

STATEMENT

Rai Holdings said they have acquired an additional 20% stake from the Government after it exercised its rights of pre-emption and the 10% stake initially reserved for Bunyoro

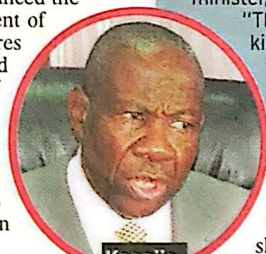
By Samuel Sanya and Pascal Kwesiga

The controversy over the Government's sale of a final 30% stake in Kinyara Sugar Limited has taken a new twist after officials at the company confirmed that majority shareholders — Rai Holdings Limited — has now acquired full control.

In a statement issued through Kirunda Magoola, the corporate communications manager at Kinyara Sugar Limited (KSL), Rai Holdings, previously the 70% shareholders, noted that they have acquired an additional 20% stake from the Government after it exercised its rights of pre-emption and the 10% stake initially reserved for the Bunyoro-Kitara kingdom.

"...it has, under an agreement with the Bunyoro Kitara Kingdom, financed the purchase from the Government of Uganda of 3,827,112.5 shares being 10% of the authorised and paid up capital of KSL and pursuant to that agreement acquired the said 10% shareholding, as well to make a total acquisition by Rai Holdings Limited of 30% Government shareholding in KSL," Magoola explained.

This comes three days after the *New Vision's* exclusive article regarding the transaction that has generated controversy. In the Wednesday article, the KSL general manager, R. Ravi, denied knowledge of the transaction involving over



Kasaija

Rai Holdings claims takeover in disputed Kinyara Sugar shares

KINGDOM DENIES AGREEMENT

Last evening, the Bunyoro kingdom's attorney general, Robert Irumba, said the parliament of the kingdom has not yet sat to discuss the alleged deal and that there are no official minutes of a meeting to discuss the same.

"We are not aware of that deal. I am totally green about it," he added.

Norman Lukumu, the kingdom's prime minister, also denied the reports.

"The Government had asked the kingdom to pay about sh28.7b to acquire the 10% shares in the company. The kingdom

does not have this money, but those are issues between the kingdom and the Government," he said.

Lukumu added: "I have heard some rumours about a sale of the shares for \$1m (about sh3.6b), but that is outrageous. I am travelling to Kampala to sort out this issue."

"Kinyara Sugar is on the kingdom's land and we want them to remit the ground rent that they owe. We have instructed the kingdom's lawyers to gauge the arrears that Kinyara Sugar has to pay," Lukumu said.

11 million shares.

In the *Gazette* published this week, the Privatisation Unit stated that the over sh86b transaction was concluded on June 30. The finance minister, Matia Kasaija, confirmed that Bunyoro-Kitara Kingdom sold the shares to another party. The *Gazette* shows the shares were purchased by Bunyoro-Kitara Kingdom and Rai

Holdings.

Rai's other shares

In addition to Kinyara Sugar, Rai Holdings Limited holds significant stakes in sugar milling plants in Kenya such as Sukari Industries in Homa Bay County and West Kenya Sugar Limited. It also owns Hoima Sugar Company and is planning to establish another plant in Kiryandongo district.

Rai Holdings was awarded an initial 51%

stake in Kinyara Sugar in 2006 by the Divestiture Reform and Implementation Committee (DRIC) for \$33.5m (about sh62.3b at the time), beating off competition from British management firm Booker Tate, the Madhvani Group consortium and Olam International of Singapore.

During the negotiations for the divestiture of the sugar plant, the Government said it reserved 10% shares for Bunyoro-Kitara Kingdom, 10% for the cane farmers and 10% for the factory employees and other members of the public. Under that arrangement, the Government effectively owned a 19% stake in the factory.

Over five years ago, the Government transferred its 19% shareholding to Rai Holdings to enable the Asian-owned company to expand its sugarcane processing capacity from 2,500 tonnes to 4,000 tonnes per day.

Kasaija confirmed that the Government sold its entire stake in Kinyara and that the transaction was closed last month. Over the weekend, Kasaija, while speaking during a visit to the financially struggling Atiak Sugar Factory, said the Government sold 'part' of its stake in Kinyara and bailed out the (sugar) plant in Amuru district with \$5.2m. The plant is owned by businesswoman Amina Hersi Moghe.