

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

1 (a) (i) Income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Income Statement

	Jan - Mar		
	2016	2015	
	US\$'000	Restated US\$'000	Change %
Revenue	28,847	32,291	-11%
Cost of sales	(26,495)	(27,377)	-3%
Gross profit	2,352	4,914	-52%
Gain/(loss) from fair value changes of other receivables, net	119	(544)	n/m
Distribution costs	(675)	(472)	43%
Administrative expenses	(2,262)	(2,439)	-7%
Other (losses)/gains, net	(163)	83	n/m
Operating (loss)/profit	(629)	1,542	n/m
Gain/(loss) on foreign exchange	1,804	(3,787)	n/m
Gain/(loss) on derivative financial instruments	853	(2,236)	n/m
Financial income	782	744	5%
Financial expense	(4,966)	(4,120)	21%
Share of results of joint ventures	2,726	(1,381)	n/m
Profit/(Loss) from continuing operation before income tax	570	(9,238)	n/m
Income tax benefit/(expense)	198	1,377	-86%
Net profit/(loss) for the period	768	(7,861)	n/m

n/m : not meaningful

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1 (a) (ii) Net profit/(loss) is arrived at after charging/(crediting) the following significant items:

	Jan - Mar		
	2016	2015	
	US\$'000	Restated US\$'000	Change %
Depreciation and amortisation expenses	3,957	2,656	49%
Foreign exchange (gain)/loss, net	(1,804)	3,787	n/m
(Gain)/loss on derivative financial instruments	(853)	2,236	n/m
Interest expense	4,966	4,120	21%
Interest income	(782)	(744)	5%
(Gain)/loss from fair value changes of other receivables	(119)	544	n/m
Loss on disposal of property, plant and equipment	-	9	n/m
<u>Additional information :</u>			
EBITDA	8,714	(3,206)	n/m

n/m : not meaningful

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1 (a) (iii) Statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Comprehensive Income

	Jan - Mar		
	2016	2015	Change
	US\$'000	Restated US\$'000	%
Net profit/(loss) for the period	768	(7,861)	n/m
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating IDR functional currency to US dollar presentation currency and foreign operation's financial statements	3,892	(8,859)	n/m
Items that may not be reclassified subsequently to profit or loss:			
Actuarial losses on post-employment benefits	-	-	n/m
Total comprehensive income/(loss) for the period	<u>4,660</u>	<u>(16,720)</u>	n/m
Profit/(loss) attributable to owners of the parent, net of tax	768	(7,861)	n/m
Profit attributable to non-controlling interests, net of tax	-	-	n/m
Profit/(loss) for the period, net of tax	<u>768</u>	<u>(7,861)</u>	n/m
Total comprehensive income/(loss) attributable to owners of the parent	4,660	(16,720)	n/m
Total comprehensive income attributable to non-controlling interests	-	-	n/m
Total comprehensive income/(loss) for the period	<u>4,660</u>	<u>(16,720)</u>	n/m

n/m : not meaningful

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1 (b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group			Company	
	As at 31/3/2016	As at 31/12/2015	As at 01/01/2015	As at 31/3/2016	As at 31/12/2015
	US\$'000	Restated US\$'000	Restated US\$'000	US\$'000	US\$'000
ASSETS					
Current assets:					
Cash and cash equivalents	9,519	8,687	14,124	632	724
Trade and other receivables	22,839	22,841	16,335	22,333	21,666
Inventories	13,689	11,161	11,729	-	-
Biological assets	1,099	1,057	1,172	-	-
Other assets	8,981	8,814	11,382	2	2
Total current assets	56,127	52,560	54,742	22,967	22,392
Non-current assets:					
Investments in subsidiaries	-	-	-	39,931	38,429
Investments in joint ventures	7,627	6,169	5,523	5,786	5,755
Other receivables	22,831	19,520	16,276	-	-
Property, plant and equipment	94,981	90,985	96,767	-	-
Investment property	2,423	2,430	2,460	-	-
Bearer plants	162,820	155,856	159,083	-	-
Land use rights	37,882	35,301	38,386	-	-
Deferred tax assets	10,334	9,757	7,116	-	-
Other assets	6,847	761	844	-	-
Total non-current assets	345,745	320,779	326,455	45,717	44,184
TOTAL ASSETS	401,872	373,339	381,197	68,684	66,576
LIABILITIES AND EQUITY					
Current liabilities:					
Income tax payables	707	1,867	2,334	-	-
Trade and other payables	64,254	52,984	53,977	2,070	2,074
Finance leases	569	422	1,235	-	-
Other financial liabilities	47,128	49,720	40,435	-	-
Total current liabilities	112,658	104,993	97,981	2,070	2,074
Non-current liabilities:					
Trade and other payables	22,186	11,189	9,484	-	-
Finance leases	196	188	598	-	-
Other financial liabilities	211,125	206,265	198,868	-	-
Other liabilities	4,175	3,832	4,216	-	-
Total non-current liabilities	237,682	221,474	213,166	-	-
Capital and reserves:					
Share capital	93,860	93,860	93,860	93,860	93,860
Other reserves	2,485	2,485	2,485	-	-
Retained earnings	(7,057)	(7,825)	13,077	(5,159)	(4,751)
Translation reserves	(37,756)	(41,648)	(39,377)	(22,087)	(24,607)
Equity attributable to the owners of the parent	51,532	46,872	70,045	66,614	64,502
Non-controlling interests	-	-	5	-	-
Total equity	51,532	46,872	70,050	66,614	64,502
TOTAL LIABILITIES AND EQUITY	401,872	373,339	381,197	68,684	66,576

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1 (b) (ii) Aggregate amount of group's borrowings and debt securities.

	As at 31/03/2016 US\$'000	As at 31/12/2015 US\$'000
Amount due within one year		
Secured	47,697	49,720
Total	47,697	49,720
Amount due more than one year		
Secured	211,321	206,265
Total	211,321	206,265

The secured by certain inventories, trade receivables, land rights, investment property, biological assets, and property, plant and equipment of the Group.

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1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Jan - Mar	
	2016	2015
	US\$'000	Restated US\$'000
Cash flows from operating activities		
Profit/(Loss) before tax	570	(9,238)
Adjustments for:		
Interest income	(853)	(744)
Interest expense	4,966	4,120
Amortisation of land use rights	296	292
Depreciation expense	3,661	2,364
Increase in provision for employment pension benefits	343	75
Loss on disposal of property, plant and equipment	-	9
(Gain)/loss on fair value changes in other receivables	(119)	544
Share of result of equity-accounted joint ventures	(2,726)	1,381
Net effect of exchange rate changes in consolidating entities	(2,749)	208
Operating cash flows before changes in working capital	3,389	(989)
Inventories	(2,091)	677
Trade and other receivables	182	(594)
Other assets	(5,879)	(2,980)
Trade and other payables	19,608	23,039
Other financial liabilities	(853)	2,237
Net cash flows from operations before tax	14,356	21,390
Income taxes paid	(1,231)	1,168
Net cash flows from operating activities	13,125	22,558
Cash flows used in investing activities		
Disposal of property, plant and equipment	-	12
Purchase of property, plant and equipment	(8,438)	(3,278)
Additions to biological assets	(1,126)	(3,192)
Purchase of land use rights	(352)	(773)
Interest received	312	326
Net cash flows used in investing activities	(9,604)	(6,905)
Cash flows from financing activities		
Proceeds from borrowings	35,249	26,096
Repayment of borrowings	(32,925)	(26,438)
Finance lease movement	131	(371)
Interest paid	(5,943)	(5,115)
Net cash flows used in financing activities	(3,488)	(5,828)
Net increase in cash and cash equivalents	33	9,825
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	8,196	14,124
Cash and cash equivalents, consolidated statement of cash flows, ending balance	8,229	23,949
Cash and cash equivalents included in consolidated cash flow consist of the following:		
Balance as in statement of financial position	9,519	25,186
Less : Bank overdraft	(1,290)	(1,237)
Cash and cash equivalents at the end of the period	8,229	23,949

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1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP	Share Capital US\$'000	Retained Earnings US\$'000	Translation Reserves US\$'000	Other Reserves US\$'000	Reserve on Post- Employment Benefit US\$'000	Total US\$'000	Non-Controlling Interests US\$'000	Total Equity US\$'000
Balance as at 1/1/2016	93,860	123,245	(74,085)	2,485	-	145,505	-	145,505
Cumulative effect of adopting FRS16 & FRS41	-	(131,070)	32,437	-	-	(98,633)	-	(98,633)
Balance as at 1/1/2016 (Restated)	93,860	(7,825)	(41,648)	2,485	-	46,872	-	46,872
Total comprehensive income	-	768	3,892	-	-	4,660	-	4,660
Balance as at 31/03/2016	93,860	(7,057)	(37,756)	2,485	-	51,532	-	51,532
Balance as at 1/1/2015	93,860	139,733	(63,348)	2,485	-	172,730	5	172,735
Cumulative effect of adopting FRS16 & FRS41	-	(126,656)	23,971	-	-	(102,685)	-	(102,685)
Balance as at 1/1/2015 (Restated)	93,860	13,077	(39,377)	2,485	-	70,045	5	70,050
Total comprehensive loss	-	(7,861)	(8,859)	-	-	(16,720)	-	(16,720)
Balance as at 31/03/2015	93,860	5,216	(48,236)	2,485	-	53,325	5	53,330

COMPANY	Share Capital US\$'000	Retained Earnings US\$'000	Translation Reserves US\$'000	Total Equity US\$'000
Balance as at 1/1/2016	93,860	(4,751)	(24,607)	64,502
Total comprehensive income	-	(408)	2,520	2,112
Balance as at 31/03/2016	93,860	(5,159)	(22,087)	66,614
Balance as at 1/1/2015	93,860	(4,487)	(17,563)	71,810
Total comprehensive loss	-	244	(3,749)	(3,505)
Balance as at 31/03/2015	93,860	(4,243)	(21,312)	68,305

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1 (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not Applicable.

1 (d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Total number of issued shares (the Company has not held any treasury shares):

As at 31 March 2016

287,011,177

As at 31 December 2015

287,011,177

1 (d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial statements have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

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4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation have been applied in these unaudited financial statements as those applied in the most recently audited financial statements as at 31 December 2015, except for the adoption of the new revised FRS which became effective for the financial year beginning on or after 1 January 2016. Further details are provided in note 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

Amendments to FRS 16 and FRS 41 Agriculture – Bearer Plants

The Group adopted the amendments to FRS 16 and FRS 41 with effect from January 2016. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, bearer plants will be measured under FRS 16 at accumulated cost until maturity. From maturity, any subsequent costs are expensed unless they enhance the future economic benefits of the assets. The agricultural produce growing on bearer plants remain within the scope of FRS 41 will be measured at fair value less costs to sell. We have applied these amendments retrospectively.

Based on its initial adoption on 1 January 2016, the Group's has to restate the statement of financial position as at 1 January 2015 as required by FRS 8 to be applied retrospectively. As at 1 January 2015 the total assets and deferred tax liabilities decreased approximately US\$131.5 million and US\$32.9 million respectively corresponding to a decrease of US\$98.6 million in total equity.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Jan - Mar	
	2016	2015
	US Cents	Restated US Cents
Earnings/(loss) per share for the period		
(a) based on weighted average number of shares	0.27	(2.74)
(b) based on a fully diluted basis	0.27	(2.74)
Weighted number of shares	287,011,177	287,011,177

The Company has consolidated 4 ordinary shares into 1 ordinary share in the capital of the Company and the weighted average number of ordinary shares in issue used for the calculation of earnings per share for the quarter ended 31 March 2015 has been adjusted for the effect of the Share Consolidation.

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7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

	Group		Company	
	As at 31/03/2016	As at 31/12/2015	As at 31/03/2016	As at 31/12/2015
	US Cents	US Cents	US Cents	US Cents
Net asset value per ordinary share	17.96	16.33	23.21	22.47
Number of shares outstanding	287,011,177	287,011,177	287,011,177	287,011,177

Net assets value per ordinary share for 31 March 2016 and 31 December 2015 are calculated based on value of net assets as at 31 March 2016 and 31 December 2015 respectively, divided by the total number of issued shares of 287,011,177.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of financial performance

Revenue and profit

The Group's revenue decreased by 11% from US\$32.3 million in 1Q 2015 to US\$28.8 million in 1Q 2016. The decrease was mainly due to lower Average Selling Price ("ASP") of CPO during the quarter despite an increase in sales volume. ASP of CPO decreased 13.5% from US\$584 to US\$505 whereas sales volume of CPO increased approximately 8% from 46,682 MT in 1Q 2015 to 50,264 MT in 1Q 2016.

The Group's Operating Profit ("OP") for 1Q 2016 decreased from a profit of US\$1.5 million in 1Q 2015 to a loss of US\$0.6 million whereas Net Profit After Tax ("NPAT") turned around from a loss of US\$7.8 million to a profit of US\$0.8 million. The decrease in OP this year was mainly due to significantly lower ASP of CPO, and higher distribution costs as compared to 1Q 2015. The increase in NPAT was similarly due to significantly lower ASP of CPO and higher distribution costs as mentioned above, higher interest expense offset by the foreign exchange gain, share of profit from joint venture and tax benefit for the quarter. The increase in interest expense was mainly due to additional loans obtained and more interests expensed instead of capitalised as more trees matured.

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Cost of operation

Total cost of sales decreased by 3% from US\$27.3 million in 1Q 2015 to US\$26.5 million in 1Q 2016. The decrease is proportionately less than the decrease in the revenue due to certain fixed costs components in the costs of sales. As for the variable components of the costs of sales, there was an increase due to increased sales volume.

The group has recorded a foreign exchange gain of US\$1.8 million arising from US\$ borrowings and advance payment, and unrealised gain on forward currency exchange contracts of US\$0.8 million.

Review of financial position

The Group

Shareholders' equity increased from US\$46.9 million as at 31 December 2015 to US\$51.5 million as at 31 March 2016 mainly due to profit for the quarter of US\$0.7 million and translation gain of US\$3.9 million.

As at 31 March 2016, the Group's total current assets increased by US\$3.6 million from US\$52.6 million to US\$56.1 million. Save for the movement in cash and cash equivalents as explained in cash flow section below, the remaining movement in current assets arose mainly from:

- a) increase in inventory amounting to US\$2.5 million as a result of higher level of finished goods as at 31 March 2016;
- b) increase in other assets amounting to US\$0.1 million as a result of additions in advance payment for purchases.

Total non-current assets as at 31 March 2016 increased by US\$25.0 million from US\$320.8 million to US\$345.8 million. This was mainly due to favorable exchange movement in Indonesian Rupiah against the United States dollars and the following:

- a) increase in investment in joint ventures amounting to US\$1.5 million mainly due to share of result for the quarter.
- b) increase of US\$7.0 million in the value of the bearer plant, attributable mainly to expenditure incurred on new planting, the maintenance of immature plantations, capitalisation of interest & depreciation and foreign exchange translation movement.

As at 31 March 2016, the Group's total current liabilities increased by US\$7.7 million from US\$105.0 million to US\$112.7 million. This was mainly due to the increase in trade and other payables of US\$11.3 million resulting from increase in trade advances received.

Total non-current liabilities as at 31 March 2016 increased by US\$16.2 million from US\$221.5 million to US\$237.7 million. This was mainly due to the increase in trade and other payables of US\$11.0 million for trade advances received and increase in long-term borrowings of US\$4.8 million as a result of new draw down of financing and foreign exchange movement during the quarter.

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Review of Group Cash flows

The closing cash and cash equivalents of the Group remained stable as at 31 December 2015 and as at 31 March 2016. Cash generated from operating activities was offset by net cash outflows from investing and financing activities.

The Group's operating cash flows were lower compared to 1Q 2015. This was mainly due to more trade advances received in 1Q 2015.

The Group reported net cash out flows from investing activities of US\$9.6 million mainly due to additions to property, plant and equipment, biological assets and land use rights. Net cash flows from financing activities were negative US\$3.5 million mainly due to repayment of borrowings and interests, offset by proceeds from borrowings.

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9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

With the El Niño effect, CPO prices have seen some improvement recently. We are hopeful that the decline in supply and stockpiles will support prices in the next few months. However we remain cautious and cognizant that other factors like crude oil price, supply of other vegetable oil and the level of global consumption that may also affect CPO prices. Our focus will remain on productivity, cost control and operational efficiency.

11. Dividend

(a) Current Financial Period Reported On

Nil

(b) Corresponding Period of the Immediately Preceding Financial Year

Nil

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the quarter ended 31 March 2016.

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13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	1Q 2016	1Q 2016
	<u>US\$'000</u>	<u>US\$'000</u>
Wilmar Group (Sales)	–	–
Wilmar Group (Purchases)	–	291
PT Berkas Wahana Sukses (Services Received)	–	–
PT Berkas Wahana Sukses (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012)	170	–
PT Alamindo Sejahtera Persada (Services Received)	–	–
PT Alamindo Sejahtera Persada (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012)	–	–

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14. Negative confirmation by the Board pursuant to Rule 705(5).

The Directors do hereby confirm that to the best of their knowledge, nothing has come to their attention which would render the unaudited financial statements for the period ended 31 March 2016 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Kent Surya
Finance Director
13 May 2016