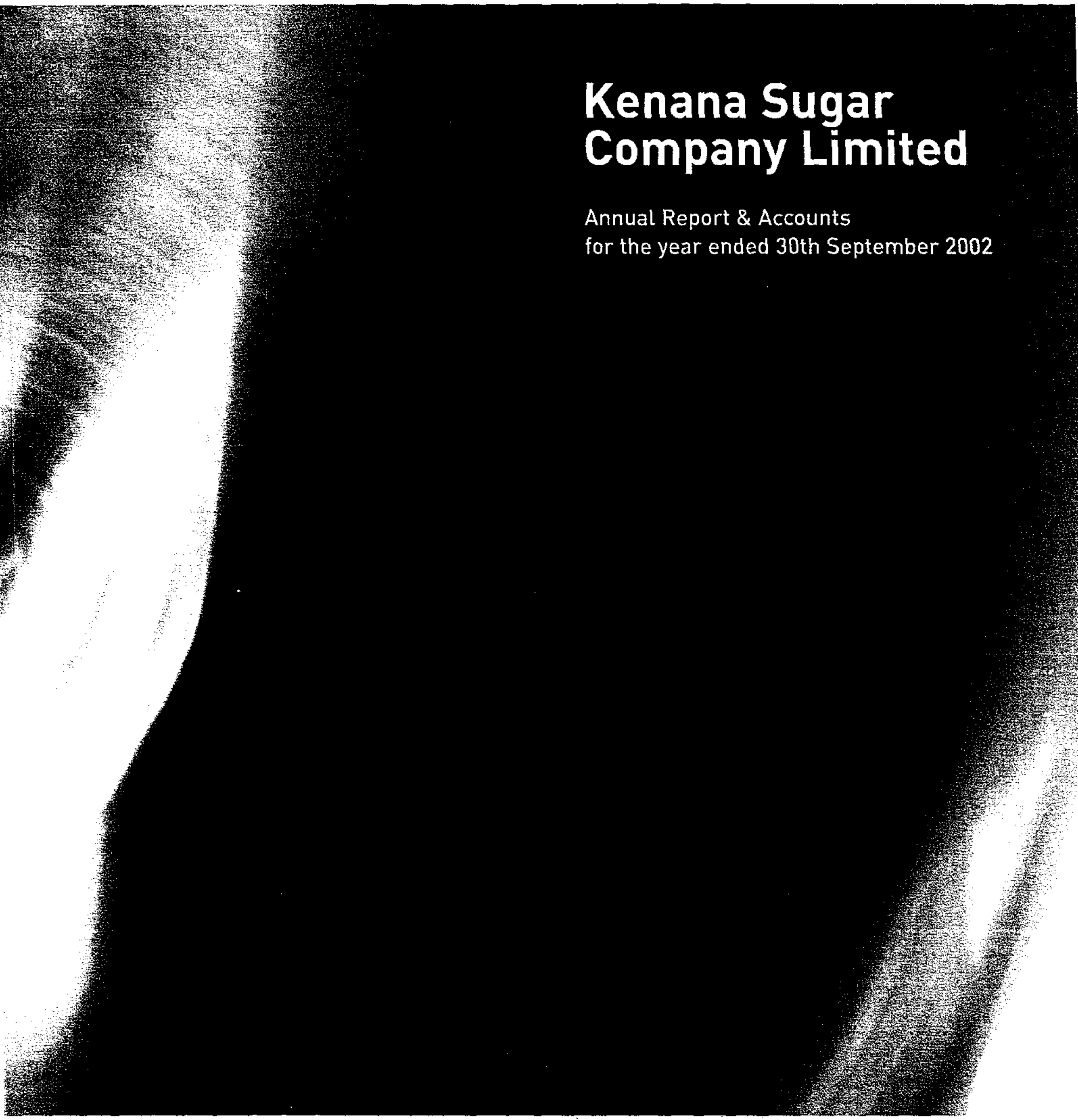


Kenana Sugar Company Limited

Annual Report & Accounts
for the year ended 30th September 2002

FC018990

Directorate and Administration

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

Dr. ElZubeir Ahmed Al Hassan
Government of the Republic of Sudan

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

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

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

Mr. Ayad Abdulla Alsumait
Kuwait Real Estate Investment Consortium

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

Mr. Mashaal Yousif Al Darbas
Kuwait Real Estate Investment Consortium

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

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

Mr. A. Wahab AhmedHamza
Sudan Development Corporation

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

Mr Wagiealla A/Alla Al Naw
Consortium of Sudanese Commercial Banks

Managing Director
Mr. Osman Abdalla El Nazir

Deputy Managing Director
(Khartoum)
Mr. Ibrahim Ali Masalam

Deputy Managing Director
(Site)
Mr. Mohamed El-Mahi El-Haj

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

Joint Auditors
PricewaterhouseCoopers (London)
Bannaga, Gasim & Co. (Khartoum)

Legal Counsel
El Karib & Medani (Khartoum)
Veil Armfelt & Associates (Paris)

Technical Consultants
F.C.Schaffer & Associates (USA)

Company Secretary
Mr Fareed Omer Medani

Registered Office
Plot Number 846
Block 2, El Geraif Gharb
Khartoum, Sudan

Some Facts & Figures about Kenana:

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

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

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

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

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

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

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

Irrigation Requirements
400 million gallons per day.

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

Electricity Generation
During Crop: 53 megawatts.

Workforce
12,000 employees, with a further 4,000 seasonal workers for the duration of the crop.

Summary of Operations and Financial Status

		1992/93	1993/94	1994/95	1995/96
1 Crushing Season	(days)	147	138	150	149
2 Area harvested	(feddans)	76,000	77,616	75,077	76,834
3 Cane harvested	(MT/000)	2,242	2,142	2,276	2,594
4 Cane yield per feddan	(MT)	29.50	27.60	30.30	33.80
5 Cane harvested per day	(MT)	15,300	15,500	15,200	17,400
6 Harvesting mechanical	(%)	51	54	54	50
Harvesting hand-cut	(%)	49	46	46	50
7 Net sugar recovery / cane crushed	(%)	11.81	11.61	11.10	10.79
8 Sugar production	(MT)	265,000	249,000	253,000	280,000
9 Production target	(MT)	260,000	265,000	265,000	265,000
10 Selling Price (DMQ)	(SD/MT)	3,552.0	8,939.3	17,277.3	35,021.5
11 Production costs	(SD/MT)	1,851.12	5,262.80	9,689	17,588
12 Costs excluding extraordinary items (line 20)	(SD/MT)	1,851.12	5,662.77	9,689	17,588
13 Total costs	(SD/MT)	1,851.12	5,716.13	9,689	17,588
14 Turnover	(SD/000)	1,027,950	3,077,570	5,323,077	10,312,875
15 Operating profit (loss)	(SD/000)	537,403	1,716.14	2,875,602	5,411,040
16 Net finance charges (payable) received	(SD/000)	87,760	174,210	41,018	(219,183)
17 Gain (loss) exchange	(SD/000)	(80,723)	(251,277)	26,753	-
18 Provisions	(SD/000)	4,507	5,135	3,516	-
19 Profit (loss) before extraordinary items	(SD/000)	539,932	1,687,968	2,901,489	5,088,728
20 Extraordinary items	(SD/000)	-	*(13,288)	-	-
21 Profit (loss) for year	(SD/000)	539,932	1,670,679	2,901,489	5,088,728
22 Sudanese pound exchange rate against US Dollar	(US $)	0.006/0.009	0.0026/0.006	0.0014	0.0007
23 Dividends	(US $)	3,000,000	3,000,000	5,000,000	15,852,776

*(Loss)/Profit resulting from devaluation of Sudanese Currency

1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
166	191	187	193	186	171
76,538	79,160	79,006	78,594	78,209	79,712
2,970	3,439	3,500	3,541	3,751	3,615
38.80	43.50	44.30	45.10	48	45.34
17,900	18,000	18,700	18,348	20,110	21,140
51	63	64	62	62	63
49	37	36	38	38	37
11.20	10.34	10.43	10.93	10.76	10.40
333,000	356,000	365,000	387,044	403,486	376,039
290,000	340,000	365,000	367,000	390,000	420,000
57,593.7	86,406.3	83,809	98,000	104,700	113,076
32,290	35,130	43,213	77,686	84,984	84,274
32,290	35,130	43,213	77,686	84,984	84,274
32,290	35,130	43,213	77,686	84,984	84.274
19,917,674	29,903,407	32,734,015	37,834,308	39,955,036	38,825,464
9,055,075	11,700,547	8,738,057	7,853.543	5,610,127	6,936,536
1,617,501	2,329,333	152,067	84,467	(38,694)	(172,271)
40,023,775	3,629,213	(14,303,604)	990,588	659,294	(271,063)
22,181	-	-	-	-	-
9,916,506	15,292,434	(9,125,437)	9,396,113	6,157,839	4,212,782
-	-	-	-	-	-
9,916,506	15,292,434	(9,125,437)	9,396,113	6,157,839	4,212,782
0.0006	0.0005	0.004	0.004	0.004	0.004
17,000,000	15,859,916	16,000,000	19,600,000	22,000,000	12,757,000

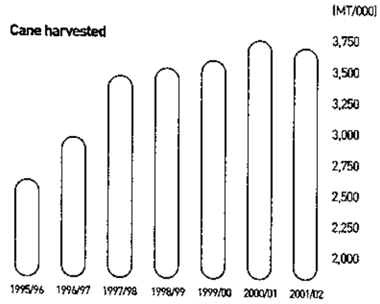
Chairman's Statement

In 2001, the Chairman's statement discussed the development of the international situation in the aftermath of the 11th September 2001 incident, its adverse effects on international economic relations including development, growth, and trade. These factors are still prevalent and the whole world is faced with more challenges on both macro and micro levels. Amongst these challenges the issues of security, peace, energy, globalisation and international trade are of grave importance.

The global recession loomed over the world economy and many developing countries are facing imbalances of trade, lack of political stability and pressing poverty and unemployment. Product markets are still witnessing a downward trend and the sugar market is no exception.

In the Sudan, economic stability has continued as is seen from the stability of the exchange rate of the Sudan's local currency (the Dinar) against the major international currencies and with the inflation figure in single digits.

The last decade of the 20th century and even the few years that have elapsed since the year 2000, witnessed a fluctuating downward trend in the international sugar markets. The phenomenon of decreasing prices continued for most of the season. The prices for white sugar on the London Spot Market fell as low as US$ 207 per ton, with only a slight subsequent recovery from that price. The price for raw sugar witnessed some stability during March and April 2002 and then deteriorated, especially after the expiry of the futures market contracts for raw sugar in May 2002. Current indications point out that comparative stability of sugar prices will continue due to the balance between the world sugar stock and levels of production in the major sugar producing countries (the fall in production in some areas is compensated by increases in other areas) and the world level of demand. Given the current dismal status of the world sugar market, the questions are: how long it will take to restore the balance between supply and demand; the ability of the growth in markets in the developing countries to affect the total international demand for sugar; whether the WTO procedures will put more flexibility on trade liberalisation; and the increase in sugar consumption?



Against the risks of the international sugar market, the Company's marketing plan concentrates primarily on the West African markets, COMESA and European Union markets. The dynamic and flexible export plan was based on the objectives and targets laid down by the marketing department and approved by the Board of Directors. That is, to maximise the Company's proceeds according to market segmentation. Although 2001/02 was a challenging season with adverse international market conditions, the marketing division responded well to these challenges with a very sound performance, above expectations. The Company was able to aggressively penetrate the targeted markets and achieved higher prices than the international prevailing average prices for sugar.

The Company's marketing policy for molasses (sales in lots) successfully achieved far higher prices within the large international market for this product. In the domestic market, the Company played a key role in implementing the newly adopted policy for marketing of local sugar under the anti-monopoly act for sugar sales in Sudan. Kenana, together with the Sudanese Sugar Production Company, led a sound local marketing policy through direct delivery to customers which, enabled the factories to have an effective cash flow through the season. The local molasses sales were boosted through an effective marketing policy including delivery of the product to the customers. Within the diversification strategy, the Company started marketing successfully, for the third year, new products such as timber, cash crops and the products of the Kenana Workshops.

Sugar output for 2001/02 totalled 376,039 metric tons with a slight decrease of 7% from the 2000/01 Crop. This decrease, which has been taken seriously by the Company's Management, was mainly attributed to the freak climatic condition which had the most far reaching adverse effect in cane yield which came down from 48.0 tonnes per feddan last crop to 45.3 tonnes this crop, and the yield for refined sugar dropped from 10.76% last crop to 10.40% this crop.

The total value of sales (including proceeds from export and domestic sugar quotas) reached SDD 38,825 million compared to last crop proceeds amounting to SDD

39,955 million. The decrease in proceeds is attributed to the increase in the sugar closing stocks. Despite the comparative decrease in proceeds, gross profit slightly increased this season to SDD 15,018 million compared to SDD 14,114 million last season, reflecting the increased efficiency of production operations. Fixed assets have increased this season to SD 35,767 million compared to SDD 33,388 million last season.

As a major investment Company, Kenana cannot rely on one product portfolio consisting solely of sugar. This is not only due to sugar's fluctuating price and the impact on the Company's cash flow and profitability, but also because there are further attractive investment opportunities within Kenana. Advantage should be taken of the strong infrastructure base of Kenana, its availability of by-products which can be further processed to generate more income through the value-added concept, and the accumulation of the know-how over the years within Kenana. Based on the above, successive investment plans were drawn and some projects were executed. The current medium term investment plan covers the period 1999/2000 - 2003/04. The largest project within this plan is the Factory Uprating (i.e. to increase the factory crushing rate from the designed capacity of 17,000 tonnes of cane per day to 26,000 tonnes per day) to cater for the increasing production of sugar cane. The crushing capacity of the factory has now increased to more than 24,000 tonnes per day. The Cane Research Department programme has targeted increasing the productivity and the sugar contents in the cane. Other diversification projects are witnessing substantial development as well. These include the Forestry Project which is an environmental project as well as a source of income by selling timber to domestic and foreign markets. The forested area is more than 8,000 feddans. The Dairy project is now at the pre-operation stage and will be going into commercial production during the year 2003. The bagasse coal briquette project is now ready to be executed. The oil seed crops project has started by growing sesame and sunflower. Projects in the pipeline include an ethanol plant and a yeast producing plant. The Animal Feed project is intended to produce molasses block feeds at the first stage and later liquid feed may be considered.

Kenana Engineering & Technical Services Company Limited (KETS) is a subsidiary of Kenana Sugar Company founded in 1986 to meet a genuine need for independent and reasonably priced consulting and engineering services to the agro-industrial sector (with special emphasis on the sugar industry). KETS is taking advantage of Kenana's sound technical knowledge and resources covering a wide range of disciplines, and Kenana's experienced workforce are readily available to KETS. KETS provides the ultimate gateway to a rich inside knowledge and expertise of sugar business processes and the related technological information. Over the past few years KETS has extended its wide range of services to other countries such as Nigeria, Kenya and Chad. Locally, KETS is actively involved in the promotion, set up and establishment of the White Nile Sugar Company. This is a multi national project to produce 340,000 tonnes of sugar per annum. Other local projects in which the Company is involved includes the Blue Nile Sugar Factory and the Melut Sugar Factory.

Kenana has distributed US$ 120 million as dividends to shareholders over the last 11 years. It has undistributed profits retained within the Company for the development of existing projects and execution of new projects. An existing challenge for Kenana is to face effectively the globalisation and free trade era and the resultant tough international competition. The advancement of technology is rapidly changing the face and magnitude of business in the sense of facilitation, cost effectiveness, time accuracy and convenience. Arrangements are already in place for the adoption of new policies, new technologies, diversification of products, strengthening of the agricultural research unit, offering training programmes and the implementation of dynamic and flexible export policies. Kenana remains highly committed to the policy of raising productivity, reducing operational costs and upgrading quality. Strict austerity measures are under way to reduce direct and indirect manufacturing costs and the execution of an Information Technology programme undertaken by Kenana staff with consultancy from the international firm of Pricewaterhouse Coopers.

In light of the various constraints that affected the overall operational efficiency, the credit for the satisfactory results achieved should go to the dedicated management team and workforce for their concerted efforts, unlimited support of the Government of the Republic of Sudan, Shareholders, Directors of the Board and members of the Executive Committee of the Board of Directors. The efforts have now been directed towards the preparation of Crop season 2002/03 in order to achieve the target production of 390,000 metric tonnes of white sugar.

Dr. Galal Yousef El Degair

Directors Report

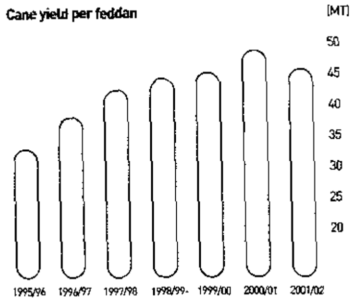
The members of the Board of Directors submit their report with the audited accounts for the financial year ended 30 September 2002.

Assessment of the 2001/02 Crop Season

The 2001/02 crop season was the 23rd since the start of Kenana's commercial operations way back in 1980. The campaign which commenced on 3rd November 2001 continued for a period of 171 days, during the course of which 376,039 MT of sugar was produced by grinding 3,614,531 MT of cane at an average sucrose recovery rate of 10.40%.

Cane Production

Cane Yield/Feddan (TCF) this season amounted to 45.30 MT in comparison to 48.0 MT achieved last year (2000/01) and 45.10 MT the year before (1999/00).
The total area harvested of 79,712 feddans yielded 3,614,531 MT of cane (2000/01 - 3,750,598 MT). This slight decline in the production of cane should be considered a normal phenomenon taking into account the fact that agriculture is so dependent on the vagaries of nature.



Despite this, however, Kenana still continues to be at the top of the league of the prominent cane sugar producing countries and management has every intent to maintain this upward trend.

Cane Harvest and Transport

The Harvesting operations were conducted efficiently as is evidenced by the fact that deliveries of cane to the factory comfortably matched the high, daily grinding rates registering a record of 24,000 MT/day during the peak of the grinding season.

Cane harvested and transported amounted to 3,614,531 MT, delivered over the entire duration of 171 crop days with very minimal cane losses in the field.

The Factory

Despite the slight decline in the production of cane, the factory achieved peak performance and operational efficiency. The early delivery of spare parts enabled the factory to execute a well planned off-crop maintenance and rehabilitation work schedule, with successful tests and trials completed well before the crop start-up.

The highest crushing rate achieved this season was 25,746 MT/day with an average of 21,231 MT/day for the entire duration of the crop season (last year's average was 20,110 MT/day).

Sugar losses, despite the high grinding rates, remained at last year's level of 2.33%. The time lost was also minimal at 5.76% (last crop 7.31%). The total sugar produced was 376,039 MT (last season 403,486 MT).

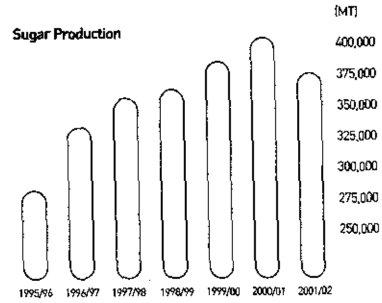
Central Workshops

Central Workshops essentially being the core of all operational logistics, contributed positively to the factory and other departmental operations. This was reflected by the achievement of higher harvesting and grinding rates.

The Central Workshops strived well to maximise the life of equipment by the process of rehabilitation and of preventive maintenance; planning a phased replacement programme for all categories of equipment and advocating measures of tighter control over the usage of equipment.

General

Management continued the implementation of cost reduction initiatives as imposed by the budget constraints. Such measures have been overwhelmingly successful to the extent that the globally imposed increases in the cost of key material inputs have been absorbed within the budgetary approved funds, and yet the operating unit cost showed significant savings in comparison to that of last year.



The Marketing Department executed the optimum sales plan thereby generating the maximum revenue, subject to achieving the desired level of sugar stockholding – both from domestic and export sales.

The IT (Information Technology) programme continues to forge ahead with several projects executed, and the systems implementation, selection of packages and training of employees currently in progress.

Industrial Relations were at their best, as usual.

The Company cash flows in both currencies were well managed. The exchange rate of the Sudanese Dinar against the US Dollar stood at US $ 1 = SD 265.3 (Last year 2001: US $ 1 = SD 257.85).

Directors Report

Results of the Year

The profit from operations of SD 6,936 million is higher than that of last year (SD 5,610 million) as a result of significant reductions in operating costs. The savings more than offset the increase in depreciation (12.4% over last year) and the drop in sales (3% less than last year).

This year witnessed the first amortisation charge of the Tax Prepayment of SD 2,280 million. This charge represents the benefit received by Kenana in the year as a result of the tax concession granted by the Sudanese Government for the ten years commencing 2001/02.

To be compared to last year, the net profit this year needs to be adjusted by the following items which were, in large part, beyond the immediate control of the management:

	SD MILLION
- Increase in Depreciation	717
- Amortisation of the Tax Prepayment	2,280
- Foreign Exchange Loss	930
- Expected margin on the 48,000 MT increase in the year end sugar stocks resulting in reduced sugar sales	1,781
- Development Tax no longer applicable	(73)

Sub-Total	**5,635**
Net Profit as per Profit & Loss Account 2001/02	**4,213**

	9,848
	=========

Thus, a fair comparison of the net profit of SD 9,848 million for this year with that of SD 6,158 million of the previous year would give an increased profit figure of SD 3,690 million, an increase of 60% net profit over the previous year.

Forecast

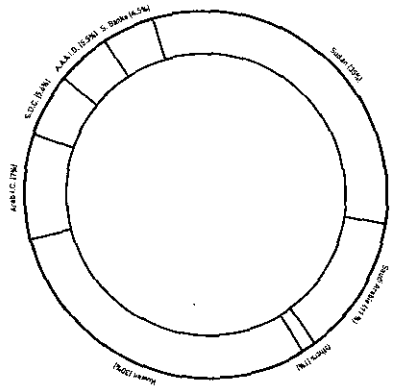
Effective procurement and finance plans for equipment and machinery maintenance/ rehabilitation and production inputs are expected to ensure higher production results next year.

Cane tonnage planned for crushing next year stands around 3.75 million MT which is expected to produce around 390,000 MT of sugar at an expected yield of 10.4 per cent.

Share Capital Funding *

The authorised share capital amounts to SD 59 million and the paid-up capital amounts to SD 56 million (before adjusting for inflation) which is held in the following percentages as at 30 September 2002 :

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



Directors

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

Subsequent event

On 13th March 2003, LONMIN PLC signed an agreement with Kenana Sugar Co. Ltd.(KSC) offering for sale of their entire shareholdings to the remaining KSC's shareholders who have already agreed to buy these shares pro rata to their existing total shareholding at an agreed price. Accordingly, LONMIN PLC's shareholding is now reduced to 'nil' and other shareholders' shareholding has been increased to that effect from 13th March 2003.

Profit and loss account

Year Ended 30 September 2002 (Thousand Sudanese Dinar)

	Note	2002	2001
Sales	18	38,825,464	39,955,036
Cost of sales:			
Depreciation	4	(6,508,340)	(5,791,569)
Other operating expenses		(17,298,706)	(20,049,764)
		(23,807,046)	(25,841,333)
Gross Profit		15,018,418	14,113,703
General and administration expenses:			
Services and others		(2,248,019)	(2,531,431)
Other administration expenses		(3,243,146)	(3,473,147)
		(5,491,165)	(6,004,578)
Selling and distribution expenses		(2,789,229)	(2,553,965)
Other operating income	21	198,512	54,967
		(8,081,882)	(8,503,576)
Profit from operating Activities		6,936,536	5,610,127
Finance income	19	89,361	184,993
Finance Cost	19	(261,632)	(223,687)
Net foreign exchange difference	22	(271,063)	659,294
		(443,334)	620,600
Profit on ordinary activities before tax		6,493,202	6,230,727
Development tax	7		(72,888)
Prepaid Tax	20	(2,280,420)	-
Net Profit (Loss) for the year		4,212,782	6,157,839

The attached notes form the part of these Financial Statements.

Balance sheet

30 September 2002 (Thousand Sudanese Dinar)

	Note	2002	2001
Assets Employed			
Fixed Assets	4	35,766,700	33,388,046
Capital Work in Progress	5	5,929,369	4,587,036
Investments	6	35,025	35,025
		41,731,094	38,010,107
Tax Prepayment	7	13,419,580	15,600,000
		55,150,674	53,610,107
Current Assets			
Current Portion of Tax Prepayment	7	3,400,000	3,500,000
Inventories	8	22,276,103	16,643,485
Trade and other receivable	9	11,487,012	13,827,541
Cash on hand and bank balances	10	3,142,763	3,623,643
		40,305,878	37,594,669
Current Liabilities			
Accounts payable and accruals	11	8,729,676	5,111,161
Current portion of long term loans	17	941,371	180,495
Export Credit Loans (Suspended)	17	17,926,913	17,795,638
		27,597,960	23,087,294
Net current assets		12,707,918	14,507,375
Total assets less current liabilities		**67,858,592**	**68,117,482**
Funds Employed			
Capital and Reserves			
Share capital	13	183,746,896	183,746,896
General reserve	14	1,614,379	1,403,740
Exchange differences reserve	15	1,378,819	1,649,882
Revaluation Reserve	16	(177,471,042)	(173,981,310)
Retained earnings	12	49,763,283	47,673,049
		(124,714,561)	(123,254,639)
		59,032,335	60,492,257
Non Current Liabilities			
Long term loans	17	2,054,843	1,624,455
Deferred tax liabilities	7	434,000	434,000
Retirement benefit obligations	2	6,337,414	5,566,770
		8,826,257	7,625,225
		67,858,592	68,117,482

The attached notes form the part of these Financial Statements.

Deputy Chairman   Chairman

Statement of changes in shareholders equity

Year Ended 30 September 2002 (Thousand Sudanese Dinar)

	Note	Share Capital	General Reserve	Exchange difference reserve	Revaluation reserve	Retained earnings	Total
As at 30 September 2000 Restated	**13**	**183,746,896**	**1,095,848**	**990,588**	**(170,379,071)**	**43,901,677**	**59,355,938**
Net Profit for the year						6,157,839	6,157,839
Dividends for the year ended 30 September 2000	12					(5,021,520)	(5,021,520)
Transfer to General reserve	14		307,892			(307,892)	-
Transfer to Exchange Differences reserve	15			659,294		(659,294)	-
Depreciation transfer	16				(3,602,239)	3,602,239	-
As at 30 September 2001 Restated	**13**	**183,746,896**	**1,403,740**	**1,649,882**	**(173,981,310)**	**47,673,049**	**60,492,257**
Net Profit for the year						4,212,782	4,212,782
Dividends for the year ended 30 September 2001	12					(5,672,704)	(5,672,704)
Transfer to General Reserve	14		210,639			(210,639)	-
Transfer to Exchange Differences reserve	15			(271,063)		271,063	-
Depreciation Transfer	16				(3,489,732)	3,489,732	-
As at 30 September 2002		**183,746,896**	**1,614,379**	**1,378,819**	**(177,471,042)**	**49,763,283**	**59,032,335**

The attached notes form the part of these Financial Statements.

Statement of cash flows

Year Ended 30 September 2002 (Thousand Sudanese Dinar)

	2002	2001
Operating Activities		
Profit before tax	6,493,202	6,230,727
Adjustment for:		
Depreciation	6,508,340	5,791,569
Foreign exchange losses/(gains)	271,063	(659,294)
Profit on sale of fixed assets	(36,296)	(13,284)
Net interest (income)/charge	(89,361)	(184,993)
Changes in working capital		
Inventories	(5,632,618)	(2,994,067)
Trade and other receivable	2,340,529	(1,561,606)
Payables	2,306,679	1,589,686
Provision for employees terminal benefits	770,644	1,258,517
Cash generated from operations	12,932,182	9,457,255
Interest received	89,361	184,993
Tax paid	-	(72,888)
Net cash from operating activities	13,021,543	9,569,360
Investment Activities		
Purchase of property, plant and equipment	(10,236,351)	(6,836,471)
Proceeds from property, plant and equipment	43,320	17,191
Increase in investment	-	(5,000)
Net cash used in investing activities	(10,193,031)	(6,824,280)
Financial Activities		
Proceeds from long term borrowings	1,191,264	691,119
Repayment of long term borrowings	-	(715,394)
Dividends paid	(4,360,868)	(4,706,967)
Net cash used in financing activities	(3,169,604)	(4,731,242)
(Decrease)/increase in cash and cash equivalent	(341,092)	(1,986,162)
Movement in cash and cash equivalent:		
At start of the year	3,623,643	5,680,643
(Decrease)/increase in the year	(341,092)	(1,986,162)
Effects of exchange rate changes	(139,788)	(70,838)
At end of the year	3,142,763	3,623,643

The attached notes form the part of these Financial Statements.

Notes to the financial statement

Year Ended 30 September 2002
All amounts are in thousand Sudanese Dinar unless otherwise stated

1. Activities

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

2. Significant Accounting Policies

a) Basis of preparation

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

b) Currency

The company maintains its accounts in Sudanese Dinar. The rate of exchange of the Sudanese Dinar to the US Dollar at the balance sheet date was Sudanese Dinar 265.30 (2001 — Sudanese Dinar 257.85). Transactions in foreign currencies are translated to the Sudanese Dinar at the rates of exchange issued by the Bank of Sudan at the beginning of each quarter. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date. All differences are taken through the profit and loss account. Net foreign currency profits arising each year are disclosed separately within reserves, to be offset against net future foreign currency losses charged to the profit and loss account.

c) Inventories including standing cane

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

Standing cane	Cost of direct materials and labour, plus attributable overheads
Raw materials & consumables	Purchase cost on a weighted average basis.
Sugar and by-products	Cost of direct materials and labour plus overheads based on normal level of activity.

d) Employees' end of service benefits

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

e) Sales

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

f) Tax repayment

During the ten year period of tax exemption which recommenced on 1st October 2001 (see note 7), the tax prepayment is amortised to the profit and loss account in line with future annual taxable profit. The amount at each Balance Sheet date to be utilized as a prepayment against future taxable profits is re-assessed annually and any adjustment required (if any) to be credited or charged to the profit and loss account in that year.

g) Depreciation

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

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

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

h) Provisions

Provisions are recognized 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.

i) Deferred income tax

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

j) 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.

k) Investments

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

3. Staff Costs

	2002	2001
Salaries and Wages	10,659,135	10,890,310
End of Services Gratuity	770,644	1,283,522
National Social Insurance Fund	477,314	473,820
	11,907,093	12,647,653
Average number of employees	14,329	14,387

4. Fixed Assets

	Land, Permanent Buildings and Infrastructure	Other buildings and Equipment Machinery, Pumps, Appliances and furniture	Agricultural Equipment and Excavation Machinery	Vehicles and Other assets	Total
Cost					
At 30 September 2001	66,106,871	107,829,318	23,164,477	5,402,454	202,503,120
Additions	1,643,461	4,508,784	1,922,671	819,102	8,894,018
Disposals	-	-	(33,587)	(19,772)	(53,359)
At 30 September 2002	67,750,332	112,338,102	25,053,561	6,201,784	211,343,779
Depreciation:					
At 30 September 2001	47,612,748	95,807,553	20,818,808	4,875,965	169,115,074
Charge for the year	2,770,794	1,997,178	1,332,602	407,766	6,508,340
Disposals	-	-	(26,910)	(19,425)	(46,335)
At 30 September 2002	50,383,542	97,804,731	22,124,500	5,264,306	175,577,079
Net book value:					
At 30 September 2002	17,366,790	14,533,371	2,929,061	937,478	35,766,700
At 30 September 2001	18,494,123	12,021,765	2,345,669	526,489	33,388,046

Notes to the financial statement

Year Ended 30 September 2002
All amounts are in thousand Sudanese Dinar unless otherwise stated

5. Capital work in progress

	2002	2001
Balance at the beginning of the year	4,587,036	2,629,002
Additions	10,236,351	6,836,471
Transfers to fixed assets	(8,894,018)	(4,878,437)
Balance at the end of the year	5,929,369	4,587,036

6. Investments
These comprise:

a) KETS:

Kenana Engineering & Technical Services Company (KETS) is a separate registered subsidiary owned by Kenana Sugar Company (share 99%) and the Sudan Development Corporation (share 1%). On 10 October 2000, the authorized share capital was increased by SD257 million. No additional share capital has been issued subsequent to that date.

b) Saheroon Hospital

The benefits to Kenana of its equity investment in the Saheroon Hospital are reduced medical services costs for Company employees and a share in dividends.

Consolidated financial statements have not been prepared on the grounds of immateriality.

Cost of investment is as follows:

	2002	2001
a) KETS	25	25
b) Saheroon Hospital	35,000	35,000
	35,025	35,025

7. Tax prepayment

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

Of the total tax prepayment, SD 16.8 billion (2001: SD19.1 billion) has been carried forward in these financial statements being the amount currently assessed as probable of utilization in the foreseeable future as a prepayment of future taxable profits.

During the ten year period of the tax exemption the tax prepayment is being amortised to the profit and loss account in line with tax that would otherwise have been payable. This year is the first year of the exemption, the amortization of the tax prepayment charged to the profit and loss account for the year is SD 2,280,420 thousand (assessed in accordance with the Income Tax Order Treating of Assets Depreciation issued by the Ministry of Finance - August 1997).

Deferred income taxation

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

	2002	2001
Deferred Tax Liabilities	434,000	434,000

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

8. Inventories including sugar cane

	2002	2001
Sugar	4,388,763	935,993
Standing cane	7,511,387	6,458,303
Forests	236,335	230,195
Live Stock	133,363	133,363
Spare parts, fuel and others	10,006,255	8,885,631
	22,276,103	16,643,485

9. Trade and other receivables

	2002	2001
Trade account receivable	4,193,678	4,820,062
Prepayments	408,032	417,322
Advances to employees	767,172	872,713
Advances to suppliers	3,419,600	5,441,962
Other receivables	2,698,530	2,275,482
	11,487,012	13,827,541

10. Cash on hand and bank balances

The cash balances include SD 830,433 thousand cash held in escrow as security for two long term loans (refer to note 17)

11. Accounts payable and accruals

	2002	2001
Trade accounts payable	1,954,235	1,321,117
Taxes and customs duties on sales	978,443	206,544
Amounts due to the Sudanese Sugar Company	-	279,036
Advances from customers	1,414,649	558,322
Other payables	3,132,988	1,927,772
Accrued expenses	1,249,361	818,370
	8,729,676	5,111,161

Included with other payables is SD 1,311,836 thousand relating to proposed dividends (2001: SD 314,553 thousand.)

12. Proposed dividends

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

	2002	2001
8% Cumulative, participating, convertible preference shares "B"	-	-
10% Cumulative, participating, convertible preference shares "A"	-	-
10% Special, cumulative, participating Convertible preference shares "A"	3,384,432	3,289,396
All shares (ordinary and preference)	-	2,383,308
TOTAL PREFERENCE AND ORDINARY SHARES	3,384,432	5,672,704

Notes to the financial statement

Year Ended 30 September 2002
All amounts are in thousand Sudanese Dinar unless otherwise stated

13. *Share Capital*

Authorised Share Capital

No. of Shares (Thousand)		2002	2001
76,475	Ordinary shares of Sudanese Piasters 10 each	7,647	7,647
156,000	10% Cumulative, participating convertible Preference shares "A" of Sudanese Piasters 10 each	15,600	15,600
234,000	10% Special, cumulative, participating, convertible Preference shares "A" of Sudanese Piasters 10 each	23,400	23,400
123,525	8% Cumulative, participating, convertible Preference shares "B" of Sudanese Piasters 10 each	12,353	12,353
590,000		59,000	59,000

Subscribed and fully paid up Capital:

No. of Shares (Thousand)		2002	2001
76,470	Ordinary shares	7,647	7,647
155,290	10% Cumulative, participating convertible preference shares "A"	15,529	15,529
206,090	10% Special, cumulative, participating, convertible preference shares "A"	20,609	20,609
122,700	8% Cumulative, participating, convertible preference shares "B"	12,270	12,270
560,550		56,055	56,055
	Restated subscribed share capital	183,746,896	183,746,896
	Share Capital revaluation reserve (Note 16)	(183,690,841)	(183,690,841)
		56,055	56,055

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 obtain 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 ordinary shares and after creditors in the following order:

i) Holders of shares special "A", and "A".
ii) Holders of preference shares "B".

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

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 utilize 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 preference shares shall be converted into ordinary shares in accordance with the terms of issuance of these shares.

3) To utilize an amount of US$12.7 million of the declared dividends for all years after the year ending 30 September 1998 for the payment of the remaining dividend arrears (at 30 September 2001 such dividends arrears totalled US$ 89.3 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 utilized 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 fixed assets and the deferred income tax liability thereon and the share capital. This reserve is not available for distribution.

	As at 30 September 2002 SD 000's	As at 30 September 2001 SD 000's
Revaluation of fixed assets	11,536,799	15,026,531
Deferred tax liability	(5,317,000)	(5,317,000)
Share Capital revaluation	(183,690,841)	(183,690,841)
Revaluation Reserves	(177,471,042)	(173,981,310)

An amount equal to the difference between historical cost depreciation and the depreciation on the revalued fixed assets is transferred from this reserve to retained earnings each year. This transfer amounted to SD thousand 3,489,732 (2001 SD thousand 3,602,239).

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 SD 17,926,913 thousands (2001 SD 17,795,638 thousands) 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 any agreed rescheduling and/or debt relief in respect of these loans will be received by the Company and that to accept the pegging of Export Credit Loans original currencies at 30 September 1985 prevailing exchange rates of US Dollar. When negotiations are completed, adjustment may need to be made to the carrying value of the loans in the balance sheet and adjustment to finance charges included in the profit and loss account. The negotiations originally commenced in 1981 and it is expected that a future period will elapse before any final agreement is reached.
The Directors expect that such an agreement will incorporate rescheduled payment dates and that the Company will be able to finance repayments. As a consequence these financial statements have been prepared on a going concern basis.

It is not expected that either the original lenders or the Government of Sudan will seek to enforce immediate repayment of the overdue loans. 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 as these loans are technically repayable on demand and consequently are 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 30 September 2002 SD 000's	As 30 September 2001 SD 000's
French Loans	Euro 20,261	4,886,596	4,784,535
Japanese Yen Loans	Yen 5,526,190	11,454,471	11,458,495
Austrian Schilling Loans	Euro 6,575	1,585,846	1,552,608
Total Export Credit Loans		17,926,913	17,795,638

b) Other Loans

	As 30 September 2002 SD 000's	As 30 September 2001 SD 000's
Loans repayable in one year	941,371	180,495
Loans repayable after more than one year	2,054,843	1,624,455

The loans repayable after more than one year represents a loan in US Dollars of US$ 7,745 Thousand, repayable in eleven quarterly installments from 31 December 2003 to 30 June 2006 at interest rate of LIBOR plus 2% equivalent as at 30 September 2002 to SD 325,480. The loan is secured by plant and equipment and US$1,200 thousand is held in escrow.

The company has a US$ 10,000 thousand loan facility which at the year end was not drawn down. The loan is secured by US$ 20,000 thousand of fixed assets and US$1,300 thousand is held in escrow. been accrued for.

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, then no reliable estimate of their fair value can be made at present.

18. Sales

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

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

The analysis of all categories of sugar sales as follows:

	2002 Metric Tonnes	2002 Amount SD'000	2001 Metric Tonnes	2001 Amount SD'000
Domestic market quota	150,000	16,961,400	150,000	15,705,000
Export quota	195,104	20,161,859	238,775	22,978,905
Small Packages	1,122	125,741	1,218	145,190
Treacle	805	91,760	884	72,600
Molasses	121,090	1,484,704	118,876	1,053,341
		38,825,464		39,955,036

19. Finance Income and Cost

	2002	2001
Income:		
Bank interest receivable	89,361	184,993

	2002	2001
Cost:		
Bank/Loan interest payable	261,632	223,687

20. Tax

Development Tax

This represents 1% of gross annual sales in accordance with the taxation authorities resolution dated 15 July 1995. This was abolished on 01/01/01.

Tax Prepayment

SD 2,280,420 thousand is charged to the profit and loss account. This represents the amortization of the tax prepayment (see note 7).

21. Other Operating Income

	2002	2001
Proceeds from sales of fixed assets	43,320	17,191
Workshop Services	6,258	4,400
Miscellaneous	148,934	33,376
	198,512	54,967

22. Foreign Exchange Differences

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

23. Capital Commitments

The directors have authorized future capital expenditure amounting to SD 5,777 million (2001 SD 9,262 million).

24. Related Parties

a) Directors' Remuneration

The thirteen members of the Board of Directors, who have voting rights, as listed on page (2) of the Annual Report, received an aggregate remuneration of SD 56.1 Million (2001 – 84.4 Million).

b) Government of Sudan

The Government of the Sudan is a related party of the Company by virtue of its shareholding. As indicated in note 17, the Government must purchase 150,000MT of sugar but can buy additional amounts over and above this quota. During the year the Government purchased 183,660 MT with a total value of SD thousand 20,974,866 (2001 186,000MT with a total value of SD thousand 19,474,200). As at 30 September 2002 the Government owed the Company SD thousand 877,377 for these sugar purchases.

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. During the year KETS provided services to Kenana Sugar Company amounting to SD 11,415 thousand.

Report of the Auditors

To the Shareholders of Kenana Sugar Company Limited

We have audited the accompanying balance sheet of Kenana Sugar Company Limited as of 30 September 2002, and the related statements of income, and cash flows for the year then ended. These financial statements, set out on pages (13) to (28) are the responsibility of the Company's management and are prepared in conformity with the Company's Articles of Association. Our responsibility is to express an opinion on these financial statements based on our audit. This opinion has been prepared for and only for the company's members and for no other purpose. We do not, in giving this opinion, accept or assume responsibility 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.

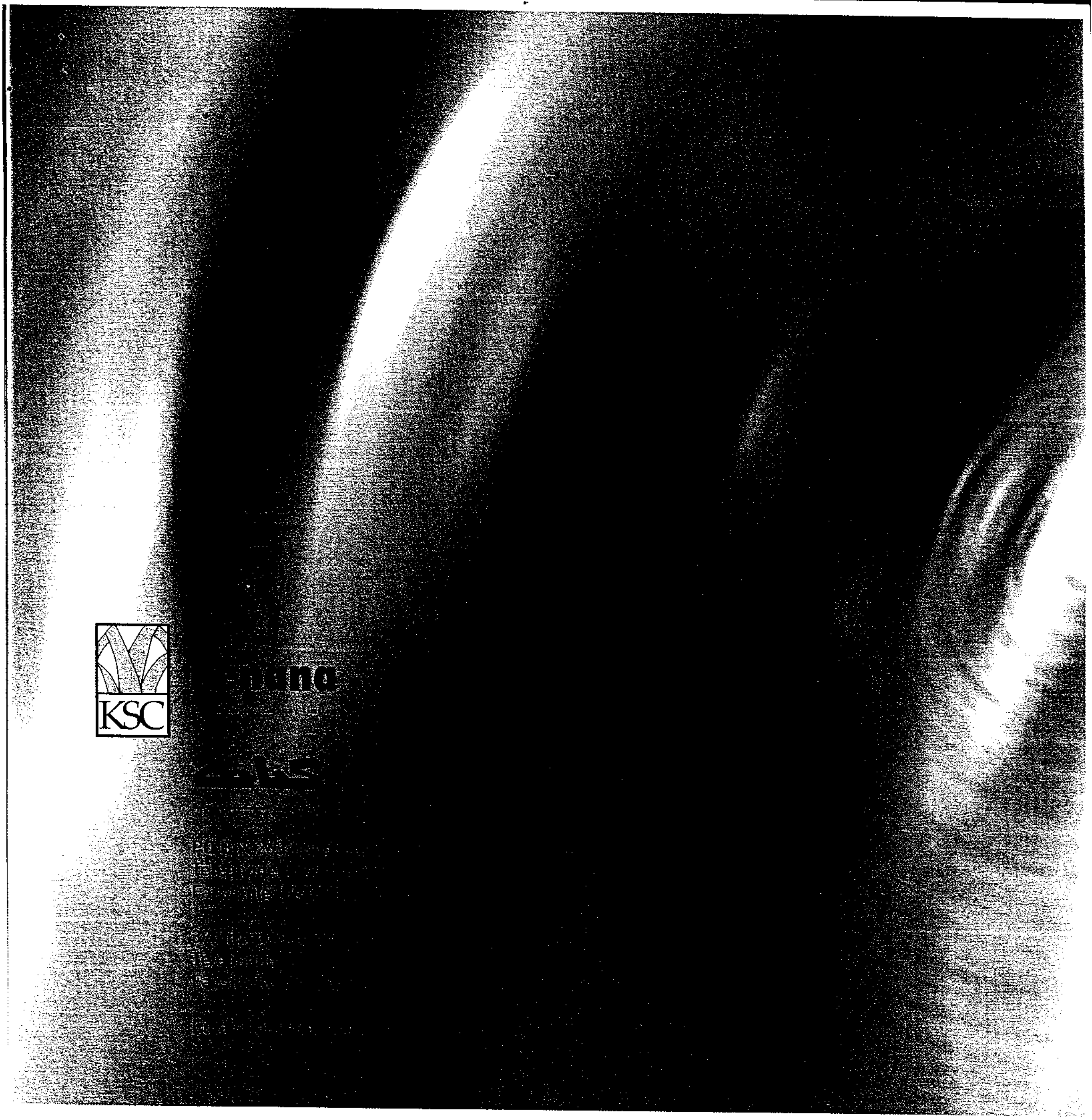
We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting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

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 September 2002, and of the result of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

We draw attention to Note 17 in the financial statements. Settlement of Export Credit Loans, repayments of which have been suspended, amounted to SD 17.9 billion, are to be re-negotiated. When completed, adjustment may be required to their carrying values. The Directors expect the Company will be able to finance rescheduled repayments. Consequently these financial statements have been prepared on a going concern basis. Our opinion above is not qualified in this respect.

PricewaterhouseCoopers
Date: February 2003
London

Banaga, Gassim & Co
Date: February 2003
Khartoum


KSC