897	26,790
All shares (ordinary and preference)	24,853	15,210
TOTAL PREFERENCE AND ORDINARY SHARES	50,750	42,000

The dividends paid in 2007 and 2006 were SDG 42,000 thousand (SDG 0 15 per 10% 'special cumulative convertible preference A' share and SDG 0 03 per all shares) and SDG 42,674 thousand (SDG 0.15 per 10% 'special cumulative convertible preference A' share and SDG 0.02 per all other shares) respectively. A dividend in respect of the year ended 30 September 2007 of SDG 50,750 per share, amounting to a total dividend of SDG 0 09, is to be proposed at the Annual General Meeting on 06 February 2008 These financial statements do not reflect this dividend payable



13. SHARE CAPITAL

Authorised Share Capital

No. Of Shares (Thousand)		2007	2006
76,475	Ordinary shares of Sudanese Piasters 10 each	76	76
156,000	10% Cumulative, participating convertible Preference shares "A" of Sudanese Piasters 10 each	156	156
234,000	10% Special, cumulative, participating, convertible Preference shares "A" of Sudanese Piasters 10 each	234	234
123,525	8% Cumulative, participating, convertible Preference shares "B" of Sudanese Piasters 10 each	124	124
590,000		590	590

Subscribed and fully paid up Capital

No. Of Shares (Thousand)		2007	2006
76,470	Ordinary shares	76	76
155,290	10% Cumulative, participating, convertible preference shares "A"	155	155
206,090	10% Special, cumulative, participating, convertible preferences shares "A"	206	206
122,700	8% Cumulative, participating, convertible preferences shares "B"	123	123
560,550		560	560

	2007	2006
Restated subscribed share capital	1,837,469	1,837,469
Share Capital revaluation reserve (Note 16)	(1,836,909)	(1,836,909)
	560	560

Par value per share is SDG 1

Preference shares

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

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

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

In the event of a voluntary or involuntary liquidation, dissolution, or winding up of the Company, the holders of preference shares rank before the holders of ordinary shares but after creditors in the following order:
i) Holders of shares special "A", and "A".
ii) Holders of preference shares "B".

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

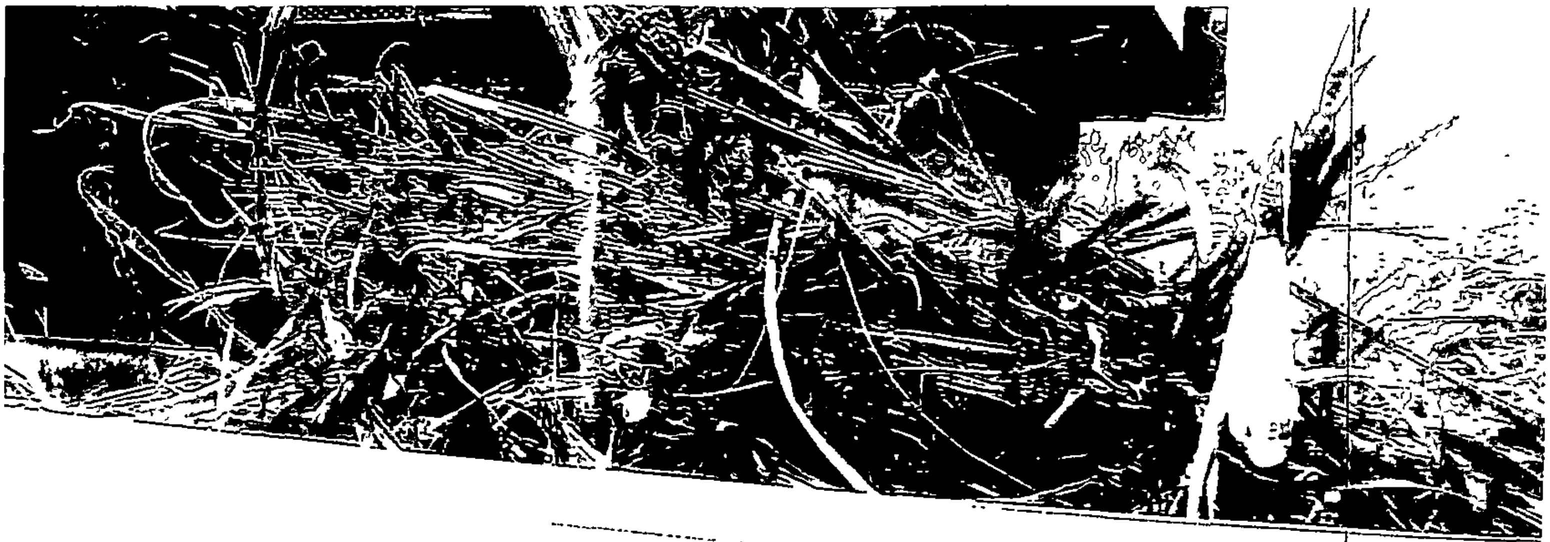
Preference shares, which are convertible to ordinary shares at the option of the Directors subject to certain conditions, carry dividend obligation at the discretion of the Directors and attract a residual interest in the net assets of the Company. These preference shares are classified as equity.

Dividends in arrears

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

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

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



3) To utilise an amount of US$12.7 million of the declared dividends for all years after the year ending 30 September 1998 for the payment of the remaining dividend arrears (at 30 September 2006 such dividends arrears totalled US$ 38.5 million for the special preferred shareholders "A"), and to distribute the remaining portion of the declared dividends (if any) to all shareholders on a pro rata basis.

14. GENERAL RESERVE

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

15. EXCHANGE DIFFERENCES RESERVE

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

16.REVALUATION RESERVE

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

	As at 30 September 2007 SDG 000's	As at 30 September 2006 SDG 000's
Revaluation of fixed assets	35,016	53,370
Deferred tax liability	(12,424)	(12,702)
Share Capital revaluation	(1,836,908)	(1,836,908)
Revaluation Reserves	(1,814,316)	(1,796,240)

An amount equal to the difference between historical cost depreciation and the depreciation on the revalued fixed assets is transferred from this reserve to retained earnings each year.
This transfer amounted to SDG18,354 thousand (2006 - SDG 1,105 thousand).
An amount equal to the deferred tax which would have been incurred on the revalued fixed

assets is transferred from this reserve to retained earnings. This transfer amounted to SDG thousand 278 (2006 - SDG 278 thousand)

17. BORROWINGS

A) Export Credit Loans

The Bank of Sudan has agreed to include the Export Credit Loans (that should have been fully repaid in the repayment period 1980-1988) and interest accrued thereon for the year 1984 to 1988, in the rescheduling agreements which the Government of the Republic of Sudan is seeking to negotiate with its international creditors.
As no such agreements have yet been concluded, the loans and interest accrued between 1984 and 1988 under the loan agreements totalling SDG 182,681 thousand (2006 - SDG 165,755 thousand) are financial obligations. Accordingly the total principal amounts and interest up to 1988 that could be payable are recorded as a liability

The Government of the Sudan has agreed with the Company that the Company will receive any agreed debt relief in respect of these loans When negotiations are completed, adjustments may need to be made to the carrying value of the loans in the balance sheet and to finance charges included in the profit and loss account. The negotiations originally commenced in 1981 and it is expected that a future period will elapse before any final agreement is reached The Directors expect that an agreement will incorporate rescheduled payment dates and that the Company will be able to finance repayments. As a consequence these financial statements have been prepared on a going concern basis.

It is not expected that either the original lenders or the Government of Sudan will seek to enforce immediate repayment of the overdue loans Based on past experience formal rescheduling of these loans, which is not at the discretion of the Company, is unlikely to occur in the short term Nevertheless these loans are technically repayable on demand and disclosed as being due within one year.

Export Credit Loans consist of the principal and interest accrued prior to the suspension of repayments as follows

	Amount in Foreign Currency 000's	As at 30September 2007 SDG000's	As at 30September 2006 SDG000's
French Franc Loans	Euro 20,261	58,554	54,109
Japanese Yen Loans	Yen 5,256,190	105,124	94,086
Austrian Schilling Loans	Euro 6,575	19,003	17,560
Total Export Credit Loans		182,681	165,755

B) Other Loans

	As at 30 September 2007 SDG 000's	As at 30 September 2006 SDG 000's
Loans repayable in one year	4,511	12,419
Loans repayable in more than one year	2,256	7,000
Total	6,767	19,419

Other loans represent a loan from OPEC amounting to US$ 10,000 thousand.

The OPEC loan amounting to US$ 3.3 million is payable in three half-yearly instalments from 8 October 2007 to 8 October 2008 and bears interest in arrears at a rate of LIBOR plus 2.5% payable in April, and October every year. The loan is secured by US$ 20.0 million of property, plant and equipment and, in compliance with the terms of the loan, US$1.3 million held in an escrow account

C) Fair Values

The carrying amounts of the following financial assets and liabilities approximate to their fair values. cash, trade receivables and payables, other receivables and payables, short term borrowings excluding the Export Credit Loans, floating rate long term borrowings, and dividends payable. As no agreement has yet been reached with creditors over repayment of Export Credit Loans, no reliable estimate of their fair value can be made at present.

18 SALES

Under the terms of the Sugar Sales Agreement of 1975 concluded between Kenana Sugar Company Limited and the Government of the Republic of the Sudan, one half of the sugar production each year shall be sold to the Government of Sudan. The Company has the unrestricted right to export the other half under guarantee of contracts and payment shall be made through letters of credit or by cash in US dollars before delivery The Company also has the right to sell part of the export quota locally in foreign currency or in Sudanese Pounds (convertible to foreign currency).

The price formula for the calculation of the selling price of sugar sold to the Government is based on the budgeted total operating costs, finance costs and property, plant and equipment replacement costs, plus a profit margin

The analysis of all categories of sales is as follows:

	2007 Metric Tonnes	2007 SDG'000	2006 Metric Tonnes	2006 SDG'000
Domestic market quota	150,000	210,093	150,000	198,438
Export quota (Government)	125,100	175,218	131,000	173,303
Export quota (Others)	88,828	121,637	81,144	105,488
Small packages	20	28	568	755
Treacle	518	291	1,136	2,689
Refined sugar	52,557	73,132	34,944	49,530
Molasses	128,669	18,003	143,776	26,478
Animal feed	13,969	3,393	13,058	5,190
Produce farm	n/a	5,408	n/a	4,186
Forestry	n/a	342	n/a	662
Transportation, handling and storage	n/a	35,924	n/a	29,636
White Nile Sugar Co.	n/a	8,924	n/a	9,450
		652,393		605,805

19. FINANCE INCOME AND COST

	2007	2006
Income:		
Bank interest receivable	540	1,950

	2007	2006
Cost:		
Bank/ Loan interest payable	1,168	1,981

20. TAX PREPAYMENT

SDG 24,022 thousand was charged to the profit and loss account. This represents the amortisation of the tax prepayment (see note 7).
The notional tax on the Company's profits before tax differs from the theoretical amount that would arise based on the country's tax rate of 30% as follows:

	2007	2006R
Profit before tax for the year	66,406	83,460
Add Depreciation for the year	70,826	66,636
	137,232	150,096
Less: Exemption (per the Act)		
Year 1 (2000) 3,686,251 X 70%	(25,804)	(25,804)
Year 2 (2001) 3,602,239 X 50%	(18,011)	(18,011)
Year 3 (2002) 3,496,373 X 30%	(10,489)	(10,489)
Year 4 (2003) 2,853,770 X 10%	(2,854)	(2,854)
Year 5 (2006) 2,398,169 X 0%	-	--
	80,074	92,938
@ 30%	24,022	27,881

21. OTHER OPERATING INCOME

	2007	2006
Workshop services	10	243
Fire damage claim	-	1,700
Miscellaneous	1,159	2,184
	1,169	4,127

22 FOREIGN EXCHANGE DIFFERENCES

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

23 CAPITAL COMMITMENTS

The directors have authorised future capital expenditure amounting to SDG 57,769 thousand (2006 - SDG 85,400 thousand).

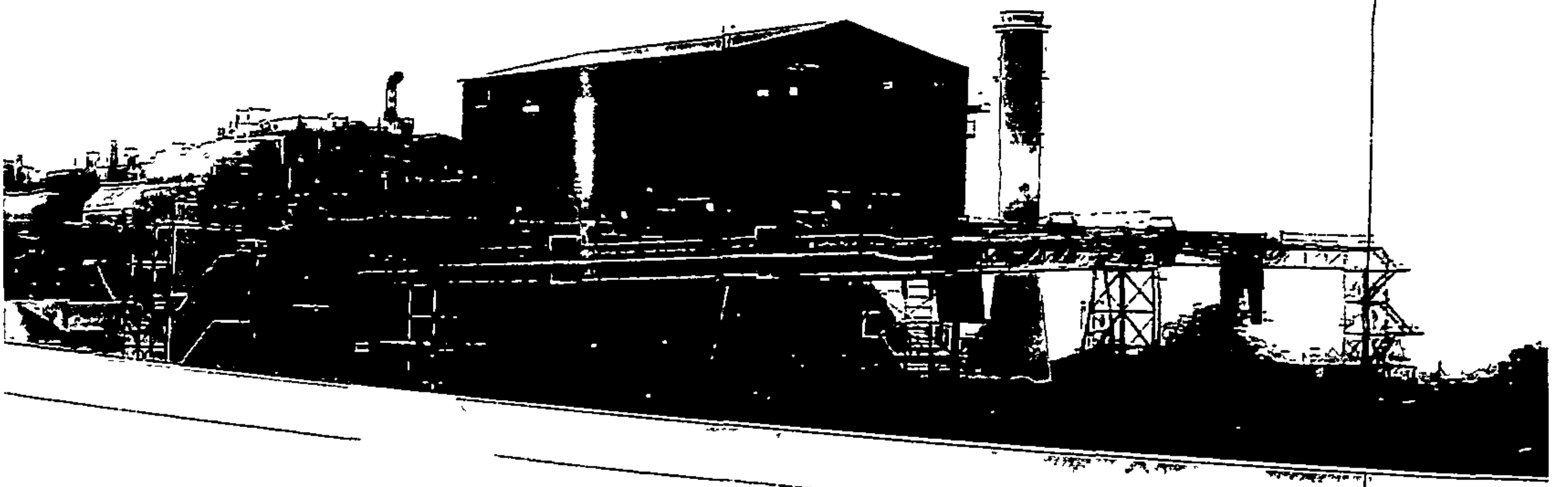
24. RELATED PARTIES

a) Directors' Remuneration
The thirteen members of the Board of Directors, who have voting rights, as listed on page (5) of the Annual Report, received an aggregate remuneration of SDG 408 thousand (2006 – SDG 432 thousand).

b) Government of the Sudan
The Government of the Sudan is a related party of the Company by virtue of its shareholding. As indicated in note 18, the Government must purchase 150,000MT of sugar but may buy additional amounts over and above this quota. During the year the Government purchased 275,100 MT with a total value of SDG 383,311 thousand (2006 281,000 MT with a total value of SDG 371,741 thousand). As at 30 September 2007 the amounts were fully paid (As at 30 September 2006 the amounts were fully paid)

c) KETS
Kenana Engineering and Technical Services Company (KETS) (refer to note 6) is a related party by virtue of Kenana Sugar Company Limited's shareholding. As at 30 September 2007 there exists an amount due to KETS for SDG 1,810 thousand (2006 – SDG 3,000 thousand due to KETS). Services rendered to Kenana by KETS during the year amounted to SDG 4,900 thousand.

d) White Nile Sugar Company (WNSC)
The WNSC is a related party through KETS, which was awarded the management responsibility for the WNSC project. Kenana has a contract with WNSC for the provision of technical support which is provided by KETS. The contract is expected to continue over a number of years and therefore management have accounted for this as a long term contract (see note 2D)). KSC sold services valued at SDG 8,900 thousand during the year and had, as at 30 September 2007, an amount due from WNSC of SDG 7,800 thousand (2006 – SDG 8,500 thousand).



e) Kenana Friesland Dairy

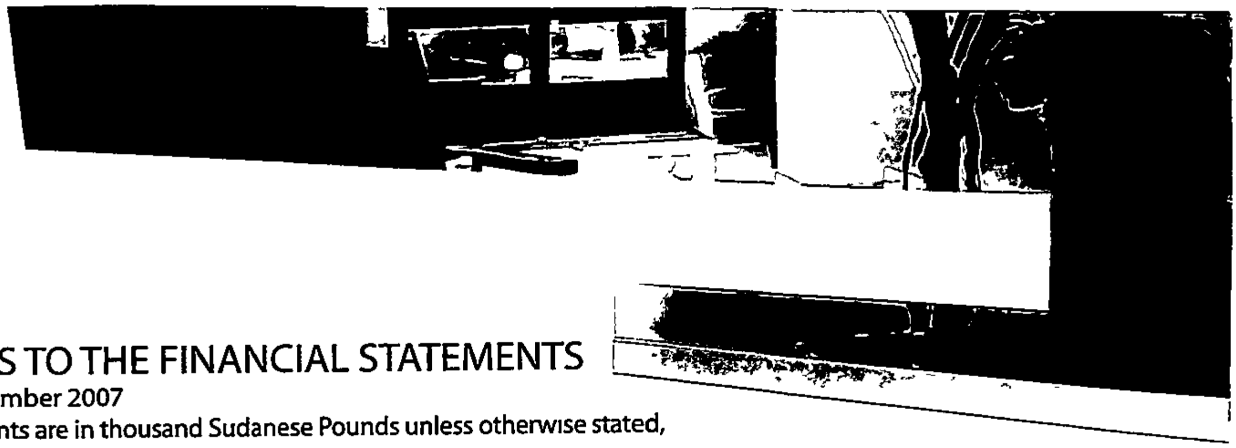
As at 30 November 2006 Kenana's shareholding in KFD increased from 37% to 66% upon the conversion of a loan from Kenana to KFD into ordinary shares. These shares have the same rights as the existing ordinary shares. The amount converted was SDG 7,090 thousand. The increase in shareholding has the impact of changing the status of Kenana's investment in KFD from a joint venture to a subsidiary. As a consequence, from 30 November 2006 KFD will no longer be proportionately consolidated, but instead, will be fully consolidated into the Kenana group accounts KSC sold services valued at SDG 4,402 thousand during the year and had, as at 30 September 2007, an amount due from KFD of SDG 4,675 thousand (2006 – SDG 8,660 thousand).

f) Kenana Sugar Free Zone Company

Kenana Sugar Free Zone Company (KFZC) (refer to note 6) is a related party by virtue of Kenana Sugar Company Limited's shareholding. KSC had, as at 30 September 2007, an amount due from KFZC of SDG 1,696 thousand (2006 – nil).

25. RESTATEMENT OF EMPLOYEE COSTS AND LIABILITIES

The negotiation of the wage settlement with the Government and workers' representatives of the period from 1 January 2006 to 30 September 2007 was extremely protracted, being concluded shortly before the financial statements for the year ended 30 September 2006 were approved by the Directors in March 2007. Since then, the Company has been able to assess the impact of the settlement on the labour costs for the year ended 30 September 2006 and these amounts were paid to the relevant employees in September 2007. The Company considers that the cost of the element of the wage settlement relating to the period 1 January 2006 to 30 September 2006, totalling SDG 27,600 thousand, should have been accounted for in the financial statements for the period in respect of the following items



NOTES TO THE FINANCIAL STATEMENTS

30 September 2007

All amounts are in thousand Sudanese Pounds unless otherwise stated,

(Thousand SDG)

Item in the accounts	As previously reported	Restatement	Restated
Income statement amounts:			
Other operating expenses	(368,214)	(22,549)	(390,763)
Gross profit	237,591	(22,549)	215,042
General and Administration expenses			
Services and others			
Other administration expenses	(35,676)	(3,560)	(39,236)
	(63,798)	(1,325)	(65,123)
Selling and distribution expenses	(52,069)	(166)	(52,235)
Profit from operating activities	90,174	(27,600)	62,575
Profit on ordinary activities before tax	111,060	(27,600)	83,460
Taxation	(36,162)	8,281	(27,881)
Net profit for the year	74,899	(19,320)	55,579
Balance sheet amounts:			
Accounts payable and accruals	97,940	27,600	125,540
Net current assets	217,291	(18,600)	189,691
Retained earnings	589,215	(18,355)	570,860
Shareholders' funds	683,718	(19,319)	664,399
Statement of changes in shareholders' equity:			
Retained earnings	589,215	(18,355)	570,860
Total equity	683,718	(19,319)	664,399

26. RETIREMENT BENEFIT OBLIGATIONS

	2007 SDG'000	2006 SDG'000
Opening balance	161,796	128,652
Provision for the year	46,372	36,021
Payments made during the year/period	(8,278)	(2,877)
Balance at 30 September	199,890	161,796

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 30 September 2007, using the projected unit credit method, in respect of employees' end of service benefits payable under these arrangements. Under this method an assessment has been made by management of employees' expected service lives with the Company and expected basic salaries at the date of leaving service. Management has assumed average increment/promotion costs and a discount rate of approximately 12% per annum.

Management has determined that on this basis the liability recognised at 30 September 2007 under the current defined contribution method of accounting is not materially different to that which would exist under a defined benefit method of accounting.

In the coming year, management plan to undertake a further study of the accounting policy and underlying valuations.

27. POST BALANCE SHEET EVENTS

The Company has committed to a redundancy programme after the balance sheet date. As at 15th January 2008, 1,372 employees had been made redundant at a cost to the company of SDG 44,531 thousand.

On 30 January 2008 the Company received approval from Bank of Khartoum granting a loan facility of SDG 127.1 million. The facility is to be secured against 57,500 tons of sugar.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF Kenana Sugar Company Limited

Report on the Stand-alone Financial Statements PricewaterhouseCoopers LLP and Abdel Latif, Eltayeb, Bushra & Co have jointly audited the financial statements of Kenana Sugar Company Limited standing alone for the year ended 30 September 2007 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in shareholders' equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's shareholders as a body and for no other purpose, to assist the directors to discharge their stewardship obligations in respect of the company. Our work has been conducted in accordance with our individual engagement letters for the year ending 30 September 2007 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with International Financial Reporting Standards

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements for the year ended 30 September 2007 give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the company's affairs standing alone as at 30 September 2007 and its profit and cash flows for the year then ended.

Emphasis of matter – loan repayments

We draw attention to Note 17 to the financial statements. Settlement of Export Credit Loans, repayments of which have been suspended, amounting to SDG183 million (as adjusted for exchange movements), are to be re-negotiated. When completed, adjustments may be required to their carrying values. Our opinion above is not qualified in this respect.

PricewaterhouseCoopers LLP
Chartered Accountants, London
14/2/2008

Abdel Latif, Eltayeb, Bushra & Co
Chartered Accountants, Khartoum
7/2/2008